

SUNLAND GROUP LIMITED

ABN 65 063 429 532

**Annual Financial Report
for the year ended
30 June 2004**

Sunland Group Limited and its controlled entities

CHAIRMANS' REPORT

On behalf of the Board of Directors I have pleasure in presenting the Annual Report and Financial Statements of Sunland Group Limited and its controlled entities for the year ended 30 June 2004.

The Group achieved a net profit result of \$55.2m after tax representing a 103% increase on the previous year. Earnings per share increased accordingly to 30.6 cents, with the asset backing increasing to 87.5 cents. It is important to note that the asset backing of the Group would be substantially higher if we were to realise the inherent value attached to our management rights business, as well as the retail and commercial assets of Circle on Cavill Retail and the Q1 observation deck. Return on shareholder equity increased from 28.9% to 29.4%.

Total revenue of \$390.5 million was up by 78.5% from \$218.8m for the previous year. However, joint venture sales activities of Q1 and Glades generated \$137m, of which Sunland took up \$68.5m in turnover for the year.

Given the high rate of sales across each project during the year, and the slow down now evident in the market, the sales revenue for the current year is not expected to be at the same levels. Q1 is now 90% sold and over 75% of Circle on Cavill is unconditional. The Group has maintained a strong policy for its presales on these major projects with 10% cash deposits required, before contracts are deemed unconditional.

The exceptional profit result occurred during a year of strong growth for the Group and the industry. As forecast, the high rise division contributed 60% of the profit which was generated primarily from the strata titling of Legends, Lumiere, and the balance of settlements on Aria. Emerging profits from Q1 and Circle represented approximately \$10m, and Melbourne's Yve contributed proportionally to the construction status. Land contributed some 22% with Melbourne's Sanctuary Lakes, Arbour on the Park and Orchard Park along with Queensland's Sea Breeze, being the major contributors. The Housing division contributed 15% flowing from Nerang River Springs, Easthill at the Glades and Newstead Terraces in Brisbane.

The progress of Q1 has continued to be a highlight for Sunland with construction well underway, on budget and on time. Its completion in August 2005, will see the iconic building recognised as the world's tallest residential tower – another major milestone in Sunland's evolution.

During the year, Sunland commenced construction on two other major projects, with the Circle on Cavill project as part of the revitalisation of central Surfers Paradise, and Yve on St Kilda Road, Melbourne. Profits generated from these projects will continue to contribute to the financial years 2005 - 2007.

The diversification of the portfolio has progressed significantly throughout the year as a consequence of new acquisitions of land and housing sites in regional Queensland and New South Wales, along with a joint venture agreement to develop the 25 acre Mercure Resort, Budds Beach site. Melbourne also secured a new property on St Kilda Road with a joint venture arrangement in place to develop its second high rise. Projects in the pipeline now total \$4.1 billion with a well balanced spread across land, housing and high rise. Land now comprises 51%, housing 14% and high rise 35%. **Of this portfolio \$2bn is underway with construction and pre-sales representing 70% of this work.**

The Group's new acquisitions which make up the balance of the \$4.1bn portfolio, will support the income streams through to 2010, in particular replacing the major high rise projects such as Q1 following its completion in 2005 and Circle on Cavill in 2007. Future acquisitions by the Group will be focused on areas which show strong population and infrastructure growth.

The Hotel division performed well with EBITDA of \$4.5m. During the year, Legends was refurbished and strata titled to provide the Group with strong profit income from an investment asset, as well as retaining management rights. The apartment building has continued to be marketed as Legends Hotel. Palazzo Versace has continued to increase its annual profit and this year was accepted into the prestigious membership of Leading Hotels of the World.

Sunland Group Limited and its controlled entities

CHAIRMANS' REPORT

Group Financial Growth

A prudent level of cash and unused bank facilities is maintained by the group to allow for acquisition of new sites. As at 30 June 2004 the Group had available cash of \$9.9 million and undrawn bank facilities of \$199 million which can be progressively drawn throughout each development. The group undertook its first rights issue in April this year, with a successful capital raising of \$43m (net of transaction costs) to further support the growth strategy, and augment the group's cash balance to optimise land and housing opportunities as they are identified. This has already been evidenced through the acquisition of sites such as Bushland Beach (Townsville, QLD), Forster (NSW) and Mackay (QLD).

Overall the Group's cash flow has been boosted by the steady flow of settlements from all completed projects, along with the successful rights issue.

Dividend

A 6 cents fully franked dividend was paid in July 2004. It is the intention of the Board to pay a 7 cents fully franked dividend for the next financial year, with an interim and final dividend proposed (February 2005 and August 2005).

Appointment of New Non-Executive Director

In May, Mr Terry Jackman was appointed as non-executive Director to the Sunland Board. This appointment is an important step forward in enhancing the board, to add value to the Group's business activities. In particular Mr Jackman's expertise in tourism and entertainment will be of immense value to the company's hotel division, management rights business and the commercial/retail operations of Q1 and Circle on Cavill. Mr Jackman also sits on the Audit Committee, and is the Chairperson of the Tourism Committee.

The Board will continue to evaluate appointments of other non-executive directors to add value and expertise to the existing board structure, and in order to meet the compliance requirements under corporate governance.

Annual General Meeting.

This year's annual general meeting will be held at Legends Hotel, Surfers Paradise on **November 18th, 2004**. I encourage shareholders and interested parties to attend this meeting.

The continued achievements of Sunland is a tribute to the efforts and dedication of the executive management and staff. The past year is testimony to the progress achieved as the Group continues its growth in diversification at the same time further strengthening its core business of land and housing. The group remains focused on its delivery of existing projects as it delivers the earnings forecast and further diversifies its opportunities to enhance the income stream over the longer term.

The future for Sunland is strong and bright, and I look forward to the year ahead.

The Board and Management believe the previously reported profit forecast of \$60m for 2005 is achievable, taking into consideration pending interest rate increases and a softening of the market in the next 12-18 months.



John Leaver
Chairman

Sunland Group Limited and its controlled entities

JOINT MANAGING DIRECTORS' REVIEW

'The Group's current acquisition strategy is to concentrate only on those areas which show strong future population and infrastructure growth, coupled with the delivery of a product that matches the market's needs in that particular geographic location.'

As Sunland celebrates its 21 years as a developer, and its ninth year as a listed entity on the Australian Stock Exchange, the past year has seen the culmination of past efforts reflected in the achievement of significant milestones for the group and its shareholders.

The Group has always held a long term objective to be part of the more recognised ASX indices. This goal was realised this year with the Group's entry into the ASX 300 recognising the growth in market capitalisation and increased liquidity.

Profit Growth

The Group was particularly proud of its record profit result of \$55.2m after tax producing the strongest result in the industry in relation to market capitalisation.

This profit was generated across all divisions in particular the completion of projects such as Legends, Lumiere, Easthill Residences and Nerang River Springs were major contributors. Overall high rise contributed 60% to the profit of the Group, Land contributed 22% and Housing 15%.

Construction

A key achievement for the year has been the progress through our construction division. Firstly the progress of Q1 which continues to be on budget and on schedule for completion in August 2005. The division also commenced two other high rise projects including Circle on Cavill in the heart of Surfers Paradise and Yve on St Kilda Road. One of the critical factors for the progress in this division has been the control of costs and the delivery of consistent quality. This has been achieved through a divisional support structure incorporating inhouse construction for high rise and housing, joinery and electrical. The division also commenced the Group's first low rise development in Brisbane – Newstead Terraces.

Continuation of Geographic Diversification

Another integral step in Sunland's growth strategy has been the continuation of our geographic diversification. This was achieved during the year with the opening of a Sydney office and the acquisition of four sites in land and housing in NSW.

Continuing to build our future pipeline through the land and housing portfolio has remained a core focus with the acquisition of sites in Central and Northern Queensland. We are now well established with good long term producing sites spanning from Northern and Central Queensland to S E Queensland, from the Central coast of NSW to inner Sydney and the fastest growing suburbs in Victoria.

Queensland has continued to represent the cornerstone of the Group's business activities which has largely been driven by Sunland's 'home ground' expertise, along with the continued strong forecast growth for the State's population. Acquisitions in the past 12 months have taken this growth into consideration at the same time strengthening our presence in NSW and Victoria as the right opportunities have arisen.

The successful capital raising of \$43m (net of transaction costs) through a rights issue in April enabled Sunland to participate in these site acquisitions to fulfil future growth plans.

Growth in Annuity Income

While the development arm of the business has strengthened year on year, the Group well recognises that this strategy alone cannot be replicated with growth earnings of 20% year on year. Accordingly, the Group's management rights business is integral to boosting the annuity income streams and the next few years will see the development arm produce assets that will enable Sunland's management rights business to substantially increase its contribution to the annual profit stream. Palazzo Versace's profit has continued to grow at a very healthy rate as it starts to optimise its true potential. We also retained the management rights of Legends following its successful strata titling during the year which contributed significantly to this year's profit.

Sunland Group Limited and its controlled entities

JOINT MANAGING DIRECTORS' REVIEW

In August 2005 Q1 will commence operations, followed by Circle on Cavill in 2006/2007. By 2010 the management rights business will have some 3,800 keys under management.

Supplementing the 'management rights' annuity income stream will be the income from the Observation Deck of Q1 and the retail precinct of Circle on Cavill which will commence operation towards the end of 2005 and add to the returns of 2006 and beyond.

Management identified some time ago the need to establish a property trust, with strategies well underway now to realise this objective as the income producing areas of the business grow.

The Group also expanded its product base with the commencement of its strategy to carve a niche in the child care centre arena. For Sunland this means developing child care centres as part of new housing precincts in growth corridors as well as stand alone centres identified in strong population areas. The Group has embarked upon the establishment of a number of centres with operational income from the division calculated from 2006 onwards.

Future

During the year strategic transactions were entered into for future developments post Q1 and Circle on Cavill. This included the joint venture agreements for the development of the Mercure Resort, Budds Beach site with City Pacific Limited and the second St Kilda Road high rise site with Melbourne based Pellicano Group which will be developed in the future.

The current pipeline is in the order of \$4.1bn representing some 10,000 products. The addition of significant land parcels during the year including NSW projects along with Bushland Beach in Townsville, Shoal Bay - Mackay, and Peregian on the Sunshine Coast have increased the land portfolio to a more desired level of 51%. Housing now represents 14% and high rise 35%.

Staff and Management

In recognising the group's achievement this year, it is important to equally acknowledge the astute and professional management team in all four offices and the divisions and subsidiaries of the Group which include hotels, design and construction groups, electrical, joinery and real estate teams. The Group's path of vertical integration last year, has proven that in-house services can cost effectively deliver the quality and service for which Sunland seeks to differentiate itself in the market.

As the divisions and offices expand along with the number of projects, maintaining a streamlined operation is critical to the ongoing success of the Group. We are extremely proud of the combined efforts of the Group in the past year, and the passion and vigour which is applied to every aspect of the business to produce a better outcome on every project undertaken. Similarly the hospitality arms of our business carry the same commitment to deliver the highest quality service.

Sincere thanks and appreciation are extended to everyone associated with all of Sunland's activities, for the challenges that they continually rise to, meet and strive to **'always do better'**.

Management is confident and excited about the year ahead as it continues on its charter of quality growth. The team is committed to achieving the Group's objectives and continuing to identify opportunities to enable solid growth and enhance shareholder value.



Soheil Abedian
Joint Managing Director



Sahba Abedian
Joint Managing Director

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

The directors present their report together with the financial report of Sunland Group Limited ("the Company") and the consolidated entity ("the Group"), being the Company and its controlled entities, for the year ended 30 June 2004 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.

John Leaver

Chairman (Non-executive director) - Director since March 1994.
B.Ec. (University of Sydney), Aged 60.

Appointed as Chairman in 1994, Mr Leaver is a licensed stockbroker with more than 20 years experience. He has specialist skills in the assessment of new projects and capital raisings. Mr Leaver is also Managing Director of Continental Venture Capital Limited.

Garry Rothwell

Non-Executive Director – Director since July 2001.
LFAPI, FAICD Aged 59

Mr Rothwell brings a wealth of property and banking expertise to the Group's board having held senior positions with Westpac Banking Corporation, Indosuez Australia, Wardely Australia and Citicorp Australia. He is a director of James Fielding Capital, and a director of Acacia Securities Limited and the Property Industry Foundation. Mr Rothwell is also a life fellow of the Australian Property Institute, and a fellow of the Australian Institute of Company Directors.

Terry Jackman

Non-Executive Director – Director since 1 May 2004 Aged 63

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. He currently holds a number of board positions including Chairman of Tourism Queensland, and Director of Prime Television Limited.

Soheil Abedian

Executive Director – Director since March 1994.
Dip Arch Masters Degree in Architecture with Honours (University of Graz, Austria), Aged 55.
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. Mr Soheil Abedian is Joint Managing Director

Sahba Abedian

Executive Director – Director since January 2001.
LLB, (Bond University) Aged 28

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 Joint Managing Director along with Mr Soheil Abedian. He was admitted into the Supreme Court of Queensland in 1998 as a solicitor.

Craig Treasure

Executive Director – Director since April 2002
Bachelor of Applied Science - Surveying (QUT) Aged 42

Mr Treasure was the principal of Treasure & Associates providing surveying and town planning consultancy. In 1998 he joined the Sunland Group where he established the Melbourne operations with CEO Victoria, Sahba Abedian, prior to returning to Queensland. He is currently National Director Land and Housing developing Sunland's expansion into Brisbane, regional Queensland and Northern New South Wales.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

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	Remuneration Committee		Nominations Committee		Board Meetings		Audit Committee Meetings	
	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held
Mr John Leaver	-	-	1	1	6	6	-	-
Mr Soheil Abedian	2	2	1	1	6	6	-	-
Mr Sahba Abedian	2	2	1	1	6	6	-	-
Mr Garry Rothwell	1	2	1	1	6	6	4	4
Mr Craig Treasure	1	2	1	1	6	6	4	4
Mr Terry Jackman	-	-	1	1	-	1	-	-

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 hotel investment, operations and management rights.

There was no significant change in the nature of those activities during the year.

Employees

The consolidated entity employed 860 employees as at 30 June 2004 (2003: 632 employees).

Consolidated Result

The consolidated profit after income tax for the year attributable to members of Sunland Group Limited was \$55,216,000 (2003: \$24,462,000).

Review and results of operations

LAND SUBDIVISION

The group is currently developing a total of 3,109 land allotments across the following projects:-

Bushland Beach, Townsville (Qld) - Total realisable sales in the project \$200m

2000 lots acquired for staged development on a 320 hectare parcel at Bushland Beach Estate - one of Townsville's northern beach suburbs. The site is zoned residential/commercial and will yield 3ha in commercial, 5.5 ha in caravan park/tourist facilities and 230 ha allocated to residential allotments. One third of the allotments will have ocean views. 100 allotments will be completed by June 2005.

Seabreeze Estate - Moreton Shores (Qld) - Total realisable sales in the project \$18.5m

91 lot subdivision, at Cleveland. Development approval received. Staged launch commenced June 2003 – with 7 lots available.

Arbour on the Park (Taylors Road, Vic) - Total realisable sales in the project \$83m

592 lot subdivision. Stages 1-4 comprising 173 lots launched in early July 2003, with only 35 lots left for sale. Stage 5 comprising 43 lots released April 2004 – 5 sold. Total released – 216 with balance of project to be developed over next 3-4 years – completion approx 2007.

Clover Hill - Somerset (Qld) - Total realisable sales in the project \$42m

200 lot Residential and Housing estate. Development approval obtained late 2003, with 52 lots released in February 2004. 16 lots sold to date.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

Picton, NSW - Total realisable sales in the project \$56m

141 one acre lots – rural residential allotments South West of Sydney. Development approval to be obtained. Unconditional contract, with final settlement of site April 2005.

Elof Road, Caboolture (Qld) - Total realisable sales in the project \$10.2m

85 Res A allotments. Development approval to be obtained by late 2004, with works to commence prior to Christmas 2004. Completion March 2005.

Pending Land Acquisitions

In June 2002, the group entered into an option agreement for 800 ha (4,000 dwellings) at Port Macquarie with 7 km beachfront for \$11.5m, (subject to NSW Government approval).

RESIDENTIAL HOUSING

The residential housing portfolio comprises 1039 products

Signature at Sanctuary Lakes (Vic) - Parcel 1 Total realisable sales in the project \$47m

114 dwellings in Residential Housing estate to be developed in two stages. Parcel one launched in February 2003 with 58 homes settled and 22 unconditionally sold.

Signature at Sanctuary Lakes (Vic) Parcel 2 Total realisable sales in the project \$67m

128 dwellings to be launched June 2004. This parcel will be a six stage development to be completed over a three year period.

Arbour on the Park (Taylors Road, Vic) - Total realisable sales in the project \$45m

120 homes (as part of 592 lot subdivision- refer land estates). Project to be developed over three stages – completion approx 2005.

River Springs Country Club - Nerang (Qld) - Total realisable sales in the project \$65m

288 zero lot houses and villas. Sold out and settled in early 2004.

The Glades Easthill Homes (Qld) - Total realisable sales in the project \$80m

185 villas and zero lot houses. This project is a joint venture with the international development company Thakral, developed in 7 stages on Glades International Golf Course. Stages 1- 4 sold and settled. Only two homes remain in stages 5A and 6A – with stage 5A settled in May 2004. Balance of stages 5B and 6B (42 homes) – released with only 19 homes remaining for sale.

Bourton Road, Merrimac, Gold Coast - Total realisable sales in the project \$12m

40 duplexes. Construction and marketing commenced late 2003 with 27 sold to date.

Reserve Road (I & II) Coomera (Qld) - Total realisable sales in the project \$15m

160 residential houses as part of two development parcels + child care site. Development approval received and construction commenced in June 2004.

Castlebrae, Castle Hill - Sydney - Total realisable sales in the project \$8m

4 luxury homes to start construction in October 2004.

MEDIUM DENSITY RESIDENTIAL (LOWRISE)

The medium density portfolio currently totals 286 products

The Glades – Glasswing Condominiums (Qld) - Total realisable sales in the project \$50m

96 condominiums – Stage 1 (32 condos) commenced marketing and construction October 2003. Completion November 2004.

Newstead Terraces – Brisbane (Qld) - Total realisable sales in the project \$33m

61 apartments - medium density development in Newstead river precinct. Development approval received in May 2003. Marketing and construction commenced late August 2003 with completion by December 2004. 34 sales to date.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

Louisa Road, Birchgrove - Total realisable sales in the project \$50m

12 luxury residential apartments. Development approval expected by September 2004.

Edmonstone Road, Bowen Hills (Qld) - Total realisable sales in the project \$64m

115 units. Pending development approval.

Cammeray Road, Cammeray (NSW) - Total realisable sales in the project \$9m

2 luxury villa apartments. Development approved – construction to commence September 2004 – completion September 2005.

MULTI-STOREY RESIDENTIAL

The high-rise division currently comprises 1,851 products, with notably less than 20% of the portfolio available for sale and a delivery program of 2006/2007.

Q1- World's Tallest Residential Tower, Gold Coast (Qld) - Total realisable sales in the project \$445m

A joint venture between Sunland Group Limited and Anderson family. An 80 storey residential tower in the heart of Surfers Paradise. 527 units and roof top observation tower with 1,200m² of retail. Construction commenced 1 July, 2002. 58 apartments left for sale. Completion August/September 2005.

Lumiere, Marine Parade, Labrador (Qld) - Total realisable sales in the project \$62m

92 luxury unit development comprising 22 storeys. Construction commenced in October 2002. Only 4 apartments left for sale – with penthouse and sub-penthouses sold out first. Completed April 2004 – 92% of the building has settled.

Circle on Cavill – Heart of Surfers Paradise Redevelopment (Qld) - Total realisable sales in the project \$492m

1.4 hectare land acquired in early 2001 from Japanese company Jimna Group. Development approval received in November 2002 for multi-use residential/retail development.

637 apartments + 11 home offices (648)

South Tower – 49 storey tower (272 apartments) launched in December 2002

North Tower – 69 storey tower (365 apartments) launched in April 2003

<i>Sales to date</i>	South Tower	215 (out of 272 apartments)
	North Tower	228 (out of 365 apartments)

Construction commenced October 2003. Completion of South Tower – mid 2006, Completion of North Tower – early/mid 2007.

YVE - St Kilda Road – (Vic) - Total realisable sales in the project \$180m

This site was purchased in March 2001. 210 condominiums in a twin tower luxury development, with marketing commenced in early June 2003. 46 apartments are unsold (at the lower levels). Construction commenced in February 2004 – completion due early 2006.

Legends Hotel – Gold Coast (Qld) - Total realisable sales in the project \$65m

205 apartments (403 keys). Strata titled in July 2003 - 184 settled and only 16 now unsold. Retail sold.

Note: Management is retained by Sunland Hotels and Resorts.

Avalon – Wahroonga Place, Surfers Paradise- Total realisable sales in the project \$107m

This site was purchased in October 2003. 169 units proposed with development approval lodged (approval expected by July 2004), with construction to commence by September 2004. Completion April 2006. Pre-release marketing commenced in January 2004 with 23 sales to date.

RETAIL & COMMERCIAL

Circle on Cavill

As part of integrated residential development with 9000 sq m retail and 1000 sqm commercial area.

Lease documentation with key anchor tenants (including major supermarket, furniture concept store, flagship surf store and mega-pharmacy) currently being finalised with strong interest from smaller specialty tenancies. Construction commenced in October 2003 with completion / opening in December 2005.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

Q1 Observation Deck

Sunland has acquired 50% of the observation deck/merchandise store and will manage the Observation Deck (capacity 400 persons).

TOURISM & LEISURE MANAGEMENT (INCORPORATING MANAGEMENT RIGHTS)

Managed by Sunland Hotels and Resorts

This division currently comprises 772 keys under management and operation through existing activities of Palazzo Versace, Legends and Lumiere. In August 2005, 527 keys will be added through Q1. By mid 2007 Sunland will have some 2,200 keys under management.

Legends Hotel – serviced apartments

205 all suites resort hotel in Surfers Paradise which is now in its 6th year of operation (a total of 403 keys under management).

Palazzo Versace – Hotel

The hotel comprises 205 rooms (plus 72 condominiums) and opened in September 2000. This hotel is the first branded hotel by the renowned fashion house Gianni Versace.

Palazzo Versace is 100% owned by Sunland Group Limited and operated by Sunland Hotels and Resorts a subsidiary of Sunland Group Limited.

Lumiere, Marine Parade, Labrador – 92 apartments

Management of the apartment building commenced operations in April, 2004.

Q1- 527 apartments

Sunland has acquired the management rights for Q1. Operation will commence in August 2005.

Circle on Cavill – 637 apartments

The first tower of Circle will commence operation in mid 2006, followed closely by the second tower - end of 2006/early 2007.

Avalon – Wahroonga Place, Surfers Paradise- 170 riverfront apartments

Marketing commenced. Development approval received and construction commenced in August 2004.

For accounting purposes – Sunland does not include the value of the management rights for each high rise complex – current projects operated include Lumiere, Legends and Palazzo Versace with an inherent value of \$14m. Q1 and Circle on Cavill will enhance this amount further and will come in between 2005 and 2007.

CHILD CARE CENTRES

In early November 2003 the Group announced the addition of a new division CHILD CARE CENTRES, with the Group currently seeking to incorporate child care centres into its residential estates under development, as well as acquiring existing centres, and new development sites. Where appropriate, Sunland will also incorporate centres within resort residential high rise apartments, recognising the need for child care during vacation.

Sunland's child care centre program will incorporate early childhood development, before and after school care, vacation and resort care, academic tuition and parenting programs. It is envisaged that the Group will have its first child care centre operational in the latter part of 2004/early 2005. Income from this division has not been factored into the Group's forecast until 2006.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

Dividends

The Company paid the 2003 final ordinary fully franked dividend of 3.0 cents per share amounting to \$5,137,800 on 3 November 2003.

The Company declared on 1 July 2004 a final ordinary dividend of 6.0 cents per share, amounting to \$12,874,505.52 and franked to 100% with class C (30%) franking credits in respect of the year ended 30 June 2004. This was paid on 30 July 2004. As the dividend had not been declared at year-end, it has not been recognised in the financial statements at 30 June 2004.

Significant Changes in the State of Affairs

In the opinion of the 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 reports.

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.

Significant Events Subsequent to Balance Date

On 2 July 2004 the directors declared a dividend payment of 6 cents fully franked with an effective record date of 16 July 2004 and a payment date of 30 July 2004.

On 23 July 2004 Sunland Group Limited entered into an agreement for a land development at Mackay "Shoal Bay". Sunland has signed an \$11.9m conditional contract for a 58.3 hectare site that will yield approximately 350 allotments over a five to six year period.

On 17 August 2004 Sunland Group Limited acquired a 12 hectare site at Forster in New South Wales for \$14.9m. The site has a current development approval for 119 residential allotments.

The financial effects of the above transactions have not been brought to account in the financial statement for the year ended 30 June 2004. The above transactions represent acquisitions made in the normal course of business.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments and Expected Results

The consolidated entity will complete existing projects and continue to pursue other quality property developments to enhance profitability. The Group has a number of projects at hand which provide the foundation for the current year's profitability.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' and Senior Executives' Emoluments

The Directors have agreed that under the Company's Constitution, the directors are to be paid remuneration for ordinary services such sum as may from time to time be determined by a meeting of members. The remuneration policy is to ensure the remuneration package of the Board Members and Senior Executives

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

properly reflects the person's duties and responsibilities; and the remuneration is competitive in attracting and motivating people of high quality.

Details of the nature and amount of each major element of the emoluments of each director of the Company, and each of the five named officers of the Company and the consolidated entity receiving the highest emoluments are:

Directors

	Annual Emoluments			Long Term Emoluments			Super-annuation \$
	Base Fee	Bonus	Other	Options Vesting During the Current Period	Amortised Cost \$	% of Remuneration	
	\$	\$	\$	Number Granted			
Non Executive							
John Leaver	65,400	-	7,564	-	-	-	-
Garry Rothwell	60,000	-	7,564	-	-	-	5,400
Terry Jackman	10,000	-	7,564	-	-	-	900
Executive							
Soheil Abedian	440,000	-	7,564	-	-	-	83,200
Craig Treasure	215,566	-	14,736	250,000	45,000	15.7%	11,002
Sahba Abedian	220,185	-	7,564	-	-	-	19,817

Senior Executives (Excluding Directors) of the company and the consolidated entity

	Annual Emoluments			Long Term Emoluments		Super-annuation \$
	Base Fee	Bonus	Other	Options Vesting During the Current Period	Amortised Cost \$	
	\$	\$	\$	Number Granted		
John Tatler	113,257	-	7,564	125,000	20,000	91,743
David Brown	147,161	-	11,647	250,000	40,000	22,837
Anne Jamieson	135,232	-	10,669	125,000	20,000	18,214
Grant Harrison	138,440	-	7,564	125,000	20,000	12,460
Scott Springer	79,790	-	7,564	37,500	10,938	7,181

The company has adopted the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share Based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e., forfeitures). Included in the amounts disclosed above as option grant emoluments in relation to the 2004 financial year, are amounts related to options that vested during or over the 2004 financial year, which were granted and therefore disclosed as part of emoluments in prior years as well.

Options granted as part of director and executive emoluments have been valued using a Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

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 Stock 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 J S Leaver	41,584,413	-
Mr Terry Jackman	75,000	-
Mr Soheil Abedian	54,306,663	-
Mr Sahba Abedian	5,786,250	-
Mr Craig Treasure	1,846,204	250,000

Share Options

At the date of this report, unissued ordinary shares of the company under option are:

Expiry date*	Exercise price	Number of options
26 November 2004	\$0.30	250,000
From 1 January 2008 to 1 July 2009	\$0.45	4,400,000
From 1 January 2008 to 1 July 2009	\$0.50	700,000
2 April 2008	\$0.55	300,000
2 April 2008	\$0.56	300,000
28 October 2010 to 13 January 2011	\$0.60	1,500,000
14 October 2010 to 5 May 2011	\$0.70	900,000
28 August 2011 to 19 November 2011	\$1.20	1,400,000
1 October 2010 to 27 October 2011	\$1.23	900,000
		<u>10,650,000</u>

*The options offered to executives are exercisable progressively over a five-year period from the third anniversary of their employ. The first of these options expire on the earlier of the employee's termination or progressively from 1 January 2008 until 19 November 2011.

These options do not entitle the holder to participate in any share issue of the Company or any other related body corporate.

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows:

Number of Shares	Amount paid on each share
500,000	\$0.30
1,000,000	\$0.45
200,000	\$0.50
100,000	\$0.55
200,000	\$0.56

There were no amounts unpaid on the shares issued.

Indemnification and Insurance of Officers

Since the end of the previous year the Company has paid insurance premiums of \$83,202 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.

Sunland Group Limited and its controlled entities

DIRECTORS' REPORT

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.
- 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.

International Financial Reporting Standards

The Company has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Refer to Note 2 in the Notes to the Financial Statements for a detailed overview of the potential impacts upon the consolidated entity.

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.

Signed in accordance with a resolution of the directors.



Sahba Abedian
Managing Director

Dated at Surfers Paradise this 29th day of September 2004.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

This statement outlines the Group's approach to the 10 principles of Good Corporate Governance and Best Practice identified by the ASX Corporate Governance Council (ASX CGC).

Unless otherwise stated, the Group's corporate governance practices were in place throughout the year ended 30 June 2004, and accordingly comply with ASX CGC best practice recommendations.

Throughout the year, the Board through the Audit Committee has focussed closely on the existing and emerging corporate governance issues. The Group's entry to the ASX 300 during the year has also necessitated enhanced compliance, in particular with the requirements for independence at a board and sub committee level. Consequently, a new independent board member, Mr Terry Jackman was appointed bringing expertise to the tourism activities of the Group. As the group implements new policies and procedures it will further strengthen its compliance with the ASX CGC best practice.

While the board fully recognizes the ASX CGC best practice recommendations, and indeed will aim for total independence at a board level by 2005, it still believes in a mix of independence, experience and expertise.

1 ROLE AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

ASX CGC Principle No. 1

Lay Solid Foundations for management and oversight

ASX CGC Recommendation 1.1

Formalise and disclose the functions reserved to the Board and those delegated to Management

Sunland Practice:

Sunland's Board is responsible to shareholders for the corporate governance of the Group. This responsibility includes:

- strategic guidance and effective oversight of management;
- monitoring of respective roles and responsibilities of Board members and senior executives;
- ensuring a balance of authority so that no single individual has unfettered powers;
- contribution to and approval of the corporate strategy of the Group;
- monitoring the organisation's performance and achievement of its corporate strategy;
- approving and monitoring the progress of significant corporate projects, including acquisitions and sales;
- reviewing and approving the annual business plan and financial budget;
- monitoring financial performance including preparation of financial reports and liaison with auditors;
- appointment and assessment of the performance of the Executive Directors; and
- ensuring that significant risks have been identified and appropriate controls and procedures implemented.

The Board of Sunland believes that the entrepreneurial activity of the group to be the responsibility of the Joint Managing Directors and the Executive Management. The Board's role is to monitor and measure the activities carried out by the management team.

Role of Joint Managing Directors

A strategic balance of business roles and responsibilities is carried out between the Joint Managing Directors alongside National Director Land and Housing. The positions of Joint MD are carried out by the founder of the group, Mr Soheil Abedian and Mr Sahba Abedian. National Director Land and Housing is Mr Craig Treasure.

Below details the shared responsibilities of the three executive directors which ensures a balance of geographic focus as well as specialist skills in their respective areas of expertise.

Soheil ABEDIAN (based – Gold Coast, Sydney)

- Oversees all Project Concepts and Design
- Oversees all project feasibilities, acquisitions and recommendations to Board
- Reviews and approves all management and staff salaries (Member of Remuneration Committee)
- Manages relations with investors, key stakeholders, institutions, brokers and analysts
- Monitors cash flow and group financial performance in conjunction with Equity & Funding Manager/Financial Controller

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Sahba ABEDIAN (Joint MD – based in Gold Coast/Melbourne)

- Oversees Victorian operations
- Jointly oversees NSW operations
- Member of Remuneration Committee (Vic rep)
- Responsible for NSW and Vic Management and Staff
- Responsible for assessment and recommendation of new site acquisitions in Victoria

Craig TREASURE (National Director Land and Housing) – based Gold Coast/Brisbane

- Oversees all land and housing activities in Qld and NSW
- Assists with Victorian land and housing activities
- Recommends site acquisitions for land and housing in Qld and NSW
- Member of Remuneration Committee (Qld rep)
- Permanent invitee to Audit Committee

Executive Management Structure.

The three directors comprise the core of the Executive Committee representing the geographical spread of the group, together with department/divisional heads managing the key business divisions of the group. The Executive Committee meets on a monthly basis to review feasibilities and the status of each project. These meetings also include the review of hotel operations, child care and general administration of the group. Land, housing and highrise divisions meet weekly.

Board of Directors	Remuneration Committee	Executive Directors	Executive Committee
Mr John Leaver <i>(Chairperson)</i> Mr Garry Rothwell Non-Executive Director <i>(independent)</i> Mr Terry Jackman Non-Executive Director <i>(independent)</i> Mr Soheil Abedian <i>Executive Director</i> Mr Sahba Abedian <i>Executive Director</i> Mr Craig Treasure <i>Executive Director</i> (Sunland Board Meets Bi-Monthly)	Mr Soheil Abedian Mr Sahba Abedian Mr Craig Treasure Mr Garry Rothwell (Meets min. annual and as required)	Mr Soheil Abedian <i>Joint Managing Director</i> Mr Sahba Abedian <i>Joint Managing Director</i> Craig Treasure <i>National Director Land and Housing</i> All Executive Directors sit on the Executive Committee.	Mr David Brown <i>National Design Director</i> Mr Grant Harrison <i>Equity and Funding Manager</i> Mr Stephen Hall <i>CEO Childcare</i> Mrs Anne Jamieson <i>General Manager QLD</i> Mr Scott Springer <i>Financial Controller</i> Mr John Tattler <i>National Construction Manager</i> Mr Riaz Rezvani <i>Residential Housing Manager</i> Chris Betts <i>VIC/SA Development Executive</i> Sam Renauf <i>Development Executive NSW</i> Gary Kordic <i>QLD/NSW Development Executive</i> (Sunland's Executive Committee meets monthly)
Company Secretary Mr Grant Harrison	Audit Committee Mr Garry Rothwell <i>Chairperson</i> Mr Terry Jackman Mr Scott Springer <i>Secretary</i> <i>Invited members</i> (Mr Craig Treasure, Mrs Anne Jamieson, Mrs Despina Priala, Mr Grant Harrison, Ernst and Young) <i>Representatives</i> (Meets quarterly)		
	Nominations Committee Mr Craig Treasure <i>Chairperson</i> (Nominations directed through Mr Craig Treasure for representation to the Board)		
	Tourism committee Mr Terry Jackman Mrs Anne Jamieson Mr Sahba Abedian <i>Hotel Representatives</i> (Meets Quarterly)		

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Site Acquisitions

A delegated level of authority is vested with the Joint Managing Directors, with sign off required by **all** directors for acquisitions above this delegated level of authority, a prerequisite before site purchase. No acquisition is made without unanimous board approval.

Capital Expenditure for the Group including hotel operations is approved on an annual budget basis tabled at Board Level.

2 COMPOSITION OF THE BOARD

ASX CGC Principle No. 2.1

Structure the Board to add value

Council Recommendation No. 2.1

A majority of the board should comprise independent directors.

Sunland Practice:

Sunland's existing Board structure comprises three non-executive directors (two of whom are independent) and three executive directors. The current structure does not comply with the ASX guidelines for a majority of independent directors, however the Board believes the expertise of the individual members of the Board provides optimum management and oversight on behalf of and in the best interests of shareholders. Sunland intends to move progressively to compliance as and when appropriate independent non-executive directors are identified with the relevant expertise to enhance the current skills of the Board.

Directors may seek independent advice on business acquisitions or for strategic direction. Directors having a conflict of interest in relation to a specific issue of business must table such interest prior to the Board discussing the issue. If appropriate the Board may ask that particular director to be absent from the discussion, and excluded from voting.

Sunland's executive management team comprises 3 executive directors, with monthly meetings held to review the Group's business and accordingly recommend issues to the bi-monthly board meetings.

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

Non-executive Directors

Mr John Leaver – Director since March 1994

Mr Garry Rothwell – Director since July 2001

Mr Terry Jackman – Director since May 2004

Executive Directors

Mr Soheil Abedian – Director since March 1994

Mr Sahba Abedian – Director since January 2001

Mr Craig Treasure – Director since April 2002

Appointment, re-election and retirement

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 3 and not more than 10 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 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 3 or more years and for 3 or more AGMs since he or she was 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.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

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, an Audit Committee, Remuneration Committee and a Nominations Committee have been established. The objectives of the Audit Committee are summarised in CGC principle No. 4.

Council Recommendation No. 2.2

The chairperson should be an independent director

Sunland Practice:

The Group's chairman, Mr John Leaver is a non-executive director and has a background of over 25 years experience in stockbroking and capital management. While not considered to be independent within the definition of the Guidelines because of his substantial shareholding in the Company, John provides invaluable experience to the group.

Council Recommendation 2.3

The roles of the chairperson and chief executive officer should not be exercised by the same individual.

Sunland Practice. *Sunland Complies*

Chairman, Mr John Leaver and Joint Managing Directors, Messrs. Soheil and Sahba Abedian have separate roles. The chairman is responsible for guiding the Board in its duties. The roles of Messrs. Soheil and Sahba Abedian along with National Director - Land and Housing, Mr Craig Treasure are the day to day management of the Group's business activities as outlined in the schedule per section 1 (Roles and Responsibilities).

Council Recommendation 2.4

The Board should establish a Nomination Committee.

Sunland Practice: *Sunland Complies*

A Nominations Committee for assessing new Board candidates and making recommendations to the Board has been established with National Director Land and Housing, Mr Craig Treasure as the chairman of this committee, with recommendations tabled to the Board for consideration, further evaluation and formal approval.

3 ETHICAL AND RESPONSIBLE DECISION MAKING

CGC Principle No. 3

Promote ethical and responsible decision making

Council Recommendation 3.1

Establish a code of conduct to guide the directors, chief executive (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- i. the practices necessary to maintain confidence in the Company's integrity
- ii. the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Sunland Practice: *Sunland complies*

The Group has in place human resources policies and codes of conduct as part of employment contracts. This includes the need for all directors, management and staff to respect the integrity of the Group and are expected to comply with the performance duties outlined in their respective schedule of duties, along with a standard code of conduct regarding internet access and use, and privacy act (SPAM) guidelines. Moral conduct during office hours, and respect for the assets of the group used during office hours.

The hotels division and construction division of the group comprise the standard Group code of conduct in addition to specific ethics expected in their industry.

Further the appointment of an in house legal counsel in the 2003/2004 year has enabled the introduction of a compliance manual for the group and its individual divisions.

Joint Managing Director, Mr Soheil Abedian is also an Honorary Professor at Griffith University (Gold Coast) and lectures in business ethics.

Council Recommendation 3.2:

Disclose the policy concerning trading in company securities by the directors, officers and employees.

Sunland Practice: *Sunland Complies*

The Group's top 20 shareholders include members of the Board including Chairman, Mr John Leaver, Joint Managing Directors, Messrs Soheil and Sahba Abedian and National Director Land and Housing, Mr Craig Treasure. Further the group's executives have a share option scheme in place which can be exercised proportionally over a 5 year period.

Accordingly, directors must advise the General Manager or Company Secretary of any intention to exercise to ensure that it does not conflict with a reporting announcement to shareholders whereby it would be seen that directors have acted upon prior market information. Similarly members of the executive with knowledge of reporting disclosures – must first consult the Company Secretary/Financial Controller before share activity is undertaken. Directors must advise the Group's General Manager, or company secretary of any share activity within 5 business days after the trading to enable the group to advise the ASX.

The following policy outlining the group's practice which incorporates the above procedure for all ASX announcements is in place.

Trading Policy for Directors

Sunland Directors may only trade in Sunland shares 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 following the Annual General Meeting. At other times the directors may trade with the approval of two non-executive directors, one of which must be the Chairman. Trading in Sunland shares at any time also requires the approval of two non executive directors, one of which must be the Chairman. However, irrespective of these approval stipulations, if an individual is in possession of any non-public, price-sensitive information relating to Sunland, then that person is prohibited from trading.

4 INTEGRITY IN FINANCIAL REPORTING

ASX CGC Principle no. 4

Safeguard integrity in financial reporting

Council Recommendation 4.1

Require the chief executive officer (or equivalent) and chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Sunland Practice: *Sunland Complies*

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 Statements, Half Yearly Reports, revised forecasts, new site acquisitions and changes in Directors interests.

The Joint Managing Directors along with the Company Secretary and Financial Controller present bi-monthly updates to the Board on the financial performance of the Group based on the current and projected cash flow. Further the Joint Managing Directors along with the National Director Land and Housing are provided with the half yearly and annual statements of the Group for comments prior to tabling at the Audit Committee for recommendation and ratification at a Board level. Once ratified results are announced to the ASX.

Council Recommendation 4.2

Establish an Audit Committee

Sunland practice: *Sunland Complies*

Sunland established an audit committee in December 2002.

Council Recommendation 4.3

Structure the audit committee so that it consists of:

- only non executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board
- at least three members

Sunland Practice *Sunland complies with transitional arrangements from May 2004*

Sunland's audit committee current structure comprises

- Mr Garry Rothwell (an independent non executive director). **Chairman**
- Mr Terry Jackman (who joined the Board as an independent non executive director in May 2004)
- Mr Scott Springer, Financial Controller (Secretary to the audit committee)

Permanent invitees include Mr Craig Treasure, executive director and National Director Land and Housing, Ms Despina Priala, in house Legal Counsel, Mr Grant Harrison, Company Secretary and Mrs Anne Jamieson, General Manager along with the Group's external auditors Ernst and Young.

Sunland restructured its committee in May 2004 with the appointment of Mr. Jackman taking the position of non-executive director as a member on the committee. However, the audit committee felt that the continued involvement of Mr Treasure as a permanent invitee would provide valuable contributions to the committee.

Note: The Audit Committee's quorum to proceed requires the attendance of Ernst and Young at every meeting.

Sunland complies with the transitional arrangements approved by the ASX, as the group seeks to enhance the membership of its current audit committee to achieve full compliance by 1 July 2005.

Council Recommendation 4.4:

The audit committee should have a formal operating charter

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Sunland Practice: *Sunland Complies*

The primary role of the committee is to assist the Board in

- Monitoring corporate risk management and compliance processes
- Ensuring that Sunland's code of conduct complies with all statutory and fiduciary requirements.
- Fulfilling the Board's functions relating to corporate and scheme accounting and reporting practices and financial and accounting controls; and
- Ensuring best practice is achieved as far as possible in the implementation of corporate policies and compliance processes.

Responsibilities of Audit Committee

The responsibilities of the Committee include the following:

- To review corporate accounting and financial reporting practices and controls.
- To review the half year and annual financial statements before submission to the Board focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments, ASX and legal requirements.
- To review the appointment of company auditors.
- To review audit policy, annual audit plans and liaise with external auditors.
- To review and approve company policy in relation to property acquisition and due diligence processes.
- To review corporate risk management processes including an ongoing assessment of the adequacy of internal control systems.
- To review governance issues relating to corporate relationships, joint ventures and investment management activities, including review of related party issues as required.
- To ensure corporate compliance with statutory obligations.
- To review and give the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in monitoring performance and for inclusion in financial statements.
- Consider any other matters it considers appropriate or as are referred to it by the Board from time to time.

5 CONTINUOUS DISCLOSURE TO ASX

ASX CGC Principle No. 5:

Make a timely and balanced disclosure

Council Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

Sunland Practice: *Sunland Complies*

A policy is established to ensure that any issues regarding 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 is announced through the Group's online announcements to ASX. Shareholder specific information such as Dividend details, half yearly and annual results are also posted on the group's website. The Group's General Manager and Company Secretary are responsible for such announcements.

6 COMMUNICATION WITH SHAREHOLDERS

ASX CGC Principle No. 6

Respect the rights of shareholders

Council Recommendation 6.1

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Sunland practice: *Sunland complies*

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Group, with regular announcements to ASX on business activities of the Group. Sunland also communicates frequently via the media on all projects and financial updates. The Group has a comprehensive website which tables all major shareholder communication per continuous disclosure requirements to the ASX, including half yearly and annual results, dividend details and any material change in the Group's business activities.

The Group changed its registry in December 2003 to Computershare Registry who facilitate the delivery of reports and advice to shareholders.

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

Council Recommendation 6.2

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the independent audit report.

Sunland Practice: *Sunland Complies*

Sunland ensures that its external auditors Ernst and Young are present at the AGM.

7 RISK MANAGEMENT

ASX CGCI Principle No. 7

The Board or appropriate Board committee should establish policies on risk oversight and management

Sunland Practice: *Sunland complies*

One of the objectives of the audit committee is the documentation of a risk management profile for all areas of the group's business and this has been implemented under the guidance of National Director Land and Housing. This profile is updated via the Executive Committee six monthly and tabled at the following board meeting.

Sunland implemented risk management tools under the following categories:

- Corporate Governance
- Business Operations
- Project & Construction Management
- Human Resources
- Market/Contracts
- Revenue/Finance
- Costs
- Reputation/Media
- Legal
- Growth Areas/New Opportunities
- Quality Assurance
- Information Technology

In addition, management through its monthly meetings, thoroughly assesses current and future developments, to enhance its risk mitigation strategies and to minimise the adverse impacts which could emanate from the following key risks:

Market Risk monitoring the impact of economic and/or industry segment cycles.

Finance Risk/

Cash Flow debt management and the impact of sales and debt levels on cash flow and balance sheet. Sunland has an interest rate hedging policy which follows a portfolio approach, splitting investment and development exposures and taking into account the tenor associated with the various risk exposures.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Management

Risk managing all human resources and ensuring quality staff and minimising the risk associated with the loss of key staff.

Construction

Risk cost and quality of construction, safety and industrial risks.

Sunland's de-risking of projects:

Sunland has introduced a new Risk Management Profile for managers and staff to monitor areas of risk based on the likelihood of occurrence and potential impact. Sunland's exit strategies are predetermined for each project. Sites are acquired and enhanced through rezoning and with project concepts supported by development approvals, minimal cash exposure is achieved and Sunland is in a low-risk position. Equity is established and pre-sales are often in place prior to seeking debt funding.

These strategies are also part of an ongoing assessment for each project. They ensure that Sunland has enhanced return on equity and an exit strategy in place from commencement, thus minimising cash flow and market risks.

Legal Compliance

With the establishment of the group's in-house legal counsel the preparation of compliance, policies and procedures is conducted on an ongoing basis.

Hotel risk management

While performance of the hotels is monitored daily, the operations and forecasts of the hotels are reviewed weekly and reported to the Board bi-monthly. There is also a constant assessment of the impact of global and domestic events on the tourism industry in Australia, and the direct implication for the market mix of the hotels. The annual budget is prepared with a comprehensive SWOT analysis undertaken as part of the 5 year business plan.

Council Recommendation 7.2

The chief executive officer and the chief financial officer should state in writing that:

- 7.2.1 The statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.
- 7.2.2 The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects

Sunland's Practice: *Sunland complies*

The implementation of strategies to mitigate risk both externally and internally is the responsibility of Board and Management. The Executive management meetings chaired by Joint Managing Director, Mr Soheil Abedian meet monthly to ensure close monitoring of each and every project along with the 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.

Sunland's CEO Queensland Mr Craig Treasure is also responsible for the regular update and maintenance of the Group's risk profile with input from members of the Executive Committee. On a six monthly basis this is tabled with the joint managing directors and executive management group for review before presenting a written statement to the Audit Committee and Board.

8 PERFORMANCE

ASX Council Principle no. 8

Encourage enhanced performance

Council Recommendation 8.1:

Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Sunland Practice:

The board vests the responsibility of assessing annual performance reviews with the joint managing directors in association with National Director Land and Housing.

Divisional heads are required to provide written updates on their respective business responsibilities as part of project and operational updates in Board papers. Further these divisional heads along with the joint managing directors and National Director Land and Housing personally present updates at each board meeting.

The group also has a quality assurance procedure in place which documents complaints (with follow up action) along with appraisal letters. Similarly the hotels monthly reports incorporate guest questionnaires which enable any issues requiring attention to be immediately addressed. It is also a mechanism for evaluating individual performance in all divisions.

The Board is responsible for the performance review of the executive directors (Mr, Soheil Abedian, Mr Sahba Abedian and Mr Craig Treasure).

9 REMUNERATION

ASX Council Principle No. 9

Remunerate fairly and responsibly

Council Recommendation 9.1

Provide disclosure in relation to the company's remuneration policies to enable investors to understand

- the costs and benefits of those policies and;
- the link between remuneration to directors and key executives and corporate performance

Sunland practice: *Sunland Complies*

Under the Company's Articles of Association, 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 Articles of Association such sum is to be divided among them in such proportion and manner as the Directors agree and, in default of agreement, equally. Executive directors are to be remunerated as executives by subsidiary companies and will not participate in any Directors' fees paid by the company, which will be divided solely among the Non-Executive Directors. At the date of this report Non-Executive Directors were Mr J S Leaver , Mr Terry Jackman, and Mr G Rothwell. Those fees are disclosed elsewhere in this report.

The Group recently moved to a 12% superannuation contribution which was awarded to all employees and directors paid through the payroll.

Council Recommendation No. 9.2

The Board should consider a remuneration committee

Sunland Practice: *Sunland Complies*

The Board has vested the responsibility of remuneration with the Joint Managing Directors along with the CEO Queensland in line with a performance review assessment conducted annually, as well as upon employment of new management. Accordingly, the Remuneration Committee comprises Executive Directors, Mr Soheil Abedian, Mr Sahba Abedian and Mr Craig Treasure. Non Executive Director, Mr Garry Rothwell provides advisory support to this committee.

The Group has an executive share option scheme in place, with all options issued subject to board approval, and follow a 3 month probation period. A strike price is based on market price on the day of board approval (5 day volume weighted average) + 15%.

The plan is outlined in the Group's financial report and summarised as:

An eight year option scheme where employees must be with the group for a minimum of 3 years before they can commence exercising options. Options can be exercised proportionally over the ensuing 5 years. Should an executive leave the group all options outstanding are foregone.

Sunland Group Limited and its controlled entities

CORPORATE GOVERNANCE STATEMENT

Superannuation Policy

On July 1 2004 the group implemented a 12% superannuation policy – to be paid to all employees as part of salary packages. The group feels strongly about the growth of employee superannuation as savings for retirement and as a consequence will review the superannuation policy each year.

ASX CGC Recommendation 9.3

Clearly distinguish the structure of non-executive directors' remuneration from that of executives

Sunland Practice

The remuneration of non executive directors is reviewed by executive directors ensuring that their remuneration is in accordance with similar industry groups. Further the implementation of the superannuation policy will flow to those non executive directors paid through the payroll with compensation accordingly for those not remunerated through the payroll. All non-executives are remunerated equally.

Council Recommendation 9.4

Ensure the payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

Sunland Practice: *Sunland Complies*

Sunland recognises the value of maintaining long term employees and introduced a share option scheme on 28 November 1998.

Sunland's constitution enables the implementation of an executive share option scheme. The share plan was approved by directors and announced to the ASX at the Annual General Meeting on 28 November 1998.

10 INTERESTS OF STAKEHOLDERS

Council principle no. 10

Recognise the legitimate interests of stakeholders

Council Recommendation 10.1

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

Sunland practice: *Sunland complies*

Under the direction of the joint managing director Mr Soheil Abedian, whose responsibilities include liaison with stakeholders either directly to corporates, institutions, and via representative brokers and analysts a regular update on the Group's business activities is presented. The Group's corporate advisor ABN Amro Morgans is instrumental in supporting the communication efforts of the group to ensure it complies with its obligations to key stakeholders. This practice is carried out as part of Principles 3 and 6 under ASX guidelines.

Sunland Group Limited and its controlled entities

STATEMENT OF FINANCIAL PERFORMANCE

Year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities					
Revenue from the sale of properties		346,428	178,526	-	853
Revenue from hotel services		36,904	34,489	24,917	21,969
Other revenues from ordinary activities	3	7,209	5,765	29,585	6,538
		<u>390,541</u>	<u>218,780</u>	<u>54,502</u>	<u>29,360</u>
Expenses from operating activities					
Employee expenses		(21,057)	(18,805)	(10,462)	(9,409)
Borrowing costs	4(a)	(11,332)	(4,256)	(2,233)	(1,725)
Depreciation and amortisation expenses	4(a)	(2,774)	(2,882)	(1,694)	(1,840)
Administration and other expenses	4(a)	(278,084)	(155,015)	(12,236)	(13,124)
		<u>77,294</u>	<u>37,822</u>	<u>27,877</u>	<u>3,262</u>
Expenses from non-operating activities					
Correction of error in treatment of deferred costs as disclosed in the 2003 comparative results *	4(b)	-	(2,743)	-	(2,226)
		<u>-</u>	<u>(2,743)</u>	<u>-</u>	<u>(2,226)</u>
Profit from ordinary activities before related income tax expense					
		77,294	35,079	27,877	1,036
Income tax expense relating to ordinary activities	6(a)	(22,078)	(10,617)	(22,078)	(510)
		<u>55,216</u>	<u>24,462</u>	<u>5,799</u>	<u>526</u>
Net profit attributable to members of the parent entity					
Non-owner transaction changes in equity					
Transaction costs relating to equity raising		(2,023)	-	(2,023)	-
Decrease in capital reserve		-	(74)	-	-
Correction of error in treatment of deferred costs as disclosed in the 2003 comparative results*	4(b), 22	-	2,743	-	2,226
		<u>(2,023)</u>	<u>2,669</u>	<u>(2,023)</u>	<u>2,226</u>
Total adjustments attributable to members of the parent entity recognised directly in equity					
		<u>(2,023)</u>	<u>2,669</u>	<u>(2,023)</u>	<u>2,226</u>
Total changes in equity from non-owner related transactions attributable to the members of the parent entity					
	23	<u>53,193</u>	<u>27,131</u>	<u>3,776</u>	<u>2,752</u>
Ordinary shares:					
Earnings per share (cents)	8	30.6	14.4		
Diluted earnings per share (cents per share)	8	29.7	13.8		
^Franked dividends per share		6.0	3.0		

*In 2003 the Australian Securities and Investments Commission ("ASIC") stated the disclosure of the application of UIG 42 "Subscriber Acquisition Costs for the Telecommunications Industry" as a direct impact on equity for the year ended 30 June 2002 was not appropriate as these costs related to the write-off of deferred expenditure of pre-opening costs for Palazzo Versace and Legends Hotel.

Please refer to Note 4b in the Notes to the financial statements for the results for the comparative year had the adjustment been corrected in the period the expense was incurred. This reflects the operating results for the financial year ended 30 June 2003 and the adjustment relates to the financial year ended 30 June 2002.

^Dividends declared and paid after the year end.

Sunland Group Limited and its controlled entities

STATEMENT OF FINANCIAL POSITION

At 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS					
Cash assets	10	9,942	11,063	5,425	3,810
Receivables	11	52,176	23,200	738	8,698
Inventories	12	111,467	113,788	1,198	871
Other	13	3,808	712	148	89
Total current assets		177,393	148,763	7,509	13,468
NON-CURRENT ASSETS					
Receivables	11	13,451	2,419	134,614	115,895
Inventories	12	233,923	106,441	-	-
Property investments	14	83,207	76,534	68,339	68,982
Other financial assets	15	-	-	8,890	8,890
Plant and equipment	16	7,521	5,841	19	28
Deferred tax assets	6(b)	1,619	306	1,619	-
Other	13	29,763	391	-	-
Total non-current assets		369,484	191,932	213,481	193,795
Total assets		546,877	340,695	220,990	207,263
CURRENT LIABILITIES					
Payables	17	57,135	46,471	1,777	2,099
Interest bearing liabilities	18	41,470	89,378	104	96
Current tax liabilities	6(c)	-	4,113	-	26
Provisions	19	2,283	1,797	953	572
Total current liabilities		100,888	141,759	2,834	2,793
NON-CURRENT LIABILITIES					
Payables	17	42,117	31,493	90,049	162,641
Interest bearing liabilities	18	171,313	56,313	162	266
Deferred tax liabilities	6(b)	44,779	17,041	44,779	2,671
Total non-current liabilities		258,209	104,847	134,990	165,578
Total liabilities		359,097	246,606	137,824	168,371
Net assets		187,780	94,089	83,166	38,892
EQUITY					
Contributed equity	20	60,640	17,027	60,640	17,027
Retained profits	22	127,140	77,062	22,526	21,865
Total equity	23	187,780	94,089	83,166	38,892

Sunland Group Limited and its controlled entities

STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		375,549	217,600	25,797	26,694
Cash payments in the course of operations		(414,459)	(199,301)	(23,007)	(21,507)
Interest received		1,738	568	784	295
Interest and other finance costs paid		(23,945)	(6,285)	(2,232)	(1,725)
Income tax paid		(6)	(1,873)	14	-
Net cash provided by/(used in) operating activities	28(ii)	<u>(61,123)</u>	<u>10,709</u>	<u>1,356</u>	<u>3,757</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for purchase of joint venture interest		-	(5,840)	-	-
Payments for property plant and equipment		(3,649)	(2,102)	(1,042)	-
Proceeds from sale of assets		-	-	-	7
Net cash (used in)/provided by investing activities		<u>(3,649)</u>	<u>(7,942)</u>	<u>(1,042)</u>	<u>7</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		301,639	132,021	-	14,163
Proceeds from issues of shares		45,636	75	45,636	75
Payment of rights issue costs		(2,023)	-	(2,023)	-
Repayment of borrowings		(276,452)	(120,329)	(44,867)	(10,413)
Principal loan receipts		-	-	7,693	-
Dividends paid		(5,138)	(4,257)	(5,138)	(4,257)
Net cash provided by/(used in) financing activities		<u>63,662</u>	<u>7,510</u>	<u>1,301</u>	<u>(432)</u>
Net increase/(decrease) in cash held		(1,110)	10,277	1,615	3,332
Cash acquired in purchase of joint venture interest		-	292	-	-
Cash at beginning of the year		<u>11,019</u>	<u>450</u>	<u>3,810</u>	<u>478</u>
Cash at the end of the year	28(i)	<u>9,909</u>	<u>11,019</u>	<u>5,425</u>	<u>3,810</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous year.

(b) PRINCIPLES 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.

Joint venture operations

The consolidated entity's interests in unincorporated joint ventures is brought to account by including its appropriate share of the joint ventures' assets, liabilities and expenses and the consolidated entity'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 resulting from transactions with joint ventures are eliminated to the extent of the consolidated entity's interest.

(c) TAXATION

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

The consolidated entity consolidated for Income Tax purposes as at 1 July 2003. As a result the tax assets and tax liabilities for the entire group are reflected in Sunland Group Limited as no Tax Sharing Arrangements are in place.

(d) CASH

Cash on hand and in banks and short term deposits are stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) **RECEIVABLES**

The recoverability of receivables is assessed at reporting date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due.

Term debtors

Term debtors represent vendor finance offered on the sale of certain highrise units. These are generally settled within 24 months and are carried at amounts due, net of any interest receivable.

(f) **INVESTMENTS**

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Property Investments

The company's and consolidated entity's interests in hotel investment properties is carried at the lower of net written down value and recoverable amount based on independent or Directors' valuation. No depreciation is provided on investment properties other than in respect to items of plant and equipment.

Current valuations for hotel investment properties valued on the open market value of the property in its existing use are carried out at least once every three years.

(g) **INVENTORIES**

Valuation

Development properties and hotel inventories are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, and for development properties also includes development and holding costs such as rates, taxes and interest incurred until the point of time that the property is ready for sale.

Profits emerging from unconditional sales of incomplete developments are included as a component of inventories, separately disclosed, until such time as the project is ready for contract settlement.

(h) **REVENUE RECOGNITION**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of properties

Income from the sale of development properties is not recognised until, at least, unconditional contracts are exchanged and a significant non-refundable deposit is received.

Where properties are sold prior to completion of development, income is recognised on a profits emerging basis for each individual project using the percentage of completion method. In these circumstances, income is only recognised when:

- the stage of project completion can be readily determined;
- the cost to date can be clearly identified; and
- total project revenues and costs to complete can be reliably estimated.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of emerging revenues

For reasons of comparability, sales revenues with respect to unconditional sale contracts are disclosed proportionately, based upon the percentage completion of each development, consistent with the recognition of emerging profits. Percentage completion is determined by reference to actual costs incurred as a proportion of total projected development costs.

Rendering of Services

Revenue from rendering of hotel services is recognised when the service is rendered and the revenue is receivable.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividends

Revenue from dividends from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

(i) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS VALUED ON COST BASIS

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value except where specifically stated.

(j) DEPRECIATION AND AMORTISATION

Useful Lives

All assets have limited useful lives, and are depreciated/amortised using the straight line or diminishing value method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation rates used for each class of asset are as follows:

	2004	2003
Plant and equipment		
Hotel plant and equipment	20-40%	20-40%
Office plant and equipment	20-40%	20-40%

(k) PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable, (except for construction retentions and contracts for the purchase of land) are normally settled within 60 days. Construction retentions are normally payable 6 months after the completion of construction. Liability for the purchase of land is recognised in the accounts when the contract becomes unconditional, and is generally settled by the contract completion date.

(l) INTEREST BEARING LIABILITIES

Bank loans are recognised at their principal amounts, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals" where it does not relate to qualifying assets.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(m) EMPLOYEE BENEFITS

Provision is made for employee benefits relating to wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

(n) BORROWING COSTS

Borrowing costs include interest, ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. 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.

(o) ACQUISITIONS OF ASSETS

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1 (n).

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Expenditure is deferred and recognised as an asset only when it is directly attributable to future economic benefits as a result of the costs incurred, and it is probable that these future economic benefits will eventuate. All other costs are expensed as incurred.

(p) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows 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.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(q) EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect of revenues and expenses of conversion to ordinary shares associated with dilutive potential. Ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

(r) CONTRIBUTED EQUITY

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) COMPARATIVES

Where necessary, comparatives have been reclassified and repositioned for consistency with current disclosure

2. CHANGES IN ACCOUNTING POLICIES

(a) CURRENT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous reporting period.

(b) FUTURE ACCOUNTING POLICIES

International Financial Reporting Standards

Sunland Group Limited ("Sunland") has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS).

Sunland has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key accounting policies and systems that may be impacted by the transition to IFRS. Sunland's IFRS plan consists of four stages, which include identifying the impacts, developing solutions, implementation and a post implementation review. The team has completed the first stage and is moving into the second stage of Solution Development.

As Sunland has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with Australian equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Sunland prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report based on the results and position at 30 June 2004.

Revenue recognition

Under IFRS, the criteria for recognition of revenue are different to those required by current Australian accounting standards and it is possible that this could lead to a change in recognition of revenue in certain transactions. In addition there is still subjectivity on whether UIG Consensus View 53 *Pre-Completion Contracts for the Sale of Residential Development Properties* complies with the principles in AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The revenue recognition criteria are currently under review by the Australian Accounting Standards Board. Reliable estimation of the future financial effect of this change in accounting policy will be identified on resolution of revenue recognition requirements.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Income taxes

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The adoption of this standard has been deferred to 1 January 2005. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process is only required to be completed on transition in 2005.

Impairment of Assets

Under the Australian equivalent to AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs may be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Investment properties

AASB 140 *Investment Properties* sets out specific criteria for the recognition and measurement of investment properties. There has previously been no Australian equivalent to this standard. The standard sets out that owner occupied properties or elements of investment properties that are owner occupied generally not meet the definition of investment properties and will be classified as property, plant and equipment. Properties that are not owner occupied will be required to be carried at cost and depreciated or revalued to fair value through the income statement. Internally constructed investment properties that meet the investment property criteria will need to be carried at cost during development, but will be able to be revalued to fair value (market value) through the income statement at practical completion. The impact of the standard may include a change in the classification of some assets may upon adoption of IFRS. The financial impact of the change in classification or treatment is yet to be determined.

Share based payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. This will not have a substantial financial effect on the Group.

Capitalised costs

The current recognition criteria used for the deferral of certain expenditure will no longer be available under IFRS unless specific criteria are met. Where the criteria are not met the standard requires the expenditure to be recognised as an expense when incurred. The adoption of the standard may impact expenditure currently deferred on specific assets or amounts held in work in progress. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

First time adoption

Under AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards* the financial impact of the above issues will be recognised through retained earnings on initial adoption of IFRS.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3. REVENUE FROM ORDINARY ACTIVITIES				
Other revenues from operating activities:				
Rental income	567	561	476	462
Management fees	4,734	4,636	-	5,781
Other	170	-	182	-
Dividends:				
Wholly owned subsidiaries	-	-	28,143	-
Interest:				
Other parties	1,738	568	784	295
Total other revenues	<u>7,209</u>	<u>5,765</u>	<u>29,585</u>	<u>6,538</u>
4. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
(a) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:				
Administration and other expenses:				
Cost of properties sold	259,252	135,603	-	1,041
Net decrease on adoption of UIG 53 "Pre-completion contracts for the sale of residential development property"	-	1,444	-	-
Cost of hotel services	14,970	14,681	11,102	10,585
Administration and other operating expenses	3,862	3,287	1,134	1,498
	<u>278,084</u>	<u>155,015</u>	<u>12,236</u>	<u>13,124</u>
Depreciation of:				
Plant and equipment	1,089	213	9	8
Property Investments	1,685	2,669	1,685	1,832
	<u>2,774</u>	<u>2,882</u>	<u>1,694</u>	<u>1,840</u>
Borrowing costs:				
Related parties	-	180	-	-
Other parties- Bank loans	23,945	7,256	2,233	1,725
Less capitalised borrowing costs	(12,613)	(3,180)	-	-
	<u>11,332</u>	<u>4,256</u>	<u>2,233</u>	<u>1,725</u>
Net bad and doubtful debts expense including movements in provision for doubtful debts	<u>(15)</u>	<u>(181)</u>	<u>(3)</u>	<u>5</u>
Net expense from movements in provision for:				
Employee benefits	<u>326</u>	<u>37</u>	<u>331</u>	<u>68</u>
Operating lease rental expense:				
Minimum lease payments	<u>684</u>	<u>506</u>	<u>-</u>	<u>-</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

(b) CORRECTION OF ERROR IN TREATMENT OF DEFERRED COSTS AS DISCLOSED IN THE 2003 COMPARATIVE RESULTS

In the 2002 financial year the directors applied UIG 42 "Subscriber Acquisition Costs in the Telecommunications Industry" to the balance of deferred hotel pre-opening expenses relating to Palazzo Versace and Legends Hotel. The net effect of this after taxation was an adjustment that reduced retained earnings by \$2,743,026 for the consolidated entity and \$2,226,449 for the company.

In 2003, the Australian Securities & Investment Commission subsequently advised the Company that it was of the view that UIG 42 is not applicable to entities that are not in the Telecommunications Industry, and therefore the Company could not use UIG 42 as the basis for writing off deferred expenditure directly against retained earnings. The Company's auditors, Ernst & Young, concurred with this view. Pursuant to AASB 1018 "Statement of Financial Performance", as the error was discovered during the reporting period ending 30 June 2003, correction of the error was made in the financial report for that period.

Below is a Proforma Statement of Financial Performance for the comparative period 30 June 2003 had the error not been made.

Pro forma Statement of Financial Performance

	Notes	Consolidated 2003 \$'000	Company 2003 \$'000
Revenue from the sale of properties		178,526	853
Revenue from hotel services		34,489	21,969
Other revenues from ordinary activities		5,765	6,538
Total revenue		218,780	29,360
Employee expenses		(18,805)	(9,409)
Borrowing costs		(3,202)	(1,725)
Depreciation and amortisation expenses		(2,882)	(1,840)
Administration and other expenses		(156,069)	(13,124)
Profit from ordinary activities before related income tax expense		37,822	3,262
Income tax (expense) relating to ordinary activities		(10,617)	(510)
Net profit attributable to members of the parent entity		27,205	2,752
Non-owner transaction changes in equity			
Decrease in capital reserve		(74)	-
Total adjustments attributed to members of the parent entity recognised directly in equity		(74)	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		27,131	2,752
Earnings per share (cents)		16.0	
Diluted earnings per share (cents)		15.5	

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6. TAXATION (cont)					
Future Income Tax Benefit					
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2003: 30%) of the following items:					
Provisions and accrued employee entitlements not currently deductible		3	544	-	200
Sundry timing differences		-	14	895	1
Expenditure deducted for accounting purposes, but capitalised for tax purposes		-	148	-	144
Future income tax benefit of losses recognised		1,616	-	-	-
Future income tax offset against deferred income tax		-	(400)	-	(345)
Asset recognised on tax consolidation under the act		-	-	724	-
		<u>1,619</u>	<u>306</u>	<u>1,619</u>	<u>-</u>
(c) Current Tax Liabilities					
Provision for current income tax		<u>-</u>	<u>4,113</u>	<u>-</u>	<u>26</u>

The Group consolidated for income tax purposes from 1 July 2003, as there is no tax sharing arrangements in place between Sunland Group Limited and the subsidiary companies within the group, all tax expenses, assets and liabilities are recognised in Sunland Group Limited.

7. DIVIDENDS

Dividends Paid

Dividends recognised in the current year by the Company are:

The 2003 final fully franked dividend recognised when declared during the year, of 3.0 cents per share amounting to \$5,137,800 and paid on 3 November 2003.

Dividends Declared

Dividend declared subsequent to reporting date:

The Company has declared and paid a final dividend of 6.0 cents per share, amounting to \$12,874,505, franked at 100% with 30% franking credits in respect of the year ended 30 June 2004. The dividend has not been declared at year-end and therefore has not been recognised in the financial statements at 30 June 2004.

Dividend Reinvestment Plan (DRP)

On 15 June 2004, the Company introduced a dividend reinvestment plan (DRP). The plan is available to all shareholders, the DRP is priced based on the volume weighted average for 5 days up to and including the record date of the dividend, no discount is applied to the DRP.

Dividend Franking Account

30% franking credits available to shareholders of Sunland Group Limited for subsequent financial years.

8,621 15,838

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables at year-end; and
- franking credits that the entity will be prevented from distributing in subsequent years.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

The ability to use the franking account credits is dependent upon there being sufficient available profits to declare dividends.

8. EARNINGS PER SHARE	Consolidated	
	2004 \$'000	2003 \$'000

Classification of securities as potential ordinary shares

The options outstanding under the Executive Share Option Plan have been classified as potential ordinary shares and included in diluted earnings per share only.

Earnings Reconciliation

Net profit for basic and diluted earnings	<u>55,216</u>	<u>24,462</u>
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Weighted average number of shares used as the denominator

Number used for the calculation of basic earnings per share

Ordinary shares	180,323	170,260
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Effect of dilutive securities:

Effect of executive share options on issue	<u>5,765</u>	<u>5,800</u>
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Number used for the calculation of diluted earnings per share

	<u>186,088</u>	<u>176,060</u>
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For dilutive securities exercised after reporting date refer to the Directors Report.

9. SEGMENT REPORTING

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributed to a segment as well as those that can be allocated on a reasonable basis. 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.

Business Segments

The consolidated entity comprises the following main segments, based on the consolidated entity's management reporting system:-

- Urban land, residential housing and multi-storey property development segments.
- Hotel investments and operations.

Geographical Segments

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 in Queensland, Victoria and New South Wales
 - Hotel and management operations in Queensland

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

9. Segment Reporting (cont)

Primary reporting Business segments

	Urban Land Development		Residential Housing		Multi – Storey		Hotel Investments and Operations		Other		Eliminations		Consolidation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue														
External segment revenue	39,653	36,396	87,232	63,550	223,628	79,332	36,904	37,332	3,124	2,170	-	-	390,541	218,780
Inter-segment revenue	-	-	-	-	-	-	1,018	778	-	9,903	(1,018)	(10,681)	-	-
Total revenue	39,653	36,396	87,232	63,550	223,628	79,332	37,922	38,110	3,124	12,073	(1,018)	(10,681)	390,541	218,780
Result														
Segment result before borrowing costs expense	19,079	11,310	15,382	9,159	55,365	23,515	3,466	(1,074)	1,706	1,008	-	-	94,998	46,066
Borrowing costs expense after capitalisation	(866)	-	(2,297)	-	(5,338)	-	(2,143)	(3,202)	(688)	-	-	-	(11,332)	(3,202)
Segment results after borrowing costs	18,213	11,310	13,085	9,159	50,027	23,515	1,323	(2,128)	1,018	1,008	-	-	83,666	42,864
Unallocated corporate expenses													(6,372)	(7,785)
Profit from ordinary activities before tax													77,294	35,079
Income tax expense													(22,078)	(10,617)
Net profit													55,216	24,462
Depreciation and amortisation	-	-	-	-	458	16	2,005	2,685	311	181	-	-	2,774	2,882
Assets														
Segment assets	94,226	15,781	84,908	61,782	210,285	163,530	96,725	83,839	7,959	8,435	-	-	494,103	333,367
Unallocated corporate assets													52,774	7,328
Consolidated total assets													546,877	340,695
Acquisition of non-current assets	-	-	-	-	-	2,598	806	-	2,843	1,887	-	-	3,649	4,485
Liabilities														
Segment liabilities	27,571	2,783	11,610	27,145	40,124	40,569	4,145	4,095	3,376	2,105	-	-	86,826	76,697
Unallocated liabilities													272,271	169,909
Consolidated total liabilities													359,097	246,606
Segment reporting Geographical Segments	Queensland		Victoria		New South Wales		Consolidated							
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000						
External segment revenue by location of product/service	315,968	201,131	74,573	17,649	-	-	390,541	218,780						
Segment asset by location	428,815	278,023	93,574	62,672	24,488	-	546,877	340,695						
Acquisition of non-current assets	3,031	4,379	384	106	234	-	3,649	4,485						

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
10. CASH ASSETS					
Cash		7,135	11,009	5,425	3,810
Bank short term deposits		2,807	54	-	-
		<u>9,942</u>	<u>11,063</u>	<u>5,425</u>	<u>3,810</u>
11. RECEIVABLES					
Current					
Trade debtors		49,513	18,801	748	1,005
Less Provision for doubtful debts					
- Opening balance		(58)	(232)	-	-
- Movement for period		25	174	(10)	-
- Closing balance		<u>(33)</u>	<u>(58)</u>	<u>(10)</u>	<u>-</u>
		<u>49,480</u>	<u>18,743</u>	<u>738</u>	<u>1,005</u>
Amounts receivable from Joint Venture participants		-	3,847	-	7,693
Sundry debtors		-	174	-	-
GST receivable		2,696	436	-	-
		<u>52,176</u>	<u>23,200</u>	<u>738</u>	<u>8,698</u>
Non-Current					
Trade debtors		8,108	-	-	-
Amounts receivable from Joint Venture participants		5,343	2,419	-	-
Loans to controlled entities		-	-	134,614	115,895
		<u>13,451</u>	<u>2,419</u>	<u>134,614</u>	<u>115,895</u>

The weighted average effective interest rate on amounts receivable from joint venture participants is 8.55% at 30 June 2004 (2003: 8.3%).

Sundry debtor amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Interest is not charged and the amounts are not secured.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
12. INVENTORIES					
Current					
Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value		94,977	101,861	-	-
Finished goods – at cost		9,088	1,000	1,198	871
Emerging profits recognised to date		7,402	10,927	-	-
		<u>111,467</u>	<u>113,788</u>	<u>1,198</u>	<u>871</u>
Non-Current					
Development properties including land and buildings under construction, at cost.		210,755	106,441	-	-
Emerging profits recognised to date		23,168	-	-	-
		<u>233,923</u>	<u>106,441</u>	<u>-</u>	<u>-</u>
Total development properties held for sale comprises:					
Costs of acquisition		139,602	114,858	-	-
Development costs capitalised		121,784	87,857	-	-
Borrowing costs and other amounts capitalised		44,346	5,586	-	-
		<u>305,732</u>	<u>208,301</u>	<u>-</u>	<u>-</u>
Borrowing costs were capitalised at a weighted average rate of 9.6% (2003:6.9%)					
Emerging profits recognised during the year:					
Proportionate unconditional sales revenue recognised		127,347	55,853	-	-
Proportionate costs to date		(106,337)	(44,926)	-	-
Profits emerging to balance date on a percentage completion basis		<u>21,010</u>	<u>10,927</u>	<u>-</u>	<u>-</u>

See note 25 for details of the above inventories that are held as security over various finance facilities.

13. OTHER ASSETS

Current

Prepayments		1,210	712	148	89
Deposits on property acquisitions		2,598	-	-	-
		<u>3,808</u>	<u>712</u>	<u>148</u>	<u>89</u>

Non-Current

Deposits on property acquisitions		-	391	-	-
Construction bond		29,763	-	-	-
		<u>29,763</u>	<u>391</u>	<u>-</u>	<u>-</u>

The construction bond relates to cash held on deposit as security for loans and bank guarantees for various projects. These amounts will be receivable between 12 and 18 months from year end.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
14. PROPERTY INVESTMENTS					
Non-current					
Land and building at cost		59,529	52,213	44,661	44,661
Plant and equipment at cost		32,657	31,615	32,657	31,615
Accumulated depreciation		(8,979)	(7,294)	(8,979)	(7,294)
		<u>83,207</u>	<u>76,534</u>	<u>68,339</u>	<u>68,982</u>
Reconciliations					
Reconciliation of property investments is set out below:					
Balance at beginning of the year		76,534	106,467	68,982	70,821
Acquisitions / (disposals) during year		3,958	11,131	1,042	(7)
Depreciation		(1,685)	(2,669)	(1,685)	(1,832)
Transfer from inventories		4,400	-	-	-
Transfer to inventories		-	(38,395)	-	-
Balance at end of the year		<u>83,207</u>	<u>76,534</u>	<u>68,339</u>	<u>68,982</u>

The company's investment in hotel properties currently represents the company's investment in the Palazzo Versace Hotel, the remaining common areas of Legends Hotel and units held in other completed projects held for investment.

The recoverable amount of the Palazzo Versace investment is based on an independent valuation of the hotel property carried out as at December, 2002 by Mr B W Cox AAPI of C B Richard Ellis (B) Pty Limited of \$75,000,000 (excluding the total value of the land which is included in the cost base above) and is on the basis of the open market value of the property in its existing use.

The directors are of the opinion that the net book value of the investments does not exceed its recoverable amount.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. OTHER FINANCIAL ASSETS					
Non-current					
Investments in controlled entities					
Unlisted shares at cost		-	-	8,890	8,890
		<u>-</u>	<u>-</u>	<u>8,890</u>	<u>8,890</u>
16. PLANT AND EQUIPMENT					
Plant and equipment, at cost		9,230	6,534	57	57
Less: Accumulated depreciation		(1,709)	(693)	(38)	(29)
		<u>7,521</u>	<u>5,841</u>	<u>19</u>	<u>28</u>
Reconciliations of the carrying amounts of each class of plant and equipment are set out below:					
Plant and equipment					
Carrying amount at beginning of the year		3,292	1,330	28	36
Additions		2,769	2,074	-	-
Depreciation		(646)	(112)	(9)	(8)
		<u>5,415</u>	<u>3,292</u>	<u>19</u>	<u>28</u>
Plant and equipment under lease					
Carrying amount at beginning of the year		2,549	-	-	-
Additions		-	2,650	-	-
Depreciation		(443)	(101)	-	-
		<u>2,106</u>	<u>2,549</u>	<u>-</u>	<u>-</u>
Carrying amount at end of year		<u>7,521</u>	<u>5,841</u>	<u>19</u>	<u>28</u>
See note 25 for details of the above plant and equipment that is held as security over various finance facilities.					
17. PAYABLES					
Current					
Trade creditors		6,598	10,506	525	916
Other creditors and construction accruals		37,360	9,110	1,252	1,183
Property settlement creditors		13,177	26,855	-	-
		<u>57,135</u>	<u>46,471</u>	<u>1,777</u>	<u>2,099</u>
Non-Current					
Property settlement creditors		35,975	30,100	-	-
Loans from controlled entities		-	-	84,249	162,641
Amounts payable to Joint Venture participants		6,142	1,393	5,800	-
		<u>42,117</u>	<u>31,493</u>	<u>90,049</u>	<u>162,641</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
18. INTEREST BEARING LIABILITIES					
Current					
Bank loans – secured	25	40,844	84,019	-	-
Other loans - unsecured		-	4,790	-	-
Hire purchase liability – secured		144	110	104	96
Lease liability – secured	25, 29	449	415	-	-
Bank overdraft		33	44	-	-
		<u>41,470</u>	<u>89,378</u>	<u>104</u>	<u>96</u>
Non-Current					
Bank loans - secured	25	129,740	53,619	-	-
Lease liability – secured	25, 29	1,681	2,134	-	-
Hire purchase liability – secured		345	366	162	266
Other loan - secured		37,763	194	-	-
Other loan – unsecured		1,784	-	-	-
		<u>171,313</u>	<u>56,313</u>	<u>162</u>	<u>266</u>

Details of finance security are set out in note 25.

19. PROVISIONS

Current

Replacements		199	39	89	39
Employee benefits		2,084	1,758	864	533
		<u>2,283</u>	<u>1,797</u>	<u>953</u>	<u>572</u>

20. CONTRIBUTED EQUITY

Share capital

214,575,092 (2003:170,260,000) ordinary shares fully paid

	<u>60,640</u>	<u>17,027</u>	<u>60,640</u>	<u>17,027</u>
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	2004		2003	
	# Shares	\$'000	# Shares	\$'000
Share capital:				
Balance beginning of the year	170,260,000	17,027	170,010,000	16,952
Shares issued via executive share option plan	1,400,000	575	250,000	75
Equity raising via rights issue	42,915,092	45,061	-	-
Less: Transaction costs of rights issue	-	(2,023)	-	-
Balance at end of the year	<u>214,575,092</u>	<u>60,640</u>	<u>170,260,000</u>	<u>17,027</u>

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.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

(a) Executive Share Option Plan

Terms and conditions

The options offered to executives are exercisable progressively over a five-year period from the third anniversary of their employ. The first of these options expire on the earlier of the employee's termination or progressively from 1 January 2008 until 28 August 2011. There is currently 1 director and 20 Executives eligible for this scheme at year end. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

	2004		2003	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	10,750,000	0.47	10,000,000	0.44
- granted	3,700,000	1.00	3,000,000	0.59
- forfeited	(400,000)	0.50	(2,000,000)	0.55
- exercised	(1,400,000)	0.41	(250,000)	0.30
Balance at end of year	<u>12,650,000</u>	0.63	<u>10,750,000</u>	0.47
Exercisable at end of year	<u>2,200,000</u>	0.44	<u>1,950,000</u>	0.42

(b) Options held at the beginning of the reporting period:

Number of options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
1,250,000	31/07/2000	31/07/2000	26/11/2004	0.30
2,000,000	11/02/2002	06/03/2003	06/03/2008	0.45
1,000,000	11/02/2002	16/11/2003	16/11/2008	0.45
1,000,000	11/02/2002	03/04/2003	03/04/2008	0.45
1,000,000	11/02/2002	31/01/2003	31/01/2008	0.45
1,000,000	11/02/2002	01/07/2004	01/07/2009	0.45
500,000	11/02/2002	01/07/2004	01/07/2009	0.50
500,000	11/02/2002	01/01/2003	01/01/2008	0.50
500,000	11/02/2002	09/02/2003	09/02/2008	0.50
500,000	28/11/2002	02/04/2003	02/04/2008	0.55
1,000,000	28/11/2002	28/10/2005	28/10/2010	0.60
500,000	13/01/2003	13/01/2006	13/01/2011	0.60
<u>10,750,000</u>				<u>0.47</u>

(c) Options exercised during the reporting period:

Number of Options	Grant Date	Exercise Date	Expiry Date	Weighted Average Exercise Price	Proceeds from Share Issue	Number of Shares Issued	Issue Date	Fair Value of Shares Issued
500,000	31/07/2000	01/07/2003	26/11/2004	0.30	150,000	500,000	01/07/2003	0.77
100,000	11/02/2002	05/08/2003	01/01/2008	0.50	50,000	100,000	05/08/2003	0.77
400,000	11/02/2002	05/08/2003	06/03/2008	0.45	180,000	400,000	05/08/2003	0.77
165,000	11/02/2002	17/11/2003	16/11/2008	0.45	74,250	165,000	17/11/2003	1.10
100,000	11/02/2002	28/01/2004	01/07/2009	0.50	50,000	100,000	28/01/2004	1.09
100,000	28/11/2002	04/02/2004	02/04/2008	0.55	55,000	100,000	04/02/2004	1.16
35,000	11/02/2002	04/02/2004	16/11/2008	0.45	15,750	35,000	04/02/2004	1.16
<u>1,400,000</u>				<u>0.41</u>	<u>575,000</u>	<u>1,400,000</u>		<u>0.87</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

(d) Options granted during the reporting period:

Number of options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
500,000	28/11/2002	02/04/2003	02/04/2008	0.56
500,000	11/07/2003	14/10/2005	14/10/2010	0.70
400,000	11/07/2003	05/05/2006	05/05/2011	0.70
600,000	28/08/2003	28/08/2006	28/08/2011	1.20
400,000	19/11/2003	15/09/2003	15/09/2008	1.20
400,000	19/11/2003	19/11/2006	19/11/2011	1.20
500,000	14/05/2004	27/10/2006	27/10/2011	1.23
400,000	14/05/2004	01/10/2005	01/10/2010	1.23
<u>3,700,000</u>				<u>1.00</u>

(e) Options held at the end of the reporting period:

750,000	31/7/2000	31/07/2000	26/11/2004	0.30
1,600,000	11/02/2002	06/03/2003	06/03/2008	0.45
800,000	11/02/2002	16/11/2003	16/11/2008	0.45
1,000,000	11/02/2002	03/04/2003	03/04/2008	0.45
1,000,000	11/02/2002	31/01/2003	31/01/2008	0.45
1,000,000	11/02/2002	01/07/2004	01/07/2009	0.45
400,000	11/02/2002	01/07/2004	01/07/2009	0.50
500,000	11/02/2002	09/02/2003	09/02/2008	0.50
400,000	28/11/2002	02/04/2003	02/04/2008	0.55
500,000	28/11/2002	02/04/2003	02/04/2008	0.56
1,000,000	28/11/2002	28/10/2005	28/10/2010	0.60
500,000	13/01/2003	13/01/2006	13/01/2011	0.60
500,000	11/07/2003	14/10/2005	14/10/2010	0.70
400,000	11/07/2003	05/05/2006	05/05/2011	0.70
600,000	28/08/2003	28/08/2006	28/08/2011	1.20
400,000	19/11/2003	15/09/2003	15/09/2008	1.20
400,000	19/11/2003	19/11/2006	19/11/2011	1.20
500,000	14/05/2004	27/10/2006	27/10/2011	1.23
400,000	14/05/2004	01/10/2005	01/10/2010	1.23
<u>12,650,000</u>				<u>0.63</u>

(f) 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 8 years based on historical data and is not necessarily indicative of exercise patterns that may occur.
- Historical and expected volatility have been estimated at 42% for all relevant years, this is based on the assumption that the historical volatility is indicative of future trends.
- The risk free interest rate used is between 5.05% and 6.25% depending on the year of issue.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Notes	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
22. RETAINED PROFITS					
Reconciliation of retained profits					
Retained profits at beginning of the year		77,062	54,114	21,865	23,370
Net profit attributable to members of the parent entity		55,216	24,462	5,799	526
Correction of misclassification relating to 2002 period	4(b)	-	2,743	-	2,226
Total changes in retained profits from ordinary activities		55,216	27,205	5,799	2,752
Dividends paid		(5,138)	(4,257)	(5,138)	(4,257)
Retained profits at end of the year		<u>127,140</u>	<u>77,062</u>	<u>22,526</u>	<u>21,865</u>
23. TOTAL EQUITY RECONCILIATION					
Total equity at beginning of the year		94,089	71,140	38,892	40,322
Total changes in parent entity interest in equity recognised in statement of financial performance		53,193	27,131	3,776	2,752
Transactions with owners as owners:					
Executive share incentive scheme		575	75	575	75
Equity raising via rights issue		45,061	-	45,061	-
Dividends paid		(5,138)	(4,257)	(5,138)	(4,257)
Total equity at end of the year		<u>187,780</u>	<u>94,089</u>	<u>83,166</u>	<u>38,892</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

24. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name	Ordinary Share Consolidated Entity Interest %	
	2004	2003
<i>Parent Entity</i>		
Sunland Group Limited		
<i>Controlled entities</i>		
Sunland Homes Pty Limited	100	100
Sunland Homes Unit Trust	100	100
Sunland Southbank Pty Limited	100	100
Saba Enterprises Pty Limited	100	100
Keriland Pty Limited	100	100
Ridgelodge Pty Limited	100	100
Sunland Constructions Pty Limited	100	100
Bobuck Pty Limited	100	100
Conferta Pty Limited	100	100
Euthella Pty Limited	53.24	53.24
Lakesky Pty Limited	100	100
Lakesky Unit Trust	100	100
Hogansville Pty Limited	100	100
Gemmadale Pty Limited	100	100
Sunland Hotels and Resorts Pty Limited	100	100
Mandalong Pty Limited	100	100
Lilidale Pty Limited	100	100
Leighwood Pty Limited	100	100
Arntay Pty Limited	100	100
Abian Hotels & Resorts Pty Limited	100	100
Camryville Pty Limited	100	100
Inglelake Pty Limited	100	100
Jarlou Pty Limited	100	100
Odyssey Condominium & Hotels Pty Limited	100	100
Palazzo Versace Pty Limited	100	100
Silverthrone Pty Limited	100	100
Sunland Group (VIC) Pty Limited	100	100
Sunland Group (VIC) No. 1 Pty Limited	100	100
Sunland Group (VIC) No. 2 Pty Limited	100	100
Tweedham Pty Limited	100	100
Carnriver Pty Limited	100	100
Sunland Joinery Pty Limited	100	100
Mordella Pty Limited	100	100
Rawsun Pty Limited	100	100
Sunland Group (Vic) Northern Pty Limited	100	100
Addelson Pty Limited	100	100
Glennendale Pty Limited	100	100
Inglesun Pty Limited	100	100
Marington Pty Limited	100	100
Munday Pty Limited	100	100
Rydelson Pty Limited	100	100
Sunland Realty Pty Limited	100	100
Newcombe Pty Limited	100	100

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

24. CONTROLLED ENTITIES (cont)

Name	Ordinary Share Consolidated Entity Interest %	
	2004	2003
Roseley Vale Pty Limited	100	100
Flippton Pty Limited	100	100
Girroma Pty Limited	100	100
Haddenham Pty Limited	100	100
Hayberry Pty Limited	100	100
Keating Pty Limited	100	100
Lynstone Pty Limited	100	100
Larrisendale Pty Limited	100	100
Loxwood Pty Limited	100	100
Parrella Pty Limited	100	100
Parsen Pty Limited	100	100
Orleton Pty Limited	100	100
Preston Grove Pty Limited	100	100
Sunland Capital Pty Limited	100	100
Carrarah Pty Limited	100	-
Jamalla Pty Limited	100	-
Kalamanta Pty Limited	100	-
Mantina Pty Limited	100	-
Mystonia Pty Limited	100	-
Sunland St Kilda Road Pty Limited	100	-
Sunland Constructions (Circle) Pty Limited	100	-
Sunland Constructions (Newstead) Pty Limited	100	-
Sunland Constructions (Yve) Pty Limited	100	-
Sunland Real Estate (Victoria) Pty Limited	100	-
Sunland Group Project Management Pty Limited	100	-
Tessonian Pty Limited	100	-
Tuskabella Pty Limited	100	-
Valenca Pty Limited	100	-
Viennendale Pty Limited	100	-

(b) Acquisition/disposal of controlled entities

Acquisition of entities

The following controlled entities were acquired during the year:

	Date Control Gained	Company's interest %	Consideration \$	Net tangible assets at date of acquisition \$
2004				
Carrarah Pty Limited	15 October 2003	100	1	1
Jamalla Pty Limited	15 October 2003	100	1	1
Kalamanta Pty Limited	15 October 2003	100	1	1
Mantina Pty Limited	8 December 2003	100	1	1
Mystonia Pty Limited	8 December 2003	100	1	1
Sunland St Kilda Road Pty Limited	8 December 2003	100	1	1
Sunland Constructions (Circle) Pty Limited	2 September 2003	100	1	1
Sunland Constructions (Newstead) Pty Limited	2 September 2003	100	1	1
Sunland Constructions (Yve) Pty Ltd	2 September 2003	100	1	1

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

24. CONTROLLED ENTITIES (Cont)

	Date Control Gained	Company's interest %	Consideration \$	Net tangible assets at date of acquisition \$
Sunland Real Estate (Victoria) Pty Limited	21 November 2003	100	1	1
Sunland Group Project Management Pty Limited	13 May 2004	100	1	1
Tessonian Pty Limited	15 October 2003	100	1	1
Tuskabella Pty Limited	8 December 2003	100	1	1
Valenca Pty Limited	15 October 2003	100	1	1
Viennendale Pty Limited	8 December 2003	100	1	1
			<u>15</u>	<u>15</u>
2003				
Newcombe Pty Limited	12 February 2003	100	1	1
Roseley Vale Pty Limited	25 November 2002	100	1	1
Flippton Pty Limited	28 April 2003	100	1	1
Girroma Pty Limited	12 February 2003	100	1	1
Haddenham Pty Limited	12 February 2003	100	1	1
Hayberry Pty Limited	28 April 2003	100	1	1
Keating Pty Limited	28 April 2003	100	1	1
Lynstone Pty Limited	28 April 2003	100	1	1
Larrisendale Pty Limited	21 August 2002	100	1	1
Loxwood Pty Limited	26 November 2002	100	1	1
Parrella Pty Limited	12 February 2003	100	1	1
Parsen Pty Limited	28 April 2003	100	1	1
Orleton Pty Limited	12 February 2003	100	1	1
Preston Grove Pty Limited	21 August 2002	100	1	1
Sunland Capital Pty Limited	25 November 2002	100	1	1
			<u>15</u>	<u>15</u>

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

25. FINANCING ARRANGEMENTS

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

Total facilities available

Bank loans and overdraft	368,981	235,895	-	-
Other loans - secured	37,763	22,000	-	-
Joint venture finance loans	1,784	4,834	-	-
Leasing and hire purchase	3,286	3,526	-	-
Documentary letters of credit	-	170	-	170
Bank multi-option facility	-	2,650	-	-
	<u>411,814</u>	<u>269,075</u>	<u>-</u>	<u>170</u>

Facilities utilised at balance date

Bank loans and overdraft	170,617	137,638	-	-
Other loans - secured	37,763	194	-	-
Joint venture finance loans	1,784	4,834	-	-
Leasing and hire purchase	2,619	3,025	-	-
	<u>212,783</u>	<u>145,691</u>	<u>-</u>	<u>-</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Facilities not utilised at balance date				
Bank loans	198,364	98,257	-	-
Leasing and hire purchase	667	501	-	-
Documentary letters of credit	-	170	-	170
Other loans	-	21,806	-	-
Bank multi-option facility	-	2,650	-	-
	<u>199,031</u>	<u>123,384</u>	<u>-</u>	<u>170</u>

The above facilities relate to projects and can be drawn down throughout the life of the project based on the cost to complete method.

Bank loans

All bank loans are denominated in Australian dollars. 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 2004 bank loans of \$40,844,000 (2003:\$84,019,000) are due and payable within the next twelve months. Of the non-current bank loans balance, \$35,400,000 is due and payable by 31 October 2005 and the balance is due and payable on completion of the development project to which it relates, not expected within the next 12 months. The weighted average effective interest rate at balance date was 9.55% (2003:6.81%), and is payable monthly.

The carrying amount of the pledged properties are as follows:

Inventories	288,222	154,740	-	-
Investments	75,890	76,534	68,339	68,982
Plant and equipment	<u>2,643</u>	<u>4,294</u>	<u>-</u>	<u>-</u>
Total pledged	<u>366,755</u>	<u>235,568</u>	<u>68,339</u>	<u>68,982</u>

Other loans

Loans provided by other corporations of \$37,763,100 (2003:\$194,195) are secured over the development property site and a guarantee by the Company. Interest rate of 16% (2003: 16%) is charged and payable monthly on these loans.

Joint Venture finance loans

Joint venture finance loans of \$1,785,000 (2003:\$4,834,000) has been provided by the joint venture partner to partially finance the Q1 property development. The loan is repayable within the next 12 months. The effective interest rate is 8.55% (2003:8.3%), capitalised monthly.

Finance lease and hire purchase facility

The consolidated entity's lease and hire purchase liabilities of \$2,619,000 are secured by their respective assets of \$2,643,057, as in the event of default, the assets revert to the lessor or financier.

Non-cash financing and investment activities

During the financial year, the consolidated entity did not acquire any property, plant and equipment (2003: aggregate fair value \$2,650,000) by means of finance leases. These acquisitions are not reflected in the statements of cash flows.

Changes in financing facilities – subsequent to year-end

Yve a Melbourne project has been financed via a private presales securitisation program via ANZ which involved a note issue of \$83.7m which was rated A-1+ by Standard and Poors. This will provide the funding for the construction of the project which is anticipated to be completed in early 2006.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

26. FINANCIAL INSTRUMENTS

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The consolidated entity is not materially exposed to any individual customer. Concentrations of credit risk on trade debtors due from customers are: Property – 97.2% (2003:88%) and Hotel Operations – 2.8% (2003:12%). Property debtors relate to unconditional contracts on completed projects which are usually settled 14 to 30 days after practical completion of the project or signing of the contract, whichever is the latter.

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers or due to suppliers, or independent valuation in respect of investment properties. The carrying amount of bank term deposits, accounts receivable, accounts payable, bank and other loans, lease liabilities and employee benefits approximate net fair value.

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date equate to those recognised in the financial report.

Unrecognised financial instruments

The consolidated entity enters into a variety of derivative instruments in the management of interest rate exposure with the objective of obtaining a more stable and predictable interest expense. Interest rate swaps and options are entered into to maintain an appropriate mix of fixed and variable rate debt. The consolidated entity does not use or issue derivative or financial instruments for speculative or trading purposes. At the reporting date the derivative instruments have been assessed as effective.

Sunland Group Limited (via various wholly owned subsidiaries) has entered into various interest rate derivative arrangements providing the following hedge profile:

Sunland Southbank Pty Ltd

	Amount	Rate	Commence	Expire
Interest Rate Swap	\$20m	5.515% - 6.0%	FY 2003	FY 2006
Interest Rate Caps	\$20m	6.0%	FY 2006	FY 2009

Camryville Pty Ltd

	Amount	Rate	Commence	Expire
Interest Rate Swap	From \$6m increasing to \$46.5m	5.36%	FY 2004	FY 2006

Cash assets are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
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.				
In respect of controlled entities				
(i) The Company and each Group member has guaranteed the finance facilities of controlled entities - Sunland Homes Pty Ltd, Keriland Pty Ltd, Sunland Southbank Pty Ltd, Newcombe Pty Ltd, Gemmadale Pty Ltd, Camryville Pty Ltd, Inglesun Pty Ltd, Sunland Joinery Pty Ltd, Inglelake Pty Ltd, Sunland Group (Vic) Northern Pty Ltd, Sunland Constructions Pty Ltd, Leighwood Pty Ltd, Mordella Pty Ltd, Marrington Pty Ltd, Rydelson Pty Ltd, Carriver Pty Ltd, Roseley Vale Pty Ltd, Sunland Constructions (Circle) Pty Ltd, Loxwood Pty Ltd and Munday Pty Ltd.	-	-	209,865	140,334
(ii) Bank guarantees for uncompleted works have been provided to local councils and government authorities in respect of property development projects undertaken by Sunland Homes Pty Ltd, Ridgelodge Pty Ltd, Gemmadale Pty Ltd, Mordella Pty Ltd and Leighwood Pty Ltd.	3,383	1,293	-	-
(iii) The consolidated entity, as a partner in joint venture partnership operations is 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:	79,664	25,187	-	-
	<u>83,047</u>	<u>26,480</u>	<u>209,865</u>	<u>140,334</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

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		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash	7,134	11,009	5,425	3,810
Deposits at call	2,808	54	-	-
Bank overdraft	(33)	(44)	-	-
	<u>9,909</u>	<u>11,019</u>	<u>5,425</u>	<u>3,810</u>
Cash subject to restrictions:				
Construction bond	<u>29,763</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Profit from ordinary activities after income tax	55,216	24,462	5,799	526
<i>Add/(less) Non-cash items</i>				
Correction of error in treatment of write off of deferred costs in prior period	-	2,743	-	2,226
Emerging profits	(21,010)	(10,927)	-	-
Dividends from controlled entities	-	-	(28,143)	-
Depreciation and amortisation	2,774	2,882	1,694	1,840
Amounts set aside to provisions	486	263	355	41
(Increase)/decrease in assets	(462)	-	(45)	-
(Increase)/decrease in FITB	(1,313)	(37)	(1,619)	131
(Decrease)/Increase in income taxes payable	(4,352)	2,701	-	28
(Decrease)/Increase in deferred taxes	27,738	6,314	23,711	351
Add/(less) items classified as investing/financing activities				
Management fees capitalised into loans	-	-	-	(2,403)
Net cash provided by operating activities before change in assets and liabilities	<u>59,077</u>	<u>28,401</u>	<u>1,752</u>	<u>2,740</u>
Changes in assets and liabilities adjusted for the effects of purchase of controlled entities during the period				
(Increase)/decrease in inventories	(108,551)	(42,457)	(327)	909
(Increase)/decrease in receivables	(31,201)	7,115	267	216
(Increase)/decrease in construction bonds	(29,372)	-	-	-
(Increase)/decrease in prepayments	(3,097)	(404)	(59)	(11)
(Decrease)/Increase in trade payables	52,021	18,054	(277)	(97)
Net cash provided by/(used in) operating activities	<u>(61,123)</u>	<u>10,709</u>	<u>1,356</u>	<u>3,757</u>

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

28. NOTES TO THE STATEMENT OF CASH FLOWS (cont)

	Company	
	2004	2003
	\$	\$
(iii) Acquisitions of controlled entities		
During the year Sunland Group Limited purchased all the shares in shelf-companies as detailed in Note 24 (b)		
Details of the acquisitions are as follows:		
<i>Considerations</i>		
Outflow of cash	15	15
<i>Fair value of net assets of entity acquired</i>		
Cash	15	15
	15	15
(iv) Financing facilities		
Details of financing facilities are set out in Note 25.		

29. COMMITMENTS

- (i) Certain controlled entities have contracts to purchase land for development leading to the following commitments.

Conditional contracts

Controlled entities within the Group have entered into various contracts for land throughout Queensland for development to the total value of \$31,125,000. The contracts are conditional upon various criteria being met including reconfiguration approval, due diligence etc.

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

	Consolidated		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
(ii) Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	697	596	316	438
Later than one year but not longer than five years	1,728	1,551	542	980
	2,425	2,147	858	1,418

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

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

29. COMMITMENTS (cont)

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(iii) Finance lease payment commitments				
Finance lease commitments are payable:				
Within one year	582	582	-	-
Later than one year but not longer than five years	1,761	2,352	-	-
	<u>2,343</u>	<u>2,934</u>	<u>-</u>	<u>-</u>
Less: Future finance lease charges	<u>(213)</u>	<u>(385)</u>	<u>-</u>	<u>-</u>
	<u>2,130</u>	<u>2,549</u>	<u>-</u>	<u>-</u>
Lease liabilities provided for in the financial statements:				
Current	449	415	-	-
Non-current	<u>1,681</u>	<u>2,134</u>	<u>-</u>	<u>-</u>
Total Lease liability	<u>2,130</u>	<u>2,549</u>	<u>-</u>	<u>-</u>

Refer to Note 25 for terms and conditions.

30. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors and specified executives

(i) Specified directors

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

John Leaver	Chairman (non-executive)
Garry Rothwell	Director (non-executive)
Terry Jackman	Director (non-executive), commenced 1 May 2004
Soheil Abedian	Joint Managing Director
Sahba Abedian	Joint Managing Director
Craig Treasure	Director (executive)

(i) Specified executives

John Tatler	Construction Manager High-Rise
David Brown	Development Executive
Anne Jamieson	General Manager
Grant Harrison	Equity and Funding Manager and Company Secretary
Scott Springer	Financial Controller

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration 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 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 with the overall objective of ensuring maximum stakeholder

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

30. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

		Primary		Post Employment	Equity	Total
		Salary & Fees	Non-monetary benefits	Super-annuation	Options	
		\$	\$	\$	\$	\$
Specified Directors						
John Leaver	2004	65,400	7,564	-	-	72,964
	2003	79,400	6,190	-	-	85,590
Garry Rothwell	2004	60,000	7,564	5,400	-	72,964
	2003	60,000	6,190	5,400	-	71,590
Terry Jackman	2004	10,000	7,564	900	-	18,464
Soheil Abedian	2004	440,000	7,564	83,200	-	530,764
	2003	440,000	6,190	83,200	-	529,390
Sahba Abedian	2004	220,185	7,564	19,817	-	247,566
	2003	201,835	20,590	18,165	-	240,590
Craig Treasure	2004	215,566	14,736	11,002	45,000	286,304
	2003	209,408	7,431	10,592	45,000	272,431
Total Remuneration: Specified Directors						
	2004	1,011,151	52,556	120,319	45,000	1,229,026
	2003	990,643	46,591	117,357	45,000	1,199,591

Specified Executives						
David Brown	2004	147,161	11,647	22,837	40,000	221,645
	2003	147,163	12,596	22,837	40,000	222,596
John Tatler	2004	113,257	7,564	91,743	20,000	232,564
	2003	109,786	6,190	75,214	20,000	211,190
Anne Jamieson	2004	135,232	10,669	18,214	20,000	184,115
	2003	153,177	6,190	16,822	20,000	196,189
Grant Harrison	2004	138,440	7,564	12,460	20,000	178,464
	2003	124,266	6,190	10,215	20,000	160,671
Scott Springer	2004	79,790	7,564	7,181	10,938	105,473
Total Remuneration: Specified Executives						
	2004	613,880	45,008	152,435	110,938	922,261
	2003*	669,430	37,356	137,242	100,000	944,028

*Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

No payments were made in relation to cash bonuses, retirement benefits or other bonuses.

(c) Remuneration options: Granted and vested during the year

During the financial year options in the share capital of Sunland Group Limited were granted as equity compensation to certain specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

30. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

one fully paid ordinary share in the entity at the exercise price. The options may only be exercised three years after being granted and vest proportionately over a five year period. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

	Vested Number	Granted Number	Grant date	Terms and Conditions for each Grant Value per option at grant date (\$)	Exercise price per share (\$)	First Exercise Date	Last Exercise Date
Specified Directors							
Craig Treasure	500,000		31/07/2000	0.18	0.30	31/07/2000	26/11/2004
Specified Executives							
David Brown	400,000		11/02/2002	0.16	0.45	06/03/2003	06/03/2008
Anne Jamieson	200,000		11/02/2002	0.16	0.45	03/04/2003	03/04/2008
Grant Harrison	200,000		11/02/2002	0.16	0.45	16/11/2003	16/11/2008
Scott Springer	-	300,000	28/08/2003	0.35	1.20	28/08/2006	28/08/2011
Total	1,300,000	300,000					

(d) Shares Issued on Exercise of Remuneration Options

	Shares issued Number	Paid \$ per share	Unpaid \$ per share
Specified Directors			
Craig Treasure	500,000	0.30	-
Specified Executives			
David Brown	400,000	0.45	-
Grant Harrison	200,000	0.45	-
Total	1,100,000		

(e) Option Holdings of Specified Directors and Specified Executives

	Balance at beginning of period 1 July 2003	Granted as remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2004	Vested at 30 June 2004		
						Total	Not exercisable	Exercisable
Specified Directors								
Craig Treasure	1,250,000	-	(500,000)	-	750,000	500,000	-	500,000
Specified Executives								
John Tatler	1,000,000	-	-	-	1,000,000	-	-	-
David Brown	2,000,000	-	(400,000)	-	1,600,000	400,000	-	400,000
Anne Jamieson	1,000,000	-	-	-	1,000,000	400,000	-	400,000
Grant Harrison	1,000,000	-	(200,000)	-	800,000	-	-	-
Scott Springer	-	300,000	-	-	300,000	-	-	-
Total	6,250,000	300,000	(1,100,000)	-	5,450,000	1,300,000	-	1,300,000

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

30. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(f) Shareholdings of Specified Directors and Specified Executives

Shares held in Sunland Group Limited

	Balance 1 July 2003	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2004
Specified Directors					
John Leaver	48,707,168	-	-	(7,122,755)	41,584,413
Soheil Abedian	60,547,020	-	-	(6,240,357)	54,306,663
Sahba Abedian	4,542,400	-	-	1,243,850	5,786,250
Craig Treasure	1,350,000	-	500,000	(237,676)	1,612,324
Specified Executives					
John Tatler	35,000	-	-	8,750	43,750
David Brown	21,400	-	400,000	-	421,400
Anne Jamieson	88,000	-	-	(65,000)	23,000
Grant Harrison	27,595	-	200,000	80,399	307,994
Scott Springer	-	-	-	25,000	25,000
Total	115,318,583	-	1,100,000	(12,307,789)	104,110,794

31. RELATED PARTIES

DIRECTORS & SENIOR EXECUTIVES

The names of each person holding the position of director of Sunland Group Limited during the financial year are Messrs John S Leaver, Soheil Abedian, Sahba Abedian, Garry Rothwell, Craig Treasure and Terry Jackman. The names of the top five senior executives holding a position during the financial year are Messrs John Tatler, David Brown, Ms Anne Jamieson, Grant Harrison and Scott Springer.

Details of directors' and executives remuneration are set out in Note 30.

Apart from the details of directors and executives disclosed in this note, no director or executive has entered into a material contract with the Company or the consolidated entity since the end of the previous year and there were no material contracts involving directors' and executives' interests subsisting at year end.

Directors and executives transactions with the Company or its controlled entities

Transactions with directors, director related entities, executives and executive related entities, including the acquisition of products and services, were 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.

WHOLLY OWNED GROUP

Details of interests in wholly owned controlled entities are set out in Note 24. Details of dealings with these entities are set out below:

Loans

Loans between group entities are repayable at call and are generally interest free, except for loans from Sunland Southbank Pty Limited to Sunland Group Limited.

An interest rate equivalent to the bank loan rate of 5.48% (2003: 4.87%) is charged on the loan from Sunland Southbank Pty Limited to Sunland Group Limited.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

31. RELATED PARTIES (cont)

Interest brought to account by the Company in relation to these loans during the year:

	Company	
	2004 \$'000	2003 \$'000
Interest paid	1,863	1,115
Dividend revenue received by the Company from wholly owned entities during the year	28,143	-

Balances with entities within the wholly owned group

The aggregate amounts receivable from and payable to wholly owned controlled entities by the Company at balance date are:

	Company	
	2004 \$'000	2003 \$'000
Receivables		
Amounts Receivable from Joint Venture participants	-	7,693
Loans	134,614	115,895
	134,614	123,588
Creditors and Borrowings		
Loans	84,249	162,640
Amounts payable to joint venture participants	5,800	-
	90,049	162,640

32. INTERESTS IN JOINT VENTURE OPERATIONS

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 partners 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 Proprietary 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.

For the year ended 30 June 2004 the contribution of the Glades joint venture and the Q1 joint venture to the operating results of the consolidated entity before income tax was a profit of \$12,423,405 (2003: \$9,199,500).

Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the Glades and Q1 Joint ventures, recorded in accordance with accounting policy note 1(b):

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

32. INTEREST IN JOINT VENTURE OPERATIONS (Cont.)

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS				
Cash assets	10	123	-	-
Receivables	5,152	6,567	-	-
Inventories	10,158	5,843	-	-
Other	14	110	-	-
Amounts receivable from joint venture participants	-	4,141	-	7,693
Total current assets	15,334	16,784	-	7,693
NON-CURRENT ASSETS				
Inventories	88,447	26,919	-	-
Plant and equipment	16	32	-	-
Amounts receivable from joint venture participants	7,112	-	-	-
Total non-current assets	95,575	26,951	-	-
Total assets	110,909	43,735	-	7,693
CURRENT LIABILITIES				
Trade and other creditors	12,815	9,150	-	-
Provisions	-	-	-	-
Loans from related entities	-	12,059	-	-
Interest bearing liabilities	9,639	2,509	-	-
Total current liabilities	22,454	23,718	-	-
NON-CURRENT LIABILITIES				
Loans from related entities	11,227	650	-	-
Interest bearing liabilities	53,632	8,194	-	-
Amounts payable to joint venture participants	-	-	5,800	-
Total non-current liabilities	64,859	8,844	5,800	-
Total liabilities	87,313	32,562	5,800	-

33. 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.

Sunland Group Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

34. EVENTS SUBSEQUENT TO BALANCE DATE

On 2 July 2004 the directors declared a dividend payment of 6 cents fully franked with an effective record date of 16 July 2004 and a payment date of 30 July 2004.

On 23 July 2004 Sunland Group Limited entered into an agreement for a land development at Mackay "Shoal Bay". Sunland has signed an \$11.9m conditional contract for a 58.3 hectare site that will yield approximately 350 allotments over a five to six year period.

On 17 August 2004 Sunland Group Limited acquired a 12 hectare site at Forster in New South Wales for \$14.9m. The site has a current development approval for 119 residential allotments.

The financial effects of the above transactions have not been brought to account in the financial statement for the year ended 30 June 2004. The above transactions represent acquisitions made in the normal course of business.

Director Declaration

1. In the opinion of the directors of Sunland Group Limited
 - a) the financial statements and notes of the company and consolidated entity are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - 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.

Signed in accordance with a resolution of the directors.



Sahba Abedian
Managing Director

Dated at Surfers Paradise this 29th day of September 2004.

Independent audit report to members of Sunland Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sunland Group Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

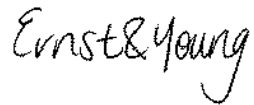
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Sunland Group Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Sunland Group Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



A. de Groot
Partner
Brisbane
30 September 2004

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial Shareholders

The number of shares held by the substantial shareholders as at 20 September 2004 were:

Shareholder	Ordinary Shares
Continental Venture Capital Limited	30,194,742
Havannah Pty Limited	29,250,000
Pacific Development Corporation Pty Limited	25,056,663
Citicorp Nominees Pty Limited	11,517,750
CVC Communications & Technology Pty Limited	10,937,957

Class of Shares and Voting Rights

At 20 September 2004, there were 2093 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 20 September 2004)

Category	Number of shareholders Ordinary Shares
1 - 1,000	199
1,001 - 5,000	658
5,001 - 10,000	438
10,001 - 100,000	700
100,001 and over	<u>98</u>
	<u>2,093</u>

As at 20 September 2004, there were 10 shareholders holding less than a marketable parcel.

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders (as at 20 September 2004)

Name	Number of ordinary Shares Held	Percentage of Capital Held
Continental Venture Capital Limited	30,194,742	13.92
Havannah Pty Limited	29,250,000	13.48
Pacific Development Corporation Pty Limited	25,056,663	11.55
Citicorp Nominees Pty Limited	11,517,750	5.31
CVC Communication & Technology Pty Limited	10,937,957	5.04
Queensland Investment Corporation	8,750,251	4.03
Reraetllab Pty Limited	8,070,000	3.72
Global Holdings LLC	7,500,000	3.46
M F Custodians Ltd	7,202,351	3.32
Westfield Properties LLC	5,587,500	2.58
Mr Sahba Abedian	4,768,750	2.20
Rainham Pty Limited	3,003,125	1.38
Westpac Custodian Nominees Limited	2,959,553	1.36
Bywater Investments Limited	2,649,521	1.22
Bywater Investments Limited	2,550,000	1.18
Derrin Brothers Properties Ltd	2,207,622	1.02
Mutual Trust Pty Ltd	1,383,621	0.64
Derrin Brothers Properties Ltd	1,000,000	0.46
Govard Pty Ltd	1,000,000	0.46
Mr Hussain Ali Habib Sajwani	1,000,000	0.46
	166,589,406	76.79

On-Market Buy Back

There is no current on-market buy back.