

Sunland Group Limited

ABN 65 063 429 532

Annual Report - 30 June 2023

Sunland Group Limited
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30 June 2023

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Directors	Mr Soheil Abedian Executive Director (Chairman)
	Mr Sahba Abedian Managing Director
	Mr Ron Eames Non- Executive Director
	Mr Christopher Freeman Non-Executive Director
Principal registered office	BDO Level 10, 12 Creek Street Brisbane QLD 4000
Principal place of business	Brisbane Telephone 07 3456 5700
	Gold Coast Telephone 07 5564 3700
	Sydney Telephone 02 9210 2100
Share register	Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 1300 655 149 (Australia) (+612) 8280 7917 Overseas
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Solicitors	Holding Redlich Level 1 300 Queen Street Brisbane QLD 4000
Bankers	ANZ Banking Group Limited Level 20 111 Eagle Street Brisbane QLD 4000
Website	www.sunlandgroup.com.au

The Directors present their report together with the financial report of Sunland Group Limited and its controlled entities (Sunland or the Group), for the year ended 30 June 2023 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 the office for the entire period unless otherwise stated.

Soheil Abedian AM

Executive Chairman - appointed March 1994.

Master's Degree in Architecture - University of Graz, Austria
Honorary Doctorate & Adjunct Professor Bond University, Queensland
Honorary Doctorate & Adjunct Professor Griffith University, Queensland

Mr Soheil Abedian was educated in Graz, Austria and moved to Queensland's Gold Coast in 1983 where he co-founded Sunland Group to develop luxury housing projects. He has over 38 years' experience in architectural design, construction, and project management across a wide range of developments. Mr Abedian has been awarded the Centenary Medal of Australia for services to the property and business sector. In 2020 he received the Keys to the City of Gold Coast in recognition of generous charitable contributions that have strengthened the social fabric of Gold Coast city. In 2021 Mr Abedian was awarded the Order of Australia Medal for his significant service to the community and the property sector.

Sahba Abedian

Managing Director - appointed January 2001

LLB (Bond University)

Mr Sahba Abedian is a qualified lawyer and was admitted into the Supreme Court of Queensland in 1998 as a solicitor. He joined Sunland Group in April 1998 as legal counsel/company secretary. In January 2000, he established the Group's Victorian operations and was appointed Joint Managing Director in 2002 alongside the Group's founder, Soheil Abedian. In 2006, Sahba assumed the role of Managing Director.

Ron Eames

Non-Executive Director - appointed March 2006.

LLB (Queensland University of Technology)

Mr Eames is a partner in the Brisbane offices of law firm Holding Redlich and brings to the role more than 25 years' experience in the legal sector, specialising in front-end project work and project structured financing in the energy, resource, construction, and tourism industries. Mr Eames is a member of the Australian Institute of Company Directors. Mr Eames is the chair of Sunland's Audit and Risk Committee.

Chris Freeman AM FAICD FFIN FIDA

Non-Executive Director – appointed January 2015.

Bachelor of Commerce (University of Queensland)

Mr Freeman has significant company directorship experience in Australia and abroad in the property and finance sectors. His former Board roles include Director and Chair of Watpac Limited, Director of Translink Ltd, Chair of Tennis Australia Ltd and Chair of QPAT.

Mr Freeman previously held the positions of Executive Chair United Arab Emirates and United Kingdom and Chief Executive Queensland for the Mirvac Group Limited. He has held executive roles in the finance sector, particularly in the property, corporate and agribusiness markets. He is a Director of Brisbane Airport Corporation Limited. Mr Freeman is a member of Sunland's Audit and Risk Committee.

Company secretary

Grant Harrison

Company Secretary - appointed December 2003.

Associate Diploma Business (Accounting), GAIDC.

Mr Harrison joined Sunland Group in 2000, following 16 years in the banking sector with Westpac specialising in commercial, property and corporate finance transactions. Mr Harrison was appointed Chief Financial Officer in December 2004. Mr Harrison is a Graduate of the Australian Institute of Company Directors.

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:

	Board Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended
Mr Sahba Abedian	5	5	-	-
Mr Soheil Abedian	5	5	-	-
Mr Ron Eames	5	5	2	2
Mr Chris Freeman	5	5	2	2

Principal Activities

Sunland Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the consolidated entity are residential property development and construction. The Group conducts these activities through its two core business segments of "Residential Housing and Urban Development" and "Multi-Storey" developments. The Residential Housing and Urban Development segment comprises medium-density integrated housing developments and land subdivision. The Multi-Storey segment comprises medium-rise apartment projects generally between five and 15 storeys, and high-rise developments above 15 storeys.

The delivery of Sunland's projects is completed by specialist in-house teams experienced in land acquisition and project feasibility analysis, design, project management, construction, and sales and marketing. The vertically integrated structure of the Group ensures the efficient delivery and management of external parties who may also be engaged in the delivery of projects to achieve Sunland's desired project returns.

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

Consolidated Result

The consolidated profit after tax for the year attributable to members of Sunland Group Limited was \$33.4 million (2022: \$92.6 million).

The period sees the continued delivery of Sunland Group's strategy to return net asset value to shareholders¹ (**Strategy**). The Group has no further or active projects or material business assets. This follows the completion and settlement of its remaining projects during the financial year with the financial year's result attributable to the performance of Sunland's multi-storey segment via settlements at The Lanes Residences West Village and 272 Hedges Ave on the Gold Coast, as well as settlements in the Group's medium density housing development, Montaine Residences in Sydney.

The cash generated by the Group during the period has enabled the directors to declare the following fully franked dividends in relation to the 2023 financial year:

- special dividend of 30 cents per share, paid 28 July 2022;
- special dividend of 60 cents per share, paid 7 December 2022;
- interim dividend of 20 cents per share, paid 16 March 2023; and
- further special dividend of 20 cents per share also paid 16 March 2023.

Directors have also now declared a fully franked final dividend attributable to the 2023 financial year of 11 cents per share to be paid on 20 September 2023 (with the record date 30 August 2023).

In addition to the above fully franked dividends, Sunland directors provided guidance of a capital distribution of 90 cents per share which would be subject to shareholder approval as disclosed in the ASX announcement 22 June 2023.

¹ As initially announced to the ASX on 20 October 2020 and further updated 30 September 2022 and 22 June 2023

Operational and Financial Review

Operating and Financial Highlights

- Net profit after tax of \$33.4 million (2022: \$92.6 million);
- Earnings per share of 24.4 cents based on the number of consolidated shares on issue as at the balance date (2022: 69.5 cents);
- Total value of fully franked dividends attributed to this financial year is 141 cents per share as detailed above, including the final dividend of 11 cents per share now declared by directors;
- Remaining projects located at 272 Hedges Avenue and Mount Annan have been completed and fully settled apart from 6 houses at Mount Annan which settled during July 2023;
- Net tangible assets per share (based on consolidated issued shares) of \$1.19 (FY22: \$2.60);
- The Group achieved a 28% development margin, exceeding the annual target of 20% return on costs;
- Strong cash flow from property settlements totalling \$255.6 million (2022: \$554.5 million)

Group Development Portfolio

Sunland has now completed the development of its projects and sold all undeveloped inventory. There were 6 houses at Mount Annan that remained unsettled as at year end however these have now settled. There are no further or active projects or material business assets remaining in the Group.

Group operating activities

Development Activities

Sunland's development activities provided strong earnings this period with the completion of various housing and multi-storey projects.

During the financial year the Group settled 232 lots (2022: 328) which generated \$255.6 million (2022: \$554.5 million) in property sales revenue. The bulk of settlements occurred for multistorey apartment projects at The Lanes Residences West Village and 272 Hedges Ave (QLD).

The Residential Housing and Urban Development segment generated revenues through settlements at Montaine Residences (NSW).

The Group exceeded its targeted development margin of 20%, with a return on cost for the period of 28% across its residential development portfolio (excludes marketing costs, which are expensed ahead of recognising revenue - refer segment report for further explanation).

Other Group Activities

The Royal Pines retail and commercial asset generated investment revenue during the period until the sale of the asset was completed in December 2022.

Capital Management and Dividends

Distribution guidance provided by directors in the ASX release 22 June 2023 included a dividend of 11 cents per share which is now declared; and a capital distribution of 90 cents per share. The distribution of capital will require shareholder approval and Sunland is seeking advice from its legal and taxation advisors in respect to this payment ahead of issuing detailed information to shareholders through the Notice of Meeting.

Sunland directors will manage capital requirements to satisfy remaining obligations including staff salaries, employee entitlements, necessary operating expenses, maintenance of completed projects, defects rectification as required by law, contingent liabilities, and costs that may crystallise as the Strategy is completed (**Operating and Strategy Costs**).

The timing and quantum of Operating and Strategy Costs is difficult to accurately forecast. In consultation with its advisors, Sunland has set aside sufficient funds to meet forecast Operating and Strategy Costs as statutory defect periods run off for projects completed by the Group. The last defects liability period is not scheduled to expire until December 2029.

Operating and Strategy Costs include contingent statutory liabilities for building defects in circumstances where defects liability periods do not expire for a number of years, and it is not presently known precisely what defects may arise or what the costs to rectify such defects will be if there is an obligation to rectify them. It is possible the full amount of funds set aside to meet these obligations are not fully utilised which may result in an additional dividend or capital distribution (or both).

Sunland directors continue to consult with its legal and taxation advisors as the Strategy continues to be completed

Group Vision and Future Outlook

Sunland Group's Strategy has been implemented to return fair value to shareholders. Directors will be mindful of maintaining an appropriate financial position to ensure sufficient capital is available to fulfill its continuing obligations in meeting the Group's Operating and Strategy Costs.

Significant Changes in the State of Affairs

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

Environmental Regulation and Performance

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

Likely Developments and Expected Results

Directors continue to be mindful of delivering shareholder return and the Group's announced Strategy will assist in achieving that goal. Existing projects are now completed and the cash generated from these will support the Strategy.

Directors Interests

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

Director	Ordinary shares	Holdings by related parties
Mr Soheil Abedian	* 50,000,000	1,103,000
Mr Sahba Abedian	* 9,045,000	370,000
Mr Ron Eames	30,000	-
Mr Chris Freeman	50,000	-

* Includes related party holdings.

There are no options held by Directors over unissued ordinary shares of the Company.

Indemnification and Insurance of Officers

Under Sunland's constitution, directors and officers are entitled to be indemnified out of assets of the Company against certain losses incurred in relation to the completion of their duties. The indemnity is subject to applicable law and certain exceptions.

The Company has entered into a Deed of Access, Indemnity and Insurance with each of its Directors and the Company Secretary to indemnify them against liabilities and legal costs of the kind mentioned in the Company's Constitution (Indemnity Deeds). The terms of the Indemnity Deeds are in line with common commercial practice.

In accordance with the Constitution and Indemnity Deeds, during the year ended 30 June 2023 the Company has paid legal expenses totalling \$515,212 incurred by directors and officers for legal advice in relation to matters associated with their duties.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and officers of the Company (and its related bodies corporate). In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit Pty Ltd, as part of the terms of its audit engagement agreements against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

Remuneration Report (Audited)

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

Remuneration Philosophy

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

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

Sunland has undertaken to reward the Executive Management Team through a remuneration framework consisting of a fixed annual remuneration package complemented by long-term incentive programs provided through discretionary trusts operated independently of Sunland's Board of Directors. The long-term incentive programs extend to all eligible employees of the company as detailed below.

There is no short-term incentive program in place as this is not consistent with Sunland's long-term focus or its normal business cycle. The principles of the framework incorporate:

- Providing competitive remuneration packages relative to market;
- Linking executive remuneration to shareholder value;
- Establishing objectives for regional, divisional and individual performance;
- Maintaining a strong focus on both teamwork and individual performance; and
- Encouraging long-term tenures with Sunland.

Review of Remuneration Framework

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

Details of Key Management Personnel

Key management personnel including Directors and Executives have authority and responsibility for planning, directing, and controlling the activities of the Company and Group. The following personnel were key management personnel during the year ended 30 June 2023:

Mr Sahba Abedian, Managing Director
Mr Soheil Abedian, Chairman (executive)
Mr Ron Eames, Director (non-executive)
Mr Christopher Freeman, Director (non-executive)

Officers

Mr Grant Harrison, Company Secretary and Chief Financial Officer

An Executive Management Team, which includes Executive Directors and the Chief Financial Officer, is tasked with executing the Group's strategies and objectives set by the Board. Only those members disclosed above are considered to meet the key management personnel criteria. There were no changes of key management personnel after reporting date and the date the financial report was authorised for issue.

Long-Term Incentives ('LTI')

Objectives

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

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

A LTI plan was approved by Directors on 15 June 2011. The Program has been established through a discretionary trust deed and is known as the Sunland Employee Investment Fund (**SEIF**). The Fund is operated independently from Sunland's Board by a Trustee appointed by the Eligible Employees. The purpose of the SEIF is to provide eligible termination payments to Eligible Employees. Eligible Employees are not restricted to senior management personnel and include Executive Directors. An employee's eligibility to participate in the Program is tested periodically and various criteria must be met, such as minimum continuous service (generally three years) and satisfactory employment performance. Funds are contributed to the discretionary trust annually at the discretion of Sunland's Board and are invested by the Trustee of the discretionary trust on behalf of the Eligible Employees. The investment earnings of the discretionary trust are distributed to eligible employees annually. Distributions to Eligible Employees are also made at the discretion of the Trustee. Directors have historically assessed Sunland's contribution to the SEIF in September each year and have paid up to 1% of net profit after tax. No contribution was made by Sunland during this period (2022: \$249,480).

During the 2014 Annual General Meeting, the members of Sunland voted in favour of issuing 3,500,000 shares (issue price \$1.70), funded through an interest free loan provided by Sunland, to establish an additional LTI for certain core employees who have contributed significantly to the Company during the course of their employment. The plan is known as the Sunland Employee Retirement Fund (**SERF**), which is a discretionary trust that holds the issued shares for the benefit of Eligible Employees. Directors may nominate Eligible Employees who maybe full-time or part-time employees, however Directors are excluded. Under the rules of the Fund, the Trustee may nominate an Eligible Employee for a payment from the SERF upon their retirement from the Company and having been an employee of the Company for a period of 10 years. Where the SERF is to make a payment to an Eligible Employee upon their retirement, the SERF will sell Sunland shares and apply the proceeds firstly to repay the interest free loan and surplus funds (above the original issue price per share) will be paid to the retiring employee as a trust distribution. If, at the time, the market price of the shares do not exceed the issue price, then there would be no distribution.

In accordance with Sunland's Strategy¹, the Sunland shares held by the SEIF and SERF were sold, and the interest free loan in respect of the shares held by the SERF has been repaid². As the Strategy approaches finalisation, the orderly satisfaction of the Group's obligations includes long term incentive payments being made (by way of trust distributions) to all Eligible Employees (which, in respect of the SERF, do not include Directors) in accordance with the terms of the applicable LTI plans (and trust deeds); and will involve the SEIF trust and the SERF trust being terminated and wound up given there will be no ongoing requirement for the LTI plans.

¹ As initially announced to the ASX on 20 October 2020 and further updated 30 September 2022 and 22 June 2023

² As notified in Sunland's ASX Announcement "Group Strategy Updated" dated 30 September 2022.

Non-Executive Director Remuneration

Objective

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

Structure

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

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

Executive Director Remuneration

Objective

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

- Ensure the pursuit of the Group's long-term growth within an appropriate control framework;
- Demonstrate a clear relationship between executive director performance and remuneration; and
- Ensure total remuneration is competitive by market standards and provides sufficient and reasonable rewards for the time and effort required in these roles.

Structure

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

- A base salary; and
- The grant of long-term incentives through the LTI plan where eligibility criteria are met.

No bonuses or other short-term incentives are paid to Executive Directors as these are not consistent with the Group's long-term growth focus and the Group's business cycle. The terms of employment of Executive Directors are consistent with those of the Executive and details are advised below.

Executive Remuneration

Objective

The Group's executive reward structure is designed to:

- Ensure the pursuit of the Group's long-term growth within an appropriate control framework;
- Demonstrate a clear relationship between key executive performance and remuneration; and
- Provide sufficient and reasonable rewards to ensure the Group attracts and retains suitably qualified and experienced people for key roles.

Structure

The remuneration structure for the Executive consists of:

- A base salary; and
- The grant of long-term incentives through the LTI plan.

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

All Executives, including the Executive Directors, have employment contracts with no fixed end date. Any executive may resign from their position and thus terminate their contract by giving 4 weeks written notice. The Company may terminate the employment agreement by giving 4 weeks written notice or providing payment in lieu of the notice period. The Company may terminate the contract at any time if serious misconduct has occurred. On termination, any eligibility to the LTI plan will immediately be forfeited. None of the Executives are employed under a contract linked to the performance of the Company.

Compensation of Key Management Personnel (KMP)

Remuneration of KMP is detailed in the following table:

	Short-term benefits	Post- employment benefits	Total
	Salary & Fees \$	Super- annuation \$	\$
2023			
<i>Non-Executive Directors:</i>			
Ron Eames	78,634	8,257	86,891
Chris Freeman	78,634	8,257	86,891
<i>Executive Directors:</i>			
Sahba Abedian	577,726	25,292	603,018
Soheil Abedian	496,199	25,292	521,491
<i>Other Key Management Personnel:</i>			
Grant Harrison	344,630	25,292	369,922
	<u>1,575,823</u>	<u>92,390</u>	<u>1,668,213</u>

	Short-term benefits	Post- employment benefits	
	Salary & Fees \$	Super- annuation \$	Total \$
2022			
<i>Non-Executive Directors:</i>			
Ron Eames	74,886	7,489	82,375
Chris Freeman	74,886	7,489	82,375
Rebecca Frizelle	74,886	7,489	82,375
Vahid Saberi	74,886	7,489	82,375
<i>Executive Directors:</i>			
Sahba Abedian	915,434	23,568	939,002
Soheil Abedian	786,031	23,568	809,599
<i>Other Key Management Personnel:</i>			
Grant Harrison	324,898	23,568	348,466
	<u>2,325,907</u>	<u>100,660</u>	<u>2,426,567</u>

In addition to the remuneration stated in the table above, Mr Soheil Abedian and Mr Sahba Abedian (directors) each received \$192,728 and Mr Grant Harrison (a non director KMP) received \$368,202 in other short-term employee benefits in the form of income distributions (2022: each received \$102,376) under the Group's LTI plans. The change from the prior year, and differential between the directors versus the non-director, is due to the receipt of increased dividends on Sunland shares (in accordance with the Strategy¹) which were held under the LTI plans and directors not being eligible to receive certain distributions under the applicable LTI plans and trust deeds. Refer to page 9 for further information about the LTI plans.

Note: Mr Soheil Abedian salary sacrificed his salary to the Abedian Foundation all or in part in 2023 and 2022.

On 22 June 2023 the Group announced Mr Soheil Abedian and Mr Sahba Abedian will reduce their remuneration arrangements from 1 July 2023 to reflect a two day working week (FY22: Their remuneration arrangements were reduced from 1 July 2022 to reflect a three day working week as announced 7 March 2022).

Shareholdings of Key Management Personnel

Shares held by key management personnel and their related parties in Sunland Group Limited is as follows. No shares have been granted as part of remuneration and no options have been issued or exercised.

	Balance			Balance
	1 July 2022	Acquisitions	Disposals	30 June 2023
Directors				
Soheil Abedian *	51,103,000	-	-	51,103,000
Sahba Abedian *	9,415,000	-	-	9,415,000
Ron Eames	30,000	-	-	30,000
Chris Freeman	50,000	-	-	50,000
Officers				
Grant Harrison	710,458	-	-	710,458
Total	61,599,774	-	-	61,599,774

* These balances include shares held by parties related to Soheil Abedian of 1,103,000 and Sahba Abedian of 370,000.

¹ As initially announced to the ASX on 20 October 2020 and further updated 30 September 2022 and 22 June 2023.

Group Performance

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

	2023	2022	2021	2020	2019
Basic Earnings Per Share	\$0.24	\$0.68	\$0.18	\$0.02	\$0.12
Earnings Per Share growth (%)	(64.7%)	278.0%	800.0%	(83.3%)	(42.5%)
Security price - at 30 June	\$1.35	\$2.75	\$2.45	\$1.15	\$1.70
Change in security price (%)	(50.91%)	12.00%	113.00%	(32.40%)	(6.60%)
Dividend per share declared (fully franked)	\$0.31	\$0.37	\$0.50	\$0.10	\$0.08
Dividend per share growth (%)	(16.22%)	(26.00%)	400.00%	25.00%	27.30%
Net Tangible Assets per share	\$1.19	\$2.60	\$2.34	\$2.56	\$2.56

The information in the table above reflects accounting standards applicable in the relevant year and is not retrospectively restated for changes in accounting standards as management's performance is measured against the information reported in the relevant year.

The Group continues to focus its energies on strengthening its financial position, enhancing shareholder value and delivering its development revenue streams.

Compensation options

During this financial year no options over the share capital of Sunland Group Limited were granted as equity compensation to any Directors or Executives.

Rounding

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

Non-Audit Services

Non-audit services were provided by BDO Services Pty Ltd during the financial year as disclosed in note 25 to the financial statements. In accordance with a resolution of the Audit and Risk committee, the Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that audit independence was not compromised.

Audit Independence

The Directors received the following declaration from the auditor of Sunland Group Limited and forms part of the Directors' Report for the financial year ended 30 June 2023.

Signed in accordance with a resolution of the Directors.



Mr Sahba Abedian
Managing Director

15 August 2023



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DECLARATION OF INDEPENDENCE BY CAMERON HENRY TO THE DIRECTORS OF SUNLAND GROUP LIMITED

As lead auditor of Sunland Group Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Cameron Henry', written in a cursive style.

Cameron Henry
Director

BDO Audit Pty Ltd

Brisbane, 15 August 2023

Sunland Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023

	Note	Consolidated	
		2023	2022
		\$'000	\$'000
Revenue from the sale of properties	3	255,608	554,510
Other revenue from operations	3	1,788	3,974
Other income / (expense)	4	9,801	31,167
Expenses			
Cost of goods sold - Property development	5	(202,921)	(450,293)
Administration and other expenses		(5,123)	(3,860)
Cost of other operations		(540)	(855)
Employee benefits expense		(10,292)	(10,277)
Depreciation and amortisation expense		(516)	(1,741)
Profit before income tax expense		47,805	122,625
Income tax expense	6	(14,392)	(30,064)
Profit after income tax expense for the year attributable to the shareholders of Sunland Group Limited		33,413	92,561
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the shareholders of Sunland Group Limited		<u>33,413</u>	<u>92,561</u>
		Cents	Cents
Basic earnings per share (cents)	8	24.4	67.6
Diluted earnings per share (cents)	8	24.4	67.6

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

Sunland Group Limited
Consolidated statement of financial position
As at 30 June 2023

Sunland Group

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	Note	Consolidated 2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		196,861	262,222
Trade and other receivables	10	957	14,153
Inventories	11	3,694	161,475
Other current assets		1,646	2,386
		<u>203,158</u>	<u>440,236</u>
Non-current assets classified as held for sale	4	-	10,116
Total current assets		<u>203,158</u>	<u>450,352</u>
Non-current assets			
Property, plant and equipment		124	319
Right-of-use assets		-	447
Deferred tax	7	1,677	-
Total non-current assets		<u>1,801</u>	<u>766</u>
Total assets		<u>204,959</u>	<u>451,118</u>
Liabilities			
Current liabilities			
Trade and other payables	12	6,268	26,345
Current tax liabilities		5,226	21,137
Provisions	13	2,864	3,083
Dividends payable	19	27,382	-
Other current liabilities		160	1,302
Total current liabilities		<u>41,900</u>	<u>51,867</u>
Non-current liabilities			
Interest bearing liabilities	14	-	49,041
Deferred tax	7	-	2,872
Provisions		84	226
Other non-current liabilities		-	232
Total non-current liabilities		<u>84</u>	<u>52,371</u>
Total liabilities		<u>41,984</u>	<u>104,238</u>
Net assets		<u>162,975</u>	<u>346,880</u>
Equity			
Contributed equity	20	129,460	123,195
Retained earnings		33,515	223,685
Total equity		<u>162,975</u>	<u>346,880</u>

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

Sunland Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated	
		2023	2022
		\$'000	\$'000
Cash flows from operating activities			
Cash receipts from operations		231,349	561,237
Cash payments to suppliers and employees		(40,625)	(152,468)
Interest received		915	255
Interest and other finance costs paid		(2,227)	(8,161)
Income taxes refunded / (paid)		<u>(34,854)</u>	<u>(20,340)</u>
Net cash from operating activities	9	<u>154,558</u>	<u>380,523</u>
Cash flows from investing activities			
Payments for investment property		-	(6,105)
Cash paid on acquisition of property, plant and equipment		-	(8)
Proceeds from disposal of investment property		-	53,769
Proceeds from disposal of property, plant and equipment		-	267
Proceeds from disposal of non-current assets held for sale		19,782	-
Proceeds from sale of financial instruments		<u>235</u>	<u>-</u>
Net cash from investing activities		<u>20,017</u>	<u>47,923</u>
Cash flows from financing activities			
Repayment of borrowings		(50,000)	(163,979)
Proceeds from borrowings		-	41,952
Dividends paid to company's shareholders	19	(198,519)	(57,501)
Proceeds from treasury shares dividends		<u>8,583</u>	<u>163</u>
Net cash used in financing activities		<u>(239,936)</u>	<u>(179,365)</u>
Net increase/(decrease) in cash and cash equivalents		(65,361)	249,081
Cash and cash equivalents at the beginning of the financial year		<u>262,222</u>	<u>13,141</u>
Cash and cash equivalents at the end of the financial year		<u><u>196,861</u></u>	<u><u>262,222</u></u>

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

Sunland Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2021	129,460	(6,265)	188,462	311,657
Profit after income tax expense for the year	-	-	92,561	92,561
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	92,561	92,561
<i>Transactions with shareholders in their capacity as shareholders:</i>				
Dividends paid (note 19)	-	-	(57,338)	(57,338)
Balance at 30 June 2022	<u>129,460</u>	<u>(6,265)</u>	<u>223,685</u>	<u>346,880</u>
Consolidated	Issued capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2022	129,460	(6,265)	223,685	346,880
Profit after income tax expense for the year	-	-	33,413	33,413
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	33,413	33,413
<i>Transactions with shareholders in their capacity as shareholders:</i>				
Sales of treasury shares (note 20)	-	8,583	-	8,583
Distribution of net treasury shares proceeds (note 20)	-	(2,318)	2,318	-
Dividends declared (note 19)	-	-	(27,382)	(27,382)
Dividends paid (note 19)	-	-	(198,519)	(198,519)
Balance at 30 June 2023	<u>129,460</u>	<u>-</u>	<u>33,515</u>	<u>162,975</u>

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

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Note 1. Operating segments

30 June 2023

	Land & Housing \$'000	Multistorey \$'000	Other \$'000	Total \$'000
Revenue				
Revenue recognised from operations	35,675	219,933	873	256,481
Development costs incurred in delivery				
Finance costs expensed	(2,623)	(9,142)	(9)	(11,774)
Other development costs expensed	(34,325)	(153,668)	(658)	(188,651)
Total development costs	<u>(36,948)</u>	<u>(162,810)</u>	<u>(667)</u>	<u>(200,425)</u>
Segment result - Development return				
Return on development costs	(1,273)	57,123	206	56,056
Return on costs	(3%)	35%		
Overall return for combined development operations - 28%				
Other transactions during the year				
Marketing	(120)	(640)	-	(760)
Warranty adjustments	(1,662)	(740)	-	(2,402)
Interest revenue				915
Gain / (Loss) on disposals				9,801
Unallocated corporate expenses				(15,805)
Profit before tax				47,805
Income tax (expense) / benefit				<u>(14,392)</u>
Net profit for the year				<u><u>33,413</u></u>
30 June 2023				
Assets				
Segment assets	3,088	606	-	3,694
Unallocated corporate assets				<u>201,265</u>
Consolidated total assets	<u><u>3,088</u></u>	<u><u>606</u></u>	<u><u>-</u></u>	<u><u>204,959</u></u>

Note 1. Operating segments (continued)

30 June 2022

	Land & Housing \$'000	Multistorey \$'000	Other \$'000	Total \$'000
Revenue				
Revenue recognised from operations	136,579	417,931	3,719	558,229
Development costs incurred in delivery				
Finance costs expensed	(10,861)	(22,525)	-	(33,386)
Other development costs expensed	(98,569)	(315,489)	(2,285)	(416,343)
Total development costs	<u>(109,430)</u>	<u>(338,014)</u>	<u>(2,285)</u>	<u>(449,729)</u>
Segment result - Development return				
Return on development costs	27,149	79,917	1,434	108,500
Return on costs	25%	24%		
Overall return for combined development operations - 24%				
Other transactions during the year				
Marketing	(294)	(893)	(160)	(1,347)
Warranty adjustments	(882)	(620)	-	(1,502)
Interest revenue				255
Gain / (Loss) on disposals				31,167
Unallocated corporate expenses				(14,448)
Profit before tax				122,625
Income tax (expense) / benefit				<u>(30,064)</u>
Net profit for the year				<u>92,561</u>

30 June 2022

Assets

Segment assets	31,012	125,068	10,116	166,196
Unallocated corporate assets				<u>284,922</u>
Consolidated total assets	<u>31,012</u>	<u>125,068</u>	<u>10,116</u>	<u>451,118</u>

Note 1. Operating segments (continued)

The consolidated entity comprises the following main segments:

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

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

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

Segment reporting accounting policy

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

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments are identified based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating segments is reported to the Managing Director on at least a monthly basis.

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

- Nature of the products and services,
- Nature of the development and construction processes,
- Type or class of customer for the products and services, and
- Methods used to distribute the products or provide the services.

Both land and housing operations and multistorey operations each meet the aggregation criteria and are reported as one segment.

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

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “other segments”. It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent.

Note 1. Operating segments (continued)

The following items and associated assets are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Legal fees
- Employee benefits expenses
- Assets excluding inventory and investment properties
- Group corporate marketing expenses
- Accounting and audit fees
- Administration expenses and depreciation
- Tax balances

Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions to third parties.

Segment results, being development return and assets include items directly attributed to a segment as well as those that can be allocated on a reasonable basis. Segment revenue, expenses and results include transfers between business segments, these are eliminated on consolidation.

Note 2. Basis of preparation

The financial statements of Sunland Group Limited are the consolidated financial statements of the parent and its controlled entities (the Group) for the year ended 30 June 2023. The Directors have the power to amend and reissue the financial statements.

Sunland Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group's registered office and principal place of business as of 1 July 2023 is:

BDO
Level 10, 12 Creek Street
Brisbane QLD 4000

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if:

- It is significant in size or nature;
- It is important in understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It is important to the Group's future performance.

The nature of the operations and principal activities of the Group are described in the Directors' Report. The Group is a for profit entity.

Notwithstanding the Group's strategy, the accounts are prepared on a going concern basis as the Group has sufficient cash reserves to meet its obligations over the proceeding twelve months from balance date and up until the strategy is completed.

Note 2. Basis of preparation (continued)

The operating cycle of the business varies depending on each operating segment of the Group. Once appropriate development approvals are obtained for a project, the delivery cycle may be less than 12 months for housing construction and staged land subdivision projects. Multistorey developments span greater than 12 months and depend upon the construction time of a project, usually between 12 months and 36 months.

These general purpose financial statements comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and have been prepared:

- In accordance with the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Boards;
- In accordance with the *Corporations Act 2001*; and
- On a historical cost basis and is presented in Australian dollars.

The principal accounting policies adopted in the preparation of these financial statements are presented throughout the report. The policies adopted are consistent with those of the previous financial year.

Note 3. Other revenue from operations

	Consolidated	
	2023	2022
	\$'000	\$'000
Investment property revenue (a)	476	463
Holding income (b)	(104)	(377)
Interest received	915	255
Recovery of warranty costs	-	3,000
Other revenue	501	633
	<u>1,788</u>	<u>3,974</u>

(a) Investment property revenue

Investment property revenue represents the gross revenue generated by rental and operating activities from properties intended to be held as investments for ongoing, non-development revenue.

(b) Holding income

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

Revenue from contracts with customers accounting policy

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues are recognised net of the amount of associated GST.

The specific criteria applied to the Group's major business activities for the recognition of revenue is as follows:

Note 3. Other revenue from operations (continued)

(i) Sale of properties

The Group recognises its revenue from the sale of properties at settlement. This is on the basis that the Group has a legally enforceable right to payment and legal title of the property has been transferred to the purchaser. Each individually titled property represents a performance obligation, with the price per the sales contract representing the transaction price.

Incremental costs of obtaining a contract, such as sales commissions, are capitalised into inventory and are expensed at settlement as cost of goods sold.

(ii) Other revenue from operations

Interest income

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

Rental income

Rental income is accounted for on a straight-line basis over the lease term.

Note 4. Other income / (expense)

	Consolidated	
	2023	2022
	\$'000	\$'000
Gain / (Loss) on disposal of non-current assets classified as held for sale (a)	8,454	-
Other	1,347	-
Gain / (Loss) on disposal of property, plant & equipment and investment properties (b)	-	31,167
	<u>9,801</u>	<u>31,167</u>

(a) Gain / (Loss) on disposal of non-current assets classified as held for sale

During the prior financial year the Group commenced the process of selling its Royal Pines retail and commercial asset ("Royal Pines") as part of the ongoing strategy to return net asset value to shareholders. The Group had engaged the services of an external agent and negotiations between management and potential buyers were in progress. The Royal Pines asset, which consisted of both investment properties (\$7.8 million) and property, plant & equipment (\$2.3 million), was therefore disclosed as a non-current asset held for sale at the end of the prior financial year. The Group entered into a contract for the sale of Royal Pines in September 2022, with the contract settling in December 2022. The sale achieved a total gain on disposal of \$8.5 million.

(b) Gain / (Loss) on disposal of property, plant & equipment and investment properties

During the prior reporting period the Group completed the sale of the Lanes Retail site and an additional adjoining site for a combined pre tax profit of \$31.4 million.

Note 5. Cost of goods sold - Property development

	Consolidated	
	2023	2022
	\$'000	\$'000
Costs of goods sold - Property developments	191,146	416,907
Finance costs	11,775	33,386
	<u>202,921</u>	<u>450,293</u>

Cost of goods sold accounting policy

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

Adjustments to the net realisable value of inventory are recorded within the cost of goods sold account in profit and loss. Net realisable value is determined in accordance with the Inventory accounting policy within this report.

Note 6. Income tax expense

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Income tax expense</i>		
Current income tax expense	19,558	40,130
Deferred income tax expense	(4,549)	(10,290)
Adjustment to current tax of prior periods	(617)	224
Aggregate income tax expense	<u>14,392</u>	<u>30,064</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	47,805	122,625
Tax at the statutory tax rate of 30%	14,342	36,788
Adjustment to current tax of prior periods	(617)	224
Other	667	(2)
Utilisation of tax capital losses not previously brought to account (a)	-	(6,946)
Income tax expense	<u>14,392</u>	<u>30,064</u>

(a) Utilisation of tax capital losses not previously brought to account

In the prior year the Group realised a profit from the sale of an investment property that was included in the statement of comprehensive income as *other income / (expense)*. This profit was a capital gain for income tax purposes and carried forward capital losses held by Sunland Group Limited were utilised. As no deferred tax asset had previously been recognised in the statement of financial position for carried forward capital losses, an income tax benefit was realised.

Note 7. Non-current assets / (liabilities) - Deferred tax

	Statement of financial position		Statement of comprehensive income	
	30 June 23 \$'000	30 June 22 \$'000	30 June 23 \$'000	30 June 22 \$'000
Deferred tax assets / (liabilities):				
Development costs deductible for tax but capitalised for accounting	(151)	(4,965)	4,814	13,825
Income not currently assessable for tax	(61)	(61)	-	(25)
Other deferred tax liabilities	-	(264)	264	28
Warranty provision not immediately deductible for tax	656	467	189	177
Other provisions not immediately deductible for tax	228	526	(298)	(146)
Expenses not immediately deductible for tax	1,005	1,425	(420)	(1,816)
Future deductions for the net realisable value of inventory adjustments	-	-	-	(1,753)
	<u>1,677</u>	<u>(2,872)</u>	<u>4,549</u>	<u>10,290</u>

(a) Unrecognised tax losses carried forward

At the end of the reporting period the Group had no available carried forward tax losses (2022: Nil).

(b) Tax consolidation

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

(c) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. Current and deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each year. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Sunland Group Limited. The Group has applied the modified separate taxpayer within a group approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

Note 7. Non-current assets / (liabilities) - Deferred tax (continued)

(d) Income tax accounting policy

The income tax expense for the period is the tax payable on the current period's taxable income based on the Australian company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

In this case, the tax is also recognised in other comprehensive income or directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Note 8. Earnings per share

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit after income tax attributable to the shareholders of Sunland Group Limited	<u>33,413</u>	<u>92,561</u>
	Number	Number
Weighted average number of shares used as the denominator for the calculation of basic earnings per share	<u>136,909,515</u>	<u>136,909,515</u>
Number used for the calculation of diluted earnings per a share	<u>136,909,515</u>	<u>136,909,515</u>
	Cents	Cents
Basic earnings per share (cents)	24.4	67.6
Diluted earnings per share (cents)	24.4	67.6

Earnings per share accounting policy

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the period (nil issued) and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

There were no dilutive interests in the current or comparative periods.

Note 9. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit after income tax expense for the year	33,413	92,561
Adjustments for:		
Depreciation and amortisation	516	1,741
Net loss / (gain) on disposal of property, plant & equipment and investment properties	-	(31,167)
Net loss / (gain) on disposal of non-current assets classified as held for sale	(8,454)	-
Other	(1,347)	-
Change in operating assets and liabilities:		
(Increase)/ decrease in trade and other receivables	13,196	(10,754)
(Increase)/ decrease in inventories	158,004	317,443
(Decrease)/ increase in trade and other payables	(20,492)	2,064
(Decrease)/ increase in provision for income tax payable	(20,462)	9,724
(Decrease)/ increase in other provisions	(361)	26
(Increase)/ decrease in prepayments	545	(1,115)
Net cash from operating activities	<u>154,558</u>	<u>380,523</u>

(a) Cash and cash equivalents accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are presented on a gross basis, with the exception of the working capital facilities that receive settlement deposits, which are available to be drawn down to fund development. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Note 10. Current assets - trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
Trade and other receivables	<u>957</u>	<u>14,153</u>

(a) Trade and other receivables

Trade receivables generally have 14 to 30 day terms. The Group applies a simplified approach in calculating expected credit losses (ECL). Therefore the Group does not track changes in credit risk but instead recognises a loss allowance based on life-time ECL at each reporting date.

(b) Risk exposure

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of each class of receivable.

Note 11. Current assets - inventories

	Consolidated	
	2023	2022
	\$'000	\$'000
Development costs and land held for development and sale	3,694	161,475
	3,694	161,475

During the period, borrowing costs of \$2,669,000 (2022: \$9,773,000) were capitalised into inventory. At balance date, inventory includes capitalised interest of \$231,000 (2022: \$9,336,000).

Accounting policy for inventories

Measurement of inventories

Inventories are measured at the lower of cost and net realisable value. Development costs include land, the costs of acquiring the land, consultants, design, construction, holding and finance costs incurred from when the land is acquired until the project is fully developed and sold.

The costs related directly to the creation of a project's development scheme which is scrapped and are no longer of value to a development are not recognised within the carrying value of inventory, representing abnormal amounts of wasted materials, labour or other development costs.

Deposits paid for the committed acquisition of inventories are classified as inventories

Net realisable value of inventories

The Group periodically assesses whether inventory is held at the lower of cost or net realisable value. The Group makes an estimate of net realisable value at least at each reporting period. Where the carrying amount of inventory exceeds its net realisable value, a provision is raised to reduce its value to net realisable value. Items that have a net realisable value provision are tested for possible reversal of the provision whenever events or changes in circumstances indicate that the impairment may have reversed.

The net realisable value is based on estimated selling price (net of selling costs and GST) less costs of inventories, including costs incurred and costs to complete in the ordinary course of business. This assessment reflects current market assessments and previous experience. It is also based on management's intentions in the planned manner of disposal of the asset, either through development and sale or disposal as is.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2023	2022
	\$'000	\$'000
Trade creditors	3,691	21,295
Other creditor and construction accruals	2,577	5,050
	6,268	26,345

Trade creditors are non-interest bearing and are normally settled on a 7 to 30 day term.

Note 13. Current liabilities - provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
Employee benefits	677	1,526
Warranties (a)	2,187	1,557
	2,864	3,083
	2,864	3,083

(a) Warranties

The Group provides for the estimated warranty claims for those properties which have settled and are still under warranty at the end of the reporting period. In determining the provision required, the Group makes judgements in respect of the expected performance of the product, number of customers expected to make warranty claims and the anticipated costs of fulfilling those claims. Historical claims experience and current knowledge of products has also been used in determining the provision.

Provisions accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. In the circumstance where the reimbursement will not be received by the Group but will represent a reduction in the Group's liability, the amount receivable is recognised as a reduction in the provision. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the provision.

Warranty provision

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

Short-term obligations

Liabilities for wages and salaries, non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period. This is measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is presented as a provision.

Other long-term employee benefits accounting policy

The liabilities which are not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on Australian high quality corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash flows.

The obligations are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after reporting date, regardless of when the actual settlement is expected to occur.

Note 14. Non-current liabilities - Interest bearing liabilities

	Consolidated	
	2023	2022
	\$'000	\$'000
Unsecured note	-	49,041

(a) Fair value

Prior to their repayment, the carrying value of the Group's current and non-current interest bearing liabilities approximates their fair value due to the current interest rate approximating the market rate.

(b) Defaults and breaches

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

(c) Finance costs accounting policy

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Inventory and investment properties under construction are qualifying asset and all borrowings are attributable to qualifying assets.

Note 15. Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting year. The facilities have been split into "bank guarantee" facilities and "unsecured notes".

	Consolidated	
	2023	2022
	\$'000	\$'000
Bank guarantee facilities available	15,000	10,000
Facilities utilised at balance date	(9,774)	(5,997)
	<u>5,226</u>	<u>4,003</u>
Unsecured notes available	-	50,000
Facilities utilised at balance date	-	(50,000)
	<u>-</u>	<u>-</u>

The Group structures its debt funding arrangements to match the development program of its portfolio. In line with the Strategy to return net assets to shareholders, the Group has reduced its debt funding arrangements to be in line with the reduced operational requirements. As a result the weighted average maturity profile for the Group's debt funding arrangements is now 0 months (2022: 29 months).

The weighted average effective interest rate at balance date was 0% (2022: 6.20%) on nil facility limits (2022: \$50 million) and nil drawn down facilities (2022: \$50 million).

Bank guarantee facilities

During the prior reporting period the Group arranged for a bank guarantee facility to be made available for the issuance of performance and maintenance obligations (refer to Note 16 for further details). The facility was increased to a limit of \$15 million during current reporting period, supported by an additional \$5 million term deposit. The Group currently has \$15.3 million in term deposit balances supporting the guarantee facility.

Note 15. Financing arrangements (continued)

Unsecured notes available

At the end of the prior period, the Group had available a 5-year unsecured note of \$50 million scheduled to expire on 31 October 2024 at a fixed rate of 6.2%. In accordance with the terms and conditions of the unsecured notes, the Group elected to fully redeem them at a premium of 2% during the year.

(a) Assets pledged as security

The carrying amounts of assets pledged as security for the Group bank guarantee facility are:

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash and cash equivalents	15,300	10,300

(b) Defaults and breaches

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

Note 16. Contingent liabilities - performance securities

Performance security is provided from time to time to counterparties for maintenance and uncompleted works in support of specific contractual requirements in the course of delivering the Group's projects. Bank guarantee and surety products are utilised generally in favour of local councils and government authorities to fulfil the requirements of the development approvals. In some cases these products are also issued to a Group subsidiary to support internal operations within the Group. The amount of contingent liabilities in the form of performance securities issued to counterparties external to the Group total \$10,333,315 (2022: \$7,185,955).

Note 17. Financial risk management

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

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

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits.

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

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

Note 17. Financial risk management (continued)

(a) Interest rate risk

At balance date, the Group had the following exposure to changes in variable interest rates for classes of financial assets.

	2023	2022
	\$'000	\$'000
Financial assets:		
Cash	196,861	262,222

The Group had no financial liabilities with exposure to changes in variable interest rates at balance date.

(b) Liquidity risk

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

Traditionally, the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of project specific bank loans for the construction of multi storey projects, term facilities for the funding of longer dated projects, and committed revolving credit lines utilised to finance land and medium density development projects. The project specific facilities would operate in line with the development programme of each multistorey project. Based on the Group's current operational requirements secured bank loans for working capital and project funding are not necessary and were repaid during the prior year. The Group has redeemed its unsecured term facility (refer to Note 15). Surplus cash is being utilised to meet liquidity requirements.

Maturities of consolidated financial assets and financial liabilities

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows. Where the impact of the discounting is not significant on balances due within 12 months, the amounts disclosed equal their carrying balances.

At 30 June 2023	Less than 1 year \$'000	1 - 2 years \$'000	Between 2 and 5 years \$'000	Total \$'000
Financial assets				
Cash assets	196,861	-	-	196,861
Receivables	957	-	-	957
	<u>197,818</u>	<u>-</u>	<u>-</u>	<u>197,818</u>
Financial liabilities				
Payables	<u>4,653</u>	<u>-</u>	<u>-</u>	<u>4,653</u>
Net maturity	<u>193,165</u>	<u>-</u>	<u>-</u>	<u>193,165</u>

Note 17. Financial risk management (continued)

30 June 2022	Less than 1 year \$'000	1 - 2 years \$'000	Between 2 and 5 years \$'000	Total \$'000
Financial assets				
Cash assets	262,222	-	-	262,222
Receivables	14,153	-	-	14,153
	<u>276,375</u>	<u>-</u>	<u>-</u>	<u>276,375</u>
Financial liabilities				
Payables	26,392	232	-	26,624
Interest bearing liabilities	3,100	3,100	51,053	57,253
	<u>29,492</u>	<u>3,332</u>	<u>51,053</u>	<u>83,877</u>
Net maturity	<u>246,883</u>	<u>(3,332)</u>	<u>(51,053)</u>	<u>192,498</u>

(c) Credit risk

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

Receivables primarily take the form of:

- Receivables from parties that may be provided in the consideration for development rights over land;
- Contracts over the sale of developed product; and
- Deposits with financial institutions

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

In respect to contracts for the sale of product, purchasers of lots or apartments off-the-plan are required to make a deposit on signing of the contract with the balance to be paid when the lots or land is released to the customer. The deposit held is generally 10% of the contract price for domestic buyers and 20% of the contract price for foreign buyers.

The Group manages risk related to cash deposits with financial institutions by only depositing funds in institutions which have sufficient credit worthiness in line with Group policy.

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

Note 18. Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide return for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or adjust leverage against the projects through debt.

Prior to the repayment and closure of its last remaining debt facilities during the year, the Group had a modest approach to debt against its inventory, historically managing leverage against its land and medium density housing portfolio at around 35% of the inventory value of that segment. Multi-storey projects are typically for a longer term and debt is therefore more fully utilised to develop these projects. The Group mitigated various project risks on a per project basis in order to attain a greater leverage.

Note 19. Equity - dividends

(a) Declared and paid during the year

	2023 Cents per share	2023 \$'000	2022 Cents per share	2022 \$'000
Ordinary shares				
Special fully franked dividend	30	41,073	-	-
Final fully franked dividend	15	20,536	4	5,476
Special fully franked dividend	60	82,146	16	21,906
Special fully franked dividend	20	27,382	10	13,690
Interim fully franked dividend	20	27,382	12	16,429

All dividends paid on ordinary shares have been fully franked.

Dividends declared

On 22 June 2023 the directors declared a special dividend attributable to the 2024 financial year of 20 cents per share (2022: Nil) fully franked at a rate of 30% with a payment date of 27 July 2023. The total distribution of \$27,381,903 (2022: Nil) based on the number of outstanding shares at balance date has been provided for on the statement of financial position.

Proposed and not recognised as a liability

On 16 August 2023, the directors declared a fully franked final dividend of 11 cents (2022: 15 cents) per fully paid ordinary share. This is presented below based on the number of shares outstanding as at the date of issue of the financial statements.

Note 19. Equity - dividends (continued)

(b) Franked dividends

The amount of franking credits available for the subsequent financial year are:

	2023	2022
	\$'000	\$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022: 30%)	8,722	70,683
Franking credits that will arise from the payment or reduce with the refund of income tax for amounts on balance sheet as at the end of the financial year	5,226	21,137
Franking credits that will reduce with the payment of dividends declared after balance date but not held as a liability on the balance sheet	<u>(6,454)</u>	<u>(26,404)</u>
	<u><u>7,494</u></u>	<u><u>65,416</u></u>

(c) Dividends accounting policy

Provision is made for the amount of any dividend declared, being appropriately authorised, on or before the end of the reporting period but not distributed at the end of the reporting period.

Note 20. Equity - contributed equity

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	\$'000	\$'000
Share capital	136,909,515	136,909,515	129,460	129,460
Treasury Shares	-	<u>(3,648,836)</u>	-	<u>(6,265)</u>
	<u><u>136,909,515</u></u>	<u><u>133,260,679</u></u>	<u><u>129,460</u></u>	<u><u>123,195</u></u>

(a) Treasury shares

In accordance with shareholders' approval of Item 4 of the Notice of Meeting tabled at Sunland's Annual General Meeting 6 November 2014, the Group issued 3,500,000 shares (issue price \$1.70) to the Sunland Employee Retirement Fund (SERF). The shares were fully paid ordinary shares in the capital of the Company and ranked equally with all other existing shares from the date issued. In addition to this the Sunland Employee Investment Fund (SEIF) purchased on market 148,836 shares at an average price of \$2.09.

Under the accounting standards, Sunland is deemed to control both SERF and SEIF and the shares (and associated transactions) are eliminated on consolidation, thereby deducting these issued shares from issued capital whilst held by the Trustee. As these shares are deemed not to have been issued by the consolidated entity, they are not included in Sunland's disclosures associated with net tangible assets, earnings per share, dividend payout ratio and statements regarding the gross value of dividends, unless transacted by SERF outside the group. No gain or loss on treasury shares is recognised in profit and loss.

In October 2022 the treasury shares held by both SERF and SEIF were disposed of in accordance with the strategy, with the proceeds recognised directly to equity. The increase to equity that arose via the disposal of the treasury shares in accordance with the strategy, has been distributed to the beneficiaries of SERF and SEIF in line with the long-term incentive plans of the Group.

Note 20. Equity - contributed equity (continued)

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. Shares have no par value.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll, each share is entitled to one vote.

The Company's Constitution is available on the website.

(c) Options

At 30 June 2023, no options (2022: nil) were outstanding over unissued ordinary shares of the Group.

(d) Contributed equity accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Group purchases the Group's equity instruments, for example as the result of a share buy-back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Sunland Group Limited.

Note 21. Parent entity information

(a) Summary financial information

The individual financial statements for the parent entity, Sunland Group Limited, show the following aggregate amounts:

	2023	2022
	\$'000	\$'000
Balance Sheet		
Current Assets	<u>436,231</u>	<u>598,298</u>
Current Liabilities	32,627	4,055
Non-Current Liabilities	<u>-</u>	<u>50,390</u>
Total Liabilities	<u>32,627</u>	<u>54,445</u>
Net Assets	<u>403,604</u>	<u>543,853</u>
Shareholders' Equity:		
Issued Capital	129,462	129,462
Retained earnings	<u>274,142</u>	<u>414,391</u>
Total Equity	<u>403,604</u>	<u>543,853</u>
Profit or loss for the year	<u>85,652</u>	<u>78,914</u>
Total Comprehensive Income	<u>85,652</u>	<u>78,914</u>

The parent entity has bank guarantees for uncompleted works and contingent liabilities as described in Note 16.

The parent entity profit was derived from intercompany dividends and other transactions with subsidiaries.

Note 22. Controlled Entities

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries:

Name of entity	Country of incorporation	Ownership interest	
		2023 %	2022 %
Abian Residences	Australia	100%	100%
Royal Pines Resort Realty Pty Limited	Australia	100%	100%
Sunland Constructions (VIC) Pty Limited	Australia	100%	100%
Sunland Capital Pty Limited	Australia	100%	100%
Sunland Corporate Management Pty Ltd	Australia	100%	100%
Sunland Developments No 21 Pty Limited	Australia	100%	100%
Sunland Developments No 22 Pty Limited	Australia	100%	100%
Sunland Developments No 23 Pty Limited	Australia	100%	100%
Sunland Group Project Management Pty Limited	Australia	100%	100%
Sunland Homes Pty Limited	Australia	100%	100%
Whittsvilla Pty Limited	Australia	100%	100%
Sunland No. 35 Pty Ltd	Australia	100%	100%
Sunland No. 36 Pty Ltd	Australia	100%	100%
The Trustee for the SEIF Discretionary Trust	Australia	-	-

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of the financial year. Control is achieved when the Group has:

- Power over the investee (i.e. existing rights that give it current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders or the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Note 23. Related party transactions

(a) Key management personnel

The Group had the following transactions with Key Management Personnel (KMP) and their related entities during the reporting year:

- On 28 January 2021 the Group announced on the ASX it has accepted a bid from a company associated with two KMPs ("Buyer") to sell the Greenmount Hotel site for \$42.3 million following a public expression of interest campaign. On 28 July 2021, an Extraordinary General Meeting ("EGM") of the shareholders of Sunland Group Limited approved this transaction. The transaction settled on 31 March 2022 for the contact price of \$42.3 million, adjusted for contracted settlement adjustments. As at 30 June 2022, Sunland owed \$106,090 to the Buyer for post settlement adjustments in accordance with the conditions of the contract. Sunland paid these during the current year, with no amounts outstanding at 30 June 2023.

- Following a public expression of interest campaign, the Group announced on 25 August 2021 it had negotiated commercial terms with two companies associated with a member of the Group's KMP, for the sale of two development sites located at Lakeview Boulevard, Mermaid Waters.

On 3 November 2021 it was further announced that a put and call option had been entered into for each site, conditional on the Group obtaining shareholder approval. Shareholder approval was achieved on 23 December 2021 at an EGM of Sunland shareholders, converting both contracts to unconditional. The combined value of the two contracts is \$32.75 million. The first contract for Lot 916 settled in May 2022 for a price of \$13.8 million, with the second contract for Lot 916 settling on 21 September 2022 for a price of \$19 million.

- On 10 December 2020 the Group entered into a contract of sale for a residential apartment to a KMP. The contract settled on 1 December 2022 for a price of \$6.2 million.

- The following residential properties sale transactions settled with key management personnel:

2023: One apartment in The Lanes Residences West Village for a total purchase price of \$582,200.

2022: Two apartments in The Lanes Residences East Village for a total purchase price of \$1,469,900

- Two key management personnel have utilised Sunland Group for property management services in respect of residential properties, for a management fee.

(b) Terms and conditions

Any transactions with Directors, director related entities, other KMP and their related entities, including the acquisition of products and services, are carried out in the ordinary course of business and on terms no more favourable than those which it is reasonable to expect the Group would have adopted in an arms length transaction. All staff, including KMP, are entitled to a 5% discount off the list price of properties. This discount represents a reasonable commission saving that is passed on to the purchaser.

Note 24. Key management personnel disclosures

Key management personnel Compensation

	2023	2022
	\$	\$
Short-term employee benefits (salaries) *	2,329,481	2,633,035
Post-employment benefits (superannuation guarantee)	92,390	100,660
	<u>2,421,871</u>	<u>2,733,695</u>

* This includes income distributions from the Sunland Employee Investment Fund. Detailed remuneration disclosures are provided in the remuneration report.

Note 25. Remuneration of auditors

	Consolidated	
	2023	2022
	\$	\$
Amounts received or due and receivable:		
Audit and review of the financial statements (BDO Audit Pty Ltd)	180,000	185,000
Tax compliance services (BDO Services Pty Ltd)	11,860	3,700
Other services (BDO Business Restructuring Pty Ltd) (a)	214,645	-
	<u>406,505</u>	<u>188,700</u>

Group practice is to employ the Group's external auditor BDO on assignments additional to their statutory audit duties where their expertise and experience with the Group are important.

(a) Other services - The Group has engaged BDO to undertake advisory services related to the Strategy.

Note 26. Fair value measurement

(a) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The Group does not have any financial instruments measured at fair value, with the exception of an interest rate swap that matured in the prior reporting period. The fair value of cash, trade and other payables and trade and other receivables approximate their carrying values, largely due to the short-term maturities of these instruments.

Note 27. Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. Amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 28. Impairment of non-financial assets accounting policy

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

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

Note 29. New accounting standards and interpretations

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements and are relevant to the Group are disclosed below. The Group intends to adopt these new standards and interpretations, when they become effective.

AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current. This standard applies to annual reporting periods beginning on or after 1 January 2023. It amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The impact of this standard on the classification of Sunland's current and non-current liabilities has not yet been assessed.

AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates. This standard applies to annual reporting periods beginning on or after 1 January 2023 and clarifies the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The impact of this standard on Sunland is still to be assessed.

AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. This standard applies to annual reporting periods beginning on or after 1 January 2023 and narrows the scope of the initial recognition exemption. This will need to be considered in more detail by Sunland but is likely to be immaterial as the Group's leases are not material and there are no decommissioning or restoration provisions held on the balance sheet.

AASB 2021-2 14 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements¹⁵ – Disclosure of Accounting Policies. This standard applies to annual reporting periods beginning on or after 1 January 2023. The amendments require disclosure of material accounting policy information rather than significant accounting policies. The impact of this on Sunland has not yet been assessed.

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

- the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.



Mr Sahba Abedian
Managing Director

15 August 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Sunland Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunland Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

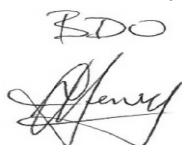
We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Sunland Group Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



Cameron Henry

Director

Brisbane, 15 August 2023

The shareholders information set out below was applicable as at 25 July 2023.

Distribution of equitable securities

Analysis of numbers of equity security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	1,050	444,553
1,001 to 5,000	1,110	3,065,631
5,001 to 10,000	484	3,757,022
10,001 to 100,000	563	14,988,289
100,001 and over	98	114,654,020
	<u>3,305</u>	<u>136,909,515</u>
Holding less than a marketable parcel	<u>583</u>	<u>87,223</u>

There were no options held at 25 July 2023.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total Shares issued
Havannah Pty Limited	29,250,000	21.36
Pacific Development Corporation Pty Limited	20,750,000	15.16
Citicorp Nominees Pty Limited	6,848,275	5.00
National Nominees Limited	5,436,239	3.97
AACCT Limited	4,000,000	2.92
Mr Sahba Abedian	3,965,032	2.90
HSBC Custody Nominees (Australia) Limited	3,792,904	2.77
J P Morgan Nominees Australia Limited	3,683,865	2.69
Sahba Abedian	3,657,510	2.67
Mr Mark Anthony Cubit & Ms Amanda Cubit	2,350,000	1.72
ST Just Pty Ltd	1,990,000	1.45
Rainham Pty Limited	1,121,875	0.82
Rezvani Corporation Pty Ltd	1,103,125	0.81
Mr Mark Anthony Cubit & Mrs Amanda Cubit & Mr Trevor John Crockford	1,070,000	0.78
Mr Stuart Richard Cartledge & Mrs Angela Mary Cartledge	1,000,000	0.73
Mrs Amanda Cubit	900,000	0.66
Mrs Anne Jamieson	853,000	0.62
Ovens-Brown Pty Ltd	778,800	0.57
1788 Investments Pty Ltd	728,284	0.53
Abedian Superannuation Fund Pty Ltd	680,169	0.50
	<u>93,959,078</u>	<u>68.63</u>

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total Shares issued
Havannah Pty Limited	29,250,000	21.36
Pacific Development Corporation Pty Ltd	20,750,000	15.16
Citicorp Nominees Pty Limited	6,848,275	5.00

Voting rights

There were 3,305 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. This 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.