SUNLAND GROUP LIMITED

ABN 65 063 429 532

Consolidated annual financial report for the year ended – 30 June 2024

Sunland Group
ESTABLISHED
1983

Sunland Group
ESTABLISHED
1983

Directors	Mr Soheil Abedian Executive Director (Chairman) - resigned 15 November 2023 Mr Sahba Abedian Managing Director - resigned 15 November 2023 Mr Ron Eames Non-Executive Director Mr Christopher Freeman Non-Executive Director Chairman effective from 16 November 2023 Mr Grant Harrison Executive Director - appointed 15 November 2023 Company Secretary
Principal registered office	BDO Level 10, 12 Creek Street Brisbane QLD 4000
Principal place of business	Gold Coast Telephone 07 5564 3700
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 2024 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.
Resigned as Executive Director - effective 15 November 2023

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
Resigned as Executive Director - effective 15 November 2023

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.

Chairman effective from 16 November 2023

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.

Grant Harrison

Executive Director - appointed 15 November 2023
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 (note the number of meetings held for each Director reflects the meetings held during the respective terms of office during the period):

	Board Meetings		Audit and Risk Committee Meetings	
	Held	**Attended**	**Held**	**Attended**
Mr Sahba Abedian	2	2	-	-
Mr Soheil Abedian	2	2	-	-
Mr Ron Eames	7	7	2	2
Mr Chris Freeman	7	7	2	2
Mr Grant Harrison	5	5	-	-

Principal Activities

Sunland Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the Group are residential property development and construction. The progression of the Group's strategy since its announcement in October 2020 (Strategy), has seen the completion of all remaining development activities and non-development inventory fully sold. The Group is now focused on the fulfilment of its obligations associated with project maintenance and defect rectification as required by law, and this will continue until such time as the unexpired defect liability periods lapse and obligations are fulfilled.

Operational and financial review

The period has seen significant reduction in the Group's operations, with the last remaining project at Mount Annan in Sydney, settling its final lots in July 2023. With all development operations finalised, the Group commenced the process of de-listing from the Australian Securities Exchange (ASX). Shareholder approval to de-list from the ASX was obtained at the 2023 Annual General Meeting of shareholders on 29 September 2023, and the Group was removed from the Official List on 30 October 2023. The Group is now an "unlisted disclosing entity" under the Corporations Act.

With the development operations having now been completed, the Group's primary source of income is through interest generated on its remaining cash. Interest income has assisted in funding administrative and maintenance costs incurred during the period. A summary of the key operating and financial metrics for the period are as follows:

- Statutory net profit after tax of $1.0 million (2023: $33.4 million)
- Net tangible assets per share of $0.15 (2023: $1.19)
- Fully franked dividends totalling 15 cents per share (2023: 141 cents per share) were declared and paid during this period

Capital Management and Dividends

On 30 October 2023 the Group completed a $0.90 per share return of capital to shareholders, after the distribution was approved at the Annual General Meeting on 29 September 2023. The Directors are now focused on managing capital requirements to satisfy its remaining obligations regarding the maintenance of completed projects, ongoing defect rectification and in accordance with legislation, contingent liabilities that may crystallise and costs that may be incurred in ultimately finalising the Strategy (Operating and Strategy Costs). The last defects liability period is not scheduled to expire until December 2029.

The total amount of capital distributed to shareholders under the Strategy (including the dividend paid 26 July 2024) is $3.425 per share comprising the return of capital mentioned above and dividends totalling $2.525 (franked at the relevant taxation rate). No further dividends have been declared for this period following the payment of $0.04 on 25 June 2024 and $0.005 on 26 July 2024.

The Operating and Strategy Costs that may be incurred are difficult to forecast through to expiry of the defect periods. Directors will continue to retain capital to meet the Group's financial obligations through to completion of the Strategy around December 2029. As this progresses and there is more certainty as to the capital required to be retained, the Company intends to periodically distribute to shareholders any identified surplus, as determined by the Directors and subject to applicable law.

Subsequent Events

The following material events occurred after year end:

- Dividend payment - A fully franked dividend (at a tax rate of 25%) of $0.005 per share was declared 2 July 2024 and paid 26 July 2024.
- Takeover Booklet - On 19 July 2024, the Company lodged with the ASIC a joint Bidder's and Target's Statement (including an Independent Expert Report) (Takeover Booklet) detailing an offer by Sun Holdings GC Pty Limited (Sun Holdings) to acquire all the ordinary shares in Sunland Group Limited for $0.045 per Sunland Share. The Takeover Booklet can be viewed on the Company's web site.
- Unsolicited non-binding proposal - On 29 July 2024 the Company announced it had received an unsolicited, non-binding indicative only proposal (subject to conditions) Harvest Lane Asset Management Pty Limited (ABN 83 158 314 697) (**Harvest Lane**) to acquire all shares in Sunland it does not already own. At that time, Directors considered all aspects of the proposal to determine (including with Sunland's legal and financial advisor) whether it was superior to the offer detailed in the Takeover Booklet. A First Supplementary Target's Statement was consequently lodged with ASIC on 30 July 2024. Following lodgement, the Company released a company announcement to disclose that it had lodged the First Supplementary Target's Statement with ASIC. These documents can be viewed on the Company's web site.
- Binding proposal - On 19 August 2024, the Company announced it had received a binding proposal (subject to conditions) from Harvest Lane under which it is proposed that Harvest Lane or its nominee will acquire all shares in Sunland for $0.05 cash per Sunland Share by way of a scheme of arrangement.[1] The proposal was

[1] Under the proposal, offer price will be reduced by the value of any dividends or distributions declared or paid by the Company prior to implementation of the Proposal. For the avoidance of doubt, the July dividend of $0.005 per Share announced on 3 July 2024 paid on 26 July 2024 will not reduce the offer price contemplated under the Proposal.

subject to conditions disclosed in the Company announcement. A Second Supplementary Target's Statement was consequently lodged with ASIC on 21 August 2024. Following lodgement, the Company released a company announcement to disclose that it had lodged the Second Supplementary Target's Statement with ASIC. These documents can be viewed on the Company's web site.

- Notice of superior proposal: On 19 August 2024, the Company provided Sun Holdings with a notice that it had received a proposal from Harvest Lane, allowing Sun Holdings the opportunity to provide an irrevocable offer of matching or superior proposal to Harvest Lane's proposal by 26 August 2024, in accordance with the Company's obligation under the bid implementation agreement (Counter Proposal).
- Major shareholder update - On 23 August 2024 the Company announced it had received an email from a major shareholder who controlled interests in 36.52% of issued shares in the Company, informing Directors that the major shareholder will not support the offers received from Sun Holdings and Harvest Lane at the prices contemplated in these offers (as at the date of this email), reflecting a current view as to the Company's position and value, but reserving the right to reconsider should alternative proposals or improved terms be presented.
- Takeover update - On 27 August 2024, the Company announced that Sun Holdings had not issued a Counter Proposal by 26 August 2024, and that Sun Holdings provided notice to the Company that Sun Holdings had not declared the offer free from any of the Conditions described in the bid implementation agreement. Accordingly, Sun Holdings' offer will be unsuccessful unless Sun Holdings obtains a relevant interest in at least 90% (by number) of the shares in the Company (the Minimum Acceptance Condition). Based on the Major Shareholder Update, the Directors consider it unlikely the Minimum Acceptance Condition will be satisfied and the bid successful. As a result, the Directors of Sunland have the unrestricted right to discuss Harvest Lane's proposal, including by negotiating a scheme implementation deed, with Harvest Lane. Directors have lodged a Third Supplementary Target Statement with ASIC. Following lodgement, the Company released a company announcement to disclose that it had lodged the Third Supplementary Target's Statement with ASIC.

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. Capital retained by the Group will be used to meet future obligations as the Strategy continues to its conclusion expected to be around December 2029. Directors will continually assess for distribution of any surplus funds to shareholders as the Strategy progresses.

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 2024 the Company has paid legal expenses totalling $578,263 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.

Rounding of amounts

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 23 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 (Cth). The nature and scope of each type of non-audit service provided means that audit independence was not compromised.

Auditor's independence declaration

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 2024.

Signed on 29 August 2024 in accordance with a resolution of the Directors.

Grant Harrison
Director

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2024, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Cameron Henry

Director

BDO Audit Pty Ltd

Brisbane, 29 August 2024

Sunland Group
ESTABLISHED
1983

	Note	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023 $'000
Revenue			
Revenue from the sale of properties		4,602	255,608
Other revenue from operations	3	7,935	1,788
Other income / (expense)	4	23	9,801
Expenses			
Cost of goods sold - property developments	5	(5,185)	(202,921)
Administration and other expenses		(3,147)	(5,123)
Cost of other operations		-	(540)
Employee benefits expense		(2,935)	(10,292)
Depreciation and amortisation expense		(49)	(516)
Profit before income tax expense		**1,244**	**47,805**
Income tax expense	6	(268)	(14,392)
Profit after income tax expense for the year attributable to the shareholders of Sunland Group Limited		**976**	**33,413**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the shareholders of Sunland Group Limited		**976**	**33,413**
Basic earnings per share (cents)	8	0.71	24.4
Diluted earnings per share (cents)	8	0.71	24.4

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

	Note	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		19,317	196,861
Trade and other receivables		18	957
Current tax receivables		1,048	-
Inventories		-	3,694
Other current assets	10	1,251	1,646
Total current assets		**21,634**	**203,158**
Non-current assets			
Property, plant and equipment		-	124
Deferred tax	7	947	1,677
Total non-current assets		**947**	**1,801**
Total assets		**22,581**	**204,959**
Liabilities			
Current liabilities			
Trade and other payables	11	688	6,268
Current tax liabilities		-	5,226
Provisions	12	1,697	2,864
Dividends payable	17	-	27,382
Other current liabilities		-	160
Total current liabilities		**2,385**	**41,900**
Non-current liabilities			
Provisions		-	84
Total non-current liabilities		**-**	**84**
Total liabilities		**2,385**	**41,984**
Net assets		**20,196**	**162,975**
Equity			
Issued capital	18	6,241	129,460
Retained earnings		13,955	33,515
Total equity		**20,196**	**162,975**

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

Sunland Group
ESTABLISHED
1983

Consolidated	Issued capital $'000	Treasury shares $'000	Retained profits $'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
Transactions with shareholders in their capacity as shareholders:				
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	129,460	-	33,515	162,975

Consolidated				
Balance at 1 July 2023	129,460	-	33,515	162,975
Profit after income tax expense for the year	-	-	976	976
Other comprehensive income for the year, net of tax				
Total comprehensive income for the year	-	-	976	976
Transactions with shareholders in their capacity as shareholders:				
Capital distributions to shareholders (Note 18)	(123,219)	-	-	(123,219)
Dividends paid (Note 17)	-	-	(20,536)	(20,536)
Balance at 30 June 2024	6,241	-	13,955	20,196

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

Sunland Group
ESTABLISHED 1983

	Note	Consolidated 30 June 2024 $'000	30 June 2023 $'000
Cash flows from operating activities			
Cash receipts from operations		5,232	231,349
Cash payments to suppliers and employees		(13,622)	(40,625)
Interest received		7,874	915
Interest and other finance costs paid		(180)	(2,227)
Income taxes paid		(5,811)	(34,854)
Net cash from operating activities	9	(6,507)	154,558
Cash flows from investing activities			
Proceeds from disposal of non-current assets held for sale		100	19,782
Proceeds from sale of financial instruments		-	235
Net cash from/(used in) investing activities		100	20,017
Cash flows from financing activities			
Dividends paid to company's shareholders	17	(47,918)	(198,519)
Repayment of borrowings		-	(50,000)
Distributions of capital to shareholders	18	(123,219)	-
Proceeds from sale of treasury shares		-	8,583
Net cash used in financing activities		(171,137)	(239,936)
Net increase/(decrease) in cash and cash equivalents		**(177,544)**	**(65,361)**
Cash and cash equivalents at the beginning of the financial year		196,861	262,222
Cash and cash equivalents at the end of the financial year		**19,317**	**196,861**

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

Sunland Group
ESTABLISHED
1983

Note 1. Operating Segments

30 June 2024	Land & Housing $'000	Multistorey $'000	Other $'000	Total $'000
Revenue				
Revenue recognised from operations	3,648	954	61	4,663
Development costs incurred in delivery				
Finance costs expensed	(231)	-	-	(231)
Other development costs expensed	(3,287)	(1,454)	-	(4,741)
Total development costs	**(3,518)**	**(1,454)**	**61**	**(4,972)**
Segment result - development return				
Return on development costs	130	(500)	61	(309)
Return on costs	4%	(34%)		
Overall return for combined development operations - (7%)				
Other transactions during the year				
Marketing	(11)	-	-	(11)
Warranties adjustments	(114)	(88)	-	(202)
Interest received				7,874
Gain / (Loss) on disposal				23
Unallocated corporate expenses				(6,131)
				1,244
Profit before tax				
Income tax expense				(268)
Net profit for the year				**976**
Assets				
Segment assets	-	-	-	-
Unallocated corporate assets				22,581
Consolidated total assets	**-**	**-**	**-**	**22,581**

B:101483845_2 JSV

Sunland Group
ESTABLISHED 1983

Note 1. Operating Segments (continued)

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	**(36,948)**	**(162,810)**	**(667)**	**(200,425)**
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)
Warranties adjustments	(1,662)	(740)	-	(2,402)
Interest received				915
Gain / (Loss) on disposal				9,801
Unallocated corporate expenses				(15,805)
Profit before tax				**47,805**
Income tax expense				(14,392)
Net profit for the year				**33,413**
Assets				
Segment assets	3,088	606	-	3,694
Unallocated corporate assets				201,265
Consolidated total assets	**3,088**	**606**	**-**	**204,959**

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

Note 1. Operating segments (continued)

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.

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 2024. 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. The Group's registered office and principal place of business 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.

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

Note 2. Basis of preparation (continued)

- In accordance with the Australian Accounting Standards and interpretations issued by the Australian
- Accounting Standards Boards;
- In accordance with the Corporations Act 2001 (Cth); 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	
	30 June 2024 $'000	30 June 2023 $'000
Interest received	7,874	915
Other revenue	61	501
Investment property revenue	-	476
Holding income	-	(104)
	7,935	1,788

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:

(a) 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.

(b) 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.

Note 4. Other income / (expense)

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Gain / (Loss) on disposal of non-current assets classified as held for sale (a)	-	8,454
Other	23	1,347
	23	9,801

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

During a 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 and property, plant & equipment, was therefore disclosed as a non-current asset held for sale. 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.

Note 5. Cost of goods sold - property developments

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Costs of goods sold - property developments	4,954	191,146
Finance costs	231	11,775
	5,185	202,921

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	
	30 June 2024 $'000	30 June 2023 $'000
Income tax expense		
Current income tax expense	(298)	19,558
Deferred income tax expense	731	(4,549)
Adjustment to current tax of prior periods	(165)	(617)
	268	14,392
Tax at the statutory rate of 25% (2023: 30%) (a)	311	14,342
Adjustment to current tax of prior periods	(165)	(617)
Recognition of deferred tax balances at rate to be recovered of 30%	122	-
Other	-	667
Income tax expense	268	14,392

(a) Change in tax rate

The Group has been deemed to be a base rate entity for the current financial year on the basis it:

- Aggregated turnover of less than $50 million; and
- Less than 80% of its assessable income is base rate entity passive income.

A tax rate of 25% has therefore been used when calculating the current tax expense for the 2024 financial year.

Note 7. Deferred tax

	Statement of financial position		Statement of comprehensive income	
	30 June 2024 $'000	30 June 2023 $'000	30 June 2024 $'000	30 June 2023 $'000
Deferred tax assets / (liabilities)				
Development costs deductible for tax but capitalised for accounting	-	(151)	151	4,814
Income not currently assessable for tax	-	(61)	60	-
Other deferred tax liabilities	-	-	-	264
Warranty provision not immediately deductible for tax	406	656	(250)	189
Other provisions not immediately deductible for tax	103	228	(125)	(298)
Expenses not immediately deductible for tax	438	1,005	(567)	(420)
	947	1,677	(731)	4,549

Note 7. Deferred tax (continued)

Unrecognised tax losses carried forward

At the end of the reporting period the Group had no available carried forward tax losses (2023: Nil).

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.

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.

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	
	30 June 2024 $'000	30 June 2023 $'000
Profit after income tax attributable to the shareholders of Sunland Group Limited	976	33,413
	Number	Number
Weighted average number of shares used as the denominator for the calculation of basic earnings per share	136,909,515	136,909,515
Number used for the calculation of diluted earnings per a share	136,909,515	136,909,515
Basic earnings per share (cents)	0.71	24.4
Diluted earnings per share (cents)	0.71	24.4

Earnings per share accounting policy

(a) 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.

(b) 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	
	30 June 2024 $'000	30 June 2023 $'000
Profit after income tax expense for the year	976	33,413
Adjustments for:		
Depreciation and amortisation	49	516
Net loss / (gain) on disposal of non-current assets classified as held for sale	-	(8,454)
Other	(23)	(1,347)
Change in operating assets and liabilities:		
(Increase)/ decrease in trade and other receivables	939	13,196
(Increase)/ decrease in inventories	3,694	158,004
(Decrease)/ increase in trade and other payables	(5,740)	(20,492)
(Decrease)/ increase in provision for income tax payable	(5,543)	(20,462)
(Decrease)/ increase in other provisions	(1,251)	(361)
(Increase)/ decrease in prepayments	392	545
Net cash from operating activities	(6,507)	154,558

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. Other current assets

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Insurance prepayments	1,247	1,616
Other	4	30
	1,251	1,646

Note 11. Trade and other payables

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Trade creditors	195	3,691
Other creditor and construction accruals	493	2,577
	688	6,268

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

Note 12. Provisions

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Employee benefits	343	677
Warranties (a)	1,354	2,187
	1,697	2,864

(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.

	Warranties $'000
Carrying amount at the beginning of the year	2,187
Additional provisions	747
Unused amounts reversed	(554)
Amounts utilised	(1,026)
	1,354

Movement in warranties provision

Utilisation of the provisions has primarily been for rectification works associated with defects previously provided for. Unused amounts reversed relate to warranty provisions for projects which were completed more than 2 years ago and have not been materially utilised.

Note 12. Provisions (continued)

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 13. Financing arrangements

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Bank guarantee facilities available	4,000	15,000
Facilities utilised at balance date	(2,160)	(9,774)
	1,840	5,226

Note 13. Financing arrangements (continued)

Bank guarantee facilities

The Group has a bank guarantee facility available for the issuance of performance and maintenance obligations. These are generally to local councils and government authorities to fulfil the requirements of the development approvals. The facility limit is $4 million (2023: $15 million), of which $2.2 million (2023: $9.8 million) has been utilised at balance date (refer to Note 13 for further details). The Group currently has $4.1 million in term deposit balances supporting the guarantee facility.

Assets pledged as security

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

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Cash and cash equivalents	4,060	15,300

Defaults and breaches

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

Note 14. 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 $2,159,679 (2023: $10,333,315).

Note 15. Financial risk management

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

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 15. 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.

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Financial assets:		
Cash and cash equivalents	19,317	196,861

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. Based on the current status of the Strategy, the Group's cash reserves are being utilised to meet liquidity requirements over the course of the remaining defect liability period.

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 2024	Less than 1 year $'000	1 - 2 years $'000	Between 2 and 5 years $'000	Total $'000
Financial assets				
Cash assets	19,317	-	-	19,317
Receivables	18	-	-	18
	19,335	-	-	19,335
Financial liabilities				
Payables	688	-	-	688
Net maturity	18,647	-	-	18,647

Sunland Group
ESTABLISHED
1983

Note 15. Financial risk management (continued)

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
	197,818	-	-	197,818
Financial liabilities				
Payables	4,653	-	-	4,653
Net maturity	193,165	-	-	193,165

(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 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.

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 16. 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 sufficient capital to meet its future obligations.

The Group has limited ability to generate revenue, relying solely on interest received on surplus cash. The Sunland Group has ongoing Operating and Strategy Costs which are estimated to continue through to 2029/2030 as obligations are fulfilled. Sufficient capital must continue to be set aside to meet Sunland's ongoing future Operating and Strategy Costs and any contingent liabilities that may crystallise during the period to when the Strategy is concluded at or around December 2029. Future distributions will depend on the continuing obligations that must be met by the Group.

Note 17. Dividends

(a) Declared and paid during the year

	30 June 2024 Cents per share	30 June 2024 $'000	30 June 2023 Cents per share	30 June 2023 $'000
Ordinary shares				
Special fully franked dividend	20	27,382	30	41,073
Final fully franked dividend for the previous financial year	11	15,060	15	20,536
Special fully franked dividend	-	-	60	82,146
Special fully franked dividend	-	-	20	27,382
Interim fully franked dividend	-	-	20	27,382
Special fully franked dividend	4	5,476	-	-

All dividends paid on ordinary shares have been fully franked.

(b) Franked dividends

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

	30 June 2024 $'000	30 June 2023 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2023: 30%)	5,732	8,722
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	(1,048)	5,226
Franking credits that will reduce with the payment of dividends declared after balance date but not held as a liability on the balance sheet	(228)	(6,454)
	4,456	7,494

(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 18. Contributed equity

	Consolidated 2024 Shares	Consolidated 2023 Shares	Consolidated 2024 $'000	Consolidated 2023 $'000
Share capital	136,909,515	136,909,515	6,241	129,460
	136,909,515	136,909,515	6,241	129,460

Note 18. Contributed equity (continued)

At the Group's November 2023 annual general meeting, shareholders voted in favour of a capital distribution of $0.90 per share which equated to a capital return of $123.2 million.

(a) 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.

(b) Options

At 30 June 2024, no options (2023: nil) were outstanding over unissued ordinary shares of the Group.

(c) 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 19. Parent entity information

(a) Summary financial information

	30 June 2024 $'000	30 June 2023 $'000
Balance sheet		
Current assets	163,475	436,231
Current liabilities	33,013	32,627
Net assets	130,462	403,604
Shareholders equity		
Issued capital	6,241	129,462
Retained earnings	124,221	274,142
Total equity	130,462	403,604

Note 19. Parent entity information (continued)

Income statement

Profit or loss for the year	(102,003)	85,652
Total comprehensive income	(102,003)	85,652

The parent entity has bank guarantees for uncompleted works and contingent liabilities as described in Note 14.

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

Note 20. Controlled entities

(a) Significant investments in subsidiaries

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

		Ownership interest	
		2024	2023
Name of entity	**Country of incorporation**	%	%
Sunland Developments No 21 Pty Limited	Australia	100	100
Sunland Developments No 22 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
Tri State Maintenance Pty Ltd	Australia	100	100

(b) Principles of consolidation

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.

Note 20. Controlled entities (continued)

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 21. Related party transactions

(c) Key management personnel

For the current year to 30 June 2024: None.

For the comparative period to 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.

Residential properties sale transactions settled with key management personnel included One apartment in The Lanes Residences West Village for a total purchase price of $582,200.

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

(a) Terms and conditions

Any transactions with Directors, directors' 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 22. Key management personnel disclosures

Key management personnel compensation

	30 June 2024 $	30 June 2023 $
Short-term employee benefits (salaries) (a)	1,085,006	2,329,481
Post-employment benefits (superannuation guarantee)	68,397	92,390
Statutory termination (ETP) and long service leave payments	815,142	-
Other discretionary payments (b)	400,000	-
	2,368,545	2,421,871

(a) This includes income distributions and/or capital payments in the form of an ETP from the Sunland Employee Investment Fund.

(b) Discretionary payments of $200,000 was approved by independent directors and paid to each of the Managing Director and Executive Chairman in recognition of their guidance and oversight to see the successful implementation of the Strategy and realisation of the Group's inherent value otherwise not recognised by the market.

Note 23. Remuneration of auditors

	30 June 2024	30 June 2023
Amounts received or due and receivable:		
Audit and review of the financial statements (BDO Audit Pty Ltd)	90,000	180,000
Tax compliance services (BDO Services Pty Ltd)	17,350	11,860
Other services (BDO Restructuring Pty Ltd) (a)	67,329	215,645
	174,679	406,505

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 24. Subsequent Events

The following material events occurred after year end:

- Dividend payment - A fully franked dividend (at a tax rate of 25%) of $0.005 per share was declared 2 July 2024 and paid 26 July 2024.
- Takeover Booklet - On 19 July 2024, the Company lodged with the ASIC a joint Bidder's and Target's Statement (including an Independent Expert Report) (Takeover Booklet) detailing an offer by Sun Holdings GC Pty Limited (Sun Holdings) to acquire all the ordinary shares in Sunland Group Limited for $0.045 per Sunland Share. The Takeover Booklet can be viewed on the Company's web site.
- Unsolicited non-binding proposal - On 29 July 2024 the Company announced it had received an unsolicited, non-binding indicative only proposal (subject to conditions) Harvest Lane Asset Management Pty Limited (ABN 83 158 314 697) (**Harvest Lane**) to acquire all shares in Sunland it does not already own. At that time, Directors considered all aspects of the proposal to determine (including with Sunland's legal and financial advisor) whether it was superior to the offer detailed in the Takeover Booklet. A First Supplementary Target's Statement was consequently lodged with ASIC on 30 July 2024. Following lodgement, the Company released a company announcement to disclose that it had lodged the First Supplementary Target's Statement with ASIC. These documents can be viewed on the Company's web site.
- Binding proposal - On 19 August 2024, the Company announced it had received a binding proposal (subject to conditions) from Harvest Lane under which it is proposed that Harvest Lane or its nominee will acquire all shares in Sunland for $0.05 cash per Sunland Share by way of a scheme of arrangement.[2] The proposal was subject to conditions disclosed in the Company announcement. A Second Supplementary Target's Statement was consequently lodged with ASIC on 21 August 2024. Following lodgement, the Company released a company announcement to disclose that it had lodged the Second Supplementary Target's Statement with ASIC. These documents can be viewed on the Company's web site.
- Notice of superior proposal: On 19 August 2024, the Company provided Sun Holdings with a notice that it had received a proposal from Harvest Lane, allowing Sun Holdings the opportunity to provide an irrevocable offer of matching or superior proposal to Harvest Lane's proposal by 26 August 2024, in accordance with the Company's obligation under the bid implementation agreement (Counter Proposal).
- Major shareholder update - On 23 August 2024 the Company announced it had received an email from a major shareholder who controlled interests in 36.52% of issued shares in the Company, informing Directors that the major shareholder will not support the offers received from Sun Holdings and Harvest Lane at the prices contemplated in these offers (as at the date of this email), reflecting a current view as to the Company's position and value, but reserving the right to reconsider should alternative proposals or improved terms be presented.
- Takeover update - On 27 August 2024, the Company announced that Sun Holdings had not issued a Counter Proposal by 26 August 2024, and that Sun Holdings provided notice to the Company that Sun Holdings had not declared the offer free from any of the Conditions described in the bid implementation agreement. Accordingly, Sun Holdings' offer will be unsuccessful unless Sun Holdings obtains a relevant interest in at least 90% (by number) of the shares in the Company (the Minimum Acceptance Condition). Based on the Major Shareholder Update, the Directors consider it unlikely the Minimum Acceptance Condition will be satisfied and the bid successful. As a result, the Directors of Sunland have the unrestricted right to discuss Harvest Lane's proposal, including by negotiating a scheme implementation deed, with Harvest Lane. Directors have lodged a Third Supplementary Target Statement with ASIC. Following lodgement, the Company released a company announcement to disclose that it had lodged the Third Supplementary Target's Statement with ASIC.

[2] Under the proposal, offer price will be reduced by the value of any dividends or distributions declared or paid by the Company prior to implementation of the Proposal. For the avoidance of doubt, the July dividend of $0.005 per Share announced on 3 July 2024 paid on 26 July 2024 will not reduce the offer price contemplated under the Proposal.

Note 25. 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 26. 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 2024. 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.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 - This standard applies to annual reporting periods beginning on or after 1 January 2024. Specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. This is likely not to impact the Group as it does not enter into sale and leaseback transactions.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 - This standard applies to annual reporting periods beginning on or after 1 January 2024. The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The impact of this standard on the classification of Sunland's current and non-current liabilities has not yet been assessed.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to AASB 10 - This standard applies to annual reporting periods beginning on or after 1 January 2025. This is likely not to impact the Group as it does not have any associates or joint ventures.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Name of entity	Type of entity	% of share capital	Country of incorporation	Australian or foreign resident
Sunland Developments No 21 Pty Ltd	Body Corporate	100	Australia	Australian
Sunland Developments No 22 Pty Ltd	Body Corporate	100	Australia	Australian
Sunland Homes Pty Ltd	Body Corporate	100	Australia	Australian
Whittsvilla Pty Limited	Body Corporate	100	Australia	Australian
Sunland No. 35 Pty Ltd	Body Corporate	100	Australia	Australian
Sunland No. 36 Pty Ltd	Body Corporate	100	Australia	Australian
Tri State Maintenance Pty Ltd	Body Corporate	100	Australia	Australian
Sunland Developments No 13 Pty Ltd	Body Corporate	100	Australia	Australian
Sunland Greenmount Pty Ltd	Body Corporate	100	Australia	Australian
Sunland Constructions (Abian) Pty Ltd	Body Corporate	100	Australia	Australian
SDG Constructions Pty Ltd	Body Corporate	100	Australia	Australian

Sunland Group
ESTABLISHED
1983

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;
- The information disclosed in the Consolidated entity disclosure statement is true and correct;
- 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 (Cth) for the financial year ended 30 June 2024.

On behalf of the Directors

Grant Harrison
Director
29 August 2024

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2024, 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 material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of Sunland Group Limited, 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 2024 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.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information obtained prior to the date of this auditor's report, 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:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of 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:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Cameron Henry

Director

Brisbane, 29 August 2024