

SUNLAND GROUP LIMITED

ABN 65 063 429 532

Consolidated interim financial report
for the half-year ended – 31 December 2023

The Directors present their report together with the financial report of Sunland Group Limited and its controlled entities (Sunland or the Group), for the half-year ended 31 December 2023 ("1H24") and the independent review report thereon.

Comparative results are referenced through the Directors' Report as "1H23" for the half-year ended 31 December 2022; and "2023" being for the year ended 30 June 2023.

Directors

The names and details of the Group's Directors in office during the half-year and until the date of this report are listed below. Directors were in the office for the entire period unless otherwise stated.

Mr Soheil Abedian AM, Executive Chairman – resigned 15 November 2023 (a)

Mr Sahba Abedian, Managing Director – resigned 15 November 2023 (a)

Mr Ron Eames, Non-Executive Director

Mr Chris Freeman AM, Non-Executive Director

Mr Grant Harrison, Executive Director and Company Secretary – appointed 15 November 2023 (a)

- (a) Subsequent to the Group being removed from the Official List and completing its return of capital to shareholders, the Directors restructured the Board of the Group and effective 15 November 2023, the Executive Director roles of Executive Chairman and Managing Director were made redundant. Messrs Soheil Abedian and Sahba Abedian consequently resigned as Directors of Sunland effective on this date. Under the Company's constitution and in accordance with the Corporations Act, Mr Grant Harrison was appointed as an Executive Director of the Group. Mr Harrison has continued in his role as Chief Financial Officer and Company Secretary.

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, with the strong interest rate environment contributing a noticeable increase in interest income for the period. This has assisted in funding administrative and maintenance costs incurred. A summary of the key operating and financial metrics for the period are as follows:

- Statutory net profit after tax of \$1.8 million (1H23: \$20.6 million)
- Net tangible assets per share of \$0.19 (2023: \$1.19)
- Payment of fully franked dividends totalling 31 cents per share (1H23: \$0.90 per share)

Capital management

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 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 and accordingly have not declared a dividend for this period.

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.

Auditor's independence declaration

The Directors received the following declaration from the auditor of Sunland Group Limited and forms part of the Directors' Report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Grant Harrison
Director

15 February 2024



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

As lead auditor for the review of Sunland Group Limited for the half-year ended 31 December 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 February 2024

SUNLAND GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

		Consolidated	
	Note	31 December 2023 \$'000	31 December 2022 \$'000
Revenue			
Revenue from the sale of properties		4,582	113,312
Other revenue from operations	4	7,286	859
Other income / (expense)	5	35	9,773
Expenses			
Cost of goods sold - property developments	6	(4,959)	(87,707)
Administration and other expenses		(2,274)	(2,277)
Cost of other operations		-	(536)
Employee benefits expense		(2,315)	(4,545)
Depreciation and amortisation expense		(41)	(316)
Profit before income tax expense		2,314	28,563
Income tax expense		(529)	(7,927)
Profit after income tax expense for the half-year attributable to the shareholders of Sunland Group Limited		1,785	20,636
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the shareholders of Sunland Group Limited		1,785	20,636
Basic earnings per share (cents)		1.3	15.1
Diluted earnings per share (cents)		1.3	15.1

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

	Consolidated	
Note	31 December 2023 \$'000	30 June 2023 \$'000
Assets		
Current assets		
Cash and cash equivalents	27,511	196,861
Trade and other receivables	110	957
Current tax receivables	182	-
Inventories	-	3,694
Other current assets	1,640	1,646
Total current assets	29,443	203,158
Non-current assets		
Property, plant and equipment	21	124
Deferred tax	1,450	1,677
Total non-current assets	1,471	1,801
Total assets	30,914	204,959
Liabilities		
Current liabilities		
Trade and other payables	2,318	6,268
Current tax liabilities	-	5,226
Provisions	7 2,095	2,864
Dividends payable	-	27,382
Other current liabilities	20	160
Total current liabilities	4,433	41,900
Non-current liabilities		
Provisions	-	84
Total non-current liabilities	-	84
Total liabilities	4,433	41,984
Net assets	26,481	162,975
Equity		
Issued capital	9 6,241	129,460
Retained earnings	20,240	33,515
Total equity	26,481	162,975

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

SUNLAND GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Sunland Group
ESTABLISHED
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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 half-year	-	-	20,636	20,636
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	20,636	20,636
<i>Transactions with shareholders in their capacity as shareholders:</i>				
Sales of treasury shares	-	8,583	-	8,583
Dividends paid	-	-	(143,755)	(143,755)
Balance at 31 December 2022	<u>129,460</u>	<u>2,318</u>	<u>100,566</u>	<u>232,344</u>
Consolidated				
Balance at 1 July 2023	129,460	-	33,515	162,975
Profit after income tax expense for the half-year	-	-	1,785	1,785
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,785	1,785
<i>Transactions with shareholders in their capacity as shareholders:</i>				
Capital distributions to shareholders (Note 9)	(123,219)	-	-	(123,219)
Dividends paid (Note 8)	-	-	(15,060)	(15,060)
Balance at 31 December 2023	<u>6,241</u>	<u>-</u>	<u>20,240</u>	<u>26,481</u>

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

SUNLAND GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Consolidated	
		31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities			
Cash receipts from operations		5,560	105,493
Cash payments to suppliers and employees		(10,791)	(36,606)
Interest received		7,244	180
Interest and other finance costs paid		(90)	(2,176)
Income taxes paid		(5,710)	(25,023)
		<u>(3,787)</u>	<u>41,868</u>
Net cash (used in)/from operating activities			
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		98	-
Proceeds from disposal of non-current assets held for sale		-	19,906
Proceeds from sale of financial instruments		-	235
		<u>98</u>	<u>20,141</u>
Net cash from investing activities			
Cash flows from financing activities			
Dividends paid to company's shareholders	8	(42,442)	(143,755)
Repayment of borrowings		-	(50,000)
Distributions of capital to shareholders	9	(123,219)	-
Proceeds from sale of treasury shares		-	8,583
		<u>(165,661)</u>	<u>(185,172)</u>
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial half-year		196,861	262,222
		<u>27,511</u>	<u>139,059</u>
Cash and cash equivalents at the end of the financial half-year			

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

NOTE 1. SEGMENT INFORMATION

31 December 2023	Land & Housing \$'000	Multistorey \$'000	Other \$'000	Total \$'000
Revenue				
Revenue recognised from operations	3,628	954	42	4,624
Development costs incurred in delivery				
Finance costs expensed	(231)	-	-	(231)
Other development costs expensed	(3,811)	(839)	-	(4,650)
Total development costs	(4,042)	(839)	-	(4,881)
Segment result – development return				
Return on development costs	(414)	115	42	(257)
Return on costs	(10%)	14%		
Overall return for combined development operations – (6%)				
Other transactions during the year				
Marketing	(11)	-	-	(11)
Warranties adjustments	21	(87)	-	(67)
Interest received				7,244
Gain / (Loss) on disposal				35
Unallocated corporate expenses				(4,630)
Profit before tax				2,314
Income tax expense				(529)
Net profit for the half-year				1,785
Assets				
Segment assets	-	-	-	-
Unallocated corporate assets				30,914
Consolidated total assets	-	-	-	30,914

NOTE 1. SEGMENT INFORMATION (CONTINUED)

31 December 2022	Land & Housing \$'000	Multistorey \$'000	Other \$'000	Total \$'000
Revenue				
Revenue recognised from operations	21,092	92,220	678	113,990
Development costs incurred in delivery				
Finance costs expensed	(1,716)	(6,116)	(9)	(7,841)
Other development costs expensed	(15,854)	(62,002)	(641)	(78,497)
Total development costs	(17,570)	(68,118)	(650)	(86,338)
Segment result - development return				
Return on development costs	3,522	24,102	28	27,652
Return on costs	20%	35%		
Overall return for combined development operations – 32%				
Other transactions during the year				
Marketing	(72)	(480)	-	(552)
Warranties adjustments	(790)	(685)	-	(1,475)
Interest received				180
Gain / (Loss) on disposal				9,773
Unallocated corporate expenses				(7,015)
Profit before tax				28,563
Income tax expense				(7,927)
Net profit for the half-year				20,636
Assets				
Segment assets	19,815	90,376	-	110,191
Unallocated corporate assets				144,147
Consolidated total assets	19,815	90,376	-	254,338

NOTE 1. SEGMENT INFORMATION (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.

Unallocated corporate expenses are generally corporate overhead costs being employee benefits and administration expenses that are not directly attributable to the operating segments.

NOTE 2. CORPORATE INFORMATION

These interim financial statements are of the consolidated entity consisting of Sunland Group Limited and its controlled entities (the Group) and are presented in Australian dollars.

Sunland Group Limited is a company limited by shares, incorporated and domiciled in Australia. The nature of the operations and principal activities of the Group are described in the Directors’ Report. Its registered office and principal place of business is:

BDO
Level 10, 12 Creek Street
Brisbane QLD 4000

NOTE 3. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. 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 4. OTHER REVENUE FROM OPERATIONS

	Consolidated	
	31 December 2023	31 December 2022
Interest received (a)	7,244	180
Other revenue	42	276
Investment property revenue	-	521
Holding income	-	(118)
	7,286	859

(a) Interest received

With the development operations having now been completed, the Group's primary source of income is through interest generated on its remaining cash. The Group has benefited from the strong interest rate environment, which has contributed to a noticeable increase in interest revenue from cash reserves.

NOTE 5. OTHER INCOME / (EXPENSE)

	Consolidated	
	31 December 2023	31 December 2022
Gain / (Loss) on disposal of non-current assets classified as held for sale (a)	-	8,454
Other	35	1,319
	35	9,773

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

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 and property, plant & equipment, was therefore disclosed as a non-current asset held for sale at the end of a 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.

NOTE 6. COST OF GOODS SOLD – PROPERTY DEVELOPMENTS

	Consolidated	
	31 December 2023	31 December 2022
Costs of goods sold – property developments	4,728	79,875
Finance costs	231	7,832
	4,959	87,707

NOTE 7. CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	31 December 2023	30 June 2023
Warranties (a)	1,696	2,187
Employee benefits	399	677
	2,095	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.

NOTE 8. EQUITY – DIVIDENDS

Dividends paid during the financial half-year were as follows:

	31 December 2023		31 December 2022	
	Cents per share	\$'000	Cents per share	\$'000
Ordinary shares				
Special fully franked dividend – July 23	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 – December 22	-	-	60	82,146

NOTE 9. EQUITY – CONTRIBUTED EQUITY

	31		31	
	December 2023	30 June 2023	December 2023	30 June 2023
	Shares	Shares	\$'000	\$'000
Share capital (a)	136,909,515	136,909,515	6,241	129,460

(a) Share capital

At the Group's Annual General Meeting on 29 September 2023, a capital distribution to shareholders of \$0.90 per share was approved as part of the Group's ongoing Strategy. The capital distribution which totalled \$123.2 million was completed on 30 October 2023.

NOTE 10. FINANCING ARRANGEMENTS

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 \$15 million (2023: \$15 million), of which \$8.5 million (2023: \$9.8 million) has been utilised at reporting date. The Group currently has \$15.3 million in term deposit balances supporting the guarantee facility.

NOTE 11. RELATED PARTY TRANSACTIONS

- 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. The first contract for Lot 909 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.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Grant Harrison
Director

15 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sunland Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Sunland Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Cameron Henry', is written over a faint, light blue BDO logo watermark.

Cameron Henry

Director

Brisbane, 15 February 2024