FINANCIAL STATEMENTS 2021

Sunland Group

FOR THE YEAR ENDING 30 JUNE 2021 | ABN 65 063 429 532

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Mr Soheil Abedian
Executive Director (Chairman)

Mr Sahba Abedian
Managing Director

Mr Ron Eames
Non-Executive Director

Mr Christopher Freeman
Non-Executive Director

Mrs Rebecca Frizelle
Non-Executive Director

Mr Vahid Saberi
Non-Executive Director

SECRETARY

Mr Grant Harrison

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

140A Alice Street
Brisbane QLD 4000
Australia
Telephone 07 3456 5700

PRINCIPAL PLACE OF BUSINESS

BRISBANE

140A Alice Street
Brisbane QLD 4000
Telephone 07 3456 5700

GOLD COAST

Royal Pines
Marina Precinct
Benowa QLD 4217
Telephone 07 5564 3700

SYDNEY

Suite 408, 39 East Esplanade
Manly NSW 2095
Telephone 02 9210 2100

SHARE REGISTER

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

AUDITOR

BDO
Level 10
12 Creek Street
Brisbane QLD 4000

SOLICITORS

Holding Redlich
Level 1
300 Queen Street
Brisbane QLD 4000

BANKERS

ANZ Banking Group Ltd
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 2021 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

Executive Chairman - appointed March 1994.
Master's Degree in Architecture - University of Graz, Austria
Honorary Doctorate & Adjunct Professor Bond University, Queensland
Honorary Doctorate & Adjunct Professor Griffith University, Queensland
Mr Soheil Abedian was educated in Graz, Austria and moved to Queensland's Gold Coast in 1983 where he co-founded Sunland Group to develop luxury housing projects. He has over 38 years' experience in architectural design, construction, and project management across a wide range of developments. Mr Abedian has been awarded the Centenary Medal of Australia for services to the property and business sector. In 2020 he received the Keys to the City of Gold Coast in recognition of generous charitable contributions that have strengthened the social fabric of Gold Coast city. In 2021 Mr Abedian was awarded the Order of Australia Medal for his significant service to the community and the property sector. He was recently appointed Chairman of Gold Coast based charity, Serving Our People Inc.

Sahba Abedian

Managing Director - appointed January 2001
LLB (Bond University)
Mr Sahba Abedian is a qualified lawyer and was admitted into the Supreme Court of Queensland in 1998 as a solicitor. He joined Sunland Group in April 1998 as legal counsel/company secretary. In January 2000, he established the Group's Victorian operations and was appointed Joint Managing Director in 2002 alongside the Group's founder, Soheil Abedian. In 2006, Sahba assumed the role of Managing Director.

Ron Eames

Non-Executive Director - appointed March 2006.
LLB (Queensland University of Technology)
Mr Eames is a partner in the Brisbane offices of law firm Holding Redlich and brings to the role more than 25 years' experience in the legal sector, specialising in front-end project work and project structured financing in the energy, resource, construction, and tourism industries. Mr Eames is a member of the Australian Institute of Company Directors. Mr Eames is the chair of Sunland's Audit and Risk Committee.

Chris Freeman AM FAICD

Non-Executive Director – appointed January 2015.
Bachelor of Commerce (University of Queensland) FAICD
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 and Chair of the Queensland Symphony Orchestra.
Mr Freeman is a member of Sunland's Audit and Risk Committee.

Rebecca Frizelle

Non-Executive Director – appointed January 2018.
Graduate of the AICD
Rebecca Frizelle held the position of Chief Operating Officer of Frizelle Prestige and was a key shareholder in Frizelle Sunshine Automotive and Peter Warren Automotive until her recent resignation from the business ahead of its initial public offering through Peter Warren Automotive Holdings Limited. In 2014, she was appointed to the Board of the Titans and became the first female Chair in the NRL code. She stepped down from the role in September 2017 to pursue a personal ownership stake in the Club, of which she is now a 50% shareholder.
Mrs Frizelle is a Director of the publicly listed Sunland Group Ltd since January 2018 and is also a Director of the Audi Australia Foundation Board, LifeFlight Australia Ltd and a Director of Paralympics Australia. She is also a Member of the Griffith University Council. More recently, she was approached to join the Community Rebuilding Initiative (BizRebuild) Board chaired by General the Honourable Sir Peter Cosgrove (Retd), to support businesses and communities affected by the bushfires and natural disasters to assist in the rebuild of these regional towns. She is a Member of AICD and a Graduate of the AICD Directors Course.
Mrs Frizelle is known for her strong advocacy for the city of Gold Coast. In 2020, Rebecca was awarded an Order of Australia as recognition for her contributions to the Motor Industry and Rugby League.
Mrs Frizelle is a member of Sunland's Audit and Risk Committee.

Dr Vahid Saberi

Non-Executive Director – appointed 24 September 2019.
Doctorate in Business Administration
Master of Business Administration
Master of Public Health
Graduate of AICD
Dr Saberi has over 25 years' experience in strategic planning and brings considerable experience in strategic development and planning across the health, research and education sectors. He is an Adjunct Professor at the School of Health & Human Science at Southern Cross University, Senior Research Fellow at Sydney University and a graduate of the Australian Institute of Company Directors.
Dr Saberi has held a number of Senior and Chief Executive roles in the State and Commonwealth health sectors with a focus on people, performance and education. He has and continues to serve on Boards such as NSW General Practice Board, Australian Rural Health, Research Collaboration, Northern Rivers Our Kids Foundation and Northern Rivers General Practice Network. Dr Saberi is a member of Sunland's Audit and Risk Committee.

Company secretary – Grant Harrison

Company Secretary - appointed December 2003.
Associate Diploma Business (Accounting), GAIDC.
Mr Harrison joined Sunland Group in 2000, following 16 years in the banking sector with Westpac specialising in commercial, property and corporate finance transactions. Mr Harrison was appointed Chief Financial Officer in December 2004. Mr Harrison is a Graduate of the Australian Institute of Company Directors.

Director's Meetings

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

DIRECTOR	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED
MR SAHBA ABEDIAN	7	6	-	-
MR SOHEIL ABEDIAN	7	6	-	-
MR RON EAMES	7	7	2	2
MR CHRIS FREEMAN	7	7	2	2
MRS REBECCA FRIZELLE	7	7	2	2
DR VAHID SABERI	7	7	2	2

* Mr Soheil Abedian and Mr Sahba Abedian were not attendees of the meeting of Directors held to decide at Board level the sale by the Group of the Greenmount Hotel site as detailed at Item 2 of the Explanatory Handout included in the Company's Notice of Extraordinary General Meeting released through the ASX on 28 June 2021.

Principal Activities

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

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

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

Consolidated Result

The consolidated profit after tax for the year attributable to members of Sunland Group Limited was $24.9 million (2020: $2.4 million). The financial year 2020 comparative result includes after tax adjustments totalling $13.9 million to projects in respect to the net realisable value of inventory and the expensing of consultants' costs previously capitalised for designs that became obsolete for certain projects to be developed ('scrapped costs'). Underlying earnings for financial year 2020 was $16.4 million after tax. Net realisation and scrapped costs adjustments included in this year's net profit after tax result total $4.8 million after tax.

This financial year's result is primarily attributable to the performance of Sunland's residential housing developments in South East Queensland, as well as the Group's multi-storey segment which contributed to the result through settlements at Magnoli Apartments on the Gold Coast.

Revenues from the Group's investment properties and other income generating assets have decreased, primarily due to the sale of Mariners Cove early this financial period and the sale of the Lakeview retail centre early in FY20.

This financial period sees the continuous implementation of Sunland Group's Strategic Plan. The Group is marketing to sell certain inventory which is not under development, and complete the development of certain other projects, with the intention of converting assets to cash, repay all liabilities, and return net asset value to shareholders, subject to market conditions, financiers' satisfaction and regulatory and legislative requirements (the Strategy).

Progress of the Strategy has been assisted by the buoyant market conditions being experienced in those locations where Sunland has been developing its projects. Settlements of completed product together with settlements of other inventory has generated a significant cashflow during the period. The cash generated by the Group has reduced debt under the working capital lines and enabled the Directors to focus on the return of capital to shareholders through fully franked dividends which is a primary driver in achieving the Strategy's objective of returning the net asset value of the Group. The interim and special dividends paid this year, together with the announced final and special dividends will bring the value of fully franked dividend distributions paid during this financial year to 50 cents per share.

Operational and Financial Review

Operating and Financial Highlights

- Net profit after tax of $24.9 following after tax adjustments of $4.8 million (2020: $2.4 million following after tax adjustments totalling $13.9 million);
- Underlying earnings before inventory adjustments of $29.7 million (2020: $16.4 million);
- Earnings per share based on the number of consolidated shares on issue as at the balance date was 18.7 cents (2020: 1.8 cents);
- In the first half of this financial year the Group paid a fully franked interim and special dividend totalling 30 cents per share;
- Directors have declared a fully franked final and special dividend of 4 cents and 16 cents per share respectively, which will be paid 30 September 2021;
- Sale of various assets were completed in accordance with the Group's strategy contributing a total of $40.1 million in revenue and $13.6 million profit after tax;
- Net tangible assets per share (based on consolidated issued shares) of $2.34 (2020: $2.56);
- The Group achieved a 24% development margin, exceeding the target of 20% return on costs;
- Strong cash flow from property settlements totalling $274.4 million (2020: $159.8 million)

Group Development Portfolio

Management have identified projects within the Group's development portfolio as "Active" development activities and "New" development activities, each of which are to be delivered by the Group; and "Undeveloped Projects" which are earmarked for sale. This has assisted in focusing on the delivery of the Strategy and identifying capital requirements to develop and complete those projects identified as Active and New projects. The Active and New development activities currently represent 73% of the Group's inventory value.

Sunland has 7 Active projects in Queensland and New South Wales as at the balance date. These projects include land, housing and multi-storey projects at various points in their delivery cycle. Projects including The Heights, Arbour Residences, Magnoli Apartments, The Hills Residences and Kirkdale Residences, (QLD); and Maraylya (NSW), have contributed to revenue during this period. All these projects are now completed and the balance unsold stock is mostly sold and settled. The Lanes Residences – East Village (stage 1) was completed and settlements commenced post balance date. Other Active projects which are under development include 272 Hedges Avenue (QLD) and Montaine Residences (NSW).

New development activities include The Lanes Residences – West Village (stage 2) which has now commenced and the launch has been well received by the market. Pre-leasing continues with The Lanes Retail which has achieved strong commitments for pre-leasing.

Some of the Undeveloped Projects have been marketed and sold during this period as part of the Strategy. Completed sales include land parcels at Mariners Cove, Lakeview Childcare (QLD), Archer St (QLD) as well as the sale and lease back of the Group's office premises at Brisbane. These have contributed a total value of $40.1 million and $13.6 million profit after tax. Unconditional sales include a residential development lot at the Heights, Marine Parade Labrador, Marine Pde Greenmount (QLD); Ingleside (NSW) and Carrum Downs (VIC). The Greenmount Hotel sale is now unconditional following the Group's recent extraordinary general meeting. The proceeds of unconditional contracts total $132.3 million and will generate approximately $25.8 million profit after tax. These contracts are scheduled to settle during the 2022 financial year.

Conditional sales of other Undeveloped Projects have also been achieved. Details of the Grace on Coronation site has been announced to the market. Other sales include a commercial site at Bushland Beach and a residential site at The Lanes (QLD). Proceeds of these conditional sales, should they occur, is estimated to be approximately $69.3 million. The various contracts carry conditions such as certain development approvals, titling requirements and access arrangements, and management is working with these buyers to fulfill the respective contract conditions.

Group operating activities

Development Activities

Sunland's development activities provided strong earnings in this period with the completion of various housing and mid-rise projects. Contributing to development revenue in this period was the settlement of the Mariners Cove site for $28.0 million.

During the financial year the Group settled 458 lots (2020: 236) during the period which generated $274.4 million (2020: $159.8 million) in property sales revenue. The bulk of settlements occurred for medium-rise apartment projects at Marina Concourse and Magnoli (QLD). Apartments in these two projects are now all but fully settled. Multi-storey projects under construction include 272 Hedges Avenue (high-rise) and The Lanes Residences East Village which is the first stage of the northern precinct of this development site. This was completed post balance date and settlements commenced. Construction has commenced on stage 2 Lanes Residences West Village. The Lanes Retail is expected to commence construction this December or early in the new year. The balance multi-storey development sites are available for sale under the Group's current Strategy.

The Residential Housing and Urban Development segment generated revenues through settlements at The Heights, Arbour Residences, The Hills Residences, Kirkdale Residences (QLD); and Maraylya (NSW).

The Group exceeded its targeted development margin of 20%, with a return on cost for the period of 24% across its residential development portfolio (excludes marketing costs, which are expensed ahead of recognising revenue - refer segment report for further explanation). The Multi-Storey segment returned 28%, boosted by the sale of Mariners Cove and a favourable development return for Magnoli. The Residential Housing and Urban Development segment achieved a return below target due mainly to additional time in delivering The Hills Residences in Brisbane which is now complete.

There was a substantial 596 sales achieved during the year for value of $436.9 million (2020: 357 sales for value $236.9 million). We remain focused on first home buyers and also the downsizer market amid the continued higher demand for good quality apartment living. The low interest rates and population growth particularly in South East Queensland has seen an increase in demand for the Group's apartment offerings. The low interest rate environment has also renewed investors' appetite for property investment exposure. The rental market remains buoyant in areas where Sunland is selling which mitigates the investment property risks for those investors. Sunland has also focused on owner occupier designed product for a number of years and this has seen sustained demand over the recent period.

Contracted conditional and unconditional presales for projects released across the development portfolio as at balance date total 386 lots with a combined value of $464.7 million. This includes 141 sales totalling $118.0 million at The Lanes Residences – East Village (stage 1), the vast majority of which has settled since balance date.

Other Group Activities

Other revenues include net holding incomes generated by various sites until approvals are granted and development commences. These include Mariner's Cove which is now sold and Greenmount Hotel which despite its operations being affected by the COVID-19 pandemic, performed satisfactorily during this time, generating sufficient revenues to cover the property's holding costs. Investment properties held by the Group were also affected by the COVID-19 pandemic with rental relief provided to those tenants that qualified under the rental relief schemes. This revenue is, however, a small proportion of the Group's activities.

The Royal Pines Marina has been repositioned for its eventual sale with Sunland's Gold Coast office relocating to a smaller space in the centre and its previous space leased to a substantial business group. Sunland has commenced construction of a childcare centre within the precinct for a childcare operator to lease space that will have capacity for some 100 children. The balance of the premises has been leased and these initiatives will greatly enhance the revenue and value of the asset.

Capital Management and Dividends

The effective delivery of Sunland's Strategy is reliant on the continued availability and efficient management of the Group's debt lines, together with appropriate timing for the return of capital to shareholders. This will ensure the Group retains capacity to manage development risks associated with the Active Projects and the New Projects to be undertaken. It is expected these projects will be delivered over the course of the next 18 to 24 months, although project and market risks may affect the timing of completion. Directors will continue to allocate funds generated by the Group's development activities for working capital, project delivery, repayment of liabilities, and for returning net asset value to shareholders.

Following an assessment of the Group's capital requirements and debt facilities for ongoing activities, Directors have declared a final dividend of 4 cents per share and a special dividend of 16 cents per share reflecting the surplus capital that can be returned to shareholders in accordance with the Strategy. Both dividends will be fully franked.

Group Vision and Future Outlook

Sunland Group's Strategy has been implemented to return fair value to shareholders which the market has not recognised for some time. Directors will be mindful of maintaining a strong financial position to ensure sufficient capital is available to complete projects to be developed whilst focusing on the continued return of surplus capital to achieve the desired results outlined in the Strategy.

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 Result

Directors continue to be mindful of enhancing shareholder return and the Group's announced Strategy will assist in achieving that goal. Existing projects will be delivered and the cash generated from these, together with appropriate utilisation of the Group's debt lines, will support the Strategy.

Directors Interests

The relevant interest of each Director in the shares and options over such shares of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is presented below. The table below also include the relevant interest of each Director and their related parties in the unsecured note issue by the Group:

DIRECTOR	ORDINARY SHARES	UNSECURED NOTES
MR SOHEIL ABEDIAN	50,000,000 *	-
MR SAHBA ABEDIAN	9,045,000 *	-
MR RON EAMES	30,000	-
MR CHRIS FEEEMAN	50,000	-
MRS REBECCA FRIZELLE	50,000	-
MR VAHID SABERI	184,500 *	-

* In addition to these holdings, parties related to Soheil Abedian hold 1,103,000 shares, parties related to Sahba Abedian hold 370,000 shares, parties related to Rebecca Frizelle hold 26,816 shares and parties related to Vahid Saberi hold 30,000 shares.

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

Indemnification and Insurance of Officers

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

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

In accordance with the Constitution and Indemnity Deeds, during the year ended 30 June 2021 the Company has paid legal expenses totalling $124,687 incurred by a director and officer for legal advice in relation to a matter associated with their duties.

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

Indemnification of Auditors

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

Remuneration Report (Audited)

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

Remuneration Philosophy

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

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

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

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

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

Review of Remuneration Framework

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

Details of Key Management Personnel

Key management personnel including Directors and Executives have authority and responsibility for planning, directing, and controlling the activities of the Company and Group. The following personnel were key management personnel during the year ended 30 June 2021:

Mr Sahba Abedian, Managing Director

Mr Soheil Abedian, Chairman (executive)

Mr Ron Eames, Director (non-executive)

Mr Christopher Freeman, Director (non-executive)

Mrs Rebecca Frizelle (non-executive)

Mr Vahid Saberi (non-executive)

Officers

Mr Grant Harrison, Company Secretary and Chief Financial Officer

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

Long-Term Incentives ('LTI')

Objectives

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

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

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

During the 2014 Annual General Meeting, the members of Sunland voted in favour of issuing 3,500,000 shares (issue price $1.70), funded through an interest free loan provided by Sunland, to establish an additional LTI for certain core employees who have contributed significantly to the Company during the course of their employment. The plan is known as the Sunland Employee Retirement Fund (SERF), which is a discretionary trust that holds the issued shares for the benefit of Eligible Employees.

Directors may nominate Eligible Employees who maybe full-time or part-time employees, however Directors are excluded. Under the rules of the Fund, the Trustee may nominate an Eligible Employee for a payment from the SERF upon their retirement from the Company and having been an employee of the Company for a period of 10 years. Where the SERF is to make a payment to an Eligible Employee upon their retirement, the SERF will sell Sunland shares and apply the proceeds firstly to repay the interest free loan and surplus funds (above the original issue price per share) will be paid to the retiring employee as a trust distribution. If, at the time, the market price of the shares do not exceed the issue price, then there would be no distribution.

Non-Executive Director Remuneration

Objective

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

Structure

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

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

Executive Director Remuneration

Objective

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

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

Structure

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

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

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

Executive Remuneration

Objective

The Group's executive reward structure is designed to:

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

Structure

The remuneration structure for the Executive consists of:

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

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

All Executives, including the Executive Directors, have employment contracts with no fixed end date. Any executive may resign from their position and thus terminate their contract by giving 4 weeks written notice.

The Company may terminate the employment agreement by giving 4 weeks written notice or providing payment in lieu of the notice period. The Company may terminate the contract at any time if serious misconduct has occurred. On termination, any eligibility to the LTI plan will immediately be forfeited. None of the Executives are employed under a contract linked to the performance of the Company.

Compensation of Key Management Personnel (KMP)

Remuneration of KMP is detailed in the following table:

30 JUNE 2021	SHORT-TERM BENEFITS SALARY & FEES $	POST-EMPLOYMENT BENEFITS SUPERANNUATION $	TOTAL $
NON-EXECUTIVE DIRECTORS:			
RON EAMES	65,753	6,247	72,000
CHRIS FREEMAN	65,753	6,247	72,000
REBECCA FRIZELLE	70,612	1,388	72,000
VAHID SABERI	65,753	6,247	72,000
EXECUTIVE DIRECTORS:			
SAHBA ABEDIAN	783,765	21,694	805,459
SOHEIL ABEDIAN	634,795	21,694	656,489
OTHER KEY MANAGEMENT PERSONNEL:			
GRANT HARRISON	290,548	21,694	312,242
	1,976,979	85,211	2,062,190

30 JUNE 2020	SHORT-TERM BENEFITS SALARY & FEES $	POST-EMPLOYMENT BENEFITS SUPERANNUATION $	TOTAL $
NON-EXECUTIVE DIRECTORS:			
RON EAMES	69,406	6,594	76,000
CRAIG CARRACHER	18,265	1,735	20,000
CHRIS FREEMAN	69,406	6,594	76,000
REBECCA FRIZELLE	69,406	6,594	76,000
VAHID SABERI	52,546	4,992	57,538
EXECUTIVE DIRECTORS:			
SAHBA ABEDIAN	805,497	21,003	826,500
SOHEIL ABEDIAN	728,997	21,003	750,000
OTHER KEY MANAGEMENT PERSONNEL:			
GRANT HARRISON	288,332	21,003	309,335
	2,101,855	89,518	2,191,373

In addition to the remuneration stated in the table above, Mr Soheil Abedian, Mr Sahba Abedian and Mr Grant Harrison each received other short-term employee benefits in the form of income distributions of $110,160, $110,160 and $99,430 respectively (2019: $23,447 each) from the Sunland Employee Investment Fund (SEIF) representing a share of the SEIF's annual investment earnings on the accumulated capital held by the SEIF.

Mr Soheil Abedian salary sacrificed his salary to the Abedian Foundation all or in part in 2021 and 2020.

Shareholdings of Key Management Personnel

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

	BALANCE 1 JULY 2020	ACQUISITIONS	DISPOSALS	BALANCE 30 JUNE 2021
DIRECTORS				
SOHEIL ABEDIAN*	51,103,000	-	-	51,103,000
SAHBA ABEDIAN*	9,415,000	-	-	9,415,000
RON EAMES	30,000	-	-	30,000
CHRIS FREEMAN	50,000	-	-	50,000
REBECCA FRIZELLE*	50,000	26,816	-	76,816
VAHID SABERI*	-	214,500	-	214,500
OFFICERS				
GRANT HARRISON*	659,178	51,280	-	710,458
TOTAL	61,307,178	292,596	-	61,599,774

* These balances include shares held by parties related to Soheil Abedian of 1,103,000, Sahba Abedian of 370,000, Rebecca Frizelle of 26,816, Vahid Saberi of 30,000 and Grant Harrison of 710,458.

Group Performance

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

	2021	2020	2019	2018	2017
BASIC EARNINGS PER SHARE	$0.18	$0.02	$0.12	$0.21	$0.22
EARNINGS PER SHARE GROWTH (%)	800.0%	(83.3%)	(42.5%)	(7.6%)	19.1%
SECURITY PRICE - AT 30 JUNE	$2.45	$1.15	$1.70	$1.82	$1.78
CHANGE IN SECURITY PRICE (%)	113.0%	(32.4%)	(6.6%)	2.2%	25.4%
DIVIDEND PER SHARE DECLARED (FULLY FRANKED)	$0.50	$0.10	$0.08	$0.11	$0.10
DIVIDEND PER SHARE GROWTH (%)	400.0%	25.0%	27.3%	10.0%	25.0%
NET TANGIBLE ASSETS PER SHARE	$2.28	$2.56	$2.56	$2.50	$2.39

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

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

Compensation options

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

Rounding

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

Non-Audit Services

Non-audit services were provided by Ernst & Young (the entity's auditor at the time) as disclosed in note 28 to the financial statements. In accordance with a resolution of the Audit and Risk committee, the Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that audit independence was not compromised.

Audit Independence and Non-Audit Services

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 2021.

Signed in accordance with a resolution of the Directors.

Mr Sahba Abedian

Managing Director

24 August 2021

BDO

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

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

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

As lead auditor of Sunland Group Limited for the year ended 30 June 2021, 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 year.

C Henry
Director

BDO Audit Pty Ltd

Brisbane, 24 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2021 $'000	2020 $'000
REVENUE FROM THE SALE OF PROPERTIES	3	274,352	159,800
OTHER REVENUE FROM OPERATIONS	3	2,609	2,260
OTHER INCOME / (EXPENSE)	4	5,294	5,125
EXPENSES			
COST OF GOODS SOLD - PROPERTY DEVELOPMENT	5	(231,775)	(148,680)
ADMINISTRATION AND OTHER EXPENSES		(3,807)	(3,881)
COST OF OTHER OPERATIONS		(643)	(1,053)
EMPLOYEE BENEFITS EXPENSE		(10,273)	(10,251)
DEPRECIATION AND AMORTISATION EXPENSE		(1,806)	(2,273)
PROFIT BEFORE INCOME TAX (EXPENSE)/BENEFIT		33,951	1,047
INCOME TAX (EXPENSE)/BENEFIT	6	(9,003)	1,386
PROFIT AFTER INCOME TAX (EXPENSE)/BENEFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF SUNLAND GROUP LIMITED		24,948	2,433
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF SUNLAND GROUP LIMITED		24,948	2,433
		CENTS	CENTS
BASIC EARNINGS PER SHARE (CENTS)	8	18.2	1.8
DILUTED EARNINGS PER SHARE (CENTS)	8	18.2	1.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	NOTES	2021 $'000	2020 $'000
ASSETS			
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS		13,141	13,056
TRADE AND OTHER RECEIVABLES	10	3,400	10,167
INVENTORIES	11	425,000	232,469
DERIVATIVE FINANCIAL INSTRUMENTS		-	566
OTHER CURRENT ASSETS		1,270	1,915
TOTAL CURRENT ASSETS		442,811	258,173
NON-CURRENT ASSETS			
INVENTORIES	12	53,918	290,220
INVESTMENT PROPERTIES	13	20,317	15,111
PROPERTY, PLANT AND EQUIPMENT		4,552	9,680
RIGHT-OF-USE ASSETS		670	788
TOTAL NON-CURRENT ASSETS		79,457	315,799
TOTAL ASSETS		522,268	573,972
LIABILITIES			
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	14	14,872	18,352
INTEREST BEARING LIABILITIES	19	92,104	5,997
CURRENT TAX LIABILITIES		1,123	4,031
PROVISIONS	15	3,061	3,296
OTHER CURRENT LIABILITIES	20	8,792	610
TOTAL CURRENT LIABILITIES		119,952	32,286
NON-CURRENT LIABILITIES			
INTEREST BEARING LIABILITIES	21	76,833	182,274
DEFERRED TAX	7	13,162	16,752
PROVISIONS	16	223	335
OTHER NON-CURRENT LIABILITIES		441	537
TOTAL NON-CURRENT LIABILITIES		90,659	199,898
TOTAL LIABILITIES		210,611	232,184
NET ASSETS		311,657	341,788
EQUITY			
CONTRIBUTED EQUITY	24	123,195	123,510
RETAINED EARNINGS		188,462	218,278
TOTAL EQUITY		311,657	341,788

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH RECEIPTS FROM OPERATIONS		316,098	167,479
CASH PAYMENTS TO SUPPLIERS AND EMPLOYEES		(220,152)	(221,240)
INTEREST RECEIVED		105	282
INTEREST AND OTHER FINANCE COSTS PAID		(9,759)	(13,778)
INCOME TAXES REFUNDED / (PAID)		(15,500)	(10,257)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	9	70,792	(77,514)
CASH FLOWS FROM INVESTING ACTIVITIES			
PAYMENTS FOR INVESTMENT PROPERTY		(4,478)	(1,547)
CASH PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		(57)	(943)
REPAYMENTS FROM / (ADVANCES TO) ASSOCIATES		-	1,324
PROCEEDS FROM DISPOSAL OF INVESTMENT PROPERTY		5,198	19,136
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		3,387	508
PROCEEDS FROM SALE OF ASSOCIATES		-	1,701
PROCEEDS FROM SALE OF FINANCIAL INSTRUMENTS		316	-
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		4,366	20,179
CASH FLOWS FROM FINANCING ACTIVITIES			
REPAYMENT OF BORROWINGS		(87,137)	-
PROCEEDS FROM BORROWINGS		67,143	62,819
PURCHASE OF SHARES THROUGH SHARE BUY-BACKS		-	(6,508)
PAYMENT OF SHARE BUY-BACK COSTS		-	(84)
DIVIDENDS PAID TO COMPANY'S SHAREHOLDERS	23	(54,764)	(5,639)
PURCHASES OF TREASURY SHARES		(315)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		(75,073)	50,588
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		85	(6,747)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		13,056	19,803
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		13,141	13,056

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
BALANCE AT 1 JULY 2019	130,102	221,484	351,586
PROFIT AFTER INCOME TAX BENEFIT FOR THE YEAR	-	2,433	2,433
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	2,433	2,433
TRANSACTIONS WITH SHAREHOLDERS IN THEIR CAPACITY AS SHAREHOLDERS:			
SHARE BUY-BACK	(6,592)	-	(6,592)
DIVIDENDS PAID (NOTE 23)	-	(5,639)	(5,639)
BALANCE AT 30 JUNE 2020	123,510	218,278	341,788

	ISSUED CAPITAL $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
BALANCE AT 1 JULY 2020	123,510	218,278	341,788
PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR	-	24,948	24,948
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	24,948	24,948
TRANSACTIONS WITH SHAREHOLDERS IN THEIR CAPACITY AS SHAREHOLDERS:			
PURCHASES OF TREASURY SHARES	(315)	-	(315)
DIVIDENDS PAID (NOTE 23)	-	(54,764)	(54,764)
BALANCE AT 30 JUNE 2021	123,195	188,462	311,657

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

FOR THE YEAR ENDED 30 JUNE 2021

This page has been left intentionally blank

NOTE 1. OPERATING SEGMENTS

OPERATING SEGMENTS	LAND & HOUSING $'000	MULTISTOREY $'000	OTHER $'000	TOTAL $'000
30 JUNE 2021				
REVENUE				
REVENUE RECOGNISED FROM OPERATIONS	120,615	153,737	1,682	276,034
DEVELOPMENT COSTS INCURRED IN DELIVERY				
FINANCE COSTS EXPENSED	(4,859)	(5,931)	-	(10,790)
OTHER DEVELOPMENT COSTS EXPENSED	(96,921)	(113,865)	(1,990)	(212,776)
TOTAL DEVELOPMENT COSTS	(101,780)	(119,796)	(1,990)	(223,566)
SEGMENT RESULT				
DEVELOPMENT RETURN	18,835	33,941	(308)	52,468
RETURN ON DEVELOPMENT COSTS	19%	28%		
OVERALL RETURN FOR COMBINED DEVELOPMENT OPERATIONS - 24%				
OTHER TRANSACTIONS DURING THE YEAR				
MARKETING	(1,284)	(1,391)	(118)	(2,793)
INVENTORY NET REALISABLE VALUE AND SCRAPPED COSTS ADJUSTMENTS	(2,395)	(4,452)	-	(6,847)
WARRANTY ADJUSTMENTS	(452)	(108)	-	(560)
INTEREST REVENUE				105
GAIN / (LOSS) ON DISPOSALS				5,294
UNALLOCATED CORPORATE EXPENSES				(13,716)
PROFIT BEFORE TAX				33,951
INCOME TAX (EXPENSE) / BENEFIT				(9,003)
NET PROFIT FOR THE YEAR				24,948
30 JUNE 2021				
ASSETS				
SEGMENT ASSETS	115,644	353,705	22,343	491,692
UNALLOCATED CORPORATE ASSETS				30,576
CONSOLIDATED TOTAL ASSETS	115,644	353,705	22,343	522,268

NOTE 1. OPERATING SEGMENTS (CONTINUED)

OPERATING SEGMENTS	LAND & HOUSING $'000	MULTISTOREY $'000	OTHER $'000	TOTAL $'000
30 JUNE 2020				
REVENUE				
REVENUE RECOGNISED FROM OPERATIONS	11,473	48,327	1,263	161,063
DEVELOPMENT COSTS INCURRED IN DELIVERY				
FINANCE COSTS EXPENSED	(4,721)	(1,446)	-	(6,167)
OTHER DEVELOPMENT COSTS EXPENSED	(80,018)	(40,200)	(2,665)	(122,883)
	(84,739)	(41,646)	(2,665)	(129,050)
SEGMENT RESULT				
DEVELOPMENT RETURN	26,735	6,681	(1,402)	32,013
RETURN ON DEVELOPMENT COSTS	32%	16%		
OVERALL RETURN FOR COMBINED DEVELOPMENT OPERATIONS 25%				
OTHER TRANSACTIONS DURING THE YEAR				
MARKETING	(1,281)	(1,835)	(3)	(3,119)
INVENTORY NET REALISABLE VALUE AND ADJUSTMENTS	(4,542)	(13,301)	-	(17,843)
WARRANTY ADJUSTMENTS	(1,018)	(316)	-	(1,334)
INTEREST REVENUE				282
GAIN / (LOSS) ON DISPOSALS *				5,125
UNALLOCATED CORPORATE EXPENSES				(14,077)
PROFIT BEFORE TAX				1,047
INCOME TAX (EXPENSE) / BENEFIT				1,386
NET PROFIT FOR THE YEAR				2,433
30 JUNE 2020				
ASSETS				
SEGMENT ASSETS	180,567	330,839	18,320	529,726
UNALLOCATED CORPORATE ASSETS	-	-	-	44,246
	180,567	330,839	18,320	573,972

* Includes $2,077,000 in scrapped costs related to investment properties under development.

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;
» Multistorey - development and sale of medium rise projects (generally between five and fifteen stories) and high rise projects (above fifteen stories); and
» Other - Operating results from investment properties and net holding income

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

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

Segment reporting accounting policy

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

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

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

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

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

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

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

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

Intersegment 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 2021. The Directors have the power to amend and reissue the financial statements.

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

The Group's registered office and principal place of business is:

Sunland Group Limited

140A Alice 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 notes are organised into the following sections:

» Financial Performance;
» Financial Position;
» Capital structure; and
» Other notes.

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

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

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

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

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

NOTE 3. OTHER REVENUE FROM OPERATIONS

	CONSOLIDATED 2021 $'000	2020 $'000
INVESTMENT PROPERTY REVENUE (A)	382	445
HOLDING INCOME (B)	720	447
INTEREST RECEIVED	105	282
OTHER REVENUE	1,402	1,086
	2,609	2,260

(a) Investment property revenue

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

(b) Holding income

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

Revenue from contracts with customers accounting policy

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

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

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

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

(ii) Other revenue from operations

Interest income

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

Rental income

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

NOTE 4. OTHER INCOME / (EXPENSE)

	CONSOLIDATED 2021 $'000	2020 $'000
GAIN / (LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES (A)	4,206	6,298
SCRAPPED COSTS WRITE DOWN OF INVESTMENT PROPERTIES (B)	-	(2,077)
GAIN ON DISPOSAL OF ASSOCIATES (C)	-	956
GAIN / (LOSS) ON DISPOSAL OF PROPERTY, PLANT & EQUIPMENT (D)	1,251	(52)
GAIN / (LOSS) ON DISPOSAL OF SHARES IN LISTED COMPANIES	(163)	-
	5,294	5,125

(a) Gain / (Loss) on disposal of investment properties

During the reporting period the Group completed the sale of the Lakeview Childcare site in Mermaid Waters for an after tax profit of $4.2 million. During the prior period, the Group completed the sale of the Lakeview retail centre in Mermaid Waters for $20,000,000, resulting in an after tax profit of $6.3 million

(b) Scrapped costs write down of investment properties

In the previous financial year the Group took the view that the design of some projects would not meet current demand and consequently scrapped design and other consultants' costs. This resulted in a reduction in the carrying value of The Lanes retail as these no longer represent an element of the final product. There were no such reductions in the carrying value of investment properties during the current reporting period.

(c) Gain on disposal of associates

In March 2020 the Group disposed of its interest in the Varsity project that it held as an associate. The disposal generated a pre-tax profit of $1.0 million. There were no such disposals during the current reporting period.

(d) Gain / (Loss) on disposal of property, plant & equipment

In September 2020 the Group completed the sale of its Brisbane office premises for $2,995,000, resulting in an after tax profit of $1 million.

NOTE 5. COST OF GOODS SOLD - PROPERTY DEVELOPMENT

	CONSOLIDATED 2021 $'000	2020 $'000
COSTS OF GOODS SOLD - PROPERTY DEVELOPMENTS	214,138	124,671
COSTS OF GOODS SOLD - NET REALISABLE VALUE ADJUSTMENT (A)	6,485	7,791
FINANCE COSTS	10,790	6,166
COSTS OF GOODS SOLD - SCRAPPED COSTS WRITE DOWN (B)	362	10,052
	231,775	148,680

(a) Costs of goods sold – net realisable value adjustment

The Group has made net realisable value adjustments of $4.5 million and $2.0 million to the Bayside and Marine Parade, Labrador projects respectively. These adjustments reflect the Group's strategy to sell down non-development assets and return net tangible asset value to its shareholders.

(b) Costs of goods sold – scrapped costs write down

During the prior reporting period the Group has took the view that the design of some projects would not meet current demand and consequently scrapped design and other consultants' costs on projects such as Grace, Mariners Cove, and Greenmount as they no longer represented an element of the final product. Design costs relating to its project at Kenmore in Brisbane have been identified as meeting this definition in the current reporting period and have been consequently scrapped.

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/(BENEFIT)

	CONSOLIDATED	
	2021 $'000	2020 $'000
INCOME TAX EXPENSE/(BENEFIT)		
CURRENT INCOME TAX EXPENSE	12,879	9,463
DEFERRED INCOME TAX EXPENSE	(3,589)	(10,987)
ADJUSTMENT TO CURRENT TAX OF PRIOR PERIODS	(287)	138
AGGREGATE INCOME TAX EXPENSE/(BENEFIT)	9,003	(1,386)
NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE/(BENEFIT) AND TAX AT THE STATUTORY RATE		
PROFIT BEFORE INCOME TAX (EXPENSE)/BENEFIT	33,951	1,047
TAX AT THE STATUTORY TAX RATE OF 30%	10,185	314
ADJUSTMENT TO CURRENT TAX OF PRIOR PERIODS	(287)	138
OTHER	367	51
UTILISATION OF TAX CAPITAL LOSSES NOT PREVIOUSLY BROUGHT TO ACCOUNT *	(1,262)	(1,889)
INCOME TAX EXPENSE/(BENEFIT)	9,003	(1,386)

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

NOTE 7. NON-CURRENT LIABILITIES - DEFERRED TAX

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	30 JUNE 21 $'000	30 JUNE 20 $'000	**30 JUNE 21 $'000**	30 JUNE 20 $'000
DEFERRED TAX ASSETS / (LIABILITIES):				
DEVELOPMENT COSTS DEDUCTIBLE FOR TAX BUT CAPITALISED FOR ACCOUNTING	(18,791)	(26,369)	7,578	5,905
INCOME NOT CURRENTLY ASSESSABLE FOR TAX	(36)	(335)	299	(227)
OTHER DEFERRED TAX LIABILITIES	(292)	(375)	83	116
WARRANTY PROVISION NOT IMMEDIATELY DEDUCTIBLE FOR TAX	290	354	(64)	46
OTHER PROVISIONS NOT IMMEDIATELY DEDUCTIBLE FOR TAX	672	679	(7)	(47)
EXPENSES NOT IMMEDIATELY DEDUCTIBLE FOR TAX	3,241	3,915	(674)	3,705
FUTURE DEDUCTIONS FOR THE NET REALISABLE VALUE OF INVENTORY ADJUSTMENTS	1,753	5,379	(3,626)	1,489
	(13,163)	(16,752)	3,589	10,987

Unrecognised tax losses carried forward

At the end of the reporting period the Group had available carried forward capital tax losses of $23,163,177 (2020: $27,012,864) to offset against future capital gains that the Group may realise. The Group has not elected to recognise these capital tax losses as deferred tax assets on the basis that their recovery is not considered probable.

(a) 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.

(b) 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.

(c) 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 2021 $'000	2020 $'000
PROFIT AFTER INCOME TAX ATTRIBUTABLE TO THE SHAREHOLDERS OF SUNLAND GROUP LIMITED	24,948	2,433
	NUMBER	NUMBER
WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR FOR THE CALCULATION OF BASIC EARNINGS PER SHARE	136,909,515	137,565,145
NUMBER USED FOR THE CALCULATION OF DILUTED EARNINGS PER A SHARE	136,909,515	137,565,145
	CENTS	CENTS
BASIC EARNINGS PER SHARE (CENTS)	18.2	1.8
DILUTED EARNINGS PER SHARE (CENTS)	18.2	1.8

Earnings per share accounting policy

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | FOR THE YEAR ENDED 30 JUNE 2021

NOTE 9. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM/(USED IN) OPERATING ACTIVITIES

	CONSOLIDATED 2021 $'000	2020 $'000
PROFIT AFTER INCOME TAX (EXPENSE)/BENEFIT FOR THE YEAR	24,948	2,433
ADJUSTMENTS FOR:		
DEPRECIATION AND AMORTISATION	1,806	2,273
NET LOSS / (GAIN) ON DISPOSAL OF INVESTMENT PROPERTIES	(4,206)	(6,298)
NET LOSS / (GAIN) ON DISPOSAL OF FINANCIAL INSTRUMENTS	163	-
NET LOSS / (GAIN) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	(1,251)	52
NET LOSS / (GAIN) ON DISPOSAL OF ASSOCIATES	-	(956)
SCRAPPED COSTS ADJUSTMENTS - INVESTMENT PROPERTIES	-	2,077
SCRAPPED COSTS ADJUSTMENTS - INVENTORIES	362	10,052
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
(INCREASE)/ DECREASE IN TRADE AND OTHER RECEIVABLES	6,768	(6,521)
(INCREASE)/ DECREASE IN INVENTORIES	43,617	(72,994)
(DECREASE)/ INCREASE IN TRADE AND OTHER PAYABLES	5,265	4,022
(DECREASE)/ INCREASE IN PROVISION FOR INCOME TAX PAYABLE	(6,497)	(11,643)
(DECREASE)/ INCREASE IN OTHER PROVISIONS	(349)	(64)
(INCREASE)/ DECREASE IN PREPAYMENTS	166	53
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	70,792	(77,514)

(a) Cash and cash equivalents accounting policy

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

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

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2021 $'000	2020 $'000
TRADE AND OTHER RECEIVABLES	3,400	10,167
	3,400	10,167

(a) Trade and other receivables

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

(b) Risk exposure

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

NOTE 11. CURRENT ASSETS - INVENTORIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
DEVELOPMENT COSTS AND LAND HELD FOR DEVELOPMENT AND SALE	425,000	232,469

NOTE 12. NON-CURRENT ASSETS - INVENTORIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
DEVELOPMENT COSTS AND LAND HELD FOR DEVELOPMENT AND SALE	53,918	290,220

During the period, borrowing costs of $10,985,000 (2020: $12,188,000) were capitalised into inventory. At balance date, inventory includes capitalised interest of $34,159,000 (2020: $33,964,000).

Accounting policy for inventories

Measurement of inventories

Inventories are measured at the lower of cost and net realisable value. Development costs include land, the costs of acquiring the land, consultants, design, construction, holding and finance costs incurred from when the land is acquired until the project is fully developed and sold.The costs related directly to the creation of a project's development scheme which is scrapped and are no longer of value to a development are not recognised within the carrying value of inventory, representing abnormal amounts of wasted materials, labour or other development costs.Deposits paid for the committed acquisition of inventories are classified as inventories.

Net realisable value of inventories

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

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

NOTE 13. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

AT COST

	CONSOLIDATED	
	2021 $'000	2020 $'000
GROSS CARRYING AMOUNT	22,361	15,207
LESS: ACCUMULATED DEPRECIATION	(2,044)	(96)
	20,317	15,111
OPENING BALANCE	15,111	29,960
ADDITIONS THROUGH SUBSEQUENT EXPENDITURE	4,352	1,711
REALLOCATION FROM PROPERTY, PLANT & EQUIPMENT	2,533	
REALLOCATION FROM INVENTORIES	-	(609)
DEPRECIATION	(34)	(40)
REALLOCATION TO PROPERTY, PLANT & EQUIPMENT	(651)	(498)
WRITE OFF OF SCRAPPED COSTS	-	(2,076)
DISPOSALS	(994)	(13,337)
CLOSING BALANCE	20,317	15,111

The gross carrying amount and additions to investment properties includes those investment properties which are currently under construction.

Using current prices in an active market for similar properties, the Group used a Director's valuation process to estimate the fair market value of investment properties. The value was determined to be $20,317,000 (2020: $19,900,000) (level 3). The Director's valuation considers rental income streams, income capitalisation rates and comparable property values. No independent valuations in respect of investment properties were sought by the Group for this purpose.

Accounting policy for Investment properties

Investment properties are measured initially at cost, which comprises the purchase price and any directly attributable transaction costs. Subsequent to initial recognition, the carrying amount includes additions along with the cost of replacing part of existing investment properties at the time that cost is incurred. Any parts that are replaced are derecognised. Where an investment property is developed, its cost includes the cost of construction incurred up to the point where the asset is complete, which is the point at which it is capable of being operated as intended. The costs of day-to-day servicing of an investment property are recognised as an expense as incurred.

The costs related directly to the creation of an investment property which is scrapped and are no longer of value are not recognised within the carrying value of the investment property, representing abnormal amounts of wasted materials, labour or other costs.

Subsequent to initial recognition, investment properties are held at cost and depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset. The useful lives of the Group's investment properties range from five to forty years.

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

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

NOTE 14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2021 $'000	2020 $'000
TRADE CREDITORS	12,040	15,588
OTHER CREDITOR AND CONSTRUCTION ACCRUALS	2,832	2,764
	14,872	18,352

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

NOTE 15. CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2021 $'000	2020 $'000
EMPLOYEE BENEFITS	2,094	2,115
WARRANTIES (A)	967	1,181
	3,061	3,296

(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 16. NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2021 $'000	2020 $'000
EMPLOYEE BENEFITS	223	258
MAKE GOOD PROVISION	-	77
	223	335

(a) Provisions accounting policy

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 entity 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 17. 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 $8,462,902 (2020: $7,356,724).

NOTE 18. CAPITAL RISK MANAGEMENT

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

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

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

NOTE 19. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
SECURED INTEREST BEARING BANK LOANS	92,104	5,997

NOTE 20. CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
OTHER CURRENT LIABILITIES (A)	8,792	610

(a) Other current liabilities

Other liabilities include $8.6 million in contract liabilities (deferred revenue) related to deposits that have been received for the future settlement of contracted asset sales.

Accounting policy for contract liabilities

A contract liability is recognised if a payment is received by the Group from a customer before it transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTE 21. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2021 $'000	2020 $'000
SECURED INTEREST BEARING BANK LOANS	28,861	134,760
UNSECURED NOTE	47,972	47,514
	76,833	182,274

(a) Fair value

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

(b) Assets pledged as security

Bank loans are secured by first registered mortgages over various development properties and investment properties held by the Group, general security deeds over the assets and undertaking of controlled entities, guarantees by the Group and a guarantee and indemnity of each member of the Sunland Group Master Finance Agreement.

The weighted average effective interest rate at balance date was 4.18% (2020: 3.95%) on facility limits of $365.2 million (2020: $440.2 million) and drawn down facilities of $172.5 million (2020: $192.0 million).

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	CONSOLIDATED	
	2021 $'000	2020 $'000
INVENTORIES	469,349	511,407
INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT	22,343	18,320
	491,692	529,727

(c) Defaults and breaches

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

(d) Borrowings accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Where borrowings are required to be repaid out of specific property settlements, which are not available for redraw, the borrowings are classified as current to the extent settlements are projected to occur within 12 months from reporting date.

(e) Finance costs accounting policy

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

NOTE 22. FINANCING ARRANGEMENTS

The Group had access to the following borrowing facilities at the end of the reporting year. The facilities have been split into "working capital" facilities, "project specific" facilities, "corporate facility" and "unsecured notes". The working capital facilities are available to the Group on a come and go basis. The undrawn amount of the project specific facilities are available progressively for the purpose of delivering the projects they are funding:

	CONSOLIDATED	
	2021 $'000	2020 $'000
WORKING CAPITAL FACILITIES AVAILABLE	185,180	212,200
FACILITIES UTILISED AT BALANCE DATE	(39,407)	(70,019)
BANK GUARANTEES	(4,404)	(2,238)
	141,369	139,943
PROJECT SPECIFIC FACILITIES AVAILABLE	135,000	141,000
FACILITIES UTILISED AT BALANCE DATE	(83,142)	(22,000)
	51,858	119,000
CORPORATE FACILITIES AVAILABLE	-	50,000
FACILITIES UTILISED AT BALANCE DATE	-	(50,000)
	-	-
UNSECURED NOTES AVAILABLE	50,000	50,000
FACILITIES UTILISED AT BALANCE DATE	(50,000)	(50,000)
	-	-

The difference between the accounting carrying value of interest bearing liabilities and the facilities utilised at balance date is attributable to the carrying value of bank loans including prepaid borrowing costs under the effective interest method of measuring the liabilities.

The Group structures its debt funding arrangements to match the development program of its portfolio. The terms of the project specific facilities generally reflect usual project specific terms for facilities of this nature and have a tenor that is sufficient for the programmed delivery of the projects they are funding. The weighted average maturity profile for the Group's debt funding arrangements is 18 months (2020: 27 months) based on facilities limits committed to by financiers as at the date of this report.

Working capital and corporate funding

During the period the Group restructured the terms of its working capital facilities, with the total facilities reduced to $185.2 million to better align with the Group's operational requirements. As part of the restructure the Group repaid and closed its $50 million Corporate facility.

Project specific funding

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

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

During the prior reporting period an additional facility of $135,000,000 was made available under the Group's project specific facilities to fund the development of 272 Hedges Avenue. The facility is available on a progressive basis as the project is developed and repayable on commencement of settlements until repaid. The facility is based on a variable interest rate.

During the period the Group repaid and closed its $6 million project specific facility that was made available to fund the development of Mariners Cove after the Group sold the site in September 2020.

(a) Interest Rate Risk

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

	2021 $'000	2020 $'000
FINANCIAL ASSETS:		
CASH	13,141	13,056
FINANCIAL LIABILITIES:		
INTEREST BEARING LIABILITIES	(122,549)	(142,020)
	(109,408)	(128,964)

The Group's policy in regards to interest rate hedging is dependent upon the purpose of the funding for short or long term development projects. The group's policy is weighted to floating rate in the current low interest rate environment. An interest rate swap was entered into on 25 November 2015 in respect of the $50 million unsecured note swapping the fixed rate interest payments to floating rate interest payments. The term of the swap and interest payment dates matched the terms of the original unsecured note. The swap matured in November 2020. The Group has not entered into any interest rate swaps since its maturity.

NOTE 23. EQUITY - DIVIDENDS

(a) Declared and paid during the year

	2021 CENTS PER SHARE	2021 $'000	2020 CENTS PER SHARE	2020 $'000
ORDINARY SHARES				
FINAL FULLY FRANKED DIVIDEND	7	9,584	4	5,639
SPECIAL FULLY FRANKED DIVIDEND	3	4,107	-	-
INTERIM FULLY FRANKED DIVIDEND	8	10,953	-	-
SPECIAL FULLY FRANKED DIVIDEND	22	30,120	-	-

All dividends paid on ordinary shares have been fully franked.

(b) Proposed and not recognised as a liability

On 25 August 2021, the directors declared both fully franked final and special dividends of 4 cents (2020: 7 cents) and 16 cents (2020: 3 cents) respectively per fully paid ordinary share. This is presented below based on the number of shares outstanding as at the date of issue of the financial statements.

(c) Franked dividends

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

	2021 $'000	2020 $'000
FRANKING CREDITS AVAILABLE FOR SUBSEQUENT REPORTING PERIODS BASED ON A TAX RATE OF 30% (2020: 30%)	84,987	82,823
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	1,123	4,031
FRANKING CREDITS THAT WILL REDUCE WITH THE PAYMENT OF DIVIDENDS DECLARED AFTER BALANCE DATE BUT NOT HELD AS A LIABILITY ON THE BALANCE SHEET	(11,735)	(5,868)
	74,375	80,986

(d) 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 24. EQUITY - CONTRIBUTED EQUITY

			CONSOLIDATED	
	2021 SHARES	2020 SHARES	2021 $'000	2020 $'000
SHARE CAPITAL	136,909,515	136,909,515	129,460	129,460
TREASURY SHARES	(3,648,836)	(3,500,000)	(6,265)	(5,950)
	133,260,679	133,409,515	123,195	123,510

DETAILS	SHARES	$'000
BALANCE 1 JULY 2019	137,477,186	130,102
SHARE BUY-BACK	(4,067,671)	(6,592)
BALANCE 30 JUNE 2020	133,409,515	123,510
PURCHASES OF TREASURY SHARES	(148,836)	(315)
BALANCE 30 JUNE 2021	133,260,679	123,195

(a) Treasury shares

Treasury shares of 3,500,000 relate to those shares owned SEIF Pty Limited as trustee for the Sunland Employee Retirement Fund ("SERF") in accordance with shareholders' approval of Item 4 of the Notice of Meeting tabled at Sunland's Annual General Meeting 6 November 2014. The shares are fully paid ordinary shares in the capital of the Company and rank equally with all other existing shares from the date issued. Treasury shares of 148,836 relate to those shares owned by SEIF Pty Limited as trustee for the Sunland Employee Investment Fund ("SEIF") purchased on market.

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

(b) Ordinary shares

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

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll, each share is entitled to one vote.The Company's Constitution is available on the website.

(c) Options

At 30 June 2021, no options (2020: nil) were outstanding over unissued ordinary shares of the Group.

(d) Share buy-back

During the year, the Group did not buy-back or cancel any ordinary shares on-market (2020: 4,067,671). The average price paid per share in the prior reporting period was $1.60. The share buyback was completed during the prior reporting period.

(e) 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 25. CONTROLLED ENTITIES

(a) Significant investments in subsidiaries

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

		OWNERSHIP INTEREST	
NAME OF ENTITY	COUNTRY OF INCORPORATION	2021 %	2020 %
ABIAN RESIDENCES	AUSTRALIA	100%	100%
LOXWOOD PTY LIMITED	AUSTRALIA	100%	100%
MANTINA PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 27 PTY LTD	AUSTRALIA	-	100%
SUNLAND DEVELOPMENTS NO 32 PTY LTD	AUSTRALIA	100%	100%
SUNLAND GREENMOUNT PTY LTD	AUSTRALIA	100%	100%
ROYAL PINES RESORT REALTY PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND CONSTRUCTIONS (QLD) PTY LIMITED	AUSTRALIA	-	100%
SUNLAND CONSTRUCTIONS (VIC) PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND CAPITAL PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND CORPORATE MANAGEMENT PTY LTD	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 5 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 6 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 7 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 8 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 17 PTY LIMITED	AUSTRALIA	100%	100%
SDG CONSTRUCTIONS PTY LTD	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 21 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 22 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND DEVELOPMENTS NO 23 PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND GROUP PROJECT MANAGEMENT PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND HOMES PTY LIMITED	AUSTRALIA	100%	100%
SUNLAND RESOURCES 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%
SUNLAND NO. 37 PTY LTD	AUSTRALIA	100%	100%
SUNLAND NO. 38 PTY LTD	AUSTRALIA	100%	100%
SUNLAND NO. 39 PTY LTD	AUSTRALIA	100%	100%
SUNLAND CONSTRUCTIONS (HEDGES) PTY LTD	AUSTRALIA	100%	100%
THE TRUSTEE FOR THE SEIF DISCRETIONARY TRUST	AUSTRALIA	100%	100%

NOTE 25. CONTROLLED ENTITIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

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

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

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

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

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

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

NOTE 26. RELATED PARTY TRANSACTIONS

(a) Key management personnel

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

» On 28 January 2021 the Group announced on the ASX it has accepted a bid from a company associated with two KMPs ("the purchasers") to sell the Greenmount Hotel site for $42.3m following a public expression of interest campaign. On 27 May 2021, a put and call agreement was signed by the purchasers and the Group.

On 28 July 2021, an extraordinary general meeting of the shareholders of Sunland Group Limited was held where a resolution to allow the sale of the Greenmount Hotel site to the purchasers was passed. The sale is expected to settle in April 2022. Sunland holds a deposit of $4.23m in respect of this contract.

» On 10 December 2020 the Group entered into a contract of sale for a residential apartment to a KMP for consideration of $6.2 million, with settlement due on completion of the development.
» In 2020 a KMP settled the purchase of an apartment in Magnoli Residences for a total purchase price of $636,025. The KMP appointed Sunland to manage this apartment for a management fee.
» In 2021 a KMP settled the purchase of two apartments in Marina Concourse for a total purchase price of $1,428,330.
» At 30 June 2019 key management personnel held $5.18m in Sunland unsecured notes. These notes were redeemed in October 2019 at face value plus a 1.5% early redemption premium ($5,257,700). On the same date, Sunland issued another $50m unsecured note. Key management personnel acquired $8.7m of these unsecured notes. During the period, unsecured notes with a face value of $8.7 million were disposed of by the KMP, leaving none held at 30 June 2021.

Interest relating to unsecured notes of $539,400 (2020: $286,737) was paid to the key management personnel during the year.

The terms and conditions of these related party transactions were the same as those of the other note holders

(b) Terms and conditions

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

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel Compensation

	2021 $	2020 $
SHORT-TERM EMPLOYEE BENEFITS (SALARIES) *	2,296,729	2,142,229
POST-EMPLOYMENT BENEFITS (SUPERANNUATION GUARANTEE)	85,211	89,518
	2,381,940	2,231,747

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

NOTE 28. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2021 $	2020 $
AMOUNTS RECEIVED OR DUE AND RECEIVABLE:		
AUDIT AND REVIEW OF THE FINANCIAL STATEMENTS (BDO)	175,000	133,000
REVIEW OF FINANCIAL STATEMENTS (ERNST & YOUNG)	-	87,778
TAX COMPLIANCE SERVICES (BDO)	3,500	-
TAX COMPLIANCE SERVICES (ERNST & YOUNG)	-	164,330
TAX ADVICE (ERNST & YOUNG)	-	5,000
OTHER SERVICES (ERNST & YOUNG)	-	3,094
	178,500	393,202

Group practice is to employ the external auditor on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. On 20 April 2020, BDO replaced Ernst & Young as the external auditor of Sunland Group Limited.

NOTE 29. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(a) Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of project specific bank loans for the construction of multi storey projects, term facilities for the funding of longer dated projects, and committed revolving credit lines utilised to finance land and medium density development projects. The project specific facilities will operate in line with the development programme of each multistorey project.

The revolving credit lines available are as follows:

» A 3-year evergreen facility of $185.2 million expiring 29 July 2022; and

The term facilities available are as follows:

» A 5-year unsecured note of $50 million expiring 31 October 2024.

Project specific facilities available are as follows:

» A $135m facility for the construction of the 272 Hedges Avenue project expiring 30 September 2022

Facilities are reviewed by the lender annually for compliance with facility terms and covenants.

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.

NOTE 29. FINANCIAL RISK MANAGEMENT (CONTINUED)

AT 30 JUNE 2021	LESS THAN 1 YEAR $'000	1 - 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	TOTAL $'000
FINANCIAL ASSETS				
CASH ASSETS	13,141	-	-	13,141
RECEIVABLES	3,400	-	-	3,400
	16,541	-	-	16,541
FINANCIAL LIABILITIES				
PAYABLES	15,250	219	458	15,927
INTEREST BEARING LIABILITIES	100,355	33,533	54,153	188,041
	115,605	33,752	54,611	203,968
NET MATURITY	(99,064)	(33,752)	(54,611)	(187,427)

AT 30 JUNE 2020	LESS THAN 1 YEAR $'000	1 - 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	TOTAL $'000
FINANCIAL ASSETS				
CASH ASSETS	13,056	-	-	13,056
RECEIVABLES	10,167	-	-	10,167
	23,223	-	-	23,223
FINANCIAL LIABILITIES				
PAYABLES	17,915	265	279	18,459
INTEREST BEARING LIABILITIES	16,962	84,100	119,985	221,047
	34,877	84,365	120,264	239,506
NET MATURITY	(11,654)	(84,365)	(120,264)	(216,283)

(b) Credit risk

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

Receivables primarily take the form of:

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

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

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

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

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

NOTE 30. PARENT ENTITY INFORMATION

(a) Summary financial information

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

	2021 $	2020 $
BALANCE SHEET		
CURRENT ASSETS	92,417	40,620
NON-CURRENT ASSETS	436,005	446,798
TOTAL ASSETS	528,422	487,418
CURRENT LIABILITIES	5,251	5,253
NON-CURRENT LIABILITIES	893	722
TOTAL LIABILITIES	6,144	5,975
NET ASSETS	522,278	481,443
SHAREHOLDERS' EQUITY:		
ISSUED CAPITAL	129,462	129,462
RETAINED EARNINGS	392,816	351,981
TOTAL EQUITY	522,278	481,443
PROFIT OR LOSS FOR THE YEAR	95,599	739
TOTAL COMPREHENSIVE INCOME	95,599	739

The parent entity has bank guarantees for uncompleted works and contingent liabilities as described in Note 17.

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

NOTE 31. FAIR VALUE MEASUREMENT

(a) Fair value measurement

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

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

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

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

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

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

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

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

NOTE 32. 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 33. IMPAIRMENT OF NON-FINANCIAL ASSETS ACCOUNTING POLICY

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

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

NOTE 34. 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 are disclosed below, where they are anticipated to have a material impact on the Group's financial statements. The Group intends to adopt these new standards and interpretations, when they become effective.

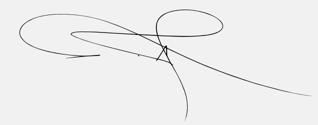
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current. This standard applies to annual reporting periods beginning on or after 1 January 2022. It amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current 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.

DIRECTORS' DECLARATION

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

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

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.



Mr Sahba Abedian

Managing Director

24 August 2020

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

Level 10, 12 Creek St
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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventory (NRV)

Key audit matter	*How the matter was addressed in our audit*
Inventory represents a significant balance in the statement of financial position for Sunland Group Limited. Inherent to these items being held at cost is the risk that the carrying amount is not recorded at the lower of its cost and net realisable value as required under AASB 102.	BDO performed the following procedures to address this risk: • Performed a roll forward of development balances from beginning to the end of financial year and compared to management's feasibility study positions; • Tested the controls over a sample of costs to supporting documentation for amounts capitalised to inventory and expensed to cost of goods sold; • Reviewed the completeness of Net Realisable Value adjustments made during the period; • Reviewed the entities accounting policy over Scrapped Costs and reviewed items which Sunland chose to retain in inventory balances to ensure treatment was consistent with this policy; • Reviewed and challenged the integrity of feasibilities for Land, Housing & Multi Storey via comparing inputs against actuals, available market data and ensuring assumptions are reasonable. • Considered the current status of projects in design and progress with development applications; • Analysed and challenged management's Net Realisable Value assessment for inventory held at year-end and ensured that Net Realisable Value did not fall materially below cost. This included critical analysis of the following key inputs and assumptions: – Anticipated costs to complete – Current rate of sales & consistency with sales strategy – Sales prices attained and forecasted

Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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 that we 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 11 to 14 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Sunland Group Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

C Henry
Director

Brisbane, 24 August 2021

The shareholders information set out below was applicable as at 31 July 2021.

Distribution of equitable securities

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

HOLDING	NUMBER OF HOLDERS OF ORDINARY SHARES	NUMBER ORDINARY SHARES
1 TO 1,000	819	317,413
1,001 TO 5,000	887	2,464,124
5,001 TO 10,000	375	2,895,455
10,001 TO 100,000	499	13,614,314
100,001 AND OVER	82	117,618,209
	2,662	136,909,515
HOLDING LESS THAN A MARKETABLE PARCEL	332	9,847

There were no options held at 31 July 2021.

Equity security holders

Twenty largest quoted equity security holders

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

	ORDINARY SHARES NUMBER HELD	% OF TOTAL SHARES ISSUED
HAVANNAH PTY LIMITED	29,250,000	21.36
PACIFIC DEVELOPMENT CORPORATION PTY LIMITED	20,750,000	15.16
CITICORP NOMINEES PTY LIMITED	10,492,478	7.66
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,281,597	6.05
AACCT LIMITED	4,000,000	2.92
MR SAHBA ABEDIAN	3,965,032	2.90
SAHBA ABEDIAN	3,657,510	2.67
SEIF PTY LIMITED	3,500,000	2.56
NATIONAL NOMINEES LIMITED	3,148,935	2.30
PERPETUAL CORPORATE TRUST LTD	2,933,948	2.14
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,888,294	1.38
RAINHAM PTY LIMITED	1,621,875	1.18
ST JUST PTY LTD	1,490,000	1.09
REZVANI CORPORATION PTY LTD	1,103,125	0.81
SEYMOUR GROUP PTY LTD	936,209	0.68
MR MARK ANTHONY CUBI & MS AMANDA CUBIT	920,000	0.67
MRS ANNE JAMIESON	853,000	0.62
MRS JULIA CRAIKE	800,000	0.58
BNP PARIBAS NOMINEES PTY LTD	779,481	0.57
OVENS-BROWN PTY LTD	778,800	0.57
	101,150,284	73.87

Substantial holders

Substantial holders in the Company are set out below:

	ORDINARY SHARES NUMBER HELD	% OF TOTAL SHARES ISSUED
HAVANNAH PTY LIMITED	29,250,000	21.36
PACIFIC DEVELOPMENT CORPORATION PTY LTD	20,750,000	15.16
CITICORP NOMINEES PTY LIMITED	10,492,478	7.66
JP MORGAN NOMINEES AUSTRALIA LIMITED	8,281,597	6.05

Voting rights

There were 2,665 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in Article 5.8 and 5.9 of The Company's Articles of Association. This articles indicate that:

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

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

On-market buy back

During the current year, the Company undertook an on-market share buy-back program which is complete.