Sunland Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Sunland Group Limited
ABN:	65 063 429 532
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	20.8%	to	243,300
Profit from ordinary activities after tax attributable to the shareholders of Sunland Group Limited	up	106.8%	to	35,909
Profit for the half-year attributable to the shareholders of Sunland Group Limited	up	106.8%	to	35,909

Earnings per share (EPS)

	31 December 2021 Cents	31 December 2020 Cents
Basic earnings per share	26.2	12.7
Diluted earnings per share	26.2	12.7

Dividend information

To be paid:

	Amount per security Cents	Franked amount per security Cents
Special dividend declared 23 December 2021 fully franked at 30% (a)	10.0	10.0
Interim dividend declared 16 February 2022 fully franked at 30% (b)	12.0	12.0

(a) Special dividend declared 23 December 2021
Ex-dividend date 30 December 2021
Record date for determining entitlement to the dividend 31 December 2021
Dividend payment date 13 January 2022

(b) Interim dividend declared 16 February 2022
Ex-dividend date 1 March 2022
Record date for determining entitlement to the dividend 2 March 2022
Dividend payment date 17 March 2022

Paid this period:

	Amount per security Cents	Franked amount per security Cents
FY21 final dividend paid 30 September 2021 fully franked at 30%	4.0	4.0
Special dividend paid 30 September 2021 fully franked at 30%	16.0	16.0

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	230	234

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Sunland Group Limited

ABN 65 063 429 532

Consolidated interim financial report for the half year ended - 31 December 2021

The Directors present their report together with the financial report of Sunland Group Limited and its controlled entities (Sunland or the Group), for the half-year ended 31 December 2021 ("1H22") and the independent review report thereon.

Comparative results are referenced through the Directors' Report as "1H21" for the half-year ended 31 December 2020; and "2021" being for the year ended 30 June 2021.

Directors

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

Mr Soheil Abedian AM, Executive Chairman
Mr Sahba Abedian, Managing Director
Mr Ron Eames, Non Executive Director
Mr Chris Freeman AM, Non Executive Director
Ms Rebecca Frizelle AOM, Non Executive Director
Mr Vahid Saberi, Non Executive Director

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 half-year attributable to members of Sunland Group Limited was $35.9 million (1H21: $17.4 million).

The period sees the continued delivery of Sunland Group's Strategic Plan. The half year result is primarily attributable to the performance of Sunland's multi-storey segment which contributed to the result through settlements at The Lanes Residences East Village on the Gold Coast, as well as settlements in the Group's Sydney medium density housing development, Montaine Residences. Additionally, the settlement of inventory which is not under development under the strategic plan also contributed to the half year result.

Progress of the Strategy continues to be assisted by the buoyant market conditions being experienced in the locations Sunland has been developing its projects. The cash generated by the Group has reduced debt under the working capital lines and enabled the Directors in December to declare a fully franked special dividend of 10 cents per share, which was paid on 13 January 2022. Additionally, the Directors have declared an interim dividend of 12 cents per share payable 17 March 2022.

Operational and financial review

Operating and Financial Highlights

• Statutory Net profit after tax of $35.9 million (1H21 $17.4 million)
• Earnings per share of 27 cents (1H21: 13 cents)[1]
• Net tangible assets per share of $2.30 (2021: $2.34)[1]
• Fully franked dividends totalling 22 cents per share declared by the Board being a special dividend of 10 cents paid in January 2022 and an interim dividend of 12 cents payable 17 March 2022
• The settlement of various assets were completed in accordance with the Group's strategy contributing a total of $94.8 million in revenue and $18.3 million profit after tax
• Strong cash flow from property settlements totalling $240.0 million (1H21: $198.6 million)
• The Group achieved a 25% development margin, exceeding the targeted 20% return on costs
• Gearing is 33% debt to assets and 54% debt to equity

[1] Based on consolidated issued shares at the end of the period

Group Development Portfolio

Sunland has 4 Active projects in Queensland and New South Wales as at the balance date, being The Lanes Residences West Village, 272 Hedges Ave, The Lanes Retail (Qld) and Montaine Residences (NSW). Projects contributing to revenue during this period include The Lanes Residences East Village, and Montaine Residences.

The undeveloped projects that have been settled in this half year period include properties located in Bushland Beach, 154 Marine Parade Greenmount, Kenmore (Qld), Ingleside (NSW), and Carrum Downs (Vic). The settlement of undeveloped projects generated revenue of $94.8 million and an after tax profit of $18.3 million.

Contracts in hand for undeveloped projects sold as part of the Strategy which are classified as unconditional contracts include:

Project	**Contract Value**	**Anticipated settlement**	**ASX announcement**
Grace on Coronation	35,500,000	Feb 2022	18/03/2021
Greenmount Hotel	42,300,000	Mar 2022	28/01/2021
The Lakes lot 909	13,100,000	Mar 2022	25/08/2021
The Lanes Retail	45,818,182	Jun 2022	28/10/2021
The Lakes lot 916	19,650,000	Aug 2022	25/08/2021
The Lakes lot 917	16,000,000	Oct 2022	31/08/2021
Other undeveloped projects	27,075,000		
	199,443,182		

Other undeveloped projects include properties at The Heights Pimpama, Labrador, and The Lakes which are scheduled to settle between February and March 2022. The forecasted net profit after tax contribution from the above unconditional contracts is $45.1 million.

Conditional sales of other Undeveloped Projects have also been achieved including a commercial site at Bushland Beach and Lot 918 at The Lakes (QLD). Contract proceeds of conditional sales, should they occur, is estimated to be approximately $9.8 million. 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 half year period with the completion of various housing and multi-storey projects. Both segments are expected to contribute to the second half of the financial year with the anticipated completion and settlement of 252 Hedges Avenue (QLD) and the continued staged settlements of Montaine Residences (NSW).

Contracted unconditional presales for projects released across the development portfolio total 334 lots as at January 2021 with a combined value of $429.1 million. There remains 20 off the plan lots in the development portfolio, with a contract value of $22.4 million, which remain in various stages of the sales process but are not yet unconditional.

The Group settled 213 developed lots (1H21: 313) and a number of undeveloped projects during the period which generated $240.0 million (1H21: $198.6 million) in property sales revenue. The bulk of developed lots settlements occurred for medium-rise apartment projects at The Lanes Residences East Village (QLD) and medium density housing at Montaine Residences (NSW).

Multi-storey projects under construction include 272 Hedges Avenue (high-rise) and The Lanes Residences West Village which is the second stage of the northern precinct of this development site.

The Residential Housing and Urban Development segment generated revenues through settlements at Montaine Residences (NSW) which remains under staged construction and will continue to be completed and settle through to October 2022.

The Group exceeded its targeted development margin of 20%, with a return on cost for the period of 25% across its residential development portfolio (excludes marketing costs, which are expensed ahead of recognising revenue - refer segment report for further explanation). The impact of rising construction costs and supply chain pressure continues to be managed within project forecasts.

The Multi-Storey segment returned 22%, boosted by the settlement of the undeveloped 154 Marine Parade Greenmount. The Residential Housing and Urban Development segment returned 28%, which included the varying contributions of undeveloped projects located in Bushland Beach, 154 Marine Parade Greenmount, Kenmore (Qld), Ingleside (NSW), and Carrum Downs (Vic).

Other group activities

Other revenues include net holding incomes generated by various sites before development commences and it continues to be a decreasing element of the Group's net profit after tax as undeveloped projects are settled. Whilst the contribution from Greenmount Hotel's holding income was reduced as a result of the impact of the COVID-19 pandemic on inbound tourism, it continued to contribute to the property's holding costs.

Income from investment properties held by the Group have a relatively small contribution to the Group's activities. This revenue is generated by Royal Pines Marina Village. It is occupied by Sunland's Gold Coast office, as well as other retail and commercial tenants. The Group is nearing completion of a childcare centre on this site for a childcare operator to lease space that will have capacity for approximately 100 children and will increase the net income generated by Royal Pines Marina Village. The Group intends to sell the property once the childcare centre is operational.

In respect to the Group's other commercial/retail site, The Lanes Retail, an amended development application to deliver retail and commercial space has been approved. The preleasing program and initial civil works have commenced for this retail development undertaking. This site is subject to an unconditional contract for sale (refer ASX announcement 28 October 2021).

Capital management

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 those projects under construction. It is expected these projects will be delivered over the course of the next 18 months, although construction risks may affect this expected time frame.

In application of the Group's capital management strategy during the period, the Group's available credit facility limits were reduced by $130 million, and by a further $36 million in January 2022. 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 declared a special dividend of 10 cents per share in December, which was paid in January 2022. An interim dividend of 12 cents per share was declared on 16 February 2022, for payment 17 March 2022. Both dividends are fully franked.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the Directors

Sahba Abedian
Director

16 February 2022

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

As lead auditor of Sunland Group Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Cameron Henry
Director

BDO Audit Pty Ltd

Brisbane, 16 February 2022

Sunland Group Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2021

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	Note	Consolidated 31 December 2021 $'000	31 December 2020 $'000
Revenue			
Revenue from the sale of properties		240,026	198,608
Other revenue from operations	4	3,292	1,843
Other income / (expense)		(18)	950
Expenses			
Cost of goods sold - property developments	5	(193,727)	(168,015)
Administration and other expenses		(2,001)	(1,687)
Cost of other operations		(463)	(322)
Employee benefits expense		(4,556)	(5,304)
Depreciation and amortisation expense		(1,021)	(1,039)
Profit before income tax expense		41,532	25,034
Income tax expense		(5,623)	(7,669)
Profit after income tax expense for the half-year attributable to the shareholders of Sunland Group Limited		35,909	17,365
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the shareholders of Sunland Group Limited		35,909	17,365
		Cents	**Cents**
Basic earnings per share		26.2	12.7
Diluted earnings per share		26.2	12.7

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

Sunland Group Limited
Consolidated statement of financial position
As at 31 December 2021

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	Note	Consolidated 31 December 2021 $'000	Consolidated 30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		119,678	13,141
Trade and other receivables		3,565	3,400
Inventories		332,580	425,000
Other current assets		836	1,270
Total current assets		456,659	442,811
Non-current assets			
Inventories		26,762	53,918
Investment properties		24,041	20,317
Property, plant and equipment		3,493	4,552
Right-of-use assets		558	670
Total non-current assets		54,854	79,457
Total assets		511,513	522,268
Liabilities			
Current liabilities			
Trade and other payables		6,466	14,872
Interest bearing liabilities		116,661	92,104
Current tax liabilities		6,519	1,123
Provisions		2,609	3,061
Dividends payable	6	13,691	-
Other current liabilities		6,980	8,792
Total current liabilities		152,926	119,952
Non-current liabilities			
Interest bearing liabilities		48,361	76,833
Deferred tax		2,979	13,162
Provisions		246	223
Other non-current liabilities		345	441
Total non-current liabilities		51,931	90,659
Total liabilities		204,857	210,611
Net assets		306,656	311,657
Equity			
Contributed equity		123,195	123,195
Retained earnings		183,461	188,462
Total equity		306,656	311,657

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

Sunland Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

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Consolidated	Contributed equity $'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 half-year	-	17,365	17,365
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	17,365	17,365
Transactions with shareholders in their capacity as shareholders:			
Purchases of treasury shares	(315)	-	(315)
Dividends paid (note 6)	-	(13,691)	(13,691)
Balance at 31 December 2020	123,195	221,952	345,147

Consolidated	Contributed equity $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	123,195	188,462	311,657
Profit after income tax expense for the half-year	-	35,909	35,909
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	35,909	35,909
Transactions with shareholders in their capacity as shareholders:			
Dividends paid	-	(27,219)	(27,219)
Dividends declared	-	(13,691)	(13,691)
Balance at 31 December 2021	123,195	183,461	306,656

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

Sunland Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 $'000	31 December 2020 $'000
Cash flows from operating activities			
Cash receipts from operations		255,565	212,446
Cash payments to suppliers and employees		(99,347)	(118,512)
Interest received		64	58
Interest and other finance costs paid		(3,734)	(4,344)
Income taxes paid		(10,176)	(10,302)
Net cash from operating activities		142,372	79,346
Cash flows from investing activities			
Cash paid on acquisition of property, plant and equipment		-	(61)
Payments for construction of investment properties		(3,716)	(2,553)
Proceeds from disposal of property, plant and equipment and investment properties		173	2,913
Proceeds from sale of financial instruments		-	316
Net cash from/(used in) investing activities		(3,543)	615
Cash flows from financing activities			
Proceeds from borrowings		33,811	23,992
Dividends paid to company's shareholders	6	(27,382)	(13,691)
Repayment of borrowings		(38,884)	(62,819)
Purchases of treasury shares		-	(315)
Proceeds from treasury shares dividends		163	-
Net cash used in financing activities		(32,292)	(52,833)
Net increase in cash and cash equivalents		106,537	27,128
Cash and cash equivalents at the beginning of the financial half-year		13,141	13,056
Cash and cash equivalents at the end of the financial half-year		119,678	40,184

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

Note 1. Segment information

31 December 2021

	Land & Housing $'000	Multi-storey $'000	Other $'000	Total $'000
Revenue				
Revenue recognised from operations	112,746	127,280	228	240,254
Development costs incurred in delivery				
Finance costs expensed	(9,064)	(3,649)	-	(12,713)
Other development costs expensed	(79,134)	(100,395)	(922)	(180,451)
Total development costs	(88,198)	(104,044)	(922)	(193,164)
Segment result - development return				
Return on development costs	24,547	23,236	(693)	47,090
Return on costs	28%	22%		

Overall return for combined development operations 25%

	Land & Housing $'000	Multi-storey $'000	Other $'000	Total $'000
Other transactions during the year				
Marketing	(224)	(606)	(155)	(985)
Warranties adjustments	(54)	(446)	-	(500)
Recovery of warranty costs				3,000
Interest received				64
Unallocated corporate expenses				(7,137)
Profit before tax				41,532
Income tax expense				(5,623)
Net profit for the year				35,909
Assets				
Segment assets	43,706	315,635	25,930	385,271
Unallocated corporate assets	-	-	-	126,242
Consolidated total assets	43,706	315,635	25,930	511,513

Note 1. Segment information (continued)

31 December 2020

	Land & Housing $'000	Multi-storey $'000	Other $'000	Total $'000
Revenue				
Revenue recognised from operations	80,539	118,068	965	199,572
Development costs incurred in delivery				
Finance costs expensed	(3,158)	(4,781)	-	(7,939)
Other development costs expensed	(67,951)	(85,328)	(1,089)	(154,368)
Total development costs	(71,109)	(90,109)	(1,089)	(162,307)
Segment result - development return				
Return on development costs	9,430	27,959	(124)	37,265
Return on costs	13%	31%		

Overall return for combined development operations 23%

	Land & Housing $'000	Multi-storey $'000	Other $'000	Total $'000
Other transactions during the year				
Marketing	(862)	(851)	(26)	(1,739)
Inventory net realisable value adjustments	(461)	(4,257)	-	(4,718)
Warranties adjustments	(296)	(44)	-	(340)
Interest received				58
Gain on disposal of investment properties				950
Unallocated corporate expenses				(6,442)
Profit before tax				25,034
Income tax expense				(7,669)
Net profit for the year				17,365
Assets				
Segment assets	131,099	328,265	20,135	479,499
Unallocated corporate assets	-	-	-	54,139
Consolidated total assets	131,099	328,265	20,135	533,638

Note 1. Segment information (continued)

The consolidated entity comprises the following main segments:

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

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

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

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

Note 2. Corporate information

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

Sunland Group Limited is a company limited by shares, incorporated and domiciled in Australia. The Group’s principal activities are residential property development and construction. Its registered office and principal place of business is:

140A Alice Street
Brisbane Qld 4000

Note 3. Basis of preparation of the half-year financial report

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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Note 4. Other revenue from operations

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Investment property revenue (a)	159	251
Holding income (b)	(311)	256
Interest received	64	58
Recovery of warranty costs	3,000	-
Other revenue	380	1,278
	3,292	1,843

(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.

Note 5. Cost of goods sold - property developments

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Costs of goods sold - property developments	181,014	155,358
Cost of goods sold - net realisable value adjustment (a)	-	4,718
Finance costs	12,713	7,939
	193,727	168,015

(a) The net realisable value adjustment in the prior comparative period relates predominantly to Marine Parade, Labrador and reflects the Group's strategy announced in October 2020 to sell non-development assets and return capital to shareholders.

Note 6. Equity - Dividends

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

	31 December 2021 Cents per share	31 December 2021 $'000	31 December 2020 Cents per share	31 December 2020 $'000
Ordinary shares				
Final fully franked dividend for the previous financial year	4	5,476	7	9,584
Special fully franked dividend	16	21,906	3	4,107

Note 6. Equity - Dividends (continued)

Dividends declared

On 23 December 2021 the directors declared a special dividend of 10 cents per share (1H21: Nil) fully franked at a rate of 30% with a payment date of 13 January 2022. The total distribution of $13,690,952 (1H21: Nil) based on the number of outstanding shares at balance date (including treasury shares) has been provided for on the statement of financial position.

On 16 February 2022 the directors declared an interim dividend of 12 cents per share (1H21: 8 cents) fully franked at a rate of 30%. The total estimated distribution of $16,429,142 (1H21: $41,072,855) is based on the number of shares outstanding (including treasury shares) as at the date of issue of these financial statements.

Note 7. Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting period. The facilities have been split into “working capital” facilities, “project specific" facilities 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	
	31 December 2021 $'000	30 June 2021 $'000
Working capital facilities		
Working capital facilities available (a)	55,000	185,180
Facilities utilised at balance date	-	(39,407)
Bank guarantees	(4,009)	(4,404)
Available working capital facilities not utilised at balance date	50,991	141,369
Project specific facilities		
Project specific facilities available (b)	135,000	135,000
Facilities utilised at balance date	(116,953)	(83,142)
Available project specific facilities not utilised at balance date	18,047	51,858
Unsecured notes		
Unsecured notes available (c)	50,000	50,000
Facilities utilised at balance date	(50,000)	(50,000)
Available unsecured notes not utilised at balance date	-	-

The variance between the facilities utilised at balance date and the carrying value of bank loans is attributable to the inclusion of pre-paid borrowing costs in the carrying value of interest bearing bank loans under the effective interest method.

The Group does not hold any financial instruments that are measured at fair value. 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.

(a) Working capital facilities available
The Group continues to re-assess and align its financing arrangements with the progress of the strategy announced in October 2020. In doing so the working capital facility limit was reduced to $55 million during the half-year based on the Group's future operational requirements. Subsequent to balance date the facility limit was further reduced to $14 million.

Note 7. Financing arrangements (continued)

(b) Project specific facilities available
The Group has available a facility of $135 million 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.

(c) Unsecured notes available
The Group has available a 5-year unsecured note of $50 million expiring 31 October 2024 at a fixed rate of 6.2%.

At 31 December 2020 key management personnel held $8.7 million in unsecured notes, the terms of which were the same as those of the other note holders. During the second half of the year ending 30 June 2021, the $8.7 million in unsecured notes held by members of key management personnel were disposed of. No unsecured notes were held by members of key management personnel at 31 December 2021.

Note 8. Related party transactions

• On 28 January 2021 the Group announced on the ASX it has accepted a bid from a company associated with two KMPs to sell the Greenmount Hotel site for $42.3 million 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 ("EGM") of the shareholders of Sunland Group Limited was held where a members' resolution to approve this sale of the Greenmount Hotel site. The sale is expected to settle in March - April 2022. Sunland holds a deposit of $4.23 million in respect of this contract.

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

On 3 November 2021 it was further announced that a put and call option had been entered into for each site, conditional on the Group obtaining shareholder approval. Shareholder approval was achieved on 23 December 2021 at an EGM of Sunland shareholders. The sale is now considered unconditional. The combined value of the two contracts is $32.75 million. These contracts are anticipated to settle between March 2022 and August 2022.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Sahba Abedian
Director

16 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sunland Group Limited

Report on the Half-Year Financial Report

Conclusion

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

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

Cameron Henry
Director

Brisbane, 16 February 2022