

Innlanz Limited (formerly Mediland Pharm Limited)

ABN 83 628 420 824

Financial Report For the Year Ended - 30 June 2023

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Innlanz Limited
Corporate directory
30 June 2023

Directors	Jhon Shen (Executive Director) Yeshween Mudaliar (Managing Director) Peter French (Non-Executive Director and Chairman) Tracey Cray (Non-Executive Director, resigned on 31 July 2022) Theo Renard (Non-Executive Director) Leo Cui (Non-Executive Director)
Company secretary	Indira Naidu
Registered office and Principal place of business	18-40 Anderson Street Parramatta NSW 2150
Share register	Computershare Ltd Level 4 60 Carrington Street Sydney NSW 2000
Auditor	RSM Australia Partners Level 13, 60 Castlereagh Street, Sydney NSW 2000
Bankers	St George Bank, Sydney Branch 316 George St Sydney NSW 2000
Stock exchange listing	Innlanz Limited shares are listed on the Australian Securities Exchange (ASX code: “INL”, formerly “MPH”)
Website	http://www.innlanz.com

Corporate governance statement

Innlanz Limited's Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place.

The Company complies with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. A copy of the Company's corporate governance statement is available at the Company's website at the following address: <http://www.innlanz.com/investor-relations-corporate-governance/>.

MANAGING DIRECTOR'S AND CHAIRMAN'S REPORT TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Innlanz Limited (the "Company" or "Innlanz"), we are pleased to present our Annual Report for the year ended 30 June 2023.

The Company's Preliminary Final Report (Appendix 4E) was lodged with the Australian Securities Exchange (ASX) on 31 August 2023 and is available to be downloaded from the Company's website or the ASX website.

Innlanz's retail division remains on hold, as the Company continues to monitor Chinese traveller sentiments and travel to both Australia and New Zealand.

The hotel division with its current asset based in Hamilton New Zealand continues to build on the positive results from the previous financial year (2021-2022). Pleasingly, in the 2022-23 financial year the hotel's overall performance exceeded expectations both in terms of occupancy and revenue. It is currently the major revenue contributor for the Company. This result occurred despite the economic challenges faced during this financial year.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$284,473, which was a significant improvement from the previous year's performance (30 June 2022: \$931,067). This improvement was due to a combination of the increase in revenue from the Hamilton hotel and continuation of the rigorous cost control measures introduced following the pandemic. These focussed on minimising fixed operating costs, including a significant reduction of Directors' fees and management wages.

Outlook

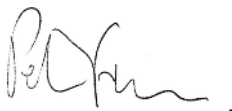
The Board and Management are cautiously optimistic for the future as we believe the worst of the adverse effects of the Covid-19 pandemic on the Company's business have been experienced. The acquisition of the Hamilton Hotel signified a change of direction for the Company and played to the strengths of our Management and Board. The success to date of this acquisition provides the basis for potentially extending the Group's activities in the hotel industry in the future.

Both the Board and Management remain open to the Company once again playing an active role in the "health and well-being" sector in the inbound Chinese tourist retail market.


We would like to thank our fellow directors and our management team for their commitment and contributions through this reporting financial year. We also thank you, our shareholders, for your ongoing support.

Annual General Meeting and Annual Report

The 2023 Annual General Meeting will be conducted in November 2023.



Dr Peter French
Chairman



Yeshween Mudaliar
Managing Director

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Forward looking statements

The above reports contain forward looking statements which are identified by words such as 'may,' 'could,' 'believes,' 'estimates,' 'expects,' 'intends' and other similar words that involve risks and uncertainties. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties, assumptions, and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company.

The Board cannot and do not give any assurance that the results, performance, or achievements expressed or implied by the forward-looking statements contained in this Letter will occur and investors are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Letter. The Company does not intend to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Letter, except where required by law.

Innlanz Limited
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the Group (referred to hereafter as 'the Group') consisting of Innlanz Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were directors of Innlanz Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jhon Shen	Executive Director
Yeshween Mudaliar	Managing Director
Peter French	Non-executive Director and Chairman
Tracey Cray	Non-executive Director (resigned on 31 July 2022)
Theo Renard	Non-executive Director
Leo Cui	Non-executive Director

Principal activities

The Company currently owns and trades a Hotel in Hamilton, New Zealand and the Company's retail operations have been suspended until tourists in particular from China return to both Australian and New Zealand shores. The Company is focused on business development and growth opportunities within the Hospitality sector whilst continuing to explore and identify strategic business opportunities to expand and diversify its revenue streams.

Review of operations

The loss for the Group after providing for income tax amounted to \$284,473 (30 June 2022: loss of \$931,067).

Dividends

There were no dividends paid, recommended or declared during the current financial year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Jhon Shen as the beneficial owner of Premier Hospitality Management had agreed to pause the payment of AUD100,000 per month for the period commencing from May 1, 2022. Subsequent to the financial year end, Jhon Shen agreed to not require the repayment of the deferred settlement consideration for at least 12 months following the date of authorisation of this financial report.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law or under any New Zealand Legislation.

Information on directors

Name: Jhon Shen
Title: Executive director
Qualifications: Master of Finance and Accounting from the University of New South Wales
Experience and expertise: Mr Shen is a businessman with a track record of developing profitable businesses and incubating new business opportunities through acquisition in the retail, tourism, travel and hospitality sectors. He has first-hand experience within the Chinese retail sector, as he worked in both operational and management level within the Company since March 2015. During this time, he has gained extensive knowledge and experience, which has assisted him to better understand in how to operate a successful retail operation within Australia through offering high appealing products to the Chinese consumer.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 250,000,000
Interests in options: None
Contractual rights to shares: None

Name: Yeshween Mudaliar
Title: Managing director
Qualifications: Diploma of Travel and Tourism from Sir George Seymour National College in New Zealand, A certificate in Senior Development Executive Program and Hotel Real Estate Investments and Asset Management from Cornell University.

Experience and expertise: Mr Mudaliar is a professional hospitality executive with over 16 years' industry experience. During this period, he has successfully fulfilled senior executive roles with leading hotel chains including Marriott, Accor and IHG, in both managed and franchise operational models. With outstanding excellence in sales and business development focusing on increasing revenue and profitability, he naturally progressed his career to an asset management and business acquisition specialist. His vast network of relationships across a number of industries has supported his expertise to increase his clients' business portfolios with highly profitable acquisitions, mergers and ensuring corporate compliance.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: None
Interests in options: None
Contractual rights to shares: None

Name: Dr. Peter French
Title: Non-executive director and Chairman
Qualifications: BSc (Sydney University, 1977); MSc (Sydney University, 1982), PhD Deakin University, 1986), MBA (Deakin University, 2001)

Experience and expertise: Dr. Peter French is an experienced senior executive and director in public and private companies primarily in the biotechnology and healthcare sector. His roles have included:

- Founder and non-executive director of Cryosite Limited (ASX:CTE) 2000-2006;
- Managing director of Probiomics Limited (ASX:PCC) 2003-2006;
- CEO and Managing director of Benitec Biopharma Limited(ASX:BLT) 2010-2015

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 166,666
Interests in options: None
Contractual rights to shares: None

Innlanz Limited
Directors' report
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Name: Theo Renard
Title: Non-executive director
Experience and expertise: Mr Renard is a Chartered Accountant and has over 20 years' experience in credit and relationship banking in commercial and investment banking with Nedcor in South Africa and Asia and ABN AMRO in Australia and Asia. He spent over two years as CFO and Company Secretary with a retail group with retail and manufacturing operations in Asia and the Subcontinent, during that time he was a Director of several of the listed companies and affiliates. Mr Renard has over 14 years' experience in the resources sector as Chief Financial Officer and Company Secretary.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 166,666
Interests in options: None
Contractual rights to shares: None

Name: Leo Cui
Title: Non-executive director
Experience and expertise: Mr Cui has substantial experience in Financial Services Industry mainly responsible for Group Dealing, Risk Management, responsibility for compliance with respect to ASIC and specific compliance obligations under Australian Financial Services License. Previous work experience also includes sales and marketing, financial product advice to and dealing with wholesale and retail clients, derivative products and foreign exchange contracts. Mr Cui's key strength includes his financial services background which has foreign investors in Australian Companies. He also has network and relations in Hong Kong and China.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 61,000
Special responsibilities: None
Interests in options: None
Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Ms Naidu has over 16 years' experience, in audit and assurance, risk management, financial reporting, corporate governance and internal audit within retail, manufacturing and not-for-profit sectors. Her expertise has been gained through auditing and corporate advisory services to multinational and Australian listed entities. She also holds the position of Finance Manager & Company Secretary in an entity with dual listing on ASX and NASDAQ. She has expertise in Publicly Listed Entity Reporting and Statutory Reporting. Ms Naidu is a member of the Institute of Chartered Accountants Australia and New Zealand (CA ANZ) and Australian Institute of Company Directors (AICD).

Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Jhon Shen	4	8	*	*	*	*
Yeshween Mudaliar	8	8	*	*	*	*
Peter French	8	8	3	3	2	2
Theo Renard	7	8	3	3	2	2
Leo Cui	5	8	3	3	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

*= Not a member of the relevant committee

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration & Nominations Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Remuneration & Nominations Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration & Nominations Committee. The Remuneration & Nominations Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Innlanz Limited
Directors' report
30 June 2023

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was in the Prospectus dated 23 November 2018. This amount has initially been fixed by the Company at \$700,000.

The 4th edition of the Corporate Governance principles and Recommendations released by the ASX Corporate Governance Council specifies that it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interest with the interest of other security holders, however non-executive directors should not receive performance-based remuneration as it may lead to bias in their decision making and constraints of a newly listed company, the Board has chosen to grant equity in the form of Non-Executive Director Rights (NED Rights) which vest based only on meeting continuous service conditions.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- long-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Group performance and link to remuneration

Remuneration is not directly linked to the performance of the Group.

Voting of shareholders at last year's annual general meeting

At the Company's 2022 AGM 99.56% "yes" votes were cast in favour on the poll for the resolution on its remuneration report for the 2022 financial year.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Innlanz Limited:

Non-executive directors

- Peter French
- Tracey Cray
- Theo Renard
- Leo Cui

Executive directors

- Jhon Shen
- Yeshween Mudaliar

Other executives

- Jessie Tao (Chief Financial Officer)
- Indira Naidu (Company Secretary)

Changes since the end of the reporting period:

Tracey Cray resigned as a Non-Executive Director on 31 July 2022.

Innlanz Limited
Directors' report
30 June 2023

	Fixed remuneration				Subtotal	Variable remuneration	Total
	Cash salary and fees	Non-monetary	Super-annuation	Long-term benefits Long service leave		Share based payments	
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Peter French	15,982	-	1,678	-	17,660	-	17,660
Tracey Cray	1,903	-	200	-	2,103	-	2,103
Theo Renard	11,416	-	1,199	-	12,615	-	12,615
Leo Cui	6,849	-	719	-	7,568	-	7,568
<i>Executive Directors:</i>							
Jhon Shen	-	-	-	-	-	-	-
Yeshween Mudaliar	100,000	-	10,500	-	110,500	-	110,500
<i>Other Key Management Personnel:</i>							
Jessie Tao	43,003	-	-	-	43,003	-	43,003
Indira Naidu	28,800	-	3,024	-	31,824	-	31,824
	207,953	-	17,320	-	225,273	-	225,273

	Fixed remuneration				Subtotal	Variable remuneration	Total
	Cash salary and fees	Non-monetary	Super-annuation	Long-term benefits Long service leave		Share based payments	
2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Peter French	15,976	-	1,598	-	17,574	-	17,574
Tracey Cray	11,411	-	1,141	-	12,552	-	12,552
Theo Renard	11,411	-	1,141	-	12,552	-	12,552
Leo Cui	6,847	-	685	-	7,532	-	7,532

Innlanz Limited
Directors' report
30 June 2023

	Fixed remuneration				Subtotal	Variable remuneration	Total
	Cash salary and fees	Non-monetary	Super-annuation	Long-term benefits Long service leave		Share based payments	
2022 (CONTINUED)	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
Jhon Shen	-	-	-	-	-	-	-
Yeshween Mudaliar	100,000	-	10,000	-	110,000	-	110,000
<i>Other Key Management Personnel:</i>							
Jessie Tao	48,417	-	-	-	48,417	-	48,417
Indira Naidu	28,800	-	2,880	-	31,680	-	31,680
	222,862	-	17,445	-	240,307	-	240,307

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Jhon Shen
Title: Executive director
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2023 of \$180,000 plus superannuation. Jhon agreed to reduce his gross salary by 100% for the whole financial year. Pursuant to Mr Shen's executive agreement, Mr Shen may resign from his position by giving 6 months' notice in writing.

Name: Yeshween Mudaliar
Title: Managing director
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2023 of \$100,000 plus superannuation. Pursuant to Mr Mudaliar's executive agreement, Mr Mudaliar may resign from his position by giving 6 months' notice in writing.

Name: Tracey Cray (resigned on 31 July 2022)
Title: Non-executive director
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2023 of \$50,000 inclusive of superannuation. Tracey agreed to reduce her gross salary by 75% for the whole financial year.

Name: Dr. Peter French
Title: Non-executive director
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2023 of \$70,000 inclusive of superannuation. Peter agreed to reduce his gross salary by 75% for the whole financial year.

**Innlanz Limited
Directors' report
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Name: Theo Renard
Title: Non-executive director
Agreement commenced: 24 January 2019
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2023 of \$50,000 inclusive of superannuation. Theo agreed to reduce his gross salary by 75% for the whole financial year.

Name: Leo Cui
Title: Non-executive director
Agreement commenced: 28 November 2019
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2023 of \$30,000 inclusive of superannuation. Leo has agreed to reduce his gross salary by 75% for the whole financial year.

Name: Jessie Tao
Title: Chief Financial Officer
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2023, Ms Tao received a salary of \$43,003 (this is discounted from \$70,000 of the gross salary). Pursuant to Ms Tao's executive agreement, Ms Tao may resign from her position by giving 6 months' notice in writing.

Name: Indira Naidu
Title: Company Secretary
Agreement commenced: 19 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2023, Ms Naidu received a salary of \$31,824 inclusive of superannuation. Pursuant to Ms Indira's executive agreement, Ms Indira may resign from her position by giving 6 months' notice in writing.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Details of rights over ordinary shares granted, vested, and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Non-Executive Director (NED) Rights in Lieu of Fees

Name	Date granted	Balance at start of year (unvested)	Granted during the year	Rights to deferred shares Vested	Rights to deferred shares Forfeited	Balance at end of year (unvested)
2023						
Peter French	-	-	-	-	-	-
Tracey Cray	-	-	-	-	-	-
Theo Renard	-	-	-	-	-	-
2022						
Peter French	02.11.2018	\$20,000	-	\$10,000	(\$20,000)	-
Tracey Cray	02.11.2018	\$20,000	-	\$10,000	(\$20,000)	-
Theo Renard	24.01.2019	\$20,000	-	\$10,000	(\$20,000)	-

Name	Date granted	Balance at start of year (unvested)	Vested during the year	Rights exercised to obtain shares	Rights forfeited	Balance at end of year (unvested)
2023						
Peter French	-	-	-	-	-	-
Tracey Cray	-	-	-	-	-	-
Theo Renard	-	-	-	-	-	-
2022						
Peter French	02.11.2018	132,787	136,612	166,666	(102,733)	-
Tracey Cray	02.11.2018	132,787	136,612	166,666	(102,733)	-
Theo Renard	24.01.2019	219,621	167,224	166,666	(220,179)	-

Innlanz Limited
Directors' report
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Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions on rights exercised	Disposals/ other	Balance at the end of the year
2023				
<i>Ordinary shares</i>				
Jhon Shen	250,000,000	-	-	250,000,000
Leo Cui	61,000	-	-	61,000
Peter French	166,666	-	-	166,666
Tracey Cray	166,666	-	-	166,666
Theo Renard	166,666	-	-	166,666
	<u>250,560,998</u>	<u>-</u>	<u>-</u>	<u>250,560,998</u>

	Balance at the start of the year	Additions on rights exercised	Disposals/ other	Balance at the end of the year
2022				
<i>Ordinary shares</i>				
Jhon Shen	250,000,000	-	-	250,000,000
Leo Cui	61,000	-	-	61,000
Peter French	-	166,666	-	166,666
Tracey Cray	-	166,666	-	166,666
Theo Renard	-	166,666	-	166,666
	<u>250,061,000</u>	<u>499,998</u>	<u>-</u>	<u>250,560,998</u>

Other transactions with key management personnel:

On 30 April 2021, Innlanz Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, the hotel was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. The purchase price was being repaid in instalments however the payments were paused from 1 May 2022.

The following balances are outstanding at the reporting date in relation to loan with this entity:

	2023	2022
	\$	\$
<i>Current borrowings:</i>		
Deferred consideration to Premier Hospitality Management (director related entity of Jhon Shen and Yeshween Mudaliar)	1,283,446	1,283,446
Loan from Lotus Hospitality (NZ) Pty Ltd (director related entity of Yeshween Mudaliar)	118,812	118,812

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

There were no ordinary shares of Innlanz Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Officers of the company who are former partners of Accounting Firm (RSM Australia Partners)

There are no officers of the company who are former partners of Accounting Firm (RSM Australia Partners).

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Dr. Peter French
Chairman

27 September 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Innlanz Limited and its Controlled Entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney, NSW
Dated: 27 September 2023

General information

The financial statements cover Innlanz Limited as a consolidated entity consisting of Innlanz Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Innlanz Limited's functional and presentation currency.

Innlanz Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

18-40 Anderson Street,
PARRAMATTA
NSW 2150

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue by the directors, on 27 September 2023. The directors have the power to amend and reissue the financial statements.

For personal use

Innlanz Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 \$	2022 \$
Revenue	4	2,640,995	1,593,674
Cost of sales		<u>(56,639)</u>	<u>(31,439)</u>
Gross profit		2,584,356	1,562,235
Other income	4	8,335	5,181
Government grant	4	-	75,803
Gain on lease termination		-	288,206
Inventory written off		-	(49,934)
Marketing expenses		(27,575)	(26,091)
Administrative expenses		(1,436,644)	(1,411,738)
Employee benefit expenses		(1,211,403)	(1,095,708)
Finance costs		<u>(127,995)</u>	<u>(124,629)</u>
Loss before income tax expense		(210,926)	(776,675)
Income tax expense	6	<u>(73,547)</u>	<u>(154,392)</u>
Loss after income tax expense for the year		<u>(284,473)</u>	<u>(931,067)</u>
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax		-	868,034
Foreign currency translation		<u>67,058</u>	<u>(79,420)</u>
Other comprehensive income / (loss) for the year, net of tax		<u>67,058</u>	<u>788,614</u>
Total comprehensive loss for the year		<u>(217,415)</u>	<u>(142,453)</u>
Loss for the year is attributable to:			
Owners of Innlanz Limited		(283,143)	(885,735)
Non-controlling interests		<u>(1,330)</u>	<u>(45,332)</u>
		<u>(284,473)</u>	<u>(931,067)</u>
Total comprehensive loss for the year is attributable to:			
Owners of Innlanz Limited		(216,085)	(97,121)
Non-controlling interests		<u>(1,330)</u>	<u>(45,332)</u>
		<u>(217,415)</u>	<u>(142,453)</u>
		Cents	Cents
Earnings			
Basic earnings per share	20	(0.09)	(0.30)
Diluted earnings per share	20	(0.09)	(0.30)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Innlanz Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	7	865,702	1,291,963
Trade and other receivables	8	89,534	109,224
Prepayments		19,864	17,876
Inventories	9	22,540	7,785
Total current assets		<u>997,640</u>	<u>1,426,848</u>
Non-current assets			
Property, plant and equipment	10	6,744,543	6,679,944
Intangibles	11	15,150	16,942
Deferred tax assets	30	-	144,863
Total non-current assets		<u>6,759,693</u>	<u>6,841,749</u>
Total assets		<u>7,757,333</u>	<u>8,268,597</u>
Liabilities			
Current liabilities			
Trade and other payables	12	948,596	932,522
Provisions	13	129,707	104,389
Current tax liabilities		34,195	17,670
Deferred consideration	14	1,283,446	1,283,446
Total current liabilities		<u>2,395,944</u>	<u>2,338,027</u>
Non-current liabilities			
Deferred tax liabilities	31	585,070	655,659
Borrowings	15	2,108,794	2,389,971
Total non-current liabilities		<u>2,693,864</u>	<u>3,045,630</u>
Total liabilities		<u>5,089,808</u>	<u>5,383,657</u>
Net assets		<u>2,667,525</u>	<u>2,884,940</u>
Equity			
Issued capital	16	11,898,945	11,898,945
Reserves	17	853,084	786,026
Accumulated losses		<u>(10,021,717)</u>	<u>(9,738,574)</u>
Total equity attributable to members of the Group		2,730,312	2,946,397
Non-controlling interests	19	<u>(62,787)</u>	<u>(61,457)</u>
Total equity		<u>2,667,525</u>	<u>2,884,940</u>

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

Innlanz Limited
Statement of changes in equity
For the year ended 30 June 2023

	Issued capital	Group restructure reserve	Foreign currency reserve	Assets revaluation reserve	Accumulated losses	Total	Non-controlling Interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	11,898,945	71,146	(73,734)	-	(8,852,839)	3,043,518	(16,125)	3,027,393
Loss after income tax expense for the year	-	-	-	-	(885,735)	(885,735)	(45,332)	(931,067)
Other comprehensive income/(loss) for the year, net of tax	-	-	(79,420)	868,034	-	788,614	-	788,614
Total comprehensive income/(loss) for the year	-	-	(79,420)	868,034	(885,735)	(97,121)	(45,332)	(142,453)
Balance at 30 June 2022	<u>11,898,945</u>	<u>71,146</u>	<u>(153,154)</u>	<u>868,034</u>	<u>(9,738,574)</u>	<u>2,946,397</u>	<u>(61,457)</u>	<u>2,884,940</u>

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

Innlanz Limited
Statement of changes in equity
For the year ended 30 June 2023

	Issued capital	Group restructure reserve	Foreign currency reserve	Assets revaluation reserve	Accumulated losses	Total	Non- controlling Interest	Total equity
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	11,898,945	71,146	(153,154)	868,034	(9,738,574)	2,946,397	(61,457)	2,884,940
Loss after income tax expense for the year	-	-	-	-	(283,143)	(283,143)	(1,330)	(284,473)
Other comprehensive income/(loss) for the year, net of tax	-	-	67,058	-	-	67,058	-	67,058
Total comprehensive income/(loss) for the year	-	-	67,058	-	(283,143)	(216,085)	(1,330)	(217,415)
Balance at 30 June 2023	<u>11,898,945</u>	<u>71,146</u>	<u>(86,096)</u>	<u>868,034</u>	<u>(10,021,717)</u>	<u>2,730,312</u>	<u>(62,787)</u>	<u>2,667,525</u>

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

Innlanz Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 \$	Consolidated 2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,646,905	1,867,873
Payments to suppliers and employees (inclusive of GST)		(2,588,386)	(2,423,617)
Interest received		6,606	4,798
Interest and other finance cost paid		(127,995)	(84,178)
Net income taxes received/(paid)		8,277	(111,392)
Government grants and tax incentives		-	75,803
		<u> </u>	<u> </u>
Net cash used in operating activities	29	<u>(54,593)</u>	<u>(670,713)</u>
Cash flows from investing activities			
Payments to acquire plant and equipment		(42,412)	(30,088)
Payments for deferred consideration		-	(900,000)
Receipts from related party		-	81,833
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(42,412)</u>	<u>(848,255)</u>
Cash flows from financing activities			
Lease payment (principal)		-	(516,267)
Repayment of borrowings	22	<u>(326,196)</u>	<u>(45,094)</u>
		<u> </u>	<u> </u>
Net cash used in financing activities		<u>(326,196)</u>	<u>(561,361)</u>
Net decrease in cash and cash equivalents		(423,201)	(2,080,329)
Cash and cash equivalents at the beginning of the financial year		1,291,963	3,391,075
Effects of exchange rate changes on cash and cash equivalents		(3,060)	(18,783)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	7	<u><u>865,702</u></u>	<u><u>1,291,963</u></u>

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

Note 1. CORPORATION INFORMATION

Innlanz Limited is a company limited by shares incorporated in New South Wales on 27 August 2018.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$284,473 and had net cash outflows from operating and investing activities of \$54,593 and \$42,412 respectively for the year ended 30 June 2023. As at that date the consolidated entity had net current liabilities of \$1,398,304 and net assets of \$2,667,525.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Group has cash balance of \$865,702 as at 30 June 2023 which the directors believe will be adequate to fund operations for the 12 months following the date of the financial report;
- On 6 May 2022, the Group has successfully extended its loan facility of NZD\$2.48m with Bank of New Zealand to 30 July 2027 and the balance yet to be draw down as of 30 June 2023 was NZD\$805,000; and
- Included in current liabilities is \$1,283,446 of deferred consideration payable to Premier Hospitality Management Pty Ltd in relation to the acquisition of the Heartland Ambassador Hamilton Hotel. Jhon Shen, the Executive Director and significant shareholder of Innlanz Limited, is the beneficial owner of Premier Hospitality Management. As at 1 September 2023, Jhon Shen confirmed that Premier Hospitality Management Pty Ltd will not require the repayment of the deferred settlement consideration for at least 12 months following the date of the audit reports for Innlanz Limited for the year ended 30 June 2023.

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the consolidated group of Innlanz Limited ("the Company") and its controlled entities ("the Group").

The accounting policies have been consistently applied to all years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 25.

Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

Employee benefits

Employees of the Group receive defined contribution superannuation entitlements for which the Group pays the fixed superannuation guarantee contribution (currently 10% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognized as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- income and expense are translated at average exchange rates for the year; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are also recognised in the statement of comprehensive income as other comprehensive income. The foreign currency reserve is recognised in profit or loss when the foreign operation is disposed of.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Judgement Area	Note
Fair value on land and buildings	10

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Innlanz Limited
Notes to the financial statements
30 June 2023

Note 3. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report on pages 5 to 10. For the year ended 30 June 2023, the Group examines the group's performance both from a division and geographic perspective and has identified three reportable segments of the Group's business:

- Retailer servicing the Chinese inbound tourism sector in Australia and New Zealand; and
- Hotel operations.

Profit and loss disclosure

	Hotel 2023 \$	Retail 2023 \$	Total 2023 \$	Hotel 2022 \$	Retail 2022 \$	Total 2022 \$
Hotel revenue						
Australia	-	-	-	-	-	-
New Zealand	2,640,995	-	2,640,995	1,593,674	-	1,593,674
	<u>2,640,995</u>	<u>-</u>	<u>2,640,995</u>	<u>1,593,674</u>	<u>-</u>	<u>1,593,674</u>
Other revenue						
Australia	-	5,837	5,837	-	3,775	3,775
New Zealand	2,049	449	2,498	24	1,382	1,406
	<u>2,049</u>	<u>6,286</u>	<u>8,335</u>	<u>24</u>	<u>5,157</u>	<u>5,181</u>
Government grant						
Australia	-	-	-	-	-	-
New Zealand	-	-	-	75,803	-	75,803
	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,803</u>	<u>-</u>	<u>75,803</u>
Less: COGS						
Australia	-	-	-	-	-	-
New Zealand	(56,639)	-	(56,639)	(31,439)	-	(31,439)
	<u>(56,639)</u>	<u>-</u>	<u>(56,639)</u>	<u>(31,439)</u>	<u>-</u>	<u>(31,439)</u>
Operating expense						
Australia	-	(527,786)	(527,786)	-	(1,092,788)	(1,092,788)
New Zealand	(2,169,522)	(876)	(2,170,398)	(1,427,116)	(84,026)	(1,511,142)
	<u>(2,169,522)</u>	<u>(528,662)</u>	<u>(2,698,184)</u>	<u>(1,427,116)</u>	<u>(1,176,814)</u>	<u>(2,603,930)</u>
Depreciation and amortisation						
Australia	-	(1,792)	(1,792)	-	(1,792)	(1,792)
New Zealand	(103,641)	-	(103,641)	(101,500)	(878)	(102,378)
	<u>(103,641)</u>	<u>(1,792)</u>	<u>(105,433)</u>	<u>(101,500)</u>	<u>(2,670)</u>	<u>(104,170)</u>
Segment profit or (loss)						
Australia	-	(523,741)	(523,741)	-	(1,090,805)	(1,090,805)
New Zealand	313,242	(427)	312,815	109,446	(83,522)	25,924
	<u>313,242</u>	<u>(524,168)</u>	<u>(210,926)</u>	<u>109,446</u>	<u>(1,174,327)</u>	<u>(1,064,881)</u>

Note 3. SEGMENT INFORMATION (CONTINUED)

	Total 2023 \$	Total 2022 \$
Add unallocated/corporate (cost)/income:		
Gain or loss on lease termination	-	288,206
Income tax expense	(73,547)	(154,392)
	<u>(284,473)</u>	<u>(931,067)</u>

Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

	Hotel 2023 \$	Retail 2023 \$	Total 2023 \$	Hotel 2022 \$	Retail 2022 \$	Total 2022 \$
Segment assets						
Australia	-	826,356	826,356	-	1,216,162	1,216,162
New Zealand	6,897,241	33,736	6,930,977	6,865,481	42,091	6,907,572
Total segment assets	<u>6,897,241</u>	<u>860,092</u>	<u>7,757,333</u>	<u>6,865,481</u>	<u>1,258,253</u>	<u>8,123,734</u>
Unallocated assets			-			144,863
Total assets as per the balance sheet			<u>7,757,333</u>			<u>8,268,597</u>
Segment liabilities						
Australia	-	(1,812,918)	(1,812,918)	-	(1,830,154)	(1,830,154)
New Zealand	(2,467,003)	(224,817)	(2,691,820)	(2,668,627)	(229,217)	(2,897,844)
Total segment liabilities	<u>(2,467,003)</u>	<u>(2,037,735)</u>	<u>(4,504,738)</u>	<u>(2,668,627)</u>	<u>(2,059,371)</u>	<u>(4,727,998)</u>
Unallocated liabilities			(585,070)			(655,659)
Total liabilities as per the balance sheet			<u>(5,168,561)</u>			<u>(5,383,657)</u>

Note 4. REVENUE AND OTHER INCOME

	2023	2022
	\$	\$
Revenue		
Hotel operations	2,640,995	1,593,674
Total revenue	2,640,995	1,593,674
Other income		
Interest income	6,606	4,798
Other income	1,729	383
Total other income	8,335	5,181
Government grant	-	75,803

Recognition and Measurement

Hotel operating revenue

Revenue from hotel operations is recognised at the amount of consideration received or receivable, excluding sales taxes, rebates, and discounts, when the purchased rooms and services are rendered. The Group allocates the transaction price to each performance obligation based on the relative standalone selling prices of the rooms and services if there are more than one performance obligation satisfied at a point in time.

Government grants / subsidies

Government grants are recognised as income when it is reasonably certain that the company complies the conditions attached to them and when the right to receive payment is established. The company has elected to recognise grant income as other income in the financial statements.

Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other income

Other income is recognised when it is received or when the right to receive payment is established

Note 5. EXPENSES

	2023	2022
	\$	\$
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	127,995	124,629
<i>Superannuation expenses</i>		
Defined contribution superannuation expenses (including non-executive Director)	42,589	35,045
<i>Items included in administrative expenses include</i>		
Depreciation and amortisation expenses	105,433	104,170

Note 6. INCOME TAX EXPENSES

	2023 \$	2022 \$
Income tax expense / (benefit)		
Current tax	6,198	40,950
Deferred tax (note 30 and 31)	67,349	113,442
	73,547	154,392
Numerical reconciliation of income tax to prima facie tax payable:		
Prima facie income tax expense on loss from ordinary activities (25%-28%)	(52,732)	(194,169)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Add non-accessible income	-	(8,338)
Add non-deductible expense	4,635	42,472
Non-deductible amortisation and depreciation	-	50,555
Difference in overseas tax rates	6,349	9,071
Under provision in prior year	-	18,441
Less: Tax loss not recognised	115,295	236,360
Income tax expense / (benefit)	73,547	154,392

Potential deferred tax assets attributable to tax losses carried forward for the company, have not been brought to account as the directors believe it is not appropriate to regard realisation of the deferred tax asset as probable. The benefit will only be obtained if:

- The group derives future assessable income of a nature and amount sufficient to enable the benefits from the deductions for the losses to be realised;
- The group continues to comply with the conditions for deductibility imposed by the law;
- The losses are available under the continuity of ownership or same business tests;
- No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

The total amount of unused tax losses for which no deferred tax asset has been recognised is \$7,937,105 (2022: \$7,241,584).

Recognition and Measurement

Current tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit), and deferred tax expense/(benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period together with the research and development claim submitted for the reporting period. Current tax liabilities/assets are therefore measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

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.

Note 6. INCOME TAX EXPENSES (CONTINUED)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Innlanz Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Note 7. CASH AND CASH EQUIVALENTS

	June 2023 \$	June 2022 \$
Cash on hand	928	733
Cash at bank	864,774	1,291,230
	865,702	1,291,963

Recognition and Measurement

Cash and cash equivalents include cash on hand and cash at bank.

Cash at bank bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 4.10% (2021-22: between 0.00% and 2.40%).

Note 8. TRADE AND OTHER RECEIVABLES

	June 2023 \$	June 2022 \$
Trade receivables	73,175	77,356
Other receivables	16,359	25,191
GST receivables	-	6,677
	16,359	31,868
	89,534	109,224

Recognition and Measurement

Trade receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets have shared credit risk characteristics and, as such, the expected loss rates for trade receivables are a reasonable approximation of loss rates for contract assets. Losses incurred in the last 3 years represent less than 0.1% of receivables and are immaterial. Therefore, no expected credit loss allowance has been recorded.

Note 9. INVENTORIES

	June 2023 \$	June 2022 \$
Finished goods	22,540	7,785
	22,540	7,785

Recognition and Measurement

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of costs of purchase, delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Note 10. PROPERTY, PLANT AND EQUIPMENT

	June 2023 \$	June 2022 \$
Land	3,232,896	3,173,124
Buildings	3,303,491	3,242,415
Less: Accumulated depreciation	(150,521)	(102,408)
	3,152,970	3,140,007
Fixtures and fittings - at cost	352,402	345,887
Less: Accumulated depreciation	(185,352)	(155,595)
	167,050	190,292
Office equipment - at cost	364,759	315,965
Less: Accumulated depreciation	(173,132)	(139,444)
	191,627	176,521
Total property, plant and equipment	6,744,543	6,679,944

The land and buildings are encumbered by a Registered First Mortgage over the property situated at 86-92 ULSTER STREET, HAMILTON, Certificate of Title Number 767682 in favour of BNZ Bank as security for the borrowings reflected in Note 15.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land \$	Building \$	Fixtures and fittings \$	Office Equipment \$	Total \$
Balance at 1 July 2021	2,659,091	2,658,257	225,053	181,290	5,723,691
Write-off	-	-	(686)	(558)	(1,244)
Addition	-	-	-	29,102	29,102
Revaluation increment	596,291	609,312	-	-	1,205,603
Exchange differences	(82,258)	(81,246)	(6,350)	(4,976)	(174,830)
Depreciation expense	-	(46,316)	(27,725)	(28,337)	(102,378)
Balance at 30 June 2022	3,173,124	3,140,007	190,292	176,521	6,679,944
Addition	-	-	1,444	41,399	42,843
Exchange differences	59,772	58,957	3,468	3,200	125,397
Depreciation expense	-	(45,994)	(28,154)	(29,493)	(103,641)
Balance at 30 June 2023	3,232,896	3,152,970	167,050	191,627	6,744,543

Note 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Recognition and Measurement

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The current valuation has been done on November 2021. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Furniture and fittings	3-40 years
Leasehold improvements	3-10 years
Office equipment	1-5 years
Buildings	25 years
Motor vehicle	5-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Key estimates and judgements

Fair value measurement

As stated above, land and buildings are shown at fair value based on periodic valuations by external independent valuers. The most recent valuation was done in November 2021. The Company's policy is that valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. There is significant judgement and estimation uncertainty in relation to determining the fair value of the land and buildings, and consequently, whether a material change in value has occurred between valuation cycles. Management have exercised their judgement in determining that there has been no material change in value of the land and buildings since the last valuation.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

The basis of the valuation of land and buildings is fair value and is classified as level 3. The land and buildings were last revalued on November 2021 based on independent assessments by Colliers New Zealand, who recent experience in the location and category of land and buildings being valued. This valuation was performed based on a mixture of 2 approaches being the capitalisation approach and discounted cash flow approach. These valuation methodologies considered current prices for similar properties in the same location and condition. The directors do not believe that there has been a material movement in fair value since the revaluation date.

Note 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Land and buildings	<i>Capitalisation approach</i>		
	Stabilised yield	7.25%	0.5% change would increase/decrease fair value by \$500,000
	<i>Discounted cash flow approach</i>		
	Terminal yield	7.5%	0.5% change would increase/decrease fair value by \$400,000
	Discount rate	8.5%	0.5% change would increase/decrease fair value by \$200,000

Note 11. INTANGIBLES

	June 2023	June 2022
	\$	\$
Trademark - at cost	16,239	16,239
Less: Accumulated amortisation	(2,889)	(2,297)
	<u>13,350</u>	<u>13,942</u>
Website	6,000	6,000
Less: Accumulated amortisation	(4,200)	(3,000)
	<u>1,800</u>	<u>3,000</u>
Total intangibles	<u>15,150</u>	<u>16,942</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Patent and Trademark	Website	Total
	\$	\$	\$
Balance at 1 July 2021	14,533	4,200	18,733
Amortisation expense	(591)	(1,200)	(1,791)
Balance at 30 June 2022	<u>13,942</u>	<u>3,000</u>	<u>16,942</u>
Amortisation expense	(592)	(1,200)	(1,792)
Balance at 30 June 2023	<u>13,350</u>	<u>1,800</u>	<u>15,150</u>

Recognition and Measurement

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes

Note 11. INTANGIBLES (CONTINUED)

in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patent and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is systematically allocated over the useful life of each patent and trademark. In calculating amortisation costs, patents are taken to have a useful life of 20 years, trademarks are taken to have a useful life of 10 years.

Note 12. TRADE AND OTHER PAYABLES

	June 2023	June 2022
	\$	\$
Trade payables	290,881	294,819
Other payables – related parties	222,118	193,097
Other payables	435,597	444,606
	948,596	932,522

Recognition and Measurement

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid with 30 days of recognition of the liability.

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the financial risks associated with trade and other payables refer to Note 21.

Note 13. PROVISIONS

	June 2023	June 2022
	\$	\$
Employee benefits	129,707	104,389
	129,707	104,389

Recognition and Measurement

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 14. DEFERRED CONSIDERATION

	June 2023 \$	June 2022 \$
<i>Current</i>		
Deferred consideration to Premier Hospitality Management	1,283,446	1,283,446
	1,283,446	1,283,446

Recognition and Measurement

Deferred consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the deferred consideration classified as an asset or liability is recognised in profit or loss.

On 30 April 2021, Innlanz Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, this was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. The total deferred payment of \$2,200,000, was agreed by both parties to be paid at \$100,000 per month. The fair value of financial liabilities was estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. Due to the COVID impact, the Company has not yet fully paid the consideration to Premier Hospitality Management. Jhon Shen agreed to pause the payment of AUD100,000 per month for the period commencing from May 1, 2022. Subsequent to the financial year end, Jhon Shen agreed to not require the repayment of the deferred settlement consideration for at least 12 months following the date of authorisation of this financial report.

Note 15. BORROWINGS

	June 2023 \$	June 2022 \$
<i>Non-Current Borrowings</i>		
BNZ Commercial loan	2,108,794	2,389,971
	2,108,794	2,389,971

Heartland Ambassador Hamilton Hotel's bank loan facility has an outstanding balance, totalling \$2,108,794. The total facility limit is NZD\$3,100,000 which is comprised of:

- Fixed interest loan facility of NZD\$620,000 with maturity date on 9 April 2026, interest rate is fixed at 2.3% p.a.
- Variable loan facility of NZD\$2,480,000 with maturity date on 30 July 2027, interest rate is currently 8.36% and was 4.13% at the time the facility was renegotiated in May 2022.

The loan is guaranteed by Jhon Shen. The loan is secured by a General Security Agreement over all present and after acquired property of Ixora Investments Limited. It has additional security in the form of a Mortgage over Record/s of Title No. 767682 being property situated at 86-92 Ulster Street, Hamilton carried in Note 10 at a value of \$6,385,866..

Recognition and Measurement

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 16. ISSUED CAPITAL

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	313,263,608	313,263,608	11,898,945	11,898,945

Recognition and Measurement

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. 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. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 17. RESERVES

	June 2023	June 2022
	\$	\$
Assets revaluation reserve	868,034	868,034
Foreign currency reserve	(86,096)	(153,154)
Group restructure reserve	71,146	71,146
	853,084	786,026

Recognition and Measurement

Assets revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Foreign currency reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Note 18. DIVIDEND

There were no dividends paid, recommended, or declared during the current financial year. (FY2022: Nil)

Note 19. NON-CONTROLLING INTEREST

	June 2023	June 2022
	\$	\$
Retained loss	62,787	61,457
	62,787	61,457

The non-controlling interest has a 35% (2022: 35%) equity holding in The Collection Hotels and Resorts Pty Ltd.

Note 20. LOSS/EARNINGS PER SHARE

	June 2023	June 2022
	\$	\$
a. Earnings used to calculate basic EPS from continuing operations	(284,473)	(931,067)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS*	313,263,608	312,967,719
c. Basic and Diluted earnings per share (cents per share)	(0.09)	(0.30)

*Basic EPS is calculated as the profit (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Note 21. FINANCIAL INSTRUMENTS

The director's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effect on financial performance. Risk management policies are approved and reviewed by Director on a regular basis. These include the credit risk policies and future cash flow requirements.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	\$	\$	\$	\$
New Zealand dollars	167,079	224,942	456,133	427,791

The Group had net liabilities denominated in foreign currencies of \$289,054 (assets of \$167,079 less liabilities of \$456,133) as at 30 June 2023 (2022: net liabilities of \$202,848). Based on this exposure, had the Australian dollars weakened by 3% strengthened by 3% against these New Zealand dollar with all other variables held constant, the Group's profit before tax for the year would have been \$7,736 lower / \$7,736 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2023 was \$Nil (2022: Nil).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value risk. The Group's bank loans outstanding, totalling \$2,108,794 (2022: \$2,389,971), are interest only payment loans. An official increase/decrease in interest rates of 100 (2022: 100) basis points would have an adverse/favourable effect on profit before tax of \$21,088 (2022: \$23,900) per annum.

Credit risk

The Group has a credit risk exposure with customers from which the hotel operating revenue has generated, which as at 30 June 2023 balance owed the Group amounting of \$73,175 (2022: \$77,356). This balance was within its terms of trade and no impairment was made as at 30 June 2023. There are no guarantees against this receivable but management closely monitors the receivable balance on a daily basis and is in regular contact with this customer to mitigate risk. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 21. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	2023	2022
Bank loans (balance at year end)	2,108,794	2,389,971
	<u>2,108,794</u>	<u>2,389,971</u>

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time. The facility limit is NZD\$3,100,000.

Remaining contractual maturities

The following tables detail the Group remaining contractual maturity for its financial instrument liabilities.

2023	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Total Carrying amount \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	290,881	-	-	290,881	290,881
Other payables	-	657,715	-	-	657,715	657,715
Deferred consideration - Current	3%	1,283,446	-	-	1,283,446	1,283,446
Borrowings- Non-Current	7.15%	-	2,108,794	-	2,108,794	2,108,794
Total non-derivatives		2,232,042	2,108,794	-	4,340,836	4,340,836

2022	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Total Carrying amount \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	294,819	-	-	294,819	294,819
Other payables	-	637,703	-	-	637,703	637,703
Deferred consideration - Current	3%	1,283,446	-	-	1,283,446	1,283,446
Deferred consideration – Non- Current	3%	-	-	-	-	-
Borrowings- Non-Current	4%	-	2,389,971	-	2,389,971	2,389,971
Total non-derivatives		2,215,968	2,389,971	-	4,605,939	4,605,939

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of financial assets and financial liabilities can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have material impact on the amounts estimated. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is approximate to fair value.

Note 22. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans
Balance at 30 June 2021	2,512,797
Net cash used in financing activities	(45,094)
Exchange differences	<u>(77,732)</u>
Balance at 30 June 2022	2,389,971
Net cash used in financing activities	(326,196)
Exchange differences	<u>45,019</u>
Balance at 30 June 2023	<u><u>2,108,794</u></u>

Note 23. CAPITAL RISK MANAGEMENT

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 24. SUBSIDIARIES

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023	2022
		%	%
Mediland Pharm NZ Ltd	New Zealand	100%	100%
Ixora Investment Pty Ltd	New Zealand	100%	100%
The Collection Hotels and Resorts Pty Ltd	Australia	65%	65%

Consolidation accounting policies

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Innlanz Limited ('the Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Innlanz Limited and its subsidiaries together are referred to in these financial statements as the 'the Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 24. SUBSIDIARIES (CONTINUED)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 25. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	June 2023	June 2022
	\$	\$
Current assets	789,835	1,136,728
Total assets	3,930,956	4,353,906
Current liabilities	1,579,187	1,567,257
Total liabilities	1,750,473	1,739,361
Equity		
Issued capital	11,898,945	11,898,945
Reserves	-	-
Retained earnings	(9,718,462)	(9,284,403)
	2,180,483	2,614,542
(Loss) for the year	(434,063)	(1,074,791)
Total comprehensive (loss) for the year	(434,063)	(1,074,791)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 (2022: nil).

Capital commitments

The parent entity had no capital commitments for property, plant, and equipment at as 30 June 2023 (2022: nil).

Note 26: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favorable to those available to other parties unless otherwise stated.

Parent entity

Innlanz Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Note 26: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

The following transactions occurred with related parties:

	2023	2022
	\$	\$
<i>Current borrowings:</i>		
Deferred consideration to Premier Hospitality Management (director related entity of Jhon Shen and Yeshween Mudaliar)	1,283,446	1,283,446
Loan from Lotus Hospitality (NZ) Pty Ltd (director related entity of Yeshween Mudaliar)	118,812	118,812

The deferred consideration is unsecured and interest free, the term is 22 months. Due to the COVID impact, the Company has not yet fully paid the consideration to Premier Hospitality Management.

All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. AUDITORS REMUNERATION

During the financial year, the following fees were paid or payable for services provided by, the auditor of the Group:

	2023	2022
	\$	\$
<i>RSM Australia Partners</i>		
Audit and review of the financial statements	59,100	55,000

Note 28. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2023	2022
	\$	\$
Short-term employee benefits	207,953	222,862
Post-employment benefits	17,320	17,445
	<u>225,273</u>	<u>240,307</u>

Note 29. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	2023	2022
	\$	\$
(Loss) after income tax expense for the year	(284,473)	(931,067)
Adjustments for:		
Gain on lease termination	-	(288,206)
Depreciation and amortisation	105,433	104,169
Inventory written off	-	49,934
Income tax expenses	73,447	-
Foreign exchange differences	(3,591)	4,024
Change in operating assets and liabilities (net of acquired business):		
Decrease in trade and other receivables	19,690	267,924
Increase in prepayments	1,885	(2,598)
Decreased in deferred tax assets	6,871	33,949
Increase in trade and other payables	16,074	45,769
Increase / (decrease) in provision for income tax	(16,192)	(47,693)
Decrease in deferred tax liabilities	945	50,077
Increase in other provisions	25,318	43,005
Net cash used in operating activities	(54,593)	(670,713)

Innlanz Limited
Notes to the financial statements
30 June 2023

Note 30. NON-CURRENT ASSETS - DEFERRED TAX

	2023	2022
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant, and equipment	-	3,297
Provision for sick leave	-	5,862
Provision for lieu	-	4,698
Provision for holiday pay	-	16,039
Accrued expenses	-	3,420
Consulting expenses	-	1,543
Legal fees	-	47,824
Listing costs	-	29,486
	<u>-</u>	<u>112,169</u>
Amounts recognised in equity:		
Transaction costs on share issue	-	32,694
	<u>-</u>	<u>32,694</u>
Deferred tax asset	<u>-</u>	<u>144,863</u>
<i>Movements:</i>		
Opening balance	144,863	178,812
(Charged)/credited to profit or loss	(145,284)	(33,949)
Exchange difference in conversion	421	
	<u>-</u>	<u>144,863</u>

Note 31. NON-CURRENT LIABILITIES - DEFERRED TAX

	2023	2022
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant, and equipment	226	4,236
Prepayments	4,029	4,399
Provision for sick leave	(8,602)	-
Provision for lieu	(5,597)	-
Provision for holiday pay	(19,824)	-
Accrued expenses	(6,675)	-
Consulting expenses	(500)	-
Legal fees	(33,993)	-
	<u>(70,936)</u>	<u>8,635</u>
Amounts recognised in equity:		
Listing costs	163,469	163,469
Revaluation of land and buildings	492,537	483,555
	<u>656,006</u>	<u>647,024</u>
Deferred tax liability	<u>585,070</u>	<u>655,659</u>
<i>Movements:</i>		
Opening balance	655,659	268,013
Charged/(credited) to profit or loss	(77,935)	50,077
Charged to equity	7,346	337,569
	<u>585,070</u>	<u>655,659</u>

Note 32. CONTINGENT ASSETS

The consolidated entity had no contingent assets as at 30 June 2023 and 30 June 2022.

Note 33. CONTINGENT LIABILITIES

There remains ongoing litigation between Aussia Pharma OEM Services Pty Ltd and Innlanz Limited involving a claim by Aussia Pharma OEM Services Pty Ltd against Innlanz Limited as debtor and one of the Company's directors (as guarantor) for unpaid invoices totalling approximately \$147,000 plus interest and costs. The proceedings were commenced in the District Court of NSW in 2022 and listed for hearing in October 2023. As there's no judgment made at this stage and the Directors are not able to reasonably estimate the outcome of this claim, and as a result, no provision has been raised for the year ended 30 June 2023. The disclosure of any additional information in relation to this litigation would be considered to be prejudicial to INNLANZ Limited, and consequently, no additional information has been disclosed.

The consolidated entity had no contingent liabilities as at 30 June 2023.

Note 34. EVENTS AFTER THE REPORTING PERIOD

Jhon Shen as the beneficial owner of Premier Hospitality Management had agreed to pause the payment of AUD100,000 per month for the period commencing from May 1, 2022. Subsequent to the financial year end, Jhon Shen agreed to not require the repayment of the deferred settlement consideration for at least 12 months following the date of authorisation of this financial report.

Apart from above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Innlanz Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

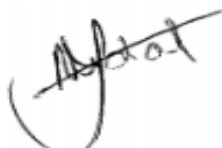
The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Dr. Peter French
Chairman
27 September 2023
Sydney



Yeshween Mudaliar
Managing Director
27 September 2023
Sydney

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INDEPENDENT AUDITOR'S REPORT

To the Members of Innlanz Limited

Opinion

We have audited the financial report of Innlanz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of 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 statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; 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 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* (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.

Key Audit Matter	How our audit addressed this matter
<p>Asset valuations (Property, plant and equipment) Refer to Note 10 in the financial statements</p>	
<p>As at 30 June 2023 the Group held land and building under the revaluation model of \$6,385,868, representing 81% of total assets of the Group.</p> <p>Land and buildings are carried at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The last valuation was done in November 2021</p> <p>The valuation was done using a mixture of capitalisation approach and discounted cashflow approach. Based on the judgmental nature of the inputs used, small differences in inputs could result in materially different resulting valuations.</p> <p>There has been a significant increase in the interest rates potentially impacting the fair value of the land and buildings.</p> <p>The disclosures in Note 10 the financial statements provide information about the sensitivity analysis of the historical valuation, the impact of the change in key inputs under capitalisation approach and discounted cashflow approach on the determination of fair value.</p> <p>Because of the significant increases in interest rates, we have considered the valuation of land and building held under the revaluation model to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtaining the property valuation report prepared in financial year ended 30 June 2022 and performed the following: <ul style="list-style-type: none"> - Obtaining an understanding of the work conducted by the valuer including the purpose of the valuation to determine whether the work performed was considered to be appropriate audit evidence relevant to supporting the carrying value of the property - Evaluating the appropriateness of the valuation methodology applied, and gaining an understanding of the assumptions and estimates used. - Assessing the qualifications, competence and objectivity of the independent property valuer used by management • Obtaining managements updated valuation model and assessing the model for mathematical integrity and accuracy. • Assessing inputs included by management in their updated valuation model for reasonableness. • Reading and evaluating the financial report disclosures, including those around critical accounting judgements, estimates and assumptions, for accuracy and completeness. • Obtaining management representations in respect of the carrying value of the land and buildings.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have 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 at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 11 of the directors' report for the year ended 30 June 2023.

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

Responsibilities

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

RSM

RSM Australia Partners


GNS

G N Sherwood
Partner

Sydney, NSW

Dated: 27 September 2023

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Innlanz Limited
Shareholders Information
30 June 2023

Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 26 September 2023.

(a) Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Fully Paid Shares	Percentage
Pacific Merchants Group Limited	250,000,000	79.80

(b) Distribution of equity securities

(i) Ordinary share capital

313,263,608 fully paid ordinary shares are held by 318 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding are:

Range	 Holders	Fully paid ordinary shares	% Units
1-1,000	13	1,899	0.00
1,001-5,000	43	117,001	0.04
5,001-10,000	86	823,002	0.26
10,001-100,000	134	4,537,934	1.45
100,001 - and over	42	307,783,772	98.25
	318	313,263,608	100.00

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(c) Twenty largest holders of quoted equity securities

Ordinary Shareholder	Fully paid	
	Number	Percentage
PACIFIC MERCHANTS GROUP LIMITED	250,000,000	79.80
MR QIMING DU	13,190,811	4.21
MR YONGQIANG LU	10,000,000	3.19
MS XIYAO SUN	10,000,000	3.19
AUSSIA PHARMACEUTICALS PTY LTD <YAN FAMILY A/C>	2,700,000	0.86
YUN LIU	2,536,236	0.81
MS MING XU <XU FAMILY A/C>	2,500,000	0.80
WEI LIU	1,999,910	0.64
MR ZHIXIONG LI	1,996,000	0.64
MR TISSA WIJESURIYA	1,007,698	0.32
MRS LI CHEN	1,000,000	0.32
LEI WANG	1,000,000	0.32
MS JUN YAN	1,000,000	0.32
WEIQING YE	1,000,000	0.32
MS XIYAO SUN	950,383	0.30
XINJIA CUI	855,600	0.27
MS YI LIU	764,000	0.24
YUANBO LIAN	500,000	0.16
MR ELDO NIRAKKALLUNGAL PAPPACHAN + MS RIBY KURIACHAN <N P FAMILY A/C>	400,000	0.13
MR CHUANG WANG	384,667	0.12
	303,785,305	96.97

(d) Voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(e) Unquoted equity securities - Nil

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