



## ASX Announcement

27 February 2017

**ASX CODE: MPX**

### DIRECTORS

**Mr Nicholas Zborowski**  
Executive Director

**Mr Anthony Ho**  
Non-Executive Director

**Mr Benjamin Young**  
Non-Executive Director

**Mr Jack Spencer-Cotton**  
Non-Executive Director

### CAPITAL STRUCTURE

Ordinary Shares: 91.4M  
Options: 14.0M

**ABN 13 142 375 522**

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North Fremantle WA 6159

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## HALF-YEAR FINANCIAL RESULTS

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2016 and ASX Appendix 4D – Half Year Report of **Mustera Property Group Limited (ASX: MPX)** follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2016.

Nicholas Zborowski  
**Executive Director**

### Company Enquiries:

Nicholas Zborowski – Executive Director  
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**Appendix 4D**  
**Half Year Report to the Australian Securities Exchange**  
**Mustera Property Group Limited and Controlled Entities – ABN 13 142 375 522**  
**Period ending 31 December 2016**

The following information is provided to the ASX under listing rule 4.2A.3

**1. Details of the reporting period and the previous corresponding period.**

|                                                |                                         |
|------------------------------------------------|-----------------------------------------|
| <b>Reporting Period</b>                        | <b>6 Months ending 31 December 2016</b> |
| <b>Previous Corresponding Reporting Period</b> | <b>6 Months ending 31 December 2015</b> |

**2. Results for announcement to the market**

**2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.**

|                                                              |               |              |
|--------------------------------------------------------------|---------------|--------------|
| <b>\$ Revenue from Ordinary Activities - current period</b>  | <b>\$'000</b> | <b>451</b>   |
| <b>\$ Revenue from Ordinary Activities - previous period</b> | <b>\$'000</b> | <b>753</b>   |
| <b>\$ change in Revenue from Ordinary Activities</b>         | <b>\$'000</b> | <b>(302)</b> |
| <b>% change from previous corresponding reporting period</b> | <b>DOWN</b>   | <b>40%</b>   |

**2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.**

|                                                                              |               |              |
|------------------------------------------------------------------------------|---------------|--------------|
| <b>\$ Profit (loss) from ordinary activities after tax - current period</b>  | <b>\$'000</b> | <b>(280)</b> |
| <b>\$ Profit (loss) from ordinary activities after tax - previous period</b> | <b>\$'000</b> | <b>(83)</b>  |
| <b>\$ change in profit (loss) from ordinary activities after tax</b>         | <b>\$'000</b> | <b>(197)</b> |
| <b>% change from previous corresponding reporting period</b>                 | <b>UP</b>     | <b>237%</b>  |

**2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.**

|                                                                       |               |              |
|-----------------------------------------------------------------------|---------------|--------------|
| <b>\$ Net profit (loss) attributable to members - current period</b>  | <b>\$'000</b> | <b>(280)</b> |
| <b>\$ Net profit (loss) attributable to members - previous period</b> | <b>\$'000</b> | <b>(83)</b>  |
| <b>\$ change in net profit (loss) attributable to members</b>         | <b>\$'000</b> | <b>(197)</b> |
| <b>% change from previous corresponding reporting period</b>          | <b>UP</b>     | <b>237%</b>  |

**2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.**

It is not proposed to pay a dividend.

**2.5 The record date for determining entitlements to the dividends (if any).**

Not applicable

**2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.**

Please refer to the Interim Financial Report lodged with this Appendix 4D.

**3. Net tangible assets per security with the comparative figure for the previous corresponding period.**

|                                         |              |             |
|-----------------------------------------|--------------|-------------|
| <b>Net tangible assets per security</b> | <b>Cents</b> | <b>11.7</b> |
| <b>Previous corresponding period</b>    | <b>Cents</b> | <b>11.8</b> |

**Appendix 4D**  
**Half Year Report to the Australian Securities Exchange**  
**Mustera Property Group Limited and Controlled Entities – ABN 13 142 375 522**  
**Period ending 31 December 2016**

**4. Details of entities over which control has been gained or lost during the period, including the following.**

***4.1 Name of the entity.***

None

***4.2 The date of the gain or loss of control.***

Not applicable

***4.3 Where material to an understanding of the report - the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.***

Not applicable

**5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.**

Not applicable

**6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.**

Not applicable

**7. Details of associates and joint venture entities including the following.**

None

***7.1 Name of the associate or joint venture entity.***

Not applicable

***7.2 Details of the reporting entity's percentage holding in each of these entities.***

Not applicable

***7.3 Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.***

Not applicable

**8 For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards).**

Not applicable

**9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.**

The accounts are not subject to any modified opinion, emphasis of matter or other matter paragraph



**ABN 13 142 375 522**

**INTERIM FINANCIAL REPORT**

**31 December 2016**

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## DIRECTORS' REPORT

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The Directors present their report on the consolidated entity consisting of Mustera Property Group Ltd (the **Company** or **Mustera**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the half-year ended 31 December 2016 and the Auditor's Review Report thereon.

### DIRECTORS

#### Directors

The Directors of the Company at any time during or since the end of the interim period and until the date of this report are noted below.

**Mr Nicholas Zborowski**

Executive Director – appointed 10 June 2014

**Mr Anthony Ho**

Non-Executive Director - appointed 3 April 2014

**Mr Benjamin Young**

Non-Executive Director – appointed 23 November 2011

**Mr Jack Spencer-Cotton**

Non-Executive Director - appointed 3 April 2014

### REVIEW OF OPERATIONS

The reporting period saw a number of significant developments, including:

- completion of the Victoria Quarter project. At 31 December 2016 there were 51 sales under contract, reflecting a gross committed sales value of \$21.5 million. Settlement commenced in January 2017;
- the acquisition of the development property at 15 McCabe Street, North Fremantle WA (McCabe Street property);
- the sale of the investment property at 239-251 Woodpark Road, Smithfield NSW (Smithfield property)

The Group incurred a net loss of \$280,490 for the half year. Importantly, no sales revenue from the Victoria Quarter project was recorded in the period. Sales settled subsequent to 31 December 2016 (see Subsequent Events below) will be reflected as revenue in the second half of the financial year ended 30 June 2017. The loss is attributed to the reduction in rental income from the sale of the Smithfield property from September 2016.

Further details of the Group's projects and operations are shown below.

#### Completed Projects

**Victoria Quarter – Lot 803 Foundry Road, Midland WA** – Completion of the Victoria Quarter project occurred during the reporting period. At 31 December 2016, there were 51 sales under contract, two being for the commercial units, reflecting a gross committed sales value of \$21.5 million. 21 apartments remain for sale in the 70 apartment development.

Settlement of all sales under contract at 31 December 2016 is expected in the first quarter of 2017.

#### Future Projects

**Grace Quarter - Lot 801 Helena Street, Midland WA** – Development approval has been received for the development of 67 apartments and 197m<sup>2</sup> of commercial space. Subject to a number of considerations, marketing of the Grace Quarter project is anticipated to commence in the second quarter of 2017.

**75 Haig Park Circle, East Perth WA** - The property comprises a 2,233m<sup>2</sup> site and is situated near the corner of Plain Street and Royal Street, 1.5 Km from the Perth Central Business District. Improvements include an open air at-grade car park with fifty car bays and is leased to Wilson Parking Australia 1992 Pty Ltd for short term public parking.

During the reporting period the Group progressed with its planning for the property with the City of Perth Council (the City) undergoing community consultation, seeking feedback on alternative design options. The community consultation period closed on 24 October 2016 and a formal response from the City is expected in the first half of 2017.

## DIRECTORS' REPORT

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The Group continues to benefit from the income generated from the leased property whilst it works through the planning and approvals process with the City.

The vicinity of the property to the new stadium under construction at Burswood is expected to generate strong interest in the apartments once the design is finalised.

**82 Belmont Avenue, Rivervale WA** – The property comprises office and warehouse improvements of approximately 2,309m<sup>2</sup> on a site area of 4,031m<sup>2</sup>, located at the intersection of Belmont Avenue and Campbell Street, Rivervale.

The Group continues to benefit from the income generated from the leased property whilst undertaking due diligence to determine its development options for the site's highest and best use.

**15 McCabe Street, North Fremantle WA** – The property was purchased during the period for \$5.4 million. The property, with direct ocean and river views, comprises office and warehouse improvements of approximately 2,250m<sup>2</sup> over two levels, on a site area of 2,398m<sup>2</sup>.

During the reporting period the Group progressed with preliminary design development works for the site. The Group anticipates a planning application for a structure plan approval will be submitted in the first half of 2017.

Consistent with the Group's strategy, income will be generated from the leased property whilst development planning is being undertaken.

### Investment Property

**239-251 Woodpark Road, Smithfield NSW** – During the reporting period, the Smithfield investment property at 239-251 Woodpark Road, Smithfield was sold for \$7.3 million. Settlement occurred in September 2016.

### Corporate

As part of an incentive compensation policy, the Company, following shareholder approval, granted 3 million options exercisable at 37 cents each before 30 September 2021 to Directors. In addition to the incentive element to these options, the Company also regarded this to be an effective way to compensate Directors without incurring significant cash costs.

### SUBSEQUENT EVENTS

Subsequent to 31 December 2016, the Group has completed settlement on 34 of the sales under contract at its Victoria Quarter project in Midland, being a gross completed settlement value of \$14.2 million. Following settlement, the Group has repaid approximately \$12.4 million of the project's debt facility. The remaining sales under contract are expected to reach settlement in the first quarter of 2017 with the remaining debt facility to be cleared in this period.

### 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 on page 19 and forms part of the Directors' Report.

This Report is made in accordance with a resolution of the Directors:



Nicholas Zborowski  
Director

Dated at Perth this 24<sup>th</sup> day of February 2017.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**for the half-year ended 31 December 2016**

|                                                                                                           | <b>Half-year</b>  |                   |
|-----------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                           | <b>2016</b>       | <b>2015</b>       |
|                                                                                                           | <b>\$</b>         | <b>\$</b>         |
| <b>Revenue and other income</b>                                                                           |                   |                   |
| Rental income and recoverable outgoings                                                                   | 436,317           | 750,651           |
| Interest                                                                                                  | 14,477            | 2,109             |
| <b>Total revenue and other income</b>                                                                     | <b>450,794</b>    | <b>752,760</b>    |
| <b>Expenses</b>                                                                                           |                   |                   |
| Property expenses and outgoings                                                                           | (295,852)         | (214,018)         |
| Property development costs                                                                                | (52,761)          | (25,724)          |
| Finance costs                                                                                             | (133,334)         | (224,178)         |
| Employee benefits expenses                                                                                | (272,715)         | (192,363)         |
| Administration and overhead costs                                                                         | (188,961)         | (191,209)         |
| Amortisation and depreciation                                                                             | (1,018)           | (1,595)           |
| <b>Total expenses</b>                                                                                     | <b>(944,641)</b>  | <b>(849,087)</b>  |
| <b>Loss before income tax</b>                                                                             | <b>(493,847)</b>  | <b>(96,327)</b>   |
| Income tax benefit                                                                                        | 213,357           | 12,847            |
| <b>Net loss for the period</b>                                                                            | <b>(280,490)</b>  | <b>(83,480)</b>   |
| <b>Other comprehensive income</b>                                                                         |                   |                   |
| Items that will not be reclassified to profit or loss                                                     | -                 | -                 |
| Items that may be reclassified subsequently to profit or loss                                             | -                 | -                 |
| <b>Other comprehensive income/(loss) for the period, net of tax</b>                                       | <b>-</b>          | <b>-</b>          |
| <b>Total comprehensive loss for the period attributable to the ordinary equity holders of the Company</b> | <b>(280,490)</b>  | <b>(83,480)</b>   |
| <br><b>Basic loss per share (cents)</b>                                                                   | <br><b>(0.31)</b> | <br><b>(0.09)</b> |

\*Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2016**

|                                                                        | Note | 31 December 2016<br>\$ | 30 June 2016<br>\$ |
|------------------------------------------------------------------------|------|------------------------|--------------------|
| <b>CURRENT ASSETS</b>                                                  |      |                        |                    |
| Cash and cash equivalents                                              |      | 114,410                | 264,851            |
| Trade and other receivables                                            |      | 118,556                | 172,225            |
| Inventories                                                            | 5    | 22,535,783             | 17,991,054         |
| Assets classified as held for sale                                     |      | -                      | 7,300,000          |
| Other current assets                                                   |      | 84,583                 | 5,699              |
| <b>Total Current Assets</b>                                            |      | <b>22,853,332</b>      | <b>25,733,829</b>  |
| <b>NON-CURRENT ASSETS</b>                                              |      |                        |                    |
| Inventories                                                            | 5    | 15,052,035             | 9,175,186          |
| Property, plant & equipment                                            |      | 8,456                  | 9,474              |
| Deferred tax assets                                                    |      | 25,812                 | -                  |
| <b>Total Non-Current Assets</b>                                        |      | <b>15,086,303</b>      | <b>9,184,660</b>   |
| <b>TOTAL ASSETS</b>                                                    |      | <b>37,939,635</b>      | <b>34,918,489</b>  |
| <b>CURRENT LIABILITIES</b>                                             |      |                        |                    |
| Trade and other payables                                               |      | 367,669                | 2,437,953          |
| Income tax payable                                                     |      | -                      | 56,270             |
| Employee benefits                                                      |      | 30,609                 | 13,363             |
| Borrowings                                                             | 6    | 19,362,151             | 12,015,442         |
| Borrowings directly associated with assets classified as held for sale |      | -                      | 4,340,000          |
| <b>Total Current Liabilities</b>                                       |      | <b>19,760,429</b>      | <b>18,863,028</b>  |
| <b>NON-CURRENT LIABILITIES</b>                                         |      |                        |                    |
| Deferred tax liabilities                                               |      | -                      | 131,275            |
| Borrowings                                                             | 6    | 7,520,000              | 5,010,000          |
| <b>Total non-Current Liabilities</b>                                   |      | <b>7,520,000</b>       | <b>5,141,275</b>   |
| <b>TOTAL LIABILITIES</b>                                               |      | <b>27,280,429</b>      | <b>24,004,303</b>  |
| <b>NET ASSETS</b>                                                      |      | <b>10,659,206</b>      | <b>10,914,186</b>  |
| <b>EQUITY</b>                                                          |      |                        |                    |
| Contributed equity                                                     |      | 10,601,073             | 10,601,073         |
| Other reserves                                                         |      | 54,738                 | 29,228             |
| Retained earnings                                                      |      | 3,395                  | 283,885            |
| <b>TOTAL EQUITY</b>                                                    |      | <b>10,659,206</b>      | <b>10,914,186</b>  |

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the half-year ended 31 December 2016**

|                                                                              | Contributed<br>Equity<br>\$ | Other<br>Reserves<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$       |
|------------------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------|
| Balance at 1 July 2016                                                       | 10,601,073                  | 29,228                  | 283,885                     | 10,914,186        |
| Loss for the half-year                                                       | -                           | -                       | (280,490)                   | (280,490)         |
| <b>Total comprehensive loss for the half-year</b>                            | <b>-</b>                    | <b>-</b>                | <b>(280,490)</b>            | <b>(280,490)</b>  |
| <b>Transactions with equity holders in their capacity as equity holders:</b> |                             |                         |                             |                   |
| Grant of options to Directors                                                | -                           | 25,510                  | -                           | 25,510            |
| <b>Balance at 31 December 2016</b>                                           | <b>10,601,073</b>           | <b>54,738</b>           | <b>3,395</b>                | <b>10,659,206</b> |
| Balance at 1 July 2015                                                       | 9,351,073                   | 29,228                  | 319,015                     | 9,699,316         |
| Loss for the half-year                                                       | -                           | -                       | (83,480)                    | (83,480)          |
| <b>Total comprehensive loss for the half-year</b>                            | <b>-</b>                    | <b>-</b>                | <b>(83,480)</b>             | <b>(83,480)</b>   |
| <b>Transactions with equity holders in their capacity as equity holders:</b> |                             |                         |                             |                   |
| Issue of ordinary shares, net of transaction costs                           | 1,000,000                   | -                       | -                           | 1,000,000         |
| <b>Balance at 31 December 2015</b>                                           | <b>10,351,073</b>           | <b>29,228</b>           | <b>235,535</b>              | <b>10,615,836</b> |

The Consolidated Statement of Changes in Equity is to be read in conjunction with accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the half-year ended 31 December 2016**

|                                                                    | Half-year           |                    |
|--------------------------------------------------------------------|---------------------|--------------------|
| Note                                                               | 2016<br>\$          | 2015<br>\$         |
| <b>Cash flows from operating activities</b>                        |                     |                    |
| Receipts in the course of operations                               | 390,697             | 616,274            |
| Payments in the course of operations                               | (6,513,443)         | (5,305,057)        |
| Payments for property held for development                         | (5,577,492)         | -                  |
| Interest received                                                  | 14,477              | 2,109              |
| Finance costs paid                                                 | (181,836)           | (224,178)          |
| Income tax paid                                                    | (7,721)             | (29,044)           |
| <b>Net cash outflow from operating activities</b>                  | <b>(11,875,318)</b> | <b>(4,939,896)</b> |
| <b>Cash flows from investing activities</b>                        |                     |                    |
| Proceeds from sale of investment property (held for sale)          | 7,153,750           | -                  |
| <b>Net cash inflow from investing activities</b>                   | <b>7,153,750</b>    | <b>-</b>           |
| <b>Cash flows from financing activities</b>                        |                     |                    |
| Proceeds from the issue of share capital                           | -                   | 1,000,000          |
| Proceeds from borrowings                                           | 9,101,127           | 9,310,000          |
| Repayment of borrowings                                            | (4,530,000)         | (5,825,000)        |
| <b>Net cash inflow from financing activities</b>                   | <b>4,571,127</b>    | <b>4,485,000</b>   |
| <b>Net decrease in cash and cash equivalents</b>                   | <b>(150,441)</b>    | <b>(454,896)</b>   |
| <b>Cash and cash equivalents at the beginning of the half-year</b> | <b>264,851</b>      | <b>871,375</b>     |
| <b>Cash and cash equivalents at the end of the half-year</b>       | <b>114,410</b>      | <b>416,479</b>     |

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the half-year ended 31 December 2016

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#### 1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

Mustera Property Group Ltd (**Mustera** or **Parent Entity**) is a public company limited by shares incorporated in Australia whose shares are traded on the Australian Securities Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (collectively the “**Group**” and individually “**Group companies**”). They were authorised for issue by the Board of Directors on 24 February 2017.

The annual financial report of the Group as at and for the financial period ended 30 June 2016 is available upon request from the Company’s registered office or may be viewed on the Company’s website, [www.mustera.com.au](http://www.mustera.com.au).

This interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the financial period ended 30 June 2016 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2016 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

#### 2. CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial report, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2016. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

##### *Fair value measurement hierarchy*

The consolidated entity 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.

##### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the half-year ended 31 December 2016**

## 2. CRITICAL ACCOUNTING ESTIMATES (continued)

### *Classification of properties*

The group makes judgements with respect to the classification of properties as investment property or inventory depending on the Group's intended use of the property. Properties held either to earn income or for capital appreciation or both are classified as investment property. Properties held with the intention of redevelopment and sales of developed products are classified as inventory. The accounting treatments of investment property and inventory are different. Subsequent re-classification of properties may affect the carrying value of a property.

### *Valuation of investment properties held at fair value*

The Group makes judgements with respect to the fair value of investment properties. The fair value of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

### *Inventories*

Note 5 sets out the category of value of inventory carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. They key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold.

## 3. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the financial period ended 30 June 2016.

## 4. SEGMENT INFORMATION

### *Identification of reportable operating segments*

The consolidated entity has identified two reportable segments, being property investment and property development. The identification of reportable segments is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

### *Segment information*

|                                         | Property<br>Investment<br>\$ | Property<br>Development<br>\$ | Other*<br>\$ | Group<br>\$         |
|-----------------------------------------|------------------------------|-------------------------------|--------------|---------------------|
| <i>Half-year ended 31 December 2016</i> |                              |                               |              |                     |
| <b>Segment revenue and other income</b> | 90,716                       | 328,299                       | 31,778       | <u>450,793</u>      |
| <b>Segment result</b>                   | (127,941)                    | (146,538)                     | (6,011)      | <u>(280,490)</u>    |
| <i>As at 31 December 2016</i>           |                              |                               |              |                     |
| <b>Segment assets</b>                   | 3,424                        | 37,762,752                    | 173,459      | <u>37,939,635</u>   |
| <b>Segment liabilities</b>              | -                            | (27,161,336)                  | (119,093)    | <u>(27,280,429)</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the half-year ended 31 December 2016**

**4. SEGMENT INFORMATION (continued)**

|                                         | <b>Property<br/>Investment<br/>\$</b> | <b>Property<br/>Development<br/>\$</b> | <b>Other*<br/>\$</b> | <b>Group<br/>\$</b> |
|-----------------------------------------|---------------------------------------|----------------------------------------|----------------------|---------------------|
| <i>Half-year ended 31 December 2015</i> |                                       |                                        |                      |                     |
| <b>Segment revenue and other income</b> | 343,442                               | 407,209                                | 2,109                | <u>752,760</u>      |
| <b>Segment result</b>                   | 41,111                                | (77,259)                               | (47,332)             | <u>(83,480)</u>     |
| <i>As at 30 June 2016</i>               |                                       |                                        |                      |                     |
| <b>Segment assets</b>                   | 7,400,000                             | 27,200,227                             | 318,262              | <u>34,918,489</u>   |
| <b>Segment liabilities</b>              | (4,508,806)                           | (19,398,850)                           | (96,647)             | <u>(24,004,303)</u> |

\* This column includes head office and group services which are not allocated to any reportable segment.

|                                                             | <b>31 Dec 2016<br/>\$</b> | <b>30 Jun 16<br/>\$</b>  |
|-------------------------------------------------------------|---------------------------|--------------------------|
| <b>5. INVENTORIES</b>                                       |                           |                          |
| <b>Current</b>                                              |                           |                          |
| Land and property held for development and resale (at cost) | <u>22,535,783</u>         | <u>17,991,054</u>        |
| <b>Non-current</b>                                          |                           |                          |
| Land and property held for development and resale (at cost) | <u>15,052,035</u>         | <u>9,175,186</u>         |
| <b>Total</b>                                                | <u><b>37,587,818</b></u>  | <u><b>27,166,240</b></u> |
|                                                             | <b>2016<br/>\$</b>        | <b>2015<br/>\$</b>       |
| <b>Movement in inventories for the half-year</b>            |                           |                          |
| Balance at 1 July                                           | 27,166,240                | 9,999,447                |
| Additions at cost                                           | 5,677,492                 | 1,569,008                |
| Capitalised development costs                               | <u>4,744,086</u>          | <u>4,336,775</u>         |
| Balance at 31 December 2016                                 | <u><b>37,587,818</b></u>  | <u><b>15,905,230</b></u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the half-year ended 31 December 2016**

|                                                                      | 31 Dec 2016<br>\$ | 30 Jun 16<br>\$   |
|----------------------------------------------------------------------|-------------------|-------------------|
| <b>6. BORROWINGS</b>                                                 |                   |                   |
| <b>Current</b>                                                       |                   |                   |
| Loans and commercial overdraft from financial institutions - secured | 18,785,582        | 12,015,442        |
| Loans directly associated with assets held for sale - secured        | -                 | 4,340,000         |
| Interest payable on loans                                            | 576,569           | -                 |
|                                                                      | <b>19,362,151</b> | <b>16,355,442</b> |
| <b>Non-current</b>                                                   |                   |                   |
| Loans – financial institutions - secured                             | <b>7,520,000</b>  | <b>5,010,000</b>  |

**Loans from financial institutions**

| Facility                            | Secured | Maturity Date  | Facility limit<br>Dec 2016<br>\$ | Utilised<br>Dec 2016<br>\$ | Facility limit<br>June 2016<br>\$ | Utilised<br>June 2016<br>\$ |
|-------------------------------------|---------|----------------|----------------------------------|----------------------------|-----------------------------------|-----------------------------|
| Haig Park Cir Facility <sup>1</sup> | Yes     | April 2018     | 2,280,000                        | 2,280,000                  | 2,320,000                         | 2,320,000                   |
| Belmont Facility <sup>2</sup>       | Yes     | June 2020      | 1,950,000                        | 1,950,000                  | 2,100,000                         | 2,100,000                   |
| Smithfield Facility <sup>7</sup>    | Yes     | June 2019      | -                                | -                          | 4,340,000                         | 4,340,000                   |
| Helena St Facility <sup>3</sup>     | Yes     | June 2018      | 670,000                          | 670,000                    | 670,000                           | 670,000                     |
| Foundry Rd Facility <sup>4</sup>    | Yes     | September 2017 | 16,050,000                       | 15,030,582                 | 16,050,000                        | 8,935,442                   |
| Sterlink Facility <sup>5</sup>      | Yes     | May 2017       | 3,000,000                        | 3,000,000                  | 3,000,000                         | 3,000,000                   |
| McCabe St Facility <sup>6</sup>     | Yes     | December 2019  | 3,375,000                        | 3,375,000                  | -                                 | -                           |
|                                     |         |                |                                  | <b>26,305,582</b>          |                                   | <b>21,365,442</b>           |

- 1) This facility is secured by first registered mortgage over the East Perth property held by the Company's 100% owned subsidiary, Claisebrook Holdings Pty Ltd (**Claisebrook**), and first ranking charge over all present and after acquired property of Claisebrook. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of \$20,000 is required on quarterly basis until the maturity date.
- 2) This facility is secured by first registered mortgage over the Belmont property held by the Company and a first ranking charge over all present and acquired property of the Company. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
- 3) This facility is secured by first registered mortgage over the Helena St Midland property held by the Company's 100% owned subsidiary, Grace Property Holdings Pty Ltd (**Grace**), and first ranking charge over all present and after acquired property of Grace. Mustera has also provided unlimited guarantee for this facility. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
- 4) This facility is secured by first registered mortgage over the Foundry Rd Midland property held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**), first registered security agreement over the assets and undertaking of Sterlink and tripartite agreement given by Sterlink and the contracted builder of the Foundry Rd Midland property. Mustera has also provided guarantee and indemnity for this facility limited to the amount of \$16,050,000. Interest is calculated monthly in arrears at variable rates based on a commercial base rate and capitalised to the loan principal. Included in this facility is a commercial overdraft to the limit of \$200,000 which is repayable on demand.
- 5) This facility is secured by a specific security deed over Mustera's shares in its 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**). Interest is calculated on the daily loan balance at a fixed rate and is payable on the earlier of full repayment of the loan and the maturity date of the facility.
- 6) This facility is secured by first registered mortgage over the McCabe St property held by the Company's 100% owned subsidiary, Riversea Property Holdings Pty Ltd (**Riversea**), and first ranking charge over all present and after acquired property of Riversea. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of \$675,000 is required by 31 December 2017.
- 7) This facility was repaid during the half year following the sale of the Smithfield property.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the half-year ended 31 December 2016**

## 7. SHARE BASED PAYMENTS

The following options were granted to directors of the Company during the half-year:

| Class            | Grant Date      | Expiry Date       | Exercise Price | Number of Options |
|------------------|-----------------|-------------------|----------------|-------------------|
| Unlisted Options | 21 October 2016 | 30 September 2021 | \$0.37         | 3,000,000         |

### Fair value of options granted

The fair value of options granted during the half year was calculated at the date of grant using the Black-Scholes option-pricing model. The following table gives the assumptions made in determining the fair value of options on grant date:

|                               |                   |
|-------------------------------|-------------------|
| Fair value per option         | 0.85 cents        |
| Grant date                    | 21 October 2016   |
| Number of options             | 3,000,000         |
| Expiry date                   | 30 September 2021 |
| Exercise price                | \$0.37            |
| Price of shares on grant date | \$0.245           |
| Estimated volatility          | 23%               |
| Risk-free interest rate       | 1.88%             |
| Dividend yield                | 4%                |

The expected price volatility is based on the historical volatility of the Company's share price since the shares were listed on ASX in November 2014.

These options have no vesting conditions attached to them and are expensed in full on issue. Total expense recognised as share-based payments in the half-year was \$25,510 (2015: nil).

## 8. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned below, all other commitments and contingencies remain consistent with those disclosed in the 2016 annual report.

The Group entered into a new lease agreement for its office in Western Australia for a term of four years. Commitments in relation to the office lease at reporting date but not recognised as a liability are payable as follows:

|                                             | 31 Dec 2016    | 30 Jun 2016  |
|---------------------------------------------|----------------|--------------|
|                                             | \$             | \$           |
| Within one year                             | 47,250         | 1,300        |
| After one year but not more than five years | 133,875        | -            |
|                                             | <b>181,125</b> | <b>1,300</b> |

### Contingencies

The consolidated entity does not have any contingent liabilities at balance and reporting dates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the half-year ended 31 December 2016**

## 9. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the reporting period:

|                                                                                                                              | Transactions value for the<br>half-year ended<br>31 Dec 2016<br>\$ | Balance outstanding<br>as at<br>31 Dec 2016<br>\$ |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------|
| Payment for property development services from Quintessential Places Pty Ltd (director-related entity of Nicholas Zborowski) | 78,580                                                             | 86,438                                            |
| Payment for secretarial services from Anthony Ho & Associates (director-related entity of Anthony Ho)                        | 18,000                                                             | 6,600                                             |
| Payment for corporate advisory services from Townshend Capital Pty Ltd (director-related entity of Benjamin Young)           | 30,000                                                             | -                                                 |

Unless otherwise stated, all transactions were made on normal commercial terms and conditions and at market rates.

## 10. FAIR VALUE MEASUREMENT

### Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed 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.
- Level 3: Unobservable inputs for the asset or liability.

As at balance date the consolidated entity did not have any assets or liabilities measured or disclosed at fair value.

| 31 December 2016                 | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|----------------------------------|---------------|---------------|---------------|-------------|
| <b>Assets</b>                    |               |               |               |             |
| Non-current assets held for sale | -             | -             | -             | -           |
| <b>Total assets</b>              | -             | -             | -             | -           |
| 30 June 2016                     | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
| <b>Assets</b>                    |               |               |               |             |
| Non-current assets held for sale | 7,300,000     | -             | -             | 7,300,000   |
| <b>Total assets</b>              | 7,300,000     | -             | -             | 7,300,000   |

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

There were no movements between different fair value measurement levels during the half-year (2015: nil).

## 11. INCOME TAX

The Group has been consolidated for tax purposes and the income tax for the half-year ended 31 December 2016 has been calculated on that basis (30 June 2016: the Group was not consolidated for tax purpose).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the half-year ended 31 December 2016**

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**12. EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to 31 December 2016, the Group has completed settlement on 34 of the sales under contract at its Victoria Quarter project in Midland, being a gross completed settlement value of \$14.2 million. Following settlement, the Group has repaid approximately \$12.4 million of the project's debt facility. The remaining sales under contract are expected to reach settlement in the first quarter of 2017 with the remaining debt facility to be cleared in this period.

## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 15 are in accordance with the Corporations Act 2001, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Nicholas Zborowski  
*Executive Director*

Perth, Western Australia  
24 February 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Ltd

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mustera Property Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mustera Property Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mustera Property Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.



### **Conclusion**

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

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', written over the printed name.

**Glyn O'Brien**

**Partner**

Perth, 24 February 2017

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF MUSTERA PROPERTY GROUP LIMITED**

As lead auditor for the review of Mustera Property Group Ltd for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mustera Property Group Ltd and the entities it controlled during the period.



**Glyn O'Brien**

Partner

**BDO Audit (WA) Pty Ltd**

Perth, 24 February 2017