Appendix 4E
Preliminary Final Report to the Australian Securities Exchange
Mustera Property Group Ltd and Controlled Entities – ABN 13 142 375 522
Period ended 30 June 2018

The following information is provided to the ASX under listing rule 4.3A. The Appendix 4E should be read in conjunction with the annual financial report of Mustera Property Group Ltd for the year ended 30 June 2018.

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

Reporting Period	**Year ended 30 June 2018**
Previous Corresponding Reporting Period	**Year ended 30 June 2017**

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.

$ Revenue from Ordinary Activities - current period	**$'000**	**11,435**
$ Revenue from Ordinary Activities - previous period	**$'000**	**17,449**
$ change in Revenue from Ordinary Activities	**$'000**	**(6,014)**
% change from previous corresponding reporting period	**% DOWN**	**34.5%**

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.

$ Profit (loss) from ordinary activities after tax - current period	**$'000**	**666**
$ Profit (loss) from ordinary activities after tax - previous period	**$'000**	**809**
$ change in profit (loss) from ordinary activities after tax	**$'000**	**(143)**
% change from previous corresponding reporting period	**% DOWN**	**17.5%**

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.

$ Net profit (loss) attributable to members - current period	**$'000**	**666**
$ Net profit (loss) attributable to members - previous period	**$'000**	**809**
$ change in net profit (loss) attributable to members	**$'000**	**(143)**
% change from previous corresponding reporting period	**% DOWN**	**17.5%**

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.

0.25 cents per share unfranked final dividend.

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

17 September 2018

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 Annual Report lodged with this Appendix 4E.

3. A statement of comprehensive income together with notes to the statement, prepared in compliance with AASB 101 'Presentation of Financial Statements' or the equivalent foreign accounting standard.

Please refer to the Annual Report lodged with this Appendix 4E.

4. A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.

Please refer to the Annual Report lodged with this Appendix 4E.

5. A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107 "Statement of Cash Flows', or for foreign entities, the equivalent foreign accounting standard.

Please refer to the Annual Report lodged with this Appendix 4E.

6. A statement of retained earnings, or a statement of changes in equity, showing movements.

Please refer to the Annual Report lodged with this Appendix 4E.

7. 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 source dividend or distribution.

Nil.

8. 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.

Nil.

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

Net tangible assets per security	**Cents**	**21.7 cents**
Previous corresponding period	**Cents**	**12.9 cents**

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

10.1 Name of the entity.

Mustera Property Fund - refer to Notes 2 and 24 of the Annual Report lodged with this Appendix 4E for further details.

10.2 The date of the gain or loss of control.

The Group acquired units in the Mustera Property Fund on 15 February 2018.

10.3 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.

Refer to Note 19 of the Annual Report lodged with this Appendix 4E for details.

11. Details of associates and joint venture entities including the following.

11.1 Name of the associate or joint venture entity.

Nil.

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

Not applicable.

11.3 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.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Please refer to the Annual Report lodged with this Appendix 4E.

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

Not applicable.

14. A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.

Refer to the Directors' Report in the 2018 Annual Report for a commentary on the results of the Group.

14.1 The earnings per security and the nature of any dilution aspects.

Please refer to the Annual Report lodged with this Appendix 4E.

14.2 Returns to shareholders including distributions and buy backs.

Please refer to the Annual Report lodged with this Appendix 4E.

14.3 Significant features of operating performance.

Please refer to the Annual Report lodged with this Appendix 4E.

14.4 The results of segments that are significant to an understanding of the business as a whole.

Please refer to the Annual Report lodged with this Appendix 4E.

14.5 A discussion of trends in performance.

Please refer to the Annual Report lodged with this Appendix 4E.

14.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including where the effect could not be quantified.

Please refer to the Annual Report lodged with this Appendix 4E.

15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.

This report is based on accounts that have been audited.

16. If the accounts have not yet been audited and are likely to contain an independent audit report 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.

Not applicable.

17. If the accounts have been audited and contain an independent audit report 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 audit report contains a paragraph relating to the Group's ability to continue as a going concern.

Dated at Perth, Western Australia this 31st day of August 2018.

Signed in accordance with a resolution of the Directors:

Nicholas Zborowski

Director

Mustera Property Group Ltd

Mustera Property Group Ltd

ABN 13 142 375 522

Annual Report – 30 June 2018

MUSTERA PROPERTY GROUP LTD

Corporate Directory

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)

COMPANY SECRETARY

Mr Kim Hogg

REGISTERED OFFICE

79 Broadway
NEDLANDS WA 6009
Telephone: (61 8) 6389 2688
Facsimile: (61 8) 6389 2588

PRINCIPAL PLACE OF BUSINESS

15 McCabe Street
North Fremantle WA 6159
Telephone: (61 8) 9386 7069
Website: www.mustera.com.au
Website: www.mustera.com.au

AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
NEDLANDS WA 6909
Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

SOLICITOR

Grant Ross Legal
PO Box 4015
WOODLANDS WA 6018

STOCK EXCHANGE

ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: MPX

BANKERS

St.George Bank
A Division of
Westpac Banking Corporation
Tower 2
Level 3, 123 St Georges Terrace
Perth WA 6000

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Mustera Property Group Ltd (the ***Company*** *or* ***Parent Entity****) and its subsidiaries (the* ***Group*** *or* ***Consolidated Entity****) for the year ended 30 June 2018 and the auditor's report thereon.*

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr Nicholas Zborowski
Executive Director, B.Com – appointed 10 June 2014

Mr Zborowski has more than 15 years' experience in the property development and funds management industry and has managed a diverse range of projects and portfolios in Australia and the MENA region.

Prior to commencing work with Mustera in January 2014, Mr Zborowski was Managing Director at Quintessential Places Pty Ltd, a Sydney-based development company. He has also held senior roles with Charter Hall, Tourism Development Investment Company (TDIC), Emaar Malls Group and Australand.

Mr Zborowski has a Bachelor of Commerce Degree with a major in Property from Curtin University, Western Australia.

Mr Anthony Ho
Non-Executive Director, B.Com – appointed 3 April 2014

Mr Ho is a commerce graduate of the University of Western Australia. He qualified as a Chartered Accountant in 1983 with Deloitte and is presently the principal of a consultancy firm, Anthony Ho and Associates, specialising in providing corporate and financial services to ASX-listed companies.

Prior to establishing his practice in 1991, he spent 7 years in a senior corporate role with a major investment and resource group in Western Australia. He is currently a director of a number of companies listed on ASX.

Mr Ho is Chairman of the Audit Committee.

Mr Ho will retire by rotation and will be seeking re-election by shareholders at the 2018 Annual General Meeting.

Mr Benjamin Young
Non-Executive Director, B.Bus – appointed 23 November 2011

Mr Young is the founder and former Managing Director of Mustera, and has a wealth of experience in financial markets.

Mr Young has held senior positions with major banks including Westpac and ANZ both in Australia and overseas. His last position in the financial markets was as the Director, Head of Trading of American Express Bank, Jakarta, Indonesia.

Mr Young has a Bachelor of Business Degree with a Major in Finance and Sub-Major in Banking from Edith Cowan University, Western Australia.

Mr Young is a member of the Audit Committee.

Mr Jack Spencer-Cotton
Non-Executive Director - appointed 4 April 2014

Mr Spencer-Cotton has been involved in the field of engineering for over 20 years. Engineering and technology are both a passion and career, which have given him a range of roles. He is experienced in engineering design, project planning, and team management in large scale projects.

He is presently a capital projects engineer at Pfizer Perth.

COMPANY SECRETARY

Mr Kim Hogg, B.Com – Appointed 3 April 2014

Mr Hogg completed his Bachelor of Commerce in 1984 at the University of Western Australia and has worked in a number of diverse industries in various senior management and accounting roles. He has been a principal of a consultancy firm for more than 20 years with a specialist involvement in the preparation of prospectuses, coordinating the listing and due diligence processes and acting as company secretary for listed entities.

Mr Hogg is currently the secretary of a number of ASX-listed companies providing corporate and accounting advice and services to those clients.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship From	To
Nicholas Zborowski	Not Applicable	-	-
Anthony Ho	Alchemy Resources Limited	2011	Present
	Australian Agricultural Projects Limited	2003	Present
	Newfield Resources Limited	September 2011	Present
	Glory Resources Limited (now de-listed)	February 2014	March 2016
Benjamin Young	Not Applicable	-	-
Jack Spencer-Cotton	Not Applicable	-	-

DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

Director	Shares	Options
Nicholas Zborowski	1,620,169	1,000,000
Anthony Ho	2,000,000	500,000
Benjamin Young	362,509	1,000,000
Jack Spencer-Cotton	1,133,000	500,000

DIRECTORS' MEETINGS

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

	Board		Audit Committee	
Director	Held	Attended	Held	Attended
Nicholas Zborowski	5	5	n/a	n/a
Anthony Ho	5	5	2	2
Benjamin Young	5	5	2	2
Jack Spencer-Cotton	5	5	n/a	n/a

PRINCIPAL ACTIVITY

The principal activity of the Group during the financial year was property investment and development.

REVIEW OF OPERATIONS

Revenue of approximately $9.6 million, attributed to the sale of 25 apartments, was recorded during the year reflecting a gross profit margin of approximately $2.1 million.

The Group recorded an after-tax profit of $517,727 for the financial year (2017: $808,872).

The Group continued with its core operating activities including the acquisition and development of residential and mixed-use projects in Perth, Western Australia during the year. In addition, the Company progressed the formation of its funds management business and established the Mustera Property Fund ("Fund"). The funds management business derives fees by providing investment management, asset management, property management, development management and transactional services to the Fund's portfolio. The Company formally announced the launch of the Fund through the acquisition of a neighbourhood shopping centre in Western Australia for $16.5 million.

The Company raised $1.2 million in cash during the year through the issue of 6 million shares at $0.20 each.

Further details of the Group's operating activities during the year are outlined below.

REVIEW OF OPERATIONS (continued)

Completed Projects

Victoria Quarter, Lot 803 Foundry Road, Midland WA – Sales revenue of approximately $9.6 million was recorded from the sale of 25 apartments.

The unsold apartments (7% of total) reflect a gross realisable value of approximately $2.08 million and continue to be marketed for sale.

Future Projects

Grace Quarter, Lot 801 Helena Street, Midland WA – A development approval is current for 67 apartments and two restaurants / café tenancies.

Due diligence is ongoing for this project including consideration of alternative development themes for the site. It is expected that any variation to the current scheme will deliver a similar commercial outcome.

75 Haig Park Circle, East Perth WA - The property comprises a 2,233m^2 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 50 car bays. The property is currently leased for short-term public parking.

The Group progressed with its planning and approvals for the property with the City of Perth. The draft planning provisions, supporting future development on the site, were presented at a Council meeting in April 2018 whereby the Council resolved to initiate the amendment to the planning provisions.

An independent valuation was completed in March 2018 reflecting a market value of $4.7 million, an uplift of 17.5% from the original acquisition price of $4 million.

Consistent with the Group's strategy, rental income is being generated from the leased property whilst development planning and approvals are being undertaken.

15 McCabe Street, North Fremantle WA – The property, with direct ocean and river views, comprises office and warehouse improvements of approximately 2,250m^2 over two levels, on a 2,398m^2 site.

The Group has continued to progress with preliminary design and planning works for the development in anticipation of applying for structure plan approval later this year.

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

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

The Group continued its assessment and feasibility studies of various development options for the property.

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

New Acquisitions

10 – 14 Forbes Road and 40 A, B, C Kishorn Road, Applecross WA - The Group acquired 10-14 Forbes Road and 40 A, B, C, Kishorn Road, Applecross.

The property is located 8 km from Perth's CBD in Applecross, one of Perth's most affluent suburbs. The property site is within walking distance to the Swan and Canning River foreshores, including multiple food and beverage and retail amenity. Existing public infrastructure, including road and rail networks, are also in close proximity, providing easy access to the CBD, schools, universities and shopping precincts.

The Group acquired a further interest in Applecross Land Holdings Pty Ltd during the year for a consideration of $800,000 increasing the Group's interest in Applecross Land Holdings Pty Ltd to 90%.

The Company anticipates submitting a development application shortly and achieving a development approval in early 2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In July 2017 the Company settled the acquisition of the property located at 10 Forbes Road, Applecross. In August 2017, the adjacent property located at 12–14 Forbes Road and 40 A, B, C Kishorn Road, Applecross was also settled. The aggregate purchase price of the two properties was $7.61 million. Mustera's interest in the properties was increased during the year and at 30 June 2018 Mustera owned 90% of the entity which holds the two properties.

In February 2018 the Company progressed the formation of its funds management business and established the Mustera Property Fund ("Fund"). The funds management business earns fees by providing investment management, asset management, property management, development management and transactional services to the Fund's portfolio. The Company formally announced the launch of the Fund through the acquisition of a neighbourhood shopping centre in Western Australia for $16.5 million. Mustera initially acquired a 12.5% interest in the units issued, which was subsequently reduced to 6.25% by 30 June 2018.

The Company raised $1.2 million in cash during the year through the issue of 6 million shares at $0.20 each before transaction costs.

Total shares on issue at 30 June 2018 were 99,027,111 (2017: 91,416,942).

LIKELY DEVELOPMENTS

The Group will continue to develop its existing projects and review and assess other acquisition and development opportunities in the property market.

The Group will look to grow its assets under management.

DIVIDENDS

Dividends
After the balance sheet date the following dividend was proposed by the directors:

	Cents per share	Total amount ($)
Final dividend recommended:		
Ordinary shares	0.25	$247,568

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial reports.

ENVIRONMENTAL REGULATION

The Directors are not aware of any particular and significant environment regulation under a law of the Commonwealth, State or Territory relevant to the Group.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to 30 June 2018, the Group commenced with concept design works for the property to be developed in Applecross. The Group anticipates submitting a Development Application (DA) in late 2018 and achieving a development approval in early 2019. The Group has also secured an extension of terms on the Forbes loan (loan balance at 30 June 2018 of $2,640,000). The lender has indicated they will consider a further extension if the development approval is not received by 31 October 2018. The intention remains to convert the loan facility into a project loan once an approval is granted.

Since the end of the financial year, the Group refinanced the Claisebrook property (loan balance at 30 June 2018 of $2,160,000) for a term of 36 months.

SHARE OPTIONS

No options were granted since the end of the previous financial year.

On 30 January 2018, 5,000,000 options were exercised using a Cashless Exercise Facility in accordance with the Options Terms and Conditions (as amended and approved by shareholders at a meeting held on 23 January 2018), resulting in the issue of 1,610,169 fully paid ordinary shares.

At the date of this report, unissued ordinary shares of the Company under option are:

Grant date	Expiry date	Exercise Price	Number of Options
21 October 2016	30 September 2021	$0.37	3,000,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current Directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

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

REMUNERATION REPORT - AUDITED

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Key management personnel

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Nicholas Zborowski	Executive Director
Anthony Ho	Non-executive Director
Benjamin Young	Non-executive Director
Jack Spencer-Cotton	Non-executive Director
Chee Onn Kon	Director – Sterlink Development Pty Ltd (resigned on 31 October 2017)

Principles of remuneration

The remuneration structures explained below are competitively set to attract, motivate and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Group's performance including:
  - the growth in share price; and
  - the amount of incentives within each key management person's compensation.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration is determined by the Board as a whole as the Company has not yet established a remuneration committee.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by shareholders in general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders in 2014, is not to exceed $300,000 per annum. Directors' fees cover all main board activities and membership of committees if applicable.

Non-executive directors do not receive any retirement benefits, other than statutory superannuation, nor do they receive any performance-related compensation for their role as non-executive directors.

Non-executive directors' fees as at the reporting date are as follow:

Name	Non-executive directors' fees
A Ho	$20,000 per annum
B Young	$20,000 per annum plus statutory superannuation
J Spencer-Cotton	$20,000 per annum plus statutory superannuation

REMUNERATION REPORT - AUDITED (continued)

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of the employment agreement with Executive directors are provided below.

Executive directors may receive performance-related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Board through a process that considers individual and overall performance of the Group.

Assessing performance and claw-back of remuneration

TheBoard is responsible for assessing performance against Key Performance Indicators (KPIs) and determining the Short-term incentives (STI) and Long-term Incentives (LTI) to be paid. To assist in this assessment, the Board may request detailed reports on performance from management which are based on independently verifiably data such as financial measures, market share and data from independently run surveys. In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

The Group does not have any formal bonus scheme in place. The Group does not have any ongoing commitment to pay bonuses.

In 2017, the efforts of Mr Nicholas Zborowski and Mr Benjamin Young in bringing the sale of the Company's Smithfield Property to a successful conclusion were recognised through the grant of a cash bonus of $25,000 each. The award was made at the discretion of the non-interested Directors. The Group does not have any formal bonus scheme in place, and the 2017 bonus was a one-off payment. The Group does not have any ongoing commitment to pay bonuses.

Long-term incentive

Long-term incentives (**LTI**) may be provided to key management personnel in the form of options over ordinary shares of the Company. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to Directors subject to approval by shareholders in general meeting.

The Company's Securities Trading Policy prohibits employees and Directors of the Company from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.

Consequence of performance on shareholder wealth

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

	2018	2017	2016	2015	2014
Net profit/(loss) for the year	$517,727	$808,872	($35,130)	$403,391	$8,225
Dividends paid	Nil	Nil	Nil	Nil	Nil
Closing share price (30 June)	$0.27	$0.28	$0.23	$0.27	$0.15
Earnings/(loss) per share (cents)	0.54	0.88	(0.04)	0.51	0.018
Weighted average number of shares on issue	99,027,111	91,416,942	89,323,363	78,775,904	46,945,205

Use of remuneration consultants

The Group did not engage the services of a remuneration consultant during the year.

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT - AUDITED (continued)

Employment agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Other major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the Corporations Act 2001 such that they do not require shareholder approval.

Name	Commencement Date	Term of agreement and notice period*	Base salary including superannuation	Termination payments
N Zborowski	1 July 2014	No fixed term 3 months	$197,100	Nil
C Kon	1 October 2014	No fixed term 3 months	$153,300	Nil

* The notice period applies equally to either party

Mr C Kon resigned from his position on 31 October 2017.

Remuneration of key management personnel

		SHORT-TERM			POST-EMPLOY-MENT	SHARE-BASED PAYMENTS			
		Salary & fees* $	STI cash bonus $	Annual Leave $	Super-annuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-executive Directors									
A Ho	2018	20,000	-	-	-	-	20,000	-	-
	2017	20,000	-	-	-	4,252	24,252	-	17.5%
B Young	2018	20,000	-	-	1,900	-	21,900	-	-
	2017	20,000	25,000	-	4,275	8,503	57,778	47.4%	14.7%
J Spencer-Cotton	2018	20,000	-	-	1,900	-	21,900	-	-
	2017	20,000	-	-	1,900	4,252	26,152	-	16.3%
Executive Director									
N Zborowski	2018	165,000	-	9,347	15,675	-	190,022	-	-
	2017	150,000	25,000	(11,538)	16,625	8,503	188,590	14.5%	4.5%
Other KMPs									
C Kon	2018	51,612	-	-	4,903	-	56,516	-	-
	2017	140,000	-	512	13,300	-	153,812	2017	140,000
Total	**2018**	**276,612**	**-**	**9,347**	**24,378**	**-**	**310,337**	**-**	**-**
	2017	**350,000**	**50,000**	**(11,026)**	**36,100**	**25,510**	**450,584**	**11.1%**	**5.7%**

** Includes non-monetary benefits as per Corporations Regulation 2M.3.03(1) Item 6*

Mr C Kon resigned from his position on 31 October 2017. Therefore, his remuneration for the 2018 year is for the period 1 July 2017 to 31 October 2017.

Share-based remuneration

The Company did not provide any share-based remuneration during the financial year.

A total of 3,000,000 options over ordinary shares were granted in the previous financial year, all of which vested immediately. None of these options were exercised or forfeited during the financial year.

REMUNERATION REPORT - AUDITED (continued)

Loans to key management personnel

There were no loans provided to key management personnel of the Group or their close family members or entities related to them during the financial year.

Other transactions with key management personnel

A Director, Mr A Ho, is a partner in the firm Anthony Ho & Associates. During the financial year, Anthony Ho & Associates provided secretarial related services to the Group on normal commercial terms and conditions. The total amount recognised during the financial year relating to these transactions was $37,500.

Mr B Young is a director and shareholder of Townshend Capital Pty Ltd (**Townshend Capital**). During the financial year, Townshend Capital provided corporate advisory services to the Group on normal commercial terms and conditions. The total amount recognised during the financial year relating to these transactions was $95,772.

Mr Young is also a director and shareholder of Kingsfield Pty Ltd (**Kingsfield**). During the financial year, Kingsfield purchased properties from the Group on normal commercial terms and conditions. The total amount recognised during the financial year relating to these transactions was $711,799.

During the reporting period, Kreatif Investments Pty Ltd, a company associated with Messrs Ho and Young, provided a loan facility to the Company with a facility limit of $3,500,000 for a term of 18 months. The loan is unsecured with a fixed interest rate of 4% per annum. At balance date, the loan has been fully repaid.

Movement in key management personnel equity holdings

Fully paid ordinary shares

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 1 July 2017	Granted as remuneration	Additions	Disposals/Other	Held at 30 June 2018
N Zborowski	10,000	-	1,610,169	-	1,620,169
A Ho	2,000,000	-	-	-	2,000,000
B Young	362,509	-	-	-	362,509
J Spencer-Cotton	133,000	-	1,000,000	-	1,133,000
C Kon	-	-	-	-	-

Options over ordinary shares

The movement during the reporting period in the number of options over ordinary shares held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 1 July 2017	Granted as remuneration	Exercised	Disposals/ Other	Held at 30 June 2018	Vested during the year	Vested and exercisable at 30 June 2018
N Zborowski	6,000,000	-	(5,000,000)*	-	1,000,000	-	1,000,000
A Ho	500,000	-	-	-	500,000	-	500,000
B Young	1,000,000	-	-	-	1,000,000	-	1,000,000
J Spencer-Cotton	1,500,000	-	(1,000,000)	-	500,000	-	500,000
C Kon	3,000,000	-	(750,000)	(2,250,000)	-	-	-

* Following shareholder approval in January 2018, 1,610,169 shares were issued upon conversion of 5,000,000 options under a cashless exercise feature.

This concludes the remuneration report, which has been audited.

NON AUDIT SERIVCES

During the year the Group's auditor, BDO Audit (WA) Pty Ltd, has performed certain other services in addition to the audit and review of the financial statements.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amount paid to the auditor of the parent entity, BDO Audit (WA) Pty Ltd, and its network firms for non-audit services provided during the year are set out below:

	2018 $	2017 $
Services other than audit and review of financial statements:		
Tax compliance services	16,250	27,189
Total remuneration for non-audit services	**16,250**	**27,189**

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 50 and forms part of the Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE GOVERNANCE

A copy of the Group's corporate governance statement can be found on the Company's website at http://mustera.com.au/corporate-governance.

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

Nicholas Zborowski
Director
Dated at Perth this 31st day of August 2018.

MUSTERA
PROPERTY GROUP LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	5	11,435,329	17,448,684
Cost of sales		(7,682,823)	(13,632,333)
Gross Profit		3,752,506	3,816,351
Property expenses and outgoings		(647,295)	(700,296)
Property development costs		(414,865)	(582,086)
Employee benefits expenses		(490,816)	(472,729)
Administration and overhead costs		(675,170)	(373,588)
Amortisation and depreciation		(2,846)	(2,724)
Other Income and Expenses		(2,230,992)	(2,131,423)
Finance income		2,111	21,944
Finance costs		(707,239)	(635,238)
Net Finance Income		(705,128)	(613,294)
Profit/(loss) before income tax		816,386	1,071,634
Income tax benefit/(expense)	6	(298,659)	(262,762)
Net profit/(loss) for the year		**517,727**	**808,872**
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to the ordinary equity holders of the Company		**517,727**	**808,872**
Total comprehensive income for the period is attributable to:			
Ordinary equity holders of the parent		666,495	-
Non-controlling interest		(148,768)	-
		517,727	**-**
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share for the financial year (cents)	22	0.69	0.88
Diluted earnings per share for the financial year (cents)	22	0.69	0.86

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 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	527,641	3,516,123
Trade and other receivables	8	230,936	245,993
Inventories	9	1,486,774	12,211,645
Other current assets	10	4,535	121,460
Total Current Assets		2,249,886	16,095,221
NON-CURRENT ASSETS			
Trade and other receivables	8	5,148,880	2,500
Inventories	9	23,395,161	11,895,236
Investment property	11	17,343,665	-
Deferred tax assets	6	56,918	90,270
Property, plant & equipment	12	20,215	19,309
Total Non-Current Assets		45,964,839	12,007,315
TOTAL ASSETS		48,214,725	28,102,536
CURRENT LIABILITIES			
Trade and other payables	13	1,379,604	1,081,959
Income tax payable	14	799,930	382,598
Employee benefits	15	17,831	5,362
Borrowings	16	5,720,000	11,235,000
Total Current Liabilities		7,917,365	12,704,919
NON-CURRENT LIABILITIES			
Other payables	13	2,500	2,500
Deferred tax liabilities	6	-	146,549
Borrowings	16	18,832,416	3,500,000
Total Non-Current Liabilities		18,834,916	3,649,049
TOTAL LIABILITIES		26,752,281	16,353,968
NET ASSETS		**21,462,444**	**11,748,568**
EQUITY			
Contributed equity	17	11,798,408	10,601,073
Other reserves	18	275,241	54,738
Retained earnings	20	1,759,252	1,092,757
Non-controlling interest	19	7,629,543	-
TOTAL EQUITY		**21,462,444**	**11,748,568**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Contributed Equity $	Other Reserves $	Retained Earnings $	Total $	Non-controlling interests $	Total Equity $
Balance at 1 July 2016	10,601,073	29,228	283,885	10,914,186	-	10,914,186
Profit for the year	-	-	808,872	808,872	-	808,872
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	808,872	808,872	-	808,872
Transactions with equity holders in their capacity as equity holders:						
Equity-settled share-based payment	-	25,510	-	25,510	-	25,510
Balance at 30 June 2017	**10,601,073**	**54,738**	**1,092,757**	**11,748,568**	**-**	**11,748,568**

	Contributed Equity $	Other Reserves $	Retained Earnings $	Total $	Non-controlling interests $	Total Equity $
Balance at 1 July 2017	10,601,073	54,738	1,092,757	11,748,568	-	11,748,568
Profit for the year	-	-	666,495	666,495	(148,768)	517,727
Total comprehensive income for the year	-	-	666,495	666,495	(148,768)	517,727
Transactions with equity holders in their capacity as equity holders:						
Issue of ordinary shares, net of transaction costs						
Exercise of options	1,213,285	(13,285)	-	1,200,000	-	1,200,000
Costs of share issue	(15,950)	-	-	(15,950)	-	(15,950)
Non-controlling interest on acquisition of subsidiary		19,957		19,957	7,232,141	7,252,098
Transactions with non-controlling interests	-	213,831	-	213,831	546,170	760,001
Balance at 30 June 2018	**11,798,408**	**275,241**	**1,759,252**	**14,101,741**	**7,629,543**	**21,462,444**

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

MUSTERA PROPERTY GROUP LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts in the course of operations		5,939,618	17,412,842
Payments in the course of operations		(2,317,901)	(7,361,578)
Payments for property held for development		(6,131,144)	(5,577,492)
Interest received		2,111	21,944
Interest paid		(592,742)	(1,953,036)
Income tax refund/(paid)		5,477	2,649
Net cash inflow from operating activities	25	(3,094,581)	2,545,329
Cash flows from investing activities			
Payments for property, plant and equipment		(3,800)	(12,559)
Payments for investment property		(17,343,665)	-
Proceeds from sale of investment property (held for sale) (net of costs)		-	7,153,750
Net cash (outflow)/ inflow from investing activities		(17,347,465)	7,141,191
Cash flows from financing activities			
Proceeds from the issue of share capital		1,200,010	-
Proceeds from the issue of units in property fund		7,000,000	-
Repayment of capital – property fund		(247,911)	-
Payment of share issue costs		(15,950)	-
Proceeds from borrowings		13,540,000	16,180,319
Repayment of borrowings		(3,722,585)	(22,615,567)
Receipts from transactions with non-controlling interests		500,000	-
Payments from transactions with non-controlling interests		(800,000)	-
Net cash inflow/(outflow) from financing activities		17,453,564	(6,435,248)
Net increase/(decrease) in cash and cash equivalents		(2,988,482)	3,251,272
Cash and cash equivalents at 1 July		3,516,123	264,851
Cash and cash equivalents at 30 June	7	**527,641**	**3,516,123**

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

1. REPORTING ENTITY

Mustera Property Group Ltd (**Mustera** or **Parent Entity**) is a listed public company limited by shares, incorporated and domiciled in Australia.

The financial statements cover Mustera Property Group Ltd as a consolidated entity consisting of Mustera and its subsidiaries. The financial statements are presented in Australian dollars, which is Mustera's functional and presentation currency.

A description of the nature of the consolidated entity'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, in accordance with a resolution of directors, on 31 August 2018. The directors have the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, 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 consolidated entity'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.

Going concern

For the year ended 30 June 2018 the Group recorded a profit of $517,727 and had net cash outflows from operating activities of $3,094,581. The Group had cash and cash equivalent of $527,641 and net working capital deficiency of $5,667,479 as at 30 June 2018.

The ability of the Group to continue as a going concern is dependent on securing additional funding for future development works to continue to fund its operational and marketing activities.

The Directors believe there are sufficient funds to meet the Group’s working capital requirements as at the date of this report. Subsequent to year end, the Group expects to receive additional funds via the sale of the Group’s inventory or other financing alternatives such as equity placements or joint venture funding arrangements. As this funding has not yet been secured, there may exist a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern

Notwithstanding this accounting perspective, the financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group has established its bona fides with the building and investment community and with lenders, and it anticipates being able to refinance existing loan facilities, as and when the loan facilities mature and secure funding for future development opportunities;
- the Board believes that the Group is well placed to manage its business risks successfully and has a reasonable expectation that it has adequate resources to continue to operate as a going concern; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the Board is confident that the quality of the Group's development portfolio is such that it will attract appropriate equity and debt financing for its successful development

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mustera Property Group Ltd ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Mustera Property Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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.

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 consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Inventory

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue shall be measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either: (a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or (b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Rent Income and recoverable outgoings

Rent revenue comprises rent received and receivable, and recoverable outgoings charged to tenants in accordance with the lease agreements. Rental revenue from investment properties and inventories is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Interest Income

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

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

(a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

(a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

The Group has unused tax losses, which have been offset against the deferred tax liabilities recognised in the accounts.

Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade receivables are initially recognised 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Property Development

Inventories are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development and borrowing costs during development. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated statement of profit or loss and other comprehensive income. Reversals of previously recognised impairment charges are recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income such that the inventory is always carried at the lower of cost and net realisable value. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Inventory is classified as current when development is expected to be sold in the next 12 months.

Investment properties

Investment property is property which is held either to earn income or for capital appreciation or both. Investment property also includes properties that are under construction for future use as investment properties. Initially, investment property is measured at cost including transaction costs. The investment property is subsequently measured at fair value, with any change therein recognised in profit or loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and experience in the location and category of property being valued, values individual properties periodically as considered appropriate and as determined by management. Acquisition of investment property is not accounted for as a business combination.

In addition, the Group may utilise internal valuation processes for determining fair value at reporting date. These valuation processes are taken into consideration when determining the fair value of the investment properties. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared by considering the capitalisation of net income and the discounting of future cash flows to their present value. These methods incorporate assumptions of future rental income and costs, appropriate capitalisation and discount rates and also consider market evidence of transaction prices for similar investment properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness;
- the allocation of maintenance and other operating cost responsibilities between lessor and lessee; and
- the remaining economic life of the property.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Property, plant and equipment

Items of property, plant and equipment are measured 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 under diminishing balance method to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- Furniture & fittings 3-20 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings.

Leases as lessee

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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 principle 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 interest. 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level 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.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Basic earnings per share is calculated by dividing the net earnings attributable to members of the Company for the reporting period by the weighted average number of ordinary shares of the Company.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

New accounting standards and interpretations that are not yet mandatory

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They have not been applied in preparing this financial report:

(i) *AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(ii) *AASB 15 – Revenue from contracts with customers and AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15*

This standard and the amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and an entity will recognise revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards. The Group is yet to fully assess the impact of this standard.

(iii) *AASB 16 Leases*

This standard is effective for periods beginning on or after 1 January 2019 and is available for early adoption. Under this standard the lessees will no longer be required to classify leases as either operating or finance leases. Lessees will recognise all leases in the statement of financial position (subject to limited exemptions) in a similar manner to exiting finance leases. The requirements for lessor accounting have been carried forward from AASB 117 Leases largely unchanged. The consolidated entity will adopt this standard and the amendments from 1 July 2019 but the impact of its adoption is yet to be assessed.

(iv) *AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments - Disclosure Initiative: Amendments to AASB 140*

This standard and the amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and an entity will be required to clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in AASB 140 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). The consolidated entity is yet to fully assess the impact of this standard.

(v) *AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle Amendments - Disclosure Initiative: Amendments to AASB 112 and 123*

This standard and the amendments are applicable to annual reporting periods beginning on or after 1 January 2019 and an entity will be required to clarify income tax consequences of payments on financial instruments classified as equity and that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The consolidated entity is yet to fully assess the impact of this standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) AASB Interpretation 23, and relevant amending standards - Uncertainty over Income Tax Treatments

This standard and the amendments are applicable to annual reporting periods beginning on or after 1 January 2019 and the Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

► Whether an entity considers uncertain tax treatments separately
► The assumptions an entity makes about the examination of tax treatments by taxation authorities
► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
► How an entity considers changes in facts and circumstances.

The consolidated entity is yet to fully assess the impact of this standard.

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.

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-current assets

The consolidated entity assesses impairment of non-current 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. None of the consolidated entity's non-current assets indicated any impairment trigger during the year.

Classification of properties

The group makes judgements in respect of 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 intension 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. Refer to Note 9 and Note 11 of the financial statements for further details on the Group's inventories and investment properties. There was no re-classification of properties during the reporting period.

Valuation of investment properties held at fair value

The Group makes judgements in respect of 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

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, including but not limited to the fluctuations in the property market. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold when the properties are sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting periods but may impact profit or loss and equity.

Control of subsidiaries

The Group has concluded that it controls the Mustera Property Fund even though it holds less than 50% of the equity and voting rights in this entity. It has been assessed that as Mustera is a unit holder in the trust as well as trustee, therefore Mustera controls the relevant activities and is exposed to variable returns and is therefore required to consolidate the Mustera Property Fund. Refer to Note 24 for details.

3. 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.

Accounting policies

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Segment information

30 June 2018	Property Investment $	Property Development $	Other* $	Group $
Segment revenue and other income	650,076	10,785,780	1,584	11,437,440
Interest expenses	139,434	502,260	31,207	672,901
Segment result	102,875	633,449	(218,597)	517,727
Segment assets	17,343,665	30,171,124	699,936	48,214,725
Segment liabilities	-	26,512,972	239,309	26,752,281

30 June 2017	Property Investment $	Property Development $	Other* $	Group $
Segment revenue and other income	90,716	17,338,812	41,100	17,470,628
Interest expenses	33,557	588,425	130	622,112
Segment result	(199,736)	1,428,247	(419,639)	808,872
Segment assets	-	24,512,361	3,590,175	28,102,536
Segment liabilities	-	16,293,352	60,616	16,353,968

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

Major customers

The Group had one major customer for the year who contributed to more than 71% (2017:10%) of the Group's total revenue. Total revenue received from the major client was $8,162,714 (2017: $2,350,000) which was included in the Property Development segment.

	2018 $	2017 $
4. AUDITOR'S REMUNERATION		
The following fees were paid or payable for the services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, and its related practices:		
Audit and review services		
BDO Audit (WA) Pty Ltd		
Audit or review of financial statements	39,900	35,273
Other Services		
Auditors' related practice – BDO Corporate Tax (WA) Pty Ltd		
Tax compliance services	16,250	27,189
	56,150	**62,462**

5. REVENUE

	2018 $	2017 $
Sale of inventory	9,593,685	16,466,310
Rental income and recoverable outgoings	1,841,644	982,374
	11,435,329	**17,448,684**

6. INCOME TAX

(a) Income tax expense

	2018 $	2017 $
Current tax expense	441,847	394,124
Deferred tax expense	(107,147)	(74,996)
Under provision in prior years	(36,041)	(56,366)
	298,659	**262,762**

(b) Numerical reconciliation between tax expense and pre-tax net profit

	2018 $	2017 $
Profit/(loss) before income tax expense	816,386	1,071,634
Income tax benefit/(expense) calculated at the rate noted in (d) below	224,506	294,699
Change in Tax Rates	-	(1,267)
Effect of non-deductible items	68,217	7,695
Change in recognised deductible temporary differences	17,748	-
Decrease/(increase) in deferred tax balances not previously recognised	-	18,001
Decrease/(increase) in deferred tax balances not recognised	24,229	-
Current period income tax expense	334,700	319,128
Under provision in prior years	(36,041)	(56,366)
Income tax expense	**298,659**	**262,762**

(c) Deferred tax assets and liabilities brought to account

	2018 $	2017 $
The potential tax benefit @ 27.5% (2017: 27.5%) for the following items for which a deferred tax asset has been recognised is as follows:		
Delayed capital expenditure deduction for tax purposes	27,513	38,797
Delayed borrowing costs deduction for tax purposes	17,848	23,826
Expenditure included in the asset cost base for tax purposes	9,965	4,947
Property, plant & equipment	8,094	-
Provisions and accruals	38,847	22,699
Gross deferred tax assets	102,268	90,270
Set off against deferred tax liabilities	(45,350)	-
Net deferred tax assets recognised	**56,918**	90,270

6. INCOME TAX (continued)

	2018 $	2017 $
The temporary difference @ 27.5% (2017: 27.5%) relating to the following item for which a deferred tax liability has been recognised is as follows:		
Accelerated capital expenditure deduction for tax purposes	44,965	113,260
Accelerated prepayment deduction for tax purposes	-	32,723
Accelerated depreciation for tax purposes	384	566
Gross deferred tax liabilities	45,350	146,549
Set off of deferred tax assets	(45,350)	-
Net deferred tax liabilities recognised	**-**	**146,549**

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the Group continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the Group in utilising the benefits.

(d) Deferred tax assets and liabilities not brought to account

	2018 $	2017 $
The potential tax benefit @ 27.5% (2017: 27.5%) for the following items for which no deferred tax asset has been recognised is as follows:		
Carry forward tax losses	78,550	54,321
Gross deferred tax assets	78,550	54,321
Set off against deferred tax liabilities	-	-
Net deferred tax assets not recognised	**78,550**	**54,321**
Net deferred tax liabilities not recognised	**-**	**-**

(e) Tax Rate

The domestic effective tax rate of Mustera Property Group Ltd is 27.5% for the year ended 30 June 2018 (2017: 27.5%)

7. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank and in hand	**527,641**	**3,516,123**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

	2018 $	2017 $
8. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	223,466	93,388
Sundry debtors	7,470	2,605
Deposit for purchase of property	-	150,000
	230,936	**245,993**
Non-current		
Security deposit – carpark lease	2,500	2,500
Vendor finance receivable	5,146,380	-
	5,148,880	**2,500**

(a) No receivables were past due but not impaired. The Group's exposure to credit risk related to trade and other receivables is disclosed in Note 29.

(b) The vendor finance was entered between Sterlink Development Pty Ltd and Spectra (WA) Pty Ltd during the year. 2 loans of $4,056,180 and $1,090,200, totalling $5,146,380, were drawn down by Spectra (WA) Pty Ltd for the acquisition of the Victoria Quarter apartments. Interest and principal repayments will be made in accordance to the loan repayment schedule over a period of 15 years with the loan fully repaid by 1 June 2033.

9. INVENTORIES

	2018 $	2017 $
Current		
Land and property held for development and resale (at cost)	1,486,774	12,211,645
Non-current		
Land and property held for development and resale (at cost)	23,395,161	11,895,236
Total inventories	**24,881,935**	**24,106,881**

(a) Movement in inventories

	2018 $	2017 $
Balance at 1 July	24,106,881	27,166,240
Additions at cost	8,034,047	5,400,000
Acquisition transaction costs	-	277,492
Capitalised development costs	56,893	4,133,224
Capitalised borrowing costs	172,599	668,670
Sales of inventory	(7,488,486)	(13,538,745)
Balance at 30 June	24,881,934	24,106,881

(b) Assets pledged as security

Some of the Group's Borrowings (refer Note 16) are secured by registered mortgage over properties classified as inventory plus fixed and floating charges over all the assets and undertakings held by the Group.

10. OTHER CURRENT ASSETS

	2018 $	2017 $
Prepaid Insurance	-	13,991
Prepaid interest	-	105,000
Other prepayments	4,535	2,469
	4,535	**121,460**

	2018 $	2017 $
11. INVESTMENT PROPERTY		
Investment property at fair value	**17,343,665**	**-**

(a) Movement in investment property

Balance at 1 July	-	-
Acquisitions	17,343,665	-
Balance at 30 June	**17,343,665**	-

	2018 $	2017 $
(i) Amounts recognised in profit and loss for investment properties		
Rental income	649,337	-
Direct operating expenses from property that generated rental income	194,693	-

(ii) Investment properties, principally land and buildings, are held for long-term rental yields and are not occupied by the entity. They are carried at fair value. Changes in fair value are presented in the profit or loss as part of other income. Refer to Note 30 for details of Fair Value.

(iii) Assets pledged as security

Some of the Group's Borrowings (refer Note 16) are secured by registered mortgage over properties classified as investment properties plus fixed and floating charges over all the assets and undertakings held by the Group.

12. PROPERTY, PLANT & EQUIPMENT

	2018	2017
Office furniture & equipment – at cost	35,471	31,672
Less: Accumulated depreciation	(15,256)	(12,363)
	20,215	**19,309**

Reconciliations of carrying amount

Office furniture & equipment

	2018	2017
Balance at 1 July	19,309	9,474
Additions	3,799	12,559
Disposals	(47)	-
Depreciation	(2,846)	(2,724)
Balance at 30 June	20,215	19,309

13. TRADE AND OTHER PAYABLES

Current

	2018 $	2017 $
Trade creditors and accruals	1,379,604	1,070,388
Interest payable	-	11,571
	1,379,604	**1,081,959**
Non-current		
Tenant security deposits	**2,500**	**2,500**

The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 29. The carrying amount of trade and other payables approximates its fair value.

14. INCOME TAX PAYABLE

Income tax payable	**799,930**	**382,598**

15. EMPLOYEE BENEFITS

Provision for annual leave entitlements	**17,831**	**5,362**
Balance brought forward	5,362	13,363
Movement during the year	12,469	(8,001)
Balance carried forward	17,831	5,362

16. LOANS & BORROWINGS

Current			
Loans and commercial overdraft from financial institutions	(a)	5,720,000	11,235,000
		5,720,000	**11,235,000**
Non-current			
Loans from financial institutions	(a)	**18,832,416**	**3,500,000**

(a) Loans from financial institutions

Facility	Secured	Maturity Date	Facility limit 2018 $	Utilised 2018 $	Facility limit 2017 $	Utilised 2017 $
McCabe St Facility[1]	Yes	December 2019	2,950,000	2,932,416	3,375,000	3,375,000
Haig Park Cir Facility[2]	Yes	July 2018	2,160,000	2,160,000	2,240,000	2,240,000
Belmont Facility[3]	Yes	June 2020	1,950,000	1,950,000	1,950,000	1,950,000
Forbes Facility[4]	Yes	July 2018	2,640,000	2,640,000	-	-
Helena St Facility[5]	Yes	September 2018	670,000	670,000	670,000	670,000
Shoalwater Facility[6]	Yes	February 2021	9,900,000	9,900,000	-	-
Sterlink Facility[7]	Yes	July 2019	800,000	800,000	-	-
Anrinza private loan[8]	No	May 2020	3,500,000	3,500,000	3,500,000	3,500,000
Short-term bridge loans[9]	Yes	December 2017	-	-	3,000,000	3,000,000
				24,552,416		14,735,000

1) 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 $425,000 was made during the year and 4 principal repayment of $62,500 per quarter, totalling $250,000 will be paid by 29 April 2019. This loan was classified as a current liability under AASB 101 as the Group did not have a covenant waiver in place at 30 June 2017. This waiver was granted by the Commonwealth Bank of Australia on 22 August 2017 and the loan is now reclassified to a non-current loan given this loan is not payable until December 2019.

2) This facility is secured by first registered mortgages 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. Subsequent to 30 June 2018, the loan has been refinanced for a term of 36 months. Principal repayment of $33,575 is required on quarterly basis until 30 April 2020.

16. LOANS & BORROWINGS (continued)

3) 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.
4) This facility has an initial term of 1 year and subsequent to 30 June 2018 the bank has further extended this facility for 90 days to 31 October 2018 (refer Note 31). The facility is secured by first registered mortgages over the property at Forbes Road and Kishorn Road held by the Company's 100% owned subsidiary, Applecross Land Holdings Pty Ltd (Applecross) and first registered general security agreement over the assets and undertaking of Applecross. There is a flawed asset arrangement over a cash deposit held with the bank for no less than $80,000 by Applecross. 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.
5) This facility is secured by first registered mortgages 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.
6) This facility has a term of 3 years and expires in February 2021. The facility is secured by first registered mortgages over the investment property (Shoalwater Shopping Centre) held by the Trust and first ranking charge over all assets and undertakings of the Trust. Interest is payable quarterly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
7) This facility has a term of 2 years and expires in July 2019. The facility is secured by first registered mortgages over the selected apartments at Victoria Quarter, Midland held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
8) This facility is provided by a major shareholder of the Group and is unsecured and interest free.

9) These loans are secured by first mortgages over selected apartments at Victoria Quarter, Midland held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd. Interest is payable on each advance wholly in advance at a fixed rate. This facility was repaid during the year following the sale of the Midland development properties.

(b) Fair Value

The fair values of the Group's borrowings are not materially different to their carrying amounts since the interest payable on those borrowings are close to current market rates.

	2018 $	2017 $
17. EQUITY – ISSUED CAPITAL		
99,027,111 (2017: 91,416,942) fully paid ordinary shares	**11,798,408**	**10,601,073**

(a) Ordinary shares

The following movements in ordinary share capital occurred during the financial year:

	2018 Number	2017 Number	2018 $	2017 $
Balance at beginning of year	91,416,942	91,416,942	10,601,073	10,601,073
Issue of shares at $0.20 each on 19 October 2017	2,750,000	-	550,000	-
Issue of shares at $0.20 each on 27 October 2017	1,000,000	-	200,000	-
Issue of shares at $0.20 each on 9 November 2017	2,250,000	-	450,000	-
Issue of shares on conversion of options under cashless exercise feature	1,610,169	-	13,285	-
Share issue costs	-	-	(15,950)	-
Balance at the end of the year	99,027,111	91,416,942	11,798,408	10,601,073

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder 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.

(b) Capital risk management

The consolidated entity'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.

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

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Loan covenants

Under the terms of the major borrowing facilities, the group is required to comply with an interest coverage ratio of between 1.5 and 2.0 times earnings. The Group is in compliance with these covenants. Refer to Note 16 for details of 2017 covenant compliance.

	2018 $	2017 $
18. OTHER RESERVES		
Employee Options Reserve		
Balance at beginning of year	54,738	29,228
Value of options granted during the year (Note 28)	-	25,510
Exercise of options during the year	(13,285)	-
Balance at end of year	**41,453**	**54,738**

The employee options reserve is used to recognise the fair value of options issued for employee services. Refer to Note 28 for further details of value of options granted during the year.

18. OTHER RESERVES

Transactions with Non-Controlling Interest Reserve

	2018 $	2017 $
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity – Applecross Land	213,831	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity – Property Fund	19,957	-
Balance at end of year	**233,788**	**-**

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control. Refer Note 19.

Total other reserves	**275,241**	**54,738**

19. NON-CONTROLLING INTERESTS

On 16 August 2017, one of the group's subsidiaries, Applecross Land Holdings Pty Ltd (**Applecross Land**), issued 2,000 fully paid ordinary shares to third parties at a deemed issue price of $780 per share as part of the consideration for acquisition of a property, resulting in a 20% non-controlling interest in Applecross Land immediately after the share issue. The fair value of net assets in Applecross Land immediately after the share issue was $5,423,680. The group recognised an increase in non-controlling interests of $1,084,736 and an increase in equity attributable to owners of the parent of $475,264.

On 13 October 2017, the group acquired an additional 5% of the issued shares of Applecross Land for $400,000. Immediately prior to the purchase, the carrying amount of the existing 20% non-controlling interest in Applecross Land was $1,077,566. The group recognised a decrease in non-controlling interests of $269,391 and a decrease in equity attributable to owners of the parent of $130,609.

On 21 December 2017, the group acquired an additional 1.75% of the issued shares of Applecross Land for $100,000. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest in Applecross Land was $802,527. The group recognised a decrease in non-controlling interests of $93,628 and a decrease in equity attributable to owners of the parent of $6,372.

On 11 January 2018, the group acquired an additional 3.25% of the issued shares of Applecross Land for $300,000. Immediately prior to the purchase, the carrying amount of the existing 13.25% non-controlling interest in Applecross Land was $715,692. The group recognised a decrease in non-controlling interests of $175,547 and a decrease in equity attributable to owners of the parent of $124,453.

On 15 June 2018, the group transferred 500,000 units in one of the group's subsidiaries, Mustera Property Fund (**Property Fund**) to third parties, resulting in an increase of non-controlling interest from 87.5% to 93.75% in the Property Fund immediately after the units transfer. The carrying amount of the existing 87.5% non-controlling interest in the Property Fund was $6,859,074. The group recognised an increase in non-controlling interests of $489,934 and a decrease in equity attributable to owners of the parent of $19,957.

The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	2018 $	2017 $
Carrying amount of non-controlling interests – Applecross Land	537,680	-
Carrying amount of non-controlling interests – Property Fund	7,091,863	-
Balance at end of year	**7,629,543**	**-**

19. NON-CONTROLLING INTERESTS (continued)

Set out below is summarised financial information for each subsidiary that has con-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	**MPF 30 June 2018 $**	**Applecross 30 June 2018 $**
Current assets	194,380	93,571
Current liabilities	73,391	2,820,989
Current net assets	120,989	(2,727,418)
Non-current assets	17,343,665	8,293,273
Non-current liabilities	9,900,000	189,062
Non-current net assets	7,443,665	8,104,211
Net assets	7,564,654	5,376,793
Accumulated NCI	7,091,863	537,680

Summarised statement of comprehensive income	**MPF 30 June 2018 $**	**Applecross 30 June 2018 $**
Revenue	649,337	-
Profit/(loss) for the period	(154,260)	(88,966)
Other comprehensive income	-	-
Total comprehensive income/(loss)	(154,260)	(88,966)
Profit allocated to NCI	(140,278)	(8,490)

Summarised cash flows	**MPF 30 June 2018 $**	**Applecross 30 June 2018 $**
Cash flows used in operating activities	(159,724)	(6,470,175)
Cash flows used in investing activities	(17,343,665)	-
Cash flows from financing activities	17,618,914	3,363,736
Net increase/(decrease) in cash and cash equivalents	115,525	(3,106,439)

There were no transactions with non-controlling interests in 2017.

20. RETAINED EARNINGS/ACCUMULATED LOSSES

	2018 $	2017 $
Retained earnings/(accumulated losses) at the beginning of the year	1,092,757	283,885
Net profit/(loss) for the year	666,495	808,872
Retained earnings at the end of the year	**1,759,252**	**1,092,757**

21. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group leases its offices under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018 $	2017 $
Within one year	21,273	19,500
After one year but not more than five years	40,773	-
	62,046	**19,500**

Capital expenditure commitments

The consolidated entity does not have any capital expenditure commitments at balance and reporting dates.

Rental guarantees

The consolidated entity has provided rental guarantee on certain properties sold by the Group during the year. Maximum amount payable at reporting date under the rental guarantees but not recognised as liabilities are payable as follows:

	2018 $	2017 $
Within one year	385,461	174,411
After one year but not more than five years	176,433	87,687
	561,894	**262,098**

Contingencies

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

22. EARNINGS PER SHARE

	2018 $	2017 $
Profit after income tax attributable to ordinary shareholders	666,495	808,872
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	96,123,478	91,416,942
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	2,200,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	96,123,478	93,616,942
	Cents	**Cents**
Basic earnings per share	0.69	0.88
Diluted earnings per share	0.69	0.86

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the consolidated entity is set out below:

	2018 $	2017 $
Short-term employee benefits	285,959	388,974
Post-employment benefits	24,378	36,100
Share based payments	-	25,510
	310,337	**450,584**

24. RELATED PARTY TRANSACTIONS

(a) Parent entity

Mustera Property Group Ltd is the parent entity.

(b) Subsidiaries

The Group's interests in subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Name of entity	Place of business/country of incorporation	Ownership interest held by the Group 2018	Ownership interest held by the Group 2017	Principal activities
Sterlink Development Pty Ltd	Australia	100%	100%	Property development
Grace Property Holdings Pty Ltd	Australia	100%	100%	Property development
Claisebrook Holdings Pty Ltd	Australia	100%	100%	Property development
Riversea Property Holdings Pty Ltd	Australia	100%	100%	Property development
Apex View Pty Ltd	Australia	100%	100%	Property development
Applecross Land Holdings Pty Ltd (formerly known as Apex Land Holdings Pty Ltd)	Australia	90%	100%	Property development
Mustera Property Fund Management Pty Ltd*	Australia	100%	N/A	Management
MPX Group Pty Ltd*	Australia	100%	N/A	Trustee company for Mustera Property Fund
Mustera Property Fund*	Australia	6.25%	N/A	Property investment

*These entities were incorporated/established during the year.

Loans made by Mustera Property Group Ltd to wholly-owned subsidiaries are contributed to meet required expenditure payable on demand and are not interest bearing.

As set out in Note 2, The Group has concluded that it controls the Mustera Property Fund even though it holds less than 50% of the equity and voting rights in this entity. It has been assessed that the trustee of the Mustera Property Fund, who can appoint the manager of the fund, controls the relevant activities of this entity. It was has been determined that Mustera Property Group controls the Mustera Property Fund on the basis that a 100% owned subsidiary of Mustera Property Group is the trustee of the Mustera Property Fund and the trust deed does not provide unit holders with the ability to change the trustee.

(c) Key management personnel compensation

Disclosures relating to key management personnel are set out in Note 23.

24. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with related parties

The following transactions occurred with related parties:

Transaction Details	2018 $	2017 $
Payment for property development services from Quintessential Places Pty Ltd (director-related entity of Nicholas Zborowski)	-	83,580
Payment for secretarial services from Anthony Ho & Associates (director-related entity of Anthony Ho)	37,500	36,000
Payment for corporate advisory services from Townshend Capital Pty Ltd (director-related entity of Benjamin Young)	95,772	90,000
Revenue from sales of inventory to Kingsfield Pty Ltd (director-related entity of Benjamin Young)	711,799	764,900

(e) Terms and conditions

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

25. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $	2017 $
Profit/(loss) after income tax	(557,449)	(823,350)
Total comprehensive income/(loss)	(557,449)	(823,350)

Statement of financial position

	Parent	
	2018 $	2017 $
Total current assets	203,283	3,312,614
Total assets	17,239,933	15,924,130
Total current liabilities	912,158	2,402,327
Total liabilities	6,593,801	5,904,598
Equity		
Issued capital	11,798,408	10,601,073
Share based payments reserve	41,453	54,738
Accumulated losses	(1,193,729)	(636,279)
Total equity	10,646,132	10,019,532

25. PARENT ENTITY INFORMATION (continued)

Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to $3,310,000 (2017: $2,640,000), secured by registered mortgages over the freehold properties of the subsidiaries. The parent entity has also provided guarantee in respect of a property lease entered into by its wholly owned subsidiary. No liability was recognised by the parent entity in relation to these guarantees.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

26. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2018 $	2017 $
(a) Cash flows from operating activities		
Profit for the year	517,727	808,872
Adjustments of non-cash/non-operating items:		
Depreciation	2,846	2,724
Loss on disposal of fixed assets	47	-
Vendor financed apartment sales	(5,146,380)	-
Share based payments	-	25,510
Costs of sale of investment property	-	146,250
Operating loss before changes in working capital and provisions	(4,625,760)	983,356
Change in trade and other receivables	527,075	(76,268)
Change in prepayments	115,072	(115,761)
Changes in inventories and assets held for sale	697,985	3,059,360
Change in deferred tax assets	(11,998)	(90,270)
Change in trade and other payables	(125,558)	(1,548,687)
Change in provision for income tax	417,332	326,327
Change in deferred tax liabilities	(101,199)	15,273
Change in employee benefits	12,470	(8,001)
Net cash used in operating activities	(3,094,581)	2,545,329

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the financial year (2017: Nil)

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017 $	Cash flows $	2018 $
Long-term borrowings	3,500,000	15,332,00	18,832,000
Short-term borrowings	11,325,000	(5,515,000)	5,720,000
Total liabilities from financing activities	14,735,000	9,817,000	24,552,000

28. SHARE BASED PAYMENTS

The following options were granted to directors of the Company during the previous financial 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 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 for the year was $Nil (2017: $25,510).

Set out below are summaries of options granted to directors and employees of the Group:

Grant date	Exercise price	Expiry date	Balance at start of year	Granted/(Exercised) during year	Balance at end of year	Vested and exercisable at end of year
2018						
31 January 2014	$0.20	31 January 2018	11,000,000	(11,000,000)	-	-
21 October 2016	$0.37	30 September 2021	3,000,000	-	3,000,000	3,000,000
			14,000,000	(11,000,000)	3,000,000	3,000,000
Weighted Average exercise price			$0.24	($0.20)	$0.37	$0.37
2017						
31 January 2014	$0.20	31 January 2018	11,000,000	-	11,000,000	11,000,000
21 October 2016	$0.37	30 September 2021	-	3,000,000	3,000,000	3,000,000
			11,000,000	3,000,000	14,000,000	14,000,000
Weighted Average exercise price			$0.20	$0.37	$0.24	$0.24

11,000,000 options at exercise price of $0.20 were exercised during the periods covered by the above tables. No options expired or were forfeited during the periods covered by the above tables.

The options outstanding at 30 June 2018 have a weighted average remaining contractual life of 39 months (2017: 16.43 months).

29. FINANCIAL RISK MANAGEMENT

Overview

Risk management is carried out under policies set by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Group. The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk and price risk). The overall risk management strategy focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out under the direction of the Board.

The Group holds the following financial instruments as at 30 June:

	2018 $	2017 $
Financial assets		
Cash and cash equivalents	527,641	3,516,123
Trade and other receivables	5,379,816	248,493
	5,907,457	3,764,616
Financial liabilities		
Trade and other payables	365,367	303,646
Loans and borrowings	24,552,416	14,735,000
	24,917,783	15,038,646

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns. There were no changes in the Group's market risk management policies from previous years.

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

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 issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk.

The Group's loans and borrowings with variable rates which expose the Group to cash flow interest rate risk totalling $21,052,416 as at 30 June 2018 (2017: $8,235,000). These loans are interest only except for agreed principal repayments of $62,500 and $33,575 per quarter for the respective loans. Monthly cash outlays of approximately $77,000 (2017: $30,000) are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points (2017: 100) would have an adverse/favourable effect on profit before tax of $210,524 (2017: $82,350) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

The Group receives interest on its cash management deposits based on daily balances at variable interest rates. The Group's operating accounts do not attract interest.

29. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Group.

The Group's maximum exposure to credit risk at the reporting date was:

	2018 $	2017 $
Cash and cash equivalents	527,571	3,516,073
Trade and other receivables	5,379,816	248,493
	5,907,387	3,764,566

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating[1] A-1+	Internally rated[2] No default	Total
At 30 June 2018			
Cash and cash equivalents	527,571	-	527,571
Trade and other receivables – current	-	230,936	230,936
Trade and other receivables – non-current	-	5,148,880	5,148,880
	527,571	**5,379,816**	**5,907,387**
At 30 June 2017			
Cash and cash equivalents	3,516,073	-	3,516,073
Trade and other receivables – current	-	245,993	245,993
Trade and other receivables – non-current	-	2,500	2,500
	3,516,073	248,493	3,764,566

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.
2. Trade and other receivables represent rental income receivables, interest accrued and deposit paid.

Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

The non-current receivable of $5,148,880 is secured by a mortgage over the apartments. Mustera's credit risk is managed by regularly monitoring the receivable on an ongoing basis and through the establishment of a credit limit considered manageable for the customer.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments: Cash flows for liabilities without fixed amount or timing are based on conditions existing at year end.

30 June 2018	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	365,367	(365,367)	(362,867)	(2,500)	-
Loans and borrowings	24,552,416	(26,139,749)	(6,290,145)	(19,849,605)	-
	24,917,783	(26,505,116)	(6,653,011)	(19,852,105)	-

29. FINANCIAL RISK MANAGEMENT (continued)

30 June 2017	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	303,646	(303,646)	(301,146)	(2,500)	-
Loans and borrowings	14,735,000	(15,395,605)	(6,912,423)	(8,483,182)	-
	15,038,646	(15,699,251)	(7,213,569)	(8,485,682)	-

Fair value measurement of financial instruments

The carrying amounts of the Group's financial instruments are assumed to approximate their fair value due to either their short term nature or their terms and conditions, including interest payable at variable rates. The fair value of the Group's borrowings are not materially different to their carrying amount since the interest payable on those borrowings are close to current market rates.

The carrying value for the interest free loan is based on initial recognition as the carrying value would likely be consistent with the fair value.

30. 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.

2018	Level 1	Level 2	Level 3	Total
Assets				
Investment property	-	-	17,343,665	17,343,665
Total assets	-	-	17,343,665	17,343,665

Valuation techniques for fair value measurements categorised within level 3

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation techniques	significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation of net income: the valuation method considers the present value of expected future rental income to be generated from the property, taking into account the market rental income, leasing downtimes and leasing incentive such as rent free periods. The expected future rental income is divided by a capitalisation rate. Among other factors, the capitalisation rate considers the nature, location and tenancy profile of the property.	• Market fully leased net rental income per annum after vacancy allowance ($1.26m) • Capitalisation rate (7%) • Leasing vacancy (5,4%; weighted lease duration by income: 8 years)	The estimated fair value would increase (decrease) if: • Expected market rental income were higher (lower); • Capitalisation rate were lower (higher); • Leasing downtime were shorter (longer); or

The fair values adopted for investment properties have been supported by independent external valuations are considered to reflect market conditions at balance date.

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 year (2017: nil).

31. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2018, the Group commenced with concept design works for the property to be developed in Applecross. The Group anticipates submitting a Development Application (DA) in late 2018 and achieving a development approval in early 2019. The Group has also secured an extension of terms on the Forbes loan (loan balance at 30 June 2018 of $2,640,000). The lender has indicated they will consider a further extension if the development approval is not received by 31 October 2018. The intention remains to convert the loan facility into a project loan once an approval is granted.

Since the end of the financial year, the Group refinanced the Claisebrook property (loan balance at 30 June 2018 of $2,160,000) for a term of 36 months.

After the balance sheet date a dividend of 0.25 cents per share was proposed by the directors. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial reports.

Other than what has been disclosed in the accounts, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;

(c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(d) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Nicholas Zborowski
Executive Director

31st August 2018
Perth

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Mustera Property Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mustera Property Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Inventory

Key audit matter	*How the matter was addressed in our audit*
Note 9 to the financial report discloses a significant Inventory balance and Note 2 describes the accounting policies and judgements used in accounting for Inventory. Property held for development and resale is treated by the Group as inventories which are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and the borrowing costs incurred during the development of each asset. This is considered a key audit matter as the determination of net realisable value of the inventories is affected by subjective elements included in development costs and projected revenues over the assumed development life of each asset. The assets values are subject to impacts of changes in the underlying economic environment and market forces.	Our audit procedures included, but were not limited to: • Obtaining position papers provided by management to support the carrying value of the individual properties and analysing the evidence provided and assumptions used in the valuations, including corroborating with external market data where appropriate; • Reviewing external valuations of individual property's performed during the year where applicable; • Reviewing publicly available property price data for the areas where the Group holds inventory and compared to management's NRV assessment; • Challenging the methodology used by management to allocate costs to developed properties which are currently available for sale and have been sold during the year; • Comparing net realisable value to the carrying amount of the properties to ensure that they are carried at the lower of cost and net realisable value; • Reviewing classification of Inventory as current or non-current in line with the accounting policy of the group and the standards; and • Assessing the adequacy of the disclosures in Note 2 and Note 9 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, 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 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 8 to 11 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Mustera Property Group Ltd, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 31 August 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

As lead auditor of Mustera Property Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 31 August 2018

MUSTERA PROPERTY GROUP LTD

ADDITIONAL INFORMATION

Details of shares and options as at 27 August 2017:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 27 August 2018 were:

Fully paid ordinary shares - quoted

	Name	No. of Shares	%
1.	Wonder Holdings Pty Ltd	28,166,666	28.44
2.	Anrinza Future Pty Ltd	27,000,000	27.27
3.	QP & Co Pty Ltd <Quppi Family A/C>	9,190,336	9.28
4.	M Peters Simanjuntak	4,200,000	4.24
5.	Willy Masturi <W E Masturi Family A/C>	4,000,000	4.04
6.	Sufenty	3,349,303	3.38
7.	Wise Day Holdings Ltd	3,333,333	3.37
8.	Mr Willy Masturi <W E Masturi Family A/C>	2,000,000	2.02
9.	Hox5 Pty Ltd <A&K Superannuation Fund>	2,000,000	2.02
10.	Robert Ang	1,726,668	1.74
11.	Nicholas Zborowski	1,620,169	1.64
12.	GTO Group Corp	1,250,000	1.26
13.	Sanny Nanang	1,010,000	1.02
14.	Mr Jack Spencer-Cotton	1,000,000	1.01
15.	Mutual Street Pty Ltd	729,995	0.74
16.	Ms Monika Adya Pratignyo	525,000	0.53
17.	Mr Linus Ning-Li Tan	500,000	0.50
18.	Mrs Yoanne Yang Kamarga	500,000	0.50
19.	Alpha-Omega Mgt Pty Ltd <Kon-Eu Family A/C>	500,000	0.50
20.	Kim Allison Hall	401,539	0.41
		93,003,009	93.92

Registered holders holdings 20% or more of each class of unquoted equity security as at 27 August 2018 were:

Options exercisable at $0.37 each on or before 30 September 2021 – unquoted

Name	No. of Options	%
N Zborowski	1,000,000	33
B Young	1,000,000	33

Distribution schedules

A distribution schedule of each class of equity security as at 27 August 2018:

			Fully paid ordinary shares			*Options exercisable at $0.37 on or before 30 September 2021*		
Range			Holders	Units	%	Holders	Units	%
1	-	1,000	10	1,075	0.00	-	-	-
1,001	-	5,000	5	13,666	0.01	-	-	-
5,001	-	10,000	74	737,764	0.75	-	-	-
10,001	-	100,000	52	2,003,929	2.02	-	-	-
100,001	-	Over	33	96,270,677	97.22	4	3,000,000	100
Total			174	99,027,111	100.00	4	3,000,000	100

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Wonder Holdings Pty Ltd	28,166,666
Anrinza Future Pty Ltd	27,000,000
QP & Co Pty Ltd <Quppi Family A/C>	9,190,336
Willy Masturi <W E Masturi Family A/C>	6,000,000

Restricted securities

As at 27 August 2018, the Company had no restricted securities.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,741 shares as at 27 August 2018):

Holders	Units
10	1,075

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Principles of Good Corporate Governance and Recommendations

The Board has adopted and approved the Company's Corporate Governance Statement, which can be found on the Company's website at http://mustera.com.au/corporate-governance.