Mustera Property Group Ltd

ABN 13 142 375 522

Interim Financial Report

31 December 2017

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Mustera Property Group Ltd (the **Company** or **Mustera**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the half-year ended 31 December 2017 and the Auditor's Review Report thereon.

DIRECTORS

Directors

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

Mr Nicholas Zborowski
Executive Director – appointed 10 June 2014

Mr Anthony Ho
Non-Executive Director - appointed 3 April 2014

Mr Benjamin Young
Non-Executive Director – appointed 23 November 2011

Mr Jack Spencer-Cotton
Non-Executive Director - appointed 3 April 2014

REVIEW OF OPERATIONS

During the reporting period the Group continued with its core operating activities including the acquisition and development of residential and mixed-use projects in Perth, Western Australia. The Group reached settlement on the following properties during the period:

- 10 Forbes Road, Applecross WA; and
- 12-14 Forbes Road and 40 A, B, and C Kishorn Road, Applecross WA.

In addition, the Group progressed the formation of its funds management business and established the Mustera Property Fund (the Fund). The funds management business will earn fees by providing investment management, asset management, property management, development management and transactional services to the Fund's portfolio. In February 2018, the Company formally announced the launch of the Fund through the acquisition of a neighbourhood shopping centre in Western Australia for AUD$16.5 million.

The Company raised an additional $1.2 million in cash through the exercise of unlisted options during the period. The Company now has 99,027,111 shares on issue.

The Group recorded an after-tax loss for the half-year of $360,019 (2016 : $280,490).

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

Completed Projects

Victoria Quarter, Lot 803 Foundry Road, Midland WA – Sales revenue of approximately $1.1 million was recorded during the period from the sale of 3 apartments. 1 apartment was under contract at 31 December 2017.

The unsold apartments reflect a gross realizable value of approximately $11 million and continue to be marketed for sale. An active marketing strategy is ongoing.

Future Projects

Grace Quarter, Lot 801 Helena Street, Midland WA – A development approval was received in October 2016 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 fifty car bays. The property is currently leased for short-term public parking.

During the reporting period, the City of Perth Council (the City) issued an outcomes report from its community workshops which included the proposed draft planning provisions for the site. The City has outlined that the draft planning provisions would be advertised for public comment in 2018.

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.

During the reporting period, the Group continued its assessment 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 - Settlement of 10 Forbes Road and 12-14 Forbes Road and 40 A, B, C, Kishorn Road, Applecross (the Property) occurred during the reporting period.

The Property is located 8 km from Perth's CBD in Applecross, one of Perth's most affluent suburbs. It is located within walking distance to Canning Bridge railway station and the Swan and Canning River foreshores, including multiple food and beverage and retail amenity.
The Company anticipates commencing design works in the first half of 2018 with a target to submit a development application in the second half of 2018.

SUBSEQUENT EVENTS

On 11 January 2018, the Group purchased an additional 3.75% interest in one of its subsidiaries, Applecross Land Holdings Pty Ltd (**Applecross Land**), for a consideration of $300,000, increasing the Group's interest in Applecross Land to 90%.

On 30 January 2018, 5,000,000 options were exercised using the 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.

On 2 February 2018, the Group announced the launch of the Mustera Property Fund (**MPF** or the **Fund**) after securing commitment from several private investors, for the acquisition of a neighbourhood shopping centre in Western Australia for AUD$16.5 million. Mustera, as trustee and fund manager, has the exclusive right to invest and manage the Fund's portfolio on behalf of the unitholders, in accordance with the Fund's objectives. In consideration for the services provided as trustee and fund manager, Mustera will receive ongoing management fees from the Fund.

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 15 and forms part of the Directors' Report.

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

Nicholas Zborowski
Executive Director
Dated at Perth this 27th day of February 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 31 December 2017

	Half-year 2017 $	Half-year 2016 $
Revenue	1,612,035	436,317
Cost of sales	(920,371)	-
Gross Profit	691,664	436,317
Property expenses and outgoings	(302,403)	(295,852)
Property development costs	(14,079)	(52,761)
Employee benefits expenses	(230,897)	(272,715)
Administration and overhead costs	(230,410)	(188,961)
Amortisation and depreciation	(1,194)	(1,018)
Other Income and Expenses	(778,983)	(811,307)
Finance income	1,064	14,477
Finance costs	(323,992)	(133,334)
Net Finance Costs	(322,928)	(118,857)
Profit/(loss) before income tax	(410,247)	(493,847)
Income tax benefit	50,228	213,357
Net loss for the period	**(360,019)**	**(280,490)**
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/(loss) for the period, net of tax	-	-
Total comprehensive loss for the period	**(360,019)**	**(280,490)**
Total comprehensive loss for the period is attributable to:		
Ordinary equity holders of the parent	(355,721)	(280,490)
Non-controlling interest	(4,298)	-
	(360,019)	**(280,490)**
Earnings/(loss) per share (cents)		
Basic earnings/(loss) per share for the period (cents)	(0.39)	(0.31)
Diluted earnings per share for the period (cents)	N/A*	N/A*

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

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

Consolidated Statement of Financial Position

as at 31 December 2017

	Note	31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		130,364	3,516,123
Trade and other receivables		169,703	245,993
Inventories	5	8,174,222	12,211,645
Other current assets		64,507	121,460
Total Current Assets		8,538,796	16,095,221
NON-CURRENT ASSETS			
Trade and other receivables		2,500	2,500
Inventories	5	23,309,592	11,895,236
Property, plant & equipment		19,780	19,309
Deferred tax assets		-	90,270
Total Non-Current Assets		23,331,872	12,007,315
TOTAL ASSETS		31,870,668	28,102,536
CURRENT LIABILITIES			
Trade and other payables		762,904	1,081,959
Income tax payable		382,599	382,598
Employee benefits		5,066	5,362
Borrowings	6	6,785,000	11,235,000
Total Current Liabilities		7,935,569	12,704,919
NON-CURRENT LIABILITIES			
Other payables		2,500	2,500
Deferred tax liabilities		-	146,549
Borrowings	6	10,300,000	3,500,000
Total non-Current Liabilities		10,302,500	3,649,049
TOTAL LIABILITIES		18,238,069	16,353,968
NET ASSETS		**13,632,599**	**11,748,568**
EQUITY			
Contributed equity	7	11,785,123	10,601,073
Other reserves		366,271	54,738
Retained earnings		737,036	1,092,757
Non-controlling interest	11	744,169	-
TOTAL EQUITY		**13,632,599**	**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 half-year ended 31 December 2017

	Contributed Equity $	Other Reserves $	Accumulated Losses $	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
Loss for the half-year	-	-	(355,721)	(355,721)	(4,298)	(360,019)
Total comprehensive loss for the half-year	-	-	(355,721)	(355,721)	(4,298)	(360,019)
Transactions with equity holders in their capacity as equity holders:						
Exercise of options	1,200,000	-	-	1,200,000	-	1,200,000
Costs of share issue	(15,950)	-	-	(15,950)	-	(15,950)
Transactions with non-controlling interests	-	311,533	-	311,533	748,467	1,060,000
Balance at 31 December 2017	**11,785,123**	**366,271**	**737,346**	**12,888,430**	**744,169**	**13,632,599**
Balance at 1 July 2016	10,601,073	29,228	283,885	10,914,186	-	10,914,186
Loss for the half-year	-	-	(280,490)	(280,490)	-	(280,490)
Total comprehensive loss for the half-year	-	-	(280,490)	(280,490)	-	(280,490)
Transactions with equity holders in their capacity as equity holders:						
Grant of options to Directors	-	25,510	-	25,510	-	25,510
Balance at 31 December 2016	**10,601,073**	**54,738**	**3,395**	**10,659,206**	**-**	**10,659,206**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2017

	Note	Half-year 2017 $	Half-year 2016 $
Cash flows from operating activities			
Receipts in the course of operations		1,592,177	390,697
Payments in the course of operations		(1,621,489)	(6,513,443)
Payments for property held for development		(6,116,137)	(5,577,492)
Interest received		1,063	14,477
Finance costs paid		(267,661)	(181,836)
Income tax paid		-	(7,721)
Net cash outflow from operating activities		(6,412,047)	(11,875,318)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(1,712)	-
Proceeds from sale of investment property (held for sale)		-	7,153,750
Net cash inflow/(outflow) from investing activities		(1,712)	7,153,750
Cash flows from financing activities			
Proceeds from the issue of share capital		1,200,000	-
Payment for share issue costs		(22,000)	-
Proceeds from borrowings		4,790,000	9,101,127
Repayment of borrowings		(2,440,000)	(4,530,000)
Transactions with non-controlling interests		(500,000)	-
Net cash inflow from financing activities		3,028,000	4,571,127
Net decrease in cash and cash equivalents		(3,385,759)	(150,441)
Cash and cash equivalents at the beginning of the half-year		3,516,123	264,851
Cash and cash equivalents at the end of the half-year		**130,364**	**114,410**

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

1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

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

These consolidated financial statements comprise the Company and its subsidiaries (collectively the "**Group**" and individually "**Group companies**"). They were authorised for issue by the Board of Directors on 27 February 2018.

The annual financial report of the Group as at and for the financial period ended 30 June 2017 is available upon request from the Company's registered office or may be viewed on the Company's website, www.mustera.com.au.

This interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

It is recommended that this interim financial report be read in conjunction with the annual financial report for the financial period ended 30 June 2017 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2017 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

2. CRITICAL ACCOUNTING ESTIMATES

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

In preparing the interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2017. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

Fair value measurement hierarchy

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

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

Impairment of non-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.

2. CRITICAL ACCOUNTING ESTIMATES (continued)

Going concern

The financial report has been prepared on a going concern basis which assumes the Group's ability to realise its assets and satisfy its liabilities in the normal course of business.

The Directors believe it is reasonable that the Company will be able to continue as a going concern after consideration of the following factors:

- The Group had cash and cash equivalent of $130,364 and net working capital of $603,227 as at 31 December 2017.
- Subsequent to the reporting date, one further residential apartment in the Victoria Quarter project has settled, generating revenue and cashflow of $389,000. The Directors are confident that the sales of the Group's apartments will contribute to the Group's cash and working capital.
- The Group continues to generate rental income from several of its properties, including apartments under lease at the Victoria Quarter Project, as well as rental income from the Belmont, Claisebrook and North Fremantle properties.
- The Group earned acquisition and due diligence fees from the Mustera Property Fund and its acquisition of the Shoalwater Shopping Centre in February 2018.
- Subsequent to the reporting date, the Group has secured an extension of terms on a principal debt repayment of $675,000 that was due to be made by 31 December 2017. The repayment of $425,000 has been deferred to 30 April 2018, with the balance to be repaid thereafter in quarterly instalments of $62,500.
- The Group is in discussion with its financiers regarding its loan facilities and expects that, based on current indications and operations in the usual course of business, the facilities in current borrowings will be successfully re-financed.

The Directors believe that the Group will be in a position to continue to meet its operating costs, including property development undertakings, and to pay its debts as and when they fall due and to continue as a going concern. Accordingly, the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the 2018 interim financial report.

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 intention of redevelopment and sales of developed products are classified as inventory. The accounting treatments of investment property and inventory are different. Subsequent re-classification of properties may affect the carrying value of a property. There was no re-classification of properties during the reporting period.

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. The 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.

3. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the financial period ended 30 June 2017.

4. SEGMENT INFORMATION

Identification of reportable operating segments

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

Segment information

	Property Investment $	Property Development $	Other* $	Group $
Half-year ended 31 December 2017				
Segment revenue and other income	-	1,612,035	1,064	1,613,099
Segment result	-	(157,226)	(202,793)	(360,019)
As at 31 December 2017				
Segment assets	-	31,662,983	207,685	31,870,668
Segment liabilities	-	18,149,336	88,733	18,238,069
Half-year ended 31 December 2016				
Segment revenue and other income	90,716	328,299	31,778	450,793
Segment result	(127,941)	(146,538)	(6,011)	(280,490)
As at 30 June 2017				
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.*

5. INVENTORIES

	31 Dec 2017 $	30 Jun 17 $
Current		
Land and property held for development and resale (at cost)	8,174,222	12,211,645
Non-current		
Land and property held for development and resale (at cost)	23,309,592	11,895,236
Total	**31,483,814**	**24,106,881**

	2017 $	2016 $
Movement in inventories for the half-year		
Balance at 1 July	24,106,881	27,166,240
Additions at cost	8,026,137	5,677,492
Capitalised development costs	59,978	4,744,086
Capitalised borrowing costs	91,855	-
Sales of inventory	(801,037)	-
Balance at 31 December	31,483,814	37,587,818

	31 Dec 2017 $	30 Jun 17 $
6. BORROWINGS		
Current		
Loans (refer Note (a))	**6,785,000**	**11,235,000**
Non-current		
Loans (refer Note (a))	**10,300,000**	**3,500,000**

(a) Loans

Facility	Secured	Maturity Date	Facility limit 31 Dec 2017 $	Utilised 31 Dec 2017 $	Facility limit 30 Jun 2017 $	Utilised 30 Jun 2017 $
McCabe St Facility[1]	Yes	December 2019	3,375,000	3,375,000	3,375,000	3,375,000
Haig Park Cir Facility[2]	Yes	April 2018	2,200,000	2,200,000	2,240,000	2,240,000
Belmont Facility[3]	Yes	June 2020	1,950,000	1,950,000	1,950,000	1,950,000
Helena St Facility[4]	Yes	June 2018	670,000	670,000	670,000	670,000
Foundry Road Facility[5]	Yes	July 2019	800,000	800,000	-	-
Forbes Road Facility[6]	Yes	July 2018	2,640,000	2,640,000	-	-
Working capital loan[7]	No	May 2020	3,500,000	3,500,000	3,500,000	3,500,000
Working capital loan[8]	No	June 2019	3,000,000	1,350,000	-	-
Short-term bridge loans[9]	Yes	October 2018	600,000	600,000	3,000,000	3,000,000
				17,085,000		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. A principal repayment of $675,000 due on 31 December was deferred, with a repayment of $425,000 now due on 30 April 2018, and the balance to be repaid thereafter in quarterly instalments of $62,500.
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.
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 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.
5) This facility is secured by first registered mortgages over selected apartments at Victoria Quarter, Midland held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**), and first ranking charge over all present and after acquired property of Sterlink. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
6) This facility is secured by first registered real property mortgages over the Forbes Road properties held by the Company's subsidiary, Applecross Land Holdings Pty Ltd (**Applecross**), and first registered general security agreement over the assets and undertakings of 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.
7) This facility is unsecured and interest free.
8) This facility is unsecured. Interest is accrued on the daily loan balance at a fixed rate and is payable by the maturity date.
9) This loan is 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.

(b) Fair Value

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

	31 Dec 2017 $	30 Jun 17 $
7. EQUITY – ISSUED CAPITAL		
97,416,942 (30 June 2017: 91,416,942) fully paid ordinary shares	**11,785,123**	**10,601,073**

(a) Ordinary shares

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

	2017 Number	2016 Number	2017 $	2016 $
Balance at beginning of the half-year	91,416,942	91,416,942	10,601,073	10,601,073
Exercise of options at $0.20 each on 19 October 2017	2,750,000	-	550,000	-
Exercise of options at $0.20 each on 27 October 2017	1,000,000	-	200,000	-
Exercise of options at $0.20 each on 9 November 2017	2,250,000	-	450,000	-
Share issue costs	-	-	(15,950)	-
Balance at the end of the half-year	97,416,942	91,416,942	11,785,123	10,601,073

8. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned below, all other commitments and contingencies remain consistent with those disclosed in the 2017 annual report.

The consolidated entity has provided rental guarantee on properties sold by the Group during the half-year. In addition to those disclosed in the 2017 annual report, maximum amount payable at reporting date under these new rental guarantees but not recognised as liabilities are payable as follows:

	31 Dec 2017 $	30 Jun 17 $
Within one year	84,085	-
After one year but not more than five years	54,560	-
	138,645	**-**

Contingencies

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

9 RELATED PARTY TRANSACTIONS

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

	Transaction value for the half-year ended 31 Dec 2017 $	Balance outstanding as at 31 Dec 2017 $
Payment for secretarial services from Anthony Ho & Associates (director-related entity of Anthony Ho)	19,500	4,950
Payment for corporate advisory services from Townshend Capital Pty Ltd (director-related entity of Benjamin Young)	52,000	-
Net revenue from sales of inventory and rental guarantees to Kingsfield Pty Ltd (director-related entity of Benjamin Young)	680,244	4,549

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

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 $3,000,000 for a term of 18 months. The loan is unsecured with a fixed interest rate of 4% per annum. At balance date, $1,350,000 had been drawn down on the facility.

10. FAIR VALUE MEASUREMENT

Fair value hierarchy

AASB 7 *Financial Instruments Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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.

11. 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 1.25% 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 $66,877 and a decrease in equity attributable to owners of the parent of $33,123.

12. SHARE BASED PAYMENTS

On 16 August 2017, one of the group's subsidiaries, Applecross Land Holdings Pty Ltd (**Applecross Land**), acquired a property for a total consideration of $4,290,000 of which $2,730,000 was paid by cash and $1,560,000 was paid by way of issue of 2,000 fully paid ordinary shares in Applecross Land to the vendors.

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 11 January 2018, the Group purchased an additional 3.75% interest in one of its subsidiaries, Applecross Land Holdings Pty Ltd (Applecross Land), for a consideration of $300,000, increasing the Group's interest in Applecross Land to 90%.

On 30 January 2018, 5,000,000 options were exercised using the 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.

On 2 February 2018, the Group announced the launch of the Mustera Property Fund (**MPF** or the **Fund**) after securing commitment from several private Investors, for the acquisition of a neighbourhood shopping centre in Western Australia for AUD$16.5 million. Mustera, as trustee and fund manager, has the exclusive right to invest and manage the Fund's portfolio on behalf of the unitholders, in accordance with the Fund's objectives. In consideration for the services provided as trustee and fund manager, Mustera will receive ongoing management fees from the Fund.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 14 are in accordance with the Corporations Act 2001, including:

  i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  ii. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date, and

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

Signed in accordance with a resolution of the directors.

Nicholas Zborowski
Executive Director

Perth, Western Australia
27 February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mustera Property Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 27 February 2018

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

As lead auditor for the review of Mustera Property Group Ltd for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2018