

MUSTERA PROPERTY GROUP LTD
ABN 13 142 375 522

ANNUAL REPORT – 30 JUNE 2020

CORPORATE DIRECTORY

DIRECTORS

Mr Nicholas Zborowski (Executive Director)
Mr Anthony Ho (Non-Executive Director)
Mr Jack Spencer-Cotton (Non-Executive Director)

COMPANY SECRETARY

Mr Kim Hogg

REGISTERED OFFICE

15 McCabe Street
NORTH FREMANTLE WA 6159
Telephone: (61 8) 6389 2688

PRINCIPAL PLACE OF BUSINESS

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North Fremantle WA 6159
Telephone: (61 8) 9386 7069
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
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STOCK EXCHANGE

ASX Limited
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CONTENTS

| | PAGE |
|---|-------------|
| Corporate Directory | 1 |
| Directors' Report | 3 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 13 |
| Consolidated Statement of Financial Position | 14 |
| Consolidated Statement of Changes in Equity | 15 |
| Consolidated Statement of Cash Flows | 16 |
| Notes to the Consolidated Financial Statements | 17 |
| Directors' Declaration | 48 |
| Independent Auditor's Report | 49 |
| Auditor's Independence Declaration | 53 |
| Additional Information | 54 |

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 2020 and the auditor's report thereon.*

DIRECTORS

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

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

Mr Zborowski has over 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 Middle East.

Prior to commencing work with Mustera in January 2014, Mr Zborowski held senior roles with Charter Hall, Tourism Development Investment Company (TDIC), Emaar Malls Group and Australand.

Mr Zborowski has a 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 a partner of a consultancy firm, Anthony Ho and Associates, specialising in providing corporate and financial services to ASX-listed companies.

Prior to establishing his firm 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 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.

Mr Spencer-Cotton is a member of the Audit Committee from 13 July 2020.

Mr Benjamin Young
Non-Executive Director, B.Bus – appointed 23 November 2011, resigned 13 July 2020

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 Business Degree with majors in Finance and Banking from Edith Cowan University, Western Australia.

COMPANY SECRETARY

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

Mr Hogg completed his Commerce Degree 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 25 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.

DIRECTORS' REPORT

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 |
| Jack Spencer-Cotton | Not Applicable | - | - |
| Benjamin Young | 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 | 1,633,450 | 2,000,000 |
| Anthony Ho | 2,016,394 | 1,000,000 |
| Jack Spencer-Cotton | 1,208,060 | 1,000,000 |
| Benjamin Young | 365,481 | 1,500,000 |

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:

| Director | Board | | Audit Committee | |
|---------------------|-------|----------|-----------------|----------|
| | Held | Attended | Held | Attended |
| Nicholas Zborowski | 3 | 3 | n/a | n/a |
| Anthony Ho | 3 | 3 | 1 | 1 |
| Jack Spencer-Cotton | 3 | 3 | n/a | n/a |
| Benjamin Young | 3 | 3 | 1 | 1 |

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS

The Group recorded a loss of \$1,065,936 for the financial year (2019: loss of \$1,581,550).

Mustera continued with its core business during the year including the development of residential apartments and funds management. Revenue of \$2.64m was recorded during the year received principally from rental income and funds management. No sales of apartments and no new projects reached completion during the year.

During the year, the Company successfully progressed its flagship project Forbes Residences in Applecross. A development approval was issued on 24 April 2020 by the Metro Central Joint Development Advisory Panel for 57 Apartments, food and beverage and office tenancies.

The project, which has been designed by multi award-winning Singapore based architects WOHA as a 'vertical village', will also include a range of unique features aimed at both encouraging a sense of community for residents and delivering benefits to the surrounding neighbourhood – including a community garden area, end of trip facilities, co-working space and a 120sqm community centre.

The Company progressed with the design development and marketing collateral for Forbes Residences during the year and anticipate that the marketing campaign will commence in Q4 2020.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (continued)

Mustera continued to focus on progressing its portfolio of development assets and delivering rental revenue and management fees through its investments.

Revenues from the Group's income generating assets have decreased, slightly, due to the impact on rent relief provided to a small number of tenants during COVID-19 lockdowns. However, as the Group's operations are solely based in Western Australia, the impact of the pandemic has been limited, and the Group has largely returned to normal operating activities.

Following the outbreak, the Group moved quickly to implement a framework to assess, measure and control any potential risks. This included the adoption, as a minimum, of all guidelines introduced by the Australian Federal and State Government health authorities to minimise health risks presented by COVID-19. The Group continues to monitor the situation and update its framework where necessary.

The Group's future strategy includes the development of residential property and notes that the stimulus measures from the state and federal governments provides a positive outlook on the Group's future development projects.

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

COMPLETED PROJECTS

Victoria Quarter, Lot 803 Foundry Road, Midland WA – At 30 June 2020, 5 units remain for sale in the 70 unit development.

FUTURE PROJECTS

10 – 14 Forbes Road and 40 A, B, C Kishorn Road, Applecross WA - The property is located 8 km from Perth's CBD in Applecross, one of Perth's most affluent suburbs. The property is within walking distance to the Swan and Canning River foreshores, including multiple food and beverage and retail amenity.

A Development Approval has been received for 57 Apartments, food and beverage, co-working and commercial office space.

75 Haig Park Circle, East Perth WA - The property comprises a 2,233m² 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.

The City of Perth has adopted design guidelines to introduce development standards for the East Perth property. The scheme amendment was referred to the Western Australian Planning Commission in 2019 and is pending a decision by the Minister. The Company anticipates the scheme amendment will be adopted in late 2020.

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 2,250m² over two levels, on a 2,398m² site.

The Group has continued to progress with the preliminary design and planning for the development in anticipation of applying for planning approval in late 2020.

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 2,309m² on a 4,031m² site, located at the intersection of Belmont Avenue and Campbell Street, Rivervale.

The Group continued with the design 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.

Grace Quarter, Lot 801 Helena Street, Midland WA – The site is located on the corner of Helena Street and Yelverton Drive and forms a part of the Midland Railway Workshops precinct.

During the year the existing development approval expired. The existing development including 67 residential apartments and ground floor commercial units remains consistent with the planning framework and the Group will consider reapplying for an approval later this year subject to market conditions.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Other than what has been disclosed in the accounts, no matters or events have arisen since 30 June 2020 which have significantly affected, or may significantly affect, the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the year.

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 funds under management.

DIVIDENDS

No other dividends have been declared or paid by the Company to the date of this report.

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.

DIRECTORS' REPORT

SHARE OPTIONS

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

No options were exercised during or since the end of the financial year.

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 |
| 29 November 2018 | 30 November 2023 | \$0.46 | 2,500,000 |

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.

DIRECTORS' REPORT

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 |
| Jack Spencer-Cotton | Non-executive Director |
| Benjamin Young | Non-executive Director (resigned 13 July 2020) |

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 directors' 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 |
| J Spencer-Cotton | \$20,000 per annum plus statutory superannuation |
| B Young | \$20,000 per annum plus statutory superannuation |

DIRECTORS' REPORT

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

The Board 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 verifiable 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.

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:

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------------|---------------------|------------|------------|------------|
| Net profit/(loss) for the year | (\$1,065,936) | (\$1,581,550) | \$677,963 | \$808,872 | (\$35,130) |
| Dividends paid | Nil | 0.25 cent per share | Nil | Nil | Nil |
| Closing share price (30 June) | \$0.30 | \$0.30 | \$0.27 | \$0.28 | \$0.23 |
| Earnings/(loss) per share (cents) | (1.07) | (1.56) | 0.71 | 0.88 | (0.04) |
| Weighted average number of shares on issue | 99,616,115 | 99,399,020 | 99,027,111 | 91,416,942 | 89,323,363 |

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 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

DIRECTORS' REPORT

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 |

* The notice period applies equally to either party

Remuneration of key management personnel

| | | SHORT-TERM | | | POST-EMPLOY- MENT | SHARE-BASED PAYMENTS | Total | Proportion of remuneration performance related % | Value of options as proportion of remuneration % |
|--------------------------------|-------------|----------------------|----------------------|--------------------|--------------------------------|-------------------------|----------------|---|---|
| | | Salary & fees* \$ | STI cash bonus \$ | Annual leave \$ | Super-annuation benefits \$ | Options \$ | | | |
| <i>Non-executive Directors</i> | | | | | | | | | |
| A Ho | 2020 | 20,000 | - | - | - | - | 20,000 | - | - |
| | 2019 | 20,000 | - | - | - | 10,547 | 30,547 | - | 34.53% |
| J Spencer-Cotton | 2020 | 20,000 | - | - | 1,900 | - | 21,900 | - | - |
| | 2019 | 20,000 | - | - | 1,900 | 10,547 | 32,447 | - | 32.51% |
| B Young | 2020 | 20,000 | - | - | 1,900 | - | 21,900 | - | - |
| | 2019 | 20,000 | - | - | 1,900 | 10,547 | 32,447 | - | 32.51% |
| <i>Executive Director</i> | | | | | | | | | |
| N Zborowski ¹ | 2020 | 185,302 | - | 692 | 17,100 | - | 203,094 | - | - |
| | 2019 | 180,000 | - | 2,077 | 17,100 | 21,095 | 220,272 | - | 9.58% |
| Total | 2020 | 245,302 | - | 692 | 20,900 | - | 266,894 | -- | - |
| | 2019 | 240,000 | - | 2,077 | 20,900 | 52,736 | 315,713 | -- | 16.71% |

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

¹ Non-monetary benefits of \$5,302 were provided to Mr Zborowski in relation to 2020.

Share-based remuneration

No options over ordinary shares in the Company were granted as compensation to each key management person during the reporting period.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (continued)

Loans to key management personnel

Principal of \$3,410,300 and interest of \$125,398 from the Spectra vendor finance loan were fully repaid to the Group during the financial year.

Other transactions with key management personnel

Rental guarantees totalling \$140,615 were also paid to Spectra for the properties sold.

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 \$18,000.

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 \$85,309.

Mr Young is also a director and shareholder of Kingsfield Pty Ltd (**Kingsfield**). During the financial year, the Group paid Kingsfield \$11,385 as rental guarantees provided to Kingsfield for the property sold in a previous financial year.

Mr Young is also a shareholder of Spectra (WA) Pty Ltd (**Spectra**). During the financial year, the Group paid Spectra \$140,615 as rental guarantees provided to Spectra for property sold in a previous financial year.

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 2019 | Granted as remuneration | Additions | Disposals/Other | Held at 30 June 2020 |
|------------------|------------------------|----------------------------|-----------|-----------------|-------------------------|
| N Zborowski | 1,633,450 | - | - | - | 1,633,450 |
| A Ho | 2,016,394 | - | - | - | 2,016,394 |
| B Young | 365,481 | - | - | - | 365,481 |
| J Spencer-Cotton | 1,134,093 | - | 73,967 | - | 1,208,060 |

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 2019 | Granted as remuneration | Exercised | Disposals/ Other | Held at 30 June 2020 | Vested during the year | Vested and exercisable at 30 June 2020 |
|------------------|------------------------|----------------------------|-----------|---------------------|-------------------------|---------------------------|--|
| N Zborowski | 2,000,000 | - | - | - | 2,000,000 | - | 2,000,000 |
| A Ho | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| B Young | 1,500,000 | - | - | - | 1,500,000 | - | 1,500,000 |
| J Spencer-Cotton | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

NON AUDIT SERVICES

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:

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$ | \$ |
| Services other than audit and review of financial statements: | | |
| Tax compliance | 23,545 | 21,748 |
| Corporate advisory – expert's report | - | 30,113 |
| Total remuneration for non-audit services | 23,545 | 51,861 |

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 at the end of the Independent Auditor's 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
 Executive Director

Dated at Perth this 31st day of August 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|--------------------|--------------------|
| Revenue | 5 | 2,601,741 | 2,916,196 |
| Cost of sales | | - | - |
| Gross Profit | | 2,601,741 | 2,916,196 |
| Other income | | 43,885 | - |
| Property expenses and outgoings | | (1,266,276) | (1,431,548) |
| Property development costs | | (87,710) | (129,643) |
| Employee benefits expenses | | (363,599) | (523,003) |
| Administration and overhead costs | | (607,647) | (501,392) |
| Amortisation and depreciation | | (2,740) | (3,187) |
| Write-down of inventory to net realisable value | | - | (636,385) |
| Other Income and Expenses | | (2,284,087) | (3,225,158) |
| Finance income | | 126,913 | 217,839 |
| Finance costs | | (904,502) | (1,120,299) |
| (Increase)/Decrease in net assets attributable to unitholders | | (626,269) | (491,492) |
| Net Finance Costs | | (1,403,858) | (1,393,952) |
| Profit/(loss) before income tax | | (1,086,204) | (1,702,914) |
| Income tax benefit/(expense) | 6 | 20,268 | 121,364 |
| Net profit/(loss) for the year | | (1,065,936) | (1,581,550) |
| 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 | | (1,065,936) | (1,581,550) |
| Total comprehensive income for the period is attributable to: | | | |
| Ordinary equity holders of the parent | | (1,040,107) | (1,552,603) |
| Non-controlling interest | 20 | (25,829) | (28,947) |
| | | (1,065,936) | (1,581,550) |
| Earnings/(loss) per share (cents) | | | |
| Basic earnings/(loss) per share for the financial year (cents) | 23 | (1.07) | (1.56) |
| Diluted earnings/(loss) per share for the financial year (cents) | 23 | 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 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 281,321 | 943,589 |
| Trade and other receivables | 8 | 211,264 | 234,595 |
| Inventories | 9 | 1,486,774 | 1,568,034 |
| Other current assets | 10 | 15,197 | 11,286 |
| Total Current Assets | | 1,994,556 | 2,757,504 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 8 | 2,500 | 3,312,800 |
| Inventories | 9 | 24,133,525 | 23,746,463 |
| Investment property | 11 | 17,359,827 | 17,359,827 |
| Deferred tax assets | 6 | 188,362 | 178,281 |
| Property, plant & equipment | 12 | 19,343 | 17,028 |
| Total Non-Current Assets | | 41,703,557 | 44,614,399 |
| TOTAL ASSETS | | 43,698,113 | 47,371,903 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 952,573 | 1,308,780 |
| Income tax payable | 14 | 108,471 | 443,840 |
| Employee benefits | 15 | 17,066 | 15,453 |
| Borrowings | 16 | 15,358,183 | 13,293,566 |
| Net assets attributable to property fund unitholders | 17 | 7,017,669 | 7,301,128 |
| Total Current Liabilities | | 23,453,962 | 22,362,767 |
| NON-CURRENT LIABILITIES | | | |
| Other payables | 13 | 2,500 | 2,500 |
| Deferred tax liabilities | 6 | - | - |
| Borrowings | 16 | 8,531,000 | 12,230,050 |
| Total Non-Current Liabilities | | 8,533,500 | 12,232,550 |
| TOTAL LIABILITIES | | 31,987,462 | 34,595,317 |
| NET ASSETS | | 11,710,651 | 12,776,586 |
| EQUITY | | | |
| Contributed equity | 18 | 11,980,795 | 11,980,795 |
| Other reserves | 19 | 308,019 | 308,019 |
| Retained earnings/(Accumulated losses) | 21 | (1,061,067) | (20,961) |
| Non-controlling interest | 20 | 482,904 | 508,733 |
| TOTAL EQUITY | | 11,710,651 | 12,776,586 |

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 2020

| | Contributed Equity \$ | Other Reserves \$ | Accumulated Losses \$ | Total \$ | Non- controlling interests \$ | Total Equity \$ |
|--|-----------------------------|-------------------------|-----------------------------|---------------------|--|-----------------------|
| Balance at 1 July 2018 | 11,798,408 | 255,283 | 1,779,210 | 13,832,901 | 537,680 | 14,370,581 |
| Loss for the year | - | - | (1,552,603) | (1,552,603) | (28,947) | (1,581,550) |
| Total comprehensive loss for the year | - | - | (1,552,603) | (1,552,603) | (28,947) | (1,581,550) |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Shares issued pursuant to Dividend Reinvestment Plan | 182,387 | - | - | 182,387 | - | 182,387 |
| Dividends paid | - | - | (247,568) | (247,568) | - | (247,568) |
| Grant of options to Directors | - | 52,736 | - | 52,736 | - | 52,736 |
| Balance at 30 June 2019 | 11,980,795 | 308,019 | (20,961) | 12,267,853 | 508,733 | 12,776,586 |
| Balance at 1 July 2019 | 11,980,795 | 308,019 | (20,961) | 12,267,853 | 508,733 | 12,776,586 |
| Loss for the year | - | - | (1,040,107) | (1,040,107) | (25,829) | (1,065,936) |
| Total comprehensive loss for the year | - | - | (1,040,107) | (1,040,107) | (25,829) | (1,065,936) |
| Balance at 30 June 2020 | 11,980,795 | 308,019 | (1,061,067) | (11,227,747) | 482,904 | 11,710,651 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|---|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations | | 2,682,539 | 2,918,652 |
| Receipts from repayment of vendor finance loan | | 3,410,300 | 1,736,080 |
| Other receipts | | 43,148 | - |
| Payments in the course of operations | | (2,930,904) | (2,876,448) |
| Payments for property held for development | | (305,802) | (981,986) |
| Interest received | | 126,913 | 217,839 |
| Interest paid | | (734,904) | (1,072,393) |
| Income tax refund/(paid) | | (325,181) | (356,090) |
| Net cash inflow/(outflow) from operating activities | 27 | <u>1,966,109</u> | <u>(414,346)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (5,055) | - |
| Payments for investment property | | - | (16,162) |
| Payments for investments | | (250,000) | - |
| Proceeds from sale of investments | | - | 500,000 |
| Net cash (outflow)/ inflow from investing activities | | <u>(255,055)</u> | <u>483,838</u> |
| Cash flows from financing activities | | | |
| Distributions – property fund | | (655,143) | (559,563) |
| Dividends paid | | - | (65,181) |
| Proceeds from borrowings | | 3,275,000 | 4,819,866 |
| Repayment of borrowings | | (4,909,433) | (3,848,666) |
| Cash held as term deposits | | (83,746) | - |
| Net cash inflow/(outflow) from financing activities | | <u>(2,373,322)</u> | <u>346,456</u> |
| Net increase/(decrease) in cash and cash equivalents | | (662,268) | 415,948 |
| Cash and cash equivalents at 1 July | | 943,589 | 527,641 |
| Cash and cash equivalents at 30 June | 7 | <u><u>281,321</u></u> | <u><u>943,589</u></u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

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 2020. 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.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, 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 2020 the Group recorded a loss of \$1,065,936 and had net cash inflows from operating activities of \$1,966,109. The Group had cash and cash equivalent of \$281,321 and net working capital deficiency of \$21,459,406 as at 30 June 2020 including borrowings of \$15,358,183. The ability of the Group to continue as a going concern is dependent on a number of factors including:

- (a) securing additional funding for future activities;
- (b) successfully renewing its banking facilities which are due for repayment within the next 12 months;
- (c) successful development and or sale of its inventory assets; and
- (d) raising funds by way of equity placements or rights issues.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notwithstanding these factors, 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
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 26.

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 2020 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 based on the following principles.

Sale of Inventory

Revenue from property development sales is recognised when control and title has been transferred to the purchaser and the obligation to settle to the purchase price occurs. This 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.

Revenue shall be measured at the transaction price agreed under the contract. The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on a straight line basis over the period of the lease. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Customers with heightened credit risk are provided for specifically based on historical default rates and forward looking information. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

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

Investments and other financial assets

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Profit or Loss and Other Comprehensive Income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the Statement of Profit or Loss and Other Comprehensive Income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its financial assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets attributable to property fund unit holders

In accordance with AASB 132 Financial Instruments, certain instruments which are classified as equity in the separate financial statements of a subsidiary or other entity controlled by the Group which represent non-controlling interests in the consolidated financial statements are classified as liabilities in the consolidated financial statements of the Group to the extent which the non-controlling interest has a preferential claim to the net assets of the subsidiary over shareholders of the parent. Changes in the net assets are recognised in profit or loss except for distributions to unitholders and new subscriptions of units.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New, revised or amending Accounting Standards and Interpretations adopted

The Group 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 Group has updated its accounting policies as a result of adopting the following standards from 1 July 2019:

- **AASB 16 Leases**
AASB 16 was adopted from 1 July 2019. It results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exception are short-term and low-value leases. The Group has considered its current leases and considers them as short-term or low value.
- **Interpretation 23 Uncertainty Over Income Tax Treatments**

The Group did not elect to retrospectively adopt these standards. The adoption of these standards on transition date 1 July 2019 has not had a material impact on the amounts presented in the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions

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

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.

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.

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.

Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Since the outbreak of COVID-19 there has been limited transactional evidence to provide visibility of its impacts on market property pricing. COVID-19 has created significant estimation uncertainty in determining key inputs used in the fair value of investment property and the net realisable value assessments at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has 100% control over the trustee of the Mustera Property Fund, and as the trustee cannot be removed by unitholders, 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 25 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 2020 | Property Investment \$ | Property Development \$ | Other* \$ | Group \$ |
|---|---------------------------------------|--|----------------------|---------------------|
| Segment revenue and other income | 1,672,203 | 929,538 | 43,885 | <u>2,645,626</u> |
| Interest expenses | 275,760 | 422,455 | 206,287 | <u>904,502</u> |
| Segment result | 713,235 | (1,097,537) | (665,805) | <u>(1,040,107)</u> |
| Segment assets | 17,359,827 | 24,158,916 | 2,179,370 | <u>43,698,113</u> |
| Segment liabilities | 16,917,669 | 14,139,890 | 931,903 | <u>31,987,462</u> |
| 30 June 2019 | | | | |
| Segment revenue and other income | 1,726,041 | 1,190,155 | - | <u>2,916,196</u> |
| Interest expenses | 379,577 | 693,138 | 47,584 | <u>1,120,299</u> |
| Segment result | 624,462 | (1,816,758) | (360,307) | <u>(1,552,603)</u> |
| Segment assets | 17,359,827 | 27,319,427 | 2,692,649 | <u>47,371,903</u> |
| Segment liabilities | 17,219,747 | 15,833,171 | 1,542,399 | <u>34,595,317</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 | 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| 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 | 59,850 | 59,627 |
| Other Services | | |
| Auditors' related practice – BDO Corporate Tax (WA) Pty Ltd & BDO Corporate Finance (WA) Pty Ltd | | |
| Tax compliance | 23,545 | 21,748 |
| Advisory services – experts report | - | 30,113 |
| | 83,395 | 111,488 |
| 5. REVENUE | | |
| Rental income and recoverable outgoings | 2,601,741 | 2,916,196 |
| | 2,601,741 | 2,916,196 |
| 6. INCOME TAX | | |
| (a) Income tax expense | | |
| Deferred tax expense | (10,080) | (121,364) |
| Under provision in prior years | (10,188) | - |
| | (20,268) | (121,364) |
| (b) Numerical reconciliation between tax expense and pre-tax net profit | | |
| Profit/(loss) before income tax expense | (1,086,204) | (1,702,914) |
| Income tax (benefit)/expense calculated at the rate noted in (d) below | (325,861) | (468,301) |
| Effect of non-deductible items | (11,365) | (5,233) |
| Change in recognised deductible temporary differences | 5,081 | (3,451) |
| Decrease/(increase) in deferred tax balances not previously recognised | - | 16,471 |
| Movement in deferred tax balances due to change in tax rate | (15,745) | - |
| Decrease/(increase) in deferred tax balances not recognised | 337,810 | 339,150 |
| Current period income tax expense | (10,080) | (121,364) |
| Under provision in prior years | (10,188) | - |
| Income tax (benefit)/expense | (20,268) | (121,364) |
| (c) Deferred tax assets and liabilities brought to account | | |
| The potential tax benefit @ 30% (2019: 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 | 4,700 | 5,291 |
| Delayed borrowing costs deduction for tax purposes | 9,121 | 18,189 |
| Expenditure included in the asset cost base for tax purposes | 12,641 | 8,934 |
| Property, plant & equipment | 10,747 | 9,478 |
| Inventory | 190,916 | 175,006 |
| Provisions and accruals | 13,560 | 10,263 |
| Gross deferred tax assets | 241,685 | 227,161 |
| Set off against deferred tax liabilities | (53,323) | (48,880) |
| Net deferred tax assets recognised | 188,362 | 178,281 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

6. INCOME TAX (continued)

| | 2020 | 2019 |
|---|-------------|-------------|
| | \$ | \$ |
| The temporary difference @ 30% (2019: 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 | 53,323 | 48,880 |
| Gross deferred tax liabilities | 53,323 | 48,880 |
| Set off of deferred tax assets | (53,323) | (48,880) |
| Net deferred tax liabilities recognised | - | - |

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

The potential tax benefit @ 30% (2019: 27.5%) for the following items for which no deferred tax asset has been recognised is as follows:

| | | |
|--|----------------|----------------|
| Carry forward tax losses | 816,310 | 449,506 |
| Expenditure included in the asset cost base for tax purposes | (31,416) | (31,807) |
| Gross deferred tax assets | 784,894 | 417,699 |
| Set off against deferred tax liabilities | - | - |
| Net deferred tax assets not recognised | 784,894 | 417,699 |
| Net deferred tax liabilities not recognised | - | - |

(e) Tax Rate

The domestic effective tax rate of Mustera Property Group Ltd is 30% for the year ended 30 June 2020 (2019: 27.5%)

7. CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 281,321 | 943,589 |
|--------------------------|----------------|----------------|

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|---|-------------------|-------------------|
| 8. TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| Trade debtors | 117,697 | 127,377 |
| Sundry debtors | 5,902 | 3,299 |
| Vendor finance receivable | - | 100,000 |
| Term deposit | 83,746 | - |
| Deposit for purchase of property | 3,919 | 3,919 |
| | <u>211,264</u> | <u>234,595</u> |
| Non-current | | |
| Security deposit – carpark lease | 2,500 | 2,500 |
| Vendor finance receivable | - | 3,310,300 |
| | <u>2,500</u> | <u>3,312,800</u> |
| (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 30. | | |
| 9. INVENTORIES | | |
| Current | | |
| Land and property held for development and resale (at cost) | <u>1,486,774</u> | <u>1,568,034</u> |
| Non-current | | |
| Land and property held for development and resale (at cost) | <u>24,133,525</u> | <u>23,746,463</u> |
| Total inventories | <u>25,620,299</u> | <u>25,314,497</u> |
| (a) Movement in inventories | | |
| Balance at 1 July | 25,314,497 | 24,881,934 |
| Additions at cost | - | - |
| Capitalised development costs | 305,802 | 1,054,714 |
| Capitalised borrowing costs | - | 14,234 |
| Write down of inventory to net realisable value | - | (636,385) |
| Balance at 30 June | <u>25,620,299</u> | <u>25,314,497</u> |
| (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 | | |
| Prepaid Insurance | <u>15,197</u> | <u>11,286</u> |
| | <u>15,197</u> | <u>11,286</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|---|-------------------|-------------------|
| 11. INVESTMENT PROPERTY | | |
| Investment property at fair value | <u>17,359,827</u> | <u>17,359,827</u> |
| (a) Movement in investment property | | |
| Balance at 1 July | 17,359,827 | 17,343,665 |
| Acquisitions | - | 16,162 |
| Balance at 30 June | <u>17,359,827</u> | <u>17,359,827</u> |
| | | |
| (i) Amounts recognised in profit and loss for investment properties | | |
| Rental income | 1,672,203 | 1,726,017 |
| Direct operating expenses from property that generated rental income | 718,165 | 761,261 |
| | | |
| (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 31 for details of Fair Value. | | |
| | | |
| (iii) <i>Assets pledged as security</i> | | |
| 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 | | |
| Office furniture & equipment – at cost | 37,848 | 32,794 |
| Less: Accumulated depreciation | (18,505) | (15,766) |
| | <u>19,343</u> | <u>17,028</u> |
| | | |
| Reconciliations of carrying amount | | |
| <i>Office furniture & equipment</i> | | |
| Balance at 1 July | 17,028 | 20,215 |
| Additions | 5,055 | - |
| Depreciation | (2,740) | (3,187) |
| Balance at 30 June | <u>19,343</u> | <u>17,028</u> |
| | | |
| 13. TRADE AND OTHER PAYABLES | | |
| Current | | |
| Trade creditors and other payables | 952,573 | 1,290,161 |
| Interest payable | - | 18,619 |
| | <u>952,573</u> | <u>1,308,780</u> |
| | | |
| Non-current | | |
| Tenant security deposits | <u>2,500</u> | <u>2,500</u> |

The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 30. The carrying amount of trade and other payables approximates its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|---|-------------------|-------------------|
| 14. INCOME TAX PAYABLE | | |
| Income tax payable | <u>108,471</u> | <u>443,840</u> |
| 15. EMPLOYEE BENEFITS | | |
| Provision for annual leave entitlements | <u>17,066</u> | <u>15,453</u> |
| Balance brought forward | 15,453 | 17,831 |
| Movement during the year | 1,613 | (2,378) |
| Balance carried forward | <u>17,066</u> | <u>15,453</u> |
| 16. LOANS & BORROWINGS | | |
| Current | | |
| Loans from financial institutions | (a) 15,358,183 | 8,503,566 |
| Loans from non financial institutions | - | 4,725,000 |
| | <u>15,358,183</u> | <u>13,228,566</u> |
| Loans from related parties | 25(d) - | 65,000 |
| | <u>15,358,183</u> | <u>13,293,566</u> |
| Non-current | | |
| Loans from financial institutions | (a) 5,031,000 | 12,230,050 |
| Loans from non financial institutions | 3,500,000 | - |
| | <u>8,531,000</u> | <u>12,230,050</u> |

(a) Loans

| | | | Facility limit 2020 \$ | Utilised 2020 \$ | Facility limit 2019 \$ | Utilised 2019 \$ |
|-------------------------------------|---------|---------------|------------------------------|------------------------|------------------------------|------------------------|
| Facility | Secured | Maturity Date | | | | |
| Current | | | | | | |
| McCabe St Facility ¹ | Yes | December 2021 | - | - | 2,700,000 | 2,700,000 |
| Haig Park Cir Facility ² | Yes | July 2021 | - | - | 100,725 | 100,725 |
| Belmont Facility ³ | Yes | February 2021 | 1,527,500 | 1,527,500 | 1,844,375 | 1,738,750 |
| Forbes Facility ⁴ | Yes | February 2021 | 2,640,000 | 2,645,522 | 2,652,820 | 2,652,820 |
| Sterlink Facility ⁵ | Yes | February 2021 | 800,000 | 800,000 | 800,000 | 800,000 |
| Helena St Facility ⁷ | Yes | February 2021 | 484,000 | 485,161 | 486,271 | 486,271 |
| Anrinza private loan ⁶ | No | May 2022 | - | - | 3,500,000 | 3,500,000 |
| Shoalwater Facility ⁹ | Yes | February 2021 | 9,900,000 | 9,900,000 | - | - |
| Big Tom Pty Ltd ⁸ | No | 30 June 2020 | - | - | 1,250,000 | 1,250,000 |
| | | | | <u>15,358,183</u> | | <u>13,228,566</u> |
| Non-current | | | | | | |
| Haig Park Cir Facility ² | Yes | July 2021 | 2,585,000 | 2,331,000 | 2,296,475 | 2,330,050 |
| McCabe St Facility ¹ | Yes | December 2021 | 2,700,000 | 2,700,000 | - | - |
| Anrinza private loan ⁶ | No | May 2022 | 3,500,000 | 3,500,000 | - | - |
| Shoalwater Facility ⁹ | Yes | February 2021 | - | - | 9,900,000 | 9,900,000 |
| | | | | <u>8,531,000</u> | | <u>12,230,050</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

16. LOANS & BORROWINGS (continued)

- 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 quarterly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
- 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.
- 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 property at Forbes Road and Kishorn Road held by the Company's 90% owned subsidiary, Applecross Land Holdings Pty Ltd (**Applecross**) and first registered general security agreement over the assets and undertaking of Applecross. There is a required 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 expires in February 2021. 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 (**Sterlink**). Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
- 6) This facility is provided by a major shareholder of the Group and is unsecured and interest free.
- 7) 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.
- 8) The Company obtained a loan on 28 June 2019 for \$1,250,000 from Big Tom Pty Ltd which is unsecured and attracts an interest rate of 8% (compound) payable each in arrears at the end of each month. This loan was repaid in full during the 2020 financial year.
- 9) 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 Mustera Property Fund (**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.

(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.

17. NET ASSETS ATTRIBUTABLE TO PROPERTY FUND UNITHOLDERS

| | 2020 | 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| Opening balance | 7,301,128 | 7,091,863 |
| Units issued | - | - |
| (Acquisition)/disposal of units in the Fund by Mustera Property Group | (250,000) | 500,000 |
| Gain attributable to Mustera Property Group movement in units | - | (22,226) |
| Distributions paid and payable to non-controlling interest | (661,593) | (760,000) |
| Profit/(loss) for the period attributable to non-controlling interest | 628,134 | 491,491 |
| | 7,017,669 | 7,301,128 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|--|-------------------|-------------------|
| 18. EQUITY – ISSUED CAPITAL | | |
| 99,625,115 (2019: 99,625,115) fully paid ordinary shares | 11,980,794 | 11,980,794 |

(a) Ordinary shares

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

| | 2020 Number | 2019 Number | 2020 \$ | 2019 \$ |
|--|-------------------|-------------------|-------------------|-------------------|
| Balance at beginning of year | 99,625,115 | 99,027,111 | 11,980,794 | 11,798,408 |
| Issue of shares pursuant to Dividend Reinvestment Plan | - | 598,004 | - | 182,386 |
| Balance at the end of the year | <u>99,625,115</u> | <u>99,625,115</u> | <u>11,980,794</u> | <u>11,980,794</u> |

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 Directors are not aware of any instances of non-compliance with this covenant during the year ended 30 June 2020.

| | 2020 \$ | 2019 \$ |
|--|---------------|---------------|
| 19. OTHER RESERVES | | |
| Employee Options Reserve | | |
| Balance at beginning of year | 94,188 | 41,453 |
| Value of options granted during the year (Note 29) | - | 52,735 |
| Exercise of options during the year | - | - |
| Balance at end of year | <u>94,188</u> | <u>94,188</u> |

The employee options reserve is used to recognise the fair value of options issued for employee services. Refer to Note 29 for further details of value of options granted during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|--|----------------|----------------|
| 19. OTHER RESERVES (continued) | | |
| Transactions with Non-Controlling Interest Reserve | | |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity – Applecross Land | 213,831 | 213,831 |
| Balance at end of year | 213,831 | 213,831 |
| <p>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 20.</p> | | |
| Total other reserves | 308,019 | 308,019 |

20. NON-CONTROLLING INTERESTS

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

| | 2020 \$ | 2019 \$ |
|--|----------------|----------------|
| Carrying amount of non-controlling interests – Applecross Land | 482,904 | 508,733 |
| Movement in carrying amount of non-controlling interests | | |
| Balance at 1 July | 508,733 | 537,679 |
| Share of loss (10%) | (25,829) | (28,946) |
| Balance at end of year | 482,904 | 508,733 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

20. NON-CONTROLLING INTERESTS (continued)

Set out below is summarised financial information for each subsidiary that has non-controlling interests ("NCI") that are material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

| | Applecross Land | |
|---|------------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Summarised balance sheet | | |
| Current assets | 92,325 | 82,574 |
| Current liabilities | 2,729,951 | 2,674,874 |
| Current net assets | (2,637,626) | (2,592,300) |
| Non-current assets | 9,543,317 | 9,237,514 |
| Non-current liabilities | 2,076,655 | 1,557,888 |
| Non-current net assets | 7,466,662 | 7,679,626 |
| Net assets | 4,829,036 | 5,087,326 |
| Accumulated NCI | 482,904 | 508,733 |
| Summarised statement of comprehensive income | | |
| Revenue | - | 132 |
| Profit/(loss) for the period | (258,291) | (286,466) |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) | (258,291) | (289,466) |
| Profit allocated to NCI | (25,829) | (28,947) |
| Summarised cash flows | | |
| Cash flows used in operating activities | (501,898) | (1,413,662) |
| Cash flows used in investing activities | - | - |
| Cash flows from financing activities | 511,469 | 1,402,504 |
| Net increase/(decrease) in cash and cash equivalents | 9,571 | (11,158) |
| | 2020 | 2019 |
| | \$ | \$ |
| 21. ACCUMULATED LOSSES | | |
| Retained earnings/(accumulated losses) at the beginning of the year | (20,960) | 1,759,252 |
| Correction of error- Transfer from other reserves | - | 19,957 |
| Dividends paid | - | (247,568) |
| Net profit/(loss) for the year | (1,040,107) | (1,552,603) |
| Accumulated losses at the end of the year | (1,061,067) | (20,960) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

22. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

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

Contingencies

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

23. EARNINGS PER SHARE

| | 2020 | 2019 |
|---|---------------|---------------|
| | \$ | \$ |
| Loss after income tax attributable to ordinary shareholders | (1,040,107) | (1,552,603) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 99,399,020 | 99,399,020 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | - | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 99,399,020 | 99,399,020 |
| | Cents | Cents |
| Basic earnings per share | (1.04) | (1.56) |
| Diluted earnings per share | N/A | N/A |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

24. 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:

| | 2020 | 2019 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 245,302 | 241,973 |
| Post-employment benefits | 20,900 | 20,900 |
| Share based payments | - | 52,736 |
| | 266,202 | 315,609 |

25. 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 2020 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 | | Principal activities |
|--|--|--------------------------------------|------|---|
| | | 2020 | 2019 | |
| 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% | 90% | Property development |
| Mustera Property Fund Management Pty Ltd | Australia | 100% | 100% | Management |
| MPX Group Pty Ltd | Australia | 100% | 100% | Trustee company for Mustera Property Fund |
| Mustera Property Fund | Australia | 3% | - | Property investment |

Loans made by Mustera Property Group Ltd to the 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. On this basis, Mustera Property Group is deemed to control the Mustera Property Fund through its 100% owned subsidiary of MPX Group Pty Ltd (the trustee of the Mustera Property Fund) as 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 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

25. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with related parties

The following transactions occurred with related parties:

| Director | Entity | Transaction | Transaction Value For FY | | Outstanding Balance As at 30 June | |
|----------------|-------------------------------------|---|-----------------------------|-------------|--------------------------------------|-----------|
| | | | 2020 | 2019 | 2020 | 2019 |
| Anthony Ho | Anthony Ho & Associates | Secretarial Services | 18,000 | 44,921 | - | 32,908 |
| Benjamin Young | Townshend Capital Pty Ltd | Corporate Advisory Fees | 85,309 | 55,000 | 36,958 | 16,500 |
| | | Rental Income | (92,238) | (90,253) | (25,294) | (16,617) |
| | Spectra (WA) Pty Ltd | Rental Guarantee | 140,615 | 156,747 | - | - |
| | | Property Management | - | 21,274 | - | - |
| | | Rental Income | (44,323) | (43,781) | (16,396) | (12,035) |
| | | Vendor Finance loan provided/ (repaid) | (3,410,300) | (1,736,080) | - | 3,410,300 |
| | | Vendor Finance Interest received | (125,398) | (213,507) | - | - |
| | Sentral Strata Pty Ltd | Strata Management Fees | - | 9,724 | - | - |
| | Goodrich Capital Kingsfield Pty Ltd | Working Capital Loan | - | 640,000 | - | 65,000 |
| | | Rental Guarantee | 11,385 | 46,934 | - | 22,744 |
| | | Working Capital Loan (1) | 440,595 | 464,438 | - | - |
| | Benjamin Young | Reimbursements (2) | 72,114 | 5,743 | - | 5,743 |

(1) Kingsfield Pty Ltd, an entity associated with Mr Benjamin Young, provided short term loan funds on an as required basis during the year to the Group which was interest free, unsecured and payable on demand. Total funds advanced amounted to \$440,595. The loan was repaid during the year.

(2) Mr Benjamin Young paid for transactions on an as required basis during the year on behalf of the Group which was interest free, unsecured and reimbursement payable on demand. Total reimbursement amounted to \$72,114. The reimbursement was repaid during the year.

(e) Terms and conditions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

26. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

| | Parent | |
|-----------------------------------|-----------|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Profit/(loss) after income tax | (817,571) | (1,358,237) |
| Total comprehensive income/(loss) | (817,571) | (1,358,237) |

Statement of financial position

| | Parent | |
|------------------------------|-------------|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Total current assets | 1,070,646 | 1,597,835 |
| Total assets | 13,801,760 | 15,205,585 |
| Total current liabilities | 1,843,883 | 5,930,136 |
| Total liabilities | 5,343,883 | 5,930,137 |
| Equity | | |
| Issued capital | 11,980,795 | 11,980,795 |
| Share based payments reserve | 94,188 | 94,188 |
| Accumulated losses | (3,617,106) | (2,799,535) |
| Total equity | 8,457,877 | 9,275,448 |

Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to \$3,124,000 (2019: \$3,124,000), 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 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|--|-------------|-------------|
| 27. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| (a) Cash flows from operating activities | | |
| Profit for the year | (1,065,936) | (1,581,550) |
| Adjustments of non-cash/non-operating items: | | |
| Depreciation | 2,740 | 3,187 |
| Loss on disposal of fixed assets | - | - |
| Gain on disposal of investments | - | (33,185) |
| Distributions | (1,865) | (10,958) |
| Vendor financed apartment sales | - | - |
| Share based payments | - | 52,735 |
| Impairment of inventory | - | 636,385 |
| Operating loss before changes in working capital and provisions | (1,065,061) | (933,386) |
| Change in trade and other receivables | 3,377,900 | 1,815,319 |
| Change in prepayments | (3,912) | (6,751) |
| Changes in inventories and assets held for sale | (305,802) | (981,986) |
| Change in deferred tax assets | (10,080) | (121,363) |
| Change in trade and other payables | 400,592 | 184,470 |
| Change in provision for income tax | (429,141) | (368,271) |
| Change in deferred tax liabilities | - | - |
| Change in employee benefits | 1,613 | (2,378) |
| Net cash used in operating activities | 1,966,109 | (414,346) |
| (b) Non-cash investing and financing activities | | |
| Issue of shares under dividends reinvestment plan | - | 182,386 |

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 2019 \$ | Cash flows \$ | 2020 \$ |
|---|------------|------------------|------------|
| Long-term borrowings | 12,230,050 | (3,699,050) | 8,531,000 |
| Short-term borrowings | 13,293,566 | 2,064,617 | 15,358,183 |
| Total liabilities from financing activities | 25,523,616 | (1,634,433) | 23,889,183 |
| | 2018 \$ | Cash flows \$ | 2019 \$ |
| Long-term borrowings | 18,832,416 | (6,602,366) | 12,230,050 |
| Short-term borrowings | 5,720,000 | 7,573,566 | 13,293,566 |
| Total liabilities from financing activities | 24,552,416 | 971,200 | 25,523,616 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

29. SHARE BASED PAYMENTS

No options were granted to directors of the Company as part of their compensation during the financial year. In the prior financial year, the following options were granted to directors of the Company as part of an incentive compensation policy following shareholder approval obtained at the Company's Annual General Meeting held on 29 November 2018:

| Class | Grant Date | Expiry Date | Exercise Price | Number of Options |
|------------------|------------------|------------------|----------------|-------------------|
| Unlisted Options | 29 November 2018 | 30 November 2023 | \$0.46 | 2,500,000 |

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/(Exercise d) during year | Balance at end of year | Vested and exercisable at end of year |
|---------------------------------|----------------|-------------------|--------------------------|----------------------------------|------------------------|---------------------------------------|
| 2020 | | | | | | |
| 21 October 2016 | \$0.37 | 30 September 2021 | 3,000,000 | - | 3,000,000 | 3,000,000 |
| 29 November 2018 | \$0.46 | 30 November 2023 | 2,500,000 | - | 2,500,000 | 2,500,000 |
| | | | 5,500,000 | - | 5,500,000 | 5,500,000 |
| Weighted Average exercise price | | | \$0.41 | - | \$0.41 | \$0.41 |
| 2019 | | | | | | |
| 21 October 2016 | \$0.37 | 30 September 2021 | 3,000,000 | - | 3,000,000 | 3,000,000 |
| 29 November 2018 | \$0.46 | 30 November 2023 | - | 2,500,000 | 2,500,000 | 2,500,000 |
| | | | 3,000,000 | 2,500,000 | 5,500,000 | 5,500,000 |
| Weighted Average exercise price | | | \$0.37 | \$0.46 | \$0.41 | \$0.41 |

No options expired or were forfeited during the periods covered by the above tables.

The options outstanding at 30 June 2020 have a weighted average remaining contractual life of 26.85 months (2019: 38.82 months).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

30. 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:

| | 2020 | 2019 |
|------------------------------|-------------|-------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 281,321 | 943,589 |
| Trade and other receivables | 213,764 | 3,547,395 |
| | 495,085 | 4,490,984 |
| Financial liabilities | | |
| Trade and other payables | 634,229 | 1,311,280 |
| Loans and borrowings | 23,889,183 | 25,523,616 |
| | 24,523,412 | 26,834,896 |

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 \$20,389,183 as at 30 June 2020 (2019: \$22,175,941). These loans are interest only. Monthly cash outlays of approximately \$42,175 (2019: \$74,688) are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points (2019: 100) would have an adverse/favourable effect on profit before tax of \$203,892 (2019: \$221,759) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

30. 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:

| | 2020 | 2019 |
|-----------------------------|---------|-----------|
| | \$ | \$ |
| Cash and cash equivalents | 281,321 | 943,519 |
| Trade and other receivables | 213,764 | 3,547,395 |
| | 495,085 | 4,490,914 |

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 2020 | | | |
| Cash and cash equivalents | 281,321 | - | 281,321 |
| Trade and other receivables – current | 83,746 | 127,518 | 211,264 |
| Trade and other receivables – non-current | - | 2,500 | 2,500 |
| | 365,067 | 130,018 | 495,085 |
| At 30 June 2019 | | | |
| Cash and cash equivalents | 943,519 | - | 943,519 |
| Trade and other receivables – current | - | 234,595 | 234,595 |
| Trade and other receivables – non-current | - | 3,312,800 | 3,312,800 |
| | 943,519 | 3,547,395 | 4,490,914 |

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

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For current trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

No impairment loss was recognised by the Group for the financial year (2019: \$nil).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

30. FINANCIAL RISK MANAGEMENT (continued)

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 2020 | Carrying amount | Contractual cash flows | 1 year | 2-5 years | >5 years |
|--------------------------|------------------------|-------------------------------|---------------------|---------------------|--------------------|
| Trade and other payables | 634,229 | (634,229) | (634,229) | - | - |
| Loans and borrowings | 23,889,183 | (24,322,419) | (15,788,258) | (8,534,161) | - |
| | <u>24,523,412</u> | <u>(24,956,648)</u> | <u>(16,422,487)</u> | <u>(8,534,161)</u> | <u>-</u> |
| | | | | | |
| 30 June 2019 | Carrying amount | Contractual cash flows | 1 year | 2-5 years | >5 years |
| Trade and other payables | 361,443 | (361,443) | (361,443) | - | - |
| Loans and borrowings | 25,523,616 | (26,748,030) | (14,125,738) | (12,622,292) | - |
| | <u>25,885,059</u> | <u>(27,109,473)</u> | <u>(14,487,181)</u> | <u>(12,622,292)</u> | <u>-</u> |

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.

31. 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.

The following table shows the consolidated entity's assets or liabilities measured or disclosed at fair value.

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|---------------------|----------------|----------------|-------------------|-------------------|
| Assets | | | | |
| Investment property | - | - | 17,359,827 | 17,359,827 |
| Total assets | <u>-</u> | <u>-</u> | <u>17,359,827</u> | <u>17,359,827</u> |
| | | | | |
| 2019 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment property | - | - | 17,359,827 | 17,359,827 |
| Total assets | <u>-</u> | <u>-</u> | <u>17,359,827</u> | <u>17,359,827</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

31. FAIR VALUE MEASUREMENT (continued)

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. | <ul style="list-style-type: none"> • Market fully leased net rental income per annum after vacancy allowance \$1.39m (2019: \$1.14m) • Capitalisation rate 6.75% (2019: 6.52%) • Leasing vacancy 5.00% (2019: 8.24%) • Weighted lease duration by income: 7.24 years (2019: 7.63 years) | The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • Expected market rental income were higher (lower); • Capitalisation rate were lower (higher); • Leasing downtime were shorter (longer). |

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 (2019: nil).

32. EVENTS SUBSEQUENT TO REPORTING DATE

Other than what has been disclosed in the accounts, no matters or events have arisen since 30 June 2020 which have significantly affected, or may significantly affect, the operations of the Group, the results of the 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 2020 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 2020
Perth

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 2020, 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 2020 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 |
|---|--|
| <p>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 eligible borrowing costs incurred during the development of each asset.</p> <p>This is considered a key audit matter due to the significance of inventory to the financial statements and due to the significant judgement involved in the determination of net realisable value for properties.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining position papers provided by management to support the carrying value of the individual properties and assessing the evidence provided and assumptions used in the NRV assessment, including corroborating with external market data where appropriate; • Reviewing external valuations of individual property's performed during the year where applicable; • Reviewing a sample of feasibility studies and assessed the reasonableness of estimated costs to complete; • 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 accounting standards; and • Assessing the adequacy of the disclosures in Note 2 and Note 9 to the financial report. |

Fair Value of Investment Property

| Key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>The valuation of investment property is a key audit matter as this asset is significant in value and the fair value assessment requiring significant judgement. The Group's disclosures about the fair value of investment property are included in Note 11 and Note 31, which details the key assumptions used in determining the fair value.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an external valuation report for this property; • Assessing the professional competence and objectivity of external experts engaged by the Group; • Reviewing the inputs and assumptions used by the external expert with reference to current rental income of the property, capitalisation rates and duration of leases; and • Assessing the adequacy of the disclosures in Note 2, Note 11 and Note 31 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 30 June 2020, 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 2020.

In our opinion, the Remuneration Report of Mustera Property Group Limited, for the year ended 30 June 2020, 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


Phillip Murdoch

Director

Perth, 31 August 2020



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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MUSTERA PROPERTY GROUP LIMITED

As lead auditor of Mustera Property Group Limited for the year ended 30 June 2020, 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.

A handwritten signature in black ink, appearing to read 'P. Murdoch', with a long horizontal flourish extending to the right.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 31 August 2020

A D D I T I O N A L I N F O R M A T I O N

Details of shares and options as at 25 August 2020:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 25 August 2020 were:

Fully paid ordinary shares - quoted

| | Name | No. of Shares | % |
|-----|---|---------------|-------|
| 1. | Wonder Holding Pty Ltd | 28,397,541 | 28.50 |
| 2. | Anrinza Future Pty Ltd | 27,221,312 | 27.32 |
| 3. | QP & Co Pty Ltd <Quppi Family A/C> | 9,265,667 | 9.30 |
| 4. | Willy Masturi <W E Masturi Family A/C> | 4,000,000 | 4.02 |
| 5. | Wise Day Holdings Ltd | 3,333,333 | 3.35 |
| 6. | Sufenty | 3,269,303 | 3.28 |
| 7. | Mr Park On Lai | 2,666,667 | 2.68 |
| 8. | Mutual Street Pty Ltd | 2,543,400 | 2.55 |
| 9. | Hox5 Pty Ltd <A&K Ho Superannuation Fund> | 2,016,394 | 2.02 |
| 10. | Mr Willy Masturi <The W E Masturi Family A/C> | 2,000,000 | 2.01 |
| 11. | Nicholas Zborowski | 1,543,450 | 1.55 |
| 12. | Mr Robert Ang | 1,409,354 | 1.41 |
| 13. | GTO Group Corp | 1,250,000 | 1.25 |
| 14. | Sanny Nanang | 1,010,000 | 1.01 |
| 15. | Mr Jack Spencer-Cotton | 1,000,000 | 1.00 |
| 16. | Ms Monika Adya Pratignyo | 525,000 | 0.53 |
| 17. | Mr Linus Ning-Li Tan | 507,224 | 0.51 |
| 18. | M Peters Simanjuntak | 500,000 | 0.50 |
| 19. | Mr Rheinaldy Tanadi Tan | 487,581 | 0.49 |
| 20. | Mr David Gary Butler + Mrs Bo Liu Butler | 400,820 | 0.40 |
| | | 93,347,046 | 93.68 |

Registered holders holdings 20% or more of each class of unquoted equity security as at 25 August 2020 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 |

Options exercisable at \$0.46 each on or before 30 November 2023 – unquoted

| | Name | No. of Options | % |
|--|------------------|----------------|----|
| | N Zborowski | 1,000,000 | 40 |
| | A Ho | 500,000 | 20 |
| | J Spencer-Cotton | 500,000 | 20 |
| | B Young | 500,000 | 20 |

Distribution schedules

A distribution schedule of each class of equity security as at 25 August 2020:

| Range | Fully paid ordinary shares | | | Options exercisable at \$0.37 on or before 30 September 2021 | | | Options exercisable at \$0.46 on or before 30 November 2023 | | |
|------------------|----------------------------|------------|--------|--|-----------|-----|---|-----------|-----|
| | Holders | Units | % | Holders | Units | % | Holders | Units | % |
| 1 - 1,000 | 13 | 2,527 | 0.002 | - | - | - | - | - | - |
| 1,001 - 5,000 | 7 | 17,795 | 0.02 | - | - | - | - | - | - |
| 5,001 - 10,000 | 52 | 517,320 | 0.52 | - | - | - | - | - | - |
| 10,001 - 100,000 | 71 | 2,276,189 | 2.28 | - | - | - | - | - | - |
| 100,001 - Over | 34 | 96,811,284 | 97.18 | 4 | 3,000,000 | 100 | 4 | 2,500,000 | 100 |
| Total | 177 | 99,625,115 | 100.00 | 4 | 3,000,000 | 100 | 4 | 2,500,000 | 100 |

A D D I T I O N A L I N F O R M A T I O N

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> | 6,600,000 |

Restricted securities

As at 25 August 2020, the Company had no restricted securities.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1,923 shares as at 25 August 2020):

| Holders | Units |
|---------|-------|
| 15 | 5,943 |

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>.