MUSTERA
PROPERTY GROUP LTD

ASX ANNOUNCEMENT

28th February 2020

ASX CODE: MPX

DIRECTORS

Mr Nicholas Zborowski
Executive Director

Mr Anthony Ho
Non-Executive Director

Mr Benjamin Young
Non-Executive Director

Mr Jack Spencer-Cotton
Non-Executive Director

CAPITAL STRUCTURE

Ordinary Shares: 99.6M
Options: 5.5M

ABN 13 142 375 522

15 McCabe Street
North Fremantle WA 6159

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HALF-YEAR FINANCIAL RESULTS

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2019 and ASX Appendix 4D – Half Year Report of Mustera Property Group Limited (ASX: MPX) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2019.

Authorised by:

Nicholas Zborowski
Executive Director

Company Enquiries:
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Appendix 4D
Half Year Report to the Australian Securities Exchange
Mustera Property Group Limited and Controlled Entities – ABN 13 142 375 522
Period ending 31 December 2019

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

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

Reporting Period	**6 Months ending 31 December 2019**
Previous Corresponding Reporting Period	**6 Months ending 31 December 2018**

2. Results for announcement to the market

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

$ Revenue from Ordinary Activities - current period	**$'000**	**1,444**
$ Revenue from Ordinary Activities - previous period	**$'000**	**1,549**
$ change in Revenue from Ordinary Activities	**$'000**	**(105)**
% change from previous corresponding reporting period	**% DOWN**	**7%**

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

$ Profit (loss) from ordinary activities after tax - current period	**$'000**	**(645)**
$ Profit (loss) from ordinary activities after tax - previous period	**$'000**	**(868)**
$ change in profit (loss) from ordinary activities after tax	**$'000**	**(223)**
% change from previous corresponding reporting period	**% DOWN**	**26%**

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

$ Net profit (loss) attributable to members - current period	**$'000**	**(645)**
$ Net profit (loss) attributable to members - previous period	**$'000**	**(868)**
$ change in net profit (loss) attributable to members	**$'000**	**(223)**
% change from previous corresponding reporting period	**% DOWN**	**26%**

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

It is not proposed to pay a dividend.

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

Not applicable

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

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

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

Net tangible assets per security	**Cents**	**12.2**
Previous corresponding period	**Cents**	**13.5**

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

4.1 Name of the entity.

Not applicable

4.2 The date of the gain or loss of control.

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

None

7.1 Name of the associate or joint venture entity.

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

The accounts are subject to an emphasis of matter paragraph relating to the Group's ability to continue as a going concern.

MUSTERA PROPERTY GROUP LTD
ABN 13 142 375 522

INTERIM FINANCIAL REPORT

31 December 2019

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Mustera Property Group Ltd (the **Company** or **Mustera**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the half-year ended 31 December 2019 and the Auditor's Review Report thereon.

DIRECTORS

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

Mr Nicholas Zborowski
Executive Director – appointed 10 June 2014

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

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

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

REVIEW OF OPERATIONS

The Group recorded an after-tax loss for the half-year of $660,542 (2018: $878,636).
Revenue of $1.36m was recorded during the half year received from rental income. Development planning and approval for the Company's property portfolio continued to be undertaken during the period. Whilst the unsold apartments in the Victoria Quarter Development are still being offered for sale they have been leased and are generating satisfactory rental income for the Group.

The Group will progress with the planning and approvals of its existing development portfolio in the current year.

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

COMPLETED PROJECTS

Victoria Quarter, Lot 803 Foundry Road, Midland WA – 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.

A development application was submitted to the City of Melville in November 2018 and subsequently refused by the Metro Central Joint Development Assessment Panel (JDAP). The Company continues to appeal the decision through the State Administration Tribunal (SAT). The Company has continued to develop alternative plans having regard to issues raised during the application process and anticipates a mediated outcome at SAT in due course.

75 Haig Park Circle, East Perth WA - The property comprises a 2,233m^2 site and is situated near the corner of Plain Street and Royal Street, 1.5 km from the Perth Central Business District. Improvements include an open air at-grade car park with fifty car bays. The property is currently leased for short-term public parking.

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 January 2019 and is pending a decision. It is expected that the scheme amendment will be adopted in early 2020 and a development application will be submitted in due course.

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

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

The Group has continued to progress with the preliminary design and planning for the development in anticipation of applying for a structure plan approval in due course.

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

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23 and forms part of the Directors' Report.

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

Nicholas Zborowski
Executive Director

Dated at Perth this 28th day of February 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2019

	Note	Half-year 31 December 2019 $	31 December 2018 $
Revenue	6	1,364,785	1,425,197
Cost of sales		-	-
Gross Profit		1,364,785	1,425,197
Property expenses and outgoings		(791,758)	(787,672)
Property development costs		(54,910)	(27,235)
Employee benefits expenses		(177,023)	(302,430)
Administration and overhead costs		(317,279)	(237,451)
Amortisation and depreciation		(1,188)	(1,594)
Write-down of inventory to net realisable value		-	(636,385)
Other Income and Expenses		(1,342,158)	(1,992,767)
Finance income		78,921	123,912
Finance costs		(504,429)	(747,147)
Less profit attributable to property fund unitholders		(257,661)	(16,104)
Net Finance Costs		(683,169)	(639,339)
Loss before income tax		(660,542)	(1,206,909)
Income tax benefit		-	328,273
Total comprehensive loss for the period		**(660,542)**	**(878,636)**
Total comprehensive loss for the period is attributable to:			
Ordinary equity holders of the parent		(645,178)	(868,173)
Non-controlling interest		(15,364)	(10,463)
		(660,542)	**(878,636)**
Loss per share (cents)			
Loss per share for the period (cents)		(0.66)	(0.88)
Diluted earnings per share for the period (cents)		N/A*	N/A*

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

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

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		247,018	943,589
Trade and other receivables	8	259,875	234,595
Inventories	9	1,486,774	1,568,034
Other current assets		95,041	11,286
Total Current Assets		2,088,708	2,757,504
NON-CURRENT ASSETS			
Trade and other receivables	8	2,673,600	3,312,800
Inventories	9	23,944,516	23,746,463
Investment property	10	17,359,827	17,359,827
Property, plant & equipment		17,195	17,028
Deferred tax assets		178,281	178,281
Total Non-Current Assets		44,173,419	44,614,399
TOTAL ASSETS		46,262,127	47,371,903
CURRENT LIABILITIES			
Trade and other payables		1,428,264	1,308,780
Income tax payable		189,085	443,840
Employee benefits		9,168	15,453
Borrowings	11	10,411,350	13,293,566
Net assets attributable to property fund unitholders	13	7,175,666	7,301,128
Total Current Liabilities		19,213,533	22,362,767
NON-CURRENT LIABILITIES			
Other payables		2,500	2,500
Deferred tax liabilities		-	-
Borrowings	11	14,930,050	12,230,050
Total non-Current Liabilities		14,932,550	12,232,550
TOTAL LIABILITIES		34,146,083	34,595,317
NET ASSETS		**12,116,044**	**12,776,586**
EQUITY			
Contributed equity	12	11,980,795	11,980,795
Other reserves		308,019	308,019
Retained earnings		(666,138)	(20,961)
Non-controlling interest		493,368	508,733
TOTAL EQUITY		**12,116,044**	**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 half-year ended 31 December 2019

	Attributable to owners of Mustera Property Group Limited					
	Contributed Equity $	**Other Reserves $**	**Retained Earnings $**	**Total $**	**Non-controlling interests $**	**Total Equity $**
Balance at 1 July 2019	11,980,795	308,019	(20,960)	12,267,854	508,732	12,776,586
Loss for the half-year	-	-	(645,178)	(645,178)	(15,364)	(660,542)
Total comprehensive loss for the half-year	-	-	(645,178)	(645,178)	(15,364)	(660,542)
Transactions with equity holders in their capacity as equity holders:						
Shares issued	-	-	-	-	-	-
Balance at 31 December 2019	11,980,795	308,019	(666,138)	11,662,676	493,368	12,116,044
Balance at 1 July 2018	11,798,408	255,283	1,779,210	13,832,901	537,679	14,370,580
Loss for the half-year	-	-	(868,173)	(868,173)	(10,463)	(878,636)
Total comprehensive loss for the half-year	-	-	(868,173)	(868,173)	(10,463)	(878,636)
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 31 December 2018	**11,980,795**	**308,019**	**663,469**	**12,952,283**	**527,216**	**13,479,499**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2019

	Note	Half-year 2019 $	Half-year 2018 $
Cash flows from operating activities			
Receipts in the course of operations		1,479,657	1,472,017
Receipts from repayment of vendor finance loan		639,200	1,090,200
Payments in the course of operations		(1,341,166)	(1,647,810)
Payments for property held for development		(116,793)	(775,071)
Interest received		78,921	103,714
Finance costs paid		(520,981)	(553,254)
Income tax paid		(254,755)	(202,703)
Net cash outflow from operating activities		(35,917)	(512,907)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(1,355)	-
Payments for leasehold improvements capitalised		-	(16,162)
Net cash outflow from investing activities		(1,355)	(16,162)
Cash flows from financing activities			
Proceeds from borrowings		2,700,000	492,031
Repayment of borrowings		(2,978,331)	(199,933)
Distributions paid to unitholders of property fund		(380,968)	(181,255)
Dividend payment on ordinary shares, net of Dividend Reinvestment Plan		-	(65,181)
Proceeds from sale of units in property fund		-	500,000
Net cash (outflow)/inflow from financing activities		(659,299)	545,662
Net increase/ (decrease) in cash and cash equivalents		(696,571)	16,593
Cash and cash equivalents at the beginning of the half-year		943,589	527,641
Cash and cash equivalents at the end of the half-year		**247,018**	**544,234**

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

1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

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

These consolidated financial statements comprise the Company and its subsidiaries (collectively the "**Group**" and individually "**Group companies**"). They were authorised for issue by the Board of Directors on 28 February 2020.

The annual financial report of the Group as at and for the financial period ended 30 June 2019 is available upon request from the Company's registered office or may be viewed on the Company's website, www.mustera.com.au.

This interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

It is recommended that this interim financial report be read in conjunction with the annual financial report for the financial period ended 30 June 2019 and considered together with any public announcements made by Mustera during the half-year ended 31 December 2019 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new or amended standards became applicable for the current reporting period. The Group did not have to make retrospective adjustments as a result of adopting these standards.

Going concern

For the half-year ended 31 December 2019 the Group recorded a loss of $660,542 and had net cash outflows from operating activities of $35,917. The Group had cash and cash equivalent of $247,018 and net working capital deficiency of $17,124,825 as at 31 December 2019. The working capital deficiency includes a liability of $7,175,666 relating to net assets attributable to unitholders of the Mustera Property Fund, and is restricted to the assets of that entity, and current borrowings of $10,411,350.

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 development works to continue to fund its operational and marketing 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;

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.

The Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report. Subsequent to period end, the Group entered into an unconditional contract to sell an apartment in the Victoria Quarter project, and varied terms in the Vendor Finance Agreement with Spectra for early repayment. The Group has also obtained extensions to their current borrowings. As the Group continues its bank refinancing activities and progresses its approval process for the development of land, there exists a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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 continues to generate rental income from several of its properties.
- The quality of the Group's diverse development portfolio is such that it will attract appropriate equity and debt financing for its successful development.
- The Group anticipates being able to refinance existing loan facilities, as and when the loan facilities mature and secure funding for future development opportunities

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.

2. CRITICAL ACCOUNTING ESTIMATES

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

In preparing the interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2019. Critical accounting judgements, estimates and assumptions adopted by management are discussed below.

Fair value measurement hierarchy

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

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

Impairment of non-current assets

The consolidated entity assesses impairment of non-current assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. None of the consolidated entity's non-current assets indicated any impairment trigger during the year.

Classification of properties

The Group makes judgements in respect of the classification of properties as investment property or inventory depending on the Group's intended use of the property. Properties held either to earn income or for capital appreciation or both are classified as investment property. Properties held with the intention of redevelopment and sales of developed products are classified as inventory. The accounting treatments of investment property and inventory are different. Subsequent re-classification of properties may affect the carrying value of a property. There was no re-classification of properties during the reporting period.

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

Control of subsidiaries and other entities

The Group has concluded that it controls the Mustera Property Fund at 31 December 2019 even though it does not hold any equity and voting rights in this entity. It has been assessed that as Mustera controls the relevant activities of the Fund, based on the terms of the trust deed, and is exposed to variable returns through the fee structure outlined in the trust deed, it is therefore required to consolidate the Mustera Property Fund.

3. CHANGES IN ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019, except for the adoption of new and revised standards effective as of 1 July 2019. The adoption of the following new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The new or amended standard AASB 16 became applicable for the current reporting period and the Group has changed its accounting policies as a result of the adoption of the following standards:

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.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the financial period ended 30 June 2019.

5. DIVIDENDS

Dividend Reinvestment Plan ("DRP")

The Company's DRP is currently active and available to all eligible shareholders.

Total Dividends Paid on Ordinary Shares during the Period

	2019		2018	
	$ per Share	**$**	**$ per Share**	**$**
Interim Dividend	$0.0000	-	$0.0000	-
Final Dividend for the year ended 30 June	$0.0000		$0.0025	
Cash		-		65,181
Dividend Reinvestment Plan		-		182,387
		-		247,568

6. REVENUE

	31 Dec 2019 $	31 Dec 2018 $
Disaggregation of revenue		
The disaggregation of revenue from customers is as follows:		
Revenue from customers		
Rental income and recovery of outgoings	1,364,785	1,392,012
Sale of property	-	-
Gain on disposal of investments	-	33,185
	1,364,785	1,425,197
Other revenue		
Interest income	78,921	123,912
	1,443,706	**1,549,109**

7. SEGMENT INFORMATION

Identification of reportable operating segments

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

Segment information

	Property Investment $	Property Development $	Other[1] $	Group $
Half-year ended 31 December 2019				
Segment revenue and other income	828,074	615,632	-	1,443,706
Segment result	299,944	(648,847)	(311,639)	(660,542)
As at 31 December 2019				
Segment assets	17,360,521	26,770,971	2,130,635	46,262,127
Segment liabilities	17,323,889	15,614,973	1,207,221	34,146,083
Half-year ended 31 December 2018				
Segment revenue and other income	859,014	652,898	37,197	1,549,109
Segment result	89,521	(753,736)	(214,421)	(878,636)
As at 30 June 2019				
Segment assets	17,359,827	27,319,427	2,692,649	47,371,903
Segment liabilities	17,219,747	15,833,171	1,542,399	34,595,317

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

8. TRADE AND OTHER RECEIVABLES

	31 Dec 2019 $	30 Jun 2019 $
Current		
Trade debtors	128,677	127,377
Sundry debtors	27,279	3,299
Vendor finance receivable (a)	100,000	100,000
Deposit for purchase of property	3,919	3,919
	259,875	**234,595**
Non-current		
Security deposit – carpark lease	2,500	2,500
Vendor finance receivable (a)	2,671,100	3,310,300
	2,673,600	**3,312,800**

(a) The vendor finance was entered between Sterlink Development Pty Ltd and Spectra (WA) Pty Ltd during the year ended 30 June 2018. A loan of $5,146,380 was provided to Spectra (WA) Pty Ltd for the acquisition of the Victoria Quarter apartments. Interest and principal repayments will be made in accordance to the loan repayment schedule over a period of 15 years with the loan fully repaid by 1 June 2033. Repayments of principal totalling $639,200 were made during the half-year. The applicable interest rate for the loan was 4.9% per annum. The loan is secured by a first registered mortgage over the subject apartments.

A 7% rental guarantee for two years has been provided on six of the apartments sold to Spectra ends on 30 June 2020.

9. INVENTORIES

	31 Dec 2019 $	30 Jun 2019 $
Current		
Land and property held for development and resale (at cost)	1,486,774	1,568,034
Non-current		
Land and property held for development and resale (at cost)	23,944,516	23,746,463
Total	**25,431,290**	**25,314,497**

Movement in inventories for the half-year	2019 $	2018 $
Balance at 1 July	25,314,497	24,881,934
Additions at cost	-	-
Capitalised development costs	116,793	861,649
Capitalised borrowing costs	-	-
Sales of inventory	-	-
Write down of inventory to net realisable value	-	(636,385)
Balance at 31 December	25,431,290	25,107,198

10. INVESTMENT PROPERTY

	31 Dec 2019 $	30 Jun 2019 $
Investment property at fair value	**17,359,827**	**17,359,827**
(a) Movement in investment property		
Balance at 1 July	17,359,827	17,343,665
Acquisitions	-	16,162
Balance at 31 December	**17,359,827**	**17,359,827**

(i) Amounts recognised in profit and loss for investment properties	2019 $	2018 $
Rental income	827,959	858,396
Direct operating expenses from property that generated rental income	397,991	455,659

(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 16 for details of Fair Value.

(iii) Assets pledged as security

Some of the Group's Borrowings (refer Note 11) 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.

11. BORROWINGS	31 Dec 2019 $	30 Jun 2019 $
Current		
Loans from financial & non-financial institutions(refer Note (a))	10,315,235	13,228,566
Insurance Premium Funding	96,115	-
Loans from related parties	-	65,000
	10,411,350	**13,293,566**
Non-current		
Loans (refer Note (a))	**14,930,050**	12,230,050

(a) Loans

Facility	Secured	Maturity Date	Facility limit 31 Dec 2019 $	Utilised 31 Dec 2019 $	Facility limit 30 Jun 2019 $	Utilised 30 Jun 2019 $
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	100,725	100,725
Belmont Facility[3]	Yes	June 2020	1,844,375	1,527,500	1,844,375	1,738,750
Forbes Facility[4]	Yes	December 2019	2,640,000	2,650,866	2,652,820	2,652,820
Sterlink Facility[6]	Yes	December 2019	800,000	800,000	800,000	800,000
Helena St Facility[5]	Yes	December 2019	484,000	486,144	486,271	486,271
Anrinza private loan[8]	No	May 2020	3,500,000	3,500,000	3,500,000	3,500,000
Big Tom Pty Ltd[9]	No	June 2020	1,250,000	1,250,000	1,250,000	1,250,000
				10,315,235		
Non-current						
McCabe St Facility[1]	Yes	December 2021	2,700,000	2,700,000	-	-
Haig Park Cir Facility[2]	Yes	July 2021	2,330,050	2,330,050	2,296,475	2,330,050
Shoalwater Facility[7]	Yes	February 2021	9,900,000	9,900,000	9,900,000	9,900,000
				14,930,050		

11. BORROWINGS (CONTINUED)

1) This facility was refinanced during the period and 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. This loan is classified as a non-current liability.
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. Principal repayments of $33,575 are required on a quarterly basis until April 2020.
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.
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. Subsequent to period end, the Company obtained an extension for the loan to April 2020.
5) This facility is secured by first registered mortgages over the Helena St Midland property held by the Company's 100% owned subsidiary, Grace Property Holdings Pty Ltd (**Grace**), and first ranking charge over all present and after acquired property of Grace. Mustera has also provided unlimited guarantee for this facility. Subsequent to period end, the Company obtained an extension for the loan to April 2020.
6) 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. Subsequent to period end, the Company obtained an extension for the loan to April 2020.
7) This facility has a term of 3 years and expires in February 2021. The facility is secured by first registered mortgages over the investment property (Shoalwater Shopping Centre) held by the Trust and first ranking charge over all assets and undertakings of the Trust.
8) This facility is provided by a major shareholder of the Group and is unsecured and interest free.
9) 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 in arrears at the end of each month. This loan expires on 29 June 2020.

(b) Fair Value

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

	31 Dec 2019 $	30 Jun 2019 $
12. EQUITY – ISSUED CAPITAL		
99,625,115 (30 June 2019: 99,625,115) fully paid ordinary shares	**11,980,795**	**11,980,795**

(a) Ordinary shares

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

	2019 Number	2018 Number	2019 $	2018 $
Balance at beginning of the half-year	99,625,115	99,027,111	11,980,795	11,798,408
Issue of shares pursuant to Dividend Reinvestment Plan	-	598,004	-	182,387
Balance at the end of the half-year	99,625,115	99,625,115	11,980,795	11,980,795

13. NET ASSETS ATTIBUTABLE TO PROPERTY FUND UNITHOLDERS

	31 Dec 2019 $	30 Jun 2019 $
Opening balance	7,301,128	7,091,863
(Acquisition)/disposal of units in the Fund by Mustera Property Group	-	500,000
Gain attributable to Mustera Property Group movement in units	-	(22,226)
Distributions paid and payable to non-controlling interest	(383,123)	(760,000)
Profit/(loss) for the period attributable to non-controlling interest	257,661	491,491
	7,175,666	**7,301,128**

14. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned below, all other commitments and contingencies remain consistent with those disclosed in the 2019 annual report.

Rental guarantees

The consolidated entity has provided rental guarantee on properties sold by the Group during the half-year. In addition to those disclosed in the 2019 annual report, maximum amount payable at reporting date under these new rental guarantees but not recognised as liabilities are payable as follows:

	31 Dec 2019 $	30 Jun 2019 $
Within one year	72,606	172,362
After one year but not more than five years	-	-
	72,606	**172,362**

Contingencies

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

15. RELATED PARTY TRANSACTIONS

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

Director	Entity	Transaction	Transaction value for the half-year ended 31 Dec 2019 $	Balance outstanding as at 31 Dec 2019 $
Anthony Ho	Anthony Ho & Associates	Secretarial Services	18,000	29,700
Benjamin Young	Townshend Capital Pty Ltd	Corporate Advisory Fees	39,643	30,725
		Rental Income	(46,262)	(26,046)
	Spectra (WA) Pty Ltd	Rental Guarantee	72,729	-
		Property Management	4,281	-
		Rental Income	(21,959)	(16,131)
		Vendor Finance loan provided/ (repaid by Spectra)	(639,200)	2,771,100
		Vendor Finance Interest received	(77,976)	23,980
	Kingsfield Pty Ltd	Rental Guarantee	11,385	-
		Working Capital Loan	72,435	-

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

16. FAIR VALUE MEASUREMENT

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:

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

As at balance date the consolidated entity had the following assets or liabilities measured or disclosed at fair value:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment property	-	-	17,359,827	17,359,827
Total assets	-	-	17,359,827	17,359,827

16. FAIR VALUE MEASUREMENT (CONTINUED)

30 June 2019	Level 1	Level 2	Level 3	Total
Assets				
Investment property	-	-	17,359,827	17,359,827
Total assets	-	-	17,359,827	17,359,827

Valuation techniques for fair value measurements categorised within level 3

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation of net income: the valuation method considers the present value of expected future rental income to be generated from the property, taking into account the market rental income, leasing downtimes and leasing incentive such as rent free periods. The expected future rental income is divided by a capitalisation rate. Among other factors, the capitalisation rate considers the nature, location and tenancy profile of the property.	• Market fully leased net rental income per annum after vacancy allowance $1.14m • Capitalisation rate 6.52% • Leasing vacancy 8.24% • Weighted lease duration by income: 7.14 years	The estimated fair value would increase (decrease) if: • Expected market rental income were higher (lower); • Capitalisation rate were lower (higher); or • 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.

17. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 31 December 2019 Sterlink has entered into an unconditional contract to sell an apartment at the Victoria Quarter project for $364,000. The sale is expected to reach settlement in March 2020.
In addition, the Vendor Finance Agreement with Spectra has been varied with the key variations being:

1. A principal repayment of $100,000 will be paid in February 2020;
2. The June 2020 principal repayment of $100,000 will be bought forward to April 2020;
3. In consideration for the early payment the Directors have agreed to reduce the interest rate from 4.9% to 4.5% from February 2020.

The Group obtained extensions to the maturity dates of its current loans that matured in December 2019 to April 2020.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 19 are in accordance with the Corporations Act 2001, including:

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

   ii. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date, and

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

Signed in accordance with a resolution of the directors.

Nicholas Zborowski
Executive Director

Perth, Western Australia
28 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mustera Property Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mustera Property Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 28 February 2020

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

As lead auditor for the review of Mustera Property Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020