

**MUSTERA PROPERTY GROUP LTD**  
**ABN 13 142 375 522**

**ANNUAL REPORT**  
**30 JUNE 2023**

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**CORPORATE DIRECTORY**

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**DIRECTORS**

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

**COMPANY SECRETARY**

Ms Natalie Teo

**REGISTERED OFFICE**

Suite 6, 4 Riseley Street  
Applecross WA 6153

**PRINCIPAL PLACE OF BUSINESS**

15 McCabe Street  
North Fremantle WA 6159  
Telephone: +61 8 9386 7069

Website: [www.mustera.com.au](http://www.mustera.com.au)

**AUDITOR**

BDO Audit (WA) Pty Ltd  
Level 9  
Mia Yellagonga Tower 2  
5 Spring Street  
Perth WA 6000

**SHARE REGISTRY**

Advanced Share Registry Limited  
110 Stirling Highway  
Nedlands WA 6009  
PO Box 1156  
Nedlands WA 6909  
Telephone: +61 8 9389 8033  
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**STOCK EXCHANGE**

ASX Limited  
Central Park  
152-158 St Georges Terrace  
Perth WA 6000

ASX Code: MPX

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## DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising of Mustera Property Group Ltd (**Company or Parent Entity**) and its controlled entities (**Group or Consolidated Entity**) for the year ended 30 June 2023 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 16 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 the Company 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 the chair of the Audit and Risk Committee (**ARC**), and a member of the Nomination and Remuneration Committee (**NRC**).

#### Mr Jack Spencer-Cotton

##### Non-Executive Director - appointed 4 April 2014

Mr Spencer-Cotton has over 27 years' experience in the field of engineering. He has held a range of senior engineering roles in international manufacturing companies, as well as established his own business in engineering and consulting. He has previously held senior engineering roles at Pfizer Perth, ERG Group Ltd, Sanmina-SCI Corporations and SRX Global. Mr Spencer-Cotton is presently a non-executive director of a resource company listed on ASX.

Mr Spencer-Cotton is a member of the ARC, and a member of the NRC.

### COMPANY SECRETARY

#### Ms Natalie Teo, B. Com. – appointed 11 May 2023

Ms Teo graduated with a Bachelor of Commerce majoring in Marketing and Management and a Masters in Accounting from Curtin University in Western Australia. She also holds a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia. Ms Teo is a Chartered Secretary and an Associate of the Governance Institute of Australia. She is currently the secretary to several ASX and NSX-listed entities and is working with a firm which provides company secretarial and accounting services to both listed and unlisted entities.

### DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships in 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
Jack Spencer-Cotton	Newfield Resources Limited	May 2021	Present

### 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	Performance Rights <sup>1</sup>
Nicholas Zborowski	1,633,450	1,000,000	3,000,000
Anthony Ho	2,096,394	500,000	1,700,000
Jack Spencer-Cotton	1,832,219	500,000	1,700,000

## DIRECTORS' REPORT

### Note:

- 4,400,000 class C and D Performance Rights were granted to Directors following shareholder approval in November 2022. At balance date, a total of 4,200,000 Performance Rights granted to Directors have vested in accordance with the terms of their issue following the achievement of applicable performance milestones. These Performance Rights may be exercised at the election of the Directors. Each Director has indicated that they will defer the exercise of their respective Performance Rights until further notice.

### 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		ARC		NRC	
	Held	Attended	Held	Attended	Held	Attended
Nicholas Zborowski	7	7	N/A	N/A	N/A	N/A
Anthony Ho	7	7	1	1	1	1
Jack Spencer-Cotton	7	7	1	1	1	1

### COMMITTEE MEMBERSHIP

As at the date of this Report, the Company had an Audit and Risk Committee of the Board of Directors. The Company established a Nomination and Remuneration Committee on 14 June 2023.

Members of the Audit and Risk Committee during the financial year were:

Director	ARC Position Held	NRC Position Held
Anthony Ho	Chair	Member
Jack Spencer-Cotton	Member	Chair

### 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 \$5,751,974 for the financial year (2022: loss of \$2,234,733). This loss comprised largely of property development and holding costs, including financing costs. The loss is largely consistent with that of the previous year and reflects the property development cycle that is an integral aspect of the Company's core activities.

The Group continued with its core business during the year including the development of residential apartments and funds management. Revenue of \$2.25m (2022: \$3.73m) was recorded during the year and received from rental income and fund management fees. No new projects reached completion during the year.

During the year, the Company progressed with its flagship project, Forbes Residences in Applecross. The project was well progressed at 30 June and is forecast to reach practical completion in Q4CY 2023. The Company continued to market the project for sale during the period and at 30 June 2023 the Company had \$68.6m (inc. GST) in apartment sales under contract. Further details of the Forbes Residences project are set out below.

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

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

### PROJECTS UNDER CONSTRUCTION

**10 Forbes Road, Applecross WA** – Development Approval was issued in April 2020 for 57 apartments, food and beverage and commercial office space over 13 floors.

During the year the Company progressed the construction of its flagship project and continued with its sales and marketing campaign. The project structure was completed in March 2023 and the remaining finishing trades continued to follow behind. As at 30 June 2023, 49 apartments were under contract reflecting a gross sales value of approximately \$68.6m (inc. GST).

## DIRECTORS' REPORT

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Construction works completed during the year included topping out the structure, glazing installation and finishing trades. In addition, services installation was well advanced throughout the building.

The Company is pleased with its sales traction on the project to date and remains confident that the sales momentum will continue through to the final construction phase of the development.

### FUTURE PROJECTS

**75 Haig Park Circle, East Perth WA** - The property comprises a 2,233m<sup>2</sup> site and is situated near the corner of Plain 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 public parking.

The Group is awaiting the final documentation to surrender the restrictive covenant on title to enable the future development of the site.

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 improvements of approximately 2,000m<sup>2</sup> over two levels, on a 2,398m<sup>2</sup> site.

The project received development approval in March 2023 from the Joint Development Assessment Panel for 42 apartments over 8 levels. It is anticipated that the Group will commence with preparation of the marketing collateral in Q1CY 2024 with a marketing launch in Q2CY 2024.

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 2,390m<sup>2</sup> site is located on the corner of Helena Street and Yelverton Drive and forms a part of the Midland Railway Workshops precinct.

The Group continues to assess the market conditions in anticipation of reinstating the expired development approval. In addition, the Company is also looking at alternative development options for the property.

### SUBSEQUENT EVENTS

On 20 July 2023, 14,004,449 free attaching options with an exercise price of \$0.30 expired unexercised. (Refer to ASX announcement dated 12 July 2023)

Other than what has been disclosed in the accounts, no matters or events have arisen since 30 June 2023 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 AND EXPECTED RESULTS OF OPERATIONS

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

### DIVIDENDS

No 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.

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## DIRECTORS' REPORT

### SHARE UNDER OPTIONS

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
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.

### AUDIT AND NON-AUDIT SERVICES

During the year the Group's auditor, BDO Audit (WA) Pty Ltd, and its network firms, have 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 and Note 4:

	2023	2022
	\$	\$
<b>Services other than audit and review of financial statements:</b>		
Tax compliance	33,840	14,500
Technical consultation	5,150	-
<b>Total remuneration for non-audit services</b>	<b>38,990</b>	<b>14,500</b>

### 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.

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**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>.

**MATERIAL BUSINESS RISKS**

The Group has set out below potential risks that may have a material impact on the Group's future financial performance and operations.

The Group makes every effort to identify materials risks and to manage these effectively. This section does not attempt to provide an exhaustive list of risks faced by the Group or by investors in the Group, nor are they in order of significance. Actual events may be different to those described.

The Group's management of material risks and the systems has in place to manage these risks include the following.

**Project and Development Risk**

This risk is categorised as environmental, social, and economic risk and is managed through monthly project reporting and reviews, introduction and adherence to corporate governance policies and processes. A rigorous and structured procurement approach to the selection and engagement of the preferred contractor for a project, using appropriate industry advisors, is critical to ensure the success of a development project. Policies, processes, and procedures assist to identify the risks from tender stage through contract negotiation and the construction stage of the project.

**Financial Risk**

This risk is categorised as economic risk and is managed through detailed budgeting and forecasting, and monthly reporting systems. Financial risk including internal cost overruns, cashflow management, external market conditions and the existence of legacy matters are all risks to the objectives of delivering sustainable returns for shareholders and securing growth. Comprehensive budgeting and monthly Board reporting are some of the many risk management tools which ensure the highest level of due diligence in assessing and managing financial risk to Mustera as an operating entity.

**Finance Facility Risk**

The Group have procured debt finance facilities to fund the acquisition of properties and for working capital purposes, most of which are secured against the Group's real and personal property interests. These facilities are subject to various borrower covenants which must be complied with by the Group (as applicable), breach of which may result in default action against the Group. Any such default action by a financier may have a material adverse financial impact on the Group.

**Cyber Risk**

This risk is categorised as a business risk and is managed by undertaking regular risk and mitigation assessments of its exposure to disruption events and the impact of an event on its ability to operate. The Group has a high focus on prevention and also continues to invest in recovery measures, processes of detection and raising employee awareness to ensure the integrity of its cyber operating environment.

**People Risk**

Future financial and operational performance of the Group is dependent on the performance and retention of key personnel, in particular executive management. The unplanned or unexpected loss of key personnel, or the inability to attract and retain experienced individuals to the business may adversely affect the Group's future financial performance.

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## REMUNERATION REPORT

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

### PRINCIPLES OF REMUNERATION

The remuneration structure 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 structure 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.

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

Name	Revised Non-Executive Directors' fees
Anthony Ho	\$40,000 plus statutory superannuation per annum
Jack Spencer-Cotton	\$40,000 plus statutory superannuation per annum

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## REMUNERATION REPORT

### EXECUTIVE REMUNERATION

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

The Executive Director may receive performance-related compensation but does 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.

There was no cash remuneration paid during the period that was linked to performance measures.

### 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:

	2023	2022	2021	2020	2019
Net loss for the year	(\$5,751,974)	(\$2,234,733)	(\$2,490,661)	(\$1,065,936)	(\$1,581,550)
Dividends paid	Nil	Nil	Nil	Nil	0.25 cent per share
Closing share price (30 June)	\$0.25	\$0.295	\$0.30	\$0.30	\$0.30
Loss per share (cents)	(\$3.99)	(\$1.58)	(\$2.23)	(\$1.07)	(\$1.56)
Weighted average number of shares on issue	144,235,132	141,379,874	111,541,525	99,616,115	99,399,020

### 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 2022 ANNUAL GENERAL MEETING (AGM)

At the 2022 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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## REMUNERATION REPORT

### 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.

	FY23	FY24
<b>Name</b>	N Zborowski	N Zborowski
<b>Commencement Date</b>	1 July 2014	1 July 2014, with changes to base salary taking effect on and from 1 July 2023
<b>Term of agreement</b>	No fixed term	No fixed term
<b>Notice period<sup>1</sup></b>	3 months	3 months
<b>Base salary (exc superannuation)</b>	\$180,000	\$235,000
<b>Termination payments</b>	Nil	Nil

Note:

- The notice period applies equally to both the Company and Mr Zborowski.

### REMUNERATION OF KEY MANAGEMENT PERSONNEL

		SHORT-TERM			POST-EMPLOYMENT	SHARE-BASED PAYMENTS	Total	Proportion of remuneration performance related
		Salary & fees <sup>1</sup>	STI cash bonus	Annual leave <sup>3</sup>	Super-annuation benefits	Performance Rights <sup>2</sup>		
		\$	\$	\$	\$	\$	\$	%
<i>Non-executive Directors</i>								
A Ho	2023	20,000	-	-	-	261,770	281,770	92.9
	2022	20,000	-	-	-	-	20,000	-
J Spencer-Cotton	2023	20,000	-	-	2,100	261,770	283,870	92.2
	2022	20,000	-	-	2,000	-	22,000	-
<i>Executive Director</i>								
N Zborowski	2023	180,000	-	(163)	18,900	436,283	635,020	68.7
	2022	173,077	-	(2,609)	17,308	-	187,776	-
<b>Total</b>	<b>2023</b>	<b>220,000</b>	<b>-</b>	<b>(163)</b>	<b>21,000</b>	<b>959,823</b>	<b>1,200,660</b>	<b>79.9</b>
	<b>2022</b>	<b>213,077</b>	<b>-</b>	<b>(2,609)</b>	<b>19,308</b>	<b>-</b>	<b>229,776</b>	<b>-</b>

Notes:

- Includes non-monetary benefits as per Corporations Regulation 2M.3.03(1) Item 6
- Performance rights granted under the performance rights scheme are expensed over the performance period, which includes the year to which it relates and the subsequent vesting period of the rights.
- The amounts disclosed in this column represent the movement in the associated annual leave provisions.

### SHARE-BASED REMUNERATION

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

A total of 2,000,000 performance rights that was granted to Directors at the AGM held on 30 November 2020 have vested but remained unexercised (being class A & B performance rights as set out in note 26).

At the AGM held on 25 November 2022, shareholders approved the issue of a total of 4,400,000 performance rights to the Directors. At reporting date, 2,200,000 have vested. These are class C & D performance rights as set out in the table below, of which class C rights have fully vested and can be exercised at the discretion of the holder.

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## REMUNERATION REPORT

Holder	Class	Number	Grant Date	Probability	Expiry Date of milestone achievement	Fair value per right	Total Fair Value
Nicholas Zborowski	C	1,000,000	28/11/2022	100%	28/11/2025	\$0.275	\$275,000
	D	1,000,000	28/11/2022	100%	28/11/2025	\$0.275	\$275,000
Jack Spencer-Cotton	C	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000
	D	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000
Anthony Ho	C	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000
	D	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000

The performance rights were valued at 27.5 cents a share being the share price on grant date 28 November 2022. Vesting occurs at the end of the performance period dated 28 November 2025, if the following performance conditions are met:

- C) Upon announcement by the Company on the ASX market announcements platform of the approval of its development application for its property situated in 15 McCabe Street, North Fremantle WA 6159 by the City of Fremantle or alternate statutory authority by 30 November 2023; and
- D) Upon announcement by the Company on the ASX market announcements platform of the achievement of the practical completion of the Company's Forbes Residences project by 29 February 2024.

A share-based payment expense of \$1,396,108 was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023.

### OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There have been no other transactions with key management personnel during the reporting period.

### 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 2022	Granted as remuneration	Additions	Disposals/Other	Held at 30 June 2023
N Zborowski	1,633,450	-	-	-	1,633,450
A Ho	2,096,394	-	-	-	2,096,394
J Spencer-Cotton	1,832,219	-	-	-	1,832,219

#### 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 2022	Granted as remuneration	Acquired	Exercised	Disposals/ Other	Held at 30 June 2023	Vested during the year	Vested and exercisable at 30 June 2023
N Zborowski	1,000,000	-	-	-	-	1,000,000	-	1,000,000
A Ho	500,000	-	-	-	-	500,000	-	500,000
J Spencer-Cotton <sup>1</sup>	711,408	-	-	-	-	711,408	-	711,408

Notes:

- 211,408 options exercisable at \$0.30 each expired unexercised on 20 July 2023 per Appendix 3Y announcement lodged on 21 July 2023.

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## REMUNERATION REPORT

### Performance rights

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

	Held at 1 July 2022	Granted as remuneration	Acquired	Exercised	Disposals/ Other	Held at 30 June 2023	Vested during the year	Vested and exercisable at 30 June 2023
N Zborowski	1,000,000	2,000,000	-	-	-	3,000,000	1,000,000	2,000,000
A Ho	500,000	1,200,000	-	-	-	1,700,000	600,000	1,100,000
J Spencer- Cotton	500,000	1,200,000	-	-	-	1,700,000	600,000	1,100,000

**This concludes the remuneration report, which has been audited.**

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



Nicholas Zborowski  
*Executive Director*

Dated at Perth this 31<sup>st</sup> day of August 2023.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
for the year ended 30 June 2023



	Note	2023 \$	2022 \$
Revenue	5, 11	2,253,093	3,728,794
Cost of sales		-	(1,189,419)
<b>Gross Profit</b>		<b>2,253,093</b>	<b>2,539,375</b>
Property expenses and outgoings		(962,106)	(1,127,413)
Property development costs		(782,966)	(767,303)
Employee benefits expenses		(392,374)	(357,524)
Share based payments	26	(1,396,108)	-
Administration and overhead costs		(756,349)	(470,080)
Amortisation and depreciation		(32,017)	(94,380)
(Increase)/Decrease in net assets attributable to unitholders		183,789	(677,757)
<b>Other Income and Expenses</b>		<b>(4,138,131)</b>	<b>(3,494,457)</b>
Finance income		77,986	27,128
Finance costs		(3,944,922)	(1,151,573)
<b>Net Finance Costs</b>		<b>(3,866,936)</b>	<b>(1,124,445)</b>
<b>Loss before income tax</b>		<b>(5,751,974)</b>	<b>(2,079,527)</b>
Income tax benefit/(expense)	6	-	(155,206)
<b>Net loss for the year</b>		<b>(5,751,974)</b>	<b>(2,234,733)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year attributable to the ordinary equity holders of the Company</b>		<b>(5,751,974)</b>	<b>(2,234,733)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Ordinary equity holders of the parent		(5,751,974)	(2,232,165)
Non-controlling interest		-	(2,568)
		<b>(5,751,974)</b>	<b>(2,234,733)</b>
<b>Earnings/(loss) per share (cents)</b>			
Basic earnings/(loss) per share for the financial year (cents)	20	(3.99)	(1.58)
Diluted earnings/(loss) per share for the financial year (cents)	20	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 2023



	Note	2023 \$	2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,085,121	894,673
Trade and other receivables	8	685,668	352,895
Inventories	10	46,360,360	-
Other current assets		31,814	31,201
<b>Total Current Assets</b>		<b>48,162,963</b>	<b>1,278,769</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	8	725,000	1,102,500
Inventories	10	12,122,181	33,723,656
Investment property	11	19,919,793	17,484,631
Deferred tax assets	6	-	-
Property, plant & equipment		20,655	47,748
Financial assets	9	300,000	-
Right of use assets		-	4,925
<b>Total Non-Current Assets</b>		<b>33,087,629</b>	<b>52,363,460</b>
<b>TOTAL ASSETS</b>		<b>81,250,592</b>	<b>53,642,229</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,784,691	715,865
Income tax payable	13	-	-
Employee benefits		2,831	8,161
Lease liability		-	5,125
Borrowings	14	54,545,402	5,515,000
Net assets attributable to property fund unitholders	15	6,329,634	4,150,911
<b>Total Current Liabilities</b>		<b>64,662,558</b>	<b>10,395,062</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	12	-	2,500
Deferred tax liabilities	6	-	-
Employee benefits		29,029	25,069
Borrowings	14	3,500,000	25,522,426
<b>Total Non-Current Liabilities</b>		<b>3,529,029</b>	<b>25,549,995</b>
<b>TOTAL LIABILITIES</b>		<b>68,191,587</b>	<b>35,945,057</b>
<b>NET ASSETS</b>		<b>13,059,005</b>	<b>17,697,172</b>
<b>EQUITY</b>			
Contributed equity	16	22,965,710	22,965,710
Other reserves	17	1,784,995	671,188
Accumulated losses	18	(11,691,700)	(5,939,726)
<b>TOTAL EQUITY</b>		<b>13,059,005</b>	<b>17,697,172</b>

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

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**  
for the year ended 30 June 2023



	Contributed Equity \$	Other Reserves \$	Accumulated Losses \$	Total \$	Non- controlling interests \$	Total Equity \$
Balance at 1 July 2021	16,131,071	687,494	(3,475,753)	13,342,812	179,454	13,522,266
Loss for the year	-	-	(2,232,165)	(2,232,165)	(2,568)	(2,234,733)
<b>Total comprehensive loss for the year</b>	-	-	(2,232,165)	(2,232,165)	(2,568)	(2,234,733)
<b>Transactions with equity holders in their capacity as equity holders:</b>						
Shares issued, net of costs	6,834,639	-	-	6,834,639	-	6,834,639
Transactions with non controlling interests	-	(248,114)	-	(248,114)	(176,886)	(425,000)
Transfer between reserves/accumulated losses		231,808	(231,808)	-	-	-
<b>Balance at 30 June 2022</b>	<b>22,965,710</b>	<b>671,188</b>	<b>(5,939,726)</b>	<b>17,697,172</b>	<b>-</b>	<b>17,697,172</b>
Balance at 1 July 2022	22,965,710	671,188	(5,939,726)	17,697,172	-	17,697,172
Loss for the year	-	-	(5,751,974)	(5,751,974)	-	(5,751,974)
<b>Total comprehensive loss for the year</b>	-	-	(5,751,974)	(5,751,974)	-	(5,751,974)
<b>Transactions with equity holders in their capacity as equity holders:</b>						
Shares issued, net of costs	-	1,396,108	-	1,396,108	-	1,396,108
Transactions with non controlling interests	-	-	-	-	-	-
Transfer between reserves/accumulated losses	-	-	-	-	-	-
Distributions paid and payable	-	(282,301)	-	(282,301)	-	(282,301)
<b>Balance at 30 June 2023</b>	<b>22,965,710</b>	<b>1,784,995</b>	<b>(11,691,700)</b>	<b>13,059,005</b>	<b>-</b>	<b>13,059,005</b>

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

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**CONSOLIDATED STATEMENT OF  
CASH FLOWS**  
for the year ended 30 June 2023



	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts in the course of operations		2,217,860	2,701,389
Payments in the course of operations		(2,429,735)	(3,661,263)
Payments for property held for development		(21,993,468)	(11,470,168)
Interest received		43,571	17,819
Interest paid		(2,831,785)	(1,051,215)
Income tax paid		(186,455)	(4,006)
<b>Net cash outflow from operating activities</b>	24	<b>(25,180,012)</b>	<b>(13,467,444)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(4,596)
Payments for leasehold improvements		(2,435,162)	(59,540)
Payments for purchase of units in the Fund		-	(3,000,000)
Payments for investment unit trusts		(300,000)	-
Proceeds from sale of units in the Fund		1,985,000	1,350,000
Proceeds from repayment of loan		200,000	-
Payments for transactions with non controlling interests		-	(425,000)
<b>Net cash outflow from investing activities</b>		<b>(550,162)</b>	<b>(2,139,136)</b>
<b>Cash flows from financing activities</b>			
Distributions – property fund		(159,964)	(318,538)
Proceeds from borrowings		28,442,136	13,225,290
Transaction costs related to loans and borrowings		(35,400)	(1,096,137)
Repayment of borrowings		(2,331,000)	(2,640,000)
Cash allocated from term deposits		10,000	95,000
Payment of lease liabilities		(5,150)	(20,450)
Proceeds from share issue		-	7,002,228
Payment of share issue costs		-	(167,589)
<b>Net cash inflow from financing activities</b>		<b>25,920,622</b>	<b>16,079,804</b>
<b>Net increase in cash and cash equivalents</b>		<b>190,448</b>	<b>473,224</b>
<b>Cash and cash equivalents at 1 July 2022</b>		<b>894,673</b>	<b>421,449</b>
<b>Cash and cash equivalents at 30 June 2023</b>	7	<b>1,085,121</b>	<b>894,673</b>

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

## 1. REPORTING ENTITY

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

The financial statements cover Mustera Property Group Ltd as a Consolidated Entity consisting of Mustera and its controlled entities (**the Consolidated Entity** or **Group**). 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 2023. 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 2023, the Group recorded a loss of \$5,751,974 and had net cash outflows from operating activities of \$25,180,012. The Group had cash and cash equivalent of \$1,085,121 and net working capital deficiency of \$16,499,595 as at 30 June 2023. The working capital deficiency includes current borrowings of \$54,545,402 (largely related to drawdown on the primary development financing facility for the Forbes Residences Project), and a liability of \$6,329,634 relating to net assets attributable to unitholders of the Mustera Property Fund (Fund), which is restricted to the assets of that entity.

The ability of the Group to continue as a going concern is dependent on a number of factors including:

- securing additional funding for future development works and to continue to fund its operational activities;
- successfully renewing its banking facilities which are due for repayment within the next 12 months; and
- successfully aligning the maturity date of the Forbes Residences Facility to the completion of the project which will enable the retirement of the debt from proceeds of contracted presales of apartments.

These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report.

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 renewed an aggregate of \$15,415,000 of the total loan facilities as disclosed in note 14 of the financial report, to provide funding for future development opportunities;
- the Group has, in the past and when required, successfully extended or renegotiated its loan facilities upon their maturity based on the borrowing capacity of the assets supporting the respective loan facility;

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the Group's flagship Forbes Residences Project scheduled for completion in Q4 CY23 will generate cash inflow from settlement of contracted presales to date to provide funds which will allow the Group to retire the senior debt of that project;
- further sales of apartments in the Forbes Residences Project are expected to be achieved between the date of this report and the date of completion of the Forbes Residences Project to contribute to additional working capital for the Group on completion;
- the Group is able to divest its units held in the Fund as and when required for liquidity;
- 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 is able to divest its property inventory as and when required to augment its working capital; and
- the final phases of development financing of Forbes Residences Project is being drawn down in accordance with the construction schedule.

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 differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Group is unable to continue as a going concern.

### Parent Entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in Note 23.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Mustera Property Group Ltd ('Company' or 'Parent Entity') as at 30 June 2023 and the results of all controlled entities for the year then ended. Mustera Property Group Ltd and its controlled entities together are referred to in these financial statements as the 'Consolidated Entity' or the 'Group.'

Controlled entities 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. Controlled entities 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 controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of controlled entities 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 controlled entities 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 controlled entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the controlled entity 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

### *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 controlled entities, 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 controlled entities, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

### **Current and non-current classification**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

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

### Cash and cash equivalents

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

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

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. 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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

- **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*

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.

## **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.

## 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.

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

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

### **Dividends**

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

### **Goods and services tax**

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Earnings per share

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

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

### New accounting standards and interpretations that are not yet mandatory

The 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.

### 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 10 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *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 the share price at the date the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting periods but may impact profit or loss and equity.

### *Control of subsidiaries*

The Group has amended the trust deed during the year to provide clarity on the clauses which result in Mustera Property Group Limited controlling the Mustera Property Fund and therefore consolidating this entity into the Group. These amendments have removed a number of provisions relating to unit holder rights and the criteria for controlling the types of relevant activities to be undertaken by the trust. While these amendments would result in the deconsolidation of the Fund from the accounts, as the Group hold 17% of the units in the Fund as at 30 June 2023, the Directors have determined that the Group still has the ability to control the Fund and has continued to include it in the consolidated accounts. Refer to Note 26 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.

**NOTES TO THE CONSOLIDATED  
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**3. SEGMENT INFORMATION (continued)**

Segment information

30 June 2023	Property Investment \$	Property Development \$	Other <sup>1</sup> \$	Group \$
Segment revenue and other income	1,664,717	666,362	-	2,331,079
Interest expenses	484,768	2,566,892	893,262	3,944,922
Segment result	474,270	(3,214,155)	(3,012,089)	(5,751,974)
Segment assets	17,359,827	59,476,000	4,414,765	81,250,592
Segment liabilities	16,292,531	9,370,274	42,528,782	68,191,587
<b>30 June 2022</b>				
Segment revenue and other income	1,691,934	2,063,988	-	3,755,922
Interest expenses	207,748	935,966	7,859	1,151,573
Segment result	766,063	(2,360,851)	(637,377)	(2,232,165)
Segment assets	17,359,827	34,910,011	1,372,391	53,642,229
Segment liabilities	14,050,911	9,055,332	12,838,814	35,945,057

Note:

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

**4. AUDITOR'S REMUNERATION**

**2023**  
\$

**2022**  
\$

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 88,359      70,000

**Other Services**

Auditors' related practices – BDO Corporate Tax (WA) Pty Ltd & BDO Corporate Finance (WA) Pty Ltd

Tax compliance 33,840      14,500

Technical consultation 5,150      -

**127,349** **84,500**

**5. REVENUE**

Rental income and recoverable outgoings	2,253,093	2,325,040
Sale of inventory	-	1,403,754
	<b>2,253,093</b>	<b>3,728,794</b>

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6. INCOME TAX

(a) Income tax expense

	2023 \$	2022 \$
Deferred tax expense	-	157,723
(Over)/Under provision in prior years	-	(2,517)
	<u>-</u>	<u>155,206</u>

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

Profit/(loss) before income tax expense	(5,751,974)	(2,079,527)
Income tax (benefit)/expense calculated at the rate noted in (d) below	(1,437,994)	(519,882)
Effect of non-deductible items	236,449	59,650
Change in recognised deductible temporary differences	-	-
Movement in deferred tax balances due to change in tax rate	-	-
Decrease/(increase) in deferred tax balances not recognised	1,201,545	617,955
Current period income tax expense	-	157,723
(Over)/Under provision in prior years	-	(2,517)
Income tax (benefit)/expense	<u>-</u>	<u>155,206</u>

(c) Deferred tax assets and liabilities brought to account

The potential tax benefit @ 25% (2021: 25%) for the following items for which a deferred tax asset has been recognised is as follows:

Delayed capital expenditure deduction for tax purposes	-	-
Delayed borrowing costs deduction for tax purposes	-	-
Expenditure included in the asset cost base for tax purposes	-	-
Property, plant & equipment	-	-
Inventory	-	-
Lease liability	-	-
Provisions and accruals	-	-
Gross deferred tax assets	<u>-</u>	<u>-</u>
Set off against deferred tax liabilities	-	-
Net deferred tax assets recognised	<u>-</u>	<u>-</u>

The temporary difference @ 25% (2022: 25%) relating to the following item for which a deferred tax liability has been recognised is as follows:

Accelerated capital expenditure deduction for tax purposes	-	-
Right of use asset	-	-
Gross deferred tax liabilities	<u>-</u>	<u>-</u>
Set off of deferred tax assets	-	-
Net deferred tax liabilities recognised	<u>-</u>	<u>-</u>

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

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the Group continues to comply with the conditions for deductibility imposed by law; and
- 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 @ 25% (2022: 25%) for the following items for which no deferred tax asset has been recognised is as follows:

Carry forward tax losses	2,938,089	1,791,467
Other	103,450	(24,957)
Gross deferred tax assets	<u>3,041,539</u>	<u>1,766,510</u>
Set off against deferred tax liabilities	-	-
Net deferred tax assets not recognised	<u>3,041,539</u>	<u>1,766,510</u>

Net deferred tax liabilities not recognised	<u>-</u>	<u>-</u>
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(e) Tax Rate

The domestic effective tax rate of Mustera Property Group Ltd is 25% for the year ended 30 June 2023 (2022: 25%)

**NOTES TO THE CONSOLIDATED  
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7. CASH AND CASH EQUIVALENTS	2023 \$	2022 \$
Cash at bank and in hand	<u>1,085,121</u>	<u>894,673</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

**8. TRADE AND OTHER RECEIVABLES**

**Current**

Trade debtors	133,440	121,410
Sundry debtors	92,978	120,518
Net GST receivable	282,070	98,787
Vendor finance loan (b)	175,000	-
Security deposits	2,180	12,180
	<u>685,668</u>	<u>352,895</u>

**Non-current**

Vendor finance loan (b)	725,000	1,100,000
Security deposit – carpark lease	-	2,500
	<u>725,000</u>	<u>1,102,500</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 27.
- (b) Spectra (WA) Pty Ltd ("**Spectra**") acquired a number of apartments from the Victoria Quarter project with the consideration partly funded by this vendor finance loan. Interest and principal repayments will be made in accordance to a loan repayment schedule over a period of 6 years with the loan expected to be fully repaid by December 2027.

**9. FINANCIAL ASSET**

**Non-Current**

Investment in units in the Starclear Capital Trust, an unlisted property trust	300,000	-
	<u>300,000</u>	<u>-</u>

**10. INVENTORIES**

**Current**

Land and property held for development and resale (at cost)	<u>46,360,360</u>	<u>-</u>
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**Non-current**

Land and property held for development and resale (at cost)	<u>12,122,181</u>	<u>33,723,656</u>
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**Total inventories**

**58,482,541**      **33,723,656**

**(a) Movement in inventories**

Balance at 1 July	33,723,656	23,442,907
Additions at cost	-	-
Capitalised development costs	24,758,885	11,423,989
Sales of inventory	-	(1,189,419)
Write down of inventory to net realisable value	-	-
Balance at 30 June	<u>58,482,541</u>	<u>33,723,656</u>

**(b) Assets pledged as security**

Some of the Group's Borrowings (refer Note 14) 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.

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**NOTES TO THE CONSOLIDATED  
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**11. INVESTMENT PROPERTY**

	2023	2022
	\$	\$
Investment property at fair value	<u>19,919,793</u>	<u>17,484,631</u>

**(a) Movement in investment property**

Balance at 1 July	17,484,631	17,425,091
Additions	2,435,162	59,540
Balance at 30 June	<u>19,919,793</u>	<u>17,484,631</u>

(i) Amounts recognised in Consolidated Statement of Profit or Loss for investment properties

Rental income	1,664,717	1,691,934
Direct operating expenses from property that generated rental income	673,772	745,652

(ii) Investment properties, principally land and buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair value are presented in the Consolidated Statement of Profit or Loss as part of other income. Refer to Note 28 for details of Fair Value.

(iii) Assets pledged as security. Some of the Group's Borrowings (refer Note 14) 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. TRADE AND OTHER PAYABLES**

**Current**

Trade creditors and other payables	3,725,795	715,865
Interest payable	62,896	-
	<u>3,784,691</u>	<u>715,865</u>

**Non-current**

Tenant security deposits	-	<u>2,500</u>
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The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 27. The carrying amount of trade and other payables approximates its fair value.

**13. INCOME TAX PAYABLE**

Income tax payable	-	-
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**14. LOANS & BORROWINGS**

**Current**

Loans from financial institutions	17,088,225	5,515,000
Loans from non financial institutions	37,656,475	-
Less capitalised loan transaction costs	(199,298)	-
	<u>54,545,402</u>	<u>5,515,000</u>

**Non-current**

Loans from financial institutions	-	9,900,000
Loans from non financial institutions	3,500,000	15,622,426
	<u>3,500,000</u>	<u>25,522,426</u>

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14. LOANS & BORROWINGS (continued)

(a) Loans

Facility	Secured	Maturity Date	Facility limit 2023 \$	Utilised 2023 \$	Facility limit 2022 \$	Utilised 2022 \$
<b>Current</b>						
McCabe St Facility <sup>1</sup>	Yes	February 2024	2,700,000	2,700,000	2,700,000	2,700,000
Haig Park Cir Facility <sup>2</sup>	Yes	February 2024	2,331,000	2,331,000	2,331,000	2,331,000
Helena St Facility <sup>4</sup>	Yes	February 2024	484,000	484,000	484,000	484,000
Forbes Facility <sup>6</sup>	Yes	October 2023	51,300,000	37,457,177	51,300,000	13,218,563
Shoalwater Facility <sup>5</sup>	Yes	February 2024	9,900,000	9,900,000	9,900,000	9,900,000
Shoalwater Facility <sup>7</sup>	Yes	February 2024	2,150,000	1,630,718	-	-
Shoalwater Facility <sup>8</sup>	Yes	N/A	150,000	42,507	-	-
			<b>69,015,000</b>	<b>54,545,402</b>	<b>66,715,000</b>	<b>28,633,563</b>
<b>Non-current</b>						
Anrinza private loan <sup>3</sup>	No	October 2024	3,500,000	3,500,000	3,500,000	3,500,000
			<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>

- 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.
- 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.
- This facility is provided by a major shareholder of the Group and is unsecured and interest free.
- 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.
- This facility expires in February. 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.
- This facility expires in October 2023. The facility is secured by first registered mortgages over the project. The facility has an interest rate of 4.90% per annum and line fee of 1.90% per annum. The amount utilised is less capitalised loan transaction costs of \$1.096m.
- This facility expires in February 2024. Relates to development funding for construction of a new service station to the Shoalwater Shopping Centre. 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.
- This facility relates to GST payments relating to construction of the new service station. 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.

15. NET ASSETS ATTRIBUTABLE TO PROPERTY FUND UNITHOLDERS

	2023 \$	2022 \$
Opening balance	4,150,911	5,441,692
(Acquisition)/disposal of units in the Fund by Mustera Property Group	2,240,175	(1,650,000)
Distributions paid and payable to non-controlling interest	(159,964)	(318,539)
Profit for the period attributable to non-controlling interest	222,752	378,595
(Gain)/loss for the period attributable acquisition/disposal of units in the fund	(124,240)	299,163
	<b>6,329,634</b>	<b>4,150,911</b>

**16. EQUITY – ISSUED CAPITAL**

	2023 \$	2022 \$
144,235,132 (2022: 144,235,132) fully paid ordinary shares	<b>22,965,710</b>	<b>22,965,710</b>

**(a) Ordinary shares**

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

	2023 Number	2022 Number	2023 \$	2022 \$
Balance at beginning of year	144,235,132	116,226,221	22,965,710	16,131,071
Issue of shares pursuant to rights issue	-	28,008,911	-	6,834,639
Balance at the end of the year	<b>144,235,132</b>	<b>144,235,132</b>	<b>22,965,710</b>	<b>22,965,710</b>

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 not less than 1.5 times earnings. The Directors are not aware of any instances of non-compliance with this covenant during the year ended 30 June 2023.

**17. OTHER RESERVES**

	2023 \$	2022 \$
Options Reserve	94,188	94,188
Performance Rights	1,973,108	577,000
Current year distributions from Fund	(282,301)	-
	<b>1,784,995</b>	<b>671,188</b>

The employee share based payments reserve is used to recognise the fair value of options/performance rights issued for employee services. Refer to Note 26 for further details of value of performance rights granted during the year.

**(a) Performance rights**

	2023 Number	2022 Number	2023 \$	2022 \$
Balance at beginning of the year	2,000,000	2,000,000	577,000	577,000
Vesting of performance rights	-	-	-	-
Performance rights granted	6,400,000	-	1,396,108	-
Balance at the end of the year	<b>8,400,000</b>	<b>2,000,000</b>	<b>1,973,108</b>	<b>577,000</b>

17. OTHER RESERVES (continued)

(b) The following changes to the options on issue and the attributed value during the periods

	2023 Number	2022 Number	2023 \$	2022 \$
Balance at beginning of the year	16,504,449	5,500,000	94,188	94,188
Free attaching options issued (20 Jul 2021)	-	11,004,449	-	-
Options expired (30 Sep 2021)	-	(3,000,000)	-	-
Free attaching options issued (13 Oct 2021)	-	3,000,000	-	-
Balance at the end of the year	<u>16,504,449</u>	<u>16,504,449</u>	<u>94,188</u>	<u>94,188</u>

On 20 July 2023 14,004,449 free attaching options with an exercise price of \$0.30 expired.

18. ACCUMULATED LOSSES

	2023 \$	2022 \$
Accumulated losses at the beginning of the year	(5,939,726)	(3,475,753)
Net loss for the year	(5,751,974)	(2,232,165)
Transactions with non controlling interests (a)	-	(231,808)
Accumulated losses at the end of the year	<u>(11,691,700)</u>	<u>(5,939,726)</u>

(a) Includes transfer from other reserves from the acquisition of non-controlling interests.

19. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

At the date of this report, the Group continues to have a capital commitment to the maximum amount of the contract sum of \$47.6m for the construction contract in relation to the Forbes Residences Project. \$18.9m remains at reporting date.

Contingencies

The Consolidated Entity does not have any contingent liabilities at balance and reporting dates.

20. EARNINGS PER SHARE

	2023 \$	2022 \$
Loss after income tax attributable to ordinary shareholders	<u>(5,751,974)</u>	<u>(2,232,165)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>144,235,132</u>	<u>141,370,874</u>
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	<u>144,235,132</u>	<u>141,370,874</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(3.99)	(1.58)
Diluted loss per share*	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.

**21. 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:

	<b>2023</b>	<b>2022</b>
	\$	\$
Short-term employee benefits	219,837	210,468
Post-employment benefits	21,000	19,308
Share based payments	959,823	-
	<b>1,200,660</b>	<b>229,776</b>

Other than as disclosed in Note 22 there are no further transactions with Key Management Personnel.

**22. RELATED PARTY TRANSACTIONS**

**(a) Parent Entity**

Mustera Property Group Ltd is the Parent Entity.

**(b) Controlled Entities**

The Group's interests in Controlled Entities at 30 June 2023 are set out below. Unless otherwise stated, the Controlled Entities 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
		2023	2022	
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	100%	100%	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	17%	44%	Property investment

Loans made by Mustera Property Group Ltd to the Controlled Entities 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. Control has been assessed on the basis that the trustee of the Mustera Property Fund, who can appoint the manager of the fund, controls the relevant activities of this entity. Therefore, 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).

**(c) Key management personnel compensation**

Disclosures relating to key management personnel are set out in Note 21.

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**22. 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	
			2023	2022	2023	2022
Anthony Ho	HOX5 Pty Ltd	Acquisition of units in Mustera Property Fund	-	-	-	-

- Share-based payments consisting of performance rights were issued to Directors. Refer to Note 26.

**(e) Terms and conditions**

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

**23. PARENT ENTITY INFORMATION**

Set out below is the supplementary information about the Parent Entity.

**Statement of profit or loss and other comprehensive income**

	Parent	
	2023	2022
	\$	\$
Profit/(loss) after income tax	(2,136,058)	(783,126)
Total comprehensive income/(loss)	(2,136,058)	(783,126)

**Statement of financial position**

Total current assets	1,970,070	1,181,036
Total assets	20,729,567	21,551,841
Total current liabilities	173,696	259,981
Total liabilities	3,702,726	3,785,050
Net assets	17,026,841	17,766,791
Equity		
Issued capital	22,965,710	22,965,710
Share based payments reserve	2,067,296	671,188
Accumulated losses	(8,006,165)	(5,870,107)
Total equity	17,026,841	17,766,791

**Guarantees entered into by the Parent Entity**

The Parent Entity has provided financial guarantees in respect of bank loans of controlled entities amounting to \$5,515,000 (2022: \$5,515,000), secured by registered mortgages over the freehold properties of the controlled entities. The Parent Entity has also provided guarantee in respect of a property lease entered into by its wholly owned controlled entity. 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 2023 and 30 June 2022.

**Capital commitments**

Refer to Note 19 for capital commitments for the Group.

24. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2023	2022
	\$	\$
(a) <b>Cash flows from operating activities</b>		
Profit/(loss) for the year	(5,751,974)	(2,234,733)
Adjustments of non-cash/non-operating items:		
Depreciation	32,017	94,380
Lease interest	25	462
(Loss) / gain on disposal of fixed assets	(35,000)	6,114
Distributions	(122,337)	(241,462)
Non-cash settlement of creditors	290,175	-
Share based payments	1,396,108	-
Borrowing costs payments	35,400	-
Amortisation of finance costs	896,838	-
Operating loss before changes in working capital and provisions	(3,258,748)	(2,375,239)
Change in trade and other receivables	417,124	355,114
Term deposits	-	(80,000)
Vendor finance	-	(1,100,000)
Change in prepayments	(613)	18,019
Changes in inventories and assets held for sale	(22,125,442)	(10,280,749)
Change in deferred tax assets	-	157,723
Change in trade and other payables	(210,966)	(146,713)
Change in provision for income tax	-	(2,517)
Change in deferred tax liabilities	-	-
Change in employee benefits	(1,367)	(13,082)
Net cash used in operating activities	(25,180,012)	(13,467,444)
(b) <b>Non-cash investing and financing activities</b>		
Issue of shares under dividends reinvestment plan	-	-

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022	Cash flows	Non-Cash Movements	2023
	\$	\$	\$	\$
Long-term borrowings	25,522,426	(22,022,426)	-	3,500,000
Short-term borrowings	5,515,000	48,133,563	896,839	54,545,402
Total liabilities from financing activities	31,037,426	26,111,137	896,839	58,045,402
	2021	Cash flows	Non-Cash Movements	2022
	\$	\$	\$	\$
Long-term borrowings	9,900,000	15,622,426	-	25,522,426
Short-term borrowings	11,655,000	(6,140,000)	-	5,515,000
Total liabilities from financing activities	21,555,000	9,482,426	-	31,037,426

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**26. SHARE BASED PAYMENTS**

30 June 2023:

At the annual general meeting held on 25 November 2022, shareholders approved the grant of 4,400,000 performance rights to the Directors.

Holder	Class	Number	Grant Date	Probability	Expiry Date of milestone achievement	Fair value per right	Total Fair Value
Nicholas Zborowski	C	1,000,000	28/11/2022	100%	28/11/2025	\$0.275	\$275,000
	D	1,000,000	28/11/2022	100%	28/11/2025	\$0.275	\$275,000
Jack Spencer-Cotton	C	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000
	D	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000
Anthony Ho	C	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000
	D	600,000	28/11/2022	100%	28/11/2025	\$0.275	\$165,000

The performance rights were valued at 27.5 cents a share being the share price on grant date 28 November 2022. Vesting occurs at the end of the performance period dated 28 November 2025, if the following performance conditions are met:

- C) Upon announcement by the Company on the ASX market announcements platform of the approval of its development application for its property situated in 15 McCabe Street, North Fremantle WA 6159 by the City of Fremantle or alternate statutory authority by 30 November 2023; and
- D) Upon announcement by the Company on the ASX market announcements platform of the achievement of the practical completion of the Company's Forbes Residences project by 29 February 2024.

A share-based payment expense of \$1,396,108 was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023.

30 June 2022:

At the annual general meeting held on 30 November 2020, shareholders approved the grant of 2,000,000 performance rights to the Directors.

Holder	Class	Number	Grant Date	Probability	Expiry Date of milestone achievement	Fair value per right	Total Fair Value
Nicholas Zborowski	A	500,000	10/12/2020	100%	10/12/2023	\$0.2885	\$144,250
	B	500,000	10/12/2020	100%	10/12/2023	\$0.2885	\$144,250
Jack Spencer-Cotton	A	250,000	10/12/2020	100%	10/12/2023	\$0.2885	\$72,125
	B	250,000	10/12/2020	100%	10/12/2023	\$0.2885	\$72,125
Anthony Ho	A	250,000	10/12/2020	100%	10/12/2023	\$0.2885	\$72,125
	B	250,000	10/12/2020	100%	10/12/2023	\$0.2885	\$72,125

The performance rights were valued at 28.85 cents a share being the share price on grant date 10 December 2020. Vesting occurs at the end of the performance period dated 10 December 2023, if the following performance conditions are met:

- A) Upon announcement by the Company on the ASX market announcements platform that it has achieved committed pre-sales equal to or greater than 50% of the 57 residential apartments at Forbes Residences; and
- B) Upon announcement by the Company on the ASX market announcements platform that it has entered into a Construction Contract for the development of Forbes Residences.

A share-based payment expense of \$577,000 was recognised in prior periods.

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26. SHARE BASED PAYMENTS (continued)

Set out below are summaries of performance rights granted to Directors of the Group:

Grant date	Exercise price	Expiry date	Balance at start of year	Granted / (Expired) during the year	Balance at end of year	Vested and exercisable at end of year	Unvested at end of year
<b>2023</b>							
28 November 2022	\$0.275	28 November 2025	-	4,400,000	4,400,000	2,200,000	2,200,000
			-	-	4,400,000	2,200,000	2,200,000
<b>2021</b>							
30 November 2020	\$0.2885	30 November 2023	2,000,000	-	2,000,000	2,000,000	-
			2,000,000	-	2,000,000	2,000,000	-
		<b>TOTAL</b>	<b>2,000,000</b>	<b>4,400,000</b>	<b>6,400,000</b>	<b>4,200,000</b>	<b>2,200,000</b>

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	Expired during the year	Balance at end of year	Vested and exercisable at end of year
<b>2023</b>						
29 November 2018	\$0.46	30 November 2023	2,500,000	-	2,500,000	2,500,000
			5,500,000	-	2,500,000	2,500,000
<b>2022</b>						
21 October 2016	\$0.37	30 September 2021	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	(3,000,000)	2,500,000	2,500,000
	Weighted Average exercise price		\$0.41	-	\$0.46	\$0.46

The September 2021 options expired during the period covered by the above tables.

The options outstanding at 30 June 2023 have a weighted average remaining contractual life of 5 months (2022: 17 months).

27. 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:

	2023 \$	2022 \$
<b>Financial assets</b>		
Cash and cash equivalents	1,085,121	894,673
Trade and other receivables	1,410,668	1,455,395
	<u>2,495,789</u>	<u>2,350,068</u>
<b>Financial liabilities</b>		
Trade and other payables	3,784,691	718,365
Loans and borrowings	58,045,402	31,037,426
	<u>61,830,093</u>	<u>31,755,791</u>

27. FINANCIAL RISK MANAGEMENT (continued)

**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.

**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 \$17,565,000 as at 30 June 2023 (2022: \$15,415,000). These loans are interest only. Monthly cash outlays of approximately \$61,597 (2022: \$32,838) are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points (2020: 100) would have an adverse/favourable effect on profit before tax of \$175,650 (2022: \$154,150) 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.

**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:

	2023 \$	2022 \$
Cash and cash equivalents	1,085,121	894,673
Trade and other receivables	1,410,668	1,455,395
	<u>2,495,789</u>	<u>2,350,068</u>

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating <sup>1</sup> A-1+	Internally rated <sup>2</sup> No default	Total
<b>At 30 June 2023</b>			
Cash and cash equivalents	1,085,121	-	1,085,121
Trade and other receivables – current	-	685,668	685,668
Trade and other receivables – non-current	-	725,000	725,000
	<u>1,085,121</u>	<u>1,410,668</u>	<u>2,495,789</u>
<b>At 30 June 2022</b>			
Cash and cash equivalents	894,673	-	894,673
Trade and other receivables – current	110,967	241,928	352,895
Trade and other receivables – non-current	-	1,102,500	1,102,500
	<u>1,005,640</u>	<u>1,344,428</u>	<u>2,350,068</u>

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.

**27. FINANCIAL RISK MANAGEMENT (continued)**

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 (2022: \$nil).

The Group has long term receivables specific to an individual transaction which was a result of the sale of apartments during the year. The Group has used the general approach (stage 1) to assess the expected credit losses for this receivable. As the counterparty has paid interest during the year, and based on past payment history, the Group believes that there are no expected credit losses in the balance as at 30 June 2023.

**Liquidity risk management**

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

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

<b>30 June 2023</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>1 year</b>	<b>2-5 years</b>	<b>&gt;5 years</b>
Trade and other payables	3,784,691	(3,784,691)	(3,784,691)	-	-
Loans and borrowings	58,045,402	(58,045,402)	(54,545,402)	(3,500,000)	-
	<b>61,830,093</b>	<b>(61,830,093)</b>	<b>(58,330,093)</b>	<b>(3,500,000)</b>	<b>-</b>
<b>30 June 2022</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>1 year</b>	<b>2-5 years</b>	<b>&gt;5 years</b>
Trade and other payables	718,365	(718,365)	(718,365)	-	-
Loans and borrowings	31,037,426	(33,624,631)	(6,075,454)	(27,549,177)	-
	<b>31,755,791</b>	<b>(34,342,996)</b>	<b>(6,793,819)</b>	<b>(27,549,177)</b>	<b>-</b>

**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.

**28. 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.

**28. FAIR VALUE MEASUREMENT (continued)**

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

<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Investment property	-	-	19,919,793	19,919,793
Investment in unlisted property trust	-	-	300,000	300,000
<b>Total assets</b>	-	-	20,219,793	20,219,793
<b>2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Investment property	-	-	17,484,631	17,484,631
<b>Total assets</b>	-	-	17,484,631	17,484,631

*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.

<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
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"> <li>Market fully leased net rental income per annum after vacancy allowance \$1.43m (2022: \$1.39m)</li> <li>Capitalisation rate 6.75% (2022: 6.75%)</li> <li>Leasing vacancy 2.50% (2022: 5%)</li> <li>Weighted lease duration by income: 6.3 years (2022: 7.24 years)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>Expected market rental income were higher (lower);</li> <li>Capitalisation rate were lower (higher) (\$800,000 per 0.25%);</li> <li>Leasing downtime were shorter (longer).</li> </ul>

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

Estimates of fair value take into account factors and market conditions evident at reporting 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 (2022: nil).

**29. EVENTS SUBSEQUENT TO REPORTING DATE**

On 20 July 2023, 14,004,449 free attaching options with an exercise price of \$0.30 expired unexercised. (Refer to ASX announcement dated 12 July 2023)

Other than what has been disclosed in the accounts, no other matters or events have arisen since 30 June 2023 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.

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## DIRECTORS' DECLARATION

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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 2023 and of its performance for the financial year ended on that date;
- (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; and
- (e) the remuneration disclosures included in the Directors' Report (as part of audited remuneration report) for the year ended 30 June 2023 comply with section 300A of the *Corporations Act 2001*.

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*

31<sup>th</sup> August 2023  
Perth

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## 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 2023, 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 2023 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 (including Independence Standards)* (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.

### Carrying value of inventory

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 10 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 (“NRV”). 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 and estimates 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"> <li>• 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;</li> <li>• Assessing carrying values against valuations performed by external experts, and/or assessing for adverse changes in prior external valuation reports of inventory where applicable;</li> <li>• Assessing the independence, professional competence and objectivity of external valuation expert’s engaged by management;</li> <li>• Assessing the expected net realisable value of inventories to the forecasted cost of the project ensuring inventories are carried at the lower of cost and net realisable value;</li> <li>• Reviewing classification of inventory as current or non-current in line with the accounting policy of the Group and the accounting standards; and</li> <li>• Assessing the adequacy of the disclosures in Note 2 and Note 10 to the financial report.</li> </ul>

### Fair value of investment property

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
The valuation of investment property is a key audit matter as this asset is significant in value and the fair value assessment requires the use of significant judgements and estimates. The Group's disclosures about the fair value of investment property are included in Note 2, Note 11 and Note 28, which details the key assumptions used.	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"><li>• Obtaining and assessing the fair value of the investment property against management's external valuation expert report;</li><li>• Assessing the independence, professional competence and objectivity of external valuation expert's engaged by management;</li><li>• Testing and evaluating key inputs and assumptions used by the external valuer with reference to net operating income of the property, capitalisation rates and lease terms; and</li><li>• Assessing the adequacy of the disclosures in Note 2, Note 11 and Note 28 to the financial report.</li></ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, 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 (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 12 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Mustera Property Group Limited, for the year ended 30 June 2023, 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**



**Phillip Murdoch**  
**Director**

Perth

31 August 2023

**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 2023, 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.



**Phillip Murdoch**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

31 August 2023

## ADDITIONAL INFORMATION

### Details of equity securities as at 22 August 2023:

#### Top holders

The 20 largest registered holders of each class of quoted equity security as at 22 August 2023 were:

<i>Fully paid ordinary shares - quoted</i>			
	<b>Name</b>	<b>No. of Shares</b>	<b>%</b>
1.	WONDER HOLDINGS PTY LTD	43,069,603	29.86
2.	ANRINZA FUTURE PTY LTD	41,285,656	28.62
3.	QP & CO PTY LTD <QUPPI FAMILY A/C>	9,265,667	6.42
4.	FINE ENTERPRISES PTY LTD	8,000,000	5.55
5.	MR HOONG NGAI CHRISTOPHER LAI	5,333,334	3.7
6.	MS MAY ERN GLORIA LAI	5,333,333	3.7
7.	FINE ENTERPRISES PTY LTD	4,000,000	2.77
8.	MR PARK ON LAI	2,666,667	1.85
9.	HOX5 PTY LTD <A&K HO SUPERANNUATION FUND>	2,096,394	1.45
10.	WILLY MASTURI <THE W E MASTURI FAMILY A/C>	2,000,000	1.39
11.	MR WILLY MASTURI <THE W E MASTURI FAMILY A/C>	2,000,000	1.39
12.	MR JACK SPENCER-COTTON	1,516,665	1.05
13.	MR ROBERT ANG	1,369,354	0.95
14.	MR NICHOLAS ZBOROWSKI	1,315,412	0.91
15.	GTO GROUP CORP	1,250,000	0.87
16.	SANNY NANANG	1,010,000	0.7
17.	B YOUNG HOLDINGS PTY LTD	1,000,000	0.69
18.	TOWNSHEND CAPITAL PTY LTD	1,000,000	0.69
19.	MARNOV PTY LTD	543,000	0.38
20.	LUNIARTY KARTOSUDIRO	533,106	0.37
		134,588,191	93.31

Registered holders holding 20% or more of each class of unquoted equity security as at 22 August 2023 were:

<i>Options exercisable at \$0.46 each on or before 30 November 2023 – unquoted</i>			
	<b>Name</b>	<b>No. of Options</b>	<b>%</b>
	N Zborowski	1,000,000	40
	A Ho	500,000	20
	J Spencer-Cotton	500,000	20

  

<i>Performance Rights – unquoted</i>			
	<b>Name</b>	<b>No. of Rights</b>	<b>%</b>
	N Zborowski	3,000,000	50
	A Ho	1,700,000	25
	J Spencer-Cotton	1,700,000	25

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## ADDITIONAL INFORMATION

### Distribution schedules – as at 22 August 2023

A distribution schedule of quoted shares

			Fully paid ordinary shares		
Range			Holders	Units	%
1	-	1,000	20	3,439	0.00%
1,001	-	5,000	8	20,057	0.01%
5,001	-	10,000	40	395,320	0.27%
10,001	-	100,000	73	2,666,936	1.85%
100,001	-	Over	45	141,149,380	97.86%
<b>Total</b>			<b>186</b>	<b>144,235,132</b>	<b>100%</b>

A distribution schedule of unquoted options

			Options exercisable at \$0.46 on or before 30 Nov2023		
Range			Holders	Units	%
1	-	1,000	-	-	-
1,001	-	5,000	-	-	-
5,001	-	10,000	-	-	-
10,001	-	100,000	-	-	-
100,001	-	Over	4	2,500,000	100
<b>Total</b>			<b>4</b>	<b>2,500,000</b>	<b>100</b>

A distribution schedule of unquoted performance rights

			Performance Rights		
Range			Holders	Units	%
1	-	1,000	-	-	-
1,001	-	5,000	-	-	-
5,001	-	10,000	-	-	-
10,001	-	100,000	-	-	-
100,001	-	Over	7	8,400,000	100.00
<b>Total</b>			<b>7</b>	<b>8,400,000</b>	<b>100.00</b>

### 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	43,069,603
Anrinza Future Pty Ltd	41,285,656
QP & Co Pty Ltd <Quppi Family A/C>	9,265,667
Fine Enterprises Pty Ltd	12,000,000

### Restricted securities

As at 22 August 2023, the Company had no restricted securities.

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## ADDITIONAL INFORMATION

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### Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares as at 22 August 2023:

Holders	Units
21	5,189

### 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 and Performance Rights 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>.

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