MUSTERA
PROPERTY GROUP LTD

ABN 13 142 375 522

ANNUAL REPORT – 30 JUNE 2016

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Kim Hogg

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Suite 7, 61 Hampden Road
NEDLANDS WA 6009
Telephone: (61 8) 9386 7069
Facsimile: (61 8) 6389 0635
Website: www.mustera.com.au

AUDITOR

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

SHARE REGISTRY

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

SOLICITOR

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

STOCK EXCHANGE

ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: MPX

BANKERS

Commonwealth Bank of Australia
Level 1, 380A Scarborough Beach Road
Innaloo WA 6018

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DIRECTORS' REPORT

*The Directors present their report together with the consolidated financial statements of the Group comprising of Mustera Property Group Ltd (the **Company** or **Parent Entity**) and its subsidiaries (the **Group** or **Consolidated Entity**) for the year ended 30 June 2016 and the auditor's report thereon.*

DIRECTORS

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

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

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

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

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

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

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

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

Mr Ho is Chairman of the Audit Committee.

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

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

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

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

Mr Young is a member of the Audit Committee.

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

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

He is presently a capital projects engineer at Pfizer Perth.

Mr Spencer-Cotton will retire by rotation and will be seeking re-election by shareholders at the 2016 Annual General Meeting.

COMPANY SECRETARY

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

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

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

DIRECTORSHIPS IN OTHER LISTED ENTITIES

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

Director	Company	Period of directorship From	To
Nicholas Zborowski	Not Applicable	-	-
Anthony Ho	Alchemy Resources Limited	2011	Present
	Australian Agricultural Projects Limited	2003	Present
	Newfield Resources Limited	September 2011	Present
	Glory Resources Limited (now de-listed)	February 2014	March 2016
	Siburan Resources Limited	November 2009	November 2014
Benjamin Young	Not Applicable	-	-
Jack Spencer-Cotton	Not Applicable	-	-

DIRECTORS' INTERESTS

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

Director	Shares	Options
Nicholas Zborowski	10,000	5,000,000
Anthony Ho	2,000,000	-
Benjamin Young	362,509	-
Jack Spencer-Cotton	133,000	1,000,000

DIRECTORS' MEETINGS

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

	Board		Audit Committee	
Director	Held	Attended	Held	Attended
Nicholas Zborowski	4	4	-	-
Anthony Ho	4	4	-	-
Benjamin Young	4	4	-	-
Jack Spencer-Cotton	4	4	-	-

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS

The Group made a net loss of $35,130 for the year ended 30 June 2016. This result was affected by the following factors:

a) refinancing costs associated with loan facilities. The refinancing benefits included significant interest cost savings as well as increasing the Group's borrowing capacity to fund other investment opportunities; and

b) advertising and marketing costs associated with the Victoria Quarter development (Lot 803 Foundry Road, Midland). Revenue from that project will be recognised when the apartment sales are settled in the 2016/17 financial year.

REVIEW OF OPERATIONS (continued)

Under Construction

Victoria Quarter – Lot 803 Foundry Road, Midland WA - The Victoria Quarter development comprises 70 residential apartments over four levels, inclusive of ground floor commercial units with a common basement. This development is a central part of the historic Midland Railway Workshops precinct, being rejuvenated as part of the Western Australian Government's urban renewal initiative, led by the Metropolitan Redevelopment Authority (MRA).

During the year, the construction contract was awarded following a competitive tender and contract negotiations. The Group also negotiated and secured project finance as well as continued with its marketing campaign for the development. As at 30 June 2016, approximately 80% of the construction works have been completed.

Construction continues to progress well subsequent to the year-end with practical completion expected in the fourth quarter of 2016.

Property Held for Development

75 Haig Park Circle, East Perth WA - The property comprises a 2,233 m^2 site and is situated near the corner of Plain Street and Royal Street, 1.5 km from the Perth Central Business District. Improvements include an open air at-grade car park with fifty car bays and is leased to Wilson Parking Australia 1992 Pty Ltd for short term public parking.

During the year, the redevelopment opportunity for the property was enhanced, with the City of Perth Council (the City) confirming that the current use of the site as an at-grade public car park is not considered to be the highest and best use from an urban planning perspective, given its inner city location.

The City presented to its Elected Members at a briefing session held by the City in February 2016 three design options together with a proposed approach for engaging the community. At the City's Planning Committee meeting held in March 2016, it endorsed undertaking preliminary community consultation on the design options in the second half of 2016.

The Group continues to benefit from income generated from the leased property whilst undertaking its due diligence including feasibility studies on the proposed design options.

The property is currently 100% leased.

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

During the year, the Group undertook due diligence including preliminary discussions with the City of Belmont regarding planning and repositioning options, as well as feasibility studies to determine the highest and best use for the site.

The Group continues to benefit from income generated from the leased property whilst undertaking its due diligence to determine its development options.

The property is currently 100% leased.

Investment Property

239-251 Woodpark Road, Smithfield NSW – During the year the Group committed to actively market for sale the Smithfield property.

Subsequent to the year end, the Group entered into a conditional contract for the sale of the Smithfield property. The contract was conditional on the purchaser receiving Foreign Investment Review Board (FIRB) approval, which was granted on 19 August 2016. The settlement of Smithfield property is scheduled on 31 August 2016.

REVIEW OF OPERATIONS (continued)

New Acquisitions

Lot 801 Helena Street, Midland WA – The Group acquired its second Midland development site, Lot 801 Helena Street, Midland on 3 July 2015. The site is located on the corner of Helena Street and Yelverton Drive and forms a part of the Midland Railway Workshops precinct (refer above).

After completing extensive due diligence on the development, the Group finalised the project brief and appointed a preferred architect to commence with design works. The concept design together with the development application was submitted to the MRA in May 2016.

The Group commenced negotiations with potential sales agents and prepared a preliminary marketing strategy, with the intent of launching the marketing campaign once a development approval is granted.

The Group anticipates a development approval being granted later this year.

15 McCabe Street, North Fremantle WA – The Group entered into an unconditional contract to purchase 15 McCabe Street, North Fremantle on 24 December 2015. Improvements include a modern two level office and warehouse building on a 2,398 m^2 site. The office comprises approximately 1,892 m^2 and the warehouse approximately 354 m^2.

The property is situated in a prestigious residential area with extensive frontage to McCabe Street and panoramic river and ocean views. The Group commenced preliminary feasibility studies and sought planning advice to determine the future development opportunities for the site.

The property is due to settle in December 2016.

Corporate

During the year, the Company raised $1,250,000 through the issue of 6,250,000 fully paid ordinary shares to fund the Victoria Quarter development and supplement its working capital.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group's net assets increased by $1.2 million during the financial year as a result of capital raisings completed.

Fully paid ordinary shares issued during the year were as follows:

(a) the issue of 5,000,000 shares at $0.20 each to raise $1,000,000 before costs; and

(b) the issue of 1,250,000 shares at $0.20 each to raise $250,000 before costs.

Total shares on issue at 30 June 2016 were 91,416,942 (2015: 85,166,942).

LIKELY DEVELOPMENTS

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

DIVIDENDS

No dividend has 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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In July 2016 the Company entered into a conditional contract for the sale of its investment property at 239-251 Woodpark Road, Smithfield NSW (**Smithfield Property**) for a price of $7.3 million. The contract was conditional on the purchaser receiving Foreign Investment Review Board (FIRB) approval, which was received on 19th August 2016. The property is scheduled to settle on 31st August 2016. The sale price of Smithfield Property was consistent with the carrying value of the asset as at 30 June 2016. An associated debt facility of $4.34 million will be repaid following settlement.

SHARE OPTIONS

No options have been granted or 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
31 January 2014	31 January 2018	$0.20	11,000,000

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

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

Insurance

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

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

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

REMUNERATION REPORT - AUDITED

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

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

Key management personnel

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

Name	Position held
Nicholas Zborowski	Executive Director
Anthony Ho	Non-executive Director
Benjamin Young	Non-executive Director
Jack Spencer-Cotton	Non-executive Director
Chee Onn Kon	Director – Sterlink Development Pty Ltd

Principles of remuneration

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

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

Remuneration structure

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

Non-executive director remuneration

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

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

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

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

REMUNERATION REPORT - AUDITED (continued)

Executive remuneration

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

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

Fixed remuneration

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

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

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.

There were no options issued as LTI during the year.

The Company has introduced a policy that 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.

Group performance and link to remuneration

The Company was incorporated in 2010 and admitted to the Official List of ASX on 24 November 2014. It is still at an early stage of development. Consequently, the Group's financial results are not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration will take into account the achievement of strategic objectives, service criteria and growth in share price.

There were no performance related remuneration transactions during the financial year.

The Group's performance for the past five years is as follows:

	2016	2015	2014	2013	2012
Net profit/(loss) for the year	($35,130)	$403,391	$8,225	$1,218	($43,186)
Dividends paid	Nil	Nil	Nil	Nil	Nil
Closing share price (30 June)	$0.23	$0.27	$0.15	$0.00001	$1.00
Earnings/(loss) per share (cents)	(0.04)	0.51	0.018	1.48	(2,159,300)
Weighted average shares on issue	89,323,363	78,775,904	46,945,205	82,194	2

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 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT - AUDITED (continued)

Employment agreements

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

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

Name	Commencement Date	Term of agreement and notice period*	Base salary including superannuation	Termination payments
N Zborowski	1 July 2014	No fixed term 3 months	$164,250	Nil
C Kon	1 October 2014	No fixed term 3 months	$153,300	Nil

* The notice period applies equally to either party

Remuneration of key management personnel

		SHORT-TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS		
		Salary & fees** $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %
Non-executive Directors						
A Ho*	2016	20,000	-	-	20,000	-
	2015	11,667	-	-	11,667	-
B Young*	2016	20,000	1,900	-	21,900	-
	2015	11,667	1,108	-	12,775	-
J Spencer-Cotton*	2016	20,000	1,900	-	21,900	-
	2015	11,667	1,108	-	12,775	-
Executive Director						
N Zborowski	2016	154,731	14,250	-	168,981	-
	2015	122,158	11,123	-	133,281	-
Other Key Management Personnel						
C Kon	2016	143,070	13,300	-	156,370	-
	2015	127,446	9,975	-	137,421	-
Total	**2016**	**357,801**	**31,350**	**-**	**389,151**	**-**
	2015	**284,605**	**23,314**	**-**	**307,919**	**-**

** Non-executive Directors' remuneration did not commence until the Company was admitted to the official list of ASX on 24 November 2014*

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

Share-based remuneration

There were no share-based remuneration transactions during the financial year.

Loans to key management personnel

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

REMUNERATION REPORT - AUDITED (continued)

Other transactions with key management personnel

A Director, Mr A Ho, is a partner in the firm of Anthony Ho & Associates. During the financial year, Anthony Ho & Associates has provided secretarial related services to the Group on normal commercial terms and conditions. Total amount recognised during the financial year relating to these transactions were $36,000.

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 2015	Granted as remuneration	Additions	Disposals/Other	Held at 30 June 2016
N Zborowski	10,000	-	-	-	10,000
A Ho	2,000,000	-	-	-	2,000,000
B Young	340,001	-	22,508	-	362,509
J Spencer-Cotton	133,000	-	-	-	133,000
C Kon	30,000	-	-	(30,000)	-

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 2015	Granted as remuneration	Exercised	Expired/forfeited /other	Held at 30 June 2016
N Zborowski	5,000,000	-	-	-	5,000,000
A Ho	-	-	-	-	-
B Young	-	-	-	-	-
J Spencer-Cotton	1,000,000	-	-	-	1,000,000
C Kon	5,000,000	-	-	-	5,000,000

This concludes the remuneration report, which has been audited.

NON AUDIT SERIVCES

The auditor did not provide any non-audit services to the Group during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44 and forms part of the Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

Nicholas Zborowski
Director
Dated at Perth this 30th day of August 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	2016 $	2015 $
Revenue and other income			
Rental income and recoverable outgoings		1,511,698	1,140,416
Finance income		3,567	32,990
Net changes in fair value of investment properties	11	50,000	1,050,000
Total Revenue and Other Income		1,565,265	2,223,406
Expenses			
Property expenses and outgoings		386,877	259,614
Property development costs		54,158	175,456
Finance costs		459,982	361,056
Employee benefits expenses		357,099	286,375
Administration and overhead costs		348,068	510,387
Amortisation and depreciation		3,190	5,090
Total expenses		1,609,374	1,597,978
Profit/(loss) before income tax		(44,109)	625,428
Income tax benefit/(expense)	5	8,979	(222,037)
Net profit/(loss) for the year		**(35,130)**	**403,391**
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to the ordinary equity holders of the Company		**(35,130)**	**403,391**
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share for the financial year	21	(0.04)	0.51
Diluted earnings/(loss) per share for the financial year	21	N/A*	0.45

*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 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	6	264,851	871,375
Trade and other receivables	7	172,225	-
Inventories	9	17,991,054	-
Assets classified as held for sale	10	7,300,000	-
Other current assets	8	5,699	102,280
Total Current Assets		25,733,829	973,655
NON-CURRENT ASSETS			
Trade and other receivables	7	-	23,389
Inventories	9	9,175,186	9,999,447
Investment properties	11	-	7,250,000
Property, plant & equipment	12	9,474	12,664
Total Non-Current Assets		9,184,660	17,285,500
TOTAL ASSETS		34,918,489	18,259,155
CURRENT LIABILITIES			
Trade and other payables	13	2,437,953	139,773
Income tax	5	56,270	15,860
Employee benefits	14	13,363	8,649
Borrowings	15	12,015,442	80,000
Borrowings directly associated with assets classified as held for sale	15	4,340,000	-
Total Current Liabilities		18,863,028	244,282
NON-CURRENT LIABILITIES			
Other payables	13	-	14,033
Deferred tax liabilities	5	131,275	196,524
Borrowings	15	5,010,000	8,105,000
Total Non-Current Liabilities		5,141,275	8,315,557
TOTAL LIABILITIES		24,004,303	8,559,839
NET ASSETS		**10,914,186**	**9,699,316**
EQUITY			
Contributed equity	16	10,601,073	9,351,073
Other reserves	17	29,228	29,228
Retained earnings	18	283,885	319,015
TOTAL EQUITY		**10,914,186**	**9,699,316**

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

MUSTERA PROPERTY GROUP LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Contributed Equity $	Other Reserves $	Accumulated Losses/Retained Earnings $	Total $
Balance at 30 June 2014	5,333,485	29,228	(84,376)	5,278,337
Profit for the year	-	-	403,391	403,391
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	403,391	403,391
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary shares, net of transaction costs	4,017,588	-	-	4,017,588
Balance at 30 June 2015	**9,351,073**	**29,228**	**319,015**	**9,699,316**
Balance at 30 June 2015	9,351,073	29,228	319,015	9,699,316
Loss for the year	-	-	(35,130)	(35,130)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(35,130)	(35,130)
Transactions with equity holders in their capacity as equity holders:				
Issue of ordinary shares, net of transaction costs	1,250,000	-	-	1,250,000
Balance at 30 June 2016	**10,601,073**	**29,228**	**283,885**	**10,914,186**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts in the course of operations		1,497,389	1,262,350
Payments in the course of operations		(15,881,885)	(6,184,525)
Interest received		3,567	32,989
Interest paid		(430,904)	(357,456)
Income tax paid		(29,939)	(9,653)
Net cash (outflow) from operating activities	25	(14,841,772)	(5,256,295)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(6,003)
Net cash (outflow) from investing activities		-	(6,003)
Cash flows from financing activities			
Proceeds from the issue of share capital		1,250,000	3,847,833
Payment of share issue costs		-	(180,245)
Proceeds from borrowings		18,850,248	2,400,000
Repayment of borrowings		(5,865,000)	(34,914)
Net cash inflow from financing activities		14,235,248	6,032,674
Net increase/(decrease) in cash and cash equivalents		(606,524)	770,376
Cash and cash equivalents at 1 July		871,375	100,999
Cash and cash equivalents at 30 June	6	**264,851**	**871,375**

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

1. REPORTING ENTITY

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

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

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2016. The directors have the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

Basis of preparation

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

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in this note.

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 24.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mustera Property Group Ltd ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Mustera Property Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

Operating segments

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

Revenue recognition

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

Rent
Rent revenue from investment properties and inventories is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Interest
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

(a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Current and non-current classification

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

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

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

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

Inventories

Property Development

Inventories are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development and borrowing costs during development. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated statement of profit or loss and other comprehensive income. Reversals of previously recognised impairment charges are recognised in the consolidated income statement 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.

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.

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 first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, 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, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

- Furniture & fittings 3-20 years

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

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

Leases as lessee

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

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

Finance costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Fair value measurement

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

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

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

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

Issued capital

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

Dividends

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

Goods and services tax

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

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

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

New accounting standards and interpretations that are not yet mandatory

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

(i) AASB 9 Financial Instruments and its consequential amendments

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

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

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

(iii) AASB 16 Leases

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

(iv) AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian accounting standards 2012-2014 Cycle

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. The consolidated entity will adopt this standard from 1 July 2016 but the impact of its adoption is yet to be assessed.

(v) AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. The amendments affect presentation and disclosures only. Therefore on first time adoption of these amendments on 1 July 2016, comparatives may need to be restated in line with presentation and note ordering.

(vi) AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax for Unrealised Losses

These amendments clarify some issues regarding recognition and measurement of deferred tax assets and are applicable to annual reporting periods beginning on or after 1 January 2017. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed.

(vii) AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

These amendments require entities to disclose a reconciliation of cash and non-cash movements in liabilities arising from financing activities and a reconciliation for movements in financial assets used to hedge liabilities arising from financing activities. The standard is applicable to annual reporting periods beginning on or after 1 January 2017. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy

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

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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.

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. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold.

3. SEGMENT INFORMATION

Identification of reportable operating segments

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

Accounting policies

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

Segment information

30 June 2016	Property Investment $	Property Development $	Other* $	Group $
Segment revenue and other income	734,396	773,630	57,239	1,565,265
Interest expenses	(187,750)	(202,873)	(2,220)	(392,843)
Segment result	78,062	(91,172)	(22,020)	(35,130)
Segment assets	7,400,000	27,200,227	318,262	34,918,489
Segment liabilities	4,508,806	19,398,850	96,647	24,004,303
30 June 2015				
Segment revenue and other income	1,776,311	353,736	93,359	2,223,406
Segment result	927,346	(300,643)	(223,312)	403,391
Segment assets	7,250,000	10,161,004	848,151	18,259,155
Segment liabilities	4,031,524	4,393,891	134,424	8,559,839

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

Major customers

Revenue from major customers is outlined below:

Major Customer	Operating Segments 2016	Revenue 2016 $	Operating Segments 2015	Revenue 2015 $
Customer #1	Property Development	297,892	Property Development	320,976
Customer #2	Property Investment	684,396	Property Investment	248,362
Customer #3	Property Development	464,514	N/A	-
Customer #4	N/A	-	Property Investment	486,852

	2016 $	2015 $
4. AUDITOR'S REMUNERATION		
The following fees were paid or payable for the services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, and its related practices:		
Audit and review services		
BDO Audit (WA) Pty Ltd		
Audit or review of financial statements	28,154	59,519
Other Services		
Auditors' related practice – BDO Corporate Finance (WA) Pty Ltd		
Investigating Accountant's Report for inclusion in a Prospectus	-	5,100
	28,154	**64,619**

5. INCOME TAX

	2016 $	2015 $
(a) Income tax expense		
Current tax expense	(56,270)	15,860
Deferred tax expense	65,249	196,524
Under provision in prior years	-	9,653
	8,979	222,037
(b) Numerical reconciliation between tax expense and pre-tax net profit		
Profit/(loss) before income tax expense	(44,109)	625,428
Income tax benefit/(expense) calculated at the rate noted in (d) below	12,571	(187,628)
Effect of non-deductible items	(1,377)	(1,103)
Other assessable income		-
Other deductible items	10,274	10,814
Non-assessable income		-
Change in recognised deductible temporary differences	6,794	16,706
Decrease/(increase) in deferred tax balances not recognised	(19,283)	(51,173)
Current period income tax expense	8,979	(212,384)
Under provision in prior years	-	(9,653)
Income tax expense	8,979	(222,037)
(c) Deferred tax assets and liabilities brought to account		
The potential tax benefit @ 28.5% (2015: 30%) for the following items for which a deferred tax asset has been recognised is as follows:		
Carry forward tax losses	115,623	55,082
Delayed capital expenditure deduction for tax purposes	29,004	38,407
Delayed borrowing costs deduction for tax purposes	9,857	6,445
Expenditure included in the asset cost base for tax purposes	12,328	1,584
Provisions and accruals	9,620	10,881
Gross deferred tax assets	176,432	112,399
Set off against deferred tax liabilities	(176,432)	(112,399)
Net deferred tax assets recognised	-	-

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

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

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

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

5. INCOME TAX (continued)

	2016 $	2015 $
The temporary difference @ 28.5% (2015: 30%) relating to the following item for which a deferred tax liability has been recognised is as follows:		
Re-measurement of investment property to fair value	304,923	305,972
Accelerated prepayment deduction for tax purposes	1,408	1,818
Accelerated depreciation for tax purposes	1,376	1,133
Gross deferred tax liabilities	307,707	308,923
Set off of deferred tax assets	(176,432)	(112,399)
Net deferred tax liabilities recognised	131,275	196,524

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

The potential tax benefit @ 28.5% (2015: 30%) for the following items for which no deferred tax asset has been recognised is as follows:		
Carry forward tax losses	288,815	93,752
Delayed capital expenditure deduction for tax purposes	314	254
Delayed borrowing costs deduction for tax purposes	23,320	1,500
Provisions and accruals	1,458	614
Gross deferred tax assets	313,907	96,120
Set off against deferred tax liabilities	(233,949)	(35,445)
Net deferred tax assets not recognised	79,958	60,675
The temporary difference @ 28.5% (2015: 30%) relating to the following item for which no deferred tax liability has been recognised is as follows:		
Accelerated capital expenditure deduction for tax purposes	233,681	34,492
Accelerated prepayment deduction for tax purposes	216	789
Accelerated depreciation for tax purposes	52	164
Gross deferred tax liabilities	233,949	35,445
Set off of deferred tax assets	(233,949)	(35,445)
Net deferred tax liabilities not recognised	-	-

The deferred tax assets not recognised relate to individual subsidiaries of the Group. The Group is not consolidated for tax purposes and it was considered the recognition criteria outlined in AASB 112 had not been satisfied for deferred tax assets of these subsidiaries.

(e) Tax Rate

The domestic effective tax rate of Mustera Property Group Ltd is 28.5% for the year ended 30 June 2016 as the Group meets the definition of “Small Business Entities with an aggregated annual turnover of less than $2 million” (2015: 30%).

6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	264,851	871,375

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

7. TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Current		
Trade debtors	34,757	-
Income tax refundable	14,079	-
Deposit for purchase of property	100,000	-
Security deposit – office lease	23,389	-
	172,225	-
Non-current		
Security deposit – office lease	-	23,389

The Group's exposure to credit risk related to trade and other receivables is disclosed in Note 27.

Loss recognised by the consolidated entity in respect of impairment of receivables for the year ended 30 June 2016 was nil (2015: nil).

No receivables were past due but not impaired.

8. OTHER CURRENT ASSETS

	2016 $	2015 $
Prepaid Insurance	5,699	7,857
Prepaid rent	-	833
Prepaid development costs	-	93,590
	5,699	102,280

9. INVENTORIES

	2016 $	2015 $
Current		
Land and property held for development and resale (at cost)	17,991,054	-
Non-current		
Land and property held for development and resale (at cost)	9,175,186	9,999,447
Total inventories	**27,166,240**	**9,999,447**

(a) Movement in inventories

	2016 $	2015 $
Balance at 1 July	9,999,447	4,996,518
Additions at cost	1,450,000	4,000,000
Acquisition transaction costs	75,043	204,585
Capitalised development costs	15,245,479	798,344
Capitalised borrowing costs	396,271	-
Balance at 30 June	27,166,240	9,999,447

(b) Assets pledged as security

Some of the Group's Borrowings (refer Note 15) 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.

	2016 $	2015 $
10. ASSETS CLASSIFIED AS HELD FOR SALE		
Non-current assets held for sale - Investment property	7,300,000	-

In January 2016, the directors of the Company decided to sell a parcel of land and property located in Smithfield, NSW which was originally acquired as investment property (**Smithfield Property**). In July 2016 the Company entered into a conditional contract for the sale of the Smithfield Property for a price of $7.3 million. The contract was conditional on the purchaser receiving Foreign Investment Review Board (FIRB) approval, which was received on 19 August 2016. The property is scheduled to settle on 31 August 2016. The asset is presented within total assets of the Property Investment segment in Note 3.

(i) Non-recurring fair value measurements
Investment property classified as held for sale during the reporting period was measured at lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the investment property was determined by reference to quoted market price as described above. This is a level 1 measurement as per the fair value hierarchy set out in Note 19.

11. INVESTMENT PROPERTY

	2016 $	2015 $
Investment property at fair value	-	7,250,000

(a) Movement in investment property

	2016 $	2015 $
Balance at 1 July	7,250,000	6,200,000
Net gain from fair value adjustments	50,000	1,050,000
Classified as held for sale	(7,300,000)	-
Balance at 30 June	-	7,250,000

(b) Assets pledged as security
Some of the Group's borrowings, Smithfield facility (refer Note 15), is secured by registered mortgage over investment property plus fixed and floating charges over all the assets and undertakings held by the Group.

(c) Leases as a lessor
The investment property is leased to tenants on long term operating leases with rentals payable monthly. Minimum lease commitments receivable but not recognised in the financial statements are as follows:

	2016 $	2015 $
Within one year	N/A*	560,320
One to five years	N/A*	2,241,280
More than 5 years	N/A*	1,564,227
	N/A*	4,365,827

*Investment property re-classified as held-for-sale. Refer Note 10 for details.

(d) Valuation of investment property
The fair value of the investment property as at 30 June 2016 was determined by reference to quoted market price as described in Note 10. An independent valuation of the investment property was carried out on 23 June 2015 by a qualified valuer with relevant experience in the type of property being valued. The value of the investment property was measured on a fair value basis, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Further information on assumptions underlying management's assessment of fair value is contained in Note 2.

(e) Amounts recognised in profit or loss for investment property

	2016 $	2015 $
Rental income	560,320	564,400
Fair value gain recognised in other income	50,000	1,050,000

	2016 $	2015 $
12. PROPERTY, PLANT & EQUIPMENT		
Office furniture & equipment – at cost	19,113	19,113
Less: Accumulated depreciation	(9,639)	(6,449)
	9,474	**12,664**
Reconciliations of carrying amount		
Office furniture & equipment		
Balance at 1 July	12,664	11,750
Additions	-	6,004
Depreciation	(3,190)	(5,090)
Balance at 30 June	9,474	12,664

13. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Current		
Trade creditors and accruals	2,132,653	139,773
Interest payable	305,300	-
	2,437,953	**139,773**
Non-current		
Tenant security deposits	**-**	**14,033**

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.

14. EMPLOYEE BENEFITS

	2016 $	2015 $
Provision for annual leave entitlements	**13,363**	**8,649**
Balance brought forward	8,649	-
Movement during the year	4,714	8,649
Balance carried forward	13,363	8,649

15. LOANS & BORROWINGS

	Note	2016 $	2015 $
Current			
Loans and commercial overdraft from financial institutions - secured	(a)	12,015,442	80,000
Loans directly associated with assets held for sale - secured	(a)	4,340,000	-
		16,355,442	**80,000**
Non-current			
Loans from financial institutions - secured	(a)	**5,010,000**	**8,105,000**

The Group has complied with all covenants in loan agreements during the financial year.

15. LOANS & BORROWINGS (continued)

(a) Loans from financial institutions

Facility	Secured	Maturity Date	Facility limit 2016 $	Utilised 2016 $	Facility limit 2015 $	Utilised 2015 $
Belmont Facility[1]	Yes	August 2016	-	-	1,950,000	1,950,000
Smithfield Facility[1]	Yes	July 2018	-	-	3,835,000	3,835,000
Haig Park Cir Facility[2]	Yes	April 2018	2,320,000	2,320,000	2,400,000	2,400,000
New Belmont Facility[3]	Yes	June 2020	2,100,000	2,100,000	2,100,000	-
New Smithfield Facility[3]	Yes	June 2019	4,340,000	4,340,000	4,340,000	-
Helena St Facility[4]	Yes	June 2018	670,000	670,000	670,000	-
Foundry Rd Facility[5]	Yes	September 2017	16,050,000	8,935,442	-	-
Sterlink Facility[6]	Yes	May 2017	3,000,000	3,000,000	-	-
				21,365,442		8,185,000

1) These facilities were replaced during the year.
2) This facility is secured by first registered mortgages over the East Perth property held by the Company's 100% owned subsidiary, Claisebrook Holdings Pty Ltd (**Claisebrook**), and first ranking charge over all present and after acquired property of Claisebrook. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield. Principal repayment of $20,000 is required on quarterly basis until the maturity date.
3) Both facilities are secured by first registered mortgages over the Belmont property, Smithfield property and Helena St Midland property held by the Group and a first ranking charge over all present and acquired property of the Company. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
4) This facility is secured by first registered mortgages over the Helena St Midland property held by the Company's 100% owned subsidiary, Grace Property Holdings Pty Ltd (**Grace**), and first ranking charge over all present and after acquired property of Grace. Mustera has also provided unlimited guarantee for this facility. Interest is payable monthly in arrears at variable rates based on a fixed commitment fee plus a variable yield.
5) This facility is secured by first registered mortgages over the Foundry Rd Midland property held by the Company's 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**), first registered security agreement over the assets and undertaking of Sterlink and tripartite agreement given by Sterlink and the contracted builder of the Foundry Rd Midland property. Mustera has also provided guarantee and indemnity for this facility limited to the amount of $16,050,000. Interest is calculated monthly in arrears at variable rates based on a commercial base rate and capitalised to the loan principal. Included in this facility is a commercial overdraft to the limit of $200,000 which is repayable on demand.
6) This facility is secured by a specific security deed over Mustera's shares in its 100% owned subsidiary, Sterlink Development Pty Ltd (**Sterlink**) and second mortgage over any real property legally or beneficially owned by the Group as at 5 November 2015. Interest is calculated on the daily loan balance at a fixed rate and is payable on the earlier of full repayment of the loan and the maturity date of the facility.

(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.

	2016 $	2015 $
16. EQUITY – ISSUED CAPITAL		
91,416,942 (2015: 85,166,942) fully paid ordinary shares	**10,601,073**	**9,351,073**

(a) Ordinary shares

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

	2016 Number	2015 Number	2016 $	2015 $
Balance at beginning of year	85,166,942	61,666,665	9,351,073	5,333,485
Issue of shares at $0.15 each on 24 July 2014	-	4,733,332	-	710,000
Issue of shares at $0.15 each on 22 August 2014	-	5,311,111	-	796,666
Issue of shares at $0.20 each on 21 November 2014	-	13,455,834	-	2,691,167
Issue of shares at $0.20 each on 15 September 2015	5,000,000	-	1,000,000	-
Issue of shares at $0.20 each on 5 May 2016	1,250,000	-	250,000	-
Share issue costs	-	-	-	(180,245)
Balance at the end of the year	91,416,942	85,166,942	10,601,073	9,351,073

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

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

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

	2016 $	2015 $
17. OTHER RESERVES		
Share Based Payments Reserve	**29,228**	**29,228**

The share based payments reserve is used to recognise the fair value of options issued for employee services.

18. RETAINED EARNINGS/ACCUMULATED LOSSES

	2016	2015
Retained earnings/(accumulated losses) at the beginning of the year	319,015	(84,376)
Net profit/(loss) for the year	(35,130)	403,391
Retained earnings at the end of the year	**283,885**	**319,015**

19. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

As at balance date, the consolidated entity did not have any assets or liabilities measured or disclosed at fair value.

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Assets				
Non-current assets held for sale	7,300,000	-	-	7,300,000
Total assets	7,300,000	-	-	7,300,000
2015				
Assets				
Investment property	-	-	7,250,000	7,250,000
Total assets	-	-	7,250,000	7,250,000

Valuation techniques for fair value measurements categorised within level 3

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

Valuation techniques	significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation of net income: the valuation method considers the present value of expected future rental income to be generated from the property, taking into account the market rental income, leasing downtimes and leasing incentive such as rent free periods. The expected future rental income is divided by a capitalisation rate. Among other factors, the capitalisation rate considers the nature, location and tenancy profile of the property.	• Market fully leased net rental income per annum after vacancy allowance (2015: $575,600) • Capitalisation rate (2015: 8%) • Leasing downtime (2015: 6 months after the end of each lease) • Leasing incentives (2015: 7 months)	The estimated fair value would increase (decrease) if: • Expected market rental income were higher (lower); • Capitalisation rate were lower (higher); • Leasing downtime were shorter (longer); or • Leasing incentives were shorter (longer).

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

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

Transfers between level 1 and 3

During the financial year the Group transferred the investment property from level 3 into level 1 as the Group decided to sell the investment property on market and have received offers from buyers as at the balance date. The offer price has been used as quoted market price for fair value measurement of level 1 asset.

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

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

	2016 $	2015 $
Within one year	1,300	66,640
After one year but not more than five years	-	1,300
	1,300	**67,940**

Capital expenditure commitments

The consolidated entity entered into a building contract with Jaxon Pty Ltd for the construction of its Midland development project (Lot 803 Foundry Road, Midland WA). Commitments in relation to capital expenditure contracted for at reporting date but not recognised as a liability are payable as follows:

	2016 $	2015 $
Within one year	3,775,186	-
	3,775,186	**-**

The consolidated entity has also entered into an agreement to purchase a property located in North Fremantle, WA for the consideration of $5,400,000. Settlement is scheduled on 21 December 2016.

Contingencies

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

21. EARNINGS PER SHARE

	2016 $	2015 $
Profit/(loss) after income tax attributable to ordinary shareholders	(35,130)	403,391
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	89,323,363	78,775,904
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	n/a	11,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	n/a	89,775,904
	Cents	**Cents**
Basic earnings/(loss) per share	(0.04)	0.51
Diluted earnings per share	n/a	0.45

22. 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:

	2016 $	2015 $
Short-term employee benefits	357,801	284,605
Post-employment benefits	31,350	23,314
	389,151	**307,919**

23. RELATED PARTY TRANSACTIONS

(a) Parent entity

Mustera Property Group Ltd is the parent entity.

(b) Subsidiaries

The Group's interests in subsidiaries at 30 June 2016 are set out below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group 2016	2015	Principal activities
Sterlink Development Pty Ltd	Australia	100%	100%	Property development
Grace Property Holdings Pty Ltd	Australia	100%	100%	Property development
Claisebrook Holdings Pty Ltd	Australia	100%	100%	Property development
Riversea Property Holdings Pty Ltd	Australia	100%	-	Property development

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

(c) Key management personnel compensation

Disclosures relating to key management personnel are set out in Note 22.

(d) Transactions with related parties

The following transactions occurred with related parties:

Transaction Details	2016 $	2015 $
Payment for secretarial and accounting services from Anthony Ho & Associates (director-related entity of Anthony Ho)	36,000	61,513
Payment for IPO related consulting services from Anthony Ho & Associates (director-related entity of Anthony Ho)	-	16,950

(e) Terms and conditions

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

24. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016 $	2015 $
Profit/(loss) after income tax	(97,920)	369,367
Total comprehensive income/(loss)	(97,920)	369,367

Statement of financial position

	2016 $	2015 $
Total current assets	7,385,492	812,644
Total assets	20,841,845	15,781,240
Total current liabilities	7,793,198	120,391
Total liabilities	10,024,473	6,115,948
Equity		
Issued capital	10,601,073	9,351,073
Share based payments reserve	29,228	29,228
Retained earnings	187,071	284,991
Total equity	10,817,372	9,665,292

Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to $16,720,000 (2015: nil), secured by registered mortgages over the freehold properties of the subsidiaries. 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 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

25. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

(a) Cash flows from operating activities

	2016 $	2015 $
Profit/(loss) for the year	(35,130)	403,391
Adjustments of non-cash/non-operating items:		
Depreciation	3,190	5,090
Net fair value movement on investment properties	(50,000)	(1,050,000)
Operating loss before changes in working capital and provisions	(81,940)	(641,519)
Change in trade and other receivables	(102,673)	346,558
Change in prepayments	(11,087)	(76,801)
Changes in inventories	(16,572,710)	(5,002,928)
Change in trade and other payables	1,946,763	(102,638)
Change in provision for income tax	40,410	15,860
Change in deferred tax liabilities	(65,249)	196,524
Change in employee benefits	4,714	8,649
Net cash used in operating activities	(14,841,772)	(5,256,295)

(a) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the financial year (2015: Nil)

26. SHARE BASED PAYMENTS

There were no share based payment transactions during the financial year (2015: nil).

Set out below are summaries of options granted during previous financial years:

Grant date	Exercise price	Expiry date	Balance at start of the year Number	Granted during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2016						
31 January 2014	$0.20	31 January 2018	11,000,000	-	11,000,000	11,000,000
			11,000,000	-	11,000,000	11,000,000
Weighted Average exercise price			$0.20	-	$0.20	$0.20
2015						
31 January 2014	$0.20	31 January 2018	11,000,000	-	11,000,000	11,000,000
			11,000,000	-	11,000,000	11,000,000
Weighted Average exercise price			$0.20	-	$0.20	$0.20

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

The options outstanding at 30 June 2016 have a weighted average remaining contractual life of 19 months (2015: 31 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:

	2016 $	2015 $
Financial assets		
Cash and cash equivalents	264,851	871,375
Trade and other receivables	158,146	23,389
	422,997	894,764
Financial liabilities		
Trade and other payables	2,384,686	96,720
Loans and borrowings	21,365,442	8,185,000
	23,750,128	8,281,720

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.

27. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk.

The Group's loans and borrowings with variable rates which expose the Group to cash flow interest rate risk totalling $18,365,442 as at 30 June 2016 (2015: $8,185,000). These loans are interest only except an agreed principal repayment of $20,000 per quarter. Monthly cash outlays of approximately $34,000 (2015: $36,000) are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points (2015: 100) would have an adverse/favourable effect on profit before tax of $183,654 (2015: $81,850) 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 and at balance date was attracting variable interest rate of 1.05 % per annum. 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:

	2016 $	2015 $
Cash and cash equivalents	264,811	871,345
Trade and other receivables	158,146	23,389
	422,957	894,734

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating[1] A-1+	Internally rated[2] No default	Total
At 30 June 2016			
Cash and cash equivalents	264,811	-	264,811
Trade and other receivables – current	-	158,146	158,146
	264,811	**158,146**	**422,957**
At 30 June 2015			
Cash and cash equivalents	871,345	-	871,345
Trade and other receivables – non-current	-	23,389	23,389
	871,345	**23,389**	**894,734**

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

Allowance for impairment loss

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

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

27. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management

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

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

30 June 2016	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	2,384,686	(2,384,686)	(2,384,686)	-	-
Loans and borrowings	21,365,442	(23,019,804)	(17,576,692)	(5,443,112)	-
	23,750,128	(25,404,490)	(19,961,377)	(5,443,112)	-

30 June 2015	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	96,720	(96,720)	(82,687)	(14,033)	-
Loans and borrowings	8,185,000	(9,265,145)	(523,913)	(8,741,232)	-
	8,281,720	(9,361,865)	(606,600)	(8,755,265)	-

Fair value measurement of financial instruments

Note 19 outlines the Group's approach to fair value assessment of its assets and liabilities. 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.

28. EVENTS SUBSEQUENT TO REPORTING DATE

In July 2016 the Company entered into a conditional contract for the sale of its investment property at 239-251 Woodpark Road, Smithfield NSW (**Smithfield Property**) for a price of $7.3 million. The contract was conditional on the purchaser receiving Foreign Investment Review Board (FIRB) approval, which was received on 19 August 2016. The property is scheduled to settle on 31 August 2016. The sale price of Smithfield Property was consistent with the carrying value of the asset as at 30 June 2016. An associated debt facility of $4.34 million will be repaid following settlement.

DIRECTORS' DECLARATION

In the Directors' opinion:

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

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

(c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

On behalf of the directors

Nicholas Zborowski
Executive Director

30th August 2016
Perth

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Mustera Property Group Ltd

Report on the Financial Report

We have audited the accompanying financial report of Mustera Property Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

(a) the financial report of Mustera Property Group Ltd is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Mustera Property Group Ltd for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 30 August 2016

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

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Australia

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

As lead auditor of Mustera Property Group Ltd for the year ended 30 June 2016, 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 Ltd and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 30 August 2016

Details of shares and options as at 29 August 2016:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 29 August 2016 were:

Fully paid ordinary shares - quoted

	Name	No. of Shares	%
1.	Wonder Holdings Pty Ltd	28,166,666	30.81
2.	Anrinza Future Pty Ltd	27,000,000	29.53
3.	Willy Masturi <W E Masturi Family A/C>	6,600,000	7.22
4.	M Peters Simanjuntak	4,200,000	4.59
5.	Wise Day Holdings Ltd	3,333,333	3.65
6.	Mutual Street Pty Ltd	3,079,995	3.37
7.	Robert Ang	2,968,040	3.25
8.	Ms Xiao Hui Leow	2,047,000	2.24
9.	Hox5 Pty Ltd <A&K Superannuation Fund>	2,000,000	2.19
10.	TZE Fong Gan	1,400,000	1.53
11.	Teddy Tania	1,333,333	1.46
12.	GTO Group Corp	1,250,000	1.37
13.	Sanny Nanang	1,010,000	1.10
14.	Ms Monika Adya Pratignyo	525,000	0.57
15.	ABN AMRO Clearing Sydney Nominees Pty Ltd <custodian A/C>	502,509	0.55
16.	Mrs Yoanne Yang Kamarga	500,000	0.55
17.	Mr Linus Ning-Li Tan	500,000	0.55
18.	Citicorp Nominees Pty Ltd	365,160	0.40
19.	Mrs Sheryl Anette Hogg	300,000	0.33
20.	Kingsfield Pty Ltd	270,000	0.29
		87,351,036	95.55

Registered holders holding 20% or more of each class of unquoted equity security as at 29 August 2016 were:

Options exercisable at $0.20 each on or before 31 January 2018 – unquoted

Name	No. of Options	%
Nick Zborowski	5,000,000	45.45
Chee Onn Kon	5,000,000	45.45

Distribution schedules

A distribution schedule of each class of equity security as at 29 August 2016:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	7	1,073	0.00
1,001	-	5,000	3	14,500	0.02
5,001	-	10,000	91	905,488	0.99
10,001	-	100,000	48	1,919,734	2.10
100,001	-	Over	27	88,576,147	96.89
Total			176	91,416,942	100.00

Options exercisable at $0.20 on or before 31 January 2018

Range			Holders	Units	%
1	-	1,000	-	-	-
1,001	-	5,000	-	-	-
5,001	-	10,000	-	-	-
10,001	-	100,000	-	-	-
100,001	-	Over	3	11,000,000	100.00
Total			3	11,000,000	100.00

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	26,666,666
Anrinza Future Pty Ltd	25,500,000
Willy Masturi <W E Masturi Family A/C>	6,600,000

Restricted securities

As at 29 August 2016, the Company had no restricted securities.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,127 shares as at 29 August 2016):

Holders	Units
7	1,073

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Principles of Good Corporate Governance and Recommendations

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