



# ANNUAL REPORT 2020





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# CHAIRMAN'S REPORT



JOHN CHAN

## Message from The Chairman

Dear Shareholder,

It is a great honour to present you with Finbar's 25th Annual Report as a property development company and to announce its 24th year of consecutive profit.

Finbar has this year delivered an after-tax net profit of \$7.1 million for the financial year ending June 30th 2020.

While it represents a lower than anticipated profit for the period, we believe it remains a significant achievement given the nature of the external environment as a result of COVID-19 and its ongoing impact on buyer behaviour, consumer sentiment and the broader economy.

The pandemic's impact, which continues to be felt across the globe, comes on top of what was already one of the most challenging periods in the company's 25 year history and at a stage when many in the industry were beginning to see signs of a clear and sustained recovery in the local market. We are proud to have again delivered shareholders with a profit, albeit less than anticipated in light of the trading conditions, and to have maintained our position as Western Australia's leading apartment developer with 6402 lots delivered over the course of our 25-year history.

The ongoing sound management of the company by its board and management team has seen Finbar retain a strong cash position of \$30.6 million despite global uncertainty and ongoing subdued local market activity, and we are buoyed by the pipeline of diverse stock that we are able to offer. Our ability to continue to deliver significant profits at times of global and local uncertainty is a testament to the quality and experience of our team and has placed us in the enviable position of being debt free on all current and completed stock.

While market commentary covering the past financial year can not help but factor in and reference the unprecedented impact of a global pandemic, we have been encouraged by improved sales activity since June buoyed by Western Australia's faster than expected recovery and its strong performance in terms of managing and mitigating COVID-19 related impacts.

We have managed to successfully preserve our strong balance sheet with no borrowings on development assets as a result of judicious economic management in order to ensure we are better positioned to take advantage of the next upswing in the local market.

During the past financial year, Finbar has completed both the low rise Palmyra East and One Kennedy Maylands projects as well as the 167 unit mixed use Sabina project in Applecross with a combined total of 418 units across all projects representing an end value in excess of \$223 million.

Despite ongoing challenging conditions, the company is nearing construction completion of the 125 unit Riverena Apartments in inner city Rivervale and has commenced construction of the 128 unit development in Dianella. The company is expected to commence construction on the landmark Civic Heart project in South Perth and AT238 on Adelaide Terrace in the 2020/2021 financial year.

Over the course of the last financial year we have sold 200 units across all of our projects with an end value of \$109.3 million which again, represents a significant achievement during a period in which we have had to manage the impact of a global pandemic on significant buying decisions and ongoing instability in financial markets as a result.

## Our track record and reputation for delivering complex projects on time and on budget, and the ongoing strength of our commercial relationships has also underpinned our ability to deliver consecutive profits in the face of considerable external pressures.

The completion of the 30 level Sabina apartment project in March this year, with an average unit price of more than \$700,000, marked a significant milestone for the company and was the largest contributor to second half results for the financial year. Located in the growing Canning Bridge precinct, the key driver for sales continues to be demand from owner occupiers largely drawn from within a five-kilometre radius of its location and with significant sales also attributed to the slowly returning investor market.

While the market remains somewhat unpredictable in terms of the impact of COVID-19 restrictions which are currently having a marked impact on interstate and international travel, we remain cautiously optimistic about the continued recovery and improvement in sales throughout the course of the calendar year. Finbar's ability to remain agile and responsive under such conditions has underpinned the company's ongoing resilience and success while other operators have fallen by the wayside and again is testament to the prudent and strategic management of the company's assets and resources.

Our track record and reputation for delivering complex projects on time and on budget, and the ongoing strength of our commercial relationships has also underpinned our ability to deliver consecutive profits in the face of considerable external pressures. This has also been boosted by a continued focus on our core business activity of delivering projects of scale in the Perth CBD and selected, strategically located suburbs which satisfy Finbar's prerequisite for access to key amenities, transport and infrastructure.

Our commitment as a company to ongoing agility and responsiveness to prevailing market conditions and evolving buyer behaviour continues to impact the location and markets we target and which we believe will deliver ongoing shareholder value.

The Perth residential market continues to evolve in line with global trends, with an increasing diversity of buyer demographics swapping the demands of larger free standing homes on more substantial lots for the relative convenience and sociability that apartment living offers and which continues to stimulate and underpin buyer demand.

First home buyers and empty nesting down sizers continue to drive the bulk of the growth in demand for apartments across Perth, with a large proportion looking for the ease of moving from a family home to a high amenity apartment in suburbs familiar to them or of opting to sample city life after years in the suburbs.

While first home buyers have dominated sales at Finbar's One Kennedy and Palmyra East low rise developments, demand and competition in this sector has directly impacted margins achieved on these projects with higher specifications at each needed to drive sales in this particular market which has impacted profit levels this financial year.

Finbar also this year welcomed the approval of its landmark Civic Heart project in one of South Perth's most iconic locations after a prolonged period of reviews and delays. I would personally like to take this opportunity to thank the WA Minister for Planning, Ms Rita Saffioti, who approved the project in February this year following a comprehensive review of the Joint Development Assessment Panel's previous decision.



The Minister's approval of the project, which has an estimated end value of more than \$400 million, reinforces the findings of an independently appointed expert Design Review Panel which found the project to be of exemplary design and an exceptional entry statement to this iconic and highly visible precinct.

We remain committed to delivering the people of South Perth a high quality project with a sophisticated range of resort style amenities and significant and inclusive communal spaces in an iconic and convenient location boasting some of the best views the city has to offer.

The approval which came as part of the State Government's recent overhaul of the development approval process in Western Australia, marks a significant step forward for sensible development in Perth and is part of its efforts to streamline what was an overly bureaucratic and convoluted process and is part of an ongoing effort to help rebuild the economy in the wake of the impact of COVID-19.

The greatest contributor to the overall costs of our projects remains the labour cost, which accounts for approximately 60% of overall costs and without strong construction partnerships that Finbar has, provides a potential barrier to developers' abilities to remain financially competitive, deliver a diversity of housing options and employ potentially thousands of Western Australians.

The continued upswing and strong performance of the State's resource sector continues to underpin both WA and Australia's economic resilience and is a key factor in our ability to withstand some of the most challenging economic conditions in recent memory.

As a largely CBD focused developer we are keen to see the revitalisation of the Perth CBD which has continued to struggle economically and socially and which is a key focus of the forthcoming Perth City Council elections.

Thriving city centres require a concentration of residents that apartment living is able to facilitate. Making the city attractive to those seeking a more urban lifestyle is key to Perth's ongoing growth and development and when managed in a thoughtful and considered way, sensible density will ensure Perth transforms into a thriving urban centre open for business and investment.

While we are seeing the cautious return of investors to the market as rental vacancy rates across the city continue to drop, Perth's persistent status as one of the country's most affordable markets will help drive the return of investors in more significant numbers and provide a much needed boost to the local market. The establishment of Finbar to Rent last year at a time when investor numbers in terms of overall purchaser figures remained low, has enabled it to successfully embed its offering to capitalise on an anticipated upswing in investor activity.

As the Perth market continues to show signs of growth, despite the March quarter's COVID-19 related impairment, Finbar's strong balance sheet and agility in terms of responsiveness ensures we are perfectly positioned to take advantage of the next upswing in market activity and a real return in consumer confidence.

We are very pleased to be able to deliver continued value to our shareholders despite the impact of global recession and uncertainty backed by a multi-billion dollar pipeline of approved projects in some of Perth's most sought after locations. Our fully franked dividend payment this year of \$0.01 per share is designed to conserve our cash balance ahead of the anticipated commencement of construction of the capital-intensive Civic Heart project and AT238 project.

On behalf of the Board of Directors and Shareholders, I would like to thank the Finbar management team for their continued hard work and dedication to the ongoing success of the company during what has been an unprecedented period in our State's history.

I would also like to take this opportunity to thank our joint venture partners, our primary building partner – Hanssen, relationship architect – SS Chang Architects, as well as our marketing and sales agents, suppliers, consultants and banking partners. Ours is a relationship based business and it is the efforts of the broader team that underwrite our ongoing success.



JOHN CHAN  
Executive Chairman



# MANAGING DIRECTOR'S REPORT



DARREN PATEMAN

## Message from the Managing Director

In last year's report, I referenced the previous financial year as one of the most challenging in our company's 24-year history. Few could have foreseen or indeed planned for a global pandemic that would dominate our 25th year and impact virtually every aspect of our personal and working lives.

While it is important to acknowledge the impact of COVID-19 on our fourth quarter performance this financial year, our underlying stable financial base leading into the pandemic and the agility of our compact team has helped mitigate many of the risk factors. In addition to this, there have also been some unexpected positive effects for Western Australia as a result of the pandemic which are supporting many of the business fundamentals through population growth.

While we acknowledge that there is still much to play out and be learned in terms of the current and ongoing crisis and the impact of the various government stimulus measures, our ability to remain profitable despite considerable economic turmoil is certainly something we, as a company, are proud of.

There have been a raft of Federal and State government stimulus measures and incentives released in the wake of the pandemic that have had a material effect on the WA property sector. While the bulk of the Federal measures have been pitched primarily at stimulating house and land building activity rather than the apartment sector directly, the State Government stamp duty concession is playing a part in supporting all sectors of the residential property market, with the overall effect of reducing the 'in-cost' to help stimulate buyer activity.

Our sales levels took a direct hit in March and April as we experienced peak COVID-related uncertainty and restrictions, however we saw consumer confidence lift considerably across June, July and August as the impact of stimulus measures began to be felt and life in WA began to return to a 'new normal', with sales offices and display apartments once again open to the public.

Remarkably, Finbar achieved an average of just under one sale per day during this three-month period, resulting in \$44 million worth of sales – the highest monthly sales average in two years.

Another factor contributing to the slow recovery of our sector is the ongoing repatriation of West Australians from overseas and other Australian States as a result of COVID-19, which is having a positive effect on population growth for the State. This is driving an increase in rental demand therefore improving investment returns for residential property, in turn increasing investor interest, or making ownership a more attractive proposition to existing tenants.

COVID-related travel restrictions have impacted the number of people travelling to Western Australia, which has impacted on settlement times for foreign buyers, but we do see definite future opportunities in the wake of pandemic as WA's isolation becomes a key selling point.

The continued upswing in the resources sector and persistently high commodity prices are also beginning to impact the local property market in a more significant way, with a longer-term reversal in the erosion of the median house and unit price now looking far more optimistic.

The resource led recovery, coupled with WA's relatively low case numbers and absence of onerous restrictions on business, has helped fuel consumer confidence and remove some of the fear and insecurity around Western Australians making significant financial decisions such as the purchase of apartments.

The combination of all of these factors has underwritten the resilience of the sector in the face of heightened economic uncertainty and paved the way for a far swifter recovery than many anticipated in March and April of this year.

Once again, Finbar has finished the financial year with a solid \$30.6 million in cash and we remain in the fortunate position of having no project related debt and \$164 million in completed stock to fund future project commencements on sell-down.



## Finbar achieved an average of just under one sale per day during this three-month period, resulting in \$44 million worth of sales – the highest monthly sales average in two years.

Finbar's net profit of \$7.07 million for the full financial year ended June 30 2020, although less than anticipated pre-pandemic, marks 24 consecutive years of profit in what has proved to be one of the most challenging years in our Nation's economic history.

The figure was lower than originally predicted, due in part to the impact of COVID-19 on buyer behaviour and sales in the fourth quarter, but also because of the lower than anticipated margins on our low-rise Maylands and Palmyra projects. This primarily occurred due to a specification lift, conducted to ensure these projects remained competitive against the traditional entry level house and land package market that was offering significant incentives.

The temporary closure of sales offices also impeded buyer engagement and activity while government imposed restrictions were in place, as did interstate and international travel bans which delayed foreign settlements, most notably at Sabina in Applecross during the current reporting period.

The completion of our Palmyra East, One Kennedy in Maylands and Sabina projects this financial year has significantly boosted our pipeline of completed stock with settlements at Sabina noted as the largest contributor to our second half results.

One of our key successes during the past financial year has undoubtedly been receiving development approval for our landmark South Perth Civic Heart project. The iconic project, which has an estimated end value of \$400m and comprises two towers of 39 and 22 storeys respectively, was ultimately given approval by The Minister for Planning in February this year after years of protracted delays and disruptions.

Civic Heart will be a gateway to South Perth linking the foreshore to the Perth Zoo and will create thousands of direct and indirect jobs for Western Australians during construction and into the future. Our pre-sales, launched in the midst of the pandemic, have been encouraging and we anticipate this momentum to continue as we head into the full marketing campaign which will take place around the time this report goes to print.

The recovery of WA's rental market, which recently recorded the lowest vacancy rates in eight years after a prolonged period of subdued pricing and activity, will also help underpin and drive the recovery in the residential market, further complemented by ongoing low interest rates and government stimulus measures. We believe these combined factors have the potential to push us further ahead in the recovery journey than we might otherwise have been if the Coronavirus had not been a factor in Western Australia.

The ongoing reduction in vacancy rates across the Perth metropolitan area is also resulting in the cautious return of investors to the market, a factor we see as absolutely crucial to returning to the sorts of sales activity and profit levels we achieved ahead of the downturn in the WA property sector.

The successful establishment last year of Finbar to Rent, an in house division dedicated to providing a streamlined management service exclusive to owners of Finbar properties, has ensured the company is well placed to take advantage of an upswing in the investor market and has grown from a standing start to now having 266 residential properties under management along with the management of Finbar's own commercial office assets.

The subsequent establishment of a dedicated in house Finbar Sales team, focused exclusively on the sales and marketing of a select number of Finbar properties, has further added to our offering and provides a continuity of service and professionalism to our client base.

Another by-product of the resurgence in the WA resources sector has been the ongoing improvement of our Karratha asset, which continues to operate at full occupancy and is seeing continued growth in rental rates in line with the upswing in the resource sector. While it has never been Finbar's intention to hold

the asset long term, its performance continues to be a valued investment income source for the business.

The Company acknowledges the tireless work of the WA Property Council, led by chief executive Sandra Brewer, and their continued advocacy for key reforms across the sector. They have been instrumental in assisting the reform process and have worked closely with both the Premier, Treasurer, and the Minister for Planning to help stimulate the WA property sector and economy more broadly via strategically positioned stimulus measures.

While the changes to stamp duty as part of the WA Government's stimulus measures have been well received, we welcome the further reforms and continue to advocate for dispensations to stimulate growth.

The impact of the foreign buyers' surcharge remains a significant deterrent to foreign investment and the continued recovery of the local property market, therefore we continue to work with other key sector figures to lobby the government for its removal. Its imposition in Western Australia in response to similar moves on the east coast has failed to generate any significant revenue for the State Government. Foreign buyers are one of the key drivers in terms of achieving pre-sale targets to commence construction on major projects and in turn help drive our local economic recovery.

The WA State Government's recent overhaul of the development approval process, designed to stimulate the sector in the wake of COVID-19, is also a significant and welcome move and will assist developers through what was previously an overly complex and risky bureaucratic maze that was a disincentive to anyone looking to invest in more complex developments in WA.

Our key focus remains on areas where we are able to achieve density and scale, notably the Perth CBD, Applecross and South Perth, which have traditionally been where we have focused our efforts.

As alluded to previously, we remain open to opportunities in Perth's Western Suburbs where significant demand has been identified in the local downsizer market, however we remain judicious in our choice of location and our involvement in any opportunity will require scale to progress.

While there continues to be no shortage of development sites presented to us on a daily basis, the softer market conditions ensure we continue to focus on projects that will allow us to deliver margin and scale in areas that are familiar to us.

Typically, these are city-based projects where height limits allow us to use the available density to best utilise our competitive advantages.

As well as focusing on working through our current pipeline of product, our key focus for the coming financial year will be to commence construction of both Civic Heart and AT238 on Adelaide Terrace.

These projects will involve significant capital investment from Finbar and its partners and therefore the continued sell down of stock and the completion of Riverena in October will remain our primary short-term focus.

While we remain open to development opportunities that satisfy our key requirements in our core areas, our existing pipeline ensures we are under no pressure to actively source additional development sites. We remain in the fortunate position of having an adequate land bank so that our capital can be actively deployed into the next projects we have earmarked for launch, pending the market conditions as they evolve.

We would also like to acknowledge the signing of The Perth City Deal, a joint State and Federal initiative designed to activate the Perth city centre and support small business and local jobs as we look forward.

The recently announced initiative is also underpinned by the desire for a CBD-based university campus to facilitate density and vibrancy in the Perth City centre.

We believe our focus and track record of development in the Perth CBD ideally positions us to continue to be a significant contributor to the growth of the city block residential population.

A thriving CBD underpins the economic sustainability of Western Australia, drives tourism and growth and we are keen to help deliver on this identified economic potential.

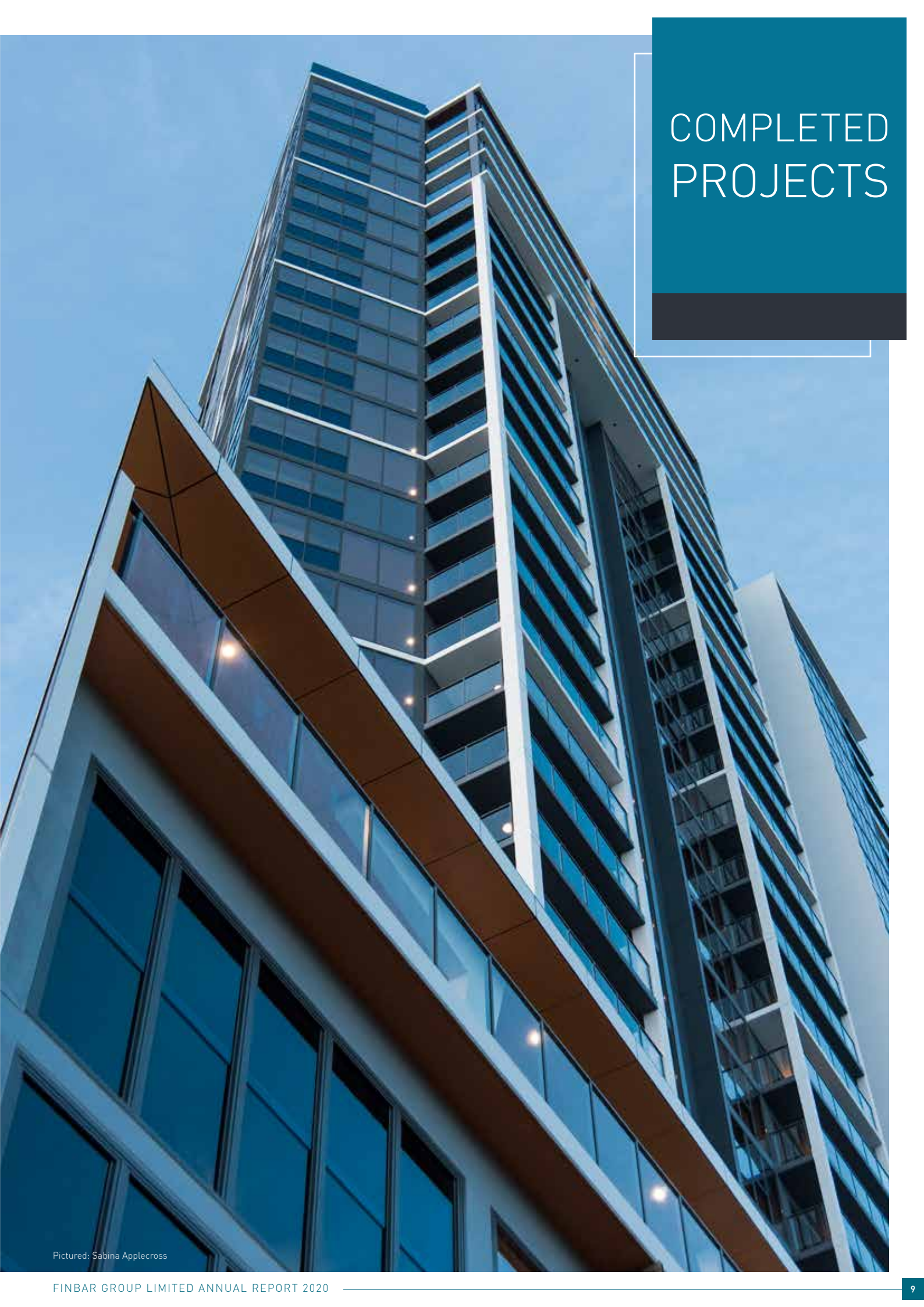
I would like to also take this opportunity to thank our long-term joint venture partners, many of whom have been working alongside us for decades. Their loyalty and commitment further underpin our success in often challenging markets and allows us to continue to develop through these markets and we thank them for their long-term loyalty and partnership.

Finbar also acknowledges and benefits from its loyal and consistent shareholder base that has supported us through the good and bad times. We thank you for that ongoing support and the trust you place in us.

In light of our desire to conserve cash to fund our significant key projects this year, the Board has resolved to pay a final dividend of \$0.01 per share, fully franked, bringing the distribution to \$0.03 per share attributable to the year.



DARREN PATEMAN  
Managing Director



# COMPLETED PROJECTS

Pictured: Sabina Applecross





**Palmyra**  
APARTMENTS EAST

## PALMYRA APARTMENTS EAST

49 McGregor Road, Palmyra

<b>Project Company</b>	43 McGregor Road Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	50%
<b>Marketing Commenced</b>	Jan-18
<b>Construction Completed</b>	Sept-19
<b>Total Lots</b>	128
<b>Approximate Total Project Sales Value</b>	\$49.7m
<b>Value of Sales to Date</b>	\$30.3m
<b>Lots Sold</b>	81 (63%)
<b>Lots Unsold</b>	47 (37%)

Situated on the doorstep of the historic port city of Fremantle, in the established community of Palmyra, Palmyra Apartment Estate is a transformative, three-storey gated residential community to be developed in two stages. Palmyra Apartments East (Stage 1) and Palmyra Apartments West (Stage 2) feature contemporary architectural design in a beautifully landscaped setting.



**onekennedy**  
MAYLANDS APARTMENTS

## ONE KENNEDY

1 Kennedy Street, Maylands

<b>Project Company</b>	241 Railway Parade Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	50%
<b>Marketing Commenced</b>	Oct-18
<b>Construction Completed</b>	May-20
<b>Total Lots</b>	123
<b>Approximate Total Project Sales Value</b>	\$54.5m
<b>Value of Sales to Date</b>	\$24.5m
<b>Lots Sold</b>	61 (50%)
<b>Lots Unsold</b>	62 (50%)

One Kennedy comprises 120 one, two, and three bedroom residential three storey walk-up apartments and 3 commercial lots. One Kennedy capitalises on its proximity to public transport, located only 200 metres from Maylands railway station, and connecting directly to the Central Business District 4.5 kilometres away.





# SABINA

APPLECROSS

## SABINA APPLECROSS

908 Canning Highway, Applecross

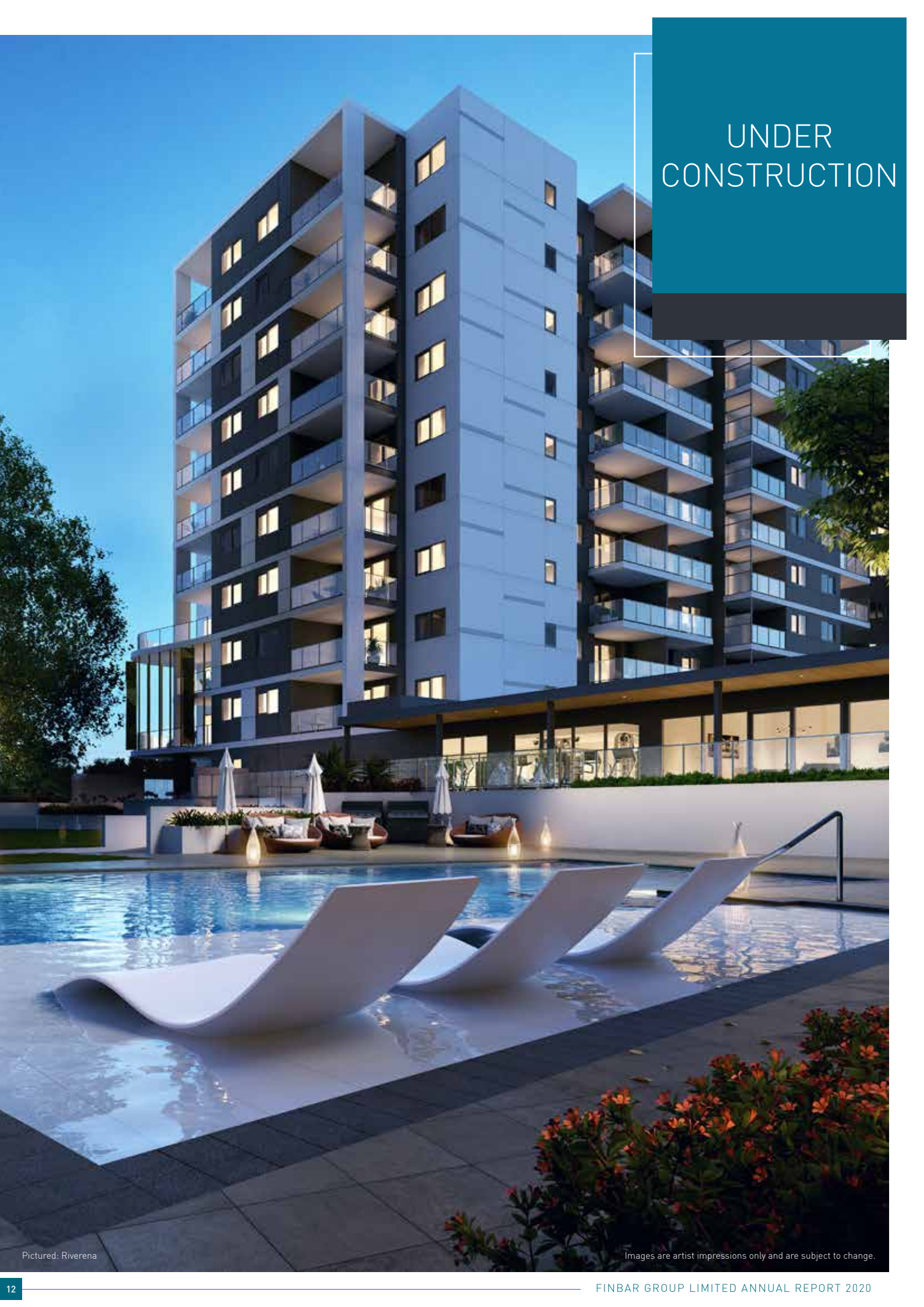
Project Company	Finbar Applecross Pty Ltd
Entity Type	Fully Owned Subsidiary
Finbar's Ultimate Interest	50%
Marketing Commenced	Feb-18
Construction Completed	Feb-20
Total Lots	167
Approximate Total Project	
Sales Value	\$120.0m
Value of Sales to Date	\$69.7m
Lots Sold	96 (57%)
Lots Unsold	71 (43%)

Located only metres from the Swan River and approximately 700 metres to the Canning Bridge Train Station. Sabina is the first stage of a three stage development and consists of 164 residential apartments and 3 ground floor commercial tenancies within a podium and 30 storey tower built form. Featuring a central shared lane and public amenity piazza.





UNDER  
CONSTRUCTION







**Riverena**  
APARTMENTS

**RIVERENA**  
**5 Rowe Avenue, Rivervale**

<b>Project Company</b>	Lot 1001-1003 Rowe Avenue Pty Ltd
<b>Entity Type</b>	Equity Accounted Investee
<b>Finbar's Ultimate Interest</b>	50%
<b>Marketing Commenced</b>	Feb-19
<b>Estimated Completion</b>	Nov-20
<b>Total Lots</b>	125
<b>Approximate Total Project Sales Value</b>	\$52.1m
<b>Value of Sales to Date</b>	\$18.8m
<b>Lots Sold</b>	48 (38%)
<b>Lots Unsold</b>	77 (62%)

Riverena is the second stage of the Arbor development in the Springs precinct, which will comprise 125 one, two, and three bedroom residential apartments.



*Dianella*  
APARTMENTS

**DIANELLA APARTMENTS**  
**36 Chester Avenue, Dianella**

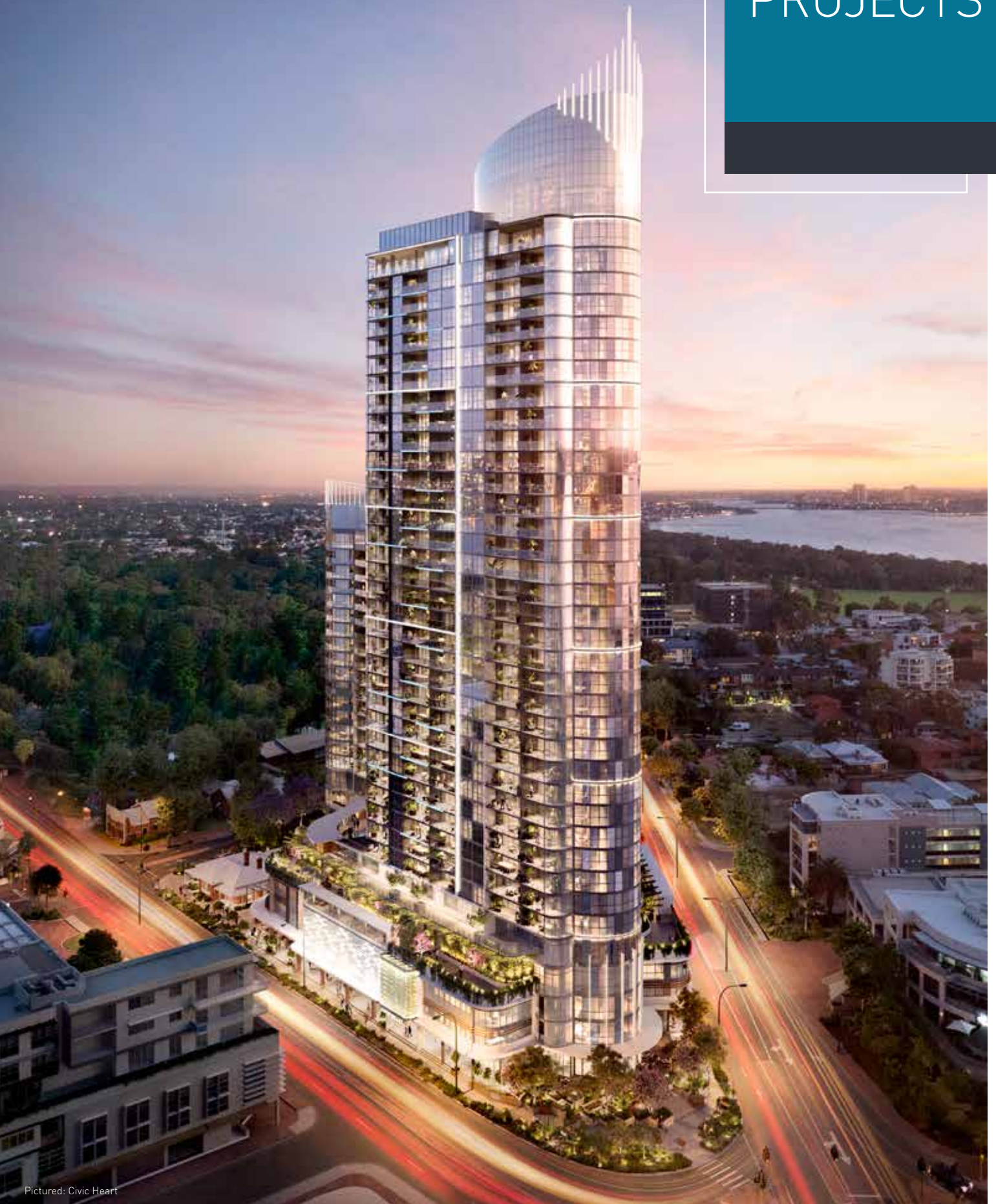
<b>Project Company</b>	36 Chester Avenue Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	100%
<b>Construction Commenced</b>	Aug-20
<b>Estimated Completion</b>	FY22
<b>Total Lots</b>	128
<b>Approximate Total Project Sales Value</b>	\$63.3m
<b>Value of Sales to Date</b>	\$11.5m
<b>Lots Sold</b>	24 (19%)
<b>Lots Unsold</b>	104 (81%)

Conveniently located next to Dianella Plaza, this new development combines 128 stylish apartments with resort style facilities, unique to this established and loved suburb.





# FUTURE PROJECTS





# CIVIC HEART

SOUTH PERTH

## CIVIC HEART

1 Mends Street, South Perth

Project Company	1 Mends Street Pty Ltd
Entity Type	Fully Owned Subsidiary
Finbar's Ultimate Interest	50%
Targeted Commencement	FY21
Estimated Completion	FY23
Total Lots	335
Approximate Total Project Sales Value	\$400m
Value of Sales to Date	\$30m
Lots Sold	27
Lots Unsold	321

This iconic site bounded by Mends Street, Labouchere Road and Mill Point Road brings luxurious apartments, world-class facilities and a thriving ground floor commercial precinct to the historic suburb of South Perth.







# AT 238 PERTH

## AT238 238 Adelaide Terrace, Perth

<b>Project Company</b>	240 Adelaide Terrace Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	50%
<b>Estimated Completion</b>	TBC
<b>Total Lots</b>	121
<b>Approximate Total Project Sales Value</b>	\$89m

AT238 comprises of 119 Apartments & 2 commercial lots, and is set to become Finbar's 10th Development comprising of 1502 lots developed along Adelaide Terrace.



# AURORA APPLECROSS

## AURORA APPLECROSS 3 Kintail Road, Applecross

<b>Project Company</b>	Finbar Applecross Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	50%
<b>Construction Commenced</b>	TBC
<b>Estimated Completion</b>	TBC
<b>Total Lots</b>	121
<b>Approximate Total Project Sales Value</b>	\$143.1m
<b>Value of Sales to Date</b>	\$670k
<b>Lots Sold</b>	1 (1%)
<b>Lots Unsold</b>	120 (99%)

The second stage of three in the Canning bridge precinct, Aurora combines luxurious apartment finishes & world-class facilities within an affluent Applecross address. Featuring a central shared lane and public amenity piazza.

## CANNING HWY APPLECROSS STAGE 3

912 Canning Highway, Applecross

Project Company	Finbar Applecross Pty Ltd
Entity Type	Fully Owned Subsidiary
Finbar's Ultimate Interest	50%
Estimated Completion	TBC
Total Lots	154
Approximate Total Project Sales Value	\$103m

Located only metres from the Swan River and approximately 600 metres to the Canning Bridge Train Station, this 2,620sqm site fronting Canning Highway received DA approval in April 2017 as the third of 3 stages comprising 151 residential apartments and 3 ground floor commercial tenancies within a podium and 26 storey tower built form.



**Palmyra**  
APARTMENTS WEST

## PALMYRA APARTMENTS WEST

45 McGregor Road, Palmyra

Project Company	43 McGregor Road Pty Ltd
Entity Type	Fully Owned Subsidiary
Finbar's Ultimate Interest	50%
Estimated Completion	TBC
Total Lots	130
Approximate Total Project Sales Value	\$52m

Palmyra Stage 2 will commence to coincide with the completion of Stage 1 and will consist of 130 apartments comprised of one, two, and three bedroom apartments in a walkup low-rise structure with below ground parking over 13,421 square metres and has an anticipated end value of approximately \$52 million. Both stages of the project are aligned with the Company's strategy of providing entry level product in prime locations to appeal to the younger owner-occupier and broader investor market.





# THE POINT

SPRINGS RESIDENCES

## THE POINT 31 Rowe Avenue, Rivervale

<b>Project Company</b>	31 Rowe Avenue Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	50%
<b>Estimated Completion</b>	TBC
<b>Total Lots</b>	176
<b>Approximate Total Project Sales Value</b>	\$90m

The Point development is located 200 metres from Finbar's highly successful Spring View Towers project and 350 metres from Finbar's Arbor projects. The development is located on a 4,000 square metre site situated on the corners of Brighton Road, Rowe Avenue, and Great Eastern Highway in the Springs precinct in Rivervale. The Point will comprise of 167 one, two, and three bedroom apartments and 9 commercial lots on the ground floor and will be situated at the main entrance to the Springs precinct, opposite the Aloft Hotel.

## 239 GREAT EASTERN HIGHWAY

<b>Project Company</b>	239 Great Eastern Highway Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	100%
<b>Estimated Completion</b>	TBC
<b>Total Lots</b>	TBC
<b>Approximate Total Project Sales Value</b>	\$75m

The 239 Great Eastern Highway project has an approved DA for 194 one and two bedroom apartments and 154sqm of ground floor commercial.





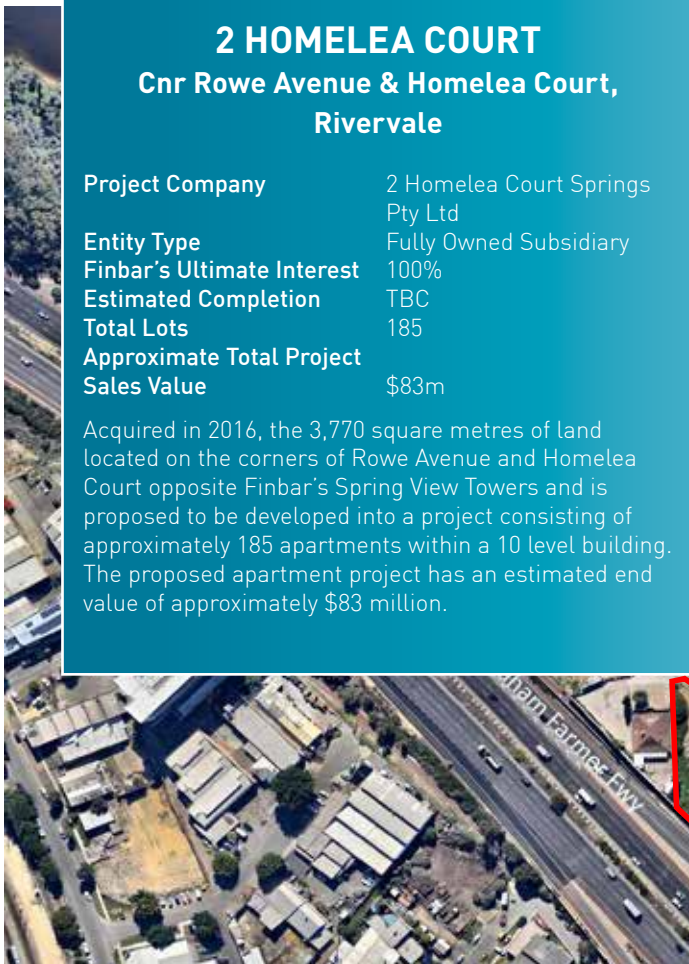


## LOT 1000

### 32 Riversdale Road, Rivvale

<b>Project Company</b>	32 Riversdale Road Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	50%
<b>Estimated Completion</b>	TBC
<b>Total Lots</b>	150
<b>Approximate Total Project Sales Value</b>	\$65m

Lot 1000 is the seventh development site to be secured by Finbar and its respective development partners within the Springs precinct. Whilst detailed design works will not commence for some time, and the ultimate yield is yet to be negotiated through formal development application with approval authorities, it is anticipated that the end project will yield approximately 150 residential apartments with an end sales value of approximately \$65 million.

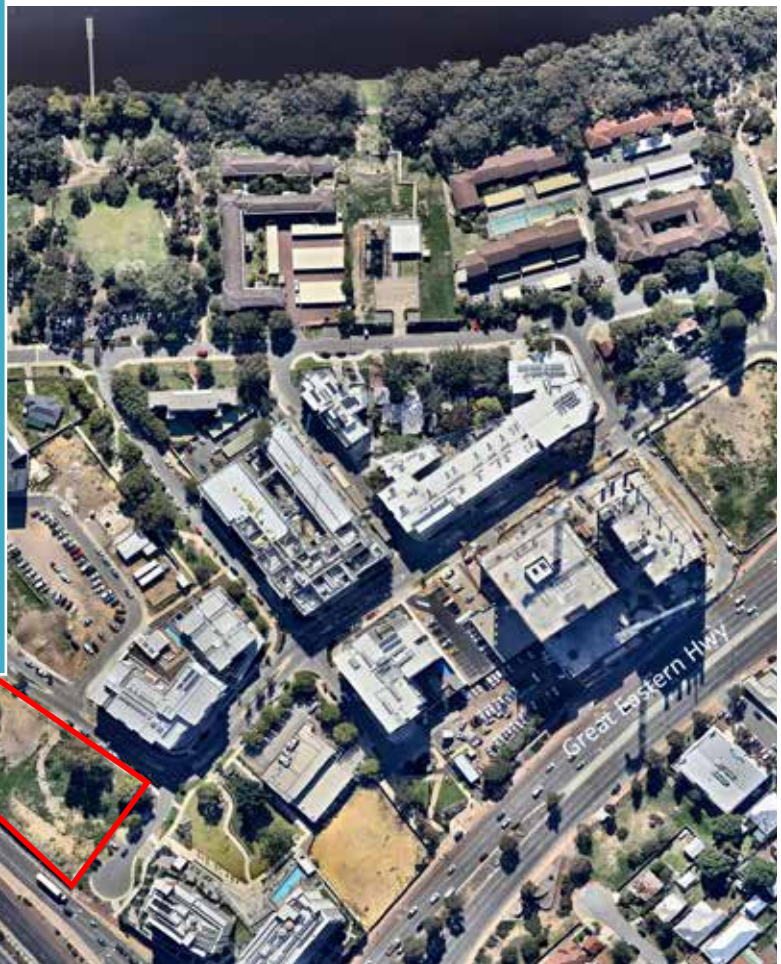


## 2 HOMELEA COURT

### Cnr Rowe Avenue & Homelea Court, Rivvale

<b>Project Company</b>	2 Homelea Court Springs Pty Ltd
<b>Entity Type</b>	Fully Owned Subsidiary
<b>Finbar's Ultimate Interest</b>	100%
<b>Estimated Completion</b>	TBC
<b>Total Lots</b>	185
<b>Approximate Total Project Sales Value</b>	\$83m

Acquired in 2016, the 3,770 square metres of land located on the corners of Rowe Avenue and Homelea Court opposite Finbar's Spring View Towers and is proposed to be developed into a project consisting of approximately 185 apartments within a 10 level building. The proposed apartment project has an estimated end value of approximately \$83 million.





## FORMER ABC STUDIOS

### 187 Adelaide Terrace, East Perth

Project Company	Finbar Sub 104 Pty Ltd
Entity Type	Fully Owned Subsidiary
Finbar's Ultimate Interest	100%
Estimated Completion	TBC
Total Lots	TBC
Approximate Total Project Sales Value	TBC

The former ABC Radio Studios heritage building with a GFA of 3,711sqm over 3 levels. Finbar acquired the final stage from the JV partner to better leverage potential future development outcomes.



## LOT 888

### 2 Hawksburn Road, Rivervale

Project Company	Rowe Avenue Pty Ltd
Entity Type	Equity Accounted Investee
Finbar's Ultimate Interest	50%
Estimated Completion	TBC
Total Lots	TBC
Approximate Total Project Sales Value	\$40m

The current approved DA comprises a 6 level office building with 6,250sqm NLA. A concept has been developed for a residential outcome of 86 apartments and 1,200sqm of commercial. An alternative concept of a wholly commercial building is being explored that reflects current commercial office market demand.







# INVESTMENT PROPERTIES

Pictured: Fairlanes





FAIRLANES  
OFFICE

## FAIRLANES

181 Adelaide Terrace, East Perth

Total Sqm	7582
Office Sqm	7112
Retail Sqm	470
FY21 Forecasted Rent	\$2.2m
Sqm Leased	6810 (90%)



## PELAGO

Sharpe Avenue, Karratha

Total Lots	124
Residential Lots	102
Commercial Lots	22
FY21 Forecasted Rent	\$4.76m
Lots Leased	108 (87%)
Residential Lots Leased	96 (94%)
Commercial Lots Leased	13 (59%)



# AURELIA

SOUTH PERTH

## AURELIA

1 Harper Terrace, South Perth

Total Sqm	929
Estimated sales value	\$5.605m
Estimated income value	\$366,000 p.a.



# FINANCIAL REPORT

Pictured: One Kennedy



# FINANCIAL REPORT

For the Year Ended 30 June 2020

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# DIRECTORS' REPORT

For the Year Ended 30 June 2020

The Directors present their report together with the consolidated financial report of the Group, comprising Finbar Group Limited ('the Company'), its subsidiaries and the Group's interest in equity accounted investees for the financial year ended 30 June 2020 and the independent auditor's report thereon.

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## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 1 Directors

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

#### Executive Director and Chairman

John CHAN - BSc, MBA, MAICD

Director since 27 April 1995

Chairman since 15 July 2010

John Chan is Executive Director and Chairman of Finbar, and a Director of its Subsidiaries and equity accounted investees.

John was appointed director in 1995 and was instrumental in re-listing Finbar on the ASX as a property development company. Prior to joining Finbar, John headed several property and manufacturing companies both in Australia and overseas.

John holds a Bachelor of Science from Monash University in Melbourne and a Master of Business Administration from the University of Queensland. John is a Member of the Australian Institute of Company Directors, is a Trustee for the Western Australian Chinese Chamber of Commerce, and is a former Senate Member of Murdoch University.

#### Managing Director

Darren John PATEMAN - EMBA, GradDipACG, ACSA, AGIA, MAICD

Director since 6 November 2008

Managing Director since 15 July 2010

Darren Pateman is the Managing Director of Finbar and a Director of Finbar's Subsidiaries and equity accounted investees.

Darren commenced with Finbar prior to its relisting on the ASX as a property development company in 1995 and in this time has played a primary role in developing Finbar's systems, strategy and culture.

Darren has held several positions in his 25 years with the company which has given Darren an intimate knowledge of the key aspects of Finbar's business. Darren was formerly Company Secretary from 1996 to 2010, Chief Executive Officer from 2008 to 2010, and was appointed Managing Director on 15 July 2010.

Darren is a Chartered Secretary and holds an Executive Master of Business Administration from the University of Western Australia and a Graduate Diploma in Applied Corporate Governance (GradDipACG). Darren is an Associate of the Institute of Chartered Secretaries and Administrators and a Member of the Australian Institute of Company Directors.

#### Executive Director and Chief Operations Officer

Ronald CHAN

Director since 24 February 2017

Ronald Chan is the Chief Operations Officer of Finbar and a Director of Finbar's Subsidiaries and equity accounted investees.

Ronald joined the Board as an Executive Director on 24 February 2017. Ronald brings 16 years of experience in Finbar's Company operations where he has worked in several roles in the organisation including marketing, contract administration, and in 2013 was appointed Chief Operations Officer. In this role Ronald has gained an intimate understanding of the Company's relationships and systems and managed the Company's transition to digital and online marketing strategies.

#### Non-executive Director

Kee Kong LOH - B Acc, CPA

Director since 28 April 1993

Kee Kong Loh joined the Board in April 1993 and has substantial experience in the governance of companies in property development, marine transportation, and electronics manufacturing sectors. He has a degree in accountancy from the University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore.

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 1 Directors (continued)

#### Non-executive Director

Terence Siong Woon PEH - B.Comm, M.Comm

Director since 24 April 2018

Terence Peh joined the Board on 24 April 2018. Terence is Chief Executive Officer and Executive Director of Chuan Hup Holdings Limited, an investment company listed on the Singapore Stock Exchange, and Finbar's largest corporate shareholder.

Terence has over 21 years of experience in property development investment and project management in Asia Pacific, and management experience in finance in the marine and electronics manufacturing services industries.

Terence obtained his Bachelor of Commerce in Marketing from Curtin University and a Master of Commerce in Finance from the University of New South Wales.

#### Non-executive (Independent) Director

Lee VERIOS - LLB, MAICD

Director since 6 December 2011

Lee Verios joined the Board in December 2011. He is a well credentialed commercial lawyer having practised in Western Australia for over 40 years.

Until his retirement from practising law in 2012, Lee was partner in the international law firm of Norton Rose and the leader of their Commercial Property division in Perth. Throughout his legal career, Lee has held senior management roles in each of the firms of which he has been a member.

In addition to his legal practice, Lee is an experienced company director, having held positions in a variety of public and private enterprises. He has been a director of privately owned investment company Wyllie Group Pty Ltd since July 2004.

Lee is a member of the Australian Institute of Company Directors, the Law Society of WA and was previously Chairman of the Australian Indonesian Business Council (WA Branch).

### 2 Company Secretary

The Company Secretary of the Company at any time during or since the end of the financial year is:

Edward Guy BANK - B Bus, ASCPA

Company Secretary since 2 December 2016

Edward Bank is the Company Secretary of Finbar, and of Finbar's Subsidiaries and equity accounted investees. Ed is a Certified Practising Accountant with 28 years experience in private practice including 8 years as the Company's external accountant. Ed joined the Company in 2005 in the capacity of Chief Financial Officer.

Ed continues to hold the position of Chief Financial Officer.

### 3 Directors' Meetings

The number of Directors' meetings attended by each of the Directors of the Company, whilst being a Director, during the financial year are:

Director	Board Meetings Held	Board Meetings Attended	Resolutions Without Meetings	Audit Committee Meetings Held	Audit Committee Meetings Attended	Remuneration Committee Meetings Held	Remuneration Committee Meetings Attended
John CHAN	4	4	4	N/A	N/A	2	2
Darren John PATEMAN	4	4	4	N/A	N/A	N/A	N/A
Ronald CHAN	4	4	4	N/A	N/A	N/A	N/A
Kee Kong LOH	4	4	1	2	2	2	2
Lee VERIOS	4	4	4	2	2	2	2
Terence Siong Woon PEH	4	4	1	2	2	2	2



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement

The Board ('Board') of Finbar Group Limited ('Finbar' or 'the Company'), its subsidiaries and equity accounted investees (collectively the Group) is committed to maintaining a high standard of corporate governance in the conduct of the organisation's business in order to create and deliver value to shareholders. In this regard, Finbar has established a corporate governance framework, including corporate governance policies and charters to assist in this commitment. A copy of these policies and charters are available from the governance page of Finbar's website, [www.finbar.com.au](http://www.finbar.com.au) and are referenced throughout this document where relevant.

The framework is reviewed and revised in response to changes to law, developments in corporate governance best practice and changes to the Finbar business environment.

As a listed entity, Finbar is required to comply with Australian laws including the Corporations Act 2001 (Cth) and the Australian Securities Exchange Listing Rules, and to report against the ASX Corporate Governance Council's Principles and Recommendations.

#### 4.1 Board of Directors

##### Role of the Board

The Board Charter sets out the Board's role, powers and duties, and establishes the functions reserved for the Board and those which are delegated to the management. The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group.

The Board has delegated responsibility for the operation and administration of the Group to the Executive Chairman, the Managing Director and Senior Executives.

##### Composition of Board

The Board recognises the importance of ensuring that Directors are free from interests and relationships that could, or could reasonably be perceived to materially interfere with the Director's ability to exercise independent judgement and act in the Group's best interests.

Accordingly, the Board has adopted guidelines, set out in the Board Charter, which are used to determine the independence of the Directors.

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned will be restricted from receiving materials, discussing or voting on the matter.

Details of each of the non-executive Directors (Independent) are set out in the Directors Report (page 27).

#### 4.2 Remuneration Committee

The Remuneration Committee Charter sets out the Remuneration Committee's role, powers and duties, and establishes the functions delegated to the Committee by the Board. The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Executive Officers and Directors themselves of the Company and of other Group Executives. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The following directors serve on the Remuneration Committee:

- » Kee Kong LOH (Chairman) - Non-executive Director
- » John CHAN - Executive Director and Chairman
- » Lee VERIOS - Non-executive Independent Director
- » Terence Siong Woon PEH - Non-executive Director

The Remuneration Committee Charter sets out the process for the periodical evaluation of the performance of the Executive Chairman and Managing Director. These evaluations have been conducted during the period.

The Remuneration Committee Charters sets out the process for the periodical evaluation of the performance of the Senior Executives. The Remuneration Committee in consultation with the Executive Chairman and Managing Director are responsible for the periodical evaluation of the performance of the Senior Executives. These evaluations have been conducted during the period.

Finbar has a written agreement, either in the form of an employment contract or letter of employment, with each Executive Director and Senior Executive which sets out the terms of their appointment.

A copy of the Remuneration Committee Charter is available on Finbar's website [www.finbar.com.au](http://www.finbar.com.au).

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.3 Remuneration Report - Audited

##### 4.3.1 Principles of Remuneration

Remuneration of Directors and Executives is referred to as remuneration as defined in AASB 124 Related Party Disclosures and Section 300A of the Corporations Act 2001.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including Directors of the Company and other Executives. Key management personnel comprise the Directors of the Company and Executives for the Company and the Group including the Section 300A Executives.

Remuneration levels for key management personnel and the secretary of the Company, and key management personnel and secretaries of the Group, are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Remuneration Committee periodically obtains independent advice on the appropriateness of remuneration packages of both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified 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 Group's performance;
- » the key management personnel's contribution to revenue and future earnings potential;
- » project outcomes;
- » the key management personnel's length of service; and
- » the Group's performance including:
  - the Group's earnings;
  - the growth in share price and delivering constant returns on shareholder wealth; and
  - the amount of incentives within each key management person's remuneration.

Remuneration packages include a mix of fixed and variable remuneration, short-term performance-based incentives and can include long-term performance-based incentives.

##### Fixed Remuneration

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

Remuneration levels are reviewed annually through a process that considers individual, segment and overall performance of the Group. In addition, where appropriate, external consultants provide analysis and advice to ensure the Directors' and Senior Executives' remuneration is competitive in the market place. A Senior Executive's remuneration is also reviewed on promotion.

##### Performance Linked Remuneration

Performance linked remuneration includes short-term incentives (STI) and can include long-term incentives (LTI), which are designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive is an 'at risk' bonus provided in the form of cash, whilst the long-term incentive is provided as shares or options over ordinary shares of the Company under the rules of the Employee Incentive Plan 2013 and Director Share Plan 2014. As at 30 June 2020, there were no options on issue.

##### Short-term Incentive

The Remuneration Committee has elected to set the primary financial performance objective of 'profit before tax' as the key measure for the calculation of the short term incentives of key management personnel. The non-financial objectives vary with position and responsibility and include measures such as those outlined above. The STI for the current period was wholly based on a percentage of 'profit before tax'. Contractual amounts are accrued in the current year and discretionary amounts are accounted for in the year of payment. The contractual amount is set at 3.3% of 'profit before tax' for 2020 financial year.

At the end of the financial year the Remuneration Committee assess the actual performance of the Group, the relevant segment and the individual key management personnel contribution to the Group. The performance evaluation in respect of the year ended 30 June 2020 has taken place in accordance with this process.



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.3 Remuneration Report - Audited (continued)

##### 4.3.1 Principles of Remuneration (continued)

###### Long-term Incentive

Incentive shares or options issued under the Employee Incentive Plan 2013 or Director Share Plan 2014 are made in accordance with thresholds set in the plans approved by shareholders at the relevant Annual General Meeting, subject to the Board's discretion.

###### Short-term and Long-term Incentive Structure

The Remuneration Committee considers that the above performance-linked remuneration structure is generating the desired outcome. The evidence of this is in respect to the long term historical profit and dividend growth of the Company, coupled with the long term retention of key management personnel resulting in the retention of Company intellectual property.

###### Consequences of Performance on Shareholders Wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has regard to the following indices in respect of the current financial year and the previous four financial years:

	2020	2019	2018	2017	2016
Total comprehensive income	\$7,068,000	\$11,372,000	\$13,760,000	\$5,059,000	\$8,127,000
Profit before tax	\$10,488,000	\$15,947,000	\$18,786,000	\$10,369,000	\$10,687,000
Dividends paid	\$13,606,000	\$16,302,000	\$13,874,000	\$16,219,000	\$20,686,000
Change in share price	-\$0.14	-\$0.10	\$0.14	-\$0.03	-\$0.36
Return on capital employed	4.47%	5.58%	6.24%	4.76%	4.26%
Return on total equity	2.92%	4.58%	5.46%	2.34%	3.57%

Profit before tax is considered as one of the financial targets in setting the STI.

Dividends, changes in share price, and return of capital are included in the total shareholder return (TSR) calculation which is one of the performance criteria assessed for the LTI. The other performance criteria assessed for the LTI is growth in earnings per share, which takes into account the Group's net profit.

The overall level of key management personnel's remuneration takes into account the performance of the Group over a number of years.

###### Directors

Total base remuneration for all Directors, last voted upon by shareholders at the November 2013 AGM, is not to exceed \$360,000 per annum. Directors' base fees are presently \$197,790 per annum. In line with industry practice, as from 1 July 2017 executive salaries were varied to be inclusive of all directors duties and responsibilities.

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.3 Remuneration Report - Audited (continued)

##### 4.3.2 Directors' and Executive Officers' Remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and of the named Group Executives who received the highest remuneration are:

For the year ended 30 June 2020	Short-Term				Post - Employment			
	Directors Fees and Committee Fees \$	Salary \$	STI Cash Bonus (A) \$	Non Monetary Benefits \$	Total \$	Super- annuation \$	Other Long Term \$	Total \$
<b>Executive Directors</b>								
Mr John Chan, Executive Chairman	-	532,130	134,694	-	666,824	26,817	(72,997)	620,644
Mr Darren John Pateman, Managing Director	-	668,906	134,694	90,556	894,156	21,173	11,026	926,355
Mr Ronald Chan, Chief Operating Officer*	-	373,257	67,347	-	440,604	21,173	23,048	484,825
<b>Non-executive Directors</b>								
Mr Kee Kong Loh	76,105	-	-	-	76,105	-	-	76,105
Mr Terence Siong Woon Peh	65,930	-	-	-	65,930	-	-	65,930
Mr Lee Verios	69,661	-	-	-	69,661	6,444	-	76,105
<b>Executives</b>								
Mr Edward Guy Bank, CFO*	-	290,901	67,347	-	358,248	21,173	4,695	384,116
	211,696	1,865,194	404,082	90,556	2,571,528	96,780	(34,228)	2,634,080

#### For the year ended 30 June 2019

##### Executive Directors

Mr John Chan, Executive Chairman	-	532,130	175,153	-	707,283	23,183	8,869	739,335
Mr Darren John Pateman, Managing Director	-	669,549	175,153	104,000	948,702	20,531	11,075	980,308
Mr Ronald Chan, Chief Operating Officer*	-	308,172	87,577	-	395,749	20,531	5,020	421,300

##### Non-executive Directors

Mr Kee Kong Loh	76,105	-	-	-	76,105	-	-	76,105
Mr Terence Siong Woon Peh	65,930	-	-	-	65,930	-	-	65,930
Mr Lee Verios	69,661	-	-	-	69,661	6,444	-	76,105

##### Executives

Mr Edward Guy Bank, CFO*	-	291,544	87,577	-	379,121	20,531	4,752	404,404
	211,696	1,801,395	525,460	104,000	2,642,551	91,220	29,716	2,763,487

\* Excludes total accrued annual leave balance of \$161,000 (2019: \$152,000).



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.3 Remuneration Report - Audited (continued)

##### 4.3.2 Directors' and Executive Officers' Remuneration (continued)

Notes in relation to the Table of Directors' and Executive Officers' Remuneration - Audited

##### (A) Short-term Incentive Cash Bonus:

The short-term incentive bonus is for performance during the respective financial years using the criteria set out on Page 29.

Details of the Group's policy in relation to the remuneration that is performance related is discussed on Page 29.

On 29th October 2014, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$360,000 which was repaid by 14th October 2019. The related benefit is disclosed in table 4.3.2 on page 31.

On 31st August 2015, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$290,000 which is repayable by 31st August 2020. The related benefit is disclosed in table 4.3.2 on page 31.

On 25th August 2016, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$207,500 which is repayable by 25th August 2021. The related benefit is disclosed in table 4.3.2 on page 31.

On 13th September 2017, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$202,500 which is repayable by 13th September 2022. The related benefit is disclosed in table 4.3.2 on page 31.

##### 4.3.3 Analysis of Bonuses included in Remuneration

Details of the vesting profile of the short term incentive bonuses awarded as remuneration to each Director of the Company and each of the named Group Executives are detailed below.

	Short Term Incentive Bonus	
	Included in Remuneration \$	% vested in year %
<b>Executive Directors</b>		
Mr John Chan	134,694	100%
Mr Darren John Pateman	134,694	100%
Mr Ronald Chan	67,347	100%
<b>Executives</b>		
Mr Edward Guy Bank	67,347	100%
	<b>404,082</b>	<b>100%</b>

Amounts included in remuneration for the financial year represent the amount of entitlements in the financial year based on achievement of personal goals and satisfaction of performance criteria, as per Short Term Incentives (page 29). No discretionary bonus was paid to the Executives in the 2020 financial year (2019: NIL). Any discretionary amounts of executive bonuses relating to 2020 financial year are yet to be determined, and therefore may impact future financial years.

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.3 Remuneration Report - Audited (continued)

##### 4.3.4 Directors' and Executives Interests

###### Movement in Shares

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

	Held at 1 July 2019	Purchases	Sales	Held at 30 June 2020
<b>Directors</b>				
Mr John Chan*	26,617,520	414,031	-	27,031,551
Mr Darren John Pateman	3,609,493	-	-	3,609,493
Mr Ronald Chan**	5,074,074	10,406,987	-	15,481,061
Mr Kee Kong Loh	2,000,904	-	-	2,000,904
Mr Terence Siong Woon Peh***	55,837,175	-	-	55,837,175
Mr Lee Verios	72,393	-	-	72,393
<b>Executives</b>				
Mr Edward Guy Bank	300,000	-	-	300,000

	Held at 1 July 2018	Purchases	Sales	Held at 30 June 2019
<b>Directors</b>				
Mr John Chan*	26,567,520	50,000	-	26,617,520
Mr Darren John Pateman	3,586,368	23,125	-	3,609,493
Mr Ronald Chan**	5,067,217	6,857	-	5,074,074
Mr Kee Kong Loh	2,000,904	-	-	2,000,904
Mr Terence Siong Woon Peh***	54,932,348	904,827	-	55,837,175
Mr Lee Verios	70,000	74,786	(72,393)	72,393
<b>Executives</b>				
Mr Edward Guy Bank	300,000	-	-	300,000

\* John Chan has interests in Forward International Pty Ltd which holds shares in Finbar Group Limited.

\*\* Ronald Chan has interests in Forward International Pty Ltd and Blair Park Pty Ltd (from 2020 financial year) which hold shares in Finbar Group Limited.

\*\*\* Terence Peh is a Director and shareholder of Chuan Hup Holdings Limited which holds shares in Finbar Group Limited.

No options for shares were granted to key management personnel as remuneration during the reporting period.

##### 4.3.5 Equity Instruments

All options refer to options over ordinary shares of Finbar Group Limited issued under the Employee Incentive Plan 2013 or Director Share Plan 2014. As at 30 June 2020, there were no options on issue.



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.4 Audit Committee

The Audit Committee Charter sets out the Audit Committee's role, powers and duties, and establishes the functions delegated to the Audit Committee by the Board. The Audit Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

A copy of the Audit Committee Charter is available on Finbar's website [www.finbar.com.au](http://www.finbar.com.au).

The following directors serve on the Audit Committee:

- » Lee VERIOS (Chairman) - Non-executive Independent Director
- » Kee Kong LOH - Non-executive Director
- » Terence Siong Woon PEH - Non-executive Director

#### 4.5 Risk Management

##### Oversight of the Risk Management Procedures

The Board has elected not to establish a separate Risk Committee to oversee risk management and instead the overall responsibility of risk management resides with the Board in its entirety. In this regard, risk management considerations form part of the Board's discussions at scheduled meetings.

The Board oversees the establishment, implementation, and annual review of the Group's risk management procedures. Management has established and implemented informal risk management procedures for assessing, monitoring and managing all risks including operational, financial reporting and compliance risks for the Group. The Managing Director and Chief Financial Officer provide assurance, in writing to the Board, that the financial risk management and associated compliance and controls have been assessed and found to be operating effectively.

##### Risk Management and Compliance Control

Comprehensive practices have been established to ensure:

- » capital expenditure with respect to land acquisitions or development agreements obtain prior Board approval;
- » financial exposures are controlled, including use of derivatives. Further details of the Group's policies relating to interest rates management and credit risk are included in Notes 5 and 24 in the Notes to the Consolidated Financial Statements;
- » management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- » business transactions are properly authorised and executed;
- » the quality and integrity of personnel (see below);
- » financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- » environmental regulation compliance (see below).

##### Quality and Integrity of Personnel

Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

##### Financial Reporting

The Managing Director and the Chief Financial Officer have provided assurance, in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

There is a comprehensive accounting system. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly. Procedures are in place to ensure price sensitive information is reported to the Australian Securities Exchange (ASX) in accordance with Continuous Disclosure Requirements.

A review is undertaken at each half year end of all related party transactions.

##### Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

The Board is not aware of any significant breaches of environmental regulations during the period covered by this report.

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.6 Ethical Standards

All Directors, Managers and Employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

##### Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and the Group are set out in Note 28 in the Notes to the Consolidated Financial Statements.

##### Code of Conduct

All Directors, Managers and Employees are expected to maintain high ethical standards including the following:

- » aligning the behaviour of the Board and Management with the code of conduct by maintaining appropriate core Group values and objectives;
- » fulfilling responsibilities to shareholders by delivering shareholder value;
- » usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- » fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- » employment practices such as occupational health and safety, employment opportunity, training and education support, community activities, sponsorships and donations;
- » responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- » managing actual or potential conflicts of interest;
- » corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain;
- » confidentiality of corporate information;
- » fair dealing;
- » protection and proper use of the Group's assets;
- » compliance with laws; and
- » reporting unlawful or of unethical behaviour including protection of those who report violations in good faith.

##### Trading in General Company Securities by Directors and Employees

The key elements of the Trading in Company Securities by Directors and Employees policy are:

- » identification of those restricted from trading - Directors and Senior Executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - within two trading days after either the release of the Company's half-year and annual results to the Australian Securities Exchange ('ASX'), the Annual General Meeting or any major announcement;
  - whilst in possession of price sensitive information not yet released to the market;
- » raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- » raising awareness that the Company prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period; and
- » requiring details to be provided of the trading activities of the Directors of the Company.

#### 4.7 Communication with Shareholders

The Board is committed to ensuring that the Company complies with its continuous disclosure obligations and to facilitate this, has approved a Continuous Disclosure Policy that applies to all Group personnel, including the Directors and Senior Executives. The Board seeks to promote investor confidence by seeking to ensure that trading in the Company's shares take place in an informed market.

Finbar provides information about itself, its activities and operations, and its governance via its website [www.finbar.com.au](http://www.finbar.com.au).

A copy of the Group's Market Disclosure Policy is available on Finbar's website [www.finbar.com.au](http://www.finbar.com.au).



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 4 Corporate Governance Statement (continued)

#### 4.8 Diversity

The Board has considered the recommendation to formulate strict measurable targets for the purposes of the assessment of gender diversity within the organisation. Given the small size and relatively stable nature of its workforce it has formed the view that at this time it would not be appropriate or practical to establish a written policy regarding gender diversity. The Board will review this position at least annually. However, generally, when selecting new employees or advancing existing employees, no consideration is given to gender, age or ethnicity, but instead selections are based upon individual achievements, skill and expertise.

Gender representation	2020		2019	
	Female	Male	Female	Male
Board	-	100%	-	100%
Key Management Personnel	-	100%	-	100%
Senior Management	50%	50%	60%	40%
Group	53%	47%	48%	52%

### 5 Principal Activities

The principal activities of the Group during the course of the financial year continued to be property development and investment.

The Group's focus is the development of medium to high-density residential buildings and commercial developments in Western Australia by way of direct ownership, ownership through fully owned Subsidiaries or by equity accounted investees (through companies registered specifically to conduct the development).

The Group holds rental property through 175 Adelaide Terrace Pty Ltd, Finbar Karratha Pty Ltd and Finbar Commercial Pty Ltd.

There were no significant changes in the nature of the activities of the Group during the financial year.

### 6 Operating and Financial Review

#### Operating Results

	2020	2019
Total comprehensive income attributable to Owners of the Group	\$7,068,000	\$11,372,000

	2020	2019	2018	2017	2016
Total comprehensive income attributable to Owners of the Group	\$7,068,000	\$11,372,000	\$13,760,000	\$5,062,000	\$8,130,000
Basic EPS	\$0.02	\$0.04	\$0.06	\$0.02	\$0.04
Diluted EPS	\$0.02	\$0.04	\$0.06	\$0.02	\$0.04
Dividends paid	\$13,606,000	\$16,302,000	\$13,874,000	\$16,219,000	\$20,686,000
Dividends paid per share	\$0.05	\$0.06	\$0.06	\$0.07	\$0.09
Market price per share	\$0.70	\$0.84	\$0.94	\$0.80	\$0.83
Change in share price	-\$0.14	-\$0.10	\$0.14	-\$0.03	-\$0.36
Return on capital employed attributable to Owners of the Group	4.47%	5.58%	6.24%	4.76%	4.26%
Return on total equity attributable to Owners of the Group	2.92%	4.58%	5.46%	2.34%	3.57%

Dividends for 2020 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Key transactions that contributed to the consolidated net profit of the Company for the 2020 financial year were the completion of Sabina in Applecross, Palmyra East Apartments in Palmyra and One Kennedy in Maylands, sales and settlements of completed stock held at 30 June 2019 as well as the ongoing rental of the Company's commercial properties. See below for further information on the Company's project completions.

### 6 Operating and Financial Review (continued)

#### Review of Operations

Finbar Group Limited's ('Finbar' or 'the Company') core business lies in the development of medium to high density residential apartments and commercial property within the state of Western Australia. Finbar carries out its development projects in its own right or through incorporated special purpose entities and equity accounted investees, of which the Company either directly or indirectly holds interests in project profitability ranging between 50% and 100%.

The Company operates predominantly within the Perth CBD and surrounding areas.

Finbar's business model involves the acquisition of suitable development land either directly or by way of an incorporated Special Purpose Vehicle or by development agreements with Land Owners. Equity partners are sought to allow the Company to leverage into larger development projects to take advantage of the benefits of economies of scale, and to help spread project risk.

Finbar outsources its design, sales and construction activities to external parties. Finbar established an internal sales team in May 2020.

The administration of the companies along with the operating, investment, and acquisitions decisions are made by Finbar's Board and Management. The Company employs 26 staff in its corporate offices in East Perth, Western Australia and 1 member of staff in its office in the Pilbara.

This outsourcing model ensures that the Company is and remains scalable, efficient and agile in a market where acquisition and project timing is critical in maintaining a competitive advantage, helping to protect margins and enhancing the returns Finbar can generate for its shareholders.

There have been no significant changes in the Company's operating model that occurred during the relevant reporting period and the Company continued to develop and invest in built-form projects within Western Australia throughout the year as its core business. During financial year 2020, Finbar Commercial Pty Ltd acquired 2 commercial investment properties at the Aurelia and Vue Tower development.

There is less demand for investment property, however, a low interest rate environment coupled with weakened housing prices is helping drive owner occupier activity for company product.

Factors that may affect the Company's profit are generally restricted to items that would be considered to reside outside of the control of the Board and Management and are, in general, movements in interest rates, government rebates and incentives, changes in taxation and superannuation laws, banking lending policies and their regulatory changes, global economic factors, resources sector activity, and employment rates.

The outbreak of COVID-19 globally and in Australia in the second half of the year ended 30 June 2020 was a significant risk event. The full impact on the Australian economy, travel restrictions and period of recovery is yet to be known. While the measures implemented by the Federal and State Governments were effective in reducing the impact of the virus, there may be ongoing outbreaks of COVID-19 which will require further government response.

The COVID-19 pandemic resulted in a significant reduction in March and June 2020 quarter sales resulting in reduced settlement revenue for the reporting period. Delayed settlements in the Sabina project also contributed to the result with foreign buyers unable to travel to conclude settlement affairs. Apart from those tenants that were required by the government to close their business (e.g.: food and beverages tenancies), the major tenants have been able to stay open and trade safely during the pandemic. Rent abatements and/or rent deferrals have been and are still being provided to affected tenants in accordance to the relevant Code of Conduct legislation.

The Company's Management has remained diligent in ensuring it maintains a strong balance sheet to protect and improve the Company's market position through this crisis. The launch of Civic Heart and construction commencement at Dianella positions the Company to benefit from the opportunities that may arise from decreased competition and general industry stress. The ability to source new viable development opportunities is central to Finbar's ongoing success and the Board and Management has demonstrated a long track record of this ability.

The Board and Management control the Company's key risks through the implementation of control measures which include; land acquisitions generally secured without the use of debt funding, development funding which is carried out utilising senior bank funding (no mezzanine) from major Australian banks, and the Company's small and agile structure which can rapidly adapt to changes in market conditions.

There were no significant changes in the composition of overall assets and liabilities, with movements in assets from non-current to current and movements in liabilities from non-current to current as projects reach completion. The Company continued to focus on the generation of sales and rental revenue through property development and investment.

The Board and Management do not currently have the view that there is a requirement to reposition the Company's overall business model. The Board and Management continuously monitor market fluctuations and conditions and implement appropriate strategies to benefit from and insulate the Company against changing market conditions.



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 6 Operating and Financial Review (continued)

#### Completed Projects

Motive - 172 Railway Parade, West Leederville: 14 units have settled in the reporting period. 8 units remain for sale in the 143 unit development.

Concerto - 189 Adelaide Terrace, East Perth: 13 units settled in the reporting period. 4 units remain for sale in the 227 unit development.

Aurelia - 96 Mill Point Road, South Perth: 22 units have settled in the reporting period. The 138 unit development is fully sold.

Aire West Perth - 647-659 Murray Street, West Perth: 21 units have settled in the reporting period. The 244 unit development is fully sold.

Reva - 5 Harper Terrace, South Perth: 13 units have settled in the reporting period. 13 units remain for sale in the 59 unit development.

Vue Tower - 63 Adelaide Terrace, East Perth: 44 units have settled in the reporting period. 40 units remain for sale in the 250 unit development.

Palmyra East Apartments - 49 McGregor Road, Palmyra: Construction of the Palmyra East Apartments project completed in the first half of the financial year. 74 units have settled in the reporting period. 47 units remain for sale in the 128 unit development.

Sabina - 908 Canning Highway, Applecross: Construction of the Sabina project completed in the second half of the financial year. 78 units have settled in the reporting period. 75 units remain for sale in the 167 unit development.

One Kennedy - 1 Kennedy Street, Maylands: Construction of the One Kennedy project completed in the second half of the financial year. 52 units have settled in the reporting period. 62 units remain for sale in the 123 unit development.

#### Currently Under Construction

Riverena - 5 Rowe Avenue, Rivervale: Construction works continue to progress well at Riverena, with completion expected during the financial year ending 30 June 2021. To date 43 sales have been achieved in the development of 125 residential apartments.

Dianella Apartments - 36 Chester Avenue, Dianella: Construction works continue to progress well at Dianella, with completion expected during the financial year ending 30 June 2022. To date 24 sales have been achieved in the development of 128 residential apartments.

#### Future Projects

Civic Heart - 1 Mends Street, South Perth: Marketing of the Civic Heart project continues to progress, with construction expected to commence in the financial year ending 30 June 2021. To date 11 sales have been achieved in the development of 309 residential apartments and 26 commercial units.

Aurora Applecross - 3 Kintail Road, Applecross (Stage 2): Marketing of the Aurora project continues to progress, with construction expected to commence in the financial year ending 30 June 2022. To date 1 sale has been achieved in the development of 118 residential apartments and 3 commercial units.

240 Adelaide Terrace, Perth: Development Approval has been received for 119 residential apartments and 2 commercial units. Marketing and construction are expected to commence in the financial year ending 30 June 2021.

912 Canning Highway, Applecross (Stage 3): Development Approval has been received for 151 residential apartments and 3 commercial units.

Palmyra West Apartments - 43 McGregor Road, Palmyra (Stage 2): Development Approval has been received for 130 residential apartments.

239 Great Eastern Highway, Belmont: Development Approval has been received for a development of 194 residential apartments and 2 commercial units.

The Point - 31 Rowe Avenue, Rivervale: Development Approval has been received for a development of 167 apartments and 9 commercial units.

2 Homelea Court, Rivervale: Finbar through a wholly owned subsidiary holds an additional four abutting parcels of land in the Springs precinct in Rivervale for a combined value of \$5.15m. The four vacant sites are located on the corners of Rowe Avenue and Homelea Court and comprise a total of 3,770 square metres of land which Finbar intends to amalgamate to develop a project consisting of approximately 185 apartments within a 10 level building.

Lot 1000 - 32 Riversdale Road, Rivervale: Development options are currently being explored.

187 Adelaide Terrace, East Perth: Development options are currently being explored.

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 6 Operating and Financial Review (continued)

#### Investment Property

Fairlanes - 175 Adelaide Terrace, East Perth: The Fairlanes property has been revalued during the reporting period. The valuation resulted in a \$6,086,000 increase to the value of the property. The company continues to benefit from the investment income generated from the leased property. The property is currently 91% leased. The company continues to actively market the remaining tenancies for rental.

Pelago Commercial - 23 & 26 Sharpe Avenue, Karratha: The Pelago commercial property has been revalued during the reporting period. The valuation resulted in a \$938,000 reduction to the value of the property. The company continues to benefit from the investment income generated from the leased property. The property is currently 65% leased. The company continues to actively market the remaining tenancies for rental.

Pelago Residential - 23 & 26 Sharpe Avenue, Karratha: The Pelago residential property has been revalued during the reporting period. The valuation resulted in a \$1,055,000 increase to the value of the property. The company continues to benefit from the investment income generated from the leased property. The property is currently 98% leased. The company continues to actively market the remaining tenancies for rental.

Vue Tower Commercial - 63 Adelaide Terrace, East Perth: Lot 4 at Vue Tower was acquired in December 2019 under Finbar Commercial Pty Ltd. The purchase price was \$200,000. The property is leased to a non-profit organisation at \$1 per annum until 13 June 2029.

Aurelia Commercial - 96 Mill Point Road, South Perth: Lots 132-138 at Aurelia was acquired in June 2020 under Finbar Commercial Pty Ltd. The fair value of the properties was recorded at \$5,605,000. The company is actively marketing the tenancies for rental.

#### Significant Changes in State of Affairs

Other than set out in this report, in the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

### 7 Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Dividends Paid During the Year 2020	Cents per Share	Total Amount \$'000	Franked / Unfranked	Date of Payment
Final 2019 ordinary	3.00	8,164	Franked	12 September 2019
Interim 2020 ordinary	2.00	5,442	Franked	26 March 2020
<b>Total Dividends Paid</b>		<b>13,606</b>		

Franked dividends declared or paid during the year were franked at the rate of 30%.

#### Proposed Dividend

After the balance date the following dividend has been proposed by the Directors. The dividend has not been provided for and there are no income tax consequences.

Final 2020 ordinary	1.00	2,721	Franked	21 September 2020
<b>Total Dividend Proposed</b>		<b>2,721</b>		

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.

	Note	\$'000
Dealt with in the financial report as - Dividends	19	13,606

#### Dividend Reinvestment Plan

In accordance with Rule 13 of the Company's Dividend Reinvestment Plan (DRP), the Directors have elected to suspend the DRP in the 2020 financial year until further notice. As such the DRP will not be active for the above mentioned dividend.



## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 8 Events Subsequent to Reporting Date

36 Chester Avenue Pty Ltd entered into a construction contract with Hanssen Pty Ltd on 1 July 2020. The capital commitment on the Dianella Apartments project totalled to \$32,369,000.

With continuing economic uncertainty from the COVID-19 pandemic, the Company may require to grant further rent abatements and/or rent deferrals in accordance to the relevant Code of Conduct legislation. Further mandatory closures and government mandated restrictions will influence the Australian economy and property market which may have a future impact on property valuations.

Other than mentioned, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 9 Likely Developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

The Group will continue planned development projects on existing land and will continue to assess new development opportunities for the acquisition of land for future development.

Further information about likely developments in the operations of the Group and the expected results of these operations in future years have not been included in this report as the disclosure of such information would, in the opinion of the Directors, be likely to result in unreasonable prejudice to the Group.

### 10 Directors' Interests

The relevant interest of each Director in the shares and options over such instruments by the companies within the Group, as notified by the Directors to the Australian Stock Exchange Limited in accordance with S205G(1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Ordinary Shares
Mr John Chan	27,031,551
Mr Darren John Pateman	3,609,493
Mr Ronald Chan	15,481,061
Mr Kee Kong Loh	2,000,904
Mr Terence Siong Woon Peh	55,837,175
Mr Lee Verios	72,393

### 11 Indemnification and Insurance of Officers and Auditors

#### Indemnification

The Company has agreed to indemnify the current Directors of the Company, its Subsidiaries and Equity Accounted Investees, against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company, its Subsidiaries and Equity Accounted Investees, except where the liability arises out of the conduct involving a lack of good faith.

#### Insurance Premiums

During the financial year the Company has paid insurance premiums of \$38,000 (2019: \$30,000) in respect of Directors and Officers liability and legal expenses insurance contracts for Directors and Officers, including Executive Officers of the Company. The insurance premiums relate to:

- » Costs and expenses incurred by the relevant Officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- » Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

## DIRECTORS' REPORT (Continued)

For the Year Ended 30 June 2020

### 12 Non-audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- » all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- » the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated	
	2020 \$	2019 \$
<b>Audit Services:</b>		
Auditors of the Company		
Audit and review of the financial reports	126,697	141,083
Audit and review of the financial reports of equity accounted investees	-	169
	126,697	141,252
<b>Services Other Than Statutory Audit:</b>		
Taxation compliance services	20,286	34,929
	20,286	34,929

### 13 Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on Page 86 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Board of Directors:



Darren Pateman  
Managing Director

Dated at Perth this Twenty-fifth day of August 2020.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Revenue	7	154,307	154,690
Cost of sales		(132,076)	(126,263)
<b>Gross Profit</b>		22,231	28,427
Other income	8	278	60
Administrative expenses		(7,159)	(6,918)
Advertising expenses		(7,779)	(4,083)
Revaluation increase of investment property		6,203	964
Revaluation increase of property, plant and equipment		627	114
Rental expenses		(4,525)	(4,152)
<b>Results from Operating Activities</b>		9,876	14,412
Finance income	10	970	1,890
Finance costs	10	(332)	(781)
<b>Net Finance Income</b>		638	1,109
Share of profit of Equity Accounted Investees (net of income tax)	14	(26)	426
<b>Profit before Income Tax</b>		10,488	15,947
Income tax expense	11	(3,864)	(4,560)
<b>Profit for the year</b>		6,624	11,387
<b>Other comprehensive income</b>			
Items which will not be reclassified to profit or loss:			
Revaluation increase/(decrease) of property, plant and equipment		635	(21)
Tax on items that will not be reclassified to profit or loss	11	(191)	6
<b>Other comprehensive income for the year, net of income tax</b>		444	(15)
<b>Total comprehensive income for the year</b>		7,068	11,372
<b>Earnings per Share:</b>			
Basic earnings per share (cents per share)	20	2.43	4.18
Diluted earnings per share (cents per share)	20	2.43	4.18

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on Pages 46 to 79.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2020

	Note	Share Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
Balance as at 1 July 2018		193,242	58,910	15	252,167
<b>Total comprehensive income for the year</b>					
Profit			11,387		11,387
Other comprehensive income				(15)	(15)
<b>Transactions with owners, recognised directly in equity</b>					
Issue of ordinary shares		2,036			2,036
Buyback of shares		(794)			(794)
Dividends to shareholders	19		(16,302)		(16,302)
<b>Balance as at 30 June 2019</b>		194,484	53,995	-	248,479
Balance as at 1 July 2019		194,484	53,995	-	248,479
<b>Total comprehensive income for the year</b>					
Profit			6,624		6,624
Other comprehensive income				444	444
<b>Transactions with owners, recognised directly in equity</b>					
Dividends to shareholders	19		(13,606)		(13,606)
<b>Balance as at 30 June 2020</b>		194,484	47,013	444	241,941

Amounts are stated net of tax

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on Pages 46 to 79.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	18a	30,591	45,490
Trade and other receivables	17	10,341	18,354
Inventories	16	58,803	129,925
Prepayments		-	55
Investments in Equity Accounted Investees	14	746	3,044
Other assets		55	20
<b>Total Current Assets</b>		<b>100,536</b>	<b>196,888</b>
<b>Non Current Assets</b>			
Trade and other receivables	17	26,911	16,123
Inventories	16	95,798	62,808
Investment property	12	97,331	85,307
Investments in Equity Accounted Investees	14	1,368	1,496
Property, plant and equipment	13	9,396	9,629
Deferred Tax Assets	15	6,313	6,177
Other assets		149	81
<b>Total Non Current Assets</b>		<b>237,266</b>	<b>181,621</b>
<b>Total Assets</b>		<b>337,802</b>	<b>378,509</b>
<b>Current Liabilities</b>			
Trade and other payables	23	24,284	40,838
Loans and borrowings	21	55,504	34,665
Current tax payable	15	1,116	3,060
Employee benefits	22	490	488
<b>Total Current Liabilities</b>		<b>81,394</b>	<b>79,051</b>
<b>Non Current Liabilities</b>			
Trade and other payables	23	1,766	3,320
Loans and borrowings	21	8,478	44,943
Deferred tax liabilities	15	4,179	2,687
Employee benefits	22	44	29
<b>Total Non Current Liabilities</b>		<b>14,467</b>	<b>50,979</b>
<b>Total Liabilities</b>		<b>95,861</b>	<b>130,030</b>
<b>Net Assets</b>		<b>241,941</b>	<b>248,479</b>
<b>EQUITY</b>			
Share capital	19	194,484	194,484
Retained earnings		47,013	53,995
Reserves	19	444	-
<b>Total Equity</b>		<b>241,941</b>	<b>248,479</b>

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on Pages 46 to 79.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers		265,611	203,660
Cash paid to suppliers and employees		(235,864)	(225,952)
<b>Cash generated from/(used in) Operating Activities</b>		29,747	(22,292)
Interest paid		(1,231)	(1,735)
Income tax paid		(4,643)	(4,739)
<b>Net Cash generated from/(used in) Operating Activities</b>	18b	23,873	(28,766)
<b>Cash Flows from Investing Activities</b>			
Interest received		200	1,674
Dividends received from Equity Accounted Investees		2,401	217
Acquisition of property, plant and equipment	13	(91)	(38)
Proceeds from sale of property, plant and equipment	13	325	12
Acquisition of investment property		(4,142)	-
Loans to Equity Accounted Investees		(10,515)	(298)
Proceeds from loans to Equity Accounted Investees		2,779	10,459
Cash held by subsidiary at acquisition*		-	4
<b>Net Cash (used in)/provided by Investing Activities</b>		(9,043)	12,030
<b>Cash Flows from Financing Activities</b>			
Buyback of shares		-	(794)
Proceeds from borrowings	21	64,264	99,993
Repayment of borrowings	21	(80,387)	(80,456)
Dividends paid (net of DRP)	19	(13,606)	(14,267)
<b>Net Cash (used in)/provided by Financing Activities</b>		(29,729)	4,476
Net decrease in cash and cash equivalents		(14,899)	(12,260)
Cash and cash equivalents at 1 July		45,490	57,750
<b>Cash and Cash Equivalents at 30 June</b>	18a	30,591	45,490

\* As at 30 June 2019, the Group acquired 36 Chester Avenue Pty Ltd's remaining 50% interest from the joint venture partner. 36 Chester Avenue Pty Ltd is a wholly owned subsidiary of Finbar Group Limited from the 2019 financial year.

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on Pages 46 to 79.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

## 1 Reporting Entity

Finbar Group Limited ('the Company') is a public company domiciled in Australia. The address of the Company's registered office is Level 6, 181 Adelaide Terrace, East Perth, WA 6004. The consolidated financial statements of the Group as at and for the year ended 30 June 2020 comprise the Company, its Subsidiaries (together referred to as 'the Group' and individually as 'Group entities') and the Group's interest in equity accounted investees. The Group is a for-profit entity and is primarily involved in residential property development and property investment (see Note 6).

## 2 Basis of Preparation

### (a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. These consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 25th August 2020.

### (b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments recognised through profit or loss are measured at fair value; and
- investment property is measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

### (c) Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars which is the functional currency for the Group. In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### (d) Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (i) Assumptions and estimation uncertainties

Information about assumptions made in measuring fair values and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2020 are included in the following notes:

- » Note 12 - Valuation of investment property;
- » Note 13 - Property, plant & equipment; and
- » Note 24 - Valuation of financial instruments.

#### (ii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes the CFO who has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- » Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- » Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- » Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 2 Basis of Preparation (continued)

#### (e) Changes in Accounting Policies

Except for the changes below, the Group's accounting policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2019.

The Group has initially adopted AASB 16 Leases from 1 July 2019. A number of other new standards, including IFRIC 23 Uncertainty over Income Tax Treatments, are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 will result in almost all leases being recognised on the Balance Sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group leases printing equipment. However, the Group has elected not to recognise right-of-use assets and lease liabilities for the printing equipment (low-value assets). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group owns its business premises which are classified as Property, plant and equipment on Balance Sheet.

The Group leases out its investment property. The group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117. The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

As a result of initially applying AASB 16, there is no material effect on the Group's financial statements.

### 3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. The financial statements of Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

##### (ii) Equity Accounted Investees

Equity accounted investees are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic and operating decisions. Investments in equity accounted investees are accounted for using the equity method (Equity Accounted Investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that the joint control commences until the date the joint control ceases. When the Group's share of losses exceeds its interest in an Equity Accounted Investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the Equity Accounted Investee. Investments in equity accounted investees are carried at the lower of the equity accounted amount and the recoverable amount. Investments in equity accounted investees are treated as current assets where it is expected that the investment will be realised within a twelve month time frame.

##### (iii) Joint Operations

A joint operation is carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

##### (iv) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity Accounted Investees are eliminated against the investment to the extent of the Group's interest in the Equity Accounted Investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the Equity Accounted Investee or, if not consumed or sold by the Equity Accounted Investee, when the Group's interest in such entities is disposed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 3 Significant Accounting Policies (continued)

#### (b) Financial Instruments

##### (i) Non-derivative Financial Instruments

###### Non-derivative financial assets

Trade and other receivables and debt securities issued are initially recognised when they are originated. All other financial assets (including assets designated at fair value through profit or loss – FVTPL) are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- » it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- » its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Accounting for finance income and expense is discussed in Note 3(j).

###### Non-derivative financial liabilities

Trade and other payables, commercial bills and subordinated liabilities are initially recognised when they are originated at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### (ii) Share Capital

###### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

###### Repurchase of share capital

When share capital recognised in equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

###### Dividends

Dividends are recognised as a liability in the period in which they are declared.

#### (c) Property, Plant and Equipment

##### (i) Recognition and Measurement

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working order for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below).

Items classified as property are measured at fair value. Refer Note 3(c)(iv).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within "Other income" in profit or loss.

Losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within "Administrative expenses" in profit or loss.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

In respect to borrowing costs relating to qualifying assets, the Group capitalises costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 3 Significant Accounting Policies (continued)

#### (c) Property, Plant and Equipment (continued)

##### (ii) Reclassification to Investment Property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any loss is recognised in the revaluation reserve to the extent that an amount is included in revaluation reserve for that property, with any remaining loss recognised immediately in profit or loss. Any gain arising on revaluation is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the property, with any remaining gain recognised in a revaluation reserve in equity.

##### (iii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iv) Revaluation Model for Property

After recognition as an asset, the Group has elected to carry an item of property whose fair value can be reliably measured shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an item of property is revalued, the entire class of property to which that asset belongs shall be revalued. Any gain or loss arising on remeasurement is recognised in other comprehensive income and asset revaluation reserve. Refer Note 4.

##### (v) Depreciation and Amortisation

Depreciation and amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets are depreciated or amortised from the date of acquisition. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

» Office property	40 years
» Office furniture and equipment, fixtures and fittings	5 - 25 years
» Plant and equipment	1 - 10 years

Depreciation and amortisation rates and methods are reviewed at each reporting date. When changes are made, adjustments are reflected prospectively in the current and future periods only.

#### (d) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods and services or for administrative purposes. Investment property is measured at fair value (see Note 4) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The self-constructed investment property transferred from inventory are recognised at fair value.

When the use of a property changes such that it is reclassified as property, plant or equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### (e) Inventories

Inventories and work in progress, including land held for resale, are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost includes the cost of acquisition, development costs, holding costs and directly attributable interest on borrowed funds where the development is a qualifying asset. Capitalisation of borrowing costs is ceased during extended periods in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expensed as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 3 Significant Accounting Policies (continued)

#### (e) Inventories (continued)

##### Current and Non-current Inventory Assets

Inventory is classified as current when it satisfies any of the following criteria:

- » it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- » it is held primarily for the purpose of being traded; or
- » it is expected to be realised within twelve months of the reporting date.

All other inventory is treated as non-current.

#### (f) Impairment

##### (i) Financial Assets

Under the expected credit losses (ECL) model in accordance with AASB 9 Financial Instrument, the Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability-weighted outcomes.

At each reporting period, the Group assess whether the credit risk on a financial instrument has increased significantly since initial recognition, by analysing reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Except for purchased or originated credit-impaired financial assets, trade receivables, AASB 15 contract assets and lease receivables, at each reporting date:

- the Group measures the loss allowance for a financial instrument at an amount equal to the 'lifetime expected credit losses' if the credit risk on that financial instrument has increased significantly since initial recognition; and
- if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to '12 month expected credit loss'.

The allowance and any changes in the expected credit loss are recognised as impairment gain and losses in profit or loss.

##### (ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flow from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (g) Employee Benefits

##### (i) Superannuation Contributions

Obligations for contributions to superannuation funds are recognised as an expense in profit or loss.

##### (ii) Long-term Employee Benefits

The Group's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 3 Significant Accounting Policies (continued)

#### (g) Employee Benefits (continued)

##### (iii) Termination Benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated.

##### (iv) Short-term Employee Benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be recognised reliably.

##### (v) Share-based Payment Transactions

At the grant date, fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

#### (h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (i) Revenue

Under AASB 15, Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

##### (i) Property Sales

Revenue from property sales include:

- Sale of residential and commercial property;
- Development costs fees which represent the fees charged to recoup project development costs from the Land Owners; and
- Profit Share fees which represent percentage profit sharing revenue based on net project profit.

Revenue is recognised when control of the assets is transferred and the amount of revenue is measured based on the contracted amount. The timing of transfer of control vary depending on the individual terms of the contract of sale.

For projects with an external landowner when the Group is engaged as a property developer of the land, the Group is deemed to be acting as the principal in the transaction and as such, property sales revenue and cost of sale are grossed up by the land cost base.

The cost of sales allocated to individual units is based on the estimated overall selling price for the project and is updated at each reporting date.

##### (ii) Supervision Fees

Supervision fees represents the management fees charged to the Equity Accounted Investees. Revenue is recognised in profit or loss in proportion to the stage of project completion which is by reference to an assessment of the costs incurred and the costs to be incurred. Revenue is measured based on the contracted amount and constrained to the amount that is highly probable.

##### (iii) Management Fee

Management fees represents the management fee charged to the Equity Accounted Investees' shareholders. Revenue is recognised in profit or loss at project completion and is measured based on the contracted amount and constrained to the amount that is highly probable.

##### (iv) Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease in accordance with AASB 117. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 3 Significant Accounting Policies (continued)

#### (j) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), interest on loans to Equity Accounted Investees, dividend income, gains on the disposal of available-for-sale assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognised in profit or loss using the effective interest method.

#### (k) Income Tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and equity accounted investees to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

#### (l) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (m) Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### (n) Segment Reporting

##### Determination and Presentation of Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 3 Significant Accounting Policies (continued)

#### (o) New Standards and Interpretations

##### (i) New accounting standards and interpretations effective from 1 July 2019

The Group's financial statements have been prepared on the basis of accounting policies consistent with those in the prior year except for the adoption of AASB 16 Leases issued by the AASB which have been applied for the first time in the 30 June 2020 reporting period. Refer to Note 2(e) for the impact of new standards.

##### (ii) New Standards and Interpretations

A number of new standards are effective for annual periods beginning after 1 July 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The potential impact of the new standards, amendments to standards and interpretations has been considered and they are not expected to have a significant impact on the financial statement.

### 4 Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (a) Investment Property and Property carried at fair value

An external, independent valuation company, having appropriately recognised professional qualifications and recent experience in the location and category of the property being valued, values the Group's investment property portfolio and property no less than once every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the 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 and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

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 vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices, have been served validly and within the appropriate time.

Properties that have not been independently valued as at the balance sheet date are carried at fair value by way of directors valuation.

#### (b) Trade and Other Receivables

The fair value of trade and receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### (c) Share-based Payment Transactions

The fair value of employee stock options is measured using the Black-Scholes (or similar) option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### (d) Financial Guarantees

For financial guarantee contracts liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

## 5 Financial Risk Management

### Overview

The Group has exposure to the following risks from their use of financial instruments:

- » credit risk
- » liquidity risk
- » market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

### Trade and Other Receivables

The nature of the Group's business means that most sales contracts occur on a pre-sales basis, before significant expenditure has been incurred on the development. All pre-sale contracts require a deposit at the point of entering into the contract, these funds being held in trust independently of the Group. Generally, pre-sale contracts are executed on an unconditional basis. Possession of a development property does not generally pass until such time as the financial settlement of the property has been completed, and title to a development property does not pass until the financial settlement of the property has been completed. Where possession of the development property is granted prior to settlement, title to the property remains with the Group until financial settlement of the property has been completed.

The demographics of the Group's customer base has little or no influence on credit risk. Approximately 2.31% (2019: 10.92%) of the Group's revenue is attributable to multiple sales transactions with single customers.

The Board of Directors has established a credit policy which undertakes an analysis of each sale. Purchase limits are established on customers, with these purchase limits being reviewed on each property development.

The Group's trade and other receivables relate mainly to the Group's loans to Equity Accounted Investees (within which the Group holds no more than a 50% interest) and Goods and Services Tax refunds due from the Australian Taxation Office. The loans to Equity Accounted Investees are repaid from proceeds on settlement and bear interest at BBSY plus agreed margin.

The Group has not established an allowance for impairment, as no losses are expected to be incurred in respect of trade and other receivables.

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses project by project costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### Market Risk

Market risk is the risk that changes in market prices, such as interest rates and equity 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, whilst optimising the return.

### Interest Rate Risk

The Group continuously reviews its exposure to changes in interest rates and where it is considered prudent will enter into borrowings on a fixed rate basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 5 Financial Risk Management (continued)

#### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total comprehensive income attributable to the group divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on assets of between 6.00% and 8.00%; for the year ended 30 June 2020 the return was 3.39% (2019: 4.41%). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.74% (2019: 2.84%).

The Group's debt-to-capital ratio at the end of the financial year was as follows:

	Note	2020 \$'000	2019 \$'000
Interest-bearing debt	21	42,854	49,829
Market Capitalisation as at 30 June		190,486	228,583
<b>Total Capital</b>		<b>233,340</b>	<b>278,412</b>
Debt-to-capital ratio at 30 June		18%	18%

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices and availability of unallocated company cash resources where not required for core business activity. Shares purchased are cancelled from issued capital on purchase. The intention of the Board of Directors in undertaking such purchases is to enhance the capital return to the shareholders of the Company. Buy decisions are made on a specific transaction basis by the Board of Directors.

In accordance with Rule 13 of the Company's Dividend Reinvestment Plan (DRP), the Directors have elected to suspend the DRP in the 2020 financial year until further notice. As such the DRP will not be active for the above mentioned dividend.

### 6 Operating Segments

The Group operates predominantly in the property development sector and has identified 4 reportable segments, as described below, which are the Group's three strategic business units, as well as the Corporate office. The strategic business units offer different products, and are managed separately because they require different technology, marketing strategies and have different types of customers. For each of the strategic business units, the Chief Operating Decision Maker (CODM) reviews internal management reports on a regular basis. The following describes the operations in each of the Group's reportable segments:

- » Residential apartment development in Western Australia;
- » Commercial office/retail development in Western Australia;
- » Rental of property in Western Australia; and
- » Corporate costs includes supervision fees, management fees and net assets attributable to the corporate office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 6 Operating Segments (continued)

Information about Reportable Segments For the Year ended 30 June 2020	Residential Apartment Development \$'000	Commercial Office/Retail Development \$'000	Rental of Property \$'000	Corporate \$'000	Total \$'000
External Revenues - Company and Subsidiaries	136,630	10,458	7,127	370	154,585
External Revenues - Equity Accounted Investees	4,171	-	16	-	4,187
External Revenues - Total	140,801	10,458	7,143	370	158,772
Reportable Segment Profit before Income Tax - Company and Subsidiaries	7,241	(3,811)	2,202	4,573	10,205
Reportable Segment Profit before Income Tax - Equity Accounted Investees	(24)	4	10	(27)	(37)
Reportable Segment Profit before Income Tax - Total	7,217	(3,807)	2,212	4,546	10,168
Reportable Segment Assets - Company and Subsidiaries	145,852	17,701	98,285	23,369	285,207
Reportable Segment Assets - Equity Accounted Investees	18,012	2,016	-	-	20,028
Reportable Segment Liabilities - Company and Subsidiaries	51,653	1,959	36,108	846	90,566
Reportable Segment Liabilities - Equity Accounted Investees*	11,195	44	-	1	11,240
Capital Expenditure	-	-	-	87	87
<b>For the Year ended 30 June 2019</b>					
External Revenues - Company and Subsidiaries	141,550	6,019	6,875	306	154,750
External Revenues - Equity Accounted Investees	11,546	-	30	-	11,576
External Revenues - Total	153,096	6,019	6,905	306	166,326
Reportable Segment Profit before Income Tax - Company and Subsidiaries	10,806	68	2,723	6,655	20,252
Reportable Segment Profit before Income Tax - Equity Accounted Investees	643	9	24	(11)	665
Reportable Segment Profit before Income Tax - Total	11,449	77	2,747	6,644	20,917
Reportable Segment Assets - Company and Subsidiaries	184,548	28,130	85,477	18,708	316,863
Reportable Segment Assets - Equity Accounted Investees	8,171	2,083	-	-	10,254
Reportable Segment Liabilities - Company and Subsidiaries	83,541	1,386	37,783	1,572	124,282
Reportable Segment Liabilities - Equity Accounted Investees*	3,055	34	-	-	3,089
Capital Expenditure	-	-	-	43	43

\* Excludes Liabilities payable to Finbar Group.

The Group's share of revenues from equity accounted investees are reported in this table as they are managed by Finbar and reported to the CODM. Revenues from equity accounted investees are not reported in the statement of profit or loss and other comprehensive income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

6 Operating Segments (continued)	2020 \$'000	2019 \$'000
<b>Reconciliation of Reportable Segment Revenues, Profit or Loss, Assets and Liabilities</b>		
<b>Revenues</b>		
Total revenue for development reportable segments	147,089	147,570
Total revenue for rental segments	7,127	6,875
Total revenue for other reportable segments	369	305
Consolidated Revenue	154,585	154,750
Total revenue for development reportable segments - Equity Accounted Investees	4,171	11,546
Total revenue for rental segments - Equity Accounted Investees	16	30
<b>Total Reportable Segments Revenue</b>	<b>158,772</b>	<b>166,326</b>
<b>Profit or Loss</b>		
Total profit or loss for reportable segments	10,168	20,917
Finance income - Company and Subsidiaries	970	1,890
Finance costs - Company and Subsidiaries	(332)	(781)
Unallocated amounts:		
Administrative expenses	(7,159)	(6,918)
Revaluation of investment property	6,203	964
Revaluation of property, plant and equipment	627	114
Income tax applicable to share of profit of Equity Accounted Investees	11	(239)
<b>Consolidated Profit before Income Tax</b>	<b>10,488</b>	<b>15,947</b>
<b>Assets</b>		
Total assets for reportable segments	285,207	316,863
Cash and cash equivalents	30,591	45,490
Investments in Equity Accounted Investees	2,113	4,540
Other assets**	19,890	11,615
<b>Consolidated Total Assets</b>	<b>337,802</b>	<b>378,508</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	90,566	124,282
Other liabilities	5,295	5,748
<b>Consolidated Total Liabilities</b>	<b>95,861</b>	<b>130,030</b>

\*\* Includes receivables due to Finbar Group Limited from Equity Accounted Investees.

### Geographical information

The Group operates predominantly in the one geographical segment of Western Australia.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>7 Revenue</b>		
Property development sales	145,410	147,570
Rental Income	7,127	6,875
Supervision fees	91	245
Gain on transfer to investment property	1,679	-
<b>Total Revenue</b>	<b>154,307</b>	<b>154,690</b>
<b>8 Other Income</b>		
Administration fees	60	53
Management fees	217	5
Other	1	2
<b>Total Other Income</b>	<b>278</b>	<b>60</b>
<b>9 Personnel Expenses</b>		
Wages and salaries	4,029	3,946
Superannuation contributions	260	236
Increase in liability for annual leave	26	5
(Decrease)/Increase in liability for long service leave	(10)	68
Directors and committee fees	212	212
Non Executive Directors - superannuation contributions	6	6
<b>Total Personnel Expenses</b>	<b>4,523</b>	<b>4,473</b>
<b>10 Finance Income and Finance Costs</b>		
<b>Recognised in Profit or Loss</b>		
Interest income on loans to Equity Accounted Investees	319	608
Interest income on loans	482	458
Interest income on bank deposits	109	616
Interest income on property settlements	60	208
<b>Total Finance Income</b>	<b>970</b>	<b>1,890</b>
Interest expense	326	775
Bank charges	6	6
<b>Total Finance Costs</b>	<b>332</b>	<b>781</b>
<b>Net Finance Income</b>	<b>638</b>	<b>1,109</b>
<b>Analysis of Finance Costs</b>		
Total finance costs	1,518	1,785
Less: Finance costs capitalised to inventory	(1,126)	(1,004)
Add: Finance costs relating to property developments sold	492	626
	<b>884</b>	<b>1,407</b>
Made up of:		
Finance costs relating to property developments sold	552	626
Finance costs relating to administration	7	9
Finance costs relating to rental properties	325	772
	<b>884</b>	<b>1,407</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

11 Income Tax Expense	2020 \$'000	2019 \$'000
Recognised in Income Statement		
Current Tax Expense		
Current year	1,801	5,426
Income tax recognised directly to equity	58	58
Write off and reversal of previously recognised tax assets	281	(138)
Non-recoverable amounts	426	40
	2,566	5,386
Deferred Tax Expense Movement		
Origination and reversal of temporary differences	1,298	(826)
	1,298	(826)
Income Tax Expense excluding share of Income Tax on Equity Accounted Investees	3,864	4,560
Income tax relating to components of other comprehensive income	191	(6)
Total Income Tax Expense excluding share of Income Tax on Equity Accounted Investees	4,055	4,554
Numerical Reconciliation between Tax Expense and Pre-tax Net Profit		
Profit for the year	6,624	11,387
Total income tax expense	3,864	4,560
Profit before Income Tax	10,488	15,947
Income tax using the domestic rate of 30% (2019: 30%)	3,147	4,784
Increase in income tax expense due to:		
Non-deductible expenses	2	2
Non-recoverable amounts	426	40
Write off and reversal of previously recognised tax assets	281	(138)
Decrease in income tax expense due to:		
Tax effect of share of equity accounted investees loss	8	(128)
Total Income Tax Expense	3,864	4,560
Made up of:		
Income Tax Expense excluding share of Income Tax on Equity Accounted Investees	3,864	4,560
Income tax relating to components of other comprehensive income	191	(6)
	4,055	4,554
Income Tax Recognised Directly in Equity		
Decrease in income tax expense due to:		
Tax incentives not recognised in income statement	(58)	(58)
Total Income Tax Recognised Directly in Equity	(58)	(58)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

12 Investment Property	2020 \$'000	2019 \$'000
<b>12a Reconciliation of Carrying Amount</b>		
Balance at 1 July	85,307	84,769
Sale of Investment Property	-	(425)
Acquisition of Investment Property	5,821	-
Change in fair value	6,203	963
Balance at 30 June	97,331	85,307

Investment property comprises commercial properties at five developments and residential properties at two developments which are leased to third parties (see Note 25). During the year ended 30 June 2020, Finbar Commercial Pty Ltd acquired 2 investment properties at the Aurelia and Vue Tower development.

The increase in the revaluation was a result of a significant extension of the weighted average lease term from prior year, offset by COVID-19 impacts.

### 12b Measurement of fair values

#### (i) Fair Value Hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued or by director's valuation.

In accordance with the Company's policy, independent valuations were undertaken in December 2019 on all existing properties at the time of valuation. At June reporting period, a Directors' valuation was undertaken which assessed the negative impact on valuation of the properties due to the uncertainty from the COVID-19 pandemic. Factors considered include longer letting up allowance and potential mandatory rent relief post 30 June 2020 in accordance to the Code of Conduct legislation.

The fair value assessment of the Company as at the reporting date includes the best estimate of the impacts of COVID-19 pandemic using information available at the time of preparation of the financial statements and appropriate forward looking assumptions.

The fair value measurement for investment property of \$97,331,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2(d)).

#### (ii) Level 3 Fair Value

Note 12a shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

#### (iii) Valuation technique and significant unobservable inputs

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

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows able to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs, such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Expected market rental growth 0.00% - 5.00%; Weighted average 2.76%; Void periods (average 7.8 months after the end of each lease); Occupancy rate 89.82%; Rent-free periods (21 - 57 month period on certain new leases); and Risk-adjusted discounted rates (weighted average 7.75%).	The estimated fair value would increase (decrease) if: Expected market rental growth were higher (lower); Void periods were shorter (longer); Occupancy rate were higher (lower); Rent-free periods were shorter (longer); or Risk-adjusted discount rate were lower (higher).
<i>Capitalisation of income valuation:</i> The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments. The capitalisation rate used varies across properties. Valuations reflect, where appropriate, lease term remaining, the relationship of current rent to the market rent, location and prevailing investment market conditions.	Adopted capitalisation rate 7.25% - 10.00%; Gross rent per annum \$450 - \$600 per sqm; Occupancy rate 56.35% - 99.02%; and Lease term remaining (years) 0.01 - 8.01.	The estimated fair value would increase (decrease) if: Adopted capitalisation rate were higher (lower); Gross rent per annum were higher (lower); Occupancy rate were higher (lower); or Lease term remaining were longer (shorter).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 13 Property, Plant and Equipment

	Property \$'000	Office Furniture and Equipment \$'000	Plant and Equipment \$'000	Fixtures and Fittings \$'000	Total \$'000
<b>Cost or Valuation</b>					
Balance at 1 July 2018	6,229	773	10,102	91	17,195
Additions	-	43	-	-	43
Change in fair value	(79)	-	-	-	(79)
Disposals	-	-	(12)	-	(12)
Balance at 30 June 2019	6,150	816	10,090	91	17,147
Balance at 1 July 2019	6,150	816	10,090	91	17,147
Additions	-	87	-	-	87
Change in fair value	1,091	-	-	-	1,091
Disposals	-	-	(2,407)	-	(2,407)
Balance at 30 June 2020	7,241	903	7,683	91	15,918

#### Depreciation

Balance at 1 July 2018	-	556	5,960	67	6,583
Revaluation	(172)	-	-	-	(172)
Depreciation and amortisation charge for the year	172	42	888	5	1,107
Balance at 30 June 2019	-	598	6,848	72	7,518
Balance at 1 July 2019	-	598	6,848	72	7,518
Disposals	-	-	(1,762)	-	(1,762)
Revaluation	(171)	-	-	-	(171)
Depreciation and amortisation charge for the year	171	107	655	4	937
Balance at 30 June 2020	-	705	5,741	76	6,522

#### Carrying Amounts

At 1 July 2018	6,229	217	4,142	24	10,612
At 30 June 2019	6,150	218	3,242	19	9,629
At 1 July 2019	6,150	218	3,242	19	9,629
At 30 June 2020	7,241	198	1,942	15	9,396

For each revalued class the carrying amount that would have been recognised had the assets been carried on historical cost basis are as follows:

Revalued assets at deemed cost	Property \$'000
Cost	6,871
Less accumulated depreciation	(1,403)
Net book value at 30 June 2020	5,468

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 13 Property, Plant and Equipment (continued)

#### Measurement of fair values

##### (i) Fair Value Hierarchy

The fair value of property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued or by director's valuation.

In accordance with the Company's policy, independent valuations were undertaken in December 2019 on all existing properties at the time of valuation. At June reporting period, a Directors' valuation was undertaken which assessed the negative impact on valuation of the properties due to the uncertainty from the COVID-19 pandemic. Factors considered include longer letting up allowance and potential mandatory rent relief post 30 June 2020 in accordance to the Code of Conduct legislation.

The fair value assessment of the Company as at the reporting date includes the best estimate of the impacts of COVID-19 pandemic using information available at the time of preparation of the financial statements and appropriate forward looking assumptions.

The fair value measurement for property of \$7,241,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2(d)).

##### (ii) Level 3 Fair Value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2020 \$'000	2019 \$'000
Balance at 1 July	6,150	6,229
Revaluation increase included in 'profit or loss'	627	114
Revaluation increase/(decrease) included in 'other comprehensive income'	635	(21)
Depreciation	(171)	(172)
Balance at 30 June	7,241	6,150

##### (iii) Valuation technique and significant unobservable inputs

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

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows able to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs, such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Expected market rental growth 0.00% - 5.00%; Weighted average 2.76%; Void periods (average 7.8 months after the end of each lease); Occupancy rate 89.82%; Rent-free periods (21 - 57 month period on certain new leases); and Risk-adjusted discounted rates (weighted average 7.75%).	The estimated fair value would increase (decrease) if: Expected market rental growth were higher (lower); Void periods were shorter (longer); Occupancy rate were higher (lower); Rent-free periods were shorter (longer); or Risk-adjusted discount rate were lower (higher).
<i>Capitalisation of income valuation:</i> The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments. The capitalisation rate used varies across properties. Valuations reflect, where appropriate, lease term remaining, the relationship of current rent to the market rent, location and prevailing investment market conditions.	Adopted capitalisation rate 7.25% - 10.00%; Gross rent per annum \$450 - \$600 per sqm; Occupancy rate 56.35% - 99.02%; and Lease term remaining (years) 0.01 - 8.01.	The estimated fair value would increase (decrease) if: Adopted capitalisation rate were higher (lower); Gross rent per annum were higher (lower); Occupancy rate were higher (lower); or Lease term remaining were longer (shorter).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 14 Investments in Equity Accounted Investees

#### Equity Accounted Investees

The Group accounts for investments in Equity Accounted Investees using the equity method.

The Group has the following investments in Equity Accounted Investees (all stated at 100% of the values) :

Equity Accounted Investees Assets 2019	Ownership	Current Assets \$'000	Non-current Assets \$'000	Total Assets \$'000
36 Chester Avenue Pty Ltd*	0.00%	-	-	-
647 Murray Street Pty Ltd	50.00%	10,328	1,327	11,655
Axis Linkit Pty Ltd	50.00%	-	-	-
Finbar Sub 5050 Pty Ltd	50.00%	-	1	1
Lot 1001 - 1003 Rowe Avenue Pty Ltd	50.00%	10	7,495	7,505
Rowe Avenue Pty Ltd	50.00%	1	4,024	4,025
Roydhouse Street Subiaco Pty Ltd	50.00%	3	-	3
		10,342	12,847	23,189

Equity Accounted Investees Liabilities 2019	Ownership	Current Liabilities \$'000	Non-current Liabilities \$'000	Total Liabilities \$'000
36 Chester Avenue Pty Ltd*	0.00%	-	-	-
647 Murray Street Pty Ltd	50.00%	5,247	321	5,568
Axis Linkit Pty Ltd	50.00%	-	1	1
Finbar Sub 5050 Pty Ltd	50.00%	-	4	4
Lot 1001 - 1003 Rowe Avenue Pty Ltd	50.00%	51	8,019	8,070
Rowe Avenue Pty Ltd	50.00%	13	450	463
Roydhouse Street Subiaco Pty Ltd	50.00%	3	-	3
		5,314	8,795	14,109

Equity Accounted Investees Assets 2020	Ownership	Current Assets \$'000	Non-current Assets \$'000	Total Assets \$'000
240 Adelaide Terrace Pty Ltd (Formerly Finbar Sub 106 Pty Ltd**)	50.00%	3	7,239	7,242
647 Murray Street Pty Ltd	50.00%	1,649	-	1,649
Axis Linkit Pty Ltd	50.00%	-	-	-
Finbar Sub 5050 Pty Ltd	50.00%	-	1	1
Lot 1001 - 1003 Rowe Avenue Pty Ltd	50.00%	543	28,321	28,864
Rowe Avenue Pty Ltd	50.00%	10	4,094	4,104
Roydhouse Street Subiaco Pty Ltd	50.00%	2	-	2
		2,207	39,655	41,862

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 14 Investments in Equity Accounted Investees (continued)

Equity Accounted Investees Liabilities 2020	Ownership	Current Liabilities \$'000	Non-current Liabilities \$'000	Total Liabilities \$'000
240 Adelaide Terrace Pty Ltd (Formerly Finbar Sub 106 Pty Ltd**)	50.00%	17	7,226	7,243
647 Murray Street Pty Ltd	50.00%	141	19	160
Axis Linkit Pty Ltd	50.00%	-	1	1
Finbar Sub 5050 Pty Ltd	50.00%	-	4	4
Lot 1001 - 1003 Rowe Avenue Pty Ltd	50.00%	1,654	28,033	29,687
Rowe Avenue Pty Ltd	50.00%	17	522	539
Roydhouse Street Subiaco Pty Ltd	50.00%	1	-	1
		1,830	35,805	37,635

Profit/(Loss) Before Income Tax Recognised from Equity Accounted Investees 2019	Ownership	Revenues \$'000	Expenses \$'000	Profit/(Loss) before income tax \$'000
36 Chester Avenue Pty Ltd*	0.00%	-	-	-
647 Murray Street Pty Ltd	50.00%	23,164	21,152	2,012
Axis Linkit Pty Ltd	50.00%	-	-	-
Finbar Sub 5050 Pty Ltd	50.00%	-	1	(1)
Lot 1001-1003 Rowe Avenue Pty Ltd	50.00%	-	410	(410)
Rowe Avenue Pty Ltd	50.00%	-	5	(5)
Roydhouse Street Subiaco Pty Ltd	50.00%	12	13	(1)
		23,176	21,581	1,595

Profit/(Loss) Before Income Tax Recognised from Equity Accounted Investees 2020	Ownership	Revenues \$'000	Expenses \$'000	Profit/(Loss) before income tax \$'000
240 Adelaide Terrace Pty Ltd (Formerly Finbar Sub 106 Pty Ltd**)	50.00%	-	1	(1)
647 Murray Street Pty Ltd	50.00%	8,342	7,809	533
Finbar Sub 5050 Pty Ltd	50.00%	-	1	(1)
Lot 1001 - 1003 Rowe Avenue Pty Ltd	50.00%	-	369	(369)
Rowe Avenue Pty Ltd	50.00%	-	(3)	3
Roydhouse Street Subiaco Pty Ltd	50.00%	8	3	5
		8,350	8,180	170

\* As at 30 June 2019, 36 Chester Avenue Pty Ltd is a wholly owned subsidiary of Finbar Group Limited (Note 29). The Group acquired the remaining 50% interest from the joint venture partner. Acquisition of the net liability has been included under Share of profit of Equity Accounted Investees in Consolidated Statement of Profit and Loss.

\*\* Finbar Sub 106 Pty Ltd was a fully owned subsidiary as at 30 June 2019. Refer to Note 29.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 15 Tax Assets and Liabilities

The current tax liability for the Group of \$1,116,000 (2019: \$3,060,000) represents the amount of income taxes payable in respect of current and prior periods.

#### Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Inventories	(1,164)	(1,164)	(9,902)	(8,069)
Interest bearing loans and borrowings	30	112	-	-
Revaluation of investment property	2,065	2,383	(504)	-
Other items	859	511	3,502	3,415
Tax value of carry-forward losses recognised	7,248	6,302	-	-
Tax assets/(liabilities)	9,038	8,144	(6,904)	(4,654)
Set off of tax	(2,725)	(1,967)	2,725	1,967
Net Tax	6,313	6,177	(4,179)	(2,687)

### 16 Inventories

#### Current

	2020 \$'000	2019 \$'000
Work in progress	-	70,549
Completed stock	58,803	59,376
Total Current Inventories	58,803	129,925

#### Non Current

Work in progress	50,651	40,238
Completed stock	45,147	22,570
Total Non Current Inventories	95,798	62,808

### 17 Trade and Other Receivables

#### Current

Trade receivables	9,632	15,713
Other receivables	709	782
Amounts receivable from equity accounted investees	-	1,859
Total Current Trade and Other Receivables	10,341	18,354

#### Non Current

Trade receivables	5,382	4,302
Other receivables	7,952	8,242
Amounts receivable from equity accounted investees	13,577	3,579
Total Non Current Trade and Other Receivables	26,911	16,123

Amounts receivable from equity accounted investees bear interest at BBSY plus agreed margin.

The Group's exposure to credit risk and impairment losses to trade and other receivables are disclosed at Note 24.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

18a Cash and Cash Equivalents	Note	2020 \$'000	2019 \$'000
Bank balances		30,591	45,490
Cash and Cash Equivalents in the Statement of Cash Flows		30,591	45,490

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed at Note 24.

### 18b Reconciliation of Cash Flows from Operating Activities

Cash Flows from Operating Activities		2020 \$'000	2019 \$'000
Profit for the year		6,624	11,387
Adjustments for:			
Depreciation and amortisation	13	937	1,107
Loss on Disposal of Assets		320	-
Revaluation of investment property		(6,203)	(963)
Revaluation of property, plant & equipment		(627)	-
Gain on transfer to investment property		(1,679)	-
Net financing income		(560)	(1,117)
Share of net profit/(loss) of equity accounted investees		26	(426)
Income tax expense	11	3,864	4,560
<b>Operating Profit before Changes in Working Capital and Provisions</b>		<b>2,702</b>	<b>14,548</b>
Change in trade and other receivables		6,945	15,408
Change in inventories	16	38,132	(47,821)
Change in prepayments		55	107
Change in provision for employee benefits	22	17	73
Change in trade and other payables		(18,104)	(4,607)
<b>Cash generated from/(used in) Operating Activities</b>		<b>29,747</b>	<b>(22,292)</b>
Interest paid		(1,231)	(1,735)
Income taxes paid		(4,643)	(4,739)
<b>Net Cash generated from/(used in) Operating Activities</b>		<b>23,873</b>	<b>(28,766)</b>

The increases and decreases in trade and other receivables as well as trade and other payables reflect only those changes that relate to operating activities. The remaining increases and decreases relate to investing activities.

### 19 Capital and Reserves

Share Capital	Company	
	Ordinary Shares	
	2020	2019
On issue at 1 July	272,123,142	270,769,961
Issued under Dividend Reinvestment Plan	-	2,319,774
Bought back for cash	-	(966,593)
On Issue at 30 June - Fully Paid	272,123,142	272,123,142

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 19 Capital and Reserves (continued)

#### Dividends

Dividends recognised in the current year by the Group are:

Dividends Paid During the Year 2020	Cents per Share	Total Amount \$'000	Franked / Unfranked	Date of Payment
Final 2019 ordinary	3.00	8,164	Franked	12 September 2019
Interim 2020 ordinary	2.00	5,442	Franked	26 March 2020
Total Amount		13,606		

#### Dividends Paid During the Year 2019

Final 2018 ordinary	3.00	8,123	Franked	14 September 2018
Interim 2019 ordinary	3.00	8,179	Franked	12 March 2019
Total Amount		16,302		

Franked dividends declared or paid during the year were franked at the rate of 30%.

After 30 June 2020 the following dividend has been proposed by the Directors. The dividend has not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

#### Proposed Dividend

Dividend proposed by the Group are:

Proposed Dividend	Cents per Share	Total Amount \$'000	Franked / Unfranked	Date of Payment
Final 2020 ordinary	1.00	2,721	Franked	21 September 2020
Total Amount		2,721		

The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2020 and will be recognised in subsequent financial reports.

#### Dividend Reinvestment Plan

The Company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

In accordance with Rule 13 of the Company's Dividend Reinvestment Plan (DRP), the Directors have elected to suspend the DRP in the 2020 financial year until further notice. As such the DRP will not be active for the above mentioned dividend.

#### Dividend Franking Account

30% franking credits available to shareholders of Finbar Group Limited for subsequent financial years

Company	
2020 \$'000	2019 \$'000
8,311	10,531

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$1,166,000 (2019: \$3,499,000).

#### Nature and purpose of reserve

##### Asset revaluation reserve

The revaluation reserve relates to the revaluation of non investment property carried at fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 20 Earnings per Share

#### Basic Earnings per Share

The calculation of basic earnings per share at 30 June 2020 was based on the profit attributable to ordinary shareholders of \$6,624,000 (2019: \$11,387,000) and a weighted average number of ordinary shares on issue during the year ended 30 June 2020 of 272,123,142 (2019: 272,316,724), calculated as follows:

		2020 \$'000	2019 \$'000
Profit Attributable to Ordinary Shareholders		6,624	11,387
<b>Ordinary Shares</b>			
		2020	2019
Weighted Average Number of Ordinary Shares			
Issued ordinary shares at 1 July		272,123,142	270,769,961
Effect of share issue - Dividend Reinvestment Plan	14 September 2018	-	1,843,108
Effect of share buyback	24 January 2019	-	(42,088)
Effect of share buyback	25 January 2019	-	(16,635)
Effect of share buyback	29 January 2019	-	(12,946)
Effect of share buyback	30 January 2019	-	(16,289)
Effect of share buyback	31 January 2019	-	(24,822)
Effect of share buyback	1 February 2019	-	(10,274)
Effect of share buyback	7 February 2019	-	(15,781)
Effect of share buyback	8 February 2019	-	(15,671)
Effect of share buyback	11 February 2019	-	(15,342)
Effect of share buyback	12 February 2019	-	(15,233)
Effect of share buyback	5 March 2019	-	(10)
Effect of share buyback	6 March 2019	-	(909)
Effect of share buyback	13 March 2019	-	(12,055)
Effect of share buyback	14 March 2019	-	(2,252)
Effect of share buyback	18 March 2019	-	(11,507)
Effect of share buyback	21 March 2019	-	(10,244)
Effect of share buyback	25 March 2019	-	(16,110)
Effect of share buyback	28 March 2019	-	(1,442)
Effect of share buyback	2 April 2019	-	(8,620)
Effect of share buyback	4 April 2019	-	(1,199)
Effect of share buyback	8 April 2019	-	(16)
Effect of share buyback	9 April 2019	-	(9,096)
Effect of share buyback	10 April 2019	-	(8,986)
Effect of share buyback	11 April 2019	-	(130)
Effect of share buyback	12 April 2019	-	(133)
Effect of share buyback	15 April 2019	-	(7,073)
Effect of share buyback	16 April 2019	-	(113)
Effect of share buyback	24 April 2019	-	(883)
Effect of share buyback	7 May 2019	-	(753)
Effect of share buyback	14 May 2019	-	(4,603)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 20 Earnings per Share (continued)

Weighted Average Number of Ordinary Shares (continued)		Ordinary Shares	
		2020	2019
Effect of share buyback	15 May 2019	-	(5,151)
Effect of share buyback	16 May 2019	-	(1,023)
Effect of share buyback	17 May 2019	-	(4,932)
Effect of share buyback	20 May 2019	-	(4,024)
Weighted Average Number of Ordinary Shares at 30 June		272,123,142	272,316,724
Basic Earnings per Share (cents per share)		2.43	4.18

#### Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2020 was based on the profit attributable to ordinary shareholders of \$6,624,000 (2019: \$11,387,000) and a weighted average number of ordinary shares on issue during the year ended 30 June 2020 of 272,123,142 (2019: 272,316,724), calculated as follows:

	2020 \$'000	2019 \$'000
Profit Attributable to Ordinary Shareholders (Diluted)	6,624	11,387
<b>Weighted Average Number of Ordinary Shares (Diluted)</b>		
Weighted average number of ordinary shares at 30 June	272,123,142	272,316,724
Diluted Earnings per Share (cents per share)	2.43	4.18

### 21 Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk see Note 24.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Commercial bills (Secured)	35,858	28,364
Investor loans to subsidiaries (Unsecured)	19,646	6,301
Total Current Loans and Borrowings	55,504	34,665
<b>Non Current</b>		
Commercial bills (Secured)	-	21,465
Investor loans to subsidiaries (Unsecured)	8,478	23,478
Total Non Current Loans and Borrowings	8,478	44,943



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 21 Loans and Borrowings (continued)

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	Nominal Interest Rate	Financial Year of Maturity	2020	2019
			Carrying Amount \$'000	Carrying Amount \$'000
<b>Current</b>				
Commercial bills (Secured)*	BBSY+2.00%	2021	14,393	15,893
Commercial bills (Secured)**	BBSY+2.00%	2021	21,465	-
Commercial bills (Secured)	BBSY+1.70%	2020	-	12,471
Investor loans to subsidiaries (Unsecured)	BBSY+1.50%	2021	6,996	-
Investor loans to subsidiaries (Unsecured)***		2021	12,650	-
Investor loans to subsidiaries (Unsecured)***		2020	-	4,218
Investor loans to subsidiaries (Unsecured)***		2020	-	2,083
<b>Total Current Loans and Borrowings</b>			<b>55,504</b>	<b>34,665</b>
<b>Non Current</b>				
Commercial bills (Secured)	BBSY+2.00%	2021	-	21,465
Investor loans to subsidiaries (Unsecured)***		2023	8,478	8,478
Investor loans to subsidiaries (Unsecured)***		2021	-	15,000
<b>Total Non Current Loans and Borrowings</b>			<b>8,478</b>	<b>44,943</b>

\* At the maturity of the commercial bill on 6 April 2021, the Company intentions to extend the facility on Pelago investment property with the current lender. As at 30 June 2019, due to a breach of debt covenant, the commercial bill on the Pelago investment property was classified as a current liability. Subsequent to the financial year ended 30 June 2019, the bank agreed to waive the breach.

\*\* At the maturity of the commercial bill on 30 April 2021, the Company intentions to extend the facility on Fairlanes investment property with the current lender.

\*\*\* These are loans from land owners which are non interest bearing.

#### Financing Arrangements

##### Commercial bills

Commercial bills (refer Note 24) are denominated in Australian dollars.

The commercial bill loans of the Subsidiaries are secured by registered first mortgages over the investment property land and buildings of the Controlled entity as well as a registered mortgage debenture over the Controlled entity's assets and undertakings.

##### Investor Loans

Investor Loans are repayable upon the completion of the project.

	2020 \$'000	2019 \$'000
<b>22 Employee Benefits</b>		
<b>Current</b>		
Liability for annual leave	51	25
Liability for long-service leave	439	463
<b>Total Current Employee Benefits</b>	<b>490</b>	<b>488</b>
<b>Non Current</b>		
Liability for long-service leave	44	29
<b>Total Non Current Employee Benefits</b>	<b>44</b>	<b>29</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

<b>23 Trade and Other Payables</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Current</b>		
Trade and other payables	23,581	39,478
Other payables and accrued expenses	703	1,360
<b>Total Current Trade and Other Payables</b>	<b>24,284</b>	<b>40,838</b>
<b>Non Current</b>		
Trade and other payables	1,765	3,240
Other payables and accrued expenses	1	80
<b>Total Non Current Trade and Other Payables</b>	<b>1,766</b>	<b>3,320</b>

At 30 June 2020, Consolidated trade and other payables include retentions of \$264,000 (2019: \$436,000) relating to construction contracts in progress.

The Group's exposure to liquidity risk related to trade and other payables is disclosed at Note 24.

## 24 Financial Instruments

### Credit Risk

#### Exposure to Credit Risk

The carrying amount of the Group's financial assets represent the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying Amount	
		2020 \$'000	2019 \$'000
Trade and other receivables - current	17	10,341	18,354
Trade and other receivables - non-current	17	26,911	16,123
Cash and cash equivalents	18a	30,591	45,490
		<b>67,843</b>	<b>79,967</b>
The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by receivable category was:			
Equity Accounted Investees		13,577	5,438
GST refunds due and other trade debtors		10,229	10,063
Other receivables		8,661	18,245
Working capital advances and bonds		4,785	730
		<b>37,252</b>	<b>34,476</b>

### Impairment Losses

None of the Group's trade or other receivables are past due and based on historic default rates and security held the Group believes that no impairment allowance is necessary in respect of trade or other receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 24 Financial Instruments (continued)

#### Liquidity Risk

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2020					
Note	Carrying Amount \$'000	Contractual Cash Flows \$'000	1 Year or Less \$'000	1-3 Years \$'000	
<b>Non-derivative Financial Liabilities</b>					
Commercial bills*	21	35,858	36,978	36,978	-
Investor Loans*	21	28,124	28,306	19,828	8,478
Trade and other payables	23	26,050	26,050	24,284	1,766
		90,032	91,334	81,090	10,244

30 June 2019					
Note	Carrying Amount \$'000	Contractual Cash Flows \$'000	1 Year or Less \$'000	1-3 Years \$'000	
<b>Non-derivative Financial Liabilities</b>					
Commercial bills*	21	49,829	52,505	15,184	37,321
Investor Loans*	21	29,779	29,779	6,301	23,478
Trade and other payables	23	44,158	44,158	40,838	3,320
		123,766	126,442	62,323	64,119

\* Refer to Note 21 Loan and Borrowings for details on loan maturity.

#### Interest Rate Risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial assets and liabilities was:

	Carrying Amount	
	2020 \$'000	2019 \$'000
<b>Variable Rate Instruments</b>		
Financial Assets	44,168	50,928
Financial Liabilities	(42,854)	(49,829)
	1,314	1,099

#### Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates would have (decreased)/increased the Group's equity and profit or loss by the amounts shown below. This analysis assumes that all variables remain constant. The analysis is on the same basis for 2019.

	Profit or Loss		Equity	
	100bp Increase \$'000	100bp Decrease \$'000	100bp Increase \$'000	100bp Decrease \$'000
<b>30 June 2020</b>				
Variable rate instruments	(867)	867	(867)	867
<b>30 June 2019</b>				
Variable rate instruments	(627)	627	(627)	627

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 24 Financial Instruments (continued)

#### Fair Values

#### Fair Values Versus Carrying Amounts

The fair values of financial assets and liabilities, as detailed below, are equal to the carrying amounts shown on the balance sheet:

	Note	Fair Values	
		2020 \$'000	2019 \$'000
Trade and other receivables	17	37,252	34,477
Cash and cash equivalents	18a	30,591	45,490
Secured bank loans	21	(35,858)	(49,829)
Investor loans	21	(28,124)	(29,779)
Trade and other payables	23	(26,050)	(44,158)

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

#### Unsecured shareholder loans

Due to the short term nature of these financial rights and obligations, their carrying values approximate to their fair values.

Long term loans are secured and interest bearing at bank business interest rates.

#### Cash and short term deposits

The carrying amount is fair value due to the liquid nature of these assets.

#### Bank loans

The carrying amount is a reasonable approximation of fair value.

### 25 Operating Leases

#### Leases as Lessor

The Group leases out its investment properties held under operating leases.

	Note	2020 \$'000	2019 \$'000
Rental income received from investment property		7,123	6,871
Other rental property income received		4	4
	7	7,127	6,875

#### Future minimum lease receipts

At 30 June, the future minimum lease receipts under non-cancellable leases are receivable as follows:

Less than one year	4,059	3,833
Between one and five years	5,029	3,674
More than 5 years	308	469
	9,396	7,976

The COVID-19 mandatory closure by Federal and/or State governments have impacted some of our food and beverages and medical tenancies. Majority of our tenants continued to operate during the pandemic. Rent abatements and/or rent deferrals has been and are still being provided to affected tenants in accordance to the relevant Code of Conduct legislation. Rent relief totalling \$60,000 was recorded in the financial year ended 30 June 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

26 Capital and Other Commitments	Note	2020 \$'000	2019 \$'000
Commitments and Contingent Liabilities			
Property Development			
Contracted but not provided for and payable:			
Within one year		-	51,065
Later than one year		-	-
Total Property Development Commitments		-	51,065
Property Development - Equity Accounted Investees			
Contracted but not provided for and payable:			
Within one year		9,343	-
Later than one year		-	-
Total Property Development Commitments - Equity Accounted Investees		9,343	-
Group's Share of Property Development - Equity Accounted Investees			
Contracted but not provided for and payable:			
Within one year		4,672	-
Later than one year		-	-
Total Share of Property Development Commitments - Equity Accounted Investees		4,672	-
Group's Property Development Commitments including Equity Accounted Investees			
Contracted but not provided for and payable:			
Within one year		4,672	51,065
Later than one year		-	-
Total Property Development Commitments including Equity Accounted Investees		4,672	51,065

Disclosed under Note 30 Subsequent event, 36 Chester Avenue Pty Ltd entered into a construction contract with Hanssen Pty Ltd on 1 July 2020. The capital commitment on the Dianella Apartments project totalled to \$32,369,000.

## 27 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Guarantees	2020 \$'000	2019 \$'000
The Company has guaranteed the bank facilities of certain controlled entities	16,577	18,077
The Company has guaranteed the bank facilities of certain equity accounted investees	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

28 Related Parties	2020 \$'000	2019 \$'000
The key management personnel compensation included in 'personnel expenses' is as follows:		
Short term employee benefits	2,572	2,643
Other long term benefits	(34)	30
Post employment benefits	97	91
Employee benefits	2,634	2,763

### Individual Directors and Executives Compensation Disclosures

Information regarding individual directors and executives compensation are provided in the Remuneration Report section of the Directors' report on pages 29 to 33.

On 29th October 2014, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$360,000 which was repaid by 14th October 2019. The related benefit is disclosed in table 4.3.2 on page 31.

On 31st August 2015, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$290,000 which is repayable by 31st August 2020. The related benefit is disclosed on table 4.3.2 on page 31.

On 25th August 2016, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$207,500 which is repayable by 25th August 2021. The related benefit is disclosed on table 4.3.2 on page 31.

On 13th September 2017, Finbar Group Limited issued 250,000 fully paid ordinary shares to Darren Pateman as Director Incentive Shares under the rules of the Director Share Plan 2014. Payment was by way of an interest free loan of \$202,500 which is repayable by 13th September 2022. The related benefit is disclosed on table 4.3.2 on page 31.

### Other Related Party Transactions

#### Equity Accounted Investees

Loans are made by the Group to equity accounted investees for property development undertakings. Loans outstanding between the Group and joint ventures are interest bearing and are repayable at the completion of the equity accounted investees development project.

As at 30 June the balance of these loans were as follows:

	2020 \$'000	2019 \$'000
240 Adelaide Terrace Pty Ltd (Formerly Finbar Sub 106 Pty Ltd*)	274	-
647 Murray Street Pty Ltd	(20)	1,859
Axis Linkit Pty Ltd	1	1
Finbar Sub 5050 Pty Ltd	2	2
Lot 1001 - 1003 Rowe Avenue Pty Ltd	13,252	3,537
Rowe Avenue Pty Ltd	68	39
	13,577	5,438

\* Refer to Note 14 Investments in Equity Accounted Investees.

In the financial statements of the Group, investments in equity accounted investees are carried at the lower of the equity accounted amount and the recoverable amount.

Ventrade Australia Pty Ltd and Ventrade Maylands Pty Ltd are related parties of Chuan Hup Holdings Limited who owns 20.53% of Finbar Group. The Company entered into a joint venture arrangement with Ventrade Australia Pty Ltd, under 240 Adelaide Terrace Pty Ltd, during the financial year ended 30 June 2020. The project end value is estimated at \$92 million. Development approval has been received and construction is anticipated to commence in the financial year ended 30 June 2021.

Included within the trade and other payables balance is \$2,802,000 (2019: NIL) owing to Ventrade Maylands Pty Ltd. Included within the trade and other receivables balance is \$520,000 (2019: \$5,667,000 payable) receivable from Ventrade Australia Pty Ltd. The payables and receivables are in relation to development projects, are at arms length, non-interest bearing and at call.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 29 Group Entities

Parent Company	Country of Incorporation	Shareholding/ Unit Holding \$	Ownership Interest	
			2020	2019
Finbar Group Limited				
<b>Subsidiaries</b>				
1 Mends Street Pty Ltd	Australia	1	100%	100%
2 Homelea Court Springs Pty Ltd	Australia	1	100%	100%
31 Rowe Avenue Pty Ltd	Australia	1	100%	100%
32 Riversdale Road Pty Ltd	Australia	1	100%	100%
36 Chester Avenue Pty Ltd	Australia	2	100%	100%
43 McGregor Road Pty Ltd	Australia	1	100%	100%
5-7 Harper Terrace Pty Ltd	Australia	1	100%	100%
63 Adelaide Terrace Pty Ltd	Australia	1	100%	100%
88 Terrace Road Pty Ltd	Australia	1	100%	100%
96 Mill Point Road Pty Ltd	Australia	1	100%	100%
172 Railway Parade West Leederville Pty Ltd	Australia	1	100%	100%
175 Adelaide Terrace Pty Ltd	Australia	1	100%	100%
239 Great Eastern Highway Pty Ltd	Australia	1	100%	100%
241 Railway Parade Pty Ltd	Australia	1	100%	100%
262 Lord Street Perth Pty Ltd	Australia	1	100%	100%
269 James Street Pty Ltd	Australia	1	100%	100%
280 Lord Street Perth Pty Ltd	Australia	1	100%	100%
Finbar Applecross Pty Ltd	Australia	1	100%	100%
Finbar Commercial Pty Ltd	Australia	1	100%	0%
Finbar Finance Pty Ltd	Australia	1	100%	100%
Finbar Fund Pty Ltd	Australia	1	100%	100%
Finbar Karratha Pty Ltd	Australia	1	100%	100%
Finbar Port Hedland Pty Ltd	Australia	1	100%	100%
Finbar Project Management Pty Ltd	Australia	2	100%	100%
Finbar To Rent Pty Ltd	Australia	1	100%	100%
Finbar Sales Pty Ltd	Australia	1	100%	0%
Finbar Sub 104 Pty Ltd	Australia	1	100%	100%
Finbar Sub 106 Pty Ltd*	Australia	1	0%	100%
Finbar Sub 107 Pty Ltd	Australia	1	100%	0%
Finbar Executive Rentals Pty Ltd	Australia	1	100%	100%
Lot 1 to 10 Whatley Crescent Pty Ltd	Australia	1	100%	100%
		33		

\* Refer to Note 14 Investments in Equity Accounted Investees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 30 June 2020

### 30 Subsequent Events

36 Chester Avenue Pty Ltd entered into a construction contract with Hanssen Pty Ltd on 1 July 2020. The capital commitment on the Dianella Apartments project totalled to \$32,369,000.

With continuing economic uncertainty from the COVID-19 pandemic, the Company may require to grant further rent abatements and/or rent deferrals in accordance to the relevant Code of Conduct legislation. Further mandatory closures and government mandated restrictions will influence the Australian economy and property market which may have a future impact on property valuations.

Other than mentioned, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

	2020 \$'000	2019 \$'000
<b>31 Auditors' Remuneration</b>		
<b>Audit Services:</b>		
Auditors of the Group		
Audit and review of the financial reports	126,697	141,083
Audit and review of the financial reports of equity accounted investees	-	169
	126,697	141,252
<b>Services other than Statutory Audit:</b>		
Taxation compliance services	20,286	34,929
	20,286	34,929

### 32 Parent Entity Disclosures

As at, and throughout the financial year ending 30 June 2020 the parent company of the Group was Finbar Group Limited.

	2020 \$'000	2019 \$'000
<b>Result of the Parent Entity</b>		
Profit for the year	7,846	4,739
Total Comprehensive Income for the year	7,846	4,739
<b>Financial Position of the Parent Entity</b>		
Current Assets	29,391	33,397
Total Assets	212,270	218,802
Current Liabilities	815	1,600
Total Liabilities	859	1,630
<b>Total Equity of the Parent Entity comprising of:</b>		
Share capital	194,483	194,483
Retained earnings	16,928	22,689
Total Equity	211,411	217,172

#### Parent Entity Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is capable of reliable measurement.



## Directors' Declaration

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1. In the opinion of the Directors of Finbar Group Limited ('the Company'):
  - a) The Consolidated Financial Statements and notes that are contained in Pages 42 to 79 and the Remuneration report in the Directors' report, set out on Pages 29 to 33, are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
    - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2020.
3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors:



Darren Pateman  
Managing Director

Dated at Perth this Twenty-fifth day of August 2020.



# Independent Auditor's Report

To the shareholders of Finbar Group Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Finbar Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation of Investment Property
- Carrying Value of Inventory.

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of Investment Property (\$97.3million)

Refer to Note 12 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Valuation of investment properties is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Significance of the balance to the financial statements</li> <li>• Judgement required in assessing the capitalisation rates applied to the projected income of individual properties in the income valuation model. A small percentage movement in the capitalisation rate would result in a significant financial impact to the investment property balance and the income statement.</li> <li>• Timing of the valuations performed by the Group's external valuer. It is the Group's policy when the valuation was not performed at year end for the directors to assess and confirm the valuation to be adopted in the financial report. We evaluated the external and internal valuations</li> <li>• Judgemental valuation inputs with respect to the Karratha investment properties (\$55.0million), as there is limited availability of comparable sales and leasing evidence due to the low transaction levels in the Karratha region. This results in a higher level of judgement being applied by the Group to the valuation of both commercial and residential properties in that development, increasing our audit effort applied in this area.</li> <li>• Consideration of the economic impacts of COVID-19 on valuations including leasing and rental relief assumptions.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding the Group's process regarding the valuation of investment property, including specific considerations of the impact of COVID-19.</li> <li>• We assessed the scope, objectivity, competence and capabilities of the Group's external valuer.</li> <li>• We compared the valuations prepared using the income valuation model to the alternate discounted cashflow method valuation where prepared, as a comparator, by the external valuers.</li> <li>• We informed our evaluation of the external valuations and the director's internal valuations, by comparing values to recent sales evidence and other published reports of industry commentators.</li> <li>• We challenged the capitalisation rates applied, particularly for the Karratha investment property, based on our knowledge of the property portfolio and other published reports of industry commentators.</li> <li>• We also compared, on a sample basis, the following key inputs to the valuations to existing lease contracts and published CPI statistics by the Australian Bureau of Statistics: <ul style="list-style-type: none"> <li>– Gross rent;</li> <li>– Occupancy rate;</li> <li>– Lease term remaining; and</li> <li>– CPI</li> </ul> </li> <li>• We assessed the appropriateness of the Group's leasing and rental relief assumptions with consideration of the industry sector of the Group's Tenants.</li> <li>• We assessed the disclosures in the financial report, using our understanding obtained from our</li> </ul>

	testing, against accounting standards requirements.
<b>Carrying value of Inventory (\$154.6million)</b>	
Refer to Note 16 to the Financial Report	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Valuation of inventory, being both completed units and work in progress, is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Significance of the balance to the financial statements</li> <li>• Significant judgement and our effort applied to assessing forecast selling prices and costs to complete for work in progress. These factors impact the assessment of net realisable value, as in accordance with accounting standards, inventory must be carried at the lower of cost and net realisable value.</li> </ul> <p>Work in progress comprises developments currently under construction and future projects, which are long term in nature where forecast costs could be negatively impacted by issues encountered during planning or construction. In addition, forecast selling prices can fluctuate significantly based on property market conditions. This includes consideration of economic impacts of COVID-19 on forecast selling prices.</p> <p>These factors increase the level of forecasting judgement and audit complexity when assessing forecast selling prices and costs to complete for inventory.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We selected a sample of significant developments under construction and future projects to understand project design complexity, sub-contractor reliance, other project risks and project funding which could negatively impact costs to complete. This was done through enquiry of senior management, and inspection of documentation such as budgets, funding agreements, supplier contracts and internal reports.</li> <li>• We compared a sample of actual to forecast selling prices and actual to forecast construction costs to inform our evaluation of forecast selling prices and costs to complete respectively. We have considered the impact of COVID-19 on the forecast selling prices.</li> <li>• We undertook sample testing of sales made during the year and subsequent to year end to sales contracts to assess sales margins achieved during the year and post year end. This informs our evaluation of the carrying value of inventory at balance date against the Group's policy for recording inventory at the lower of cost and net realisable value.</li> <li>• We compared forecast selling prices to forecast total costs for significant projects. We did this to assess the carrying value of inventory against the Group's policy for recording inventory at the lower of cost and forecast net realisable value.</li> </ul>

## Other Information

Other Information is financial and non-financial information in Finbar Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The remaining Other Information consisting of Key Financial Metrics, Chairman's Report, Managing Directors' Report, Finbar Overview, Key Achievements, Development Overview and



Finbar's Investment Properties are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf) This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Finbar Group Limited for the year ended 30 June 2020, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in paragraph 4.3 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Derek Meates

*Partner*

Perth

25 August 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Finbar Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Finbar Group Limited for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Derek Meates

*Partner*

Perth

25 August 2020

## ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### SHAREHOLDINGS (AS AT 30 JUNE 2020)

#### Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder Name	Number	%
Chuan Hup Holdings Limited	55,871,363	20.53
Thorney Holdings Proprietary Limited	28,362,797	10.42
John Chan	27,031,551	9.93
Westoz Funds Management Pty Ltd	17,450,000	6.41

#### Voting rights

##### Ordinary shares

Refer to Note 19 in the Notes to the Financial Statements.

#### Distribution of Equity Security Holders

Range	Number of Holders	Ordinary Shares
1-1,000	390	113,298
1,001-5,000	536	1,583,790
5,001-10,000	361	2,824,613
10,001-100,000	843	26,618,327
100,001-over	143	240,983,114
	2,273	272,123,142

The number of shareholders holding less than a marketable parcel of ordinary shares is 311.

#### Stock Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Perth.

ASX Code: FRI

#### Other Information

Finbar Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.



## ASX Additional Information (continued)

Twenty largest shareholders of ordinary shares as disclosed in the share register :

	Number of Ordinary Shares Held	%
Chuan Hup Holdings Limited	53,837,175	19.78
HSBC Custody Nominees (Australia) Limited	33,376,190	12.27
Zero Nominees Pty Ltd	17,604,343	6.47
J P Morgan Nominees Australia Pty Limited	15,570,038	5.72
Blair Park Pty Ltd	8,497,045	3.12
RUBI HOLDINGS PTY LTD	7,912,358	2.91
FORWARD INTERNATIONAL PTY LTD	6,472,922	2.38
MR JAMES CHAN	6,231,290	2.29
3RD WAVE INVESTORS LTD	6,100,000	2.24
APEX INVESTMENTS PTY LTD	5,798,876	2.13
CITYCORP NOMINEES PTY LTD	5,793,967	2.13
HANSSEN PTY LTD	5,000,000	1.84
MRS SIEW ENG MAH	4,820,000	1.77
CHAN FAMILY SUPER (WA) PTY LTD	4,100,000	1.51
MILTON CORPORATION LIMITED	3,642,464	1.34
MR AH-HWA LIM	3,155,770	1.16
MS YI XIAN CHAN	2,892,126	1.06
DENSHIR PTY LTD	2,839,322	1.04
MR WAN SOON CHAN	2,435,137	0.89
NATIONAL NOMIEES LIMITED	2,366,761	0.87
TOP 20	198,445,784	72.92

### Offices and Officers

#### Directors

Mr John Chan (Executive Chairman)

Mr Darren John Pateman (Managing Director)

Mr Ronald Chan (Chief Operations Officer)

Mr Kee Kong Loh

Mr Lee Verios

Mr Terence Siong Woon Peh

#### Company Secretary

Mr Edward Guy Bank (Chief Financial Officer)

#### Principal Registered Office

Finbar Group Limited

Level 6

181 Adelaide Terrace

EAST PERTH WA 6004

PO Box 3380

EAST PERTH WA 6892

Telephone: +61 8 6211 3300

Facsimile: +61 8 9221 8833

Email: [info@finbar.com.au](mailto:info@finbar.com.au)

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

#### Share Registry

Computershare Investor Services Pty Ltd

Level 11

172 St Georges Terrace

PERTH WA 6000

Telephone: +61 8 9323 2000

#### Auditors

KPMG

235 St Georges Terrace

PERTH WA 6000



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