



annual report 2012



developing better lifestyles

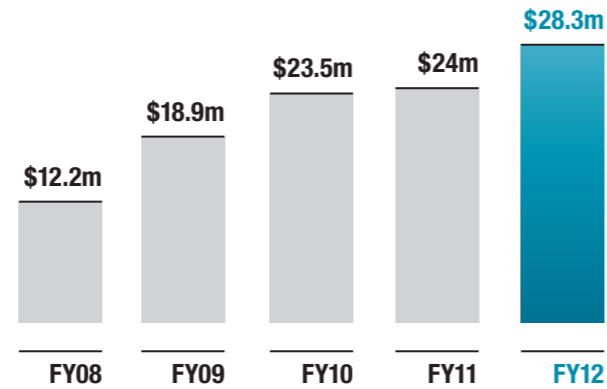
contents

FY2012 summary of results	2
chairman's message	4
managing director's report	6
about finbar	8
development overview	14
development timeline	15
perth metro completed projects	17
perth metro under construction	20
perth metro future developments	26
finbar regional completed projects	28
finbar regional future developments	29
commercial investments	30
financial report	33
directors' report	34
consolidated statement of comprehensive income	49
consolidated statement of changes in equity	50
consolidated statement of financial position	51
consolidated statement of cash flows	52
notes to the financial statements	53
directors' declaration	82
independent auditor's report to members of Finbar Group Limited	83
lead auditor's independence declaration	85
ASX additional information	86
corporate directory	88

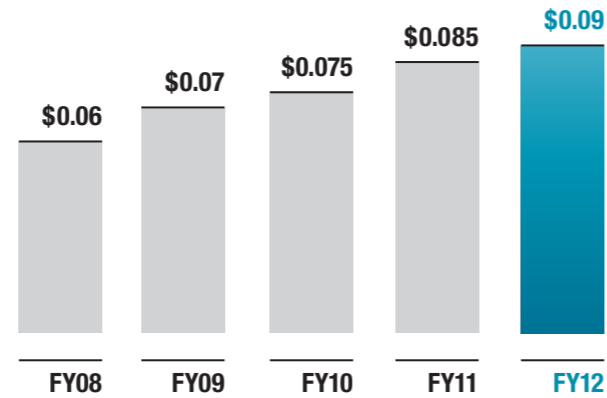


FY2012 summary of results

profit
\$28.3m



dividend paid
per share
\$0.09c



summary of shareholder returns

Shareholder Returns

	2012	2011
Net Profit	\$28,300,279	\$24,023,464
Earnings per share	\$0.13	\$0.12
Dividends per share	\$0.09	\$0.085
Market price per share	\$1.08	\$0.98
Change in share price	\$0.10	-\$0.02
Return on capital employed	17.80%	14.55%
Return on total equity	15.27%	14.11%



chairman's message



John Chan - Executive Chairman



Finbar's new corporate premises at Fairlanes Office



Above and Below Fairlanes Office

Dear Shareholder

On behalf of the Board of Directors, I am pleased to present you with the 28th Annual Report of your Company for the financial year ended 30 June 2012, the Company's 17th year as a residential property developer.

Finbar Group achieved a significant milestone this financial year announcing a record after tax profit of \$28.3 million, an 18% increase on the previous year.

Our agile business model has allowed us to introduce products into new markets while meeting demand in terms of price and product expectation. This has been particularly evident through our increased presence in the North West region of Western Australia.

We have continued to strengthen our relationship with the State Government of Western Australia for regional development in the Pilbara region by being selected as the preferred developer for the \$300+ million apartment project in Port Hedland at the end of July. This is part of our long term commitment to provide the best social outcome for local communities, in support of the Pilbara cities vision, and establish assets that will transform lifestyles and last through current and future generations in the North West.

Given our strong financial performance this year and a continued positive outlook, we have rewarded shareholders with a 16% increase in the interim dividend paid in February. Coupled with our final dividend announced recently it has resulted in a 9 cent fully franked dividend attributable to the financial year.

In April 2012, we relocated to new corporate office premises in the Fairlanes office building at 181 Adelaide Terrace in East Perth. This relocation to one of our flagship properties ensures Finbar is geographically closer to the majority of our company projects and our key stakeholders while helping us attract and retain the most capable property people in our industry and providing your company with the capability for growth now and into the future.

We took the opportunity to refresh our corporate brand at the time of our office relocation to reflect our commitment to develop better lifestyles using fresh ideas and concepts. The new corporate brand also reinforces our leading position as the largest residential apartment developer in Perth and the Pilbara region of Western Australia and has been well accepted.

In December 2011, Finbar strengthened its Board by appointing Lee Verios as a Non-executive Director. Mr Verios is a well credentialed company director with significant commercial experience and holds positions in a variety of public and private enterprises.

On behalf of the Board and Shareholders, I would like to take this opportunity to thank our management, our staff, our joint venture partners and our consultants for their dedication and commitment towards achieving long term success at Finbar.

We acknowledge and appreciate your support over the past year and anticipate sharing further success with you in the future.

We look forward to welcoming you to our new corporate office and updating you on our projects, a number of which can be seen from our office windows, at the Annual General Meeting in October.

John Chan
Executive Chairman

23 August 2012

Finbar has relocated to new corporate office premises - our flagship property Fairlanes



managing director's report

Finbar accomplished another record profit year during FY12 alongside an improving local property market. Again, we have placed your company in a robust position with development progress, supported by pre-sales, and a strong supplemented pipeline of new projects both in Perth and the North West which are all expected to secure future profitability and growth.

The largest contribution to the FY12 record annual profit resulted from the completion of the Fairlanes project. Launched in March 2009 in the midst of the Global Financial Crisis, we remain very proud of this wholly owned project. As Finbar's tallest development to date, Fairlanes represents our capability to deliver a state of the art mixed use building with a successful fusion of residential, office and retail space.

We achieved another significant milestone during FY12 through the completion of Pelago West, which was the Company's first expansion project in the North West providing housing for regional communities supporting the resources sector. Whilst the profitability of this project will not flow through until FY13 upon settlement of the apartments, it has created a major positive impact on Finbar's local and national profile placing the Company in a leading position to capitalise on future opportunities in the North West region. Pelago West is currently 87% pre-sold or leased with residents starting to settle their apartments as at the date of this report. Pelago West has provided an excellent example of Finbar's ability to execute a strategy of introducing a product into a new market in a timely manner and within price and budget expectations. We pride ourselves on maintaining our low cost base structure while delivering superior profit margins to our shareholders. We initially raised capital for our Pilbara expansion in December 2010 and are delighted to confirm that we are now obtaining the benefits of this initiative which will be reflected in our FY13 half year accounts.

At the end of June, we commenced the second stage of the Pelago high rise apartment project in Karratha, which will comprise 174 apartments and 2000 square metres of commercial space with completion expected by the end of the 2013 calendar year. With the completion of Pelago West in June, this has provided Finbar with substantial efficiencies in remaining mobilised in Karratha and further confidence to complete Pelago East within the specific timeline and budget.



Darren Pateman, Managing Director



Pelago West

In the current financial year, we will witness the completion of the Adagio Apartments in East Perth and the Lime Apartments in East Victoria Park with both developments also anticipated to contribute to FY13 earnings. Work has commenced on St Marks Apartments in Highgate and Pelago East in Karratha, as previously mentioned. We will soon commence construction on the Ecco Apartments in Perth and the Au Apartments in East Perth. In terms of our future pipeline, we announced that we had secured the new Springs Rivervale project in January 2012 while more recently we have been selected by the State Government to redevelop the former Port Hedland Hospital site into a \$300+ million residential and commercial complex overlooking the Spoilbank Marina. Further details of these developments can be found within this report.

We are anticipating steady growth in earnings for FY13 as we manage a series of properties through different stages of the development cycle. In addition, we have retained the assets of Fairlanes, Gateway and Pelago West to generate reoccurring investment income to supplement our property development business, which are anticipated to contribute to earnings growth in the future.

We are encouraged by the recent return to the market of property investors who have been largely absent since the commencement of the Global Financial Crisis and have traditionally represented the strongest driver of demand for our properties. This increase in property investment activity has resulted in sales activity increasing by 50% on the corresponding period last year, when demand was primarily being driven by the owner occupier market. A good example of such renewed activity is the Ecco development in East Perth which is 50% pre-sold and has already secured 40% of its sales from investors since marketing commenced in February 2012.

We have maintained a strong balance sheet and cashflow which is critical for us to continue recycling our capital through the product lifecycle of identifying, developing, managing and selling new projects, and to be in the position to take advantage of new development opportunities as they are sourced. Finbar has enjoyed nurturing relationships with a number of successful joint venture partners who have continued to reinvest alongside Finbar and share in the proceeds of this leveraged growth. We are still recognised as Western Australia's most reliable apartment developer which has strengthened our relationship with the State Government and helped us to be selected as a preferred developer of residential apartment accommodation in the North West.

Finbar stands to benefit substantially from improving economic conditions, the return to the market of the property investor, and a low interest rate environment. We continue to exercise caution with continued volatility in global markets, although we strongly believe Finbar's exposure to the North West region and core Perth accommodation demand areas will continue to benefit from a State experiencing strong economic growth.

We continue to link our debt to long term facilities secured on investment property with recurrent income or project specific construction finance facilities which are repaid from pre-sales on completion. We would like to thank Commonwealth Bank, Westpac, and NAB for their project finance support as we continue to launch new projects to achieve long term earnings growth.

More recently, we have attracted a number of new institutional shareholders onto the share register who have contributed towards an improvement in our share register structure and liquidity of Finbar's shares.

We generate the majority of our income from earnings that can only be reported on physical completion and settlement of sold apartments. The sales process for an apartment project is a continual process that commences shortly after the project receives its statutory development approvals and is often sold-out only after construction completion. For this reason, the provision of accurate guidance on earnings for the Company remains a challenging proposition until we approach the financial year end. Whilst we are unable to provide an accurate guidance for FY13 earnings at this early stage, we are confident, based on current construction and sales progress, that we will see further earnings growth in FY13 and exceed our FY12 record profit.

I would like to thank all of the Finbar team, our building contractors, service providers, consultants and State Government departments who we work closely with for their dedication and determination to raise our performance standards continually higher while striving to deliver further growth in earnings and underlying company value for shareholders.

Darren Pateman
Managing Director

23 August 2012

about finbar

Finbar Group Limited is an Australian property development company listed on the Australian Stock Exchange trading under the security code 'FRI'.

Incorporated in 1984, Finbar first listed as a property development company in 1995 and has established itself as the market leader in built form apartment development in the Perth metropolitan area and Karratha. Over the past 18 years Finbar has managed the construction and delivery of 3,044 apartments worth an estimated \$1.55 billion.

Finbar's core business lies in the development of medium to high density residential apartments and commercial property within the state of Western Australia where it carries out its development projects in its own right or through incorporated special purpose entities and Joint Venture companies, of which the Company either directly or indirectly holds interests in project profitability and earns project management fees.

In addition to residential projects, the Company has also retained interest in 22,000m² of commercial space in three commercial office buildings in the Perth metropolitan area and in the Pilbara, which have been retained to supplement core residential development income.

The company has expanded into the affluent North West of the State providing apartment accommodation for communities that support the resources sector. Branded under the business unit, Finbar Regional Communities, this expansion has proven to be highly successful and is providing the Company with a strong potential for growth in the region with development interests now in Karratha and Port Hedland.

Finbar outsources its development activities to external consultants, sales persons, and building contractors. The administration of the Company along with the operating, investment, and acquisitions decisions are made by the Company board and management. The Company employs just thirteen staff in its East Perth offices who are an experienced, well-credentialed, and long term team.

It is the Company's conservative approach to its business which has held Finbar in good stead throughout cyclical market trends and the company is well positioned for sustainable results and future growth.



about finbar

Blue 2
Bluewater
85
Riverstone
Seville on the Point
Matilda Bay

value completed to date
\$1.55 billion

apartments
completed to date
3,044

western australian
market share
in apartments
42%

Reflections
Fairlanes
Adagio - Symphony City
The Westralian
Times 2
Infinity
The Saint
18 on Plain

Market Rise
Chelsea
Code
Kingston
Circle
Verve
Altair
Domus
Royale
Au
Soho
Cosmopolitan
Wellington Place
The Rise
One28
175 Hay



Catral Park, Karratha



Karratha Leisure Centre

corporate social responsibility

Key Activities

Karratha Community Chest

Finbar has established an Annual Community Chest offering financial assistance to not-for-profit community, sporting, cultural, service groups, associations and individuals that are based within the Shire of Roebourne. The objective is to contribute high quality programmes, community events, facilities and services that provide a return benefit to the local community.

New Karratha Leisure Complex

During FY12, Finbar contributed towards the funding of the \$65 million Karratha Leisure Complex, a state of the art facility which is anticipated to become the Pilbara's premier sport and entertainment precinct. The complex will consist of top class facilities including a resort-style aquatic centre with children's splash playground and three swimming pools as well as indoor and outdoor multi-purpose sports venues.

The complex has secured a large majority of the funding from Regional Development Australia and the Western Australian State Government. Construction of the facility commenced in January 2012 and is due for completion in February 2013 with the complex being open to the public from April 2013 onwards.

The Karratha Leisure Complex is one of six strategic community projects delivering immediate improvements to lifestyle options for local residents and assisting in transforming Karratha from a mining town to a significant Australian city in the North West.

The Rotary Club of Crawley

During FY12, Finbar agreed to sponsor two young people each year to join the Rotary Club of Crawley in Perth for a three year period.

The Rotary Club is an organisation consisting of business professionals and community leaders that volunteer time, talent and resources in order to remedy vital community needs.

West Australian Ballet

Finbar continues to remain a major sponsor of West Australian Ballet which is based in Perth. West Australian Ballet offers an extensive dance programme including three to four major seasons in Perth, regional touring throughout the State, choreographic workshops and a detailed education programme. In 2011, West Australian Ballet toured to Karratha, Mandurah, Bunbury, Albany and Canberra.

Princess Margaret Hospital for Children

Finbar provides an annual purchase of important equipment to Princess Margaret Hospital for Children.

Princess Margaret Hospital for Children is an internationally recognised paediatric organisation with approximately 250,000 patient visits from around the State every year.



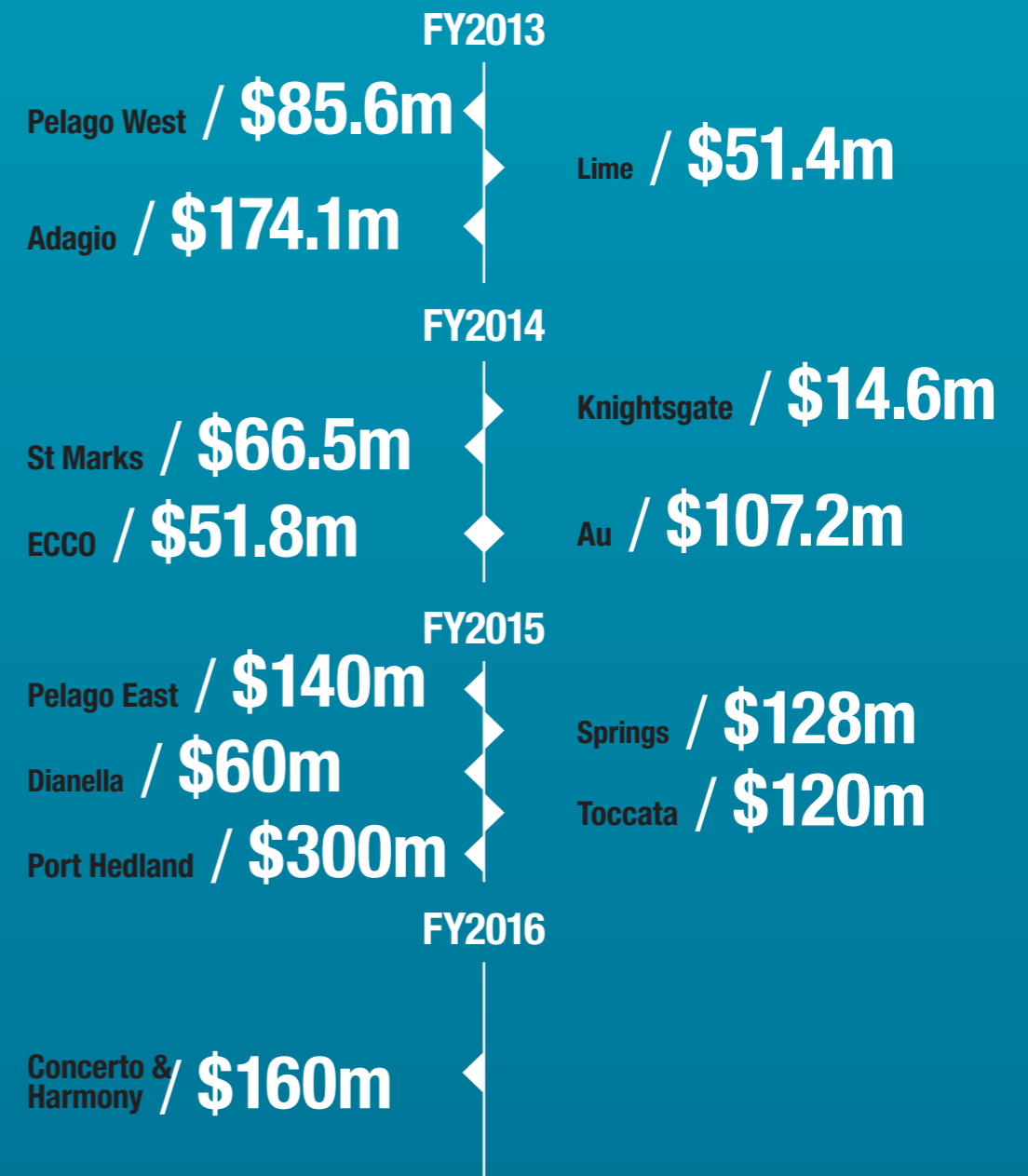
development overview

Information current as of 17th August 2012



← fairlanes

development timeline





← fairlanes

perth metro
completed projects



settled \$100,075,000 / 93%

**pending settlement
 \$4,675,000 / 4%**

unsold \$2,665,000 / 2%

**total project sales
 value \$108,180,000**

fairlanes residential

181 Adelaide Terrace, East Perth

PROJECT COMPANY / 175 Adelaide Terrace Pty Ltd

MARKETING COMMENCED / March 2009

CONSTRUCTION COMPLETION / May 2012

TOTAL PROJECT SALES VALUE / \$108,180,000

AVERAGE PRICE TO DATE / \$830,906

TOTAL APARTMENT LOTS / 128

LOTS SOLD / 127

LOTS SETTLED / 122

FINBAR'S ULTIMATE INTEREST / 100%

Fairlanes was the largest contributor to this year's profit result with 118 units in the 128 unit project settling in the reporting period. A total of 4 lots have settled since the end of the reporting period, and an additional 5 units are scheduled to settle by the end of September 2012. Only 1 unit remains unsold in the project and it is anticipated that this will be sold and settled in the financial year ending 30 June 2013.

perth metro
completed projects



settled \$18,351,000 / 90%
unsold \$2,108,000 / 10%

total project sales value \$20,459,000



18 on plain

18 Plain Street, East Perth

PROJECT COMPANY / 22 Plain Street Pty Ltd

MARKETING COMMENCED / March 2010

CONSTRUCTION COMPLETION / March 2012

TOTAL PROJECT SALES VALUE / \$20,459,000

AVERAGE PRICE TO DATE / \$632,793

TOTAL APARTMENT LOTS / 29

TOTAL COMMERCIAL LOTS / 2

LOTS SOLD / 29

LOTS SETTLED / 29

FINBAR'S ULTIMATE INTEREST / 50%

18 on Plain was completed in March 2012. 27 residential units were settled in this reporting period, with 2 residential units settled since the end of the reporting period. There are 2 unsold commercial lots in the project and it is anticipated that these lots will be sold and settled in the financial year ending 30 June 2013.

times 2 apartments

143 Adelaide Terrace, East Perth

PROJECT COMPANY / 143 Adelaide Terrace Pty Ltd

MARKETING COMMENCED / November 2009

CONSTRUCTION COMPLETION / April 2011

TOTAL PROJECT SALES VALUE / \$94,197,500

AVERAGE PRICE / \$466,324

TOTAL APARTMENT LOTS / 200

TOTAL COMMERCIAL LOTS / 2

LOTS SOLD / 202

LOTS SETTLED / 202

DATE OF LAST LOT SETTLED / 9 Jan 2012

FINBAR'S ULTIMATE INTEREST / 50%

All lots are now sold. 30 units were settled in the reporting period. The Company is pleased to report that the development has come to an end.

perth metro
under construction



adagio apartments

90 Terrace Road, East Perth

TOTAL LOTS / 113 – 2 and 3 bedroom apartments

SALES CONTRACTS SECURED / \$85,745,000

COMMERCIAL / 2

TOTAL PROJECT SALES VALUE / \$174,168,000

AVERAGE SALE PRICE TO DATE / \$1,587,870

ESTIMATED COMPLETION DATE / Financial Year 2013

% SOLD / 49%

PROJECT COMPANY / 88 Terrace Road Pty Ltd

FINBAR'S ULTIMATE INTEREST / 50%

Stage one of the Company's Symphony City redevelopment will comprise of 113 luxurious 2 and 3 bedroom apartments over 23 storeys. The development has an approximate end value of \$174.2 million and to date the Company has secured 54 pre-sale contracts valued at \$85.7 million. Construction of the structure is now up to level 20 of 23 with internal fit-out of the lower floors underway.

lime

189 Swansea Street East, East Victoria Park

TOTAL LOTS / 95 – 2 bedroom apartments

SALES CONTRACTS SECURED / \$28,664,900

COMMERCIAL / 16

TOTAL PROJECT SALES VALUE / \$51,452,900

AVERAGE SALE PRICE TO DATE / \$447,889

ESTIMATED COMPLETION DATE / Financial Year 2013

% SOLD / 56%

PROJECT COMPANY / 185 Swansea Street Pty Ltd

FINBAR'S ULTIMATE INTEREST / 50%

Lime apartments located just 10 minutes from the Perth CBD encompasses 95 two bedroom apartments plus 16 commercial lots with an approximate end value of \$51.4 million. Marketing commenced last reporting period in March 2011 and to-date the Company has sold 67 lots valued at \$28.7 million. Construction is anticipated to be completed in September 2012 with settlement to follow in the first half of the Financial Year 2013.

perth metro
under construction



st marks apartments

131 Harold Street, Highgate

TOTAL LOTS / 130 – 1, 2 and 3 bedroom apartments

SALES CONTRACTS SECURED / \$40,157,000

TOTAL PROJECT SALES VALUE / \$66,490,000

AVERAGE SALE PRICE TO DATE / \$528,382

ESTIMATED COMPLETION DATE / Financial Year 2014

% SOLD / 60%

PROJECT COMPANY / Finbar Property Trust

FINBAR'S ULTIMATE INTEREST / 100%

St Marks Apartments is located just a stone's throw away from the vibrant Beaufort Street café strip.

St Marks comprises of 130 apartments in 1, 2 and 3 bedroom layouts with an approximate end value of \$66.5 million. The Company launched the project to the market this reporting period in September 2011 and has to-date secured 76 pre-sales contracts valued at \$40.2 million. Construction works have now commenced.

au apartments

208 Adelaide Terrace and 311 Hay Street, East Perth

TOTAL LOTS / 192 – 1, 2 and 3 bedroom apartments

SALES CONTRACTS SECURED / \$54,603,500

COMMERCIAL / 2

TOTAL PROJECT SALES VALUE / \$107,198,000

AVERAGE SALE PRICE TO DATE / \$540,629

ESTIMATED COMPLETION DATE / Financial Year 2014

% SOLD / 51%

PROJECT COMPANY / 208 Adelaide Terrace Pty Ltd

FINBAR'S ULTIMATE INTEREST / 45%

Au Apartments, located opposite the Perth Mint and Pan Pacific Hotel in East Perth was launched to the market in October 2011. The project includes 192 apartments in 1, 2 and 3 bedroom configuration plus 2 commercial lots distributed over two separate 10 storey structures. The Company has secured 51% in pre-sales amounting to 101 lots valued at \$54.6 million. The existing building on site has been demolished and construction will commence in September.

perth metro
under construction



knightsgate residence

9 Citadel Way, Currambine

TOTAL LOTS / 43 – 1 and 2 bedroom apartments

SALES CONTRACTS SECURED / \$9,211,000

TOTAL PROJECT SALES VALUE / \$14,554,000

AVERAGE SALE PRICE TO DATE / \$328,964

ESTIMATED COMPLETION DATE / Financial Year 2014

% SOLD / 63%

PROJECT COMPANY / 17 Sunlander Drive Pty Ltd

FINBAR'S ULTIMATE INTEREST / 50%

Knightsgate Residences located in Currambine encompasses a total of 43 – 1 and 2 bedroom apartments over three storeys. The Company launched to the market in the last reporting period in February 2011 and has so far secured 28 pre-sales being 63% of the project totalling \$9.2 million. Construction works have now commenced.

ecco apartments

262 Lord Street, Perth

TOTAL LOTS / 90 – 1, 2 and 3 bedroom apartments

SALES CONTRACTS SECURED / \$26,218,000

COMMERCIAL / 8

TOTAL PROJECT SALES VALUE / \$51,826,000

AVERAGE SALE PRICE TO DATE / \$504,192

ESTIMATED COMPLETION DATE / Financial Year 2014

% SOLD / 51%

PROJECT COMPANY / 262 Lord Street Perth Pty Ltd

FINBAR'S ULTIMATE INTEREST / 50%

Ecco Apartments located at 262 Lord Street in Perth is a 50% Joint Venture project which the Company launched to the market in February 2012. The Company has secured 51% in pre-sales totalling 52 apartments valued at \$26.2 million. Demolition work is now complete and construction scheduled to commence in September 2012.



the springs

Corner Great Eastern Highway and Graham Farmer Freeway

The Springs, located within close proximity to Crown Metropol along Great Eastern Highway is proposed to comprise of 188 apartments in 1, 2 and 3 bedroom configurations over 16 levels plus a separate 6 level office building containing approximately 6,200m² of NLA, subject to Development Approval.

APPROXIMATE PROJECT VALUE / \$128 million

ESTIMATED COMPLETION DATE / Financial Year 2015

dianella

36 Chester Avenue, Dianella

36 Chester Avenue located in Dianella is a 50% Joint Venture project with an approximate end value of \$60 - \$80 million. The Company is awaiting the revised Dianella Districts Centre Structure Plan to allow increased density and height. This Structure Plan is anticipated by the end of 2012 calendar year. The Company is proposing between 80 and 135 residential lots up to 6 levels comprising 1, 2 and 3 bedroom apartments.

APPROXIMATE PROJECT VALUE / \$60 - \$80 million

ESTIMATED COMPLETION DATE / Financial Year 2015

concerto and harmony

193 Terrace Road, East Perth

Concerto & Harmony Apartments located at 193 Adelaide Terrace in East Perth will be the second stage of the Symphony City redevelopment totalling approximately \$160 million. The Company is currently in the planning stage of a mix of office and apartments along with the refurbishment of the heritage building as additional office space.

APPROXIMATE PROJECT VALUE / \$160+ million

ESTIMATED COMPLETION DATE / Financial Year 2016

toccata

88 Terrace Road, East Perth

Toccata Apartments, located in East Perth will be the final stage of the Symphony City redevelopment. The development will comprise of 43 luxury apartments plus two commercial lots over 22 storeys with an approximate end value of \$120 million.

APPROXIMATE PROJECT VALUE / \$120 million

ESTIMATED COMPLETION DATE / Financial Year 2015



pelago west apartments

23 Sharpe Avenue, Pegs Creek

TOTAL LOTS / 114 – 1, 2 and 3 bedroom apartments

SALES CONTRACTS SECURED / \$56,429,854

COMMERCIAL / 8

TOTAL PROJECT SALES VALUE / \$85,591,554 (Residential only)

AVERAGE SALE PRICE TO DATE / \$705,950

ESTIMATED COMPLETION DATE / Financial Year 2013

% SOLD / 66%

PROJECT COMPANY / Finbar Karratha Pty Ltd

FINBAR'S ULTIMATE INTEREST / 100%



Stage one of the Company's first Pilbara project was launched to the market in March 2011. The development includes 114 apartments in 1, 2 and 3 bedroom layouts over 8 storeys in what is to be Karratha's first high rise building. The residential portion of the development has a total end value of approximately \$85.6 million of which the Company has secured 82 pre-sale lots valued at \$56.4 million with a further 19 lots pre-leased. The Company received Occupation Permit in July 2012 and titles issued early August 2012. Settlement has now commenced.



pelago east apartments

26 Sharpe Avenue, Pegs Creek

Stage two of the Company's Pelago project in Karratha encompasses a total of 174 – studio, 1, 2 and 3 bedroom apartments plus 14 commercial lots totalling 1,722m² of ground floor commercial space. Pelago East is now under construction with an approximate end value of \$140 million.

APPROXIMATE PROJECT VALUE / \$140 million

ESTIMATED COMPLETION DATE / Financial Year 2014

port hedland

Sutherland and Morgans Streets, Port Headland

The Company was appointed as the preferred developer by the State Government of a significant apartment site overlooking the Spoilbank Marina in the Pilbara town of Port Hedland.

The project located on the former Port Hedland Hospital site will comprise of 367 short stay serviced apartments plus 3,900m² of ground floor commercial lots with an approximate end value of \$300 million.

Subject to approvals, the Company anticipates to commence marketing and construction in early 2013.

APPROXIMATE PROJECT VALUE / \$300 million

ESTIMATED COMPLETION DATE / Financial Year 2015

commercial investments



fairlanes office

181 Adelaide Terrace, East Perth

COMPANY NAME / 175 Adelaide Terrace Pty Ltd

PROJECT / 6 level office building below Fairlanes Residential. 5 levels of office above private lobby with ground floor tenancies

STATUS / 1,018m² retained / 2,364m² leased / 3,250m² under offer

NLA / 7,687m²

VALUE / \$52 million

PROFIT SHARE / 100%

Fairlanes Perth comprises a total of 7,687m² of commercial office space positioned below the residential component of the development with an asset value of \$52 million which the company will retain for its own use and investment income purposes. The Company has secured leases for 2,364m² of office space with 3,250m² currently secured under Heads of Agreement and in negotiation. It is anticipated that the property will be fully leased and generating income during the financial year ending 30 June 2013.

gateway

59 Albany Highway, Victoria Park

COMPANY NAME / 59 Albany Highway Pty Ltd

PROJECT / 7 level office building with ground floor retail

STATUS / 99% Leased, 9 year WALE

NLA / 12,828m²

VALUE / \$68 million (\$46.75 million net of minority interest)

PROFIT SHARE / 68.75%

Gateway is a 68.75% Joint Venture commercial building located just by the causeway in Victoria Park. The building has a total net lettable area of 12,828m² over 7 storeys with a book value of \$68 million generating approximately \$5.1 million per annum. The building is 99% leased.

pelago west commercial

23 Sharpe Ave, Pegs Creek

COMPANY NAME / Finbar Karratha Pty Ltd

PROJECT / Street front commercial below Pelago West Apartments

NLA / 1,067m²

STATUS / 564m² leased

VALUE / \$11 million

ESTIMATED ANNUAL IMPACT ON EBITDA / \$800,000

PROFIT SHARE / 100%

FINBAR'S ULTIMATE INTEREST / 100%

Pelago West contains 8 commercial lots totalling 1,067m² of NLA with an approximate value of \$11 million which the Company will retain as investment asset. The Company has secured leases for 564m² of space. It is anticipated that the property will be fully leased during the financial year ending 30 June 2013.



financial report for the year ended 30 June 2012

contents

Directors' Report (including Corporate Governance Statement)	34
Consolidated Statement of Comprehensive Income	49
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Financial Position	51
Consolidated Statement of Cash Flows	52
Notes to the Financial Statements	53
Directors' Declaration	82
Independent Auditor's Report	83
Lead Auditor's Independence Declaration	85
ASX Additional Information	86
Corporate Directory	88

directors' report for the year ended 30 June 2012

The Directors present their report together with the consolidated financial report of the Group, comprising Finbar Group Limited ('the Company') and its subsidiaries and the Group's interest in jointly controlled entities for the financial year ended 30 June 2012 and the independent auditor's report thereon.

contents

1	Directors	35
2	Company Secretary	36
3	Directors' Meetings	36
4	Corporate Governance Statement	36
4.1	Board of Directors	36
4.2	Remuneration Committee	37
4.3	Remuneration Report - Audited	38
4.3.1	Principles of Remuneration - Audited	38
4.3.2	Directors' and Executive Officers' Remuneration - Audited	39
4.3.3	Analysis of Bonuses included in Remuneration - Audited	40
4.3.4	Equity Instruments - Audited	40
4.4	Audit Committee	40
4.5	Risk Management	41
4.6	Ethical Standards	42
4.7	Communication with Shareholders	43
4.8	Diversity	44
5	Principal Activities	44
6	Operating and Financial Review	44
7	Dividends	46
8	Events Subsequent to Reporting Date	47
9	Likely Developments	47
10	Directors' Interests	47
11	Indemnification and Insurance of Officers and Auditors	47
12	Non-audit Services	48
13	Lead Auditor's Independence Declaration	48

directors' report for the year ended 30 June 2012

1 DIRECTORS

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 Jointly Controlled entities.

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 -

Director since 6 November 2008

EMBA, Grad Dip App CorpGov, ACSA, ACIS, MAICD, AFAIM

Darren Pateman is the Managing Director of Finbar and a Director of its Subsidiaries and Jointly Controlled entities.

Darren joined Finbar in 1995 and has had an active role in the growth of Finbar since re-listing on the stock exchange as a property development company in 1995. He has held a number of positions in his 16 years with the Company 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. Darren is an Associate of the Institute of Chartered Secretaries and Administrators, a Member of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management.

Non-executive (Independent) Director

Paul Anthony RENGEL - B Com, FCA

Director from 22 May 1992 to 29 September 2011

Paul Rengel passed away on 29 September 2011. Paul was Chairman of Finbar for 18 years between 1992 and 2010 before stepping down to become Non-executive Director in July 2010. During his tenure as Chairman, Paul presided over Finbar's transition from a delisted former shipping company to an ASX listed property development company.

Non-executive Director

John Boon Heng CHEAK - B Com, B Eco

Director since 28 April 1993

John Cheak joined the Board in 1993 and has extensive experience in the governance of companies in property development and marine transportation sectors.

John has a Bachelor of Economics degree from the University of Western Australia and is a Singapore citizen.

John is a Non-executive Director of CH Offshore Limited, Singapore which is a publicly-listed marine transportation company.

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.

Loh is a director of PCI Limited (Singapore) which is a publicly listed company in Singapore, where he is a resident.

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 2010, 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, and is a Non-executive Director of ASX listed Decmil Group Limited, a design and civil engineering construction company.

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

directors' report (continued) for the year ended 30 June 2012

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 15 July 2010

Ed is a Certified Practising Accountant with twenty five years experience in private practice including seven 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 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	N/A	N/A
Darren John PATEMAN	4	4	4	N/A	N/A	N/A	N/A
Paul Anthony RENGEL	1	-	1	1	-	1	-
John Boon Heng CHEAK	4	4	4	2	2	2	2
Kee Kong LOH	4	4	4	2	2	2	2
Lee VERIOS	2	2	2	1	1	1	1

4 CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 BOARD OF DIRECTORS

Role of the Board

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 including formulating its strategic direction, approving and monitoring site acquisition and project concepts, appointing, removing and creating succession policies for Directors and Senior Executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

The Board is also responsible for approving and monitoring financial and other reporting.

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

Board Processes

To assist in the execution of responsibilities, the Board has an Audit Committee and a Remuneration Committee.

In addition to Board meetings, the Board members communicate regularly and attend to the majority of the governance matters via circular resolution.

The agenda for meetings is prepared in conjunction with the Executive Chairman, Managing Director and the Chief Financial Officer. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions.

Director Education

Directors have the opportunity to visit the Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Group Information

Each Director has the right of access to all relevant Group information and to the Group's executives and, subject to prior consultation with the Executive Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense.

The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Executive Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' report on Page 35 of this report. The composition of the Board is determined using the following principles:

- The Board shall comprise Directors with a range of expertise encompassing the current and proposed activities of the Company;
- Where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments are referred to shareholders at the next opportunity for re-election in general meeting;
- New Directors are provided the opportunity to meet with management and familiarise themselves with the business operations of the Group; and
- The procedures for the election and retirement of Directors are governed by the Company's constitution and the listing Rules of the Australian Stock Exchange Limited (ASX).

An Independent Director is a Director who is not a member of management (a Non-executive Director) and who:

- Holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
- Has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- Is not a material* supplier or customer of any Group member, or an officer of or otherwise associated directly or indirectly with a material* supplier or customer;
- Has no material* contractual relationship with any Group member other than as a Director of the Company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Group.

**The Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent, less than five per cent of the relevant Director-related business' revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.*

The Company does not currently have a Nomination Committee as the responsibility is handled directly by the Board of Directors.

4.2 REMUNERATION COMMITTEE

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 members of the Remuneration Committee are:

- Kee Kong LOH (Chairman) - Non-executive Director
- Lee VERIOS - Non-executive Independent Director
- John Boon Heng CHEAK - Non-executive Director

The Board policy is that the Remuneration Committee will comprise of at least one Independent Director and two Non-executive Directors. The Executive Chairman, John Chan, is invited to Remuneration Committee meetings, as required, to discuss Senior Executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him.

directors' report (continued)

for the year ended 30 June 2012

4.3 REMUNERATION REPORT - AUDITED

4.3.1 PRINCIPLES OF REMUNERATION - AUDITED

Remuneration of Directors and Executives is referred to as remuneration as defined in AASB 124 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 S300A 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 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; 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 FBT 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 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 and can include long-term incentives and are designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, whilst the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive Option Plan 2003.

Short-term Incentive

The Remuneration Committee sets the key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual, and as well as financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

The primary financial performance objective is 'profit before tax'. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer satisfaction and personal development. The STI for the year ended 30 June 2012 was based wholly on a percentage of 'profit before tax'.

At the end of the financial year the Remuneration Committee assess the actual performance of the Group, the relevant segment and the individual against the KPIs set. The performance evaluation in respect of the year ended 30 June 2012 has taken place in accordance with this process.

Long-term Incentive

Options are issued under the Executive Option Plan 2003 (made in accordance with thresholds set in the plan approved by shareholders at the 26 June 2003 Annual General Meeting) which, subject to the Boards' discretion, provides for key management personnel to receive up to an annual aggregate of five per cent of fully paid issued shares by way of options over ordinary shares, for no consideration.

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 firstly in respect to the strong growth in profits in recent years, as well as the increase in the Company share price.

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:

	2012	2011	2010	2009	2008
Total comprehensive income	\$27,292,927	\$28,225,305	\$23,561,832	\$18,895,446	\$12,228,014
Dividends paid	\$18,896,550	\$15,115,909	\$9,928,923	\$8,472,983	\$9,682,097
Change in share price	\$0.10	-\$0.02	\$0.20	\$0.18	-\$0.18
Return on capital employed	17.39%	16.38%	26.94%	24.79%	11.90%
Return on total equity	14.49%	16.18%	21.13%	24.47%	18.15%

Profit before tax is considered as one of the financial targets in setting the STI. Profit amounts for 2008 to 2012 have been calculated in accordance with Australian Accounting Standards (AASBs).

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.

Service Contracts

No service contracts have been entered into by the Company and the Group for Executive Directors and Senior Executives, including the Managing Director.

Directors

Total base remuneration for all Directors, last voted upon by shareholders at the November 2011 AGM, is not to exceed \$250,000 per annum and are set based on advice from external advisors with reference to fees paid to other Directors of comparable companies. Directors' base fees are presently up to \$250,000 per annum.

4.3.2 DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION - AUDITED

Details of the nature and amount of each major element of remuneration of each Director of the Company and of the named Group Executive who receive the highest remuneration during the financial year ended 30 June 2012 are:

	Short-Term			Post-Employment			S300A(1)(e)(i) Proportion of Remuneration Performance Related	
	Directors Fees	Salary	STI Cash Bonus (A)	Total	Superannuation	Other Long Term		Total
	\$	\$	\$	\$	\$	\$	\$	%
Executive Directors								
Mr John Chan, Executive Chairman	60,691	380,000	433,212	873,903	34,200	-	908,103	47.71%
Mr Darren John Pateman, Managing Director	40,341	350,000	346,570	736,911	31,500	-	768,411	45.10%
Non-executive Directors								
Mr Paul Anthony Rengel	21,018	-	-	21,018	-	-	21,018	-
Mr John Boon Heng Cheak	40,341	-	-	40,341	-	-	40,341	-
Mr Kee Kong Loh	50,516	-	-	50,516	-	-	50,516	-
Mr Lee Verios	31,974	-	-	31,974	-	-	31,974	-
Executives								
Mr Edward Guy Bank, CFO*	-	200,000	216,606	416,606	17,999	24,387	458,992	47.19%
	244,881	930,000	996,388	2,171,269	83,699	24,387	2,279,355	43.71%

directors' report (continued) for the year ended 30 June 2012

4.3.2 DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION - AUDITED (CONTINUED)

Details of the nature and amount of each major element of the emolument of each Director of the Company and the named Officers of the Group receiving the highest remuneration during the financial year 30 June 2011 are:

	Short-Term			Post-Employment			Total	S300A(1)(e)(i) Proportion of Remuneration Performance Related %
	Directors Fees	Salary	STI Cash Bonus (A)	Total	Superannuation	Other Long Term		
	\$	\$	\$	\$	\$	\$	\$	%
Executive Directors								
Mr John Chan, Executive Chairman	43,009	254,807	455,832	753,648	37,290	-	790,938	57.63%
Mr Darren John Pateman, Managing Director	30,855	203,846	373,363	608,064	31,515	-	639,579	58.38%
Non-executive Directors								
Mr Paul Anthony Rengel	41,030	-	-	41,030	-	-	41,030	
Mr John Boon Heng Cheak	30,855	-	-	30,855	-	-	30,855	
Mr Kee Kong Loh	36,932	-	-	36,932	-	-	36,932	
Executives								
Mr Edward Guy Bank, CFO*	-	152,885	260,850	413,735	22,318	15,790	451,843	57.73%
	182,681	611,538	1,090,045	1,884,264	91,123	15,790	1,991,177	54.74%

* Excludes accrued annual leave of \$66,439 (2011: \$46,655)

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 38.

Details of the Group's policy in relation to the remuneration that is performance related is discussed on Page 38.

4.3.3 ANALYSIS OF BONUSES INCLUDED IN REMUNERATION - AUDITED

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 %
Executive Directors		
Mr John Chan	433,212	100%
Mr Darren John Pateman	346,570	100%
Executives		
Mr Edward Guy Bank, CFO	216,606	100%
	996,388	100%

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. Any discretionary amounts of executive bonuses are yet to be determined, and therefore may impact future financial years.

4.3.4 EQUITY INSTRUMENTS - AUDITED

All options refer to options over ordinary shares of Finbar Group Limited, which are exercisable on a one-for-one basis under the Executive Option Plan 2003. At 30th June 2012 there were no options in issue.

4.4 AUDIT COMMITTEE

The Audit Committee has a documented charter, approved by the Board. All members must be Non-executive Directors with at least one independent. The Chairman may not be the Chairman of 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.

The members of the Audit Committee are:

- Lee VERIOS (Chairman) - Non-executive Independent Director
- Kee Kong LOH - Non-executive Director
- John Boon Heng CHEAK - Non-executive Director

The external auditors, the Managing Director and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the committee.

The Managing Director and the Chief Financial Officer declared in writing to the Board that the financial records of the Company and Group entities for the financial year have been properly maintained and the Group's financial report for the financial year ended 30 June 2012 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results. This statement is required annually.

The responsibilities of the Audit Committee include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with committee members' information and adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate risk assessment processes;
- establishing procedures for selecting, appointing, and if necessary, removing the external auditor;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*;
- assessing the adequacy of the internal control framework and the Group's ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board;
- monitoring fraud control and monitoring prompt and appropriate rectification of any deficiencies or breakdowns identified;
- monitoring the procedures to ensure compliance with the *Corporations Act 2001* and the ASX Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and to recommend Board approval of the financial report;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The Audit Committee considers annually the necessity to request the attendance of the auditors at annual general meetings so as to be available to answer shareholder questions about the conduct of the audit and content of the Auditor's report.

4.5 RISK MANAGEMENT

Oversight of the Risk Management Procedures

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 Directors and the Chief Financial Officer have provided assurance, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively. All risk assessments covered the whole financial year and the period up to the signing of the Annual Financial Report for all material operations in the Group, and Jointly Controlled entities.

directors' report (continued)

for the year ended 30 June 2012

4.5 RISK MANAGEMENT (CONTINUED)

Risk Profile

Management provide, at the request of the Audit Committee, the risk profile that outlines the material business risks of the Group.

The Audit Committee reports the status of material business risks to the Board at each Board meeting.

Material risks for the Group may arise from such matters as actions by competitors, government policy changes, difficulties in appointed builders sourcing raw materials and skilled labour, environment, occupational health, property, financial reporting and the purchase, development and use of information systems.

The Board adopts practices to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. Where necessary, the Board draws on the expertise of appropriate external consultants to assist.

The Group strives to ensure that its products are of the highest standard.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Risk Management and Compliance Control

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size 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 27 in the Notes to the 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);
- 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 Stock 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.

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 31 in the Notes to the 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;
- 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 Stock 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;
- requiring details to be provided of the trading activities of the Directors of the Company;
- identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

4.7 COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a comprehensive Continuous Disclosure policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the Executive Chairman, the Managing Director and the Chief Financial Officer are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX in accordance with the ASX Listing Rules and the Corporations Act;
- the full Annual Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- proposed major changes in the Company and the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- the external auditor being requested to attend the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

directors' report (continued)

for the year ended 30 June 2012

4.7 COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

All of the above information, including that of the previous two years, is made available on the Company's website within one day of public release.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder on request.

4.8 DIVERSITY

The Board is currently developing a Diversity Policy. 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

	2012		2011	
	Female	Male	Female	Male
Board	-	100%	-	100%
Key Management Personnel	-	100%	-	100%
Senior Management	50%	50%	50%	50%
Group	38%	62%	31%	69%

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 Jointly Controlled entities (through companies registered specifically to conduct the development).

The Group holds rental property through 59 Albany Highway Joint Venture Pty Ltd (wholly owned subsidiary of 59 Albany Highway Pty Ltd) and 175 Adelaide Terrace Pty Ltd (wholly owned subsidiary of the Company).

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

	2012	2011			
Total comprehensive income attributable to the Owners of the Group	\$28,300,279	\$24,023,464			
	2012	2011	2010	2009	2008
Total comprehensive income attributable to Owners of the Group	\$28,300,279	\$24,023,464	\$23,571,133	\$18,970,991	\$12,230,513
Basic EPS	\$0.13	\$0.13	\$0.16	\$0.13	\$0.09
Diluted EPS	\$0.13	\$0.13	\$0.16	\$0.13	\$0.09
Dividends paid	\$18,896,550	\$15,115,909	\$9,928,923	\$8,472,983	\$9,682,097
Dividends paid per share	\$0.09	\$0.085	\$0.07	\$0.06	\$0.07
Market price per share	\$1.08	\$0.98	\$1.00	\$0.80	\$0.62
Change in share price	\$0.10	-\$0.02	\$0.20	\$0.18	-\$0.18
Return on capital employed attributable to the Owners of the Group	17.80%	14.55%	26.95%	24.87%	11.90%
Return on total equity attributable to Owners of the Group	15.27%	14.11%	21.13%	24.56%	18.16%

Total comprehensive income amounts for 2008 to 2012 have been calculated in accordance with Australian Accounting Standards (AASBs).

Returns to shareholders increase through both dividends and capital growth. Dividends for 2012 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Review of Operations

Completed Projects

Times Two – 143 Adelaide Terrace, East Perth: All lots are now sold. 30 units were settled in the reporting period. The Company is pleased to report that the development is now complete.

The Edge – 8 Hordern Street, Victoria Park: All units are now sold. 4 units were settled in the reporting period. The Company is pleased to report that the development is now complete.

The Saint – 118 Adelaide Terrace, East Perth: All lots are now sold. 1 unit was sold and settled in the reporting period. The Company is pleased to report that the development is now complete.

Verve – 145 Newcastle Street, Perth: All units are sold with 1 remaining lot contracted to settle in the financial year ending 30 June 2013.

Gateway – 59 Albany Highway, Victoria Park: The Gateway building is being held as an investment property and is 99% leased.

18 on Plain – 18 Plain Street, East Perth: 18 on Plain was completed in March 2012. 27 residential units were settled in this reporting period, with 2 residential units having been settled since the end of the reporting period. There are 2 unsold commercial lots in the project and it is anticipated that these lots will be sold and settled in the financial year ending 30 June 2013.

Fairlanes Residential – 181 Adelaide Terrace, East Perth: Fairlanes was the largest contributor to this year's profit result with 118 units in the 128 unit project settling in the reporting period. A total of 4 lots have settled since the end of the reporting period, and an additional 5 units are scheduled to settle by the end of September 2012. Only 1 unit remains unsold in the project and it is anticipated that this will be sold and settled in the financial year ending 30 June 2013.

Fairlanes Office – 181 Adelaide Terrace, East Perth: Fairlanes Perth comprises a total of 7,687m² of commercial office space positioned below the residential component of the development with an asset value of \$52 million which the company will retain for its own use and investment income purposes. The Company occupies 1018m² and has secured leases for 2,364m² of office space with 3,250m² currently secured under Heads of Agreement and in negotiation. It is anticipated that the property will be fully leased during the financial year ending 30 June 2013.

Currently Under Construction

Pelago West – 23 Sharpe Avenue, Pegs Creek: Stage one of the Company's first Pilbara project was launched to the market in March 2011. The development includes 114 apartments in 1, 2 and 3 bedroom layouts over 8 storeys in what is to be Karratha's first high rise building. The development has a total end value of approximately \$85.6 million of which the Company has secured 82 pre-sale lots valued at \$56.4 million with a further 19 lots pre-leased. The Company received Occupation Permit in July 2012 and titles issued early August 2012. Settlement will commence on the 23rd August 2012.

Pelago West also contains 8 commercial lots totalling 1,067m² of NLA with a book value of \$11 million which the Company will retain as investment asset. The Company has secured leases for 564m² of space. It is anticipated that the property will be fully leased during the financial year ending 30 June 2013.

Lime – 189 Swansea Street East, East Victoria Park: Lime apartments located just 10 minutes from the Perth CBD encompasses 95 two bedroom apartments plus 16 commercial lots with an approximate end value of \$51.4 million. Marketing commenced last reporting period in March 2011 and to-date the Company has sold 67 lots valued at \$28.7 million. Construction is anticipated to be completed in September 2012 with settlement to follow in the first half of the Financial Year 2013.

Adagio – 90 Terrace Road, East Perth: Stage one of the Company's Symphony City redevelopment and by far its most exclusive project will be made up of 113 luxurious 2 and 3 bedroom apartments over 23 storeys. The development has an approximate end value of \$174.2 million and to date the Company has secured 54 pre-sale contracts valued at \$85.7 million. Construction of the structure is now up to level 20 with internal fit-out of the lower floors underway.

St Marks – 131 Harold Street, Highgate: Located just a stone's throw away from the vibrant Beaufort Street café strip. St Marks comprises of 130 apartments in 1, 2 and 3 bedroom layouts with an approximate end value of \$66.5 million. The Company launched the project to the market this reporting period in September 2011 and has to-date secured 76 pre-sales contracts valued at \$40.2 million. Construction works have now commenced.

Au – 208 Adelaide Terrace & 311 Hay Street, East Perth: Au Apartments located opposite the Perth Mint and Pan Pacific Hotel in East Perth launched to the market this reporting period in October 2011. The project includes 192 apartments in 1, 2 and 3 bedroom configuration plus 2 commercial lots distributed over two separate 10 storey structures. The Company has secured 51% in presales amounting to 101 lots valued at \$54.6 million. The existing building on site has been demolished and construction has now commenced.

Knightsgate Residences – 9 Citadel Way, Currabmine: Knightsgate Residences located in Currabmine encompasses a total of 43 – 1 and 2 bedroom apartments over 3 storeys. The Company launched to the market in the last reporting period in February 2011 and has so far secured 28 pre-sales being 63% of the project totalling \$9.2 million. Construction works have now commenced.

directors' report (continued) for the year ended 30 June 2012

6 OPERATING AND FINANCIAL REVIEW (CONTINUED)

Currently Under Construction (Continued)

Ecco – 262 Lord Street, Perth: Ecco Apartments located at 262 Lord Street in Perth is a 50% Joint Venture project which the Company launched to the market in February 2012. The Company has secured 51% in pre-sales totalling 52 apartments valued at \$26.2 million. Demolition works commenced with 90% of the site now cleared and construction scheduled to commence in September 2012.

Future Projects

Pelago East, 26 Sharpe Avenue, Pegs Creek: Stage two of the Company's Pelago project in Karratha encompasses a total of 174 – studio, 1, 2 and 3 bedroom apartments plus 14 commercial lots totalling 1,683m² of ground floor commercial space. Pelago East is now under construction with an approximate end value of \$140 million.

36 Chester Avenue, Dianella: 36 Chester Avenue located in Dianella is a 50% Joint Venture project with an approximate end value of \$60 - \$80 million. The Company is awaiting revised Dianella Districts Centre Structure Plan to allow increased density and height anticipated by the end of 2012 calendar year. The Company is proposing between 80 and 135 residential lots up to 6 levels comprising 1, 2 and 3 bedroom apartments.

Concerto & Harmony – 193 Adelaide Terrace, East Perth: Concerto & Harmony Apartments located at 193 Adelaide Terrace in East Perth will be the second stage of the Symphony City redevelopment totalling approximately \$160 million. The Company is currently in the planning stage of a mix of office and apartments along with the refurbishment of the heritage building as additional office space.

Toccata – 88 Terrace Road, East Perth: Toccata Apartments, located in East Perth will be the final stage of the Symphony City redevelopment. The development will comprise of 43 luxury apartments plus 2 commercial lots over 22 storeys with an approximate end value of \$120 million.

The Springs, Rivervale: The Springs, located within close proximity to Crown Metropol along Great Eastern Highway, totalling approximately \$128 million will comprise of 188 apartments in 1, 2 and 3 bedroom configurations over 15 levels. The development also includes a separate 5 level office building containing approximately 6,200m² of NLA.

Port Hedland: The Company was appointed preferred developer by the State Government of a significant apartment site overlooking the Spoilbank Marina in the Pilbara town of Port Hedland.

Significant Changes in State of Affairs

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:

	Cents per Share	Total Amount \$	Franked / Unfranked	Date of Payment
Dividends Paid During the Year 2012				
Interim 2012 ordinary	3.50	7,470,970	Franked	11 April 2012
Final 2011 ordinary	5.50	11,425,580	Franked	5 September 2011
Total Dividends Paid		18,896,550		

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 2012 ordinary	5.50	11,779,508	Franked	4 September 2012
Total Dividend Proposed		11,779,508		

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2012 and will be recognised in subsequent financial reports.

	Note	\$
Dealt with in the financial report as - Dividends	22	18,896,550

Dividend Reinvestment Plan

In accordance with Rule 13 of the Company's Dividend Reinvestment Plan (DRP), the Directors elected to reactivate the DRP in the 2011 financial year until further notice and as such the DRP will be active for the above mentioned dividend.

8 EVENTS SUBSEQUENT TO REPORTING DATE

Other than the item below, 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.

Since the end of the financial year the Group has been selected as the preferred developer of the former Port Hedland Hospital site, a significant apartment site overlooking the Spoilbank Marina in the Pilbara town of Port Hedland.

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 seek new opportunities for the acquisition of future development projects.

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	23,361,742
Mr Darren John Pateman	2,265,174
Mr John Boon Heng Cheak	483,073
Mr Kee Kong Loh	2,000,904
Mr Lee Verios	-

11 INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the current Directors of the Company and of its Subsidiaries 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 and its Subsidiaries, except where the liability arises out of the conduct involving a lack of good faith.

During the financial year, the Company entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the annual financial report, except where the liability arises out of conduct involving a lack of good faith.

Insurance Premiums

During the financial year the Company has paid insurance premiums of \$19,636 (2011: \$19,636) 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;
- 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 2012

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;
- 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 2012 \$	2011 \$
Audit Services:		
Auditors of the Company		
Audit and review of the financial reports	165,000	211,400
Audit and review of the financial reports of equity accounted investees	-	9,000
	165,000	220,400
Services Other Than Statutory Audit:		
Taxation compliance services	14,800	11,000
	14,800	11,000

13 LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on Page 85 and forms part of the Directors' Report for the financial year ended 30 June 2012.

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



Darren Pateman
Managing Director

Dated at Perth this twentieth day of August 2012.

consolidated statement of comprehensive income for the year ended 30 June 2012

	Note	Consolidated 2012 \$	2011 \$
Revenue	7	92,890,974	54,085,516
Cost of sales		(65,410,677)	(38,582,647)
Gross Profit		27,480,297	15,502,869
Other income	8	19,387,891	14,844,117
(Loss)/Profit on disposal of property, plant & equipment		(73,452)	2,629,645
Administrative expenses		(5,990,003)	(4,651,541)
Other expenses	9	(2,856,222)	(2,089,493)
Results from Operating Activities		37,948,511	26,235,597
Financial income	11	2,594,894	5,590,544
Finance costs	11	(2,481,528)	(2,724,402)
Net Finance Costs		113,366	2,866,142
Share of profit of Equity Accounted Investees (net of income tax)	15	1,069,844	5,841,381
Profit before Income Tax		39,131,721	34,943,120
Income tax expense	12	(13,328,854)	(6,717,815)
Profit for the year		25,802,867	28,225,305
Other comprehensive income	8	2,128,657	-
Income tax relating to components of other comprehensive income	12	(638,597)	-
Other comprehensive income for the year, net of income tax		1,490,060	-
Total comprehensive income for the year		27,292,927	28,225,305
Profit attributable to:			
Owners of the Group		26,810,219	24,023,464
Non-controlling interest		(1,007,352)	4,201,841
Profit for the year		25,802,867	28,225,305
Total comprehensive income attributable to:			
Owners of the Group		28,300,279	24,023,464
Non-controlling interest		(1,007,352)	4,201,841
Total comprehensive income for the year		27,292,927	28,225,305
Earnings per Share:			
Basic earnings per share (cents per share)	23	12.61	12.98
Diluted earnings per share (cents per share)	23	12.61	12.98

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on Pages 53 to 81.

consolidated statement of changes in equity for the year ended 30 June 2012

	Attributable to equity holders of the Company				Total	Non-controlling Interest	Total Equity
	Share Capital	Share Option Reserve	Retained Earnings	Asset Revaluation Reserve			
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2010	77,285,791	2,895,027	31,384,838	111,565,656	(54,382)	111,511,274	
Total comprehensive income for the year							
Profit			24,023,464	24,023,464	4,201,841	28,225,305	
Transactions with owners, recognised directly in equity							
Transfer of reserve		(2,895,027)	2,895,027	-	-	-	
Issue of ordinary shares	49,813,238			49,813,238		49,813,238	
Dividends to shareholders	Note 22		(15,115,909)	(15,115,909)		(15,115,909)	
Balance as at 30 June 2011	127,099,029	-	43,187,420	170,286,449	4,147,459	174,433,908	
Balance as at 1 July 2011	127,099,029	-	43,187,420	170,286,449	4,147,459	174,433,908	
Total comprehensive income for the year							
Profit			26,810,219	26,810,219	(1,007,352)	25,802,867	
Other comprehensive income			-	1,490,060	-	1,490,060	
Transactions with owners, recognised directly in equity							
Issue of ordinary shares	5,591,701			5,591,701		5,591,701	
Dividends to shareholders	Note 22		(18,896,550)	(18,896,550)		(18,896,550)	
Balance as at 30 June 2012	132,690,730	-	51,101,089	1,490,060	185,281,879	3,140,107	188,421,986

Amounts are stated net of tax

consolidated statement of financial position as at 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	21a	31,733,295	61,303,639
Trade and other receivables	19	15,360,717	8,252,396
Inventories	18	104,724,249	2,884,321
Prepayments	20	255,371	859,152
Investments in Equity Accounted Investees	15	578,460	5,632,530
Other investments	16	157,414	152,372
Total Current Assets		152,809,506	79,084,410
Non Current Assets			
Trade and other receivables	19	9,042,484	12,167,005
Inventories	18	39,336,869	115,075,905
Investment property	13	113,106,803	68,000,000
Investments in Equity Accounted Investees	15	484,974	691,053
Property, plant and equipment	14	15,248,725	3,903,677
Other investments	16	2,322,445	1,813,253
Total Non Current Assets		179,542,300	201,650,893
Total Assets		332,351,806	280,735,303
LIABILITIES			
Current Liabilities			
Trade and other payables	26	14,634,061	8,062,637
Loans and borrowings	24	63,161,681	39,180,700
Current tax payable	17	6,751,955	3,504,716
Employee benefits	25	32,615	48,510
Total Current Liabilities		84,580,312	50,796,563
Non Current Liabilities			
Loans and borrowings	24	53,489,583	55,206,406
Deferred tax liabilities	17	5,807,532	261,739
Employee benefits	25	52,393	36,687
Total Non Current Liabilities		59,349,508	55,504,832
Total Liabilities		143,929,820	106,301,395
Net Assets		188,421,986	174,433,908
EQUITY			
Share capital	22	132,690,730	127,099,029
Retained earnings		51,101,089	43,187,420
Reserves		1,490,060	-
Total Equity Attributable to Holders of the Group		185,281,879	170,286,449
Non-controlling interest		3,140,107	4,147,459
Total Equity		188,421,986	174,433,908

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on Pages 53 to 81.

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on Pages 53 to 81.

notes to the financial statements (continued)

for the year ended 30 June 2012

1 REPORTING ENTITY

Finbar Group Limited (the 'Company') is a 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 2012 comprise the Company and its Subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in Jointly Controlled entities. 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 20 August 2012.

(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 and loss are measured at fair value;
- 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 all of the Group entities.

(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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 13 - valuation of investment property;
- Note 27 - valuation of financial instruments.

(e) Changes in Accounting Policies

Overview

There have been no changes in accounting policies during the year.

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 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) Jointly Controlled Entities (Equity Accounted Investees)

Jointly Controlled entities 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 Jointly Controlled entities 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 Jointly Controlled entities are carried at the lower of the equity accounted amount and the recoverable amount. Investments in Jointly Controlled entities are treated as current assets where it is expected that the investment will be realised within a twelve month time frame.

(iii) Joint Ventures - Jointly Controlled Operations

A jointly controlled operation is a joint venture 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 of.

(b) Financial Instruments

(i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative Financial Instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognised in profit and loss.

(iii) 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.

notes to the financial statements (continued)

for the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, 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).

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.

(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 measured reliably. 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 to Property, Plant and Equipment

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be 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, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. Any gain or loss arising on remeasurement is recognised in other comprehensive income and reserves.

(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 3 - 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, use 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 cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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, 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.

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 (Including Receivables)

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is recognised through 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.

notes to the financial statements (continued)

for the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 estimated reliably.

(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

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 estimated reliably, 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

Revenues are measured at the fair value of the consideration received or receivable, net of discounts, rebates and the amount of goods and services tax (GST) payable to the taxation authority.

(i) Property Development Sales

Revenue from the sale of residential, retail, commercial and industrial property is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of the property can be estimated reliably, there is no continuing management involvement with the property and the amount of revenue can be measured reliably.

The timing of transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) Property Development Supervision Fees

Revenue from services rendered, including fees arising from the provision of development project supervision services, is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to an assessment of the costs incurred and the costs to be incurred. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the revenue cannot be measured reliably, the costs incurred or to be incurred cannot be measured reliably, or the stage of completion cannot be measured reliably.

(iii) Management Fee Revenue

Management fee revenue is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Management fee revenue is recognised when the amount can be measured reliably or when contractually due.

(iv) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(v) Rental Income

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

(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 Jointly Controlled entities 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.

notes to the financial statements (continued)

for the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(o) Presentation of Financial Statements

The Group applies revised AASB101 *Presentation of Financial Statements (2007)*. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owners changes in equity are presented in the consolidated statement of comprehensive income.

(p) New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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

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 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.

Any gain arising on revaluation is recognised in the profit and 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.

(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) Derivatives

The fair value of interest rate swaps is based on quotation from the relevant financial provider.

(d) Share-based Payment Transactions

The fair value of employee stock options is measured using the Black-Scholes 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.

(e) 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).

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 13.60% (2011: 19.53%) 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 Groups 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 Group has not established an allowance for impairment, as no losses are expected to be incurred in respect of trade and other receivables.

notes to the financial statements (continued) for the year ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Investments

The Group has limited its exposure to credit risk by only investing in liquid securities, such liquid securities primarily placed with large Australian banking institutions. Given the high credit ratings of these banking institutions, the Board of Directors does not expect any counterparty to fail to meet its obligations.

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. In addition, the Group maintains the following lines of credit:

- \$1.0 million overdraft facility that is secured as a part of the overall finance facility for Finbar Karratha Pty Ltd. Interest is payable at overdraft reference rates;
- \$1.2 million overdraft facility that is secured as a part of the overall finance facility for 88 Terrace Road Pty Ltd. Interest is payable at overdraft reference rates.

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.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out by the Chief Financial Officer under guidance from the Executive Chairman and the Managing Director.

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. This is generally achieved by entering into interest rate swaps.

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 net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary 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 2012 the return was 12.97% (2011: 12.63%). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.94% (2011: 6.00%).

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

	2012 \$	2011 \$
Total liabilities	143,929,820	106,301,395
Less: Cash and cash equivalents	31,733,295	61,303,639
Net Debt	112,196,525	44,997,756
Total equity	188,421,986	174,433,908
Adjusted capital	188,421,986	174,433,908
Debt-to adjusted capital ratio at 30 June	0.60	0.26

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. 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; the Company does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6 OPERATING SEGMENTS

The Group operates predominantly in the property development sector and has identified 3 reportable segments, as described below, which are the Group's strategic business units. 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 commercial property in Western Australia.

Information about Reportable Segments For the Year ended 30 June 2012

	Residential Apartment Development \$	Commercial Office/Retail Development \$	Rental of Commercial Property \$	Other \$	Total \$
External Revenues - Company and Subsidiaries	92,354,291	3,468	6,251,834	937,645	99,547,238
External Revenues - Equity Accounted Investees	12,102,946	-	31,155	1,468	12,135,569
External Revenues - Total	104,457,237	3,468	6,282,989	939,113	111,682,807
Interest Income	39,467	-	-	2,555,427	2,594,894
Interest Expense	-	-	-	2,473,652	2,473,652
Depreciation and Amortisation	-	-	-	42,113	42,113
Reportable Segment Profit before Income Tax - Company and Subsidiaries	26,944,253	2,828	3,395,612	827,167	31,169,860
Reportable Segment Profit before Income Tax - Equity Accounted Investees	1,390,547	-	31,155	1,468	1,423,170
Reportable Segment Profit before Income Tax - Total	28,334,800	2,828	3,426,767	828,635	32,593,030
Reportable Segment Assets - Company and Subsidiaries	131,133,559	19,913,683	122,565,579	8,312,262	281,925,083
Reportable Segment Assets - Equity Accounted Investees	23,367,856	5,469,125	-	-	28,836,981
Capital Expenditure	-	-	-	3,859,838	3,859,838

Information about Reportable Segments For the Year ended 30 June 2011

	Residential Apartment Development \$	Commercial Office/Retail Development \$	Rental of Commercial Property \$	Other \$	Total \$
External Revenues - Company and Subsidiaries	45,714,332	4,906,039	6,021,361	8,225,765	64,867,497
External Revenues - Equity Accounted Investees	40,782,911	2,532,500	25,612	-	43,341,023
External Revenues - Total	86,497,243	7,438,539	6,046,973	8,225,765	108,208,520
Interest Income	61,717	-	-	5,098,398	5,160,115
Interest Expense	-	-	-	2,713,581	2,713,581
Depreciation and Amortisation	-	-	1,231	66,367	67,598
Reportable Segment Profit before Income Tax - Company and Subsidiaries	6,093,252	5,944,471	1,724,021	8,225,765	21,987,509
Reportable Segment Profit before Income Tax - Equity Accounted Investees	6,617,848	1,619,867	25,612	-	8,263,327
Reportable Segment Profit before Income Tax - Total	12,711,100	7,564,338	1,749,633	8,225,765	30,250,836
Reportable Segment Assets - Company and Subsidiaries	99,804,846	28,715,912	70,794,600	45,515	199,360,873
Reportable Segment Assets - Equity Accounted Investees	16,010,038	2,472,229	-	-	18,482,267
Capital Expenditure	-	-	3,537,602	-	3,537,602

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

notes to the financial statements (continued)

for the year ended 30 June 2012

6 OPERATING SEGMENTS (CONTINUED)

Reconciliation of Reportable Segment Revenues, Profit or Loss, Assets and Liabilities

	Note	2012 \$	2011 \$
Revenues			
Total revenue for development reportable segments	7	92,357,759	50,620,371
Total revenue for other reportable segments		937,645	8,225,765
		93,295,404	58,846,136
Total revenue for rental and other segments included in other income	8	6,251,834	6,021,361
Consolidated Revenue		99,547,238	64,867,497
Total revenue for development reportable segments - Equity Accounted Investees		12,102,946	43,315,411
Total revenue for rental segments included in other income - Equity Accounted Investees		31,155	25,612
Total revenue for other reportable segments included in other income - Equity Accounted Investees		1,468	-
Total Reportable Segments Revenue		111,682,807	108,208,520
Profit or Loss			
Total profit or loss for reportable segments		32,593,030	30,250,836
Financial income - Company and Subsidiaries		2,594,894	5,590,544
Financial income - Equity Accounted Investees		166,058	131,955
Financial expense - Company and Subsidiaries		(2,481,528)	(516,554)
Financial expense - Equity Accounted Investees		(1,764)	(6,098)
Unallocated amounts:			
Other corporate expenses		(5,998,202)	(4,687,195)
Revaluation of investment property		12,731,627	6,691,781
Income tax applicable to share of profit of Equity Accounted Investees		(472,394)	(2,512,149)
Consolidated Profit before Income Tax		39,131,721	34,943,120
Assets			
Total assets for reportable segments		281,925,083	199,360,873
Cash and cash equivalents		31,733,295	61,303,639
Investments in Equity Accounted Investees		1,063,434	6,323,583
Other assets		17,629,994	13,747,208
Consolidated Total Assets		332,351,806	280,735,303
Geographical information			
The Group operates predominantly in the one geographical segment of Western Australia.			

7 REVENUE

Property development sales	92,357,759	50,620,371
Supervision and management fees	533,215	3,465,145
Total Revenue	92,890,974	54,085,516

8 OTHER INCOME

Administration fees	110,429	29,526
Rental income	6,251,834	6,021,361
Commission income	4,769	5,614
Other	289,232	2,095,835
Total Other Income before revaluation	6,656,264	8,152,336
Revaluation of investment property	12,731,627	6,691,781
Total Other Income	19,387,891	14,844,117
Revaluation of property (reported as other comprehensive income)	2,128,657	-

9 OTHER EXPENSES

	2012 \$	2011 \$
Rental property expenses	2,856,222	2,089,493
Total Other Expenses	2,856,222	2,089,493

10 PERSONNEL EXPENSES

Wages and salaries	2,847,396	2,453,393
Superannuation contributions	166,786	158,786
(Decrease)/Increase in liability for annual leave	(15,895)	5,483
Increase in liability for long service leave	15,706	12,565
Directors fees	244,881	182,681
Total Personnel Expenses	3,258,874	2,812,908

11 FINANCE INCOME AND FINANCE COSTS

Recognised in Profit and Loss

Interest income on loans to Equity Accounted Investees	993,612	2,255,551
Interest income on bank deposits	1,561,815	2,842,847
Interest income on property settlements	39,467	61,717
Interest rate Swap Contract change in fair value	-	430,429
Total Finance Income	2,594,894	5,590,544
Interest expense	2,473,652	2,713,581
Bank charges	7,876	10,821
Total Finance Cost	2,481,528	2,724,402
Net Finance Income/(Costs)	113,366	2,866,142

Analysis of Finance Costs

Total finance costs	8,218,031	6,064,905
Less:		
Finance costs capitalised to inventory	(5,736,503)	(3,340,503)
Add:		
Finance costs relating to property developments sold	3,251,522	1,047,352
	5,733,050	3,771,754
Made up of:		
Finance costs relating to property developments sold	3,251,522	1,047,352
Finance costs relating to administration	2,481,528	2,724,402
	5,733,050	3,771,754

Finance costs have been capitalised to work in progress at a weighted average rate of 5.94% (2011: 6.00%)

notes to the financial statements (continued)

for the year ended 30 June 2012

12 INCOME TAX EXPENSE

	2012 \$	2011 \$
Recognised in Income Statement		
Current Tax Expense		
Current year	18,710,532	7,847,775
Income tax recognised directly to equity	136,443	175,843
Adjustments for prior periods	(108,404)	(9)
Non-recoverable amounts	(367)	(25)
	<u>18,738,204</u>	<u>8,023,584</u>
Deferred Tax Expense		
Origination and reversal of temporary differences	(5,409,350)	(1,305,769)
	<u>(5,409,350)</u>	<u>(1,305,769)</u>
Income Tax Expense excluding share of Income Tax on Equity Accounted Investees	<u>13,328,854</u>	<u>6,717,815</u>
Income Tax relating to components of other comprehensive income	638,597	-
Total Income Tax Expense excluding share of Income Tax on Equity Accounted Investees	<u>13,967,451</u>	<u>6,717,815</u>
Numerical Reconciliation between Tax Expense and Pre-tax Net Profit		
Profit for the year	25,802,867	28,225,305
Other comprehensive income	2,128,657	-
Total income tax expense	<u>13,328,854</u>	<u>6,717,815</u>
Profit excluding Income Tax	<u>41,260,378</u>	<u>34,943,120</u>
Income tax using the Group's domestic rate of 30% (2011: 30%)	12,378,113	10,482,936
Increase in income tax expense due to:		
Non-deductible expenses	11,526	(2,012,673)
Non-recoverable amounts	(366)	(25)
Decrease in income tax expense due to:		
Tax effect of share of Jointly Controlled entities' net profit	(320,952)	(1,752,414)
Tax effect of dividend imputation credits	-	-
	<u>12,068,321</u>	<u>6,717,824</u>
(Over)/under provided in prior years	(108,404)	(9)
Under/(over) provided in prior years - revaluation of investment property	2,007,534	-
Total Income Tax Expense	<u>13,967,451</u>	<u>6,717,815</u>
Made up of:		
Income Tax Expense excluding share of Income Tax on Equity Accounted Investees	13,328,854	6,717,815
Income Tax relating to components of other comprehensive income	638,597	-
	<u>13,967,451</u>	<u>6,717,815</u>
Income Tax Recognised Directly in Equity		
Decrease in income tax expense due to:		
Tax incentives not recognised in income statement	(136,443)	(175,843)
Total Income Tax Recognised Directly in Equity	<u>(136,443)</u>	<u>(175,843)</u>

13 INVESTMENT PROPERTY

	2012 \$	2011 \$
Balance at 1 July	68,000,000	12,000,000
Transferred from Inventory	32,375,176	49,308,219
Change in fair value	12,731,627	6,691,781
Balance at 30 June	<u>113,106,803</u>	<u>68,000,000</u>

Investment property comprises two commercial properties that are leased to third parties (see Note 28).

14 PROPERTY, PLANT AND EQUIPMENT

	Property	Office Furniture and Equipment	Plant and Equipment	Fixtures and Fittings	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 1 July 2010	868,323	296,656	249,894	189,443	1,604,316
Additions	52,266	70,793	3,361,954	-	3,485,013
Disposals	(868,323)	-	-	-	(868,323)
Balance at 30 June 2011	<u>52,266</u>	<u>367,449</u>	<u>3,611,848</u>	<u>189,443</u>	<u>4,221,006</u>
Balance at 1 July 2011	52,266	367,449	3,611,848	189,443	4,221,006
Additions	1,908,693	5,479	1,945,666	-	3,859,838
Transferred from inventory	5,473,035	-	-	-	5,473,035
Change in fair value	2,128,657	-	-	-	2,128,657
Disposals	-	(179,391)	(11,098)	(51,479)	(241,968)
Balance at 30 June 2012	<u>9,562,651</u>	<u>193,537</u>	<u>5,546,416</u>	<u>137,964</u>	<u>15,440,568</u>
Depreciation					
Balance at 1 July 2010	183,074	182,826	33,497	52,083	451,480
Disposals	(201,749)	-	-	-	(201,749)
Depreciation and amortisation charge for the year	18,675	41,505	3,818	3,600	67,598
Balance at 30 June 2011	<u>-</u>	<u>224,331</u>	<u>37,315</u>	<u>55,683</u>	<u>317,329</u>
Depreciation					
Balance at 1 July 2011	-	224,331	37,315	55,683	317,329
Disposals	-	(135,349)	(9,044)	(23,206)	(167,599)
Depreciation and amortisation charge for the year	-	35,007	7,098	8	42,113
Balance at 30 June 2012	<u>-</u>	<u>123,989</u>	<u>35,369</u>	<u>32,485</u>	<u>191,843</u>
Carrying Amounts					
At 1 July 2010	685,249	113,830	216,397	137,360	1,152,836
At 30 June 2011	<u>52,266</u>	<u>143,118</u>	<u>3,574,533</u>	<u>133,760</u>	<u>3,903,677</u>
At 1 July 2011	52,266	143,118	3,574,533	133,760	3,903,677
At 30 June 2012	<u>9,562,651</u>	<u>69,548</u>	<u>5,511,047</u>	<u>105,479</u>	<u>15,248,725</u>

notes to the financial statements (continued) for the year ended 30 June 2012

15 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

The Group's share of profit in Equity Accounted Investees for the year was \$1,069,844 (2011: \$5,841,381).

Jointly Controlled Entities

The Group accounts for investments in Jointly Controlled entities using the equity method.

The Group has the following investments in Jointly Controlled entities:

Jointly Controlled Entities Assets

		Current Assets \$	Non-current Assets \$	Total Assets \$
2011	Ownership			
22 Plain Street Pty Ltd*	50.00%	8,336,336	297,705	8,634,041
78 Terrace Road Joint Venture Pty Ltd*	50.00%	128	-	128
132 Terrace Road Joint Venture Pty Ltd*	50.00%	6,772	-	6,772
143 Adelaide Terrace Pty Ltd*	50.00%	16,973,670	-	16,973,670
185 Swansea Street Pty Ltd*	50.00%	20,010	12,606,705	12,626,715
375 Hay Street Pty Ltd*	50.00%	112,732	-	112,732
406 & 407 Newcastle Street Pty Ltd*	50.00%	1,444,435	391,612	1,836,047
701 Wellington Street Pty Ltd*	50.00%	96,923	-	96,923
Rivervale Concepts Pty Ltd*	50.00%	366,047	-	366,047
36 Chester Avenue Pty Ltd	50.00%	34,222	6,443,255	6,477,477
		27,391,275	19,739,277	47,130,552

Jointly Controlled Entities Liabilities

		Current Liabilities \$	Non-current Liabilities \$	Total Liabilities \$
2011				
22 Plain Street Pty Ltd*		8,571,190	173,307	8,744,497
78 Terrace Road Joint Venture Pty Ltd*		218	-	218
132 Terrace Road Joint Venture Pty Ltd*		218	-	218
143 Adelaide Terrace Pty Ltd*		5,923,902	190,306	6,114,208
185 Swansea Street Pty Ltd*		77,922	12,757,459	12,835,381
375 Hay Street Pty Ltd*		11,563	-	11,563
406 & 407 Newcastle Street Pty Ltd*		204,556	39,403	243,959
701 Wellington Street Pty Ltd*		50,157	-	50,157
Boas Gardens Estate Pty Ltd (De-registered)		575	-	575
Rivervale Concepts Pty Ltd*		3,818	-	3,818
36 Chester Avenue Pty Ltd		10,047	6,468,746	6,478,793
		14,854,166	19,629,221	34,483,387

Jointly Controlled Entities Assets

		Current Assets \$	Non-current Assets \$	Total Assets \$
2012	Ownership			
22 Plain Street Pty Ltd*	50.00%	2,604,032	-	2,604,032
78 Terrace Road Joint Venture Pty Ltd*	50.00%	-	-	-
132 Terrace Road Joint Venture Pty Ltd*	50.00%	-	-	-
143 Adelaide Terrace Pty Ltd*	50.00%	278,669	-	278,669
185 Swansea Street Pty Ltd*	50.00%	35,320,054	1,261,880	36,581,934
375 Hay Street Pty Ltd*	50.00%	63,697	377	64,074
406 & 407 Newcastle Street Pty Ltd*	50.00%	1,341,573	17,527	1,359,100
701 Wellington Street Pty Ltd*	50.00%	5,028	-	5,028
Rivervale Concepts Pty Ltd*	50.00%	7,975	-	7,975
36 Chester Avenue Pty Ltd	50.00%	13,487	7,335,498	7,348,985
Rowe Avenue Pty Ltd	50.00%	978,662	10,487,335	11,465,997
		40,613,177	19,102,617	59,715,794

Jointly Controlled Entities Liabilities

2012

	Current Liabilities \$	Non-current Liabilities \$	Total Liabilities \$
22 Plain Street Pty Ltd*	1,554,349	71,475	1,625,824
78 Terrace Road Joint Venture Pty Ltd*	-	-	-
132 Terrace Road Joint Venture Pty Ltd*	-	-	-
143 Adelaide Terrace Pty Ltd*	175,205	-	175,205
185 Swansea Street Pty Ltd*	35,796,592	1,119,368	36,915,960
375 Hay Street Pty Ltd*	1,376	-	1,376
406 & 407 Newcastle Street Pty Ltd*	340	39,403	39,743
701 Wellington Street Pty Ltd*	227	-	227
Rivervale Concepts Pty Ltd*	227	-	227
36 Chester Avenue Pty Ltd	(1)	7,361,273	7,361,272
Rowe Avenue Pty Ltd	88,859	11,380,235	11,469,094
	37,617,174	19,971,754	57,588,928

Net Profit/(Loss) Recognised from Jointly Controlled Entities

	Revenues \$	Expenses \$	Profit/(Loss) before income tax \$
2011			
22 Plain Street Pty Ltd*	-	53,323	(53,323)
78 Terrace Road Joint Venture Pty Ltd*	-	391	(391)
132 Terrace Road Joint Venture Pty Ltd*	909	97	812
143 Adelaide Terrace Pty Ltd*	77,846,327	61,845,631	16,000,696
185 Swansea Street Pty Ltd*	-	294,815	(294,815)
375 Hay Street Pty Ltd*	61,081	10,499	50,582
406 & 407 Newcastle Street Pty Ltd*	5,979,043	5,329,331	649,712
701 Wellington Street Pty Ltd*	2,736,007	2,339,321	396,686
Boas Gardens Estate Pty Ltd (De-registered)	-	206	(206)
Rivervale Concepts Pty Ltd*	7,455	48,266	(40,811)
36 Chester Avenue Pty Ltd	-	1,883	(1,883)
	86,630,822	69,923,763	16,707,059

Net Profit/(Loss) Recognised from Jointly Controlled Entities

	Revenues \$	Expenses \$	Profit/(Loss) before income tax \$
2012			
22 Plain Street Pty Ltd*	15,497,897	13,942,664	1,555,233
78 Terrace Road Joint Venture Pty Ltd* (De-registered)	186	94	92
132 Terrace Road Joint Venture Pty Ltd* (De-registered)	-	79	(79)
143 Adelaide Terrace Pty Ltd*	8,705,995	6,996,420	1,709,575
185 Swansea Street Pty Ltd*	-	179,085	(179,085)
375 Hay Street Pty Ltd*	-	8,471	(8,471)
406 & 407 Newcastle Street Pty Ltd*	64,311	(10,359)	74,670
701 Wellington Street Pty Ltd*	-	1,965	(1,965)
Boas Gardens Estate Pty Ltd (De-registered)	749	172	577
Rivervale Concepts Pty Ltd*	2,000	46,481	(44,481)
36 Chester Avenue Pty Ltd	-	15,673	(15,673)
Rowe Avenue Pty Ltd	-	4,428	(4,428)
	24,271,138	21,185,173	3,085,965

* Jointly Controlled entities entered into with Wembley Lakes Estates Pty Ltd. John Chan and Darren John Pateman have interests in but not control of Wembley Lakes Estates Pty Ltd.

notes to the financial statements (continued)

for the year ended 30 June 2012

16 OTHER INVESTMENTS

	2012 \$	2011 \$
Current		
Capitalised lease incentives	157,414	152,372
Total Current Investments	157,414	152,372
Non Current		
Investments in Subsidiaries	666,606	-
Capitalised lease incentives	1,655,839	1,813,253
Total Non Current Investments	2,322,445	1,813,253

17 TAX ASSETS AND LIABILITIES

The current tax liability for the Group of \$6,751,955 (2011: \$3,504,716) 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		Net	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Inventories	-	-	(8,411,752)	(7,224,012)	(8,411,752)	(7,224,012)
Interest bearing loans and borrowings	3,867,150	3,326,456	-	-	3,867,150	3,326,456
Revaluation of investment property	-	-	(6,465,620)	-	(6,465,620)	-
Other items	463,120	234,967	(1,327,534)	(542,131)	(864,414)	(307,164)
Tax value of carry-forward losses recognised	6,067,104	3,942,981	-	-	6,067,104	3,942,981
Tax assets/(liabilities)	10,397,374	7,504,404	(16,204,906)	(7,766,143)	(5,807,532)	(261,739)
Set off of tax	(10,397,374)	(7,504,404)	10,397,374	7,504,404	-	-
Net Tax Liabilities	-	-	(5,807,532)	(261,739)	(5,807,532)	(261,739)

Movement in Temporary Differences During the Year

	Balance 1 July 2010 \$	Recognised in Profit or Loss \$	Recognised in Equity \$	Balance 30 June 2011 \$
	Inventories	6,735,632	488,380	-
Interest bearing loans and borrowings	(4,464,349)	1,137,893	-	(3,326,456)
Other items	67,927	63,394	175,843	307,164
Tax value of carry-forward losses recognised	(3,559,083)	(383,898)	-	(3,942,981)
	(1,219,873)	1,305,769	175,843	261,739
	Balance 1 July 2011 \$	Recognised in Profit or Loss \$	Recognised in Equity \$	Balance 30 June 2012 \$
Inventories	7,224,012	1,187,740	-	8,411,752
Interest bearing loans and borrowings	(3,326,456)	(540,694)	-	(3,867,150)
Revaluation of investment property	-	6,465,620	-	6,465,620
Other items	307,164	420,807	136,443	864,414
Tax value of carry-forward losses recognised	(3,942,981)	(2,124,123)	-	(6,067,104)
	261,739	5,409,350	136,443	5,807,532

18 INVENTORIES

	2012 \$	2011 \$
Current		
Work in progress	97,893,018	-
Completed stock	6,831,231	2,884,321
Total Current Inventories	104,724,249	2,884,321
Non Current		
Work in progress	39,336,869	115,075,905
Total Non Current Inventories	39,336,869	115,075,905

During the year ended 30 June 2012 work in progress recognised as cost of sales by the Group amounted to \$63,957,959 (2011: \$37,759,904).

During the year ended 30 June 2012 there were no write-downs in the value of inventories (2011: \$Nil).

19 TRADE AND OTHER RECEIVABLES

Current		
Other trade receivables	6,773,207	4,183,967
Amounts receivable from Jointly Controlled entities	8,587,510	4,068,429
Total Current Trade and Other Receivables	15,360,717	8,252,396
Non Current		
Other trade receivables	-	3,200,000
Amounts receivable from Jointly Controlled entities	9,042,484	8,967,005
Total Non Current Trade and Other Receivables	9,042,484	12,167,005

The Group's exposure to credit risk and impairment losses to trade and other receivables are disclosed at Note 27.

20 PREPAYMENTS

Balance at 1 July	859,152	1,491,478
Prepayment amount expensed to administrative expenses	(589,817)	(527,449)
Net reduction of sundry prepayments	(13,964)	(104,877)
Balance at 30 June	255,371	859,152
Made up as follows:		
Prepayment of administrative expenses	-	591,317
Prepayment of sundry development expenses	255,371	267,835
Total Prepayments	255,371	859,152

Prepayment of Administrative Expense

On 31 January 2008 the Company announced that the management agreement with J&R Management Pty Ltd under which the executive management staff and other staff provided to Finbar Group Limited had ceased.

The Company has recognised the amount initially through Trade and other payables and through Prepayments. As each development project, the subject of work in progress pursuant to Clause 5A of the Agreement is completed, the amount of work in progress applicable to that development project is expensed to profit or loss.

notes to the financial statements (continued)

for the year ended 30 June 2012

21A CASH AND CASH EQUIVALENTS

	Note	2012 \$	2011 \$
Bank balances		31,733,295	59,988,639
Short term deposits		-	715,000
Cash and Cash Equivalents		31,733,295	60,703,639
Short term deposits - to secure commercial bill interest coverage	24	-	600,000
Cash and Cash Equivalents in the Statement of Cash Flows		31,733,295	61,303,639

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

21B RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash Flows from Operating Activities

Profit for the year		25,802,867	28,225,305
Adjustments for:			
Other comprehensive income for the year, net of income tax		1,490,060	-
Depreciation and amortisation	14	42,113	67,598
Revaluation of investment property	13	(12,731,627)	(6,691,781)
Revaluation of property, plant & equipment	14	(2,128,657)	-
Net financing (income)/expense	11	(113,366)	(2,866,142)
Share of net profit of Jointly Controlled entities'	15	(1,069,844)	(5,841,381)
Loss/(gain) on disposal of property, plant & equipment	14	73,452	(2,629,645)
Income tax expense	12	13,967,451	6,717,815
Operating Profit before Changes in Working Capital and Provisions		25,332,449	16,981,769
Change in trade and other receivables		(8,122,458)	(5,908,259)
Change in current inventories	18	(101,839,928)	85,491,890
Change in non-current inventories	18	75,739,036	(90,403,653)
Change in prepayments	20	603,781	632,326
Transferred from inventories to investment property	13	(32,375,176)	(49,308,219)
Transferred from inventories to property, plant & equipment	14	(5,473,035)	-
Change in provision for employee benefits	25	(189)	18,047
Change in trade and other payables	26	6,571,424	4,237,566
Cash used in Operating Activities		(39,564,096)	(38,258,533)
Interest paid	11	(2,481,528)	(2,724,402)
Income taxes paid		(5,174,416)	(3,083,735)
Net Cash used in Operating Activities		(47,220,040)	(44,066,670)

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.

22 CAPITAL AND RESERVES

Share Capital

	Company Ordinary Shares	
	2012	2011
On issue at 1 July	207,737,781	162,541,761
Issued under Dividend Reinvestment Plan	6,435,087	5,538,070
Issued for cash	-	39,657,950
On Issue at 30 June - Fully Paid	214,172,868	207,737,781

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.

Dividends

Dividends recognised in the current year by the Group are:

	Cents per Share	Total Amount \$	Franked/ Unfranked	Date of Payment
Dividends Paid During the Year 2012				
Interim 2012 ordinary	3.50	7,470,970	Franked	11 April 2012
Final 2011 ordinary	5.50	11,425,580	Franked	5 September 2011
Total Amount		18,896,550		

Dividends Paid During the Year 2011

Interim 2011 ordinary	3.00	6,176,111	Franked	8 April 2011
Final 2010 ordinary	5.50	8,939,798	Franked	20 September 2010
Total Amount		15,115,909		

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

After 30 June 2012 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

Dividends proposed by the Group are:

	Cents per Share	Total Amount \$	Franked/ Unfranked	Date of Payment
Final 2012 ordinary	5.50	11,779,508	Franked	4 September 2012
Total Amount		11,779,508		

The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2012 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 elected to reactivate the DRP in the 2011 financial year until further notice and as such the DRP will be active for the above mentioned dividend.

Dividend Franking Account

	Company	
	2012	2011
	\$	\$
30% franking credits available to shareholders of Finbar Group Limited for subsequent financial years	9,475,093	10,532,868

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 the 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 \$5,048,361 (2011: \$4,896,676).

notes to the financial statements (continued) for the year ended 30 June 2012

23 EARNINGS PER SHARE

Basic Earnings per Share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of \$26,810,219 (2011: \$24,023,464) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2012 of 212,566,057 (30 June 2011: 185,041,746), calculated as follows:

	2012 \$	2011 \$
Profit Attributable to Ordinary Shareholders	26,810,219	24,023,464
Weighted Average Number of Ordinary Shares		
Issued ordinary shares at 1 July	207,737,781	162,541,761
Effect of share issue - Dividend Reinvestment Plan 20 September 2010		2,846,017
Effect of share issue 14 December 2010		13,524,682
Effect of share issue 4 February 2011		1,369,462
Effect of share issue 9 February 2011		4,335,180
Effect of share issue - Dividend Reinvestment Plan 8 April 2011		424,644
Effect of share issue - Dividend Reinvestment Plan 5 September 2011	4,671,635	-
Effect of share issue - Dividend Reinvestment Plan 11 April 2012	156,641	-
Weighted Average Number of Ordinary Shares at 30 June	212,566,057	185,041,746
Basic Earnings per Share (cents per share)	12.61	12.98

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of \$26,810,219 (2011: \$24,023,464) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2012 of 212,566,057 (30 June 2011: 185,041,746), calculated as follows:

Profit Attributable to Ordinary Shareholders (Diluted)	26,810,219	24,023,464
Weighted Average Number of Ordinary Shares (Diluted)		
Weighted average number of ordinary shares at 30 June	212,566,057	185,041,746
Effect of share options on issue	-	-
Weighted Average Number of Ordinary Shares (Diluted) at 30 June	212,566,057	185,041,746
Diluted Earnings per Share (cents per share)	12.61	12.98

24 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 27.

Current liabilities

Commercial bills (Secured)	63,161,681	39,180,700
Total Current Interest Bearing Loans and Borrowings	63,161,681	39,180,700

Non Current liabilities

Commercial bills (Secured)	43,770,000	43,770,000
Shareholders loans to subsidiaries (Unsecured)	9,719,583	11,436,406
Total Non-current Interest Bearing Loans and Borrowings	53,489,583	55,206,406

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

			2012 \$	2012 \$	2011 \$	2011 \$
	Nominal Interest Rate	Financial Year of Maturity	Face Value	Carrying Amount	Face Value	Carrying Amount
Commercial bills (Secured)	BBRD	2011	-	-	43,770,000	43,770,000
Commercial bills (Secured)	5.66%	2016	43,770,000	43,770,000	-	-
Commercial bills (Secured)	BBSY+2.00%	2012	-	-	33,180,700	33,180,700
Commercial bills (Secured)*	BBRD+1.70%	2012	-	-	6,000,000	6,000,000
Commercial bills (Secured)	BBSY+1.09%	2013	38,461,181	38,461,181	-	-
Commercial bills (Secured)	BBSY+1.25%	2014	24,700,500	24,700,500	-	-
Shareholder loans to subsidiaries (Unsecured)	BBSY+5.00%	2012	-	-	2,955,942	2,955,942
Shareholder loans to subsidiaries (Unsecured)	BBSY+5.00%	2014	4,944,429	4,944,429	5,165,982	5,165,982
Shareholder loans to subsidiaries (Unsecured)	BBSY+5.00%	2014	210,418	210,418	-	-
Shareholder loans to subsidiaries (Unsecured)	BBSY+5.00%	2014	4,564,736	4,564,736	3,314,482	3,314,482
Total Facilities Available			116,651,264	116,651,264	94,387,106	94,387,106

Financing Arrangements

Bank overdrafts

Bank overdrafts of the Subsidiaries are secured by a registered mortgage debenture over the Controlled entity's assets and undertakings. Bank overdrafts are payable on demand and are subject to annual review.

Commercial bills

Commercial bills (refer Note 27) are denominated in Australian dollars.

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

* The interest coverage on the commercial bill of \$6,000,000 is secured by a \$600,000 short term deposit (see Note 21A)

Shareholder Loans

Shareholder Loans are repayable upon the completion of the project. The Shareholder Loans above relate to projects which are anticipated to complete in the financial year ending 30 June 2014.

25 EMPLOYEE BENEFITS

	2012 \$	2011 \$
Current		
Liability for annual leave	32,615	48,510
Non Current		
Liability for long-service leave	52,393	36,687

26 TRADE AND OTHER PAYABLES

Current liabilities

Trade and other payables	12,848,216	7,024,824
Other payables and accrued expenses	1,785,845	1,037,813
Total Trade and Other Payables	14,634,061	8,062,637

At 30 June 2012, Consolidated trade and other payables include retentions of \$463,360 (2011: \$297,370) relating to construction contracts in progress.

The Group's exposure to liquidity risk related to trade and other payables is disclosed at Note 27.

notes to the financial statements (continued)

for the year ended 30 June 2012

27 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 2012 \$	2011 \$
Lease accounting recognition - current	16	157,414	152,372
Lease accounting recognition - non current	16	1,655,839	1,813,253
Trade and other receivables - current	19	15,360,717	8,252,396
Trade and other receivables - non-current	19	9,042,484	12,167,005
Cash and cash equivalents	21a	31,733,295	61,303,639
		57,949,749	83,688,665

The Group's maximum exposure to credit risk for trade receivables at the reporting date by receivable category was:

Equity Accounted Investees	17,629,994	13,035,434
Working capital advances and bonds	2,211,058	2,014,533
Loan to Joint Venture partner	2,580,000	2,580,000
GST refunds due and sundry other trade debtors	1,982,149	2,789,434
	24,403,201	20,419,401

Impairment Losses

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

Liquidity Risk

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

Note	Carrying Amount \$	Contractual Cash Flows \$	30 June 2012			
			1 Year or Less \$	1-3 Years \$	More than 3 Years \$	
Non-derivative Financial Liabilities						
Secured bank loans:						
Commercial bills	24	106,931,681	118,500,435	67,298,289	51,202,146	-
Shareholder Loans	24	9,719,583	11,397,183	-	11,397,183	-
Trade and other payables	26	14,634,061	14,634,061	14,634,061	-	-
		131,285,325	144,531,679	81,932,350	62,599,329	-
Non-derivative Financial Liabilities						
Secured bank loans:						
Commercial bills	24	82,950,700	83,566,783	83,566,783	-	-
Shareholder Loans	24	11,436,406	16,925,881	1,372,369	15,553,512	-
Trade and other payables	26	8,062,637	8,062,637	8,062,637	-	-
		102,449,743	108,555,301	93,001,789	15,553,512	-

Interest Rate Risk

Profile

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

Variable Rate Instruments

	Carrying Amount 2012 \$	2011 \$
Financial Assets	49,363,289	74,339,073
Financial Liabilities	(116,651,264)	(94,387,106)
	(67,287,975)	(20,048,033)

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 2011.

	Profit or Loss		Equity	
	100bp Increase \$	100bp Decrease \$	100bp Increase \$	100bp Decrease \$
30 June 2012				
Variable rate instruments	(416,191)	416,191	(416,191)	416,191
30 June 2011				
Variable rate instruments	(351,695)	351,695	(351,695)	351,695

Fair Values

Fair Values Versus Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown on the balance sheet are as follows:

	30 June 2012		30 June 2011	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Trade and other receivables	24,403,201	24,403,201	20,419,401	20,419,401
Cash and cash equivalents	31,733,295	31,733,295	61,303,639	61,303,639
Secured bank loans	(106,931,681)	(106,931,681)	(82,950,700)	(82,950,700)
Trade and other payables	(14,634,061)	(14,634,061)	(8,062,637)	(8,062,637)
	(65,429,246)	(65,429,246)	(9,290,297)	(9,290,297)

Guarantees

Subsidiaries

The Company has provided a \$7,500,000 limited guarantee and indemnity to Westpac Banking Corporation for security on a finance facility in 88 Terrace Road Pty Ltd.

Equity Accounted Joint Ventures

The Company has provided a \$5,000,000 limited guarantee and indemnity to Westpac Banking Corporation for security on a finance facility in 185 Swansea Street Pty Ltd.

28 OPERATING LEASES

Leases as Lessor

The Group leases out its investment property held under an operating lease.

	Note	2012 \$	2011 \$
Rental income received from investment property	13	6,198,395	5,311,784
Other rental property income received		53,439	709,577
		6,251,834	6,021,361

notes to the financial statements (continued)

for the year ended 30 June 2012

29 CAPITAL AND OTHER COMMITMENTS

	2012 \$	2011 \$
Commitments and Contingent Liabilities		
Property Development		
Contracted but not provided for and payable:		
Within one year	78,921,348	103,969,550
Later than one year	13,876	33,411,723
Total Property Development Commitments	78,935,224	137,381,273
Property Development - Jointly Controlled Entities		
Contracted but not provided for and payable:		
Within one year	3,528,585	26,210,829
Later than one year	-	2,652,659
Total Property Development Commitments - Jointly Controlled Entities	3,528,585	28,863,488
Group's Share of Property Development - Jointly Controlled Entities		
Contracted but not provided for and payable:		
Within one year	1,764,293	13,105,415
Later than one year	-	1,326,330
Total Share of Property Development Commitments - Jointly Controlled Entities	1,764,293	14,431,745
Group's Property Development Commitments including Jointly Controlled Entities		
Contracted but not provided for and payable:		
Within one year	80,685,641	117,074,965
Later than one year	13,876	34,738,053
Total Property Development Commitments including Jointly Controlled Entities	80,699,517	151,813,018

30 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.

	2012 \$	2011 \$
Guarantees		
The Company has guaranteed the bank facilities of certain subsidiaries	7,500,000	26,500,000
Guarantees		
The Company has guaranteed the bank facilities of certain equity accounted joint ventures	5,000,000	-

31 RELATED PARTIES

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

Executive Directors

Mr John Chan
Mr Darren John Pateman

Non-executive Directors

Mr Paul Anthony Rengel (Retired 29 September 2011)
Mr John Boon Heng Cheak
Mr Kee Kong Loh
Mr Lee Verios (Appointed 6 December 2011)

Executives

Mr Edward Guy Bank

	Note	2012 \$	2011 \$
The key management personnel compensation included in 'personnel expenses' is as follows:			
Short term employee benefits		2,171,269	1,884,264
Other long term benefits		24,387	15,790
Post employment benefits		83,699	91,123
Employee benefits	10	2,279,355	1,991,177

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 38 to 40.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Movements 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 2011	Purchases	Sales	Held at 30 June 2012
Directors				
Mr John Chan	22,586,513	775,229	-	23,361,742
Mr Darren John Pateman	2,246,619	18,555	-	2,265,174
Mr Paul Anthony Rengel	623,000	-	-	623,000
Mr John Boon Heng Cheak	453,934	29,139	-	483,073
Mr Kee Kong Loh	2,000,904	-	-	2,000,904
Executives				
Mr Edward Guy Bank	300,000	-	-	300,000
	28,210,970	822,923	-	29,033,893
Directors				
Mr John Chan	20,830,020	1,756,493	-	22,586,513
Mr Darren John Pateman	2,189,228	57,391	-	2,246,619
Mr Paul Anthony Rengel	623,000	-	-	623,000
Mr John Boon Heng Cheak	380,000	73,934	-	453,934
Mr Kee Kong Loh	1,930,656	70,248	-	2,000,904
Executives				
Mr Edward Guy Bank	266,503	33,497	-	300,000
	26,219,407	1,991,563	-	28,210,970

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

Identity of Related Parties

The Group has a related party relationship with Jointly Controlled entities (see Note 15) and with its key management personnel.

notes to the financial statements (continued) for the year ended 30 June 2012

31 RELATED PARTIES (CONTINUED)

Other Related Party Transactions

Jointly Controlled Entities

Loans are made by the Group to Jointly Controlled entities for property development undertakings. Loans outstanding between the Group and Jointly Controlled entities are interest bearing and are repayable at the completion of the Jointly Controlled entity's development project.

	2012 \$	2011 \$
As at 30 June the balance of these loans were as follows:		
22 Plain Street Pty Ltd	605,516	3,970,546
36 Chester Avenue Pty Ltd	3,366,955	3,180,896
185 Swansea Street Pty Ltd	7,981,994	5,786,109
406 & 407 Newcastle Street Pty Ltd	-	97,883
Rowe Avenue Pty Ltd	5,675,529	-
	17,629,994	13,035,434

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

32 GROUP ENTITIES

	Country of Incorporation	Shareholding/ Unit Holding \$	Ownership Interest	
			2012	2011
Parent Company				
Finbar Group Limited				
Subsidiaries				
8 Davidson Terrace Pty Ltd	Australia	1	100%	100%
17 Sunlander Drive Pty Ltd	Australia	1	100%	100%
17-19 Carr Street Pty Ltd (De-registered)	Australia	-	-	100%
52 Mill Point Road Pty Ltd	Australia	1	100%	-
59 Albany Highway Pty Ltd	Australia	11	68.75%	68.75%
88 Terrace Road Pty Ltd	Australia	1	100%	100%
135 Adelaide Terrace Developments Pty Ltd (De-registered)	Australia	-	-	100%
175 Adelaide Terrace Pty Ltd	Australia	1	100%	100%
208 Adelaide Terrace Pty Ltd	Australia	6	60%	-
262 Lord Street Perth Pty Ltd	Australia	1	100%	-
Burt Way Developments Pty Ltd	Australia	1	100%	100%
Finbar Finance Pty Ltd	Australia	1	100%	100%
Finbar Funds Management Limited	Australia	1	100%	100%
Finbar Property Trust	Australia	100	100%	100%
Finbar Karratha Pty Ltd	Australia	1	100%	100%
Finbar Project Management Pty Ltd	Australia	2	100%	100%
Lake Street Pty Ltd	Australia	1	100%	100%
Lot 1 to 10 Whatley Crescent Pty Ltd	Australia	1	100%	100%
		131		
Subsidiaries of Subsidiaries				
59 Albany Highway Joint Venture Pty Ltd	Australia	130	100%	85.38%

33 SUBSEQUENT EVENTS

Other than the item below, 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.

Since the end of the financial year the Group has been selected as the preferred developer of the former Port Hedland Hospital site, a significant apartment site overlooking the Spoilbank Marina in the Pilbara town of Port Hedland.

34 AUDITORS' REMUNERATION

Audit Services:

Auditors of the Group

Audit and review of the financial reports

Audit and review of the financial reports of equity accounted investees

	2012 \$	2011 \$
Audit and review of the financial reports	165,000	211,400
Audit and review of the financial reports of equity accounted investees	-	9,000
	165,000	220,400

Services other than Statutory Audit:

Taxation compliance services

Taxation compliance services	14,800	11,000
	14,800	11,000

35 PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2012 the parent company of the Group was Finbar Group Limited.

Result of the Parent Entity

Profit for the year

Total Comprehensive Income for the Year

	2012 \$	2011 \$
Profit for the year	9,807,518	22,488,623
Total Comprehensive Income for the Year	9,807,518	22,488,623

Financial Position of the Parent Entity

Current Assets

Total Assets

Current Liabilities

Total Liabilities

Current Assets	17,395,422	63,838,238
Total Assets	175,975,576	179,582,967
Current Liabilities	2,447,854	4,283,656
Total Liabilities	7,443,019	7,553,098

Total Equity of the Parent Entity comprising of:

Share capital

Retained earnings

Share capital	132,690,721	127,099,001
Retained earnings	35,841,836	44,930,868

Total Equity

Total Equity	168,532,557	172,029,869
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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.

Parent Entity Guarantees in respect of Debts of Subsidiaries

Guarantees

The Company has guaranteed the bank facilities of certain Controlled entities:

The Company has guaranteed the bank facilities of certain equity accounted joint ventures:

	2012 \$	2011 \$
The Company has guaranteed the bank facilities of certain Controlled entities:	7,500,000	26,500,000
The Company has guaranteed the bank facilities of certain equity accounted joint ventures:	5,000,000	-

The Company has provided a \$7,500,000 limited guarantee and indemnity to Westpac Banking Corporation for security on a finance facility in 88 Terrace Road Pty Ltd.

The Company has provided a \$5,000,000 limited guarantee and indemnity to Westpac Banking Corporation for security on a finance facility in 185 Swansea Street Pty Ltd.

directors' declaration

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 49 to 81 and the Remuneration report in the Directors' report, set out on Pages 38 to 40, 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 2012 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. There are reasonable grounds to believe that the Company and the group entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to.
3. 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 2012.
4. 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 Twentieth day of August 2012.

independent auditor's report to members of Finbar Group Limited



REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Finbar Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

independent auditor's report (continued) to members of Finbar Group Limited



REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in paragraph 4.3 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Finbar Group Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Smout
Partner

Perth
20 August 2012

lead auditor's independence declaration under section 307C of the Corporation 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 for the financial year ended 30 June 2012 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

KPMG

Kevin Smout
Partner

Perth
20 August 2012

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 2012)

Substantial Shareholders

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

Shareholder Name	Number	%
Chuan Hup Holdings	37,561,662	17.54
HSBC Custody Nominees (Australia) Limited	17,735,458	8.28
Apex Equity Holdings Berhad	16,461,320	7.69
JP Morgan Nominees Australia Limited	13,696,424	6.40

Voting rights

Ordinary shares

Refer to Note 22 in the Notes to the Financial Statements.

Distribution of Equity Security Holders

Range	Number of Holders	Ordinary Shares
1-1,000	213	89,201
1,001-5,000	422	1,338,046
5,001-10,000	287	2,268,644
10,001-100,000	575	17,364,113
100,001-over	110	193,112,864
	1,607	214,172,868

The number of shareholders holding less than a marketable parcel of ordinary shares is 81.

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.

Twenty Largest Shareholders:

	Number of Ordinary Shares Held	%
Chuan Hup Holdings Limited	37,561,662	17.54
HSBC Custody Nominees (Australia) Limited	17,735,458	8.28
Apex Equity Holdings Berhad	16,461,320	7.69
JP Morgan Nominees Australia Limited	13,696,424	6.40
Blair Park Pty Ltd	8,691,545	4.06
Rubi Holdings Pty Ltd (John Rubino Super Fund A/C)	8,668,930	4.05
National Nominees Limited	8,361,780	3.90
DBS Vickers Securities (Singapore) Pte Ltd	6,201,000	2.90
Mr James Chan	6,102,757	2.85
Mrs Siew Eng Mah	5,091,662	2.38
Apex Investments Pty Ltd	4,900,000	2.29
Apex Equity Holdings Berhad	3,834,724	1.79
Cogent Nominees Pty Ltd	3,157,970	1.47
Mr Ah-Hwa Lim	3,133,571	1.46
Mr Wan Kah Chan and Mrs Mui Tee Chan	3,000,000	1.40
Baguio International Limited	2,879,344	1.34
Mr Guan Seng Chan	2,534,191	1.18
Forward International Pty Ltd	2,502,549	1.17
Mr Wan Soon Chan	2,267,536	1.06
Pateman Equity Pty Ltd	1,527,715	0.71
Top 20	158,310,138	73.92

corporate directory

OFFICES AND OFFICERS

Directors

Mr John Chan (Executive Chairman)
Mr Darren John Pateman (Managing Director)
Mr John Boon Heng Cheak
Mr Kee Kong Loh
Mr Lee Verios

Company Secretary

Mr Edward Guy Bank

Principal Registered Office

Finbar Group Limited
Level 6
181 Adelaide Terrace
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Telephone: +61 8 6211 3300
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Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000

Auditors

KPMG
235 St Georges Terrace
PERTH WA 6000

◀ fairlanes



