26 August 2020

ASX MARKET & MEDIA ANNOUNCEMENT

FINBAR REPORTS $7.1 MILLION AFTER TAX PROFIT FOR FY2020

- Finbar confirms after tax profit of $7.07 million for full year ended 30 June 2020
- Company ends the year with $30.6 million in cash, no project related debt, and $164 million in completed stock to fund future commitments
- Settlements at the Company's Sabina project in Applecross noted as the largest contributor to second half results
- Fully franked dividend of $0.01 per share announced to conserve cash flow ahead of the commencement of Civic Heart and 240 Adelaide Terrace projects

PERTH, 26 August 2020: Finbar Group Limited (ASX:FRI) (Finbar the Company) has delivered an after tax profit of $7.07 million for the full year ended 30 June 2020 after releasing its audited results today. The result marks the company's 24th consecutive year of profit despite current and ongoing unpredictable market conditions fuelled by the global pandemic's effect on overall economic activity and buyer behaviour.

The company completed the financial year with a cash position of $30.6 million and with no development project related debt, ensuring the company's $164 million in completed stock protects unimpaired cashflow to the Company and its joint venture partners to fund future project commitments and further development opportunities.

The largest contributor to the second half results resulted from the completion and settlement of the 30 level Sabina project in Applecross in March 2020.

Notably, the company experienced low margins on its low-rise projects in Maylands and Palmyra due to higher specifications needed to stimulate sales in this market sector currently.

Profits were impacted by a marked reduction in sales over the fourth quarter of the financial year, coinciding with Covid-19 related State Government restrictions and the corresponding sales office closures during this period. This was also the cause of delays in the settlement of foreign sales at Sabina. These sales have since settled or are due for settlement in the current financial year bringing default rates across recent projects to record lows of 1%.

The company also noted impairments, in the second half of the financial year, on commercial investment property assets containing food and beverage tenancies (Fairlanes Perth & Karratha) where rental relief has been granted in accordance with State of Emergency tenancy legislation which currently ends in October 2020. These impacts also resulted in minor impairments to provide additional letting-up allowances accordingly.

Despite the current challenges affecting consumer confidence, the Company is encouraged by improved sales activity across June, July, and August to date where the Company has achieved an average of just under one sale per day resulting in $44 million in sales value over this period and the highest monthly average sales rate in two years. It is believed the return of Western Australians from overseas and other Australian cities to their home state is beginning to have an impact on residential demand and is also showing early signs of reigniting investor markets due to strengthening residential rental property performance.

The Company has also recorded strong sales during the pre-launch period at the Company's flagship Civil Heart project with $29 million sales achieved to date ahead of the full project launch next month.

Leasing activity at the Company's Karratha investment property has hit a five year high with leasing activity and rates buoyed by strong economic drivers within the Pilbara region.

Finbar Managing Director, Darren Pateman, said "There is still much to be learned in confronting the uncertainty of this current crisis, and its near and long term consequences and opportunities for Finbar in an environment of rapidly shifting buyer behaviour and Government policy and stimulus."

"While we wait for a clearer picture of the nature of the recovery to emerge, our team is committed to ensuring we remain agile to respond to evolving market conditions and maintain a strong balance sheet with the view to commencing both our Civic Heart and 240 Adelaide Terrace projects this financial year, using existing capital resources," he said.

"These projects will involve a significant commitment of capital from Finbar and its partners, therefore the continued sell down of completed stock and completion of Riverena in September remains our current primary focus".

In light of the Company's desire to conserve cash to fund the commencement of its Civic Heart and 240 Adelaide Terrace projects, the Board has resolved to pay a final dividend of $0.01 per share, fully franked, bringing the distribution to $0.03 per share attributable to the year. Full dividend details are to follow.

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Finbar Group Limited, its controlled entities and its jointly controlled entities, is a property development company whose core business lies in the development of medium to high density residential apartments and commercial property within the Perth Metropolitan Area and the Pilbara within the State of Western Australia