

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

DIRECTORS' REPORT

The Directors of Primary Securities Ltd (ABN 96 089 812 635), the Responsible Entity of Henley Brook Syndicate ("the Syndicate"), present their report for the half-year ended 31 December 2019.

Directors

The names of the Directors in office at any time during or since the end of the half-year are:

Robert Garton Smith
Natasha Olsen
David Butterfield

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

The registered office of the Responsible Entity is 3 Shuffrey Street, Fremantle, WA 6160.

Review of Operations

The Syndicate made an after tax net loss of \$74,829 from continuing operations for the half-year ended 31 December 2019 (31st December 2018: net loss of \$67,561).

As at the 31st December 2019 the syndicate had sold 370 lots and settled 353 lots. Of the stage 9 and 10 lots 2 stage 9 lots and 8 stage 10 lots are available for sale.

Difficult trading conditions continue to negatively impact lot sales for projects such as these. However, the economic conditions in Western Australia have shown a slight improvement over the last twelve months notwithstanding unemployment levels remain high and new dwelling commencements are still at historical lows.

Following the reduction in available lots to a total of 10 lots, development has started on stage 11 of the estate. Stage 11 will be for 40 residential lots plus the commercial site. Initially only 20 lots will be titled and made available for sale.

It has been necessary to develop 40 lots in stage 11 plus the commercial site to allow for the completion of a road through the estate. The construction of the road was a council imposed condition for any further development to progress.

The management team believes that the introduction of grocery and medical services in the estate will enhance the projects amenity proposition and positively influence the rate of sale and potentially the pricing of the lots. The proposal has significant support from the local community due to the current severe lack of amenity in the surrounding area.

A major challenge for this estate is the conversion from signed contracts to unconditional contracts. The finance providers are being much more conservative in their practices as a consequence of the Banking Royal commission. This has led to significant delays in finance approvals and significant levels of refusal.

The private banking facilities have been renegotiated at the same rate with an extension of repayment until the 30th June 2021.

The properties owned by the Syndicate were independently valued as 30th June 2019 for \$16,928,000 excluding GST.

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DIRECTORS' REPORT

Principal Activity

The Syndicate is a registered managed investment scheme domiciled in Australia.

The Syndicate commenced on 22 December 2005 after the acquisition of Lots 349 and 350 Park Street, Henley Brook, Western Australia.

The Property was to be subdivided into approximately 581 residential lots with some rural residential lots over approximately nine stages to be progressively completed over a ten year period. A total of 380 lots have been developed including stage 10. The balance of 201 lots are intended to be developed and sold over the next three to four years.

The Syndicate has no employees.

There have been no significant changes in the nature of the Syndicate's activities during the financial period.

Likely Developments

Stage 11 commenced construction in November 2019. Completion of construction is expected in June 2020 with titles issuing within three months of completion.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is included on page 12.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity, Primary Securities Ltd:



Robert Garton Smith
Director

Dated this 24th day of February 2020
Fremantle, Western Australia

HENLEY BROOK SYNDICATE
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	December 2019 \$	December 2018 \$
Revenue		
Property development sale	3,281,876	2,120,652
Interest income	16,343	917
Total Revenue	<u>3,298,219</u>	<u>2,121,569</u>
Expenses		
Administration Expenses	(45,118)	(33,226)
Management Fees	(214,775)	(155,867)
Agents Commission	(107,040)	(69,165)
Depreciation Expenses	-	(2,768)
Cost of property development sold	(2,988,193)	(1,953,731)
Total Expenses	<u>(3,355,126)</u>	<u>(2,214,757)</u>
Net Loss before income tax	(56,907)	(93,188)
Income Tax (Expense)/Benefit	(17,922)	25,627
Total Comprehensive Loss attributable to Unit Holders	<u>(74,829)</u>	<u>(67,561)</u>

The accompanying notes form part of these financial statements.

HENLEY BROOK SYNDICATE
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	December 2019 \$	June 2019 \$
Current Assets			
Cash and cash equivalents		3,979,367	2,219,822
Trade and other receivables		127,245	112,457
Inventories	2	1,374,742	3,213,071
Total Current Assets		<u>5,481,354</u>	<u>5,545,350</u>
Non-Current Assets			
Inventories	2	14,243,974	14,351,715
Property, plant & equipment		34,133	34,133
Total Non-Current Assets		<u>14,278,107</u>	<u>14,385,848</u>
Total Assets		<u>19,759,461</u>	<u>19,931,198</u>
Current Liabilities			
Trade and other payables		1,178	76,122
Borrowings	3	3,500,000	3,539,886
Current tax liability		17,922	-
Total Current Liabilities		<u>3,519,100</u>	<u>3,616,008</u>
Non-Current Liabilities			
Deferred Tax Liabilities		1,396,046	1,396,046
Total Non-Current Liabilities		<u>1,396,046</u>	<u>1,396,046</u>
Total Liabilities		<u>4,915,146</u>	<u>5,012,054</u>
Net Assets		<u>14,844,315</u>	<u>14,919,144</u>
Equity			
Unitholders equity		14,844,315	14,919,144
Net Assets Attributable to Unit Holders		<u>14,844,315</u>	<u>14,919,144</u>

The accompanying notes form part of these financial statements.

HENLEY BROOK SYNDICATE
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STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	December 2019	December 2018
	\$	\$
UNITHOLDERS EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR	14,919,144	14,881,017
<i>Recognised income and expenses</i>		
Loss for the half year	(74,829)	(67,561)
Total comprehensive income for the half year	(74,829)	(67,561)
UNITHOLDERS EQUITY AT THE END OF THE HALF YEAR	<u>14,844,315</u>	<u>14,813,456</u>

The accompanying notes form part of these financial statements.

HENLEY BROOK SYNDICATE
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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	December 2019 \$	December 2018 \$
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	3,568,000	2,332,717
Interest received	16,343	917
Payments to suppliers	<u>(1,824,798)</u>	<u>(1,419,453)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>1,759,545</u>	<u>914,181</u>
<i>Cash Flows from Financing Activities</i>		
Repayment of borrowings	-	(3,896,879)
Proceeds from borrowings	<u>-</u>	<u>3,500,000</u>
<i>Net Cash Used In Financing Activities</i>	<u>-</u>	<u>(396,879)</u>
Net increase in cash and cash equivalents	1,759,545	517,302
Cash and cash equivalents at the beginning of the half-year	<u>2,219,822</u>	<u>115,281</u>
<i>Cash and cash equivalents at the end of the half-year</i>	<u><u>3,979,367</u></u>	<u><u>632,583</u></u>

The accompanying notes form part of these financial statements.

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Henley Brook Syndicate ("the Syndicate") is a registered managed investment scheme under the Corporations Act 2001. The condensed interim financial report of the Scheme is for the six months ended 31 December 2019.

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Syndicate's 2019 annual financial report for the financial year ended 30 June 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Syndicate has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year.

It has been determined by the Syndicate that there is no material impact of the New and Amended Standards and Interpretations on its business, and therefore, no changes are required to the Syndicate's accounting policies.

Unitholders funds have been shown as equity rather than a financial liability following the amendment to the Syndicate's Constitution, giving the Syndicate an indefinite useful life. The funds ceased to satisfy the definition of a financial liability under AASB 132 Financial Instruments: Presentation and have been classified as an equity instrument in the financial statements.

HENLEY BROOK SYNDICATE
ARSN 114 592 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

2. INVENTORIES

	December 2019 \$	June 2019 \$
Current		
Work in progress at cost	1,374,742	3,213,071
Non-Current		
Work in progress at cost	14,243,974	14,351,715
	<u>15,618,716</u>	<u>17,564,786</u>
Work in Progress		
Cost of Acquisition	12,500,000	12,500,000
Development costs capitalised	52,339,538	53,542,463
Borrowing and finance costs capitalised	10,741,586	10,590,902
Cost of sales expensed	(59,962,408)	(59,068,579)
	<u>15,618,716</u>	<u>17,564,786</u>

Work in progress relates to land acquired by the Henley Brook Syndicate. The property comprises two adjoining titles having an area of approximately 40.6 hectares. The project is to subdivide the property into a total of approximately 581 residential lots over 12 stages with the intention of selling remaining lots over the next 3 to 4 years.

HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

3. INTEREST BEARING LIABILITIES

	December 2019 \$	June 2019 \$
Current		
Secured Bank Guarantee facility	-	39,886
Secured Debt Facility	3,500,000	3,500,000
	<u>3,500,000</u>	<u>3,539,886</u>

The Syndicate currently has a debt facility with a private investor which is fully drawn in the amount of \$3,500,000. The facility attracts interest of the RBA Cash Rate plus 6.5% and is required to be repaid by 9th May 2020. The facility is secured by:

- a) First ranking real property mortgage over the land;
- b) First ranking general security agreement over each obligator (scheme assets); and
- c) After the date of the agreement, any other security that the lender and the customer agree to be a security each in a form and content that is satisfactory to the lender and borrower.

4. EVENTS SUBSEQUENT TO REPORTING DATE

The private banking facilities have been renegotiated at the same rate with an extension of repayment until 30th June 2021.

5. COMMITMENTS

Other than as outlined below, there has been no change in commitments or contingencies since the last annual reporting date.

The Syndicate engaged Croker Construction WA for development works on Stage 11 for a contracted price of \$3,667,912 (exclusive of GST). At 31 December 2019, the amount of \$3,432,171 remains committed but unutilised.

HENLEY BROOK SYNDICATE

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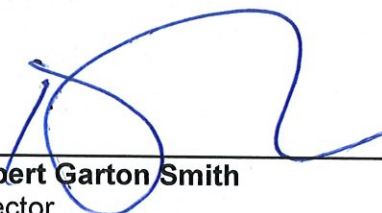
DIRECTORS' DECLARATION

31 DECEMBER 2019

The directors of Primary Securities Ltd, the Responsible Entity of the Henley Brook Syndicate, declare that:

1. The financial statements and notes:
 - (a) comply with the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Syndicate's financial position as at 31 December 2019 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Syndicate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of the Responsible Entity.



Robert Garton Smith

Director

Dated this 24th day of February 2020

Fremantle, Western Australia

Crowe Perth

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www.crowe.com.au**AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of the Henley Brook Syndicate for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

**Crowe Perth****Cyrus Patell**

Partner

Perth, WA

Dated this 24th day of February 2020

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNIT HOLDERS OF THE HENLEY BROOK SYNDICATE

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Henley Brook Syndicate (the Syndicate), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in net assets attributable to Unit Holders, the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The Directors of the Responsible Entity, Primary Securities Limited, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Syndicate's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Syndicate, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Henley Brook Syndicate is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Syndicate's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b) complying with AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Crowe Perth



Cyrus Patell
Partner

Perth, WA

Dated this 24th day of February 2020