

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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 2020.

Directors

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

Robert Garton Smith
David Butterfield
Natasha Olsen

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 profit of \$586,388 from continuing operations for the half-year ended 31 December 2020 (31 December 2019: net loss of \$74,829).

During the period the Syndicate paid a distribution of \$1,100,000 to its unitholders.

As at the 31 December 2020 the syndicate had sold 422 lots and settled 393 lots. Of the stage 9 and 10 lots 1 stage 9 lot and 2 stage 11a lots were available for sale.

The six month period from the end of June 2020 saw a continuation of the strong demand for lots experienced toward the end of the 2020 financial year.

This surge of interest was a result of the strong incentives provided by State and Commonwealth governments. The impact has been welcomed to the syndicate and has shown in the sales of most of the lots available in the development.

Plans are with the City of Swan to develop stage 12. This is a 35 lot development. Initial tendering for the stage showed a significant increase in the development costs over and above the budget. While cost have increased by about 35% we are yet to see a similar increase in the selling prices of the lots. Development will commence in April 2021 for settlement circa the end of the 2021 calendar year.

The market demand is still reasonable for residential lots. Accordingly, we will proceed with the next stage in the interests of completing the project as soon as possible. Management is of the view that the strong demand for lots through 2020 calendar year has dragged demand into that year.

Expectations are that the demand will and has dropped from the previous year but not back to the very slow period of 2016 to 2019. The low interest rates and very low vacancy factors for rental properties should keep demand for lots at reasonable levels.

The proposed grocery and medical centre on the Commercial site has not been built. The commercial site has been negatively impacted by the delays in completing the provision of the site in a timely manner. The delays in delivering the site has meant that a Coles site nearby and the Covid 19 difficulties made development of the buildings uncommercial.

As a consequence, the Syndicate and developer came to a conditional agreement to change the use to a Child Care and Commercial site. The developer has entered into a new contract

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DIRECTORS' REPORT

at an increased cost and has undertaken to apply for the change of use. The costs of this exercise are being borne by the developer.

The private banking facilities have been repaid ahead of time on the 28th February 2021. The syndicate is now debt free.

The properties owned by the Syndicate were independently valued as 30th June 2020 for \$20,510,850 excluding GST.

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 Road, 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 430 lots have been developed including stage 11. The balance of 151 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 reporting period.

Likely Developments

Stage 11 Was completed and lots titled in September 2020.

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 15TH day of March 2021

Fremantle, Western Australia

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STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	December 2020 \$	December 2019 \$
<i>Revenue and other income</i>		
Property development sale	6,070,686	3,281,876
Interest income	3,361	16,343
Other income	2,500	-
	<hr/>	<hr/>
<i>Total revenue and other income</i>	6,076,547	3,298,219
	<hr/>	<hr/>
<i>Expenses</i>		
Administration expenses	(55,891)	(45,118)
Management fees	(369,628)	(214,775)
Agents commission	(198,180)	(107,040)
Cost of property development sold	(4,644,037)	(2,988,193)
	<hr/>	<hr/>
<i>Total expenses</i>	(5,267,736)	(3,355,126)
	<hr/>	<hr/>
<i>Net profit/(loss) before income tax</i>	808,811	(56,907)
Income tax expense	(222,423)	(17,922)
	<hr/>	<hr/>
Total comprehensive income/(loss) attributable to unit holders	586,388	(74,829)
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The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	December 2020 \$	June 2020 \$
Current Assets			
Cash and cash equivalents		3,643,195	2,620,401
Trade and other receivables		74,985	212,618
Inventories	2	2,636,569	5,360,722
Total Current Assets		<u>6,354,749</u>	<u>8,193,741</u>
Non-Current Assets			
Inventories	2	13,512,418	13,485,557
Property, plant and equipment		34,133	34,133
Total Non-Current Assets		<u>13,546,551</u>	<u>13,519,690</u>
Total Assets		<u>19,901,300</u>	<u>21,713,431</u>
Current Liabilities			
Trade and other payables		127,928	1,648,870
Borrowings	3	3,500,000	3,500,000
Current tax liability		222,423	-
Total Current Liabilities		<u>3,850,351</u>	<u>5,148,870</u>
Non-Current Liabilities			
Deferred tax liabilities		1,464,622	1,464,622
Total Non-Current Liabilities		<u>1,464,622</u>	<u>1,464,622</u>
Total Liabilities		<u>5,314,973</u>	<u>6,613,492</u>
Net Assets		<u>14,586,327</u>	<u>15,099,939</u>
Equity			
Unitholders equity		14,586,327	15,099,939
Net Assets Attributable to Unit Holders		<u>14,586,327</u>	<u>15,099,939</u>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	December 2020	December 2019
	\$	\$
UNITHOLDERS EQUITY AT THE BEGINNING OF THE HALF YEAR	15,099,939	14,919,144
<i>Recognised income and expenses</i>		
Profit/(loss) for the half year	<u>586,388</u>	<u>(74,829)</u>
Total comprehensive income/(loss) for the half year	<u>586,388</u>	<u>(74,829)</u>
Transactions with unit holders in their capacity as unitholders		
Distributions paid (Note 6)	(1,100,000)	-
UNITHOLDERS EQUITY AT THE END OF THE HALF YEAR	<u>14,586,327</u>	<u>14,844,315</u>

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STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	December 2020 \$	December 2019 \$
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	6,606,000	3,568,000
Interest received	3,361	16,343
Other income	2,500	-
Payments to suppliers	<u>(4,563,567)</u>	<u>(1,824,798)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>2,048,294</u>	<u>1,759,545</u>
<i>Cash Flows from Investing Activities</i>		
Distribution to unitholders	<u>(1,025,500)</u>	<u>-</u>
<i>Net Cash Used In Investing Activities</i>	<u>(1,025,500)</u>	<u>-</u>
Net increase in cash and cash equivalents	1,022,794	1,759,545
Cash and cash equivalents at the beginning of the half-year	<u>2,620,401</u>	<u>2,219,822</u>
<i>Cash and cash equivalents at the end of the half-year</i>	<u>3,643,195</u>	<u>3,979,367</u>

The accompanying notes form part of these financial statements.

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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 2020.

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 2020 annual financial report for the financial year ended 30 June 2020. 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.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

2. INVENTORIES

	December 2020 \$	June 2020 \$
Current		
Work in progress at cost	2,636,569	5,360,722
Non-Current		
Work in progress at cost	13,512,418	13,485,557
	<u>16,148,987</u>	<u>18,846,279</u>
Work in Progress		
Cost of Acquisition	12,500,000	12,500,000
Development costs capitalised	60,698,780	59,188,786
Borrowing and finance costs capitalised	10,969,418	10,852,298
Cost of sales expensed	<u>(68,019,211)</u>	<u>(63,694,805)</u>
	<u>16,148,987</u>	<u>18,846,279</u>

Work in progress relates to land acquired by the Henley Brook Syndicate. The property originally comprised two adjoining titles which had an area of approximately 40.6 hectares. The subdivision is to divide the property into approximately 587 residential lots over 15 stages, and to sell the balance of the remaining lots over the next 3 to 4 years.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

3. INTEREST BEARING LIABILITIES

	December 2020 \$	June 2020 \$
Current		
Secured Debt Facility	3,500,000	3,500,000
	<u>3,500,000</u>	<u>3,500,000</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 at the earlier of 30 June 2021 and the sale or other disposal of all the land held. 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 repaid ahead of time on the 28th February 2021. The syndicate is now debt free.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected or may significantly affect the Syndicate's operations, the results of those operations, or the Syndicate's state of affairs in future financial years.

5. COMMITMENTS

There has been no commitments or contingencies as at the reporting date.

6. DISTRIBUTIONS

On 12th December 2020, the Directors of the Responsible Entity declared a distribution of \$0.10 per ordinary unit resulting in a total distribution allocation of \$1,100,000. The total paid was \$1,025,500 for the half-year ended 31 December 2020. The distribution outstanding will be paid post 31st December 2020. The difference is returned funds due to errors or omissions in details from investors.

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DIRECTORS' DECLARATION

31 DECEMBER 2020

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 2020 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 15TH day of March 2021
Fremantle, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE UNITHOLDERS OF THE HENLEY BROOK SYNDICATE

As lead auditor for the review of the half-year financial report of the Henley Brook Syndicate for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, that 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 15th day of March 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of the Henley Brook Syndicate, which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the Syndicate's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Syndicate in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the 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 internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year 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 2020 and its performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 other 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.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 15th March 2021