

**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

**HENLEY BROOK SYNDICATE  
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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 28<sup>th</sup> 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:



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**Robert Garton Smith**

Director

Dated this 15<sup>TH</sup> day of March 2021

Fremantle, Western Australia

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

	<b>December 2020 \$</b>	<b>December 2019 \$</b>
<b><i>Revenue and other income</i></b>		
Property development sale	6,070,686	3,281,876
Interest income	3,361	16,343
Other income	2,500	-
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<b><i>Total revenue and other income</i></b>	<b>6,076,547</b>	<b>3,298,219</b>
	<hr/>	<hr/>
<b><i>Expenses</i></b>		
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)
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<b><i>Total expenses</i></b>	<b>(5,267,736)</b>	<b>(3,355,126)</b>
	<hr/>	<hr/>
<b><i>Net profit/(loss) before income tax</i></b>	<b>808,811</b>	<b>(56,907)</b>
Income tax expense	(222,423)	(17,922)
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) attributable to unit holders</b>	<b>586,388</b>	<b>(74,829)</b>
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The accompanying notes form part of these financial statements.

**HENLEY BROOK SYNDICATE**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

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

The accompanying notes form part of these financial statements.

**HENLEY BROOK SYNDICATE  
ARSN 114 592 040**

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

	<b>December 2020</b>	<b>December 2019</b>
	<b>\$</b>	<b>\$</b>
<b>UNITHOLDERS EQUITY AT THE BEGINNING OF THE HALF YEAR</b>	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>
<b>Transactions with unit holders in their capacity as unitholders</b>		
Distributions paid (Note 6)	(1,100,000)	-
<b>UNITHOLDERS EQUITY AT THE END OF THE HALF YEAR</b>	<u><b>14,586,327</b></u>	<u><b>14,844,315</b></u>

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HENLEY BROOK SYNDICATE

ARSN 114 592 040

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

	December 2020 \$	December 2019 \$
<b><i>Cash Flows from Operating Activities</i></b>		
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>
<b><i>Net Cash Provided By Operating Activities</i></b>	<u>2,048,294</u>	<u>1,759,545</u>
<b><i>Cash Flows from Investing Activities</i></b>		
Distribution to unitholders	<u>(1,025,500)</u>	<u>-</u>
<b><i>Net Cash Used In Investing Activities</i></b>	<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>
<b><i>Cash and cash equivalents at the end of the half-year</i></b>	<u><b>3,643,195</b></u>	<u><b>3,979,367</b></u>

The accompanying notes form part of these financial statements.

**HENLEY BROOK SYNDICATE  
ARSN 114 592 040**

**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.



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

**2. INVENTORIES**

	<b>December 2020</b>	<b>June 2020</b>
	\$	\$
<b>Current</b>		
Work in progress at cost	2,636,569	5,360,722
<b>Non-Current</b>		
Work in progress at cost	13,512,418	13,485,557
	16,148,987	18,846,279
<b>Work in Progress</b>		
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	(68,019,211)	(63,694,805)
	16,148,987	18,846,279

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.

**HENLEY BROOK SYNDICATE  
ARSN 114 592 040**

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

**3. INTEREST BEARING LIABILITIES**

	<b>December 2020 \$</b>	<b>June 2020 \$</b>
<b>Current</b>		
Secured Debt Facility	<u>3,500,000</u>	<u>3,500,000</u>
	<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 31<sup>st</sup> December 2020. The difference is returned funds due to errors or omissions in details from investors.

## HENLEY BROOK SYNDICATE

ARSN 114 592 040

### 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.



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**Robert Garton Smith**

Director

Dated this 15<sup>TH</sup> day of March 2021

Fremantle, Western Australia