

HENLEY BROOK SYNDICATE
ARSN 114 592 040
ABN 83 848 124 457

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

HENLEY BROOK SYNDICATE
ARSN 114 592 040

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HENLEY BROOK SYNDICATE
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REVIEW OF OPERATIONS
FOR THE YEAR ENDED 30 JUNE 2018

The Henley Brook Syndicate (the Syndicate) was registered by the Australian Securities and Investments Commission as a registered Managed Investment Scheme under the Corporations Act 2001 on 17th June 2005.

Commencing on the 22 December 2005 following the acquisition of lots 349 and 350 Park Road, Henley Brook, Western Australia the syndicate plans to develop 580 residential lots on the estate.

The properties owned by the Syndicate were independently valued as 28th June 2018 for \$20,340,000 excluding GST.

The syndicate has completed development of stages 1 to 10. The last stage developed, stage 10, produced 56 lots in various sizes and categories. Stage 9 has achieved sales of 61 lots and settlements of 50 lots have been completed. Stage 10 has achieved sales of 15 lots with no settlements. These details are as at the 30th June 2018.

Planning for Stage 11 and the Commercial site has commenced development; time frames will depend entirely on market conditions. At this stage our best estimate is that development will commence early in the new calendar year.

Current market conditions are weak and accordingly the manager will be prudent with funding including potential distributions to investors.

The supervisor has entered into an agreement to develop a medical centre and grocery outlet on the estate. The risk is with the applicant to have the necessary rezoning completed and to undertake the development. The WAPC have approved the zoning however the area available for development has been reduced making the project sub commercial. Plans are being prepared to apply to the City of Swan for additional Gross Lettable Area. If this application is unsuccessful it may prejudice the development.

The construction of a Commercial Centre will overcome a negative for buyers in the estate in that the nearest facility for shopping and medical services is approximately 6 kilometres from the estate.

The management team believes that the establishment of services in the estate will enhance the project increase the rate of sale and potentially the pricing of the lots. In the process of advertising the original proposal there was significant support from the community for the proposed development.

Further discussion with the community in the area confirms the strong support for the project recognising the benefit to the community.

Outlook

The market for residential properties continues to be very difficult in the WA market. Statistics show that quarterly sales of residential lots are running at circa 1,000 per quarter down from 3,500 per quarter in normal market conditions such as 2013.

The syndicate is working on smaller stages for future development and is planning on having continuous development to speed up the process and return funds to investors. With the gradual reduction of debt the syndicate is better placed to have a continuous development process.

The estate is in a good catchment area with a number of strong projects in the immediate vicinity. That ensures we have a steady flow of interested buyers visiting the estate. A sales office and associated support facilities has been completed to improve the sales process. The web site has been upgraded and is now more user friendly. Social and community activity continues and will be supported further in the coming summer months.

Despite these advantages, we have found that the selling price of lots from nearby estates has forced a significant reduction in our selling prices to maintain a satisfactory sales rate. The management of sales prices and volumes is a continuous challenge as the syndicate aims to provide a return to investors.

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**RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

Report by Directors of the Responsible Entity

The Directors of Primary Securities Ltd (ABN 96 089 812 635), the Responsible Entity of Henley Brook Syndicate (“the Syndicate”), present their report together with the Financial Report of the Syndicate for the year ended 30 June 2018 and the auditor’s report thereon.

Responsible Entity

Primary Securities Ltd (“the Responsible Entity”) has been the responsible entity since 15 June 2012.

The Directors of Primary Securities Ltd in office at any time during or since the end of the period are:

R Garton Smith
I Murchison
D Butterfield
Anthony Wamsteker

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

Principal Activities

The Syndicate is a registered managed investment scheme domiciled in Australia. The Syndicate owns Lots 349 and 350 Park Road, Henley Brook, Western Australia (the Property).

The Property is to be subdivided into predominantly residential lots with some rural residential lots to be progressively completed and sold over the next two to three years.

The Syndicate has no employees.

Operating Results

The Syndicate made a net profit of \$629,978 (2017: \$334,282) for the year ended 30 June 2018 from continuing operations.

There were no distributions paid or payable in respect of the financial year.

Review and results of operations

The review of operations for the year ended 30 June 2018 is discussed in the Responsible Entity Report contained on page 2 of this report.

Units on Issue

The movement of the units on issue of the Syndicate for the year was as follows:

	2018	2017
Units on issue as at 30 June	11,000,000	11,000,000
Value of the Syndicate’s net assets as at 30 June	\$14,881,017	\$14,251,039

The basis for the valuation of the Syndicate’s assets is disclosed in Note 1 to the financial statements.

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RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Interests of the Responsible Entity and Associates

The Responsible Entity and its associates did not hold any units in the Syndicate as at 30 June 2018.

Fees paid to the Responsible Entity

There were the following fees paid or payable to, Primary Securities Ltd (Responsible Entity) out of syndicate property during the financial year. Upon the appointment of Primary Securities Ltd, Appian Properties Pty Ltd is responsible for payment of the Responsible Entity fees. The entity fees were \$69,469 for 2018 and \$66,889 for 2017.

	2018	2017
	\$	\$
Appian Properties Pty Ltd		
Supervisory fees	352,096	353,680

Primary Securities Ltd was appointed as Responsible Entity following approval from unit holders at a general meeting on 14 June 2012. Primary Securities Ltd superseded Viento Property Ltd. Since the 11th of November 2014 Appian Properties Pty Ltd has become the manager.

State of Affairs

The Syndicate was formed to purchase Lots 349 and 350 Park Road, Henley Brook, Western Australia. The funding for the Syndicate consisted of 11,000,000 \$1.00 units and a cash advance facility of \$6,250,000 with the National Australia Bank Limited. The Syndicate commenced operations on 22 December 2005.

The Syndicate had total assets with a book value of \$20,337,644 at 30 June 2018 (2017: \$21,680,050). The basis of valuation of the Syndicate's principal asset, land held for resale is detailed in note 1 (b) of the financial statements.

Proceedings on Behalf of a Company

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

Events Subsequent to Balance Date

There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Syndicate, the results of those operations or the state of affairs of the Syndicate in subsequent financial years.

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**RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

Likely Developments

The Syndicate will continue to run and subdivide the Property into approximately 580 residential lots to be progressively completed and sold over the next 3 to 4 years. At this date the project had developed 380 lots. A further 200 lots are yet to be developed.

Environmental Issues

The Syndicate's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory legislation.

The Syndicate's operations by their nature (land subdivision) have an impact on the local environment. Therefore, the Syndicate obtains all required environmental and legal approvals prior to the commencement of any works which may impact the environment.

Indemnities and Insurance Premiums for Officers or Auditor

During or since the end of the financial year no insurance premiums have been paid out of the Syndicate's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or auditors of the Syndicate.

Under the Constitution the Responsible Entity, including its directors and officers, is entitled to be indemnified out of the Syndicate's assets for any loss, damage, expense or other liability, incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Syndicate. This right of indemnity does not apply to the extent any loss, damage or costs are attributable to a breach of trust where the Responsible Entity failed to show the degree of care and diligence required of a trustee.

The Responsible Entity has made an agreement to indemnify all of its directors and executive officers for liabilities incurred as an officer or director. The insurance contract specifically prohibits disclosure of the nature of the insured liabilities and of the premium in respect of this policy.

Auditor's Independence Declaration

The auditor's independence declaration for the period ended 30 June 2018 has been received and can be found on page 29 of the financial report.

Signed in accordance with a resolution of the Board of Directors of Primary Securities Ltd



Robert Garton Smith
Director
Primary Securities Ltd

Dated this 25th day of September 2018
Fremantle, Western Australia

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**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$	2017 \$
Revenue			
Property development sale	2	7,349,684	7,385,569
Interest income		2,499	7,090
Total revenue		7,352,183	7,392,659
Expenses			
Administration expenses	3	(106,550)	(96,754)
Management fees	4	(477,126)	(307,113)
Agent commissions	5	(237,816)	(241,199)
Finance expenses		-	(6,121)
Cost of property development sold	6	(5,824,580)	(6,263,221)
Total Expenses		(6,646,072)	(6,914,408)
Profit before tax from continuing operations		706,111	478,251
Income tax expense	11	(76,133)	(143,969)
Profit after tax		629,978	334,282
Finance costs – distributions to unit holders		-	-
Net Profit		629,978	334,282
Other Comprehensive Income		-	-
Change in Net Assets Attributable to unit holders		629,978	334,282

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	14(a)	115,281	330,205
Trade and other receivables	7	42,457	182,508
Inventories	8	3,702,759	3,539,138
Total Current Assets		3,860,497	4,051,851
Non-Current Assets			
Inventories	8	16,440,247	17,626,299
Property, plant and equipment		36,900	1,900
Total Non-Current Assets		16,477,147	17,628,199
Total Assets		20,337,644	21,680,050
Current Liabilities			
Trade and other payables	9	24,299	438,600
Borrowings	10	3,944,978	5,579,194
Current tax liabilities	11	105,494	-
Total Current Liabilities		4,074,771	6,017,794
Non-Current Liabilities			
Deferred Tax Liabilities	11	1,381,856	1,411,217
Total Non-Current Liabilities		1,381,856	1,411,217
Total Liabilities		5,456,627	7,429,011
Net Assets		14,881,017	14,251,039
Equity			
Unitholders equity	12	14,881,017	14,251,039
Net Assets Attributable to Unit Holders		14,881,017	14,251,039

The accompanying notes form part of these financial statements

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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
UNITHOLDERS EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		14,251,039	13,916,757
<i>Recognised income and expenses</i>			
Profit for the year		<u>629,978</u>	<u>334,282</u>
UNITHOLDERS EQUITY AT THE END OF THE FINANCIAL YEAR	12	<u>14,881,017</u>	<u>14,251,039</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,007,190	7,385,569
Payments to suppliers		(6,555,170)	(7,199,578)
Interest received		2,272	7,090
Finance costs		-	(6,121)
Net cash flows provided by operating activities	14(b)	1,454,292	186,960
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(35,000)	-
Net cash flows used in investing activities		(35,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(1,634,216)	(14,916)
Net cash flows used in financing activities		(1,634,216)	(14,916)
Net increase/ (decrease) in cash and cash equivalents		(214,924)	172,044
Cash and cash equivalents at the beginning of the period		330,205	158,161
Cash and cash equivalents at the end of the period	14(a)	115,281	330,205

The accompanying notes form part of these financial statements.

HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Syndicate is a registered managed investment scheme under the *Corporations Act 2001*. The Financial Report of the Syndicate is for the year ended 30 June 2018.

Basis of Preparation

The Henley Brook Syndicate is a registered managed investment scheme established and domiciled in Australia.

The Financial Report is a general purpose financial report prepared in accordance with Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The syndicate is a for-profit entity for reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report, except for cash flow information, has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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 definition of a financial liability under AASB 132 Financial Instruments: Presentation and have been classified as an equity instrument in the financial statements.

The financial statements were authorised for issue on 25 September 2018 by the directors of the Responsible Entity.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising of the financial statements and notes thereto, complies with International Financial Reporting Standards.

The following is a summary of the significant accounting policies adopted by the Syndicate in the preparation of the Financial Report.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of business for a period of at least 12 months from the date the financial report was authorized for issue.

As at 30 June 2018, the Syndicate had a net current liability of \$214,274 (2017: \$1,965,943). The Directors of the Responsible Entity acknowledges that the ability of the Syndicate to continue as a going concern is dependent on the generation of sufficient profits and positive cash flows and the continued support of its financiers.

Accordingly, the Directors of the Responsible Entity have renegotiated the payment terms of the Syndicate's existing debt which resulted in Tranche C and D of the financial liabilities held at 30 June 2018 being repayable by the 31st October 2018 and Tranche A by the 31st December 2018.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Going Concern (cont'd)

The Directors of the Responsible Entity expect to repay Tranches A, B and C within the terms currently agreed, from cash flows from the sale of lots which were under contract but not yet settled at 30 June 2018.

Accounting Policies

a) Acquisitions of Development Property

The acquisition cost of development property represents the contract purchase price of the property, including non-recoverable GST (if any) calculated under the margin scheme, plus the additional costs associated with the acquisition, including stamp duty and legal fees.

b) Inventory of Development Property

AASB 102 "Inventories" prescribes the measurement of inventories (including development property for sale), including the amount to be initially recognised as an asset in the Statement of Financial Position and later recognised as an expense in the Statement of Profit or Loss & Other Comprehensive Income.

Inventories are measured at the lower of cost or net realisable value on an item by item basis. Net realisable value is the net amount an entity expects to realise from the sale of inventory in the ordinary course of business, after selling costs.

The costs of inventories include the cost of acquisition, development and holding costs such as borrowing costs, rates and taxes until the point of time that the property is ready for sale. Borrowing costs and other holding costs incurred after completion of development are expensed.

Upon sale of an item of inventory the carrying amount of that item is recognised as an expense in the Statement of Profit or Loss & Other Comprehensive Income in the period in which the related revenue is recognised.

Inventories are treated as current when they are finished goods, or when lots are expected to title within 12 months from the reporting date. All other inventories are classified as non-current.

c) Sales of Development Property

Sales income is recorded when the legal title of the property lot is transferred to the buyer at settlement net of the amount of goods and services tax ("GST") levied. The amount of GST payable is calculated by using the margin scheme. The margin scheme calculates GST on the difference between selling price and the original purchase price.

d) Other income

Interest income is recognised in the Statement of Profit or Loss & Other Comprehensive Income using the effective interest rate method.

Other income is recognised on an accruals basis, which is when the Syndicate becomes entitled to receive it.

All revenue is stated net of the amount of goods and services tax (GST).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of 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 an item of the expense.

Receivables and payables are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability.

GST is 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. Refer to Note 1(l) for the accounting policy in relation to Margin Scheme.

f) Financial instruments

Financial instruments are initially measured at fair value on transaction date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Syndicate are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

h) Impairment of assets

At each reporting date, the Responsible Entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the carrying value over its recoverable amount is expensed to the Statement of Profit or Loss & Other Comprehensive Income.

i) Finance Costs

Finance costs – distribution to unit holders, represents amounts distributed to unit holders based upon their unit holding during the financial year and are recognised when a distribution is declared by the Syndicate.

Finance costs (excluding distributions to unit holders), are recognised using the effective interest rate applicable to the respective financial liability.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Distributions and taxation

The Syndicate is a unit trust and will therefore be taxed as a company. Its income after tax (including assessable realised capital gains) will be distributed in full to the unit holders.

The Syndicate will fully distribute its income in accordance with the Syndicate constitution and applicable taxation legislation, to the unit holders who are presently entitled to the income under the constitution.

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

k) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

l) Margin Scheme

The margin scheme is an alternative method of calculating the GST payable on sales of real property. It allows sellers of real property to pay GST equal to one-eleventh of the 'margin' rather than one-eleventh of the total sale price. The 'margin' is calculated as the difference between the sale price and the amount the seller paid for the property. Refer to Note 1(e) for the accounting policy in relation to Goods and Services Tax ("GST").

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Management and Agent fees

Management fees are calculated as 6% of the sales price (net of GST). Agent fees are calculated as 3% of the sales price (net of GST).

n) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

o) Foreign currency translation

The financial statements are presented in Australian dollars, which is the Syndicate's functional and presentation currency.

p) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the syndicate for the annual reporting period ended 30 June 2018. The syndicate's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the syndicate, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the syndicate. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) New Accounting Standards and Interpretations not yet mandatory or early adopted (cont'd)

AASB 9 Financial Instruments (cont'd)

The Syndicate will adopt this standard from 1 July 2018 and the impact of its adoption will not be material to the Syndicate's financial statements as the Syndicate has no material financial instruments.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that a syndicate will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Syndicate recognises revenue from the sale of land lots as described in note 1(c). The Directors of the Responsible Entity have assessed that the sale of the lots represents one performance obligation and accordingly, revenue will be recognised when control over the lots is transferred to the customer which is expected to occur at a point in time. This is consistent with the Syndicate's current revenue recognition practice. The Syndicate will adopt this standard from 1 July 2018.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) New Accounting Standards and Interpretations not yet mandatory or early adopted (cont'd)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Syndicate will adopt this standard from 1 July 2019 and the impact of its adoption will not be material to the Syndicate's financial statements as the Syndicate has no operating leases.

q) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Classification of inventories

The classification of inventories requires a degree of estimation and judgement. The level of the inventory to be classified as current assets is assessed by taking into account the contracted sales which were not yet settled at the year-end, recent sales experience, market conditions and the number of lots available for sale.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUE	2018	2017
	\$	\$
Sale Income		
Property development sale	7,349,684	7,385,569
	<u>7,349,684</u>	<u>7,385,569</u>
 3. ADMINISTRATION EXPENSES		
Accounting fees paid to Appian Properties Pty Ltd	62,629	64,980
Other administration expenses	43,921	31,774
	<u>106,550</u>	<u>96,754</u>
 4. MANAGEMENT FEES		
Management fees – paid to Appian Properties Pty Ltd	352,096	181,713
Custodian fees	45,000	45,000
Consulting Fees	80,030	80,400
	<u>477,126</u>	<u>307,113</u>
 5. AGENT COMMISSIONS		
Agent Commissions	237,816	241,199
	<u>237,816</u>	<u>241,199</u>
 6. COSTS OF SALES		
Cost of property development sale	5,824,580	6,263,221
	<u>5,824,580</u>	<u>6,263,221</u>
 7. TRADE AND OTHER RECEIVABLES		
Current		
GST receivable	-	16,103
Other Assets	21	21
Bank Guarantees receivable	42,436	166,384
	<u>42,457</u>	<u>182,508</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. INVENTORIES	2018	2017
	\$	\$
Current		
Work in progress at cost	3,702,759	3,539,138
Non-Current		
Work in progress at cost	16,440,247	17,626,299
	<u>20,143,006</u>	<u>21,165,437</u>
 Work In Progress		
Cost of acquisition	12,500,000	12,500,000
Development costs capitalised	52,777,146	45,377,391
Borrowing and finance costs capitalised	10,301,203	10,013,057
Cost of sales expensed	(55,435,343)	(46,725,011)
	<u>20,143,006</u>	<u>21,165,437</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 580 residential lots over 15 stages, and to sell the balance of 245 lots over the next 3 to 4 years is ongoing.

The initial acquisition of the land was funded by a combination of third party finance (\$6.25 million) with National Australia Bank Limited and unit holder contributions (\$11 million).

	2018	2017
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Accounts payable	2,394	426,600
Other creditors and accruals	12,000	12,000
GST paid	9,905	-
	<u>24,299</u>	<u>438,600</u>
 10. INTEREST BEARING LIABILITIES		
Current		
Secured Bank bill facility (a)	3,905,092	5,415,360
Secured Bank Guarantee facility (b)	39,886	163,834
	<u>3,944,978</u>	<u>5,579,194</u>

In February 2018, the Syndicate's bankers extended their commitment to \$7,600,000 to be provided in 4 tranches and repaid as follows:

- Tranche A sub facility: \$2,755,000; to be repaid 31st December 2018.
- Tranche B sub facility: \$610,000 repaid 28th February 2018.
- Tranche C sub facility: \$3,000,000 to be repaid 30th June 2018.
- Tranche D sub facility: \$735,000 to be repaid 31st August 2018.
- A Bank Guarantee facility of \$500,000 to be repaid by the 31st December 2018.

By agreement dated the 13th June 2018 Tranche C and D repayment dates were extended to the 31st October 2018.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10. INTEREST BEARING LIABILITIES (Cont'd)

(a) The loan is secured by a first registered mortgage over the land held for resale. The interest rate on the facility was in a range of 5.2% and 4.845% as at the balance date.

The Bank charges a 1.5% facility fee over and above the interest payments noted above.

The loan to valuation post the 30th June 2018 is required to be at no more than 20%. At the 30th June the ratio was 17.4% making the loan compliant.

The bank guarantee attracts an issuance fee of 2% of the bank guarantee face value, and an annual fee of 4% of the bank guarantee face value.

11. TAX

	2018	2017
	\$	\$
(a) Income tax expense		
The components of tax expense comprise:		
Current tax	105,494	-
Deferred tax	(44,485)	143,969
Change in tax rate	15,124	-
	76,133	143,969
 (b) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.50% (2017: 30%)	194,186	143,969
 Add: Tax effect of:		
- non- allowable items	-	-
 Less: Tax effect of:		
- change in tax rate	(117,560)	-
- (over)/under provision of prior year income tax	(493)	-
	76,133	143,969
 (c) Current and deferred tax balances		
Current tax balances		
CURRENT		
Current tax liability	105,494	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

11. TAX (cont'd)

	2018	2017
	\$	\$
Deferred tax balances		
ASSETS		
Deferred tax assets comprise:		
Future income tax benefits of losses	-	181,485
Inventory – Cost of sales	2,301,588	2,275,020
	2,301,588	2,456,505
LIABILITIES		
Deferred tax liabilities comprise:		
Inventory – Cost of sales	3,683,444	3,867,722
	3,683,444	3,867,722
 Net deferred tax liabilities	 1,381,856	 1,411,217
 Movements in deferred tax liabilities:		
Opening balance	1,411,217	1,267,248
Current year (credit)/charge to Statement of Profit or Loss & Other Comprehensive Income	(29,361)	143,969
Closing balance	1,381,856	1,411,217

	2018	2017
	\$	\$
12. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
<i>Net assets attributable to unit holders- equity consist of:</i>		
Net contributions by unit holders	11,000,000	11,000,000
Syndicate establishment expenses	(1,796,790)	(1,796,790)
Cumulative retained profits from operations	5,677,807	5,047,829
Closing balance	14,881,017	14,251,039
	2018	2017
	No. of units	No. of units
11,000,000 units issued on 22 December 2005 at \$1.00 each	11,000,000	11,000,000

All units in the Syndicate are of the same class and carry equal rights. Each unit confers upon the holder of that unit an undivided interest in the assets of the Syndicate in the proportion that the unit bears to the total number of units on issue. A unit does not entitle the holder to any particular asset or any particular part of the assets of the Syndicate.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liabilities

During the year ended 30 June 2017, the Syndicate became involved in a legal dispute with its project manager in relation to performance fees in accordance with the Project Management & Marketing Agreement. The dispute was adjudicated pursuant to the Construction Contracts Act 2004 and was dismissed during the year ended 30 June 2018.

The Syndicate had no contingent liabilities at 30 June 2018.

Capital Expenditure Commitments

	2018	2017
	\$	\$
Capital Expenditure Commitments contracted for:		
Capital Expenditure Projects	<u>-</u>	<u>2,745,075</u>
Payable:		
Not later than 12 months		2,745,075
Between 12 months and 5 years	-	-
Greater than 5 years	-	-
	<u>-</u>	<u>2,745,075</u>

The capital commitments represent the remaining contracted costs to complete stages under construction, as at the end of the financial year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. NOTES TO THE STATEMENT OF CASH FLOWS

a) Cash at Bank

Cash at the end of the financial period as shown in the statement of cash flows is comprised of:

	2018	2017
	\$	\$
Cash on hand	<u>115,281</u>	<u>330,205</u>
b) Reconciliation of Net Profit to Net Cash Flows from Operations		
Net profit after tax	629,978	334,282
<i>Non-cash flows in profit for the period</i>		
<i>Changes in assets and liabilities:</i>		
Decrease in receivables	140,051	490,685
Decrease/(Increase) in land held for resale	1,022,431	(668,418)
Decrease/(Increase) in deferred tax asset	154,917	(104,700)
(Decrease) / Increase in deferred tax liability	(184,278)	248,669
Increase in current tax liability	105,494	-
Decrease in trade and other payables	(414,301)	(113,558)
Net cash flows provided by from operating activities	<u>1,454,292</u>	<u>186,960</u>
c) Loan facilities		
Loan facilities (exclusive of bond)	4,707,146	8,209,560
Amount utilised	<u>(3,905,092)</u>	<u>(5,415,360)</u>
Unused loan facilities	<u>802,054</u>	<u>2,794,200</u>

The Syndicate also has a guarantee facility with the National Australia Bank Limited of \$500,000 (2017: \$673,172). At 30 June 2018, \$460,115 (2017: \$506,788) remains unused. Refer to Note 10 for further details on the loan facilities.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Syndicate comprise of cash and cash equivalents, net assets attributed to unit holders, and other financial instruments such as trade debtors and creditors, which arise directly from operations.

The Syndicate is exposed to interest rate risk, credit risk and liquidity risk arising from financial instruments it holds. The Syndicate's overall risk management program seeks to minimise the potential adverse effect on the distributable earnings of the Syndicate and are managed through a process of ongoing identification, measurement and monitoring.

The risk management policies adopted by the Syndicate to manage these risks are discussed as follows:

a) Interest Rate Risk

The Syndicate's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate %pa	Floating Interest Rate \$	Fixed interest maturing in or re priced at			Non- Interest Bearing \$	Total \$
			Within Year \$	1 to 5 Years \$	Over 5 Years \$		
2018							
Financial Assets:							
Cash – Operating		115,261	-	-	-	-	115,261
Receivables		-	-	-	-	42,457	42,457
		<u>115,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,457</u>	<u>157,718</u>
Financial Liabilities:							
Payables		-	-	-	-	(24,299)	(24,299)
Long term borrowings	5.079%	-	(3,944,978)	-	-	-	(3,944,978)
		<u>-</u>	<u>(3,944,978)</u>	<u>-</u>	<u>-</u>	<u>(24,299)</u>	<u>(3,969,277)</u>
Net financial assets/(liabilities)		<u>115,261</u>	<u>(3,944,978)</u>	<u>-</u>	<u>-</u>	<u>18,158</u>	<u>(3,811,559)</u>
2017							
Financial Assets:							
Cash – Operating		330,205	-	-	-	-	330,205
Receivables		-	-	-	-	182,508	182,508
		<u>330,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,508</u>	<u>512,713</u>
Financial Liabilities:							
Payables		-	-	-	-	(438,600)	(438,600)
Long term borrowings	4.8%	-	(5,579,194)	-	-	-	(5,579,194)
		<u>-</u>	<u>(5,579,194)</u>	<u>-</u>	<u>-</u>	<u>(438,600)</u>	<u>(6,017,794)</u>
Net financial assets/(liabilities)		<u>330,205</u>	<u>(5,579,194)</u>	<u>-</u>	<u>-</u>	<u>(256,092)</u>	<u>(5,505,081)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (cont'd)

b) Credit Risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the financial contracts. The Syndicate is exposed to credit risks on its cash balance, receivables and financial assets. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Concentrations of credit risk are minimised primarily by:

- Ensuring counterparties, together with the respective credit limits, are approved; and
- Cash and cash equivalents are held with high credit quality financial institutions.

As such, the Syndicate does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Syndicate does not have a material exposure to a group of counterparties, which are expected to be affected similarly by changes in economic or other conditions.

c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The instruments entered into by the Syndicate were selected to ensure sufficient funds would be available to meet the ongoing cash requirement of the fund.

A Development loan has been approved and signed with the National Australia Bank Limited with a limit of \$12.25 million upon the satisfaction of conditions precedent including pre-sales and appropriate statutory approvals.

d) Trade and other payable are expected to be paid as follows:

	2018	2017
	\$	\$
Less than 6 months	24,299	438,600
6 months to 1 year	-	-
1 year to 5 years	-	-
Over 5 years	-	-
	<u>24,299</u>	<u>438,600</u>

e) Sensitivity Analysis

The Syndicate has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis:

At 30 June 2018, there would be no effect on profit and equity as a result of changes in the interest rates. This is because all interest incurred is capitalised to inventory.

f) Market Risk

The Syndicate has exposure to movement in land prices and this creates a market risk. Market risk is managed through the Syndicate's ability to commence and defer the stages of the development in order to optimize the return to unit holders.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

16. CAPITAL MANAGEMENT

The directors of the Responsible Entity control the capital of the Syndicate in order to maintain a good debt-to-equity ratio and to ensure that the Syndicate can fund its operations and continue as a going concern.

The Syndicate's debt and capital includes financial liabilities that are supported by financial assets.

The bank requires the Syndicate to maintain a loan to security value ratio of less than 30%.

The directors manage the Syndicate's capital by assessing the Syndicate's financial risks and adjusting its capital structure in response to changes in these risks and in the market. This includes the management of debt levels.

The gearing ratios are as follows:

	2018	2017
	\$	\$
Total borrowings	3,944,978	5,579,194
Less cash and cash equivalents	(115,281)	(330,205)
Net Debt	<u>3,829,697</u>	<u>5,248,989</u>
Net assets attributable to unit holders	<u>14,881,017</u>	<u>14,251,039</u>
Total capital	<u>18,710,714</u>	<u>19,500,028</u>
Gearing ratio	20%	27%

17. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Syndicate for:

- Audit and review of the financial reports	19,250	13,500
- Other services (compliance audit)	4,500	6,900
	<u>23,750</u>	<u>20,400</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. RELATED PARTY DISCLOSURES

The Responsible Entity of the Henley Brook Syndicate is Primary Securities Ltd (ABN 96 089 812 635).

a) Remuneration of Directors and Key Management Personnel

The Syndicate does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Syndicate. The directors and executives of the Responsible Entity are the Key Management Personnel ('KMP').

The Directors of the Responsible Entity are:

R Garton Smith
I Murchison
D Butterfield
Anthony Wamsteker

No compensation is paid directly by the Syndicate to directors of the Responsible Entity.

Since the end of the financial year, no Director or KMP of the Responsible Entity has received or become entitled to any benefit because of a contract made by the Responsible Entity with a Director or KMP, or with a firm of which the Director or KMP is a member, or with an Entity in which the Director or KMP has a substantial interest.

Loans to Directors and Key Management Personnel of the Responsible Entity

The Syndicate has not made, guaranteed or secured, directly or indirectly, any loans to the Directors and KMP or their personally-related entities at any time during the reporting period.

Other Transactions with Directors and Key Management Personnel of the Responsible Entity

From time to time Directors and KMP or their personally-related entities, may buy or sell units in the Syndicate. These transactions are subject to the same terms and conditions as those entered into by other Syndicate investors.

Apart from those details disclosed in this note, no Director or KMP has entered into a contract for services with the Responsible Entity and there were no contracts involving Directors or KMP subsisting at end of period.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. RELATED PARTY DISCLOSURES (cont'd)

b) Responsible Entity's fees and other transactions

	2018	2017
	\$	\$
Other transactions		
Appian Properties Pty Ltd	352,096	353,680
	352,096	353,680
Total related party payable balance outstanding at year end	-	-

Appian Properties Pty Ltd is deemed as a related party due to being the Supervisor of the syndicate.

c) Related Party Transactions

All transactions with related parties are conducted on normal commercial terms and conditions.

Units in the Syndicate held by Related Parties

Details of holdings in the Syndicate by related parties are set out below. No Directors of the Responsible Entity (Primary Securities Ltd) held units in the Syndicate during the year. No other related parties held units in the Syndicate during the year.

30 JUNE 2018		Unit	Interest	Units
Entity	Relationship	holding	Held	Issued
		\$	%	
Deluge Holdings Pty Ltd	Officer of the Supervisor	90,000	0.82%	90,000
Koy Pty Ltd	Officer of the Supervisor	110,000	1.00%	110,000
30 JUNE 2017				
Deluge Holdings Pty Ltd	Officer of the Supervisor	90,000	0.82%	90,000
Koy Pty Ltd	Officer of the Supervisor	110,000	1.00%	110,000

19. SEGMENT INFORMATION

The Syndicate operates solely in the business of residential property subdivision within Australia.

20. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2018 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.

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DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, and:
 - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - (b) give a true and fair view of the Syndicate's financial position as at 30 June 2018 and of its performance for the period ended on that date; and
 - (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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
Primary Securities Ltd

Dated this 25th day of September 2018
Fremantle, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of the Henley Brook Syndicate for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH



SUWARTI ASMONO

Partner

Signed at Perth, 25 September 2018

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

Opinion

We have audited the financial report of Henley Brook Syndicate (the Syndicate), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Responsible Entity for the Syndicate.

In our opinion, the financial report of the Henley Brook Syndicate is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Syndicate's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity, Primary Securities Limited, 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Syndicate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Syndicate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Syndicate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Syndicate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Syndicate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH



SUWARTI ASMONO
Partner

Dated at Perth this 25th day of September 2018