

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

This is Annexure A of 11 pages
Referred to in Form 7051:
Notification of half yearly reports



David Mahon - Company Secretary
Dated this 11th day of March 2022

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

DIRECTORS' REPORT

The Directors of Primary Securities Ltd (ABN 96 089 812 635), the Responsible Entity of the Southern River Syndicate ('the Syndicate') present their report for the half-year ended 31 December 2021.

Directors

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

Robert Garton Smith
Natasha Olsen
Roisin Boyd (appointed 15 July 2021)
David Butterfield (resigned 30 July 2021)

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 net profit after tax from continuing operations of the Syndicate for the half-year ended 31 December 2021 was \$646,267 (31 December 2020: net profit of \$214,119).

A total of 361 lots have been sold and 336 settled in the project to 31 December 2021.

Principal Activities

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

The purpose of the Syndicate was to acquire and develop vacant lots in an area bounded by Southern River Road, Matison Road and Holmes Road, Southern River, Western Australia ("the property").

The Syndicate comprises the subdivision of approximately 23.8 hectares of land, including 13 different land titles consolidated and ultimately converted to 383 residential lots, 2-unit sites and 1 commercial lot.

There is a total of 9 stages in the development. Stage 9 has been completed and titled. Settlements of lots in stage 9 commenced in January 2022.

Current market conditions are benign where low interest rates and stock levels are being offset by increasing costs of construction. Demand is now appearing from investors due to the low supply of rental stock and high yields available on housing rentals.

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DIRECTORS' REPORT

Likely Developments

The current focus is on the sale and settlements of all remaining lots as soon as possible. Due to requirements for security from the City of Gosnells we are unable to sell 7 lots, and 7 others are committed to sales agents and/or subject to completion of DA approvals. Since the end of the calendar year DA approvals have been received for 4 lots making them available for sale. Similarly, the lots set aside for sales agents have been selling.

With the approval of Amendment 110 now allowing the finalisation of Development Contribution Area (DCA) contributions we expect the City to remove the caveats over the 7 lots mentioned above and enable sales to re-commence shortly.

The Syndicate is now expecting to complete sales of the remaining lots over the balance of this financial year.

The approval of Amendment 110 allows the Syndicate to recover the funds held by the city together with reimbursements for various recoverable costs over the entire development precinct. The final total to be recovered is subject to further detailed negotiation with the City and will constitute a significant outcome for the Syndicate.

The Managers have worked with the City to reduce the costs for the DCA's and agree an equitable process to administer the reimbursements. Success has been achieved in reducing the public open space requirement for parks and public space areas. Work is continuing with fine tuning the recovery for the cost of developing the parks.

The Syndicate has determined to pay the distribution on all units of 15c as of the 11th February. These funds have come from lot settlements in late January. As more funds are received from settlements and the DCA's reimbursements materialise more distributions will be made.

The managers are hopeful of completing this Syndicate within 12 months.

Auditor's Independence Declaration

A copy of the lead 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 10th day of March 2022

Fremantle, Western Australia

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

| | December 2021 \$ | December 2020 \$ |
|--|---------------------------------|---------------------------------|
| Revenue | | |
| Property development sale | 3,423,182 | 2,590,909 |
| Interest income | - | 712 |
| | 3,423,182 | 2,591,621 |
| Expenses | | |
| Administration expenses | (75,522) | (67,075) |
| Management fees | (242,976) | (187,878) |
| Agent commission | (112,965) | (85,499) |
| Cost of property development sold | (2,130,030) | (2,009,278) |
| | (2,561,493) | (2,349,730) |
| Profit before tax | 861,689 | 241,891 |
| Income tax expense | (215,422) | (27,772) |
| Profit after tax | 646,267 | 214,119 |
| Other comprehensive income | - | - |
| Total comprehensive income attributable to unit holders | 646,267 | 214,119 |

The accompanying notes form part of these financial statements.

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

| | Notes | December 2021 \$ | June 2021 \$ |
|---|-------|------------------------|--------------------|
| <i>Current Assets</i> | | | |
| Cash and cash equivalents | | 108,384 | 183,244 |
| Trade and other receivables | | 1,320,762 | 1,340,687 |
| Inventories | 2 | 5,006,272 | 2,904,089 |
| Deferred tax assets | | 548,600 | - |
| <i>Total Current Assets</i> | | 6,984,018 | 4,428,020 |
| <i>Non-Current Assets</i> | | | |
| Inventories | 2 | - | 1,382,899 |
| Deferred tax assets | | - | 548,600 |
| <i>Total Non-Current Assets</i> | | - | 1,931,499 |
| <i>Total Assets</i> | | 6,984,018 | 6,359,519 |
| <i>Current Liabilities</i> | | | |
| Trade and other payables | | 70,494 | 226,744 |
| Current tax liabilities | | 297,640 | 163,158 |
| <i>Total Current Liabilities</i> | | 368,134 | 389,902 |
| <i>Total Liabilities</i> | | 368,134 | 389,902 |
| <i>Net Assets</i> | | 6,615,884 | 5,969,617 |
| <i>Equity</i> | | | |
| Unitholders equity | | 6,615,884 | 5,969,617 |
| <i>Net Assets Attributable to Unit Holders</i> | | 6,615,884 | 5,969,617 |

The accompanying notes form part of these financial statements.

**SOUTHERN RIVER SYNDICATE
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**STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

| | December 2021 | December 2020 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| UNITHOLDERS EQUITY AT THE BEGINNING OF THE HALF YEAR | 5,969,617 | 7,276,877 |
| <i>Recognised income and expenses</i> | | |
| Profit for the half year | <u>646,267</u> | <u>214,119</u> |
| Total comprehensive income for the half year | <u>646,267</u> | <u>214,119</u> |
| UNITHOLDERS EQUITY AT THE END OF THE HALF YEAR | <u>6,615,884</u> | <u>7,490,996</u> |

The accompanying notes form part of these financial statements.

**SOUTHERN RIVER SYNDICATE
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**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

| | December 2021 | December 2020 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 3,765,500 | 2,850,000 |
| Payments to suppliers | (3,758,420) | (2,128,157) |
| Income tax (paid)/refunded | (80,940) | (80,939) |
| Interest received | - | 712 |
| Net cash flows (used in)/provided by operating activities | (73,860) | 641,616 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Repayment to unitholders | (1,000) | (2,000) |
| Net cash flows used in investing activities | (1,000) | (2,000) |
| Net (decrease)/increase in cash and cash equivalents | (74,860) | 639,616 |
| Cash and cash equivalents at 1 July | 183,244 | 625,556 |
| Cash and cash equivalents at 31 December | 108,384 | 1,265,172 |

The accompanying notes form part of these financial statements.

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Southern River 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 2021.

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 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 annual financial report for the financial year ended 30 June 2021 except for changes related to the adoption of the non-going concern basis of preparation.

Non-going concern basis of accounting

The continued use of the going concern basis of accounting in the preparation of the Syndicate’s financial statements has been concluded to be inappropriate due to the Syndicate’s expected sale of the remaining lots under the final stage of the Riverbank Estate and completion of the Syndicate within the next 12 months. These financial statements have therefore been prepared under a non-going concern basis of accounting with the following recognition and measurement policies being applied:

- a) All assets and liabilities have been classified as current;
- b) Financial assets and liabilities, including cash and cash equivalents, trade and other receivables and trade and other payables, have been measured at amortised cost in accordance with the requirements of AASB 9 *Financial Instruments*; and
- c) Inventories have been measured at the lower of cost and net realisable value in accordance with the requirements of AASB 102 *Inventories*.

Comparative information has not been restated and is measured and presented on a going concern basis.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. All amounts are presented in Australian dollars, unless otherwise noted.

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.

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

It has been determined by the Syndicate that there is no impact, material, or otherwise 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.

2. INVENTORIES

| | December 2021 \$ | June 2021 \$ |
|---|---------------------------------|-----------------------------|
| Current | | |
| Work in progress at cost | 5,006,272 | 2,904,089 |
| Non Current | | |
| Work in progress at cost | - | 1,382,899 |
| Total Inventories | 5,006,272 | 4,286,988 |
| Work in Progress | | |
| Cost of acquisition | 14,737,051 | 14,737,051 |
| Land swap costs | 220,000 | 220,000 |
| Development costs capitalised | 45,077,706 | 42,287,643 |
| Borrowing and finance costs capitalised | 9,481,361 | 9,481,306 |
| Cost of inventory sold | (64,509,846) | (62,439,012) |
| | 5,006,272 | 4,286,988 |

Due to requirements for security from the City of Gosnells the Syndicate is unable to sell 7 lots and 7 others are committed to sales agents and or subject to completion of DA approvals.

3. COMMITMENTS AND CONTINGENT LIABILITIES

The Syndicate had no commitments as at 31 December 2021 and 30 June 2021.

There has been no change in contingent liabilities since the last annual reporting date.

**SOUTHERN RIVER SYNDICATE
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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

4. EVENTS SUBSEQUENT TO REPORTING DATE

A distribution of 15c per unit was approved for payment to each unitholder on 11 February 2022.

No other matter or circumstance has arisen since 31 December 2021 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.

**SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

DIRECTORS' DECLARATION

31 DECEMBER 2021

The directors of Primary Securities Ltd, the Responsible Entity of the Southern River 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 2021 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 10th day of March 2022

Fremantle, Western Australia