

WRF SOUTHERN RIVER SYNDICATE

ARSN 117 661 971

ABN 45 172 382 521

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2007

**WRF SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

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**WRF SOUTHERN RIVER SYNDICATE
ARSN 117 661 971**

REVIEW OF OPERATIONS

The WRF Southern River Syndicate was created by a deed dated 21 December 2005, the operative provisions of which were replaced in a supplemental deed on 30 May 2006 (as amended) ("the Constitution"). The Constitution and Compliance Plan have been lodged with the Australian Securities and Investment Commission.

The Syndicate commenced on 21 December 2005. The Syndicate has been funded to the 30 June 2007 by subscriptions from investors totaling \$13,000,000 and a \$9,800,000 loan from the NAB of which \$8,200,653 has been drawn at balance date.

The Syndicate involves the subdivision of approximately 23.8 hectares of land, comprising 13 different land titles, into 305 residential lots and 1 commercial lot. The Syndicate settled the 13 titles during the financial year.

The valuation of the 12 titles was updated on the 17 November 2006. The GST inclusive market value of those properties increased from \$12.5 million to \$18 million. The acquisition of the 13th title at a cost of \$3.4 million increased the value to \$21.6 million.

We continue to work with our consultants to progress the subdivision approvals. The City of Gosnells has now approved Scheme Amendment No. 70 which rezones the land in sub-precinct 3A from General Rural to Residential Development.

The next steps are to have the Local Structure Plan for Precinct 3 and the Outlined Development Plan for sub precinct 3A advertised during September 2007 with the subdivision application being lodged shortly thereafter. This should allow subdivision approval by December 2007, assuming the finalization of the rezoning by November 2007 and development contributions agreed for Precinct 3.

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DIRECTORS' REPORT

Report by Directors of the Responsible Entity

The Directors of WRF Property Limited (ABN 51 095 920 648), the Responsible Entity of WRF Southern River Syndicate ("the Syndicate"), present their report together with the Financial Report of the Syndicate for the period ended 30 June 2007 and the auditor's report thereon.

Responsible Entity

WRF Property Limited ("the Responsible Entity") has been the responsible entity since establishment of the Syndicate on 21 December 2005.

The Directors of WRF Property Limited in office at any time during or since the end of the period are:

| Name and Qualifications | Age | Experience and Special Responsibilities |
|---|------------|--|
| R C Nichevich FCA, FAICD Director since 15 February 2001. | 59 | Extensive experience in management and chartered accounting. He is also executive chairman of the parent company, WRF Securities Ltd. |
| O S Lennie MUP, BA, Dip Fin Mgt, Grad Dip App Fin & Inv, FCPA, FAPI, FRAPI, FAICD, ASIA Managing Director since 15 February 2001. Resigned on 31 December 2006 | 62 | Has been involved in property asset management and investment evaluation for over 20 years. |
| S A Barrett Assoc Dip Bus Mgt, DFS(FP), RE Agts Rep Director since 4 September 2003. | 38 | Has 15 years experience in the investment and finance industries. She is marketing director for the WRF Securities Ltd group of companies. |
| A Micelotta Director since 25 June 2006 | 42 | Is a licensed real estate agent with over 15 years experience in the commercial real estate industry. He is portfolio director for WRF Property Limited. |

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

The registered office of the Responsible Entity is Ground Level, 50 Colin Street, West Perth, Western Australia. The register of investors is located at the office of the Responsible Entity at Level 3, 11 Queens Road, Melbourne, Victoria.

Principal Activities

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

The purpose of the Syndicate is to acquire twelve lots in an area bounded by Southern River Road, Matison Road and Holmes Road, Southern River, Western Australia and subdivide the property into predominately residential lots with one commercial site over approximately 6 stages to be progressively completed and sold over the next three to four years.

The Syndicate has no employees.

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Operating Results

The Syndicate incurred a net profit of \$8,153 for the year ended 30 June 2007 from continuing operations.

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

Review and results of operations

The review of operations for the year ended 30 June 2007 is discussed in the Review of Operations 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:

| | 2007 | 2006 |
|---|---------------------|---------------------|
| | No. of units | No. of units |
| Units on issue as at 30 June | 20,200,000 | 3,300,010 |
| | \$ | \$ |
| Value of the Syndicate's net assets as at 30 June | 10,901,276 | 1,944,773 |

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

Interests of the Responsible Entity and Associates

The Responsible Entity and its associates held 776,527 units in the Syndicate as at 30 June 2007.

Fees paid to the Responsible Entity

The following fees were paid or payable to WRF Property Limited (Responsible Entity), WRF Securities Ltd (Parent Company) and WRF Capital Limited out of syndicate property during the financial year.

| | 2007 | 2006 |
|---|-------------|-------------|
| | \$ | \$ |
| WRF Property Limited | | |
| Compliance fees | 28,000 | 4,000 |
| Acquisition fee | 546,000 | 500,000 |
| Establishment fee | 20,000 | 625,000 |
| Security Deposit | 395,000 | - |
| Reimbursable expenditure paid or payable on behalf of the syndicate | 1,078,320 | 2,044,327 |
| | 2,067,320 | 3,173,327 |
| WRF Securities Ltd | | |
| Accounting and registry fees | 35,000 | 5,834 |
| WRF Capital Limited | | |
| Loan arrangement and refinancing fees | 300,000 | 128,000 |
| | 2,402,320 | 3,307,161 |

State of Affairs

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The WRF Southern River Syndicate was created by a deed dated 21 December 2005 (as amended) (“the Constitution”).

The Syndicate involves the subdivision of approximately 23.8 hectares of land in an area bounded by Southern River, Western Australia. The funding for the Syndicate will consist of 13,000,000 \$1.00 units and a loan facility of \$9,800,000 from National Australia Bank Limited of which \$8,200,653 has been drawn at balance date.

The Syndicate commenced operations on 21 December 2005.

The Syndicate had total assets with a book value of \$19,197,459 at 30 June 2007. The basis of valuation of the Syndicate’s principal asset, land held for resale, is detailed in note 1 (a) to the financial statements.

Proceedings on Behalf of a Company

No person has applied for leave of the 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.

Likely Developments

The Syndicate will continue to run and subdivide the Property into approximately 305 single residential lots and one commercial site, and to be progressively completed and sold over the next three to four years.

Environmental Issues

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

Indemnities and insurance premiums for Officers or Auditor

During or since the end of the financial period 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.

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The Responsible Entity has paid premiums in respect of a contract insuring persons who are or have been a director or secretary of the Responsible Entity and includes any other person who is concerned, or takes part, in the management of the Responsible Entity. The liabilities include costs and expenses that may be incurred in defending civil proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or a related body corporate. The insurance contract prohibits the disclosure of the amount of the premium and the nature of the liability insured.

The Responsible Entity has agreed to indemnify all directors and officers against all liabilities to another person (other than the Responsible Entity or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

Auditor's Independence Declaration

The auditor's independence declaration for the period ended 30 June 2007 has been received and can be found on page 22 of the financial report.

Signed in accordance with a resolution of the Board of Directors of WRF Property Limited.



R C NICHEVICH

DIRECTOR

Dated this 7th day of September 2007
Perth, Western Australia

**WRF SOUTHERN RIVER SYNDICATE
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**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

| | Notes | 2007 \$ | 2006 \$ |
|---|-------|------------|------------|
| Revenue | | | |
| Rental income | | 37,329 | 4,366 |
| Interest income | | 87,542 | 454 |
| Total revenue | | 124,871 | 4,820 |
| Expenses | | | |
| Administration expenses | 2 | (116,718) | (27,082) |
| Profit/(Loss) from continuing operations | | 8,153 | (22,262) |
| Finance costs – distributions to unitholders | | - | - |
| Increase/(Decrease) in net assets attributable to unitholders - liability | 10(b) | 8,153 | (22,262) |
| Net profit attributable to unitholders | | - | - |

The accompanying notes form part of these financial statements.

**WRF SOUTHERN RIVER SYNDICATE
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**BALANCE SHEET
AS AT 30 JUNE 2007**

| | Note | 2007 \$ | 2006 \$ |
|---|-------|--------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10(a) | 1,817,737 | 162,505 |
| Trade and other receivables | 3 | <u>44,482</u> | <u>854,088</u> |
| TOTAL CURRENT ASSETS | | <u>1,862,219</u> | <u>1,016,593</u> |
| NON-CURRENT ASSETS | | | |
| Other non-current assets | 3 | - | 106,384 |
| Inventories | 4 | <u>17,335,240</u> | <u>3,151,519</u> |
| TOTAL NON-CURRENT ASSETS | | <u>17,335,240</u> | <u>3,257,903</u> |
| TOTAL ASSETS | | <u>19,197,459</u> | <u>4,274,496</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 6 | <u>95,530</u> | <u>1,513,343</u> |
| TOTAL CURRENT LIABILITIES | | <u>95,530</u> | <u>1,513,343</u> |
| NON-CURRENT LIABILITIES | | | |
| Long-term borrowings | 7 | <u>8,200,653</u> | <u>816,380</u> |
| TOTAL NON-CURRENT LIABILITIES | | <u>8,200,653</u> | <u>816,380</u> |
| TOTAL LIABILITIES (excluding net assets attributable to unitholders) | | <u>8,296,183</u> | <u>2,329,723</u> |
| Net Assets Attributable to Unitholders - Liability | 8 | <u>10,901,276</u> | <u>1,944,773</u> |

The accompanying notes form part of these financial statements.

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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS –
LIABILITY FOR THE YEAR ENDED 30 JUNE 2007**

| | Note | 2007 \$ | 2006 \$ |
|--|------|-------------------|------------------|
| Total net assets attributable to unitholders - liability at the beginning of the period | | 1,944,773 | - |
| Increase / (Decrease) in net assets attributable to unitholders liability | | 8,153 | (22,262) |
| Transactions with unitholders in their capacity as unitholders | | 8,948,350 | 1,967,035 |
| Total net assets attributed to unitholders – liability at the end of the period | 8 | 10,901,276 | 1,944,773 |

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007**

| | Note | 2007 | 2006 |
|--|-------|-------------------------|-----------------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 279,285 | 4,366 |
| Payments to suppliers | | (14,378,266) | (2,362,963) |
| Interest received | | 87,542 | 454 |
| Finance costs | | <u>(422,737)</u> | <u>(15,377)</u> |
| Net cash flows used in operating activities | 10(b) | <u>(14,434,176)</u> | <u>(2,373,520)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Payment)/reduction of security deposits | | <u>106,384</u> | <u>(106,384)</u> |
| Net cash flows from investing activities | | <u>106,384</u> | <u>(106,384)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 7,384,274 | 816,380 |
| Proceeds from units issued | | 9,699,990 | 3,300,010 |
| Payment for syndication costs | | (751,640) | (1,332,975) |
| Payment for loan establishment costs | | <u>(349,600)</u> | <u>(141,006)</u> |
| Net cash flows provided from financing activities | | <u>15,983,024</u> | <u>2,642,409</u> |
| Net (decrease)/increase in cash & cash equivalents | | 1,655,232 | 162,505 |
| Cash and cash equivalents at 1 July | | <u>162,505</u> | <u>-</u> |
| Cash and cash equivalents at 30 June | | <u>1,817,737</u> | <u>162,505</u> |

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD END 30 JUNE 2007**

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 2007.

Basis of Preparation

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

The WRF Southern River Syndicate is a registered managed investment scheme established and domiciled in Australia.

It is recommended that this financial report be read in conjunction with any public announcements made by the Syndicate during the financial year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The Financial Report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets for which the fair value basis of accounting has been applied.

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.

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 balance sheet and later recognised as an expense in the income statement.

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.

The costs of inventories, such as sub-divided blocks of land being developed for re-sale, is the aggregation of all of the costs of purchase net of any discounts or rebates, the cost of conversion to finished or saleable product, and other costs involved in the development of land, administration and selling.

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

The costs of inventories may be approximated using the standard cost method (cost of inventories estimated based on normal operating activity).

Attributing the cost of inventory to individual inventory items is to be done on a specific identification basis where the items are not ordinarily interchangeable and are produced and segregated separately. In other instances the attribution of the costs of inventories to inventory items may be done using either the first in first out or weighted average cost methods.

Upon sale of an item of inventory the carrying amount of that item is recognised as an expense in the income statement in the period in which the related revenue is recognised.

c) Sales of Development Property

Revenue and expenses on development projects will be recognised in accordance with AASB 118 "Revenue". In accordance with this standard, revenue is not recognised until a number of conditions have been satisfied, including the transfer to the buyer of the significant risks and rewards of ownership. Revenue will not be recognised on the sale of the land until settlement occurs.

d) Revenue and expenses

Revenue

Lease income from operating leases is recognised as income on a systematic basis which is representative of the time pattern in which the benefit is derived from the lease. Lease income includes gross rental revenue and recoverable outgoings.

Interest income is recognised in the income statement 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).

Expenses

Expenses are brought to account on an accrual basis.

Borrowing Costs

Borrowing costs include interest and bank charges, which are expensed as incurred, and amortisation of borrowing costs.

Loan establishment costs are initially capitalised by being offset against the loan amount and then amortised over the life of the loan or five years, whichever is the lesser.

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.

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

Cash flows are 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.

f) Financial instruments

Financial instruments are initially measured at cost 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.

Issued Units

As the Syndicate has a fixed termination date a contractual obligation exists for the Syndicate to deliver cash or another financial asset to the unitholders. AASB 132: Financial Instruments: Presentation, therefore requires the issued units and retained profits to be classified as a financial liability, titled net assets attributable to unitholders. Accordingly the Syndicate has no equity and the distributions paid and payable to unitholders are classified as a finance cost in the income statement, while distributions payable are classified as a payable in the balance sheet.

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 income statement

i) Finance Costs

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

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

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

j) Distributions and taxation

Under current income tax legislation the Syndicate is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

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

k) Accounting estimates and judgments

Critical accounting estimates and judgments

The Directors of the Responsible Entity evaluate estimates and judgments incorporated in the financial report based on the historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Syndicate and Responsible Entity.

l) Comparative Figures

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

| | Note | 2007 \$ | 2006 \$ |
|---|------|------------|------------|
| 2. Revenue and Expenses | | | |
| Investment income | | | |
| Rental income | | 37,329 | 4,366 |
| Interest | | 87,542 | 454 |
| Total investment income | | 124,871 | 4,820 |
| Expenses | | | |
| Accounting fees | | 27,000 | 4,500 |
| Compliance fees | | 24,000 | 4,000 |
| Custodian fees | | 33,333 | 6,667 |
| Other administration expenses | | 32,385 | 11,915 |
| Total expenses | | 116,718 | 27,082 |
| 3. Trade and Other Receivables | | | |
| Current | | | |
| Accrued income | | 28,285 | 454 |
| Prepayments | | 7,668 | 5,416 |
| Security deposits | | - | 606,262 |
| GST receivable | | 8,529 | 241,956 |
| | | 44,482 | 854,088 |
| Non-Current | | | |
| Security Deposits | | - | 106,384 |
| 4. Inventories | | | |
| Non-Current | | | |
| Land held for resale at cost | 5 | 17,335,240 | 3,151,519 |
| 5. Land Held for Resale | | | |
| Cost of acquisition | | 14,337,051 | 2,470,265 |
| Development costs capitalised | | 2,074,886 | 530,287 |
| Borrowing and finance costs capitalised | | 923,303 | 150,967 |
| | 4 | 17,335,240 | 3,151,519 |

Non-current land held for resale relates to land acquired by the WRF Southern River Syndicate. The property purchased as at 30 June 2007 comprises of 13 different land titles in Southern River, Western Australia. The project is to subdivide the combined land (23.8 hectares) into approximately 305 residential lots and one commercial site over 6 stages to be progressively completed and sold over the next three to four years.

The acquisition of the land was funded by a combination of third party finance (a total of \$9.8 million of which \$8.2 million has been drawn at balance date) with National Australia Bank Limited and unitholder contributions (a total of \$13 million).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

| | 2007 | 2006 |
|------------------------------------|-------------|-------------|
| | \$ | \$ |
| 6. Trade and Other Payables | | |
| Current | | |
| Accounts payable | 65,208 | 1,482,122 |
| Other creditors and accruals | 30,322 | 31,221 |
| | 95,530 | 1,513,343 |

7. Interest Bearing Liabilities

Non Current

Secured

| | | |
|--------------------|-----------|---------|
| Bank bill facility | 8,200,653 | 816,380 |
|--------------------|-----------|---------|

The Syndicate has a \$9,800,000 cash advance facility with National Australia Bank Limited. The total amount drawn down as at 30 June 2007 was \$8,200,654. The interest only, non recourse bank bill matures on 31 March 2008. The interest rate on the facility at the end of the financial year was 6.39%, and a line fee of 0.9% per annum is payable.

The loan facility is secured by a first registered mortgage over the land held for resale. The bank also have as security for the loan facility a registered mortgage debenture limited to the whole of the assets of WRF Property Limited as Responsible Entity for the Syndicate including goodwill and uncalled capital and called but unpaid capital.

8. Net Assets Attributable to Unitholders - Liability

Net assets attributable to unitholders- liability consist of:

| | | |
|--|-------------|-------------|
| Net contributions by unitholders | 13,000,000 | 3,300,010 |
| Syndicate establishment expenses | (2,084,615) | (1,332,975) |
| Cumulative retained loss from operations | (14,109) | (22,262) |
| | 10,901,276 | 1,944,773 |

Closing balance

| | 2007 | 2006 |
|---|---------------------|---------------------|
| | No. of units | No. of units |
| Ordinary units issued as at 30 June 2006 at \$1.00 each | 3,300,010 | 3,300,010 |
| Ordinary units issued during the year at \$1.00 each | 9,699,990 | - |
| Total ordinary units issued | 13,000,000 | 3,300,010 |
| Bonus units issued on 20 December 2006 | 7,200,000 | - |
| Closing balance | 20,200,000 | 3,300,010 |

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 2007**

9. Commitments And Contingent Liabilities

a) Capital Commitment

There were no commitments for capital expenditure or any contingent liabilities as at 30 June 2007.

10. 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:

| | 2007 | 2006 |
|--------------|------------------|----------------|
| | \$ | \$ |
| Cash on hand | <u>1,817,737</u> | <u>162,505</u> |

b) Reconciliation of Net Profit to Net Cash Flows from Operations

| | | |
|-------------------|-------|----------|
| Net profit/(loss) | 8,153 | (22,262) |
|-------------------|-------|----------|

Non-cash flows in profit for the year

Changes in assets and liabilities:

| | | |
|---|---------------------|--------------------|
| Decrease/(increase) in receivables | 811,859 | (848,672) |
| Decrease/(increase) in prepaid expenses | (2,253) | (5,416) |
| Decrease/(increase) in land held for resale | (14,183,721) | (3,151,519) |
| (Increase)/decrease in other assets | 349,599 | 141,006 |
| (Decrease)/increase in trade and other payables | <u>(1,417,813)</u> | <u>1,513,343</u> |
| Cash flows from operations | <u>(14,434,176)</u> | <u>(2,373,520)</u> |

c) Loan facilities

| | | |
|-------------------------------|--------------------|------------------|
| Loan facilities | 9,800,000 | 4,291,500 |
| Amount utilised | <u>(8,200,653)</u> | <u>(816,380)</u> |
| Unused loan facilities | <u>1,599,347</u> | <u>3,475,120</u> |

Refer to Note 7 for further details on the loan facilities.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

11. Financial Instruments

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 Within Year \$ | 1 to 5 Years \$ | Over 5 Years \$ | Non- Interest Bearing \$ | Total \$ |
|------------------------------------|--|------------------------------------|---|-----------------------|-----------------------|-----------------------------------|--------------------|
| 2007 | | | | | | | |
| Financial Assets: | | | | | | | |
| Cash – Operating | 3.84% | 59,979 | - | - | - | - | 59,979 |
| Cash – Operating CDA | 6.15% | - | 1,757,758 | - | - | - | 1,757,758 |
| Term Deposit (non current) | - | - | - | - | - | - | - |
| Receivables | - | - | - | - | - | 8,529 | 8,529 |
| | | <u>59,979</u> | <u>1,757,758</u> | <u>-</u> | <u>-</u> | <u>8,529</u> | <u>1,826,266</u> |
| Financial Liabilities: | | | | | | | |
| Payables | - | - | - | - | - | (95,530) | (95,530) |
| Short term borrowings | 6.39% | - | (8,200,653) | - | - | - | (8,200,653) |
| | | <u>-</u> | <u>(8,200,653)</u> | <u>-</u> | <u>-</u> | <u>(95,530)</u> | <u>(8,296,183)</u> |
| Net financial assets/(liabilities) | | <u>59,979</u> | <u>(6,442,895)</u> | <u>-</u> | <u>-</u> | <u>(87,001)</u> | <u>(6,469,917)</u> |

| | Weighted Average Effective Interest Rate %pa | Floating Interest Rate \$ | Fixed interest maturing in or re priced at Within Year \$ | 1 to 5 Years \$ | Over 5 Years \$ | Non- Interest Bearing \$ | Total \$ |
|------------------------------------|--|------------------------------------|--|-----------------------|-----------------------|-----------------------------------|--------------------|
| 2006 | | | | | | | |
| Financial Assets: | | | | | | | |
| Cash – Operating | 3.75% | 162,505 | - | - | - | - | 162,505 |
| Term Deposit (non current) | 4.85% | - | - | 106,384 | - | - | 106,384 |
| Receivables | - | - | - | - | - | 848,672 | 848,672 |
| | | <u>162,505</u> | <u>-</u> | <u>106,384</u> | <u>-</u> | <u>848,672</u> | <u>1,117,561</u> |
| Financial Liabilities: | | | | | | | |
| Payables | - | - | - | - | - | (1,513,343) | (1,513,343) |
| Long term borrowings | 5.90% | - | - | (816,380) | - | - | (816,380) |
| | | <u>-</u> | <u>-</u> | <u>(816,380)</u> | <u>-</u> | <u>(1,513,343)</u> | <u>(2,329,723)</u> |
| Net financial assets/(liabilities) | | <u>162,505</u> | <u>-</u> | <u>(709,996)</u> | <u>-</u> | <u>(664,671)</u> | <u>(1,212,162)</u> |

b) Credit Risk

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 balance sheet 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
- Ensuring that transactions are undertaken with a large number of counterparties.

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.

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c) Net Fair Values

The Syndicate's net fair values and carrying amount of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial report.

12. Segment Information

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

13. Auditor's Remuneration

| | 2007 | 2006 |
|--|--------------|--------------|
| | \$ | \$ |
| <i>Remuneration of the auditor of the Syndicate for:</i> | | |
| - Audit and review of the financial reports | 4,850 | 5,750 |
| - Other services (compliance audit) | 3,200 | - |
| | <u>8,050</u> | <u>5,750</u> |

14. Related Party Disclosures

The Responsible Entity of the WRF Southern River Syndicate is WRF Property Limited (ABN 51 095 920 648). WRF Property Limited is a wholly owned subsidiary of WRF Securities Ltd (ABN 000 714 054), an Australian public company listed on the Australian Stock Exchange (Code: WRF).

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 KMP of the Responsible Entity are as follows:

| | |
|------------------|---|
| Mr R C Nichevich | Chairman |
| Ms S A Barrett | Marketing Director |
| Mr T Micelotta | Portfolio Director |
| Mr C J Carey | Company Secretary |
| Mr O S Lennie | Managing Director (Resigned 31 December 2006) |

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross asset value and a proportion of net profit.

No compensation is paid directly by the Syndicate to directors or to any of the KMPs' of the Responsible Entity.

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

Loans 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 Key Management Personnel of the Responsible Entity

From time to time 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 KMP has entered into a contract for services with the Responsible Entity and there were no contracts involving KMP subsisting at end of period.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

14. Related Party Disclosures (Cont'd)

b) Responsible Entity's fees and other transactions

| | 2007 | 2006 |
|--|-------------|-------------|
| | \$ | \$ |
| WRF Property Limited | | |
| Compliance fees paid or payable | 28,000 | 4,000 |
| Acquisition fee | 546,000 | 500,000 |
| Establishment fee | 200,000 | 625,000 |
| Reimbursable expenditure paid or payable | 1,293,320 | 2,044,327 |
| | 2,067,320 | 3,173,327 |
| WRF Securities Ltd | | |
| Accounting and registry fees | 35,000 | 5,834 |
| WRF Capital Limited | | |
| Loan arrangement, loan establishment and underwriting fees | 300,000 | 128,000 |
| | 2,402,320 | 3,307,161 |

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 since the end of the financial year (3 July 2007) is set out below. No other related parties held units in the Syndicate as at 30 June 2007.

30 June 2007

| Entity | Relationship | Unit holding \$ | Interest held % | Units issued |
|--------------------------------|--------------------------------|--------------------|--------------------|--------------|
| Koy Pty Ltd (R C Nichevich) | Director of Responsible Entity | 126,469 | 0.63% | 126,469 |
| | | 126,469 | | 126,469 |

30 June 2006

| Entity | Relationship | Unit holding \$ | Interest held % | Units issued |
|----------------|--------------------------------|--------------------|--------------------|--------------|
| Mr Owen Lennie | Director of Responsible Entity | 10 | 0.0003% | 10 |
| | | 10 | | 10 |

15. Change in Accounting Policy

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified are those which may impact on the syndicate in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing these financial statements:

AASB 101 *Presentation of Financial Statements* (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance Illustrative Financial Statements Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007, and is expected to only impact disclosures contained within the financial report.

16. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Syndicate, the results of those operations, or the state of affairs of the Syndicate in future financial years.

The directors of WRF Property Limited, the Responsible Entity of the WRF Southern River Syndicate, declare that:

1. The financial statements and notes, as set out on pages 7 to 21 are in accordance with the *Corporations Act 2001*, and:
 - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the Syndicate's financial position as at 30 June 2007 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.



R C NICHEVICH

DIRECTOR

Dated this 7th day of September 2007
Perth, 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 WRF Southern River Syndicate for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Dated this 7th day of September 2007

INDEPENDENT AUDIT REPORT TO THE UNIT HOLDERS OF WRF SOUTHERN RIVER SYNDICATE

We have audited the accompanying financial report of WRF Southern River Syndicate (the Syndicate), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Responsible Entity, WRF Property Ltd, (the Directors) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of WRF Property Ltd as the Responsible Entity for WRF Southern River Syndicate are in the same terms as this auditor's report.

Auditor's Opinion

In our opinion, the financial report of WRF Southern River Syndicate is in accordance with the Corporations Act 2001 including:

- a) i. giving a true and fair view of the Syndicate's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK
Principal

Perth, WA
Dated this 7th day of September 2007

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