

HENLEY BROOK SYNDICATE

ARSN 114 592 040

ABN 83 848 124 457

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2023

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 2023

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 581 residential lots on the estate.

The properties owned by the Syndicate were not independently valued as at 30th June 2023. The Responsible Entity did not think it was necessary.

The Syndicate has completed development of stages 1 to 12,14,15. The last two stages 14 and 15 produced 56 residential lots in various sizes. 44 lots were sold by the end of the financial year. 12 lots remained for sale.

Stage 13 is in the process of being ready to develop. The manager is aiming to start construction by the first quarter 2024. Completion is expected in the third quarter of 2024. This stage is expected to produce 29 lots in various sizes.

This will be the last stage and will see completion of the project.

Stage 1 will include a significant cost for wrapping the APA gas pipeline. The manager believes the charges are unconscionable. However we are constrained by APA being immovable in their demands. The budget cost is in excess of \$800,000. As well as the foregoing cost, the syndicate is required to post a \$1m cash bond before construction starts.

During the year ended 30 June 2023, the Directors of the Responsible Entity declared the following distributions:

- In July 2022 a distribution of \$0.15 per ordinary unit was declared resulting in a total distribution of \$1,650,000;
- In February 2023 a further distribution of \$0.10 per ordinary unit was declared resulting in a total distribution of \$1,100,000; and
- In May 2023 a further distribution of \$0.20 per ordinary unit was declared resulting in a total distribution of \$2,200,000.

Outlook

Despite the difficult economic circumstances the Syndicate has been successful in selling the lots from stage 14 and 15 in a reasonable time. At the date of writing there was only one lot remaining uncontracted or not held for a potential client.

The manager will monitor the market closely to ensure the lots being developed are priced to sell.

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**RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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 2023 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:

Robert Garton Smith
Natasha Olsen
Toni Smith

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 residential lots and a commercial lot 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 \$1,823,528 (2022: loss of \$185,907) for the year ended 30 June 2023 from continuing operations.

Review and results of operations

The review of operations for the year ended 30 June 2023 is discussed in the Review of Operations Report contained on page 2 of this report.

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RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Units on Issue

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

	2023	2022
Units on issue as at 30 June	11,000,000	11,000,000
Value of the Syndicate's net assets as at 30 June	\$11,817,295	\$14,943,767

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 did not hold any units in the Syndicate as at 30 June 2023.

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 \$98,920 for 2023 and \$91,938 for 2022.

	2023	2022
	\$	\$
Appian Properties Pty Ltd		
Supervisory fees	396,704	331,611

Primary Securities Ltd was appointed as Responsible Entity following approval from unit holders at a general meeting on 14 June 2012.

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 \$13,654,894 at 30 June 2023 (2022: \$16,898,816). 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

No matter or circumstance has arisen since 30 June 2023 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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**RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

Likely Developments

The Syndicate will continue to run and subdivide the Property into approximately 581 residential lots to be progressively completed and sold over the next 1 to 2 years. At this date the project had developed 552 lots. A further 29 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 2023 has been received and can be found on page 27 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 29th day of September 2023
Fremantle, Western Australia

HENLEY BROOK SYNDICATE
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**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Revenue and other income			
Property development sale	2	8,256,502	6,184,509
Interest income		60,284	1,003
Other income		-	150,814
Total revenue and other income		8,316,786	6,336,326
Expenses			
Administration expenses	3	(118,675)	(98,743)
Management fees	4	(520,459)	(424,626)
Agent commissions	5	(270,010)	(207,394)
Cost of property development sold	6	(4,976,271)	(5,917,378)
Total expenses		(5,885,415)	(6,648,141)
Profit/(loss) before tax from continuing operations		2,431,371	(311,815)
Income tax (expense)/benefit	10	(607,843)	125,908
Profit/(loss) after tax		1,823,528	(185,907)
Other comprehensive income		-	-
Total comprehensive income/(loss) attributable to unitholders		1,823,528	(185,907)

The accompanying notes form part of these financial statements.

HENLEY BROOK SYNDICATE
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents	13(a)	2,029,210	2,721,451
Trade and other receivables	7	6,020	2,590
Inventories	8	5,053,264	4,112,431
Current tax assets	10	-	25,000
Total Current Assets		<u>7,088,494</u>	<u>6,861,472</u>
Non-Current Assets			
Inventories	8	6,532,267	10,003,211
Property, plant and equipment		34,133	34,133
Total Non-Current Assets		<u>6,566,400</u>	<u>10,037,344</u>
Total Assets		<u>13,654,894</u>	<u>16,898,816</u>
Current Liabilities			
Trade and other payables	9	108,835	834,128
Current tax liabilities	10	716,428	-
Total Current Liabilities		<u>825,263</u>	<u>834,128</u>
Non-Current Liabilities			
Deferred tax liabilities	10	1,012,336	1,120,921
Total Non-Current Liabilities		<u>1,012,336</u>	<u>1,120,921</u>
Total Liabilities		<u>1,837,599</u>	<u>1,955,049</u>
Net Assets		<u>11,817,295</u>	<u>14,943,767</u>
Equity			
Unitholders equity	11	11,817,295	14,943,767
Net Assets Attributable to Unit Holders		<u>11,817,295</u>	<u>14,943,767</u>

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 2023**

	Note	2023 \$	2022 \$
UNITHOLDERS EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		14,943,767	15,129,674
<i>Recognised income and expenses</i>			
Profit/(loss) for the year		<u>1,823,528</u>	<u>(185,907)</u>
Total comprehensive income/(loss) for the year		<u>1,823,528</u>	<u>(185,907)</u>
Transactions with unit holders in their capacity as unitholders			
Distributions paid	11	(4,950,000)	-
UNITHOLDERS EQUITY AT THE END OF THE FINANCIAL YEAR	11	<u>11,817,295</u>	<u>14,943,767</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,000,500	6,751,000
Payments to suppliers		(4,866,346)	(7,929,925)
Interest received		60,284	1,003
Other income		-	150,813
Tax refund/(paid)		18,750	(525,520)
Net cash flows provided by/(used in) operating activities	13(b)	4,213,188	(1,552,629)
CASH FLOWS FROM INVESTING ACTIVITIES			
Distribution to unitholders		(4,905,429)	(5,500)
Net cash flows used in investing activities		(4,905,429)	(5,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows used in financing activities		-	-
Net decrease in cash and cash equivalents		(692,241)	(1,558,129)
Cash and cash equivalents at the beginning of the period		2,721,451	4,279,580
Cash and cash equivalents at the end of the period	13(a)	2,029,210	2,721,451

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 2023

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 2023.

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 Australian 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.

The financial statements have been presented in Australian dollars and all values are rounded to the nearest dollar.

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 29 September 2023 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

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 individual lot 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 a lot, the carrying amount of that lot 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 settle within 12 months from the reporting date. All other inventories are classified as non-current.

c) Revenue recognition

The Syndicate recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Syndicate is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Syndicate: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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 2023

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(m) 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 assets

Financial assets are assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. The accounting policies adopted for specific financial assets are 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.

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) Distribution to unitholders

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.

j) Finance Costs

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 2023

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

k) 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.

l) Comparative Figures

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

m) 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 2023

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

n) 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).

o) 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 Syndicate'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 Syndicate'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.

p) Foreign currency translation

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

q) New or Amended Accounting Standards and Interpretations adopted

For the year ended 30 June 2023, Management have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Syndicate and effective for the current annual reporting period.

As a result of this review, Management have determined that there is no material impact of the new and revised Standards and Interpretations on the Syndicate and therefore, no material change is necessary to the Syndicate's accounting policies.

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

s) 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 2023

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	2022
	\$	\$
Sale Income		
Property development sale – at a point in time	8,256,502	6,184,509
	<u>8,256,502</u>	<u>6,184,509</u>

3. ADMINISTRATION EXPENSES

Accounting fees paid to Appian Properties Pty Ltd	60,078	56,524
Other administration expenses	58,597	42,219
	<u>118,675</u>	<u>98,743</u>

4. MANAGEMENT FEES

Management fees – paid to Appian Properties Pty Ltd	396,704	331,611
Custodian fees	33,750	45,000
Consulting Fees	90,005	48,015
	<u>520,459</u>	<u>424,626</u>

5. AGENT COMMISSIONS

Agent Commissions	270,010	207,394
	<u>270,010</u>	<u>207,394</u>

6. COSTS OF SALES

Cost of property development sale	4,976,271	5,917,378
	<u>4,976,271</u>	<u>5,917,378</u>

7. TRADE AND OTHER RECEIVABLES

Current

Accounts receivable	3,430	-
Other Assets	19	19
Bank Guarantees receivable	2,571	2,571
	<u>6,020</u>	<u>2,590</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

8. INVENTORIES	2023	2022
	\$	\$
Current		
Work in progress at cost	5,053,264	4,112,431
Non-Current		
Work in progress at cost	6,532,267	10,003,211
	<u>11,585,531</u>	<u>14,115,642</u>
 Work In Progress		
Cost of acquisition	12,500,000	12,500,000
Development costs capitalised	70,912,330	68,761,567
Borrowing and finance costs capitalised	10,998,477	10,997,883
Cost of sales expensed	(82,825,276)	(78,143,808)
	<u>11,585,531</u>	<u>14,115,642</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 581 residential lots over 15 stages, and to sell the balance of 94 lots over the next 1 to 2 years is ongoing.

	2023	2022
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Accounts payable	-	420,821
Accruals	50,591	399,384
GST payable	1,173	1,173
Other payable	57,071	12,750
	<u>108,835</u>	<u>834,128</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. TAX

	2023	2022
	\$	\$
(a) Income tax expense		
The components of tax expense comprise:		
Current tax	716,428	-
Deferred tax	(108,585)	(126,631)
Change in tax rate	-	723
	607,843	(125,908)
(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 25% (2022: 25%)	607,843	(77,954)
Less: Tax effect of:		
- change in tax rate	-	(47,954)
	607,843	(125,908)
(c) Current and deferred tax balances		
Current tax balances		
CURRENT		
Current tax liability	716,428	(25,000)

HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. TAX (cont'd)

	2023	2022
	\$	\$
Deferred tax balances		
ASSETS		
Deferred tax assets comprise:		
Inventory – Cost of sales	3,022,760	2,806,734
	3,022,760	2,806,734
LIABILITIES		
Deferred tax liabilities comprise:		
Inventory – Cost of sales	4,035,096	3,927,655
	4,035,096	3,927,655
 Net deferred tax liabilities	 1,012,336	 1,120,921
 Movements in deferred tax liabilities:		
Opening balance	1,120,921	1,246,829
Current year (credit)/charge to Statement of Profit or Loss & Other Comprehensive Income	(108,585)	(125,908)
Closing balance	1,012,336	1,120,921

11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Net assets attributable to unit holders- equity consist of:

	2023	2022
	\$	\$
Net contributions by unit holders	11,000,000	11,000,000
Syndicate establishment expenses	(1,796,790)	(1,796,790)
Distribution to unitholders	(6,050,000)	(1,100,000)
Cumulative retained profits from operations	8,664,085	6,840,557
Closing balance	11,817,295	14,943,767

In July 2022 the Directors of the Responsible Entity declared a distribution of \$0.15 per ordinary unit resulting in a total distribution of \$1,650,000 for the year ended 30 June 2023. The total distribution paid to unitholders to 30 June 2023 was \$1,640,135.

In October 2022 the Directors of the Responsible Entity declared a further distribution of \$0.10 per ordinary unit resulting in a total distribution of \$1,100,000. The total distribution paid to unitholders to 30 June 2023 was \$1,086,612.

In December 2022 the Directors of the Responsible Entity declared a further distribution of \$0.20 per ordinary unit resulting in a total distribution of \$2,200,000. The total distribution paid to unitholders to 30 June 2023 was \$2,178,682.

The outstanding distributions will be paid post 30 June 2023. The difference is returned funds due to errors or omissions in details from investors.

HENLEY BROOK SYNDICATE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (cont'd)

	2023	2022
	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.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liabilities

The Syndicate had no contingent liabilities at 30 June 2023 and 30 June 2022.

Capital Expenditure Commitments

The Syndicate has no commitments as at 30 June 2023. The Syndicate had commitments of \$3,704,765 as at 30 June 2022 for the development of stage 12, 14 and 15 of the development.

13. 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:

	2023	2022
	\$	\$
Cash on hand	2,029,210	2,721,451

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

Net profit/(loss) after tax	1,823,528	(185,907)
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Non-cash flows in profit for the period

Changes in assets and liabilities:

(Increase)/Decrease in receivables	(3,430)	5,954
Decrease/(Increase) in land held for resale	2,530,111	(1,477,133)
Decrease in deferred tax liability	(108,585)	(125,908)
Increase/(Decrease) in current tax liability	735,178	(531,770)
(Decrease)/Increase in trade and other payables	(763,614)	762,135

Net cash flows provided by/(used in) operating activities	4,213,188	(1,552,629)
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Syndicate comprises 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 \$		
2023							
Financial Assets:							
Cash – Operating	2.60%	2,028,483	-	-	-	727	2,029,210
Receivables		-	-	-	-	6,020	6,020
		<u>2,028,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,747</u>	<u>2,035,230</u>
Financial Liabilities:							
Payables		-	-	-	-	(108,835)	(108,835)
Long term borrowings		-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,835)</u>	<u>(108,835)</u>
Net financial assets/(liabilities)		<u>2,028,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,088)</u>	<u>1,926,395</u>
2022							
Financial Assets:							
Cash – Operating		2,720,724	-	-	-	727	2,721,451
Receivables		-	-	-	-	2,590	2,590
		<u>2,720,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,317</u>	<u>2,724,041</u>
Financial Liabilities:							
Payables		-	-	-	-	(834,128)	(834,128)
Long term borrowings		-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(834,128)</u>	<u>(834,128)</u>
Net financial assets/(liabilities)		<u>2,720,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(830,811)</u>	<u>1,889,913</u>

HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

14. 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.

Additionally, due to the nature of operations, the Syndicate has minimal receivables from sales which reduces the exposure to expected credit losses.

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.

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

	2023	2022
	\$	\$
Less than 6 months	108,835	834,128
6 months to 1 year	-	-
1 year to 5 years	-	-
Over 5 years	-	-
	<u>108,835</u>	<u>834,128</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 2023, 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 optimise the return to unit holders.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

15. 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 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:

	2023	2022
	\$	\$
Total borrowings	-	-
Less cash and cash equivalents	(2,029,210)	(2,721,451)
Net debt / (asset)	(2,029,210)	(2,721,451)
Net assets attributable to unit holders	11,817,295	14,943,767
Total capital	9,788,085	12,222,316
Gearing ratio	0%	0%

16. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Syndicate for:

- Audit and review of the financial reports

20,250	21,100
<u>20,250</u>	<u>21,100</u>

HENLEY BROOK SYNDICATE
ARSN 114 592 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

17. 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:

Robert Garton Smith
Natasha Olsen
Toni Smith

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.

HENLEY BROOK SYNDICATE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

17. RELATED PARTY DISCLOSURES (cont'd)

b) Responsible Entity's fees and other transactions

	2023	2022
	\$	\$
Other transactions		
Appian Properties Pty Ltd	396,704	331,611
	396,704	331,611
Total related party payable balance outstanding at year end	-	352

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.

During the year, distributions of \$49,500 and \$40,500 were paid to Koy Pty Ltd and Deluge Holdings Pty Ltd respectively.

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 2023		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 2022				
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

18. SEGMENT INFORMATION

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

19. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2023 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.

HENLEY BROOK SYNDICATE
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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 25 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 2023 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 29th day of September 2023
Fremantle, Western Australia

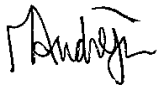
AUDITOR'S INDEPENDENCE DECLARATION

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 2023, 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 Perth



Mark Andrejic

Partner

Dated this 29 September 2023

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 2023, 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 2023 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 (including Independence Standards)* (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:

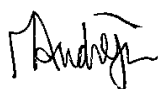
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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.

We also provide directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Crowe Perth



Mark Andrejic
Partner

Dated this 29 September 2023