

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

DIRECTORS' REPORT

The Directors of Primary Securities Ltd (ABN 96 089 812 635), the Responsible Entity of Henley Brook Syndicate ("the Syndicate"), present their report for the half-year ended 31 December 2022.

Directors

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

Toni Smith (Chairperson)
Robert Garton Smith
Natasha Olsen

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

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

Review of Operations

The Syndicate made an after-tax net profit of \$245,818 from continuing operations for the half-year ended 31 December 2022 (31 December 2021: net profit of \$85,434).

As at 31 December 2022 the Syndicate had sold 476 lots and settled 457 lots.

The economic conditions in Western Australia have deteriorated over the past six months. The significant and regular increases in the Reserve Bank cash rate have impacted negatively on the market.

The rise in inflation and in particular the increased cost of construction has had a negative impact on the market for new homes. This has impacted on the sales of lots in the subdivision.

During the past six months the syndicate has developed stages 14 and 15 for a total of 56 lots. Stage 14 had practical completion in December and Stage 15 had practical completion in February.

Stage 14 with 31 lots have been titled in February 2023 with settlements to commence through March 2023. Of the 31 lots for sale 11 have been contracted. The balance of 20 lots is being sold. Stage 15 with 25 lots is expected to be completed during March 2023. Two lots have been contracted.

The changed market has impacted the rate of contracted sales to circa 3 per month. The managers are working with house builders to maximise the rate of sales. It is expected that the sales rate will be slow in the range of 3 to 4 lots per month for the foreseeable future.

Rates of sales will be expected to improve once building costs reduce. It is unlikely that there will be an improvement in interest rates for the next year or so. The Reserve bank has indicated the intention to continue with interest rate increases for at least a further two increases.

Further distributions to investors are planned for when settlements of stage 14 take place. This is likely to be in late March 2023.

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DIRECTORS' REPORT

Principal Activity

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

The Syndicate commenced on 22 December 2005 after the acquisition of Lots 349 and 350 Park Road, Henley Brook, Western Australia.

The Property is being progressively subdivided into residential lots and a commercial lot with the final sales expected over the next two to three years.

The Syndicate has no employees.

There have been no significant changes in the nature of the Syndicate's activities during the financial reporting period.

Likely Developments

Stage 14 is expected to have titles issued in March 2023. Stage 15 is likely to have lots titled in July/August 2023.

The delay in titling Stage 15 is to limit the impact of land tax, water rates and council rates on these lots.

Stage 13, the remaining Stage in the subdivision is subject to further analysis. A recent tender for the development of this stage was priced too high to enable the subdivision to commence. The costs of construction were significantly higher than expected.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is included on page 12.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity, Primary Securities Ltd:



Robert Garton Smith

Director

Dated this 14th day of March 2023

Fremantle, Western Australia

HENLEY BROOK SYNDICATE
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	December 2022 \$	December 2021 \$
<i>Revenue and other income</i>		
Property development sale	3,773,717	1,249,405
Interest income	27,967	-
	<hr/>	<hr/>
<i>Total revenue and other income</i>	3,801,684	1,249,405
	<hr/>	<hr/>
<i>Expenses</i>		
Administration expenses	(64,975)	(55,916)
Management fees	(246,417)	(107,396)
Agents commission	(123,344)	(40,785)
Cost of property development sold	(3,039,190)	(949,194)
	<hr/>	<hr/>
<i>Total expenses</i>	(3,473,926)	(1,153,291)
	<hr/>	<hr/>
<i>Net profit before income tax</i>	327,758	96,114
Income tax expense	(81,940)	(10,680)
	<hr/>	<hr/>
Total comprehensive income attributable to unit holders	245,818	85,434
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The accompanying notes form part of these financial statements.

HENLEY BROOK SYNDICATE
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	December 2022 \$	June 2022 \$
Current Assets			
Cash and cash equivalents		3,115,541	2,721,451
Trade and other receivables		2,590	2,590
Inventories	2	6,428,402	4,112,431
Current tax assets		-	25,000
		<u>9,546,533</u>	<u>6,861,472</u>
Total Current Assets			
Non-Current Assets			
Inventories	2	5,874,230	10,003,211
Property, plant and equipment		34,133	34,133
		<u>5,908,363</u>	<u>10,037,344</u>
Total Non-Current Assets			
		<u>15,454,896</u>	<u>16,898,816</u>
Total Assets			
Current Liabilities			
Trade and other payables		737,451	834,128
Current tax liability		56,939	-
		<u>794,390</u>	<u>834,128</u>
Total Current Liabilities			
Non-Current Liabilities			
Deferred tax liabilities		1,120,921	1,120,921
		<u>1,120,921</u>	<u>1,120,921</u>
Total Non-Current Liabilities			
		<u>1,915,311</u>	<u>1,955,049</u>
Total Liabilities			
		<u>13,539,585</u>	<u>14,943,767</u>
Net Assets			
Equity			
Unitholders equity		13,539,585	14,943,767
		<u>13,539,585</u>	<u>14,943,767</u>
Net Assets Attributable to Unit Holders			

The accompanying notes form part of these financial statements.

**HENLEY BROOK SYNDICATE
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**STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNIT HOLDERS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	December 2022	December 2021
	\$	\$
UNITHOLDERS EQUITY AT THE BEGINNING OF THE HALF YEAR	14,943,767	15,129,674
<i>Recognised income and expenses</i>		
Profit for the half year	<u>245,818</u>	<u>85,434</u>
Total comprehensive income for the half year	<u>245,818</u>	<u>85,434</u>
Transactions with unit holders in their capacity as unitholders		
Distributions paid (Note 5)	(1,650,000)	-
UNITHOLDERS EQUITY AT THE END OF THE HALF YEAR	<u>13,539,585</u>	<u>15,215,108</u>

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HENLEY BROOK SYNDICATE

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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	December 2022 \$	December 2021 \$
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	4,111,500	1,359,500
Interest received	27,967	-
Payments to suppliers	<u>(2,105,242)</u>	<u>(2,691,191)</u>
<i>Net Cash Provided By/(Used In) Operating Activities</i>	<u>2,034,225</u>	<u>(1,331,691)</u>
<i>Cash Flows from Investing Activities</i>		
Distribution to unitholders	<u>(1,640,135)</u>	<u>(3,500)</u>
<i>Net Cash Used In Investing Activities</i>	<u>(1,640,135)</u>	<u>(3,500)</u>
Net increase/(decrease) in cash and cash equivalents	394,090	(1,335,191)
Cash and cash equivalents at the beginning of the half-year	<u>2,721,451</u>	<u>4,279,580</u>
<i>Cash and cash equivalents at the end of the half-year</i>	<u><u>3,115,541</u></u>	<u><u>2,944,389</u></u>

The accompanying notes form part of these financial statements.

**HENLEY BROOK SYNDICATE
ARSN 114 592 040**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Henley Brook Syndicate (“the Syndicate”) is a registered managed investment scheme under the Corporations Act 2001. The condensed interim financial report of the Scheme is for the six months ended 31 December 2022.

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Syndicate’s 2022 annual financial report for the financial year ended 30 June 2022. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Syndicate has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year.

It has been determined by the Syndicate that there is no material impact of any of the New and Amended Standards and Interpretations on its business, and therefore, no changes are required to the Syndicate’s accounting policies.

Unitholders funds have been shown as equity rather than a financial liability following the amendment to the Syndicate’s Constitution, giving the Syndicate an indefinite useful life. The funds ceased to satisfy the definition of a financial liability under AASB 132 Financial Instruments: Presentation and have been classified as an equity instrument in the financial statements.

HENLEY BROOK SYNDICATE
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

2. INVENTORIES

	December 2022	June 2022
	\$	\$
Current		
Work in progress at cost	6,428,402	4,112,431
Non-Current		
Work in progress at cost	5,874,230	10,003,211
	<u>12,302,632</u>	<u>14,115,642</u>
Work in Progress		
Cost of Acquisition	12,500,000	12,500,000
Development costs capitalised	69,847,943	68,761,567
Borrowing and finance costs capitalised	10,998,090	10,997,883
Cost of sales expensed	(81,043,401)	(78,143,808)
	<u>12,302,632</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 the remaining lots over the next 2 to 3 years is ongoing.

3. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 31 December 2022 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.

4. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liabilities

The Syndicate had no contingent liabilities at 31 December 2022 and 30 June 2022.

Capital Expenditure Commitments

The Syndicate had a remaining commitment to the cost of construction of stages 14 and 15 of the development of \$282,285 as at 31 December 2022. The Syndicate had an original commitment of \$2,850,140 for the development of stages 14 and 15. Since the contracts commenced there have been payments of \$2,567,855. Leaving a balance on the commitment of \$282,285.

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

5. DISTRIBUTIONS

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 half-year ended 31 December 2022.

No distributions were declared for the half-year ended 31 December 2021.

HENLEY BROOK SYNDICATE

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DIRECTORS' DECLARATION

31 DECEMBER 2022

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

1. The financial statements and notes:
 - (a) comply with the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Syndicate's financial position as at 31 December 2022 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Syndicate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of the Responsible Entity.



Robert Garton Smith

Director

Dated this 14th day of March 2023

Fremantle, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE UNITHOLDERS OF THE HENLEY BROOK SYNDICATE

As lead auditor for the review of the half-year financial report of the Henley Brook Syndicate for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, that there have been:

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



Crowe Perth



Cyrus Patell
Partner

Perth, WA

Dated this 14th day of March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF THE HENLEY BROOK SYNDICATE

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of the Henley Brook Syndicate, which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Henley Brook Syndicate does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Syndicate's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

The Directors of the Responsible Entity, Primary Securities Limited, are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Syndicate's financial position as at 31 December 2022 and its performance for the half-year ended on that date and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Crowe Perth



Cyrus Patell
Partner

Signed at Perth, 14 March 2023