



PROPERTY LTD

ABN 51 095 920 648 AFSL 224663

2006 ANNUAL REPORT

WRF HENLEY BROOK PROPERTY SYNDICATE

ARSN 114 592 040 • ABN 83 848 124 457





PROPERTY LTD

■ THE MANAGER & ISSUER

WRF Property Ltd

ABN 51 095 920 648 AFSL No. 224663

Registered Office

50 Colin Street WEST PERTH WA 6005

Business Office

Level 3, 11 Queens Road MELBOURNE VIC 3004

Telephone (03) 9866 7019 Facsimile (03) 9866 7029

Toll Free 1300 55 55 88

www.wrf.com.au

■ INDEPENDENT COMPLAINTS RESOLUTION SERVICE

Financial Industry Complaints Service Limited

(ABN 64 068 901 904)

31 Queen Street MELBOURNE VIC 3000

PO Box 579 COLLINS STREET WEST VIC 8007

Telephone (Toll Free) 1800 335 405 Facsimile (03) 9621 2291

E-mail fics@fics.asn.au

www.fics.asn.au

■ COMPLAINTS INFORMATION

WRF Property Ltd is committed to fair and prompt dealings with all complaints and welcomes suggestions for service improvement.

Investors in WRF Property Ltd products are entitled to make an oral or written complaint. If you wish to make a complaint, please contact:

Chris Carey – Complaints Officer
WRF Property Ltd
Locked Bag 105 SOUTH MELBOURNE VIC 3205

Hand deliveries to:
Melbourne Business office.
Phone: 1300 55 55 05

If you make a complaint:

- Your complaint will be recorded in the Manager's complaints register and acknowledged in writing;
- Progress in dealing with your complaint will be monitored by the Manager's Complaints Officer;
- The Managing Director of WRF Property Ltd, Owen Lennie, must deal with the complaint within 60 days and then notify you in writing of any action taken or proposed to resolve the complaint and of details of the external complaints resolution procedure; and
- If you are not satisfied with the outcome, you may take your complaint to the independent complaints service listed below, without prejudice to other avenues of redress:

Financial Industry Complaints Service Limited
PO Box 579 Collins Street West VIC 8007
Phone: 1800 335 405



WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

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WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

REVIEW OF OPERATIONS

The WRF Henley Brook Syndicate was created by a deed dated 2 June 2005 (as amended) ("the Constitution"). The Constitution and Compliance Plan dated 2 June 2005 have been lodged with the Australian Securities and Investments Commission.

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

Initial funding for the Syndicate consisted of 11,000,000 \$1.00 units and a loan of \$6,250,000 from National Australia Bank Limited.

The Syndicate involves the development of approximately 40 hectares of land into 417 residential lots, to be developed and sold over four to five years.

The planning of the development is proceeding, with delays incurred with town planning approval. However, the local council has appointed an officer to fast track applications and the directors see no major delay in the completion of the project. It is anticipated that the development works will now start in April/May 2007.

A number of cost savings in the development process have been identified, through economies of scale with surrounding land owners.

A detailed flora survey found no rare or endangered flora, nor any threatened ecological communities. This positive result removes a risk in the development of the project.

WRF HENLEY BROOK SYNDICATE
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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 Henley Brook Syndicate ("the Syndicate"), present their report together with the Financial Report of the Syndicate for the period ended 30 June 2006 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 2 June 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. | 58 | 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. | 61 | 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. | 37 | Has 15 years experience in the investment and finance industries. She is marketing director for the WRF Securities Ltd group of companies. |
| A Micelotta Appointed as a Director on 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 Syndicate owns Lots 349 and 350 Park Road, Henley Brook, Western Australia (the Property). The Property is to be subdivided into predominately residential lots with some rural residential lots over approximately 8 stages to be progressively completed and sold over the next four to five years.

The Syndicate has no employees.

Operating Results

The Syndicate incurred a net loss of \$13,497 for the period 22 December 2005 to 30 June 2006 from continuing operations.

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

Review and results of operations

The review of operations for the period 22 December 2005 to 30 June 2006 is discussed in the Review of Operations contained on page 2 of this report.

WRF HENLEY BROOK SYNDICATE
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DIRECTORS' REPORT (CONT)

Units on Issue

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

| | 2006 |
|---|---------------------|
| | No. of units |
| Units on issue as at 30 June | 11,000,000 |
| | \$ |
| Value of the Syndicate's net assets as at 30 June | 9,189,713 |

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 2006.

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.

| | 2006 |
|--|-------------|
| | \$ |
| WRF Property Limited | |
| Compliance fees | 12,000 |
| Acquisition fee | 750,000 |
| Establishment fee | 625,000 |
| Reimbursable expenditure paid or payable | 1,677,104 |
| | <hr/> |
| | 3,064,104 |
| WRF Securities Ltd | |
| Accounting and registry fees | 17,500 |
| WRF Capital Limited | |
| Loan arrangement, loan establishment and underwriting fees | 160,000 |
| | <hr/> |
| | 3,241,604 |
| | <hr/> |

State of Affairs

The WRF Henley Brook Syndicate was created by a deed dated 2 June 2005 ("the Constitution").

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 \$15,553,841 at 30 June 2006. 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 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.

WRF HENLEY BROOK SYNDICATE
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DIRECTORS' REPORT (CONT)

Likely Developments

The Syndicate will continue to run and subdivide the Property into approximately 417 residential lots including 11 rural residential lots and one unit site over 8 stages, and to be progressively completed and sold over the next 4.5 to 5 years. It is intended to commence development of the first stage of approximately 55 lots in June 2007 and sell the last lots in September 2010.

The Syndicate's constitution dated 2 June 2005 ("the Constitution"), states that the Syndicate will terminate on the 10th anniversary of the first issue of Units under the Product Disclosure Statement or on the occurrence of events referred to in the Corporations Act.

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 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 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 2006 has been received and can be found on page 21 of the financial report.

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



R C Nichevich
Managing Director
WRF Securities Ltd

Dated this 27th day of October 2006.
Perth, Western Australia.

WRF HENLEY BROOK SYNDICATE
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INCOME STATEMENT
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

| | Notes | 2006 \$ |
|--|-------|-----------------|
| Revenue | | |
| Rental income | | 16,631 |
| Interest | | <u>52,719</u> |
| Total revenue | | 69,350 |
| Expenses | | |
| Administration expenses | 2 | <u>(82,847)</u> |
| Loss from continuing operations | | (13,497) |
| Finance costs – distributions to unitholders | | - |
| Decrease in net assets attributable to unitholders - liability | 8 | <u>13,497</u> |
| Net profit attributable to unitholders | | <u><u>-</u></u> |

The accompanying notes form part of these financial statements.

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

BALANCE SHEET
AS AT 30 JUNE 2006

| | Notes | 2006 |
|---|--------------|-------------------|
| | \$ | \$ |
| Current Assets | | |
| Cash and cash equivalents | 10(a) | 775,331 |
| Trade and other receivables | 3 | 48,048 |
| Total Current Assets | | <u>823,379</u> |
| Non-Current Assets | | |
| Other non-current assets | 3 | 667,880 |
| Inventories | 4 | 14,062,582 |
| Total Non-Current Assets | | <u>14,730,462</u> |
| Total Assets | | <u>15,553,841</u> |
| Current Liabilities | | |
| Trade and other payables | 6 | 114,128 |
| Total Current Liabilities | | <u>114,128</u> |
| Non-Current Liabilities | | |
| Long-term borrowings | 7 | 6,250,000 |
| Total Non-Current Liabilities | | <u>6,250,000</u> |
| Total Liabilities (excluding net assets attributable to unitholders) | | <u>6,364,128</u> |
| Net Assets Attributable to Unitholders – Liability | 8 | <u>9,189,713</u> |

The accompanying notes form part of these financial statements.

WRF HENLEY BROOK SYNDICATE
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**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS –
LIABILITY FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006**

| | Notes | 2006 |
|--|-------|------------------|
| | | \$ |
| Total net assets attributable to unitholders - liability at the beginning of the period | | - |
| Decrease in net assets attributable to unitholders - liability | | (13,497) |
| Transactions with unitholders in their capacity as unitholders: | | |
| Net contributions by unitholders (net of transaction costs) | | <u>9,203,210</u> |
| Total net assets attributable to unitholders - liability at the end of the period | 8 | <u>9,189,713</u> |

The accompanying notes form part of these financial statements.

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

CASH FLOW STATEMENT
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

| | Note | 2006 \$ |
|---|-------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | | 16,631 |
| Payments to suppliers | | (13,662,300) |
| Interest received | | 52,719 |
| Other expenses paid | | (11,575) |
| Finance costs | | <u>(222,589)</u> |
| Net cash used in operating activities | 10 (b) | <u>(13,827,114)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for security deposits | | <u>(667,880)</u> |
| Net cash used in investing activities | | <u>(667,880)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | | 6,250,000 |
| Proceeds from units issued | | 11,000,000 |
| Payment for syndication costs | | (1,796,790) |
| Payment for loan establishment costs | | <u>(182,885)</u> |
| Net cash provided by financing activities | | <u>15,270,325</u> |
| Net increase in cash and cash equivalents | | 775,331 |
| Cash and cash equivalents at the beginning of the period | | <u>-</u> |
| Cash and cash equivalents at the end of the period | | <u><u>775,331</u></u> |

The accompanying notes form part of these financial statements.

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

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 period 22 December 2005 to 30 June 2006.

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 Henley Brook 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.

Compliance with AIFRS

As this is the first annual financial report prepared under Australian equivalents to International Financial Reporting Standards ('AIFRS'), there are no reconciliations of equity and profit and loss between previous GAAP and AIFRS.

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 recognized 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 of abnormal wastage, storage, administration and selling.

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.

WRF HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

1 Statement of Significant Accounting Policies (continued)

(c) Sales of Development Property

Revenue and expenses on development projects will be recognised in accordance with AASB 102 "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.

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:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

1 Statement of Significant Accounting Policies (continued)

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: Disclosure and 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.

(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.

WRF HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

1 Statement of Significant Accounting Policies (continued)

(i) Comparative Figures

The Syndicate was established on the 22 December 2005 and accordingly the income statement, statement of changes in net assets attributable to unitholders and the statement of cash flows represent the results of the Syndicate for 22 December 2005 to 30 June 2006 and there are no comparatives. As this is the first financial report prepared for the Syndicate, there are no reconciliations of equity and profit and loss between previous GAAP and AIFRS.

| | 2006 |
|--------------------------------------|---------------------|
| | \$ |
| 2 Revenue and Expenses | |
| Investment income | |
| Rental income | 16,631 |
| Interest | 52,719 |
| Total investment income | <u>69,350</u> |
| Expenses | |
| Accounting fees | 13,500 |
| Compliance fees | 12,000 |
| Custodian fees | 37,500 |
| Other administration expenses | 19,847 |
| Total expenses | <u>82,847</u> |
| 3 Trade and Other Receivables | |
| Current | |
| Accrued income | 14,933 |
| Prepayments | 14,677 |
| Security deposits | 11,575 |
| GST receivable | 6,863 |
| | <u>48,048</u> |
| Non-Current | |
| Security Deposits | <u>667,880</u> |
| 4 Inventories | |
| Non-Current | |
| Land held for resale at cost | 5 <u>14,062,582</u> |

WRF HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

2006
\$

5 Land Held for Resale

| | |
|---|-------------------|
| Cost of acquisition | 12,500,000 |
| Development costs capitalised | 1,171,171 |
| Borrowing and finance costs capitalised | 391,411 |
| | <u>14,062,582</u> |

Non-current land held for resale relates to land acquired by the WRF Henley Brook Syndicate. The property comprises two adjoining titles having an area of approximately 40.6 hectares. The project is to subdivide the property into approximately 417 residential lots over 8 stages, including 11 rural residential lets and one unit site, and to sell the lots over the next 4.5 to 5 years. It is intended to commence development of the first stage of approximately 55 lots in June 2007 and sell the last lots in September 2010.

The acquisition of the land was funded by a combination of third party finance (\$6.25 million) with National Australia Bank Limited and unitholder contributions (\$1 million).

6 Trade and Other Payables

Current

| | |
|------------------------------|----------------|
| Accounts payable | 37,057 |
| Other creditors and accruals | 76,771 |
| GST payable | 300 |
| | <u>114,128</u> |

7 Interest Bearing Liabilities

Non Current

Secured

| | |
|--------------------|------------------|
| Bank bill facility | <u>6,250,000</u> |
|--------------------|------------------|

The Syndicate has a \$6.25 million cash advance facility with National Australia Bank Limited. The interest only, non recourse bank bill matures on 31 December 2007. The loan is secured by a first registered mortgage over the land held for resale. The interest rate on the facility was 6.18% as at the balance date, and a line fee of 0.9% per annum is payable.

In addition, the interest expense for the 2 years is to be covered by a term deposit of \$875,000.

WRF HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

| | 2006 \$ |
|--|--|
| 8 Net Assets Attributable to Unitholders - Liability | |
| <i>Net assets attributable to unitholders- liability consist of:</i> | |
| Net contributions by unitholders | 11,000,000 |
| Syndicate establishment expenses | (1,796,790) |
| Cumulative retained loss from operations | <u>(13,497)</u> |
| Closing balance | <u>9,189,713</u> |
| | 2006 No. of units |
| 11,000,000 units issued on 22 December 2005 at \$1.00 each | <u>11,000,000</u> |
| <p>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.</p> | |
| 9 Commitments And Contingent Liabilities | |
| <p>There were no commitments for capital expenditure or any contingent liabilities at 30 June 2006.</p> | |
| 10 Notes to the Statement of Cash Flows | |
| a) Cash at Bank | |
| <p>Cash at the end of the financial period as shown in the statement of cash flows is comprised of:</p> | |
| | 2006 \$ |
| Cash on hand | <u>775,331</u> |
| b) Reconciliation of Net Profit to Net Cash Flows from Operations | |
| | 2006 \$ |
| Net loss | (13,497) |
| <i>Non-cash flows in profit for the period</i> | |
| <i>Changes in assets and liabilities:</i> | |
| (Increase) in receivables | (33,371) |
| (Increase) in prepaid expenses | (14,677) |
| (Increase) in land held for resale | (14,062,582) |
| Decrease in other assets | 182,885 |
| Increase in trade and other payables | <u>114,128</u> |
| Cash flows from operations | <u>(13,827,114)</u> |
| c) Loan facilities | |
| Loan facilities | 6,250,000 |
| Amount utilised | <u>(6,250,000)</u> |
| Unused loan facilities | <u><u>-</u></u> |
| <p>Refer to Note 7 for further details on the loan facilities.</p> | |

WRF HENLEY BROOK SYNDICATE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

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 repriced at | | | Non- Interest Bearing \$ | Total \$ |
|------------------------------------|--|------------------------------------|---|--------------------|--------------------|--------------------------------|--------------------|
| | | | Within Year \$ | 1 to 5 Years \$ | Over 5 Years \$ | | |
| 2006 | | | | | | | |
| Financial Assets: | | | | | | | |
| Cash – Operating | 5.55% | 775,331 | - | - | - | - | 775,331 |
| Term Deposit (non current) | 5.83% | - | - | 667,880 | - | - | 667,880 |
| Receivables | - | - | - | - | - | 48,048 | 48,048 |
| | | <u>775,331</u> | <u>-</u> | <u>667,880</u> | <u>-</u> | <u>48,048</u> | <u>1,491,259</u> |
| Financial Liabilities: | | | | | | | |
| Payables | - | - | - | - | - | (114,128) | (114,128) |
| Long term borrowings | 6.18% | - | - | (6,250,000) | - | - | (6,250,000) |
| | | <u>-</u> | <u>-</u> | <u>(6,250,000)</u> | <u>-</u> | <u>(114,128)</u> | <u>(6,364,128)</u> |
| Net financial assets/(liabilities) | | <u>775,331</u> | <u>-</u> | <u>(5,582,120)</u> | <u>-</u> | <u>(66,080)</u> | <u>(4,872,869)</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.

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.

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

13 Auditor's Remuneration

| | 2006 |
|--|--------------|
| | \$ |
| <i>Remuneration of the auditor of the Syndicate for:</i> | |
| - Audit and review of the financial reports | 5,750 |
| - Other services (compliance audit) | 2,000 |
| | <u>5,750</u> |

14 Related Party Disclosures

The Responsible Entity of the WRF Henley Brook Syndicate is WRF Property Limited (ABN 51 095 920 648). WRF Property Limited is a wholly owned subsidiary of WRF Securities Limited (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 and this is considered the Key Management Personnel ('KMP').

The Directors and Executives of the Responsible Entity are KMP of that entity and their names are:

| | |
|------------------|---------------------------------|
| Mr R C Nichevich | Chairman and Executive Director |
| Mr O S Lennie | Managing Director |
| Ms S A Barrett | Marketing Director |
| Mr T Micelotta | Portfolio Director |
| Mr C J Carey | Company Secretary |

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 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.

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

14 Related Party Disclosures (continued)

b) Responsible Entity's fees and other transactions

| | 2006 \$ |
|--|--------------------------|
| WRF Property Limited | |
| Compliance fees paid or payable | 12,000 |
| Acquisition fee | 750,000 |
| Establishment fee | 625,000 |
| Reimbursable expenditure paid or payable | 1,677,104 |
| | 3,064,104 |
| WRF Securities Ltd | |
| Accounting and registry fees | 17,500 |
| WRF Capital Limited | |
| Loan arrangement, loan establishment and underwriting fees | 160,000 |
| | 3,241,604 |

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 is set out below. No other related parties held units in the Syndicate during the year.

30 June 2006

| Entity | Relationship | Unit holding \$ | Interest held % | Units issued |
|--|--------------------------------------|-----------------------|-----------------------|-----------------|
| Deluge Holdings Pty Ltd a director related entity of Mr R C Nichevich | Director of Responsible Entity | 90,000 | 0.82% | 90,000 |
| Koy Pty Ltd a director related entity of Mr R C Nichevich | Director of Responsible Entity | 110,000 | 1.00% | 110,000 |
| | | 200,000 | 1.82% | 200,000 |

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 22 DECEMBER 2005 TO 30 JUNE 2006

15 Change in Accounting Policy

The following Australian Accounting Standards issued or amended which are applicable to the Syndicate but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

| AASB Amendment | AASB Standard Affected | Application Date of the Standard | Application Date for the Company |
|-----------------------|--|---|---|
| 2005-5 | AASB 1: First-time Adoption of AIFRS | 1 January 2006 | 1 July 2006 |
| | AASB 139: Financial Instruments: Recognition and Measurement | 1 January 2006 | 1 July 2006 |
| 2005-9 | AASB 132: Financial Instruments: Disclosure and Presentation | 1 January 2006 | 1 July 2006 |
| | AASB 139: Financial Instruments: Recognition and Measurement | 1 January 2006 | 1 July 2006 |
| 2005-10 | AASB 139: Financial Instruments: Recognition and Measurement | 1 January 2007 | 1 July 2007 |
| | AASB 101: Presentation of Financial Statements | 1 January 2007 | 1 July 2007 |
| New Standard | AASB 7: Financial Instruments: Disclosure | 1 January 2007 | 1 July 2007 |

The expected initial impact of the changes in accounting policies listed above is not yet known or able to be reasonably estimated.

All other pending Standards issued between the previous financial report and the current reporting date have no application to the Company.

| AASB Amendment | AASB Standard Affected |
|-----------------------|--|
| 2004-3 | AASB 1: First-time Adoption of AIFRS |
| | AASB 101: Presentation of Financial Statements |
| | AASB 124: Related Party Disclosures |
| 2005-1 | AASB 139: Financial Instruments: Recognition and Measurement |
| 2005-4 | AASB 139: Financial Instruments: Recognition and Measurement |
| | AASB 132: Financial Instruments: Disclosure and Presentation |

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.

WRF HENLEY BROOK SYNDICATE
ARSN 114 592 040

DIRECTORS' DECLARATION

WRF HENLEY BROOK SYNDICATE

The directors of WRF Property Limited, the Responsible Entity of the WRF Henley Brook Syndicate, declare that:

1. The financial statements and notes, as set out on pages 6 to 19 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 2006 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 27th day of October 2006

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 Henley Brook Property Syndicate for the period ended 30 June 2006, 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.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP



SEAN MCGURK
Partner

Perth this 27th day of October 2006

INDEPENDENT AUDIT REPORT TO THE UNIT HOLDERS OF WRF HENLEY BROOK PROPERTY SYNDICATE

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in net assets attributable to unit holders, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for WRF Henley Brook Property Syndicate (the Syndicate), for the period ended 30 June 2006.

The directors of the Responsible Entity, WRF Property Limited, are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the unit holders of the Syndicate. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the syndicate's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

Audit opinion

In our opinion, the financial report of WRF Henley Brook Property Syndicate is in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the Syndicate's financial position as at 30 June 2006, and of its performance for the period ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP



SEAN MCGURK
Partner

Signed at Perth this 27th day of October 2006

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WRF Property Ltd is a member of the WRF Securities Group of companies

