

# Waratah Hotel Group

## Interim Consolidated Financial Statements

Half Year Ended 31 December 2021

**Waratah Hotels Limited**  
**ABN 80 117 204 225**  
**Waratah Hotels No 2 Limited**  
**ABN 78 619 064 998**  
**Waratah Hotel Fund**  
**ARSN 123 286 304**  
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# Waratah Hotel Group

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# Waratah Hotel Group

## Directors' Report

The Directors present their report together with the consolidated financial report of the Waratah Hotel Group (Group) for the six months ended 31 December 2021. The Group is comprised of:

- (1) Two companies – Waratah Hotels Limited (WHL) and its controlled entities and Waratah Hotels No 2 Limited (WHL 2) and its controlled entities (together referred to as the 'Companies'); and
- (2) A trust – Waratah Hotel Fund and its controlled entities (Fund) (an Australian registered scheme for which Waratah Funds Management Limited (WFML) acts as responsible entity).

Shares in both of the Companies are stapled to each other and to the units in the Fund. For the purposes of this financial report the Fund is identified as the parent entity of the Group.

The consolidated financial reports of the Group for the six months ended 31 December 2021 comprise the consolidated financial reports of the Fund and the Companies.

## Principal Activities & Result

The principal activity of the Group is the ownership and operation of hotel and pub businesses. Hotel and pub operations are undertaken by a specialist management company known as Waratah Hotel Management Pty Ltd (Waratah) on behalf of WFML.

The net result for the Group was a profit after tax of \$2,345,236 (December 2020: a profit of \$799,901). The profit after tax for the current period includes a profit on sale of hotel assets of \$1.25m (December 2020: Nil) relating to sale of the Amaroo Tavern in Moree.

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) from operations excluding profit on sale of hotel assets and transaction costs and fair value adjustments relating to hotel acquisitions was \$2,384,242 (December 2020: \$3,834,779).

## Significant Changes in Affairs

During the six months to 31 December 2021 the Group issued a further 28,721 stapled securities as part of the Group's distribution re-investment plan raising \$43,760.

On 6 December 2021 the Group settled the sale of the property known as Amaroo Tavern at Moree for \$8,650,000.

Other than the issuing of new units in the Fund and the settlement of the Amaroo Tavern, there were no significant changes to the state of affairs of the Group during the six months to 31 December 2021.

## Dividends / Distributions

Distributions of \$918,359 (December 2020: \$792,907) were paid or declared during the six months to 31 December 2021.

## Likely Developments

Waratah is continually assessing market opportunities to add new hotel assets to the Fund that will improve the Fund's overall performance and level of gearing.

To the best knowledge of Directors there are no other significant developments expected in respect of the Group. The performance of the Group in the future will be subject to underlying investment markets over time.

# Waratah Hotel Group

## Directors' Report (continued)

### Events Subsequent to Reporting Date

On 28 February 2022, the Group's Mary G's Hotel asset located in Lismore was impacted by a significant rain event centred around South East Queensland and the Northern Rivers region of NSW. The rain event caused substantial flooding resulting in significant water flows throughout the property. The hotel has not operated since the flooding occurred and the Group is currently assessing the level of damage and undertaking cleaning and repair work to the property to enable the venue to open for trade. The Group has not yet quantified the financial impact of the loss of trade and the cost of repairing and replacing assets damaged by the flooding.

Subsequent to the end of the reporting period, a number of the Group's regional venues in New South Wales and Queensland continue to be impacted by restrictions to trading in response to the COVID-19 pandemic. These restrictions were largely removed towards the end of February 2022. There continues to be significant uncertainty around the breadth and duration of any future business disruptions related to COVID-19. We cannot reasonably estimate the length or severity of this pandemic, but we currently do not anticipate a material adverse impact on our financial position, results of operations, and cash flows for the remainder of the 2022 financial year.

To the best knowledge of the Directors, other than the above, there have been no matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

### Directors

The names of the Directors of the Company and Waratah Funds Management Limited at any time during or since the end of the year are set out below. Unless otherwise stated, Directors have been in office since the beginning of the financial year to the date of this financial report.

Darren Baker  
David Horton  
Josephine Horton

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

This report is made in accordance with a resolution of Directors, pursuant to Section 306(3)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



**Darren Baker**  
Director  
Sydney, 4 March 2022



**David Horton**  
Director  
Sydney, 4 March 2022

## **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WARATAH HOTEL GROUP**

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Waratah Hotel Group for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney on the 4<sup>th</sup> of March 2022



**ESV Business advice and accounting**



**Travas Burns  
Partner**

# Waratah Hotel Group

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2021

	December 2021	December 2020
	\$	\$
<b>Revenue</b>		
Hotel Operations Income	24,140,215	22,605,940
Other income	241,780	1,159,104
Gain on sale of hotel assets	1,253,043	-
<b>Total Revenue</b>	<b>25,635,038</b>	<b>23,765,044</b>
<b>Expenses</b>		
Cost of sales	(11,656,081)	(10,748,309)
General and administrative expenses	(454,455)	(361,333)
Marketing expenses	(482,004)	(405,826)
Poker machine expenses	(322,887)	(248,009)
Operating expenses	(1,220,781)	(1,261,586)
Employment expenses	(5,936,349)	(5,476,842)
Occupancy costs	(1,218,680)	(862,614)
Other management expenses	(706,516)	(565,747)
Depreciation and amortisation	(606,872)	(523,543)
Finance costs	(321,099)	(384,504)
Transaction costs relating to hotel acquisitions	-	(780,471)
Impairment	-	(89,344)
Fair value adjustment of property, plant and equipment	-	(550,655)
<b>Profit Before Income Tax</b>	<b>2,709,314</b>	<b>1,506,261</b>
Income tax expense	(364,078)	(706,360)
<b>Profit After Income Tax for the period</b>	<b>2,345,236</b>	<b>799,901</b>
<b>Other Comprehensive income net of tax</b>	-	-
<b>Total Comprehensive Income for the period</b>	<b>2,345,236</b>	<b>799,901</b>
<b>Profit for the year is attributable to:</b>		
Waratah Hotel Fund	1,253,001	(1,184,543)
Waratah Hotels Limited	716,560	1,436,488
Waratah Hotels No 2 Limited	375,675	547,956
	<b>2,345,236</b>	<b>799,901</b>
<b>Total Comprehensive Income for the year is attributable to:</b>		
Waratah Hotel Fund	1,253,001	(1,184,543)
Waratah Hotels Limited	716,560	1,436,488
Waratah Hotels No 2 Limited	375,675	547,956
	<b>2,345,236</b>	<b>799,901</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Financial Position

As at 31 December 2021	Note	December 2021 \$	June 2021 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	12,918,614	4,383,622
Trade and other receivables	4	104,657	248,183
Inventories	5	1,088,910	1,246,906
Other assets	6	644,058	1,284,276
<b>Total Current Assets</b>		<b>14,756,239</b>	<b>7,162,987</b>
<b>Non-Current Assets</b>			
Land and buildings	7	51,369,974	56,550,145
Property, plant and equipment	8	3,043,407	3,410,519
Intangible assets	9	5,407,378	6,652,757
Right-of-use assets	10	1,436,412	1,603,267
Deferred tax assets	11	63,425	63,425
<b>Total Non-Current Assets</b>		<b>61,320,596</b>	<b>68,280,113</b>
<b>TOTAL ASSETS</b>		<b>76,076,835</b>	<b>75,443,100</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	6,112,298	6,186,782
Interest bearing liabilities	13	800,000	600,000
Lease liabilities	14	319,192	310,427
Current Tax Liabilities		-	534,982
Provisions	15	869,660	769,531
<b>Total Current Liabilities</b>		<b>8,101,150</b>	<b>8,401,722</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	12	112,388	68,546
Interest bearing liabilities	13	29,282,500	29,682,500
Lease liabilities	14	1,166,797	1,329,040
Deferred Tax Liability		285,509	285,509
Provisions	15	127,216	145,145
<b>Total Non-Current Liabilities</b>		<b>30,974,410</b>	<b>31,510,740</b>
<b>TOTAL LIABILITIES</b>		<b>39,075,560</b>	<b>39,912,462</b>
<b>NET ASSETS</b>		<b>37,001,275</b>	<b>35,530,638</b>
<b>EQUITY</b>			
Contributed equity		27,743,624	28,618,223
Retained Profits		9,257,651	6,912,415
<b>TOTAL EQUITY</b>		<b>37,001,275</b>	<b>35,530,638</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Financial Position (continued)

As at 31 December 2021

	December 2021	June 2021
	\$	\$
<b>Equity attributable to members of Waratah Hotel Fund (Parent interest)</b>		
Contributed equity	20,603,142	21,486,493
Accumulated profits	5,515,566	4,262,565
<b>Total Equity attributable to members of Waratah Hotel Fund</b>	<b>26,118,708</b>	<b>25,749,058</b>
<b>Equity attributable to members of Waratah Hotels Limited</b>		
Contributed equity	7,140,481	7,131,729
Accumulated profits	2,294,867	1,578,307
<b>Total Equity attributable to members of Waratah Hotels Limited</b>	<b>9,435,348</b>	<b>8,710,036</b>
<b>Equity attributable to members of Waratah Hotels No 2 Limited</b>		
Contributed equity	1	1
Accumulated profits	1,447,218	1,071,543
<b>Total Equity attributable to members of Waratah Hotels No 2 Limited</b>	<b>1,447,219</b>	<b>1,071,544</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2021

	No. of securities	Contributed equity \$	Retained profits /(Accumulated losses) \$	Total \$
<b>Balance at 1 July 2021</b>	<b>24,466,806</b>	<b>28,618,223</b>	<b>6,912,415</b>	<b>35,530,638</b>
Issues of securities	28,721	43,760	-	43,760
Profit after income tax for the period	-	-	2,345,236	2,345,236
Distribution paid	-	(918,359)	-	(918,359)
<b>Balance at 31 December 2021</b>	<b>24,495,527</b>	<b>27,743,624</b>	<b>9,257,651</b>	<b>37,001,275</b>
<b>Balance at 1 July 2020</b>	<b>24,402,717</b>	<b>30,176,902</b>	<b>(1,130,519)</b>	<b>29,046,383</b>
Issues of securities	13,354	18,393	-	18,393
Profit after income tax for the period	-	-	799,901	799,901
Distribution paid	-	(792,907)	-	(792,907)
<b>Balance at 31 December 2020</b>	<b>24,416,071</b>	<b>29,402,388</b>	<b>(330,618)</b>	<b>29,071,770</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2021

	Note	December 2021 \$	December 2020 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers inclusive of GST		26,962,255	26,699,905
Payments to suppliers and employees inclusive of GST		(24,349,559)	(21,818,815)
Interest paid		(321,099)	(384,504)
Interest received		1,465	5,450
Income tax (paid)/refund		(638,401)	140,625
<b>Net Cash Flows provided by Operating Activities</b>		<b>1,654,661</b>	<b>4,642,661</b>
<b>Cash Flows from Investing Activities</b>			
Payments for plant and equipment		(542,192)	(400,575)
Payments for acquisition of new hotel assets		-	(6,563,268)
Net proceeds from sale of hotel assets		8,148,296	775,000
Loan (to)/from other parties		440,426	(440,426)
<b>Net Cash Flows provided/(Used In) provided by Investing Activities</b>		<b>8,046,530</b>	<b>(6,629,269)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities		43,760	18,394
Payment of distributions		(856,064)	(372,362)
Proceeds from borrowings		-	27,482,500
Payment of lease liabilities		(153,895)	-
Repayment of borrowings		(200,000)	(22,467,036)
<b>Net Cash Flows (Used In)/From Financing Activities</b>		<b>(1,166,199)</b>	<b>4,661,496</b>
<b>Net Increase in Cash Held</b>		<b>8,534,992</b>	<b>2,674,888</b>
Cash and cash equivalents at the beginning of the year		4,383,622	1,899,568
<b>Cash and Cash Equivalents at end of the period</b>	<b>3</b>	<b>12,918,614</b>	<b>4,574,456</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 1. Statement of Significant Accounting Policies

The financial statements of Waratah Hotel Group comprise the financial statements of Waratah Hotels Limited and its subsidiaries, Waratah Hotels No 2 Limited and its subsidiaries and Waratah Hotel Fund and its controlled entities (the Fund). Waratah Hotels Limited and Waratah Hotels No 2 Limited are unlisted public companies, incorporated and domiciled in Australia. The Waratah Hotel Fund is a registered management scheme registered under the Corporations Act 2001 in Australia.

Waratah Funds Management Limited (WFML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. Perpetual Corporate Trust Limited is the custodian of the Fund (the Custodian). The relationship of these parties with the Fund is governed by the terms and conditions specified in the Constitution.

The consolidated financial statements for Waratah Hotel Group for the six months ended 31 December 2021 were authorised for issue in accordance with the resolution of the directors of the Company and of WFML on 4 March 2022.

#### **Basis of Preparation**

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

These financial statements are general purpose financial reports that have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The financial statements do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2021.

#### **Going Concern**

This financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group's current assets exceed current liabilities by \$6,655,089, which means there are sufficient cashflow to allow the Group to settle all liabilities in the ordinary course of business. The net asset position of the Group remains strong.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 1. Statement of Significant Accounting Policies (continued)

##### Change in Accounting Policies

There was no change in accounting policies during the current period.

##### New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

#### 2. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and 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 Group.

##### *Key estimates – Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Group did not recognise any impairment loss during the December 2021 half year.

##### *Key estimates – Valuation of Hotel and Pub Properties*

Further information relating to key Director estimates for hotel and pub properties is contained in Note 10.

#### 3. Current Assets - Cash and Cash Equivalents

	December 2021	June 2021
	\$	\$
Cash on hand and at bank	12,918,614	4,383,622
<b>Total cash and cash equivalents</b>	<b>12,918,614</b>	<b>4,383,622</b>

##### (a) Effective interest rate

Cash at bank earns interest at floating rates based on daily bank deposit rates.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 4. Current Assets - Trade and Other Receivables

	December 2021	June 2021
	\$	\$
Trade receivables:		
- Trade debtors	28,627	189,263
- Sundry debtors	76,030	58,920
<b>Total trade and other receivables</b>	<b>104,657</b>	<b>248,183</b>

None of the receivables were impaired as at 31 December 2021 (June 2021: \$nil).

#### 5. Current Assets - Inventories

	December 2021	June 2021
	\$	\$
Food supplies and beverages	1,088,910	1,246,906
<b>Total inventories</b>	<b>1,088,910</b>	<b>1,246,906</b>

#### 6. Current - Other Assets

	December 2021	June 2021
	\$	\$
<b>Current</b>		
Prepaid expenses	320,341	520,133
Security and other deposits	323,717	323,717
Secured Loan	-	440,426
<b>Total current other assets</b>	<b>644,058</b>	<b>1,284,276</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 7. Non-Current Assets – Land and buildings

	December 2021	June 2021
	\$	\$
Land and building – at valuation	45,212,162	50,120,447
Building Improvements – at cost	7,252,599	7,463,482
Less: accumulated depreciation	(1,094,787)	(1,033,784)
	<u>6,157,812</u>	<u>6,429,698</u>
<b>Total non-current assets – Land and buildings</b>	<b><u>51,369,974</u></b>	<b><u>56,550,145</u></b>

#### *Reconciliation*

Reconciliation of land and building fair values as the beginning and end of the current and previous financial period are set out below:

Opening fair value	\$ 50,120,447
Additions	-
Hotel assets purchased/(sold) during the year	(4,908,285)
Fair value adjustment of land and buildings	-
<b>Closing fair value</b>	<b><u>45,212,162</u></b>

Reconciliation of written down values of Building Improvements as the beginning and end of the current and previous financial period are set out below:

	<b>Building improvements</b>
	\$
Balance at 1 July 2021	6,429,698
Additions	135,966
Hotel assets purchased/(sold) during the year	(304,132)
Depreciation expense	(103,720)
<b>Balance at 31 December 2021</b>	<b><u>6,157,812</u></b>

#### *Valuations of land and building*

The basis of the valuations of land and building is fair value. Valuations were performed by registered independent valuers for all of the hotel properties during the period from March 2020 to July 2020 by reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections on a going concern basis. These values have been adjusted where appropriate to reflect market conditions (including consideration of appropriate market evidence where available) at period end and represent the best estimates of fair value at the balance sheet date.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 8. Non-Current Assets – Property, plant and equipment

	December 2021	June 2021
	\$	\$
Furniture, fittings and equipment – at cost	7,944,372	9,091,898
Less: accumulated depreciation	(5,023,425)	(5,793,690)
<b>Total Furniture, fittings and equipment</b>	<b>2,920,947</b>	<b>3,298,208</b>
Motor Vehicle	172,588	154,133
Less: Accumulated depreciation	(50,128)	(41,822)
<b>Total Motor Vehicle</b>	<b>122,460</b>	<b>112,311</b>
	<b>3,043,407</b>	<b>3,410,519</b>

#### Reconciliations

Reconciliations of the written down values at the beginning and the end of the current financial period are set out below:

	Furniture, fittings & equipment	Motor Vehicles	Total
	\$	\$	\$
Balance at 1 July 2021	3,298,208	112,311	3,410,519
Additions	366,183	37,727	403,910
Hotel assets purchased/(sold) during the year	(417,086)	(18,056)	(435,142)
Depreciation expense	(326,358)	(9,522)	(335,880)
Balance at 31 December 2021	2,920,947	122,460	3,043,407

#### 9. Non-Current Assets – Intangible assets

	December 2021	June 2021
	\$	\$
Gaming, liquor licences and goodwill – at cost	5,407,378	6,652,757
<b>Total non-current assets – intangible assets</b>	<b>5,407,378</b>	<b>6,652,757</b>

#### Reconciliations

Reconciliation of written down values as the beginning and end of the current and previous financial period are set out below:

Balance at 1 July 2021	6,652,757
Additions	-
Impairment	-
Hotel assets purchased/(sold) during the year	(1,245,379)
<b>Balance at 31 December 2021</b>	<b>5,407,378</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 9. Non-Current Assets – Intangible assets (continued)

##### *Impairment testing*

Gaming and liquor licences are accounted for at cost as per criteria set out in AASB 138. There is not an active market for these licences and they are considered to have an indefinite useful life and are tested for impairment annually.

These licences form part of specific cash generating units (CGU) represented by individual hotel venues. The carrying amount of each CGU comprises land at fair value, buildings at cost less accumulated depreciation, plant and equipment at cost less accumulated depreciation and intangibles at cost. The recoverable amount of each CGU has been assessed based on its fair value less costs to dispose and this recoverable amount exceeds the carrying amount of each CGU. As a result no impairment loss has been recorded for any assets during the current period.

#### 10. Non-Current Assets – Right-of-use assets

	December 2021	June 2021
	\$	\$
Land and buildings – right-of-use	2,192,785	2,192,785
Less: accumulated depreciation	(756,373)	(589,518)
<b>Total non-current assets - Right-of-use assets</b>	<b>1,436,412</b>	<b>1,603,267</b>

There were no additions to right-of-use assets during the half year.

The Group leases land and buildings for three of its hotel assets under agreements that are between 10 and 15 years in duration with, in some cases, options to extend. The leases have various escalation clauses. On renewal the terms of the leases are renegotiated.

#### 11. Non-Current Assets – Deferred Tax Assets

	December 2021	June 2021
	\$	\$
Deferred Tax Assets	63,425	63,425
<b>Total deferred tax assets</b>	<b>63,425</b>	<b>63,425</b>

#### 12. Current and Non-Current Liabilities – Trade and Other Payables

	December 2021	June 2021
	\$	\$
<b>Current</b>		
Trade and other creditors	5,367,204	4,555,376
Accrued expenses	253,121	1,201,728
Distribution payable	491,973	429,678
<b>Total Current trade and other payables</b>	<b>6,112,298</b>	<b>6,186,782</b>
<b>Non-Current</b>		
Trade and other creditors	112,388	68,546
<b>Total Non-Current trade and other payables</b>	<b>112,388</b>	<b>68,546</b>

# Waratah Hotel Group

## Notes to the Financial Statements

For the Half Year Ended 31 December 2021

### 13. Current and Non-Current Liabilities – Interest Bearing Liabilities

	December 2021	June 2021
	\$	\$
<b>Current</b>		
Secured - bank borrowings	800,000	600,000
<b>Total current borrowings</b>	<b>800,000</b>	<b>600,000</b>
<b>Non-Current</b>		
Secured – bank borrowings	29,282,500	29,682,500
<b>Total non-current borrowings</b>	<b>29,282,500</b>	<b>29,682,500</b>

The Group's borrowings are provided by Commonwealth Bank of Australia. The funding is provided by way of a 3 year variable rate facility with an expiry date of 29 October 2023. The facility includes amortisation requirements of \$800,000 per year that commenced at the end of the first year of the term.

The interest-bearing liabilities from the Commonwealth Bank of Australia are secured against all of the hotel assets within the Fund. A registered mortgage debenture over Waratah Hotels Limited and Waratah Hotels No 2 Limited is held by the Commonwealth Bank of Australia as supporting security for the bank bill facility held by Waratah Hotel Fund in the name of Waratah Funds Management Limited as responsible entity of the Fund.

### 14. Current and Non-Current Liabilities – Lease liabilities

	December 2021	June 2021
	\$	\$
<b>Current</b>		
Property lease liabilities	319,192	310,427
<b>Total current other assets</b>	<b>319,192</b>	<b>310,427</b>
<b>Non-current</b>		
Property lease liabilities	1,166,797	1,329,040
<b>Total current other assets</b>	<b>1,166,797</b>	<b>1,329,040</b>

### 15. Current and Non-Current Liabilities – Provisions

	December 2021	June 2021
	\$	\$
<b>(a) Current</b>		
Annual leave	592,420	541,362
Time in Lieu	76,091	81,987
Long service leave	201,149	146,182
<b>Total current provisions</b>	<b>869,660</b>	<b>769,531</b>
<b>(b) Non-current</b>		
Long service leave	127,216	145,145
<b>Total non-current provisions</b>	<b>127,216</b>	<b>145,145</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 16. Contributed Equity

##### Movement in stapled securities on issue

	December 2021 No.	June 2021 No.
<b>Stapled Securities</b>		
At the beginning of reporting period	24,466,806	24,402,717
Stapled Securities issued	28,721	64,089
<b>Stapled Securities at reporting date</b>	<u>24,495,527</u>	<u>24,466,806</u>

##### Stapled Securities

Stapled securities participate in distributions and the proceeds on winding up of the Group in proportion to the number of stapled securities held.

At the security holders' meetings, each stapled security is entitled to one vote when a poll is called, otherwise each security holder has one vote on a show of hands. In respect of votes attached to stapled securities, the voting power of any holder of ordinary stapled securities is capped at 10% of the total votes attached to all issued ordinary stapled securities, even if that member holds more than 10% of the issued Stapled securities.

#### 17. Distributions

Distributions of \$918,359 were declared for the six months to 31 December 2021 with the December 2021 quarter distribution being paid in January 2022 (December 2020: \$792,907).

#### 18. Business combinations

The Fund did not acquire any hotel assets during the six months to 31 December 2021. In the prior year corresponding period, the Fund had acquired the Royal on 99 Hotel in Roma QLD.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 19. Fair value measurement

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>Half year ended - 31 Dec 2021</b>	<b>Level 1</b> <b>\$</b>	<b>Level 2</b> <b>\$</b>	<b>Level 3</b> <b>\$</b>	<b>Total</b> <b>\$</b>
<i>Assets</i>				
Land & Building	-	-	45,212,162	45,212,162
Total assets	-	-	45,212,162	45,212,162
<i>Liabilities</i>				
Total liabilities	-	-	-	-
<b>Year ended - 30 Jun 2021</b>	<b>Level 1</b> <b>\$</b>	<b>Level 2</b> <b>\$</b>	<b>Level 3</b> <b>\$</b>	<b>Total</b> <b>\$</b>
<i>Assets</i>				
Land & Building	-	-	50,120,447	50,120,447
Total assets	-	-	50,120,447	50,120,447
<i>Liabilities</i>				
Total liabilities	-	-	-	-

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Movements in level 3 assets during the current financial half year are set out below:

Opening balance as at 1 July 2021	\$ 50,120,447
Disposals	(4,908,285)
<b>Closing balance as at 31 December 2021</b>	<b>45,212,162</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 19. Fair value measurement (continued)

The table below demonstrates the sensitivity to reasonably possible changes in EBITDA for the portfolio of hotel assets, with all other variables held constant. A negative amount in the table reflects a potential reduction in the value of securityholders' equity while a positive amount reflects a potential increase. The analysis is performed on the same basis for 30 June 2021.

Movement in EBITDA	Securityholders Equity Higher / (Lower)	
	December 2021 \$	December 2020 \$
+ 10.0%	6,850,000	6,930,000
- 10.0%	(6,850,000)	(6,930,000)

The table below demonstrates the sensitivity to reasonably possible changes in the individual capitalisation rates adopted when valuing the portfolio of hotel assets, with all other variables held constant. A negative amount in the table reflects a potential reduction in the value of securityholders' equity while a positive amount reflects a potential increase. The analysis is performed on the same basis for 30 June 2021.

Movement in capitalisation rate	Securityholders Equity Higher / (Lower)	
	December 2021 \$	December 2020 \$
+ 0.05%	(3,050,000)	(3,678,000)
- 0.05%	3,050,000	3,678,000

#### 20. Contingent Assets and Contingent Liabilities

The Group had no contingent assets or contingent liabilities as at 31 December 2021 (June 2021: Nil).

#### 21. Subsequent Events

On 28 February 2022, the Group's Mary G's Hotel asset located in Lismore was impacted by a significant rain event centred around South East Queensland and the Northern Rivers region of NSW. The rain event caused substantial flooding resulting in significant water flows throughout the property. The hotel has not operated since the flooding occurred and the Group is currently assessing the level of damage and undertaking cleaning and repair work to the property to enable the venue to open for trade. The Group has not yet quantified the financial impact of the loss of trade and the cost of repairing and replacing assets damaged by the flooding.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2021

#### 21. Subsequent Events (continued)

Subsequent to the end of the reporting period, a number of the Group's regional venues in New South Wales and Queensland continue to be impacted by restrictions to trading in response to the COVID-19 pandemic. These restrictions were largely removed towards the end of February 2022. There continues to be significant uncertainty around the breadth and duration of any future business disruptions related to COVID-19. We cannot reasonably estimate the length or severity of this pandemic, but we currently do not anticipate a material adverse impact on our financial position, results of operations, and cash flows for the remainder of the 2022 financial year.

To the best knowledge of the Directors, other than the above, there have been no matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

#### 22. Segment Reporting

The Group currently operates in one business segment being operation of hotel and pub businesses in Australia.

#### 23. Company Details

##### Principal place of business

The principal place of business of the Group is:  
Waratah Hotel Fund  
Suite 1, 207 Ben Boyd Road  
Neutral Bay, NSW, 2089

# Waratah Hotel Group

## Directors' Declaration

In the opinion of the Directors of Waratah Funds Management Limited, the Responsible Entity of Waratah Hotel Fund:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, AASB134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Statement of Significant Accounting Policies confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**Darren Baker**  
Director  
Sydney, 4 March 2022



**David Horton**  
Director  
Sydney, 4 March 2022

## INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF WARATAH HOTEL GROUP

*Report on the Half-Year Financial Report*

### *Conclusion*

We have reviewed the accompanying half-year financial report of Waratah Hotel Group ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year financial report of Waratah Hotel Group is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *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* section of our report. We are independent of the Group in accordance with 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.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Responsibilities of the Directors for Financial Report*

The directors of the Waratah Funds Management Limited ("the Responsible Entity") 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 controls 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.

## **INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF WARATAH HOTEL GROUP**

### *Auditor's Responsibilities*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not give a true and fair view of the financial position of the Group as at 31 December 2021 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year ended 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.

Dated at Sydney on the 4<sup>th</sup> of March 2022



**ESV Business advice and accounting**



**Travas Burns**  
**Partner**