

# **Waratah Hotel Group**

## **Consolidated Annual Financial Report**

Year Ended 30 June 2022

**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 year ended 30 June 2022. 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 year ended 30 June 2022 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 \$8,887,660 (2021: \$8,042,934). The result includes the following non-trading items:

- A gain on sale of \$10,680,409 (2021: Nil) relating to sale of the Amaroo Tavern Moree NSW and the Victoria Hotel Wagga Wagga NSW.
- A fair value adjustment of \$1,275,766 (2021: \$6,562,011) relating to the value of hotel assets;
- A writedown of \$957,520 (2021: Nil) relating to plant and equipment damaged by flooding that occurred at the Mary G's Hotel Lismore property.
- Transaction costs relating to hotel acquisitions of \$423,229 (2021: 1,075,264)

### Significant Changes in Affairs

On 26 October 2021 the Group entered into contracts for the sale of the Amaroo Tavern, Moree NSW for total consideration of \$8.65m. Settlement occurred on 6 December 2021 and the Group recorded a capital gain on sale of the hotel of \$1.562m.

In late February 2022, Mary G's Hotel Lismore was significantly impacted by flooding that occurred in the Northern Rivers region of NSW. Repair and replacement of damaged building and fit-out items has been ongoing since the flood event. Some sections of the hotel have recommenced trading however there is still a significant amount of building work required before the hotel will once again be fully operational.

The flooding had a significant financial impact with the Group writing off \$957,520 of damaged plant and equipment that was disposed of immediately following the floods. Additionally, the Group has estimated and made allowance for total additional building and fit-out repair costs of approximately \$2.8m which are required to restore the hotel back to its condition immediately prior to the flood event.

On 10 March 2022 the Group entered into contracts for the sale of the Tandara Hotel Motel, Sarina Queensland for total consideration of \$10.5m. Settlement of this transaction occurred on 8 August 2022.

# Waratah Hotel Group

## Directors' Report (continued)

On 21 March 2022 the Group entered into a contract to acquire strata premises located immediately above Mary G's Hotel, Lismore NSW for total consideration of \$500,000. This area is intended to be used to increase the overall trading area of the hotel and provide an elevated area for storage of plant and equipment in the event of another significant flood event. Settlement of this property occurred on 13 April 2022.

On 8 April 2022 the Group entered into contracts to sell the Victoria Hotel Wagga Wagga NSW for total consideration of \$29.0m. Settlement occurred on 30 May 2022 and the Group recorded a capital gain on sale of the hotel of \$9,118,135.

On 27 April 2022, the Group entered into contracts to acquire the Richmond Hotel freehold property located at 36 Woodlark Street, Lismore NSW for \$6.25m. The hotel which was also significantly damaged by flooding owns 15 valuable gaming entitlements, some of which are intended to be transferred to Mary G's Hotel in Lismore. Settlement of the property occurred on 8 June 2022.

During the 2022 financial year the Group issued a further 58,353 stapled securities as part of the Group's distribution re-investment plan raising total capital of \$95,211.

Other than the acquisition and sale of property assets, the Lismore flood event and the issuing of additional units in the Fund, there were no significant changes to the state of affairs of the Group during the financial year.

### Dividends / Distributions

Distributions of \$9,260,536 (2021: \$1,648,618) were paid or declared during the 2022 financial year. No dividends were paid by the Companies for the year ended 30 June 2022 (2021: Nil).

### Coronavirus Impact

The Group has assessed the ongoing impact of the COVID-19 pandemic in preparing its financial statements, considering critical estimates and judgements applied in the measurement of the Group's assets and liabilities, and impacts on its business operations. 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 in the financial year 2023.

### Likely Developments

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

As previously stated, Mary G's Hotel Lismore was significantly impacted by flooding that occurred in the Northern Rivers region of NSW. The hotel was due for a significant refurbishment and management is using this event as an opportunity to bring forward the refurbishment and make some significant improvements to the hotel aimed at mitigating the impact of any future flooding events.

To the best knowledge of Directors, there are no other significant developments expected other than Mary G's refurbishment outlined above in respect of the Group. The performance of the Group in the future will be subject to the underlying investment markets over time.

# Waratah Hotel Group

## Directors' Report (continued)

### Events Subsequent to Reporting Date

On 8 July 2022, the Group entered into contracts for the sale of the Diplomat Motel, Alice Springs Northern Territory for total consideration of \$15.0m. Settlement occurred on 28 July 2022. The Diplomat Motel was acquired by the Group in September 2017 for total consideration of \$9.65m.

On 8 August 2022, the Group completed settlement of the Tandara Hotel Motel, Sarina Queensland. The contract for the sale of this property had been entered into on 10 March 2022.

On 19 July 2022 and 29 July 2022, the Group entered into contracts for the acquisition of 2 additional strata premises located in the building that the Mary G's Hotel, Lismore NSW operates from. Total consideration for these premises was \$226,000 and \$140,000 respectively. This area is intended to be used to increase the overall trading area of the hotel and provide an elevated area for storage of plant and equipment in the event of another significant flood event. Settlement of these properties occurred on 18 August 2022 and 12 August 2022 respectively.

On 28 July 2022 a special distribution of 30.0c per unit relating to the 2022 financial year was paid to unitholders. This significant distribution from the Fund which totalled \$7,361,468 was in response to the successful sale of a number of hotel assets during the 2022 financial year.

On 12 August 2022, the Group provided to unitholders a Notice of Meeting and associated documentation relating to the Group's proposed acquisition of Cookie's Lounge Bar, North Strathfield NSW for total consideration of \$13.3m. The proposal was approved by unitholders at the general meeting on 5 September 2022 and the acquisition is expected to settle on 1 October 2022.

Since the end of the financial year, the group has utilised proceeds from the sale of hotel assets to reduce its borrowing facility with Commonwealth Bank of Australia by \$22.845m. The Group's borrowings as at the date of this report are \$6.838m. On 13 September 2022, the Group entered into a new Amendment and Restatement Deed with Commonwealth Bank of Australia to reduce its borrowing facility limit from \$30.282m to the current facility utilised balance of \$6.838m. The amended facility has no amortisation or financial covenant obligations.

To the best knowledge of the Directors, other than the matters outlined above, there have been no other matters or circumstances that have arisen since the end of the year 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.

# Waratah Hotel Group

## Directors' Report (continued)

### Directors

The names of the Directors of the Companies 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

### Information on Directors

Particulars of Directors' qualifications, experience and special responsibilities are as follows:

**Darren Baker**                      **Director and Company Secretary (Waratah Hotels Limited)**  
**Director and Company Secretary (Waratah Hotels No 2 Limited)**  
**Director (Waratah Funds Management Limited)**

Darren has 37 years' experience owning and operating small businesses and hotels. He has been a Director of the Responsible Entity companies which have managed the Waratah Hotel Fund since inception in 2006. Darren was previously the licensee (approved manager) of the Bald Rock Hotel for seven years. Darren is experienced in all facets of hotel operations including cash handling and accounting, gross profit and stock control, gaming, TAB and Keno operations. His primary areas of responsibility are manager liaison, acquisition, due diligence and portfolio operations.

**David Horton**                      **Director (Waratah Hotels Limited)**  
**Director (Waratah Hotels No 2 Limited)**  
**Director and Company Secretary (Waratah Funds Management Limited)**

David is a Chartered Accountant with 30 years of accounting, business and tax experience. David operates his Chartered Accounting practice providing accounting, tax and consulting services to clients across a broad range of industries. In the ten years prior to establishing his practice, David held senior finance and corporate advisory roles in public and large private companies. David has significant experience in asset sales, acquisitions, business integrations, public listings and take-overs, particularly in the media and entertainment space. David has a Bachelor of Business, is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia.

**Josephine ('Jo') Horton**        **Director (Waratah Hotels Limited)**  
**Director (Waratah Hotels No 2 Limited)**  
**Director (Waratah Funds Management Limited)**

Jo has had more than 20 years experience in the banking industry, including as senior economist at St George Bank for more than 10 years. Jo holds a Bachelor of Business from UTS and a Masters of Economics from Macquarie University. Jo's qualifications and experience provide her with a deep understanding of financial markets, economic trading conditions, interest rates and industry trends and insights into the hotel and accommodation sectors.

# Waratah Hotel Group

## Directors' Report (continued)

### Meeting Attendances

Attendances at Board meetings held during the financial year are detailed below:

Director	WFML	WHL	WHL2
Meetings Held	5	5	5
Darren Baker	5	5	5
David Horton	5	5	5
Josephine Horton	5	5	5

### Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the period.

### Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental law or regulation under either Commonwealth or State legislation other than those that pertain to the ownership and development of real estate. The Directors of the Companies and the Responsible Entity believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Group.

### Indemnities of Officers

During the financial period the Group has paid premiums to insure each of the Directors named in this report along with officers of the Companies against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Companies or the Responsible Entity, other than conduct involving a willful breach of duty. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Group.

### Non-audit Services

The Group did not receive any non-audit services during the 2022 financial year. Please refer to Note 24 of the financial statements for fees paid relating to audit services.

### 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.

# Waratah Hotel Group

## Directors' Report (continued)

### Auditor

ESV Business Advice and Accounting continues in office in accordance with section 327 of the Corporations Act 2001.

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



**Darren Baker**  
Director  
Sydney, 23 September 2022



**David Horton**  
Director  
Sydney, 23 September 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 Waratah Hotel Group as at 30 June 2022, 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 23<sup>rd</sup> of September 2022

ESV

**ESV Business Advice and Accounting**

T. Burns

**Travas Burns  
Partner**

# Waratah Hotel Group

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

For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Income</b>			
Hotel Operations Revenue		43,462,061	47,199,651
Fair value adjustment of land & buildings		1,275,766	6,562,011
Profit on sale of hotels		10,680,409	-
Other income		674,126	1,085,122
<b>Total Income</b>	3	<b>56,092,362</b>	<b>54,846,784</b>
<b>Expenses</b>			
Cost of sales		(20,856,781)	(21,718,293)
General and administrative expenses		(815,508)	(825,130)
Marketing expenses		(971,633)	(1,039,297)
Poker machine expenses		(1,151,502)	(579,567)
Operating expenses		(2,316,559)	(2,553,365)
Employment expenses		(11,471,798)	(11,711,295)
Occupancy costs		(2,400,023)	(2,096,849)
Other management expenses		(3,145,371)	(2,136,611)
Depreciation, amortisation, impairment and write off		(2,114,558)	(1,317,509)
Finance costs		(651,944)	(693,355)
Transaction costs relating to hotel acquisitions		(423,229)	(1,075,264)
<b>Profit Before Income Tax</b>		<b>9,773,456</b>	<b>9,100,249</b>
Income tax expense	4	(885,796)	(1,057,315)
<b>Profit After Income Tax for the year</b>		<b>8,887,660</b>	<b>8,042,934</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the year</b>		<b>8,887,660</b>	<b>8,042,934</b>
<b>Profit for the year is attributable to:</b>			
Waratah Hotel Fund		3,470,757	4,813,476
Waratah Hotels Limited		5,379,034	2,145,821
Waratah Hotels No 2 Limited		37,869	1,083,637
		<b>8,887,660</b>	<b>8,042,934</b>
<b>Total Comprehensive Income for the year is attributable to:</b>			
Waratah Hotel Fund		3,470,757	4,813,476
Waratah Hotels Limited		5,379,034	2,145,821
Waratah Hotels No 2 Limited		37,869	1,083,637
		<b>8,887,660</b>	<b>8,042,934</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	15,766,299	4,383,622
Trade and other receivables	6	85,371	248,183
Inventories	7	466,289	1,246,906
Assets held for sale	8	26,224,059	-
Financial assets – term deposits		12,845,000	-
Other assets	9	832,907	1,284,276
<b>Total Current Assets</b>		<b>56,219,925</b>	<b>7,162,987</b>
<b>Non-Current Assets</b>			
Land and buildings	10	20,266,091	56,550,145
Property plant and equipment	11	1,689,713	3,410,519
Intangible assets	12	1,826,257	6,652,757
Right-of-use assets	13	1,207,491	1,603,267
Deferred tax assets	14	349,345	63,425
<b>Total Non-Current Assets</b>		<b>25,338,897</b>	<b>68,280,113</b>
<b>TOTAL ASSETS</b>		<b>81,558,822</b>	<b>75,443,100</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	12,509,861	6,186,782
Interest bearing liabilities	16	800,000	600,000
Lease liabilities	17	269,233	310,427
Current tax liabilities		648,879	534,982
Liabilities held for sale	18	1,668,433	-
Provisions	19	230,000	769,531
<b>Total Current Liabilities</b>		<b>16,126,406</b>	<b>8,401,722</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	15	-	68,546
Interest bearing liabilities	16	28,882,500	29,682,500
Lease liabilities	17	986,032	1,329,040
Provisions	19	20,385	145,145
Deferred tax liability	20	290,526	285,509
<b>Total Non-Current Liabilities</b>		<b>30,179,443</b>	<b>31,510,740</b>
<b>TOTAL LIABILITIES</b>		<b>46,305,849</b>	<b>39,912,462</b>
<b>NET ASSETS</b>		<b>35,252,973</b>	<b>35,530,638</b>
<b>EQUITY</b>			
Contributed equity	21	19,452,898	28,618,223
Accumulated profits		15,800,075	6,912,415
<b>TOTAL EQUITY</b>		<b>35,252,973</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 30 June 2022

	2022	2021
	\$	\$
<b>Equity attributable to members of Waratah Hotel Fund (Parent interest)</b>		
Contributed equity	12,302,125	21,486,493
Accumulated profits	7,733,322	4,262,565
<b>Total Equity attributable to members of Waratah Hotel Fund</b>	<b>20,035,447</b>	<b>25,749,058</b>
<b>Equity attributable to members of Waratah Hotels Limited</b>		
Contributed equity	7,150,772	7,131,729
Accumulated profits	6,957,341	1,578,307
<b>Total Equity attributable to members of Waratah Hotels Limited</b>	<b>14,108,113</b>	<b>8,710,036</b>
<b>Equity attributable to members of Waratah Hotels No 2 Limited</b>		
Contributed equity	1	1
Accumulated profits	1,109,412	1,071,543
<b>Total Equity attributable to members of Waratah Hotels No 2 Limited</b>	<b>1,109,413</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 Year Ended 30 June 2022

	Contributed equity \$	Accumulated profits/(losses) \$	Total \$
<b>Balance at 1 July 2021</b>	<b>28,618,223</b>	<b>6,912,415</b>	<b>35,530,638</b>
Issues of securities	95,211	-	95,211
Distributions Paid	(9,260,536)	-	(9,260,536)
Profit after income tax for the year	-	8,887,660	8,887,660
<b>Balance at 30 June 2022</b>	<b>19,452,898</b>	<b>15,800,075</b>	<b>35,252,973</b>
<b>Balance at 1 July 2020</b>	<b>30,176,902</b>	<b>(1,130,519)</b>	<b>29,046,383</b>
Issues of securities	89,939	-	89,939
Distributions Paid	(1,648,618)	-	(1,648,618)
Profit after income tax for the year	-	8,042,934	8,042,934
<b>Balance at 30 June 2021</b>	<b>28,618,223</b>	<b>6,912,415</b>	<b>35,530,638</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers inclusive of GST		48,617,470	52,020,035
Payments to suppliers and employees inclusive of GST		(48,422,226)	(46,943,448)
JobKeeper payments received		-	1,407,000
Interest paid		(651,944)	(693,355)
Interest received		38,715	15,622
Income tax paid		(1,159,942)	(14,434)
<b>Net Cash Flows From/(Used in) Operating Activities</b>	25	<b>(1,577,927)</b>	<b>5,791,420</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(1,034,592)	(876,061)
Payments for hotel business combinations	22	(6,248,469)	(6,063,268)
Payments for hotel investment properties		(500,000)	(2,825,761)
Transaction costs relating to hotel acquisitions		(424,760)	(437,471)
Investment in term deposit		(12,845,000)	-
Loan to other parties		440,426	-
Proceeds from sale of hotel assets		36,321,100	359,574
<b>Net Cash Flows From/(Used in) Investing Activities</b>		<b>15,708,705</b>	<b>(9,842,987)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of securities		95,212	28,200
Payment of distributions		(1,932,135)	(1,164,341)
Proceeds from borrowings		-	30,282,500
Repayment of borrowings		(600,000)	(22,332,212)
Payment of lease liabilities		(311,178)	(278,526)
<b>Net Cash Flows From/(Used in) Financing Activities</b>	26	<b>(2,748,101)</b>	<b>6,535,621</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>11,382,677</b>	<b>2,484,054</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 Year</b>	5	<b>15,766,299</b>	<b>4,383,622</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 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. Australian Executor Trustees 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 year ended 30 June 2022 were authorised for issue in accordance with the resolution of the directors of the Companies and of WFML on 23 September 2022.

#### Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals 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.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### 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.

#### 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. The adoption of these standards and Interpretations had no significant impact on the financial statements.

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

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

##### Presentation of financial statements

##### Presentation currency

Both the functional and presentation currency of the Group is Australian dollars.

##### Principles of Consolidation

##### Controlled entities

The consolidated financial statements comprise the financial statements of Waratah Hotel Fund and its subsidiaries, Waratah Hotels Limited and its controlled entities and Waratah Hotels No 2 Limited and its controlled entities as at 30 June 2022. A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Where controlled entities have entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased. A controlled entity is an entity for which the Group has the ability to control and direct the activities that significantly influence returns.

##### Inter-company balances

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

##### Stapled Securities

The Waratah Hotel Group comprise the Waratah Hotel Fund, Waratah Hotels Limited and Waratah Hotels No 2 Limited. On a consolidated basis, stapled securities are issued by the Group. Each stapled security comprises one fully paid unit in the Fund to the value of 80% of the issue price of a stapled security, one share in Waratah Hotels Limited to the value of 20% of the issue price of a stapled security and one share in Waratah Hotels No 2 Limited which was issued to investors in the Fund for no consideration. The securities cannot be disposed of or traded independently of each other. The percentage apportionment of the value of a stapled security to the Fund can be varied subject to agreement by both the Directors of the Companies and the Directors of the Responsible Entity of the Fund. Any change to the percentage apportionment would not impact the issue price or value of a stapled security issued to potential investors.

##### Distributions

In accordance with the Fund Constitution, the Fund fully distributes its distributable income to unitholders. Such distributions are determined by reference to the taxable income of the Fund.

Distributable income may include realised capital gains arising from the disposal of investments. Unrealised gains and losses on investments are transferred to net assets attributable to unitholders and are not

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

assessable or distributable until realised. Realised capital losses are not distributed to unitholders but are retained to be offset against future realised capital gains.

In accordance with the Fund Constitution, the Fund may distribute capital to unitholders.

#### Unit prices

Unit prices are determined in accordance with the Group's Constitution and Product Disclosure Statement and are calculated as net tangible assets attributable to securityholders of the Group, divided by the number of stapled securities on issue. Net tangible assets are arrived at by deducting bank and other borrowings from the fair value of all hotel and pub assets which include land and buildings, plant and equipment, gaming machine entitlements and liquor licences based on the latest valuations.

#### Property, plant and equipment

##### *Investment in Land and Building*

The land and building components of the Group's hotel assets which are held as investments are stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers every three years or more frequently if market factors indicate a material change in value. Fair value represents the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Gains or losses arising from changes in fair values of the land and buildings are recognized in the profit and loss in the year in which they arise.

##### *Property plant and equipment*

Items of property, plant and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

##### *Intangible assets*

The Group's intangible assets primarily consist of hotel business operations, gaming machine entitlements and liquor licences. Intangible assets are carried at cost less accumulated impairment losses.

#### Depreciation

The depreciable amounts of all fixed assets are written off over the estimated life of each asset using either of the straight line/diminishing value methods.

#### Useful life

The estimated useful lives used for each class of depreciable asset are:

Building Improvements	40 years
Furniture, Fittings and Equipment	2-20 years
Motor Vehicles	7 years

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

##### Disposal

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

##### Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible 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. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the statement of profit or loss and other comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

##### Financial Instruments

##### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

##### Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

##### Loans and receivables

Loans and receivables including loans to related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

##### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

##### Interest bearing borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

##### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

##### Employee benefits

Provision is made in respect of the entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with benefits arising from salaries and annual leave which will be settled after one year have been measured at their nominal amount.

The provision for long service leave has been calculated at the nominal rate for employees with more than five years service with the Group as it is believed that this would not materially understate the provision.

Contributions are made by the Group to an employee superannuation fund and are charged as expenses when incurred. The Group has no legal obligation to provide benefits to employees on retirement.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

##### Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

##### Financial assets - term deposits

Financial assets include term deposits with an original maturity of three months or more.

##### Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is determined after deducting rebates and discounts received or receivable.

##### Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for allowance for credit losses is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

##### Trade and other payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

##### Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised using the effective interest rate method. Revenue from the rendering of a service is recognised upon delivery of the service to the customers. Gaming revenue is recognised as net funds (cash invested less payments to players) net of government taxes and charges.

##### Income Tax

##### Current income tax expense

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for any non-assessable or disallowed items and for any unused tax losses. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

##### Deferred tax calculation

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

#### Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### 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. 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 in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

##### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

##### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity had no significant impact on the financial statements of these new or amended Accounting Standards and Interpretations.

#### 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 Directors have recognized no impairment loss in the 2022 financial year (2021: \$182,809). The prior year impairment related to the Mary G's Hotel Lismore and Royal on 99 Hotel Roma where the financial performance of these two venues had been slightly lower than their performance at the time of their independent valuations.

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

The Group carries its land and buildings at fair value with changes in the fair value recognized in profit and loss. At the end of each reporting period, the Directors of the Responsible Entity update their assessment of the fair value of each property, taking into account the most recent independent valuations. If there are any material changes in economic conditions, the fair value of the land and building may differ and may need to be re-estimated. Refer to Note 10 for details of key estimates and inputs.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 2. Critical Accounting Estimates and Judgments (continued)

##### *Key estimates – COVID-19*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

##### *Key estimates - Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option if there is a significant event or significant change in circumstances.

##### *Key estimates - Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 3. Income

	2022	2021
	\$	\$
<b>Revenue from hotel operations:</b>		
- Food and beverage sales	31,691,119	32,869,784
- Gaming revenue	7,602,915	10,165,670
- Accommodation revenue	3,065,813	2,714,174
- Other revenue	1,102,214	1,450,023
	<u>43,462,061</u>	<u>47,199,651</u>
<b>Other Income:</b>		
- Government grants	299,519	1,069,500
- Interest income	58,352	15,622
- Other income	316,255	-
	<u>674,126</u>	<u>1,085,122</u>
Profit on sale of hotel	10,680,409	-
	<u>10,680,409</u>	<u>-</u>
Fair value adjustment of property, plant & equipment	1,275,766	6,562,011
	<u>1,275,766</u>	<u>6,562,011</u>
<b>Total income</b>	<b><u>56,092,362</u></b>	<b><u>54,846,784</u></b>

#### 4. Income Tax Expense

	2022	2021
	\$	\$
Current tax	1,234,598	765,672
Deferred tax	(348,802)	291,643
<b>Total income tax expense</b>	<b><u>885,796</u></b>	<b><u>1,057,315</u></b>
Profit before income tax	9,773,456	9,100,249
Prima facie tax on profit from ordinary activities before income tax at 25.0% (2021: 26.0%)	2,443,364	2,366,065
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Non deductible acquisition costs	105,808	279,698
- Non taxable grant income	(72,344)	(65,000)
- Waratah Hotel Fund Trust income/(loss)	(633,642)	195,122
- Fair value adjustment	(318,942)	(1,706,123)
- Other non-deductible expenses	-	23,715
- Non deductible impairment loss	-	47,530
Add / (less) tax effect of temporary differences:		
Tax losses not previously recognized as DTA	(329,680)	-
Utilisation of prior year tax losses	-	(83,692)
Tax impact of initial recognition of deferred balances	(308,768)	-
<b>Total income tax expense</b>	<b><u>885,796</u></b>	<b><u>1,057,315</u></b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

	2022	2021
	\$	\$
Cash on hand and at bank	15,766,299	4,383,622
<b>Total cash and cash equivalents</b>	<b>15,766,299</b>	<b>4,383,622</b>

##### (a) Effective interest rate

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

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

	2022	2021
	\$	\$
Trade debtors	16,349	189,263
Sundry debtors	69,022	58,920
<b>Total trade and other receivables</b>	<b>85,371</b>	<b>248,183</b>

None of the receivables were impaired as at 30 June 2022 (2021: \$nil).

#### 7. Current Assets - Inventories

	2022	2021
	\$	\$
Food supplies and beverages	466,289	1,246,906
<b>Total inventories</b>	<b>466,289</b>	<b>1,246,906</b>

#### 8. Current Assets - Assets Held for Sale

	2022	2021
	\$	\$
Tandara Hotel Motel	11,083,698	-
Diplomat Motel	15,140,361	-
<b>Total assets held for sale</b>	<b>26,224,059</b>	<b>-</b>

On 8 July 2022, the Group entered into contracts for the sale of the Diplomat Motel, Alice Springs Northern Territory for total consideration of \$15.0m. Settlement occurred on 28 July 2022.

On 8 August 2022, the Group completed settlement of the Tandara Hotel Motel, Sarina Queensland. The contract for the sale of this property had been entered into on 10 March 2022.

# Waratah Hotel Group

## Notes to the Financial Statements

For the Year Ended 30 June 2022

### 9. Current Assets – Other Assets

	2022	2021
	\$	\$
Prepaid expenses	520,170	520,133
Security and other deposits	312,737	323,717
Loan to other parties	-	440,426
<b>Total other assets</b>	<b>832,907</b>	<b>1,284,276</b>

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

	2022	2021
	\$	\$
Land and building – at valuation	17,397,878	50,120,447
Building improvements – at cost	3,006,126	7,463,482
Less: accumulated depreciation	(137,913)	(1,033,784)
	<u>2,868,213</u>	<u>6,429,698</u>
<b>Total non-current assets – Land and buildings</b>	<b>20,266,091</b>	<b>56,550,145</b>

#### *Reconciliation of Land and Buildings*

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

	2022	2021
	\$	\$
Opening fair value	50,120,447	38,012,717
Additions	6,437,500	4,995,062
Fair value adjustment of land and buildings	2,314,841	7,112,668
Assets sold during the year	(18,930,090)	-
Assets held for sale	(22,544,820)	-
<b>Closing fair value</b>	<b>17,397,878</b>	<b>50,120,447</b>

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

	2022	2021
	\$	\$
Balance at 1 July	6,429,698	3,663,789
Additions	328,794	2,938,237
Assets sold during the year	(1,561,553)	-
Assets held for sale	(1,468,157)	-
Assets written off	(669,499)	-
Depreciation expense	(191,070)	(172,328)
Balance at 30 June	<u>2,868,213</u>	<u>6,429,698</u>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 10. Non-Current Assets – Land and buildings (continued)

##### *Valuations of land and building*

The basis of the valuations of land and building is fair value determined by the Directors. Valuations for all freehold properties other than those acquired in the 2022 financial year were performed by registered independent valuers during the period from March 2020 to February 2021. Valuations were performed with reference to recent market sales of similar properties and utilised common valuation methodologies including capitalisation of income projections on a going concern basis. These values have been adjusted by the Directors where appropriate to reflect market conditions (including consideration of appropriate market evidence where available) at 30 June 2022 and represent the best estimates of fair value at the balance sheet date.

The yields adopted for the hotel properties which are in line with the independent valuers' yields range from 11% to 14.47%. The yield adopted for the tenanted commercial property is 6.9%.

The properties acquired in the 2022 financial year settled during the period from April 2022 to June 2022. These properties were acquired on an independent arms-length basis and the value adopted by Directors for these properties is the acquisition price. The Richmond Hotel, Lismore NSW and the strata property above Mary G's Hotel, Lismore NSW were both not generating income at the time of acquisition due to flood damage and as a result, they were acquired based on the underlying asset value of the properties and gaming entitlements. As a result the Directors have not adopted a yield for these properties.

##### **Ownership**

All hotel and pub properties are freehold or strata titled assets other than the Que Wagga venue and the detached bottleshops associated with the Tandara Motel, Sarina and Royal on 99 Hotel Roma. All hotel and pub properties are 100% owned by the Group and are comprised of land, buildings, fixed improvements, liquor licences and gaming entitlements, trade furniture and fixtures and fittings associated with the hotels.

The 47 Baylis Street Wagga Wagga property is a commercial building located next door to the Victoria Hotel property that is currently occupied by a number of third party tenants

##### **Capital commitments**

There were no capital expenditure commitments contracted in relation to the properties as at 30 June 2022. (2021: Nil)

##### **Assets pledged as securities**

The value of the Group's property, plant, equipment, intangibles and assets is pledged as security for the Group's bill facilities with its financier.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

	2022	2021
	\$	\$
Furniture, fittings and equipment – at cost	3,169,715	9,091,898
Less: accumulated depreciation	(1,548,111)	(5,793,690)
<b>Total Furniture, fittings and equipment</b>	<b>1,621,604</b>	<b>3,298,208</b>
Motor Vehicle	79,741	154,133
Less: Accumulated depreciation	(11,632)	(41,822)
<b>Total Motor Vehicle</b>	<b>68,109</b>	<b>112,311</b>
	<b>1,689,713</b>	<b>3,410,519</b>

#### Reconciliations

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

	Furniture, fittings & equipment	Motor Vehicle	Total
	\$	\$	\$
Balance at 1 July 2021	3,298,208	112,311	3,410,519
Additions	638,971	57,394	696,365
Hotel assets purchased/(sold) during the year	(487,433)	(71,534)	(558,967)
Reclassified to Assets Held For Sale	(924,549)	(6,986)	(931,535)
Assets Written Off	(294,815)	-	(294,815)
Depreciation expense	(608,778)	(23,076)	(631,854)
Balance at 30 June 2022	1,621,604	68,109	1,689,713
Balance at 1 July 2020	2,298,016	119,025	2,417,041
Additions	1,648,306	12,000	1,660,306
Depreciation expense	(648,114)	(18,714)	(666,828)
Balance at 30 June 2021	3,298,208	112,311	3,410,519

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

	2022	2021
	\$	\$
Gaming, liquor licences and goodwill – at cost	1,826,257	6,652,757
<b>Total non-current assets – intangible assets</b>	<b>1,826,257</b>	<b>6,652,757</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

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

##### *Reconciliation*

Reconciliation of intangible assets as the beginning and end of the current and previous financial period are set out below:

	2022	2021
	\$	\$
Balance at 1 July	6,652,757	6,418,133
Acquisition	312,500	-
Disposal	(4,609,994)	328,088
Impairment	-	(93,464)
Reclassified to Assets Held For Sale	(529,006)	-
<b>Balance at 30 June</b>	<b>1,826,257</b>	<b>6,652,757</b>

##### *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.

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

	2022	2021
	\$	\$
Land and buildings – right-of-use	1,936,201	2,192,785
Less: accumulated depreciation	(728,710)	(589,518)
<b>Total non-current assets – Right-of-use assets</b>	<b>1,207,491</b>	<b>1,603,267</b>

##### *Reconciliation*

Reconciliation of right of use assets as the beginning and end of the current and previous financial period are set out below:

	2022	2021
	\$	\$
Balance at 1 July	1,603,267	1,416,796
Additions	94,602	485,066
Disposal	-	-
Depreciation	(333,695)	(298,595)
Reclassified to Assets Held For Sale	(156,683)	-
<b>Balance at 30 June</b>	<b>1,207,491</b>	<b>1,603,267</b>

The Group leases land and buildings for three of its hotel assets under agreements that range from 10 to 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.

# Waratah Hotel Group

## Notes to the Financial Statements

For the Year Ended 30 June 2022

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

	2022	2021
	\$	\$
<b>Deferred tax assets comprises temporary differences attributable to:</b>		
- Employee benefits	73,079	58,471
- Lease liabilities	313,816	51,572
- Unused tax losses	316,588	-
<b>Total deferred tax assets</b>	<b>703,483</b>	<b>110,043</b>
Less deferred tax liabilities eligible for offset against deferred tax assets	(354,138)	(46,618)
<b>Net deferred tax assets</b>	<b>349,345</b>	<b>63,425</b>

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right of offset. Refer to Note 20 for details of the Group's net deferred tax liabilities.

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

	2022	2021
	\$	\$
<b>Current</b>		
- Trade creditors	3,471,867	4,555,376
- Accrued expenses	1,279,915	1,201,728
- Distribution payable	7,758,079	429,678
<b>Total trade and other payables</b>	<b>12,509,861</b>	<b>6,186,782</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current</b>		
- Trade creditors	-	68,546
<b>Total non-current trade payables</b>	<b>-</b>	<b>68,546</b>

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

	2022	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>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current</b>		
Secured – bank borrowings	28,882,500	29,682,500
<b>Total non-current borrowings</b>	<b>28,882,500</b>	<b>29,682,500</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 16. Current and Non-Current Liabilities – Interest Bearing Liabilities (continued)

On 26 May 2022, the Group entered into a deed of amendment with Commonwealth Bank of Australia in response to the sale of the Victoria Hotel, Wagga Wagga NSW. The Group deposited a portion of the sale proceeds from the Victoria Hotel (\$12.845m) into a Commonwealth Bank of Australia term deposit and the deed released security associated with the Victoria Hotel and added as security an account set-off agreement that covered the \$12.845m term deposit. Other than the amendments to the security provided, all other terms of the amendment deed are consistent with the Commonwealth Bank Facility initially entered into on 21 August 2020.

The interest-bearing liabilities from the Commonwealth Bank of Australia are secured against all of the hotel assets within the Fund other than the recently acquired Richmond Hotel, Lismore NSW and the strata property located above Mary G's hotel, Lismore NSW. 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.

Since the end of the financial year, the group has utilised proceeds from the sale of hotel assets to reduce its borrowing facility with Commonwealth Bank of Australia by \$22.845m. The Group's borrowings as at the date of this report are \$6.838m. On 13 September 2022, the Group entered into a new Amendment and Restatement Deed with Commonwealth Bank of Australia to reduce its borrowing facility limit from \$30.282m to the current facility utilised balance of \$6.838m. The amended facility has no amortisation or financial covenant obligations.

#### 17. Current and Non-Current Liabilities – Lease Liabilities

	2022	2021
	\$	\$
<b>Current</b>		
Property lease liabilities	269,233	310,427
<b>Total current lease liabilities</b>	<b>269,233</b>	<b>310,427</b>
<b>Non-current</b>		
Property lease liabilities	986,032	1,329,040
<b>Total non-current lease liabilities</b>	<b>986,032</b>	<b>1,329,040</b>

#### 18. Current Liabilities – Liabilities Held for Sale

	2022	2021
	\$	\$
Tandara Hotel Motel	789,465	-
Diplomat Motel	878,968	-
<b>Total assets held for sale</b>	<b>1,668,433</b>	<b>-</b>

# Waratah Hotel Group

## Notes to the Financial Statements

For the Year Ended 30 June 2022

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

	2022	2021
	\$	\$
<b>(a) Current</b>		
Annual leave	111,790	541,362
Time in Lieu	80,614	81,987
Long service leave	37,596	146,182
<b>Total current provisions</b>	<b>230,000</b>	<b>769,531</b>
<b>(b) Non-current</b>		
Long service leave	20,385	145,145
<b>Total non-current provisions</b>	<b>20,385</b>	<b>145,145</b>

### 20. Non-Current Liabilities – Deferred Tax Liability

	2022	2021
	\$	\$
<b>Deferred tax liabilities comprises temporary differences attributable to:</b>		
- Right-of-use assets	301,873	46,618
- Property, plant and equipment	342,791	285,509
<b>Total deferred tax liability</b>	<b>644,664</b>	<b>285,509</b>
Less deferred tax liabilities eligible for offset against deferred tax assets	(354,138)	(46,618)
<b>Net deferred tax liability</b>	<b>290,526</b>	<b>285,509</b>

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right of offset. Refer to Note 14 for details of the Group's net deferred tax assets.

### 21. Contributed Equity

#### (a) Summary table

	2022	2021
	\$	\$
<b>Ordinary Stapled Securities ("Stapled Securities")</b>		
24,525,159 (30 June 2021: 24,466,806)	19,452,898	28,618,223
<b>Total contributed equity</b>	<b>19,452,898</b>	<b>28,618,223</b>

#### (b) Movement in stapled securities on issue

	2022	2021
	No.	No.
<b>Stapled Securities</b>		
At the beginning of reporting period	24,466,806	24,402,717
Stapled Securities issued	58,353	64,089
<b>Stapled Securities at reporting date</b>	<b>24,525,159</b>	<b>24,466,086</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 21. Contributed Equity (continued)

##### Stapled Securities

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

At the securityholders meetings, each stapled security is entitled to one vote when a poll is called, otherwise each securityholder 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.

#### 22. Business Combinations

##### 2022

##### Richmond Hotel Lismore

On 8 June 2022, the Group acquired the land, building and business relating to the Richmond Hotel in Lismore for total consideration of \$6.25m. The acquired business was not trading at the time of acquisition and as a result it did not contribute any revenue or profit to the consolidated entity for the period from 8 June 2022 to 30 June 2022.

The values identified in relation to the acquisition of the Richmond Hotel Lismore are final at 30 June 2022. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Land and Buildings	5,937,500
Trade Payables	<u>(1,531)</u>
Net Assets Acquired	5,935,969
Goodwill	<u>312,500</u>
Acquisition-date fair value of the total consideration transferred	<u>6,248,469</u>
Representing:	
Cash Paid or Payable to Vendor	6,248,469
Acquisition costs expensed to the Profit or Loss	(375,644)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,248,469
Acquisition costs expensed to the Profit or Loss	<u>375,644</u>
Net cash used in current financial year	<u>6,624,113</u>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 22. Business Combinations (continued)

##### 2021

##### Royal on 99 Hotel Roma

On 6 November 2020, the Group acquired the land, building and business relating to the Royal on 99 Hotel in Roma for total consideration of \$6.37m. The acquired business contributed revenue of \$2,667,851 and a loss after tax of \$69,442 to the consolidated entity for the period from 6 November 2020 to 30 June 2021.

The values identified in relation to the acquisition of the Royal on 99 Hotel Roma are final at 30 June 2021. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Cash and Cash Equivalents	165,900
Prepayments	6,192
Stock	78,378
Land and Buildings	5,000,000
Plant & Equipment	952,568
Trade Payables	(16,082)
Employee Benefits	<u>(18,890)</u>
Net Assets Acquired	6,168,066
Goodwill	<u>417,432</u>
Acquisition-date fair value of the total consideration transferred	<u>6,585,498</u>
Representing:	
Cash Paid or Payable to Vendor	<u>6,585,498</u>
Acquisition costs expensed to the Profit or Loss	(437,471)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,585,498
Less: Cash and Cash equivalents	(165,900)
Less: Deposit paid in prior financial year	<u>(356,330)</u>
Net cash used in current financial year	<u>6,063,268</u>

During the year the Fund acquired two investment properties which generate passive rental income for a total amount of \$3.3m. The investment properties are classified as land and building.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 23. Dividends / Distributions

Distributions of \$9,260,536 were declared for the year ended 30 June 2022 (2021: \$1,648,618). No dividends were paid by the Companies for the year ended 30 June 2022 (2021: Nil).

#### 24. Auditors' Remuneration

	2022 \$	2021 \$
Remuneration of the auditor of the Group, ESV Business Advice and Accounting:		
- Auditing of the financial statements	68,505	72,811
- Other services	-	-
	<b>68,505</b>	<b>72,811</b>

The Fund is responsible for payment of the auditors' remuneration for the Waratah Hotel Group.

#### 25. Reconciliation of Profit After Income Tax to Operating Cash Flows

	2022 \$	2021 \$
Profit for the year after tax	8,887,660	8,042,934
Adjustments for:		
Depreciation and amortisation	1,214,693	1,134,701
Fair value adjustments – property, plant and equipment	(1,275,766)	(6,562,011)
Impairment adjustment	-	182,809
(Profit)/loss on sale of assets	(10,680,409)	-
Assets written off	957,520	-
Acquisition costs	423,229	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(264,511)	436,356
(Increase)/decrease in inventories	780,618	(320,769)
(Increase)/decrease in other assets	(46,712)	(343,764)
(Increase)/decrease in deferred tax assets	(348,803)	291,643
Increase/(decrease) in trade payables and accruals	(675,052)	1,912,060
Increase/(decrease) in other liabilities	-	142,052
Increase/(decrease) in provision for income tax	113,897	534,982
Increase in other provisions	(664,291)	340,427
<b>Net cash flows from operating activities</b>	<b>(1,577,927)</b>	<b>5,791,420</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 26. Changes in Liabilities Arising from Financing Activities

	Bank Borrowings	Other Borrowings	Motor Vehicle Financing	Lease Liability	Total
Balance at 1 July 2020	22,262,500	-	69,712	1,433,177	23,765,389
Lease Liability recognised on adoption	-	-	-	-	-
Additions	30,282,500	-	-	484,816	30,767,316
Repayments	(22,262,500)	-	(69,712)	(278,526)	(22,610,738)
Balance at 30 June 2021	30,282,500	-	-	1,639,467	31,921,967
Balance at 1 July 2021	30,282,500	-	-	1,639,467	31,921,967
Lease Liability recognised on adoption	-	-	-	-	-
Additions	-	-	-	94,602	94,602
Reclassified to liabilities held for sale	-	-	-	(167,626)	(167,626)
Repayments	(600,000)	-	-	(311,178)	(911,178)
Balance at 30 June 2022	29,682,500	-	-	1,255,265	30,937,765

#### 27. Contingent Assets and Contingent Liabilities

The Group had no contingent assets or contingent liabilities as at 30 June 2022 (2021: Nil).

#### 28. Subsequent Events

On 8 July 2022, the Group entered into contracts for the sale of the Diplomat Motel, Alice Springs Northern Territory for total consideration of \$15.0m. Settlement occurred on 28 July 2022. The Diplomat Motel was acquired by the Group in September 2017 for total consideration of \$9.65m.

On 8 August 2022, the Group completed settlement of the Tandara Hotel Motel, Sarina Queensland. The contract for the sale of this property had been entered into on 10 March 2022.

On 19 July 2022 and 29 July 2022, the Group entered into contracts for the acquisition of 2 additional strata premises located in the building that the Mary G's Hotel, Lismore NSW operates from. Total consideration for these premises was \$226,000 and \$140,000 respectively. This area is intended to be used to increase the overall trading area of the hotel and provide an elevated area for storage of plant and equipment in the event of another significant flood event. Settlement of these properties occurred on 18 August 2022 and 12 August 2022 respectively.

On 28 July 2022 a special distribution of 30.0c per unit relating to the 2022 financial year was paid to unitholders. This significant distribution from the Fund which totalled \$7,361,468 was in response to the successful sale of a number of hotel assets during the 2022 financial year.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 28. Subsequent Events (continued)

On 12 August 2022, the Group provided to unitholders a Notice of Meeting and associated documentation relating to the Group's proposed acquisition of Cookie's Lounge Bar, North Strathfield NSW for total consideration of \$13.3m. The proposal was approved by unitholders at the general meeting on 5 September 2022 and the acquisition is expected to settle on 1 October 2022.

Since the end of the financial year, the group has utilised proceeds from the sale of hotel assets to reduce its borrowing facility with Commonwealth Bank of Australia by \$22.845m. The Group's borrowings as at the date of this report are \$6.838m. On 13 September 2022, the Group entered into a new Amendment and Restatement Deed with Commonwealth Bank of Australia to reduce its borrowing facility limit from \$30.282m to the current facility utilised balance of \$6.838m. The amended facility has no amortisation or financial covenant obligations.

To the best knowledge of the Directors, other than the matters outlined above, there have been no other matters or circumstances that have arisen since the end of the year 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.

#### 29. Controlled Entities

Name of subsidiary	Country of incorporation	Percentage owned (%)	
		2022	2021
<b>Waratah Hotels Limited:</b>			
Hotel Business Trust	Australia	100	100
Victoria Business Trust	Australia	100	100
Bridge Business Trust	Australia	100	100
Gilhooleys Business Trust	Australia	100	100
<b>Waratah Hotel Fund:</b>			
No 1 Trust	Australia	100	100
No 2 Trust	Australia	100	100
No 3 Trust	Australia	100	100
No 4 Trust	Australia	100	100
No 5 Trust	Australia	100	100
No 6 Trust	Australia	100	100
Hotel Property Trust	Australia	100	100
Victoria Realty Trust	Australia	100	100
Bridge Realty Trust	Australia	100	100
Gilhooleys Realty Trust	Australia	100	100
Victoria Property Trust	Australia	100	100
Bridge Property Trust	Australia	100	100
Gilhooleys Property Trust	Australia	100	100
Victoria Land Trust	Australia	100	100
Bridge Land Trust	Australia	100	100
Gilhooleys Land Trust	Australia	100	100
<b>Waratah Hotels No 2 Limited:</b>			
Diplomat Trading (Aust) Pty Ltd	Australia	100	100
The Diplomat Trading (Aust) Unit Trust	Australia	100	100

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 30. Related Party Transactions

##### (a) Related Entities and Managed Funds

The Group owns and operates hotel and pub businesses.

##### *Fees and Transactions*

Under the terms of the Fund Constitution, the Responsible Entity is entitled to a fund management fee of 1.5% per annum of the value of gross assets of the Group, payable monthly in arrears. For the year ended 30 June 2022 fund management fees amounted to \$1,032,903 (2021: \$912,463). Of these fund management fees relating to the 2022 financial year, \$1,032,903 (2020: \$912,463) were paid, none were converted to equity (2021: Nil) and none were outstanding (2021: Nil) at 30 June 2022.

Under the terms of the Fund Constitution, the Responsible Entity is entitled to a performance fee calculated as 10% of the uplift in value of the hotel assets. For the year ended 30 June 2022 performance fees amounted to \$1,092,000 (2021: \$937,000). Of these performance fees, \$848,000 were paid (2021: Nil), none were converted to equity (2021: Nil) and the balance of \$244,000 (2021: \$937,000) was outstanding at 30 June 2022.

Under the terms of the Fund Constitution, the Responsible Entity is entitled to an income performance fee calculated as 10% of taxable income per unit distributed by the fund for the financial year less 8 cents, times the weighted number of units on issue over the financial year. For the year ended 30 June 2022 the income performance fee amounted to \$730,051 (2021: Nil). Of these income performance fees, none were paid (2021: Nil), none were converted to equity (2021: Nil) and the balance \$730,051 (2021: Nil) was outstanding at 30 June 2022.

Under the terms of the Fund Constitution, the Responsible Entity is entitled to asset acquisition fees calculated as 5% of the acquisition purchase price. For the year ended 30 June 2022 acquisition fees amounted to \$337,500 (2021: \$483,500). Of these acquisition fees relating to the 2022 financial year, \$337,500 (2021: \$483,500) were paid (2021: \$483,500), none were converted to equity (2021: Nil) and none (2021: Nil) were outstanding at 30 June 2022.

Under the terms of the Fund Constitution, the Responsible Entity is entitled to asset sales fees calculated as 2% of the assets sales price. For the year ended 30 Jun 2022 sales fees amounted to \$951,090 (2021: Nil). Of these sales fees, \$741,090 (2021: Nil) were paid, none were converted to equity (2021: Nil) and the balance \$210,000 (2021: Nil) were outstanding at 30 June 2022.

Asset management fees are paid to Waratah Hotel Management Pty Ltd.

Accounting and tax return preparation fees are paid to Horton & Associates Pty Ltd, a related entity of David Horton, on commercial terms.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 30. Related Party Transactions (continued)

##### (b) Transactions with Related Parties

The following represents the transactions that occurred during the financial year between the Group and its related entities.

	2022	2021
	\$	\$
<b>Expenses:</b>		
- Fund Management fees		
Waratah Funds Management Limited	1,032,903	912,463
- Capital Performance fees		
Waratah Funds Management Limited	1,092,000	937,000
- Income Performance fees		
Waratah Funds Management Limited	730,051	-
- Acquisition fees		
Waratah Funds Management Limited	337,500	483,500
- Sales fees		
Waratah Funds Management Limited	951,090	-
- Asset Management fees		
Waratah Hotel Management Pty Ltd	589,724	840,135
- Accounting and tax services fees		
Horton & Associates Pty Ltd	50,750	52,250
<b>Revenue:</b>		
- Interest Income		
Waratah Debt Capital Fund	941	10,172

##### (c) Interests Held By Related Parties

Transactions & holdings in equity instruments of the Group by directors or related entities:

Related party	Holdings at June 2021	Securities issued or purchased/(sold)	Holdings at June 2022
Jodaho Pty Ltd <sup>(ii)</sup>	2,799,849	-	2,799,849
Darren Baker Pty Ltd <sup>(iii)</sup>	1,272,357	-	1,272,357
Toak Pty Ltd <sup>(iv)</sup>	544,000	-	544,000
Waratah Hotel Management Pty Ltd <sup>(v)</sup>	195,846	30,011	225,857
	<b>4,812,052</b>	<b>30,011</b>	<b>4,842,063</b>

<sup>(i)</sup> David Horton and Jo Horton, directors of the Companies and the Responsible Entity are directors of Jodaho Pty Ltd.

<sup>(ii)</sup> Darren Baker, director of the Companies and the Responsible Entity is a director of Darren Baker Pty Ltd.

<sup>(iii)</sup> Darren Baker, director of the Companies and the Responsible Entity is a director of Toak Pty Ltd.

<sup>(iv)</sup> Darren Baker and David Horton, directors of the Companies and the Responsible Entity are directors of Waratah Hotel Management Pty Ltd.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 31. Directors and Key Management Personnel Disclosures

Key management personnel include the Directors of the Companies and the Responsible Entity (refer Directors' Report). The Group does not provide any short term or post-employment benefits to its key management personnel.

#### 32. 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>Year ended - 30 June 2022</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
<i>Assets</i>				
Land & Building	-	-	39,492,698	39,492,698
Total assets	-	-	39,492,698	39,492,698
<i>Liabilities</i>				
Total liabilities	-	-	-	-
<b>Year ended - 30 Jun 2021</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</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 year. A reconciliation of the movement in Level 3 assets is provided in Note 10 of the financial statements.

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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 32. Fair Value Measurement (continued)

##### *Valuation techniques for fair value measurements categorised within level 3*

The basis of the valuations of land and building is fair value determined by the Directors. Valuations for all freehold properties other than those acquired in the 2022 financial year were performed by registered independent valuers during the period from March 2020 to February 2021. Valuations were performed with reference to recent market sales of similar properties and utilised common valuation methodologies including capitalisation of income projections on a going concern basis. These values have been adjusted by the Directors where appropriate to reflect market conditions (including consideration of appropriate market evidence where available) at 30 June 2022 and represent the best estimates of fair value at the balance sheet date.

The properties acquired in the 2022 financial year settled during the period from April 2022 to June 2022. These properties were acquired on an independent arms-length basis and the value adopted by Directors for these properties is the acquisition price.

The table below demonstrates the sensitivity to reasonably possible changes in value of 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 2022.

	Securityholders Equity	
	Higher / (Lower)	
Movement in value of hotel assets	2022	2021
	\$	\$
+ 10.0%	5,228,000	7,130,000
- 10.0%	(5,228,000)	(7,130,000)

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 2022.

	Securityholders Equity	
	Higher / (Lower)	
Movement in capitalisation rate	2022	2021
	\$	\$
+ 0.05%	(2,017,000)	(3,290,000)
- 0.05%	2,017,000	3,290,000

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 33. Financial Risk Management

##### (a) Financial risk management

The main risks the Group are exposed to through its financial instruments are market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's principal financial instruments are cash, term deposits and loans. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

Capital management is carried out at a Group basis for the Waratah Hotel Group. The Manager monitors the return on capital which the Manager defines as net operating income divided by total members' equity as well as net tangible assets per security and distribution levels to ensure the value provided to members is maintained. There were no changes to the Group's approach to capital management during the year. Neither the Fund nor the Companies are subject to externally imposed capital requirements.

The Group holds the following financial instruments:

	2022 \$	2021 \$
<b>Financial assets</b>		
Cash and cash equivalents	15,766,299	4,383,622
Term deposits	12,845,000	-
Trade and other receivables	85,371	248,183
	<b>28,696,670</b>	<b>4,631,805</b>
<b>Financial liabilities</b>		
Trade and other payables	12,509,861	6,255,328
Interest bearing liabilities	29,682,500	30,282,500
	<b>42,192,361</b>	<b>36,537,828</b>

##### (b) Market risk

###### (i) Interest rate risk

The Group'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:

	30 June 2022		30 June 2021	
	Weighted average effective interest rate %	Balance \$	Weighted average effective interest rate %	Balance \$
Cash and cash equivalents	0.38	15,766,299	0.22	3,622,777
Term deposits	1.9	12,845,000	-	-
Interest bearing borrowings	2.03	(29,682,500)	2.65	(30,282,500)
Net exposure to cash flow interest rate risk		<b>(1,567,024)</b>		<b>(26,659,723)</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 33. Financial Risk Management (continued)

The Group has \$12.845m on term deposit at year end. The Fund does not typically hold large cash balances and as such, any increase or decrease in variable interest rates of up to 2% would not have a significant impact on the Group's net results or securityholders' equity.

The Group has borrowings from the bank. The average interest rate payable on the total borrowings at 30 June 2022 was 2.03% (2021: 2.65%). The Group does not have any fixed interest rate facilities (2021: Nil) to limit its exposure to increasing variable interest rates from bank borrowings.

##### (ii) Interest rate risk

The table below demonstrates the sensitivity to reasonably possible changes in year end interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the profit or securityholders' equity while a positive amount reflects a potential net increase. The analysis is performed on the same basis for 30 June 2021.

Movement in interest rates	Net Profit Higher / (Lower)	
	2022	2021
	\$	\$
+ 2.0%	(593,650)	(605,650)
- 2.0%	593,650	605,650

##### (c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, equitable securities, as well as credit exposures to customers, including outstanding receivables. For banks, only independently rated parties with a minimum rating of 'A' are accepted. For receivables, the credit quality of customers is individually assessed, taking into account its financial position, past experience and other factors. The majority of sales are settled in cash that mitigate the credit risk.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2022	2021
	\$	\$
Cash and cash equivalents	28,115,476	3,622,777
Trade and other receivables	85,371	248,183
Loan to other parties	-	440,426
	<b>28,200,847</b>	<b>4,311,386</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 33. Financial Risk Management (continued)

##### (d) Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cashflows and matching the maturity profiles of financial assets and liabilities.

##### Financing arrangements

Unused borrowing facilities at the reporting date:

	2022	2021
	\$	\$
Bank loans	-	-
<b>Total Unused borrowing facilities</b>	<b>-</b>	<b>-</b>

Financial arrangements at the reporting date:

	Maturing within 1 year	Maturing 1 - 5 years	Total
	\$	\$	\$
<b>At 30 June 2022</b>			
<b>Financial assets</b>			
Cash and cash equivalents	15,766,299	-	15,766,299
Term deposits	12,845,000	-	12,845,000
Trade and other receivables	85,371	-	85,371
	<b>28,200,847</b>	<b>-</b>	<b>28,200,847</b>
<b>Financial liabilities</b>			
Trade and other payables	12,509,861	-	12,509,861
Interest bearing liabilities	800,000	28,882,500	29,682,500
	<b>13,309,861</b>	<b>28,882,500</b>	<b>42,192,361</b>
<b>At 30 June 2021</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3,622,777	-	3,622,777
Trade and other receivables	248,183	-	248,183
Loans to other parties	-	440,426	440,426
	<b>3,870,960</b>	<b>440,426</b>	<b>4,311,386</b>
<b>Financial liabilities</b>			
Trade and other payables	6,186,782	68,546	6,255,328
Interest bearing liabilities	600,000	29,682,500	30,282,500
	<b>6,786,782</b>	<b>29,751,046</b>	<b>36,537,828</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 34. Parent Financial Information

Summary financial information about the Parent is:

	Waratah Hotel Fund	
	2022	2021
	\$	\$
Current assets	41,991,703	97,466
Non-current assets	29,732,978	62,961,960
<b>Total assets</b>	<b>71,724,681</b>	<b>63,059,426</b>
Current liabilities	10,562,871	2,129,993
Non-current liabilities	41,126,363	35,180,375
<b>Total liabilities</b>	<b>51,689,234</b>	<b>37,310,368</b>
<b>Unitholders' equity</b>		
Issued units	12,302,126	21,486,493
Accumulated profits/(losses)	7,733,321	4,262,565
<b>Total unitholders' equity</b>	<b>20,035,447</b>	<b>25,749,058</b>
Net profit attributable to unitholders of the Parent	3,470,757	4,813,476
Total revenue	6,392,962	2,026,060

#### 35. Company Details

The principal place of business and registered office of the Group is:

Waratah Hotel Fund  
Suite 1, 207 Ben Boyd Road  
Neutral Bay, NSW, 2089

# Waratah Hotel Group

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 45 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, 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 30 June 2022 and of its performance for the financial 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.

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



**Darren Baker**

Director

Sydney, 23 September 2022



**David Horton**

Director

Sydney, 23 September 2022



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

### Opinion

We have audited the financial report of Waratah Hotel Group (the “Group”), which comprises the consolidated statement of financial position as at 30 June 2022, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of Waratah Hotel Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group’s financial position as at 30 June 2022 and of its performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Responsibilities of the directors for the financial report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors’ responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

### Other Information

The directors of the Group are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

Dated at Sydney on the 23<sup>rd</sup> of September 2022



**ESV Business Advice and Accounting**



**Travas Burns**  
**Partner**