

Waratah Hotel Group

Interim Consolidated Financial Statements

Half Year Ended 31 December 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
Suite 1, 207 Ben Boyd Road
Neutral Bay NSW 2089
Phone: (02) 9098 9100

Waratah Hotel Group

CONTENTS

Interim Financial Report

Directors' Report	Page 3
Auditor's Independence Declaration	Page 8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	Page 9
Consolidated Statement of Financial Position	Page 10
Consolidated Statement of Changes in Equity	Page 12
Consolidated Statement of Cash Flows	Page 13
Notes to the Consolidated Financial Statements	Page 14
Directors' Declaration	Page 45
Independent Auditor's Report	Page 46

Waratah Hotel Group

Directors' Report

The Directors present their report together with the consolidated financial report of the Waratah Hotel Group (Group) for the six months ended 31 December 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 six months ended 31 December 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 loss after tax of \$4,247,712 (December 2021: a profit of \$2,345,236).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) from operations excluding profit/(loss) on sale of hotel assets, transaction costs and fair value adjustments and impairment was \$1,147,733 (December 2021: \$2,384,242).

Significant Changes in Affairs

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 19 July 2022 the Group entered into a contract to acquire strata premises located immediately above Mary G's Hotel, Lismore NSW for total consideration of \$226,000. 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 18 August 2022.

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 29 July 2022 the Group entered into a contract to acquire strata premises located immediately above Mary G's Hotel, Lismore NSW for total consideration of \$140,000. 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 12 August 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

Directors' Report (continued)

On 15 September 2022, the Group entered into contracts for the acquisition of Cookie's Lounge Bar North Strathfield for total consideration of \$13.3m. Settlement occurred on 30 September 2022.

During the six months to 31 December 2022 the Group issued a further 13,068 stapled securities as part of the Group's distribution re-investment plan raising \$22,563.

Other than the acquisition and sale of property assets, paying a special distribution and the issuing of additional units in the Fund, there were no significant changes to the state of affairs of the Group during the six months to 31 December 2022.

Dividends / Distributions

Distributions of \$2,944,588 (December 2021: \$918,359) were paid or declared during the six months to 31 December 2022.

Likely Developments

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

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 has used 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.

Events Subsequent to Reporting Date

In January 2023, the Group announced that it will be distributing an additional 8.0c per unit to unitholders, in addition to the standard 2.0c per unit distribution for December 2022 quarter. This brought the total distribution to 10.0c per unit with the amount paid in a single payment. The significant additional distribution resulted from the successful completion of the sale of the Diplomat Motel Alice Springs during the December 2022 half year.

On 10 March 2023, the Group entered into a contract for the sale of the Tilly's Wagga, NSW leasehold for total consideration of \$25,000. Settlement is expected to occur in June 2023.

To the best knowledge of the directors, other than the sale of the Tilly's Wagga leasehold and paying a special distribution, there have been no matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

Waratah Hotel Group

Directors' Report (continued)

Directors

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

Darren Baker
David Horton
Josephine Horton

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 38 years' experience owning and operating small businesses and hotels. He has been a Director of the Responsible Entity which has 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 31 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 six months to 31 December 2022. Please refer to Note 23 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, 27 March 2023



David Horton
Director
Sydney, 27 March 2023

ESV

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 31 December 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 audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney on the 27th of March 2023

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 Half Year Ended 31 December 2022

	Note	December 2022 \$	December 2021 \$
Income			
Hotel operations revenue		12,820,854	24,140,215
Other income		122,738	241,780
Total Income	3	12,943,592	24,381,995
Expenses			
Cost of sales		(5,909,407)	(11,656,081)
General and administrative expenses		(252,258)	(454,455)
Marketing expenses		(465,386)	(482,004)
Poker machine expenses		(220,355)	(322,887)
Operating expenses		(692,066)	(1,220,781)
Employment expenses		(2,966,486)	(5,936,349)
Occupancy costs		(536,637)	(1,218,680)
Other management expenses		(539,046)	(706,516)
Depreciation, amortisation and impairment		(1,938,993)	(606,872)
Fair value adjustment of land & building		(2,980,958)	-
(Loss)/Gain on sale of hotels		(15,226)	1,253,043
Finance costs		(264,940)	(321,099)
Transaction costs relating to hotel acquisitions		(56,077)	-
(Loss)/Profit Before Income Tax		(3,894,243)	2,709,314
Income tax expense	4	(353,469)	(364,078)
(Loss)/Profit After Income Tax for the year		(4,247,712)	2,345,236
Other Comprehensive Income		-	-
Total Comprehensive (Loss)/Income for the year		(4,247,712)	2,345,236
(Loss)/Profit for the year is attributable to:			
Waratah Hotel Fund		(4,546,685)	1,253,001
Waratah Hotels Limited		495,515	716,560
Waratah Hotels No 2 Limited		(196,542)	375,675
		(4,247,712)	2,345,236
Total Comprehensive (Loss)/Income for the year is attributable to:			
Waratah Hotel Fund		(4,546,685)	1,253,001
Waratah Hotels Limited		495,515	716,560
Waratah Hotels No 2 Limited		(196,542)	375,675
		(4,247,712)	2,345,236

Waratah Hotel Group

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	December 2022 \$	June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	6,272,169	15,766,299
Trade and other receivables	6	121,560	85,371
Inventories	7	573,166	466,289
Assets held for sale	8	25,000	26,224,059
Financial assets - term deposits		-	12,845,000
Other assets	9	549,986	832,907
Total Current Assets		7,541,881	56,219,925
Non-Current Assets			
Land and buildings	10	13,379,924	20,266,091
Property plant and equipment	11	1,894,181	1,689,713
Intangible assets	12	18,314,747	1,826,257
Right-of-use assets	13	2,814,737	1,207,491
Deferred tax assets		-	349,345
Total Non-Current Assets		36,403,589	25,338,897
TOTAL ASSETS		43,945,470	81,558,822
LIABILITIES			
Current Liabilities			
Trade and other payables	14	5,429,410	12,509,861
Interest bearing liabilities	15	6,837,500	800,000
Lease Liabilities	16	557,310	269,233
Current tax liability		187,774	648,879
Liabilities held for sale	17	5,000	1,668,433
Provisions	18	184,486	230,000
Total Current Liabilities		13,201,480	16,126,406
Non-Current Liabilities			
Interest bearing liabilities	15	-	28,882,500
Lease Liabilities	16	2,331,094	986,032
Provisions	18	40,010	20,385
Deferred tax liability	19	289,650	290,526
Total Non-Current Liabilities		2,660,754	30,179,443
TOTAL LIABILITIES		15,862,234	46,305,849
NET ASSETS		28,083,236	35,252,973
EQUITY			
Contributed equity	20	16,530,873	19,452,898
Accumulated profits		11,552,363	15,800,075
TOTAL EQUITY		28,083,236	35,252,973

Waratah Hotel Group

Consolidated Statement of Financial Position (continued)

As at 31 December 2022

	December 2022 \$	June 2022 \$
Equity attributable to members of Waratah Hotel Fund (Parent interest)		
Contributed equity	9,375,588	12,302,125
Accumulated profits	3,186,640	7,733,322
Total Equity attributable to members of Waratah Hotel Fund	12,562,228	20,035,447
Equity attributable to members of Waratah Hotels Limited (Non-controlling interest)		
Contributed equity	7,155,284	7,150,772
Accumulated losses	7,452,857	6,957,341
Total Equity attributable to members of Waratah Hotels Limited	14,608,141	14,108,113
Equity attributable to members of Waratah Hotels No. 2 Limited (Non-controlling interest)		
Contributed equity	1	1
Accumulated losses	912,866	1,109,412
Total Equity attributable to members of Waratah Hotels Limited	912,867	1,109,413
Total Equity for group	28,083,236	35,252,973

Consolidated Statement of Changes in Equity

Waratah Hotel Group

For the Half Year Ended 31 December 2022

	No. of securities	Contributed equity \$	Accumulated profits \$	Total \$
Balance at 1 July 2022	24,525,159	19,452,898	15,800,075	35,252,973
Issue of securities	13,068	22,563	-	22,563
Distribution paid	-	(2,944,588)	-	(2,944,588)
Loss after income tax for the year	-	-	(4,247,712)	(4,247,712)
Balance at 31 December 2022	24,538,227	16,530,873	11,552,363	28,083,236
Balance at 1 July 2021	24,466,806	28,618,223	6,912,415	35,530,638
Issue of securities	28,721	43,760	-	43,760
Distribution paid	-	-	2,345,236	2,345,236
Loss after income tax for the year	-	(918,359)	-	(918,359)
Balance at 31 December 2021	24,495,527	27,743,624	9,257,651	37,001,275

Consolidated Statement of Cash Flows

Waratah Hotel Group

For the Half Year Ended 31 December 2022

	December 2022	December 2021
Note	\$	\$
Cash Flows From Operating Activities		
Receipts from customers inclusive of GST	14,364,871	26,962,255
Payments to suppliers and employees inclusive of GST	(14,706,522)	(24,349,559)
Interest paid	(264,941)	(321,099)
Interest received	56,655	1,465
Income tax paid	(398,207)	(638,401)
Net Cash Flows (Used in)/From Operating Activities	24	1,654,661
Cash Flows From Investing Activities		
Payments for property, plant & equipment	(866,524)	(542,192)
Payments for hotel investment properties	22	(366,000)
Payments for other hotel assets	22	(13,271,542)
Transaction cost relating to hotel acquisitions	(56,077)	-
Proceeds from term deposit	12,845,000	-
Loan from other parties	-	440,426
Proceeds from sale of hotel assets	24,478,570	8,148,296
Net Cash Flows From Investing Activities	22,763,427	8,046,530
Cash Flows From Financing Activities		
Proceeds from issue of securities	22,563	43,760
Payment of distributions	(8,259,014)	(856,064)
Repayment of borrowings	(22,873,698)	(200,000)
Repayment of lease liabilities	(199,264)	(153,895)
Net Cash Flows Used In Financing Activities	(31,309,413)	(1,166,199)
Net (Decrease)/Increase in Cash Held	(9,494,130)	8,534,992
Cash and cash equivalent at the beginning of the period	15,766,299	4,383,622
Cash and Cash Equivalent at End of the Period	5	12,918,614

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 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.

The balance for the comparative period ended 31 December 2021 for consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are reviewed balances and not audited balances.

The balances for the comparative period ended 31 December 2021 for consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows are reviewed balances and not audited balances.

The consolidated financial statements for Waratah Hotel Group for the six months ended 31 December 2022 were authorised for issue in accordance with the resolution of the directors of the Company and of WFML on 27 March 2023.

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including AASB134 *Interim Financial Reporting*) 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. The Group's current liabilities are \$5,659,599 greater than its current assets at 31 December 2022. The Group's current liabilities include its total bank debt facility of \$6.837m which is due to expire in October 2023. The Group intends to secure an extension of the term of this facility prior to the end of the financial year which will result in the bank debt being classified as non-current at year end. The net asset position of the Group remains strong.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

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.

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 31 December 2022. A list of controlled entities is contained in Note 28 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.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

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 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.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

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

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

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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

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.

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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

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.

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

The Group recognises revenue as follows:

The Group's revenue mainly comprises gaming revenue, food and beverage revenue and rental. Revenue is recognised when control of the goods has transferred to the customer or when the service is provided at an amount that reflects the consideration to which Group expects to be entitled. Variable consideration is not material in the context of the Group's total revenue.

Gaming revenue Gaming revenue is the net difference between gaming wins and losses and is recognised upon the outcome of the game.

Food and beverage revenue is recognised when the performance obligation to transfer control of the goods to the customer is satisfied, which occurs at the point in time the goods are provided, and payment is collected.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

Rental income comprises rental and recovery of outgoings from property tenants. Rental income not received at reporting date is reflected in the consolidated statement of financial position as an asset. If rents are received in advance these amounts are recorded as a liability in the consolidated statement of financial position.

Revenue from functions are recognised when the performance obligations have been satisfied. When services are rendered, revenue is recognised at the point in time. Where payment for the goods and services is received prior to control transferring to the customer, revenue recognition is deferred in deposits received in advance within trade and other payables in the consolidated statement of financial position until the goods have been delivered to, or services are rendered to the customer.

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.

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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

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.

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 interim reporting period ended 31 December 2022. The consolidated entity had no significant impact on the financial statements of these new or amended Accounting Standards and Interpretations.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

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. During the six months to 31 December 2022 the Directors have recognized an impairment loss of \$1,524,299 (December 2021: Nil).

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.

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 Half Year Ended 31 December 2022

3. Income

	December 2022	December 2021
	\$	\$
Revenue from hotel operations:		
Food and beverage sales	8,855,236	17,547,195
Gaming revenue	3,142,930	4,532,677
Accommodation revenue	323,460	1,525,471
Other revenue	499,228	534,872
	<u>12,820,854</u>	<u>24,140,215</u>
Other income:		
Government grants	66,082	239,374
Interest income	56,656	2,406
	<u>122,738</u>	<u>241,780</u>
Total income	<u><u>12,943,592</u></u>	<u><u>24,381,995</u></u>

Disaggregation of revenue

All major revenue streams are within Australia and the timing of revenue recognition is at a point in time when goods or services are transferred.

4. Income Tax Expense

	December 2022	December 2021
	\$	\$
Prior year's over provision (current tax)	183,316	-
Current tax	(120,417)	(364,078)
Deferred tax	(416,368)	-
Total income tax expense	<u>(353,469)</u>	<u>(364,078)</u>
(Loss)/profit before income tax	(3,894,243)	2,709,314
Prima facie tax on profit from ordinary activities before income tax at 25.0% (2021: 25.0%)	973,561	(677,329)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Non deductible acquisition costs	(14,019)	325,045
- Non assessable income	-	59,844
- Waratah Hotel Fund Trust (loss)/income	(177,116)	-
- Fair value adjustment	(745,239)	-
- Impairment of goodwill/intangibles	(289,148)	-
- Prior year over/under	(135,262)	-
- Other movements	33,754	(71,638)
Total income tax expense	<u>(353,469)</u>	<u>(364,078)</u>

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

5. Current Assets - Cash and Cash Equivalents

	December 2022	June 2022
	\$	\$
Cash on hand and at bank	6,272,169	15,766,299
Total cash and cash equivalents	6,272,169	15,766,299

(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

	December 2022	June 2022
	\$	\$
Trade debtors	36,995	16,349
Sundry debtors	84,565	69,022
Total trade and other receivables	121,560	85,371

None of the receivables were impaired as at 31 December 2022 (30 June 2022: \$nil).

7. Current Assets - Inventories

	December 2022	June 2022
	\$	\$
Food supplies and beverages	573,166	466,289
Total inventories	573,166	466,289

8. Current Assets - Assets Held for Sale

	December 2022	June 2022
	\$	\$
Tilly's Wagga	25,000	-
Tandara Hotel Motel	-	11,083,698
Diplomat Motel	-	15,140,361
Total assets held for sale	25,000	26,224,059

On 10 March 2023, the Group entered into a contract for the sale of the Tilly's Wagga, NSW leasehold for total consideration of \$25,000. Settlement is expected to occur in June 2023.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

9. Current Assets – Other Assets

	December 2022	June 2022
	\$	\$
Prepaid expenses	174,219	520,170
Security and other deposits	375,767	312,737
Total other assets	549,986	832,907

10. Non Current Assets – Land and buildings

	December 2022	June 2022
	\$	\$
Land and building - at valuation	9,787,921	17,397,878
Building improvements - at cost	3,772,679	3,006,126
Less: accumulated depreciation	(180,676)	(137,913)
	3,592,003	2,868,213
Total non-current assets - Land and buildings	13,379,924	20,266,091

Reconciliation of Land and Building

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

	December 2022	June 2022
	\$	\$
Opening fair value	17,397,878	50,120,447
Fair value adjustment of land and buildings	(2,975,957)	2,314,841
Hotel assets purchased during the year	366,000	6,437,500
Hotel assets sold during the year	-	(18,930,090)
Reclassified to intangible assets	(5,000,000)	-
Reclassified to assets held for sale	-	(22,544,820)
Closing fair value	9,787,921	17,397,878

The Richmond Hotel acquisition in May 2022 was originally recorded as Land and Buildings. The acquisition included gaming entitlements and an adjustment has been made to record the assets as an Intangible Asset as most of the value relates to the gaming entitlements.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

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

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

	December 2022	June 2022
	\$	\$
Balance at 1 July	2,868,213	6,429,698
Additions	299,775	328,794
Hotel assets purchased during the year	519,223	-
Hotel assets sold during the year	-	(1,561,553)
Reclassified to assets held for sale	-	(1,468,157)
Assets written off	(51,998)	(669,499)
Depreciation expense	(43,210)	(191,070)
Balance at end of period	3,592,003	2,868,213

Valuations of land and building

The basis of the valuations of land and building is fair value. Valuations for all properties were performed by registered independent valuers as at 31 December 2022. 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.

The yields adopted for the hotel properties which are in line with the independent valuers' yields range from 9.54% to 13%. The yield adopted for the tenanted commercial property is 7%.

Ownership

All hotel and investment properties are freehold or strata titled assets other than the Tilly's Wagga, Cookies Lounge Bar and the detached bottleshop associated with the 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.

Capital commitments

There were no capital expenditure commitments contracted in relation to the properties as at 31 December 2022. (31 December 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 Half Year Ended 31 December 2022

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

	December 2022	June 2022
	\$	\$
Furniture, fittings and equipment – at cost	2,392,080	3,249,456
Less: accumulated depreciation	(497,899)	(1,559,743)
Total Furniture, fittings and equipment	1,894,181	1,689,713

Reconciliations

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

	December 2022	June 2022
	\$	\$
Balance at 1 July	1,689,713	3,410,519
Additions	566,749	696,365
Hotel assets purchased/(sold) during the year	135,696	(558,967)
Reclassified to assets held for sale	(25,000)	(931,535)
Assets written off	(315,709)	(294,815)
Depreciation expense	(157,268)	(631,854)
Balance at end of period	1,894,181	1,689,713

12. Non-Current Assets – Intangible assets

	December 2022	June 2022
	\$	\$
Gaming, liquor licences and goodwill – at cost	18,314,747	1,826,257
Total non-current assets – intangible assets	18,314,747	1,826,257

Reconciliations

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

	December 2022	June 2022
	\$	\$
Balance at 1 July	1,826,257	6,652,757
Additions	12,645,082	312,500
Disposal	-	(4,609,994)
Impairment	(1,156,592)	-
Reclassified from land and building	5,000,000	(529,006)
Balance at end of period	18,314,747	1,826,257

The Richmond Hotel acquisition in May 2022 was originally recorded as Land and Buildings. The acquisition included gaming entitlements and an adjustment has been made to record the assets as an Intangible Asset as most of the value relates to the gaming entitlements.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

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

Impairment testing

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

These licences form part of specific cash generating units (CGU) represented by individual hotel venues. The carrying amount of each CGU comprises land at fair value, buildings at cost less accumulated depreciation, plant and equipment at cost less accumulated depreciation and intangibles at cost. The recoverable amount of each CGU has been assessed based on its fair value less costs to dispose and this recoverable amount is equal to or exceeds the carrying amount of each CGU. During the half year ending 31 December 2022, the Group recognized an impairment loss of \$1,156,592 (31 December 2021: Nil).

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

	December 2022	June 2022
	\$	\$
Land and buildings – right-of-use	3,768,293	1,936,201
Less: accumulated depreciation	(953,556)	(728,710)
Total non-current assets – Right-of-use assets	2,814,737	1,207,491

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

	December 2022	June 2022
	\$	\$
Balance at 1 July	1,207,491	1,603,267
Additions	1,832,092	94,602
Depreciation	(224,846)	(333,695)
Reclassified to assets held for sale	-	(156,683)
Balance at end of period	2,814,737	1,207,491

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

14. Current and Non-Current Liabilities – Trade and Other Payables

	December 2022	June 2022
	\$	\$
Current		
Trade creditors	2,550,257	3,471,867
Accrued expenses	435,500	1,279,915
Distribution payable	2,443,653	7,758,079
Total trade and other payables	5,429,410	12,509,861

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

15. Current and Non-Current Liabilities – Interest Bearing Liabilities

	December 2022	June 2022
	\$	\$
Current		
Secured – bank borrowings	6,837,500	800,000
Total current borrowings	6,837,500	800,000
Non-Current		
Secured – bank borrowings	-	28,882,500
Total non-current borrowings	-	28,882,500

Since the end of the previous financial year, the group has utilised proceeds from the sale of hotel assets to reduce its borrowing facility with Commonwealth Bank of Australia by \$22,845,000. The Group's borrowings as at the date of this report are \$6,837,500. 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 \$30,282,000 to the current facility utilised balance of \$6,837,500. The amended facility has no amortisation or financial covenant obligations.

The total bank debt facility of \$6,837,500 is due to expire in October 2023. The Group intends to secure an extension of the term of this facility prior to the end of the financial year which will result in the bank debt being classified as non-current at year end. The net asset position of the Group remains strong.

16. Current and Non-Current Liabilities – Lease liabilities

	December 2022	June 2022
	\$	\$
Current		
Property lease liabilities	557,310	269,233
Total current lease liabilities	557,310	269,233
Non-current		
Property lease liabilities	2,331,094	986,032
Total non-current lease liabilities	2,331,094	986,032

17. Current Liabilities – Liabilities Held for Sale

	December 2022	June 2022
	\$	\$
Tilly's Wagga	5,000	-
Tandara Hotel Motel	-	789,465
Diplomat Motel	-	878,968
Total assets held for sale	5,000	1,668,433

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

18. Current and Non-Current Liabilities – Provisions

	December 2022	June 2022
	\$	\$
Current		
Employee provisions	184,486	230,000
Total current provisions	<u>184,486</u>	<u>230,000</u>
Non-current		
Employee provisions	40,010	20,385
Total non-current provisions	<u>40,010</u>	<u>20,385</u>

19. Non-Current Liabilities – Deferred Tax Liability

	December 2022	June 2022
	\$	\$
Deferred tax liabilities comprised temporary differences attributable to:		
Right-of-use assets	703,685	301,873
Property, plant and equipment	395,752	342,791
Total deferred tax liability	<u>1,099,437</u>	<u>644,664</u>
Less deferred tax liabilities eligible for offset against deferred tax assets	(809,787)	(354,138)
Net deferred tax liability	<u>289,650</u>	<u>290,526</u>

20. Contributed Equity

(a) Summary table

	December 2022	June 2022
	\$	\$
Ordinary Stapled Securities ("Stapled Securities") 24,538,227 (30 June 2022: 24,525,159)	16,530,873	19,452,898
Total contributed equity	<u>16,530,873</u>	<u>19,452,898</u>

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

20. Contributed Equity (continued)

(b) Movement in stapled securities on issue

	December 2022 No.	June 2022 No.
Stapled Securities		
At the beginning of reporting period	24,525,159	24,466,806
Stapled Securities issued	13,068	58,353
Stapled Securities at reporting date	<u>24,538,227</u>	<u>24,525,159</u>

Stapled Securities

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

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

21. Distributions

Distributions of \$2,944,588 were declared for the six months to 31 December 2022 with the December 2022 quarter distribution being paid in January 2023 (31 December 2021: \$918,359).

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

22. Business combinations

During the six months to 31 December 2022 the Group acquired Cookies Lounge Bar North Strathfield for total consideration of \$13,300,000. The Group also acquired 2 strata premises located immediately above Mary G's Hotel, Lismore NSW for total consideration of \$366,000. In the prior year corresponding period, the Group did not acquire any hotel assets.

The values identified in relation to the acquisition of Cookies Lounge Bar North Strathfield are final at 31 December 2022. Details of the acquisition is as follows:

	Fair Value
	\$
Gaming entitlements	11,300,000
Liquor licence	1,250,000
Building improvement	519,222
Plant and equipment	135,696
Employee benefits	(32,118)
Prepayment	2,838
Rent expense	822
	<hr/>
Net assets acquired	13,176,460
Goodwill	95,082
	<hr/>
Acquisition-date fair value of the hotel consideration transferred	13,271,542
Representing:	
Cash Paid or Payable to Vendor	13,271,542
	<hr/>
Acquisition costs expensed to the Profit or Loss	(22,706)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	13,271,542
Acquisition costs	22,706
	<hr/>
Net cash used in current financial year	13,294,248
	<hr/>

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

22. Business combinations (continued)

The values identified in relation to the acquisition of the 2 strata premises located immediately above Mary G's Hotel, Lismore are final at 31 December 2022. Details of the acquisitions are as follows:

	Fair Value
	\$
Land and building	<u>366,000</u>
Net assets acquired	366,000
Goodwill	<u>-</u>
Acquisition-date fair value of the hotel consideration transferred	366,000
Representing:	
Cash paid or payable to vendor	<u>366,000</u>
Acquisition costs expensed to the Profit or Loss	(33,371)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	366,000
Acquisition costs	<u>33,371</u>
Net cash used in current financial year	<u>399,371</u>

23. Auditor's Remuneration

	December 2022	December 2021
	\$	\$
Remuneration of the auditor of the Group, ESV Business Advice and Accounting:		
Auditing of the financial statements	51,907	22,505
Other services	<u>-</u>	<u>-</u>
	<u>51,907</u>	<u>22,505</u>

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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

24. Reconciliation of Profit After Income Tax to Operating Cash Flows

	December 2022	December 2021
	\$	\$
Loss/(profit) for the year after tax	(4,247,712)	2,345,236
Adjustments for:		
Depreciation and amortisation	443,392	635,700
Fair value adjustments - property, plant & equipment	2,980,958	-
Impairment Adjustment	1,524,299	-
Loss/(profit) on sale of assets	15,226	(1,253,043)
Acquisition costs	56,077	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	391,133	143,526
(Increase)/decrease in inventories	(106,878)	157,997
(Increase)/decrease in other assets	286,580	141,915
(Increase)/decrease in deferred tax assets	416,369	29,049
Increase/(decrease) in trade payables and accruals	(2,188,476)	(692,961)
Increase/(decrease) in provision for income tax	(461,105)	300,126
Increase/(decrease) in other provisions	(58,007)	(152,884)
Net cash flows (used in)/from operating activities	(948,144)	1,654,661

25. Changes in Liabilities Arising from Financing Activities

	Bank Borrowings	Lease Liability	Total
	\$	\$	\$
Balance at 1 July 2021	30,282,500	1,639,467	31,921,967
Lease liability recognised on adoption	-	-	-
Additions	-	-	-
Repayments	(200,000)	(153,478)	(353,478)
Balance at 31 December 2021	30,082,500	1,485,989	31,568,489
Balance at 1 July 2022	29,682,500	1,255,265	30,937,765
Lease liability recognised on adoption	-	1,832,092	1,832,092
Additions	-	-	-
Repayments	(22,845,000)	(198,953)	(23,043,953)
Balance at 31 December 2022	6,837,500	2,888,404	9,725,904

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

26. Contingent Assets and Contingent Liabilities

The Group had no contingent assets or contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

27. Subsequent Events

In January 2023, the Group distributed an additional 8.0c per unit to unitholders, in addition to the standard 2.0c per unit distribution for the December 2022 quarter. The significant additional distribution has resulted from the successful completion of the sale of the Diplomat Motel Alice Springs during the December 2022 half year.

On 10 March 2023, the Group entered into contract for the sale of the Tilly's Wagga, Wagga Wagga NSW leasehold for total consideration of \$25,000. Settlement is expected to occur in June 2023.

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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

28. Controlled Entities

Name of subsidiary	Country of incorporation	Percentage owned (%)	
		December 2022	December 2021
Waratah Hotels Limited:			
Hotel Business Trust	Australia	100	100
Victoria Business Trust	Australia	100	100
Bridge Business Trust	Australia	100	100
Gilhooleys Business Trust	Australia	100	100
Waratah Hotel Fund:			
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
Waratah Hotels No 2 Limited:			
Diplomat Trading (Aust) Pty Ltd	Australia	100	100
The Diplomat Trading (Aust) Unit Trust	Australia	100	100

29. 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 31 December 2022 fund management fees amounted to \$277,761 (31 December 2021: \$551,060). Of these fund management fees relating to the half year ended 31 December 2022, \$277,761 (31 December 2021:

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

29. Related Party Transactions (continued)

\$551,060) were paid, none were converted to equity (31 December 2021: Nil) and none were outstanding (31 December 2021: Nil) at 31 December 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 half year ended 31 December 2022 the income performance fee amounted to nil (31 December 2021: \$118,000). No income performance fees were outstanding at 31 December 2022 (31 December 2021: Nil)

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 half year ended 31 December 2022 acquisition fees amounted to \$18,300 (31 December 2021: Nil). Of these acquisition fees relating to the half year ended 31 December 2022, \$18,300 (31 December 2021: Nil) were paid, none were converted to equity (31 December 2021: Nil) and none (31 December 2021: Nil) were outstanding at 31 December 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 half year ended 31 December 2022 sales fees amounted to nil (31 December 2021: 168,740). Of these sales fees, none (31 December 2021: 168,740) were paid, none were converted to equity (31 December 2021: Nil) and none (31 December 2021: Nil) were outstanding at 31 December 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.

(b) Transaction with Related Parties

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

	December 2022	December 2021
	\$	\$
Expenses:		
Payments to Waratah Funds Management Limited		
- Fund management fees	277,761	551,060
- Income performance fees	-	118,000
- Acquisition fees	18,300	-
- Sales fees	-	168,740
Payments to Waratah Hotel Management Pty Ltd		
- Assets management fees	187,036	361,642
Payments to Horton & Associates Pty Ltd		
- Accounting and tax services fees	52,259	41,750
Revenue:		
Payments from Waratah Debt Capital Fund		
- Interest Income	-	941

For information relating to balances outstanding at the end of the period, please refer to Note 29(a).

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

29. Related Party Transactions (continued)

(c) Interests Held By Related Parties

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

Related Party	Holdings at June 2022	Securities issued or purchased/(sold)	Holdings at 31 December 2022
Jodaho Pty Ltd ⁽ⁱ⁾	2,799,849	-	2,799,849
Darren Baker Pty Ltd ⁽ⁱⁱ⁾	1,272,357	-	1,272,357
Toak Pty Ltd ⁽ⁱⁱⁱ⁾	544,000	-	544,000
Waratah Hotel Management Pty Ltd ^(iv)	225,857	18,709	244,566
	<u>4,842,063</u>	<u>18,709</u>	<u>4,860,772</u>

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

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

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

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

30. 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.

31. 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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

31. Fair value measurement (continued)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Half year ended - 31 Dec 2022				
Assets				
Land & building	-	-	13,379,924	13,379,924
Total assets	-	-	13,379,924	13,379,924
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Year ended - 30 Jun 2022				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Land & building	-	-	20,266,091	20,266,091
Total assets	-	-	20,266,091	20,266,091
Liabilities	-	-	-	-
Total liabilities	-	-	-	-

There were no transfers between levels during the financial half-year. A reconciliation of the movements 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.

The basis of the valuations of land and building is fair value. Valuations for all properties were performed by registered independent valuers as at 31 December 2022. 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.

The table below demonstrates the sensitivity to reasonably possible changes in EBITDA for the portfolio of hotel assets, with all other variables held constant. A negative amount in the table reflects a potential reduction in the value of securityholders' equity while a positive amount reflects a potential increase. The analysis is performed on the same basis for 30 June 2022.

	Securityholders Equity	
	Higher / (Lower)	
	December 2022	June 2022
	\$	\$
Movement in EBITDA		
+10.0%	4,249,100	5,228,000
-10.0%	(4,249,100)	(5,228,000)

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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

31. Fair value measurement (continued)

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)	
	December 2022	June 2022
	\$	\$
Movement in capitalisation rate		
+0.05%	(2,087,000)	(2,017,000)
-0.05%	2,087,000	2,017,000

32. 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:

	December 2022	June 2022
	\$	\$
Financial assets		
Cash and cash equivalents	6,272,169	15,766,299
Term deposits	-	12,845,000
Trade and other receivables	121,560	85,371
	<u>6,393,729</u>	<u>28,696,670</u>
Financial Liabilities		
Trade and other payables	5,429,410	12,509,861
Interest bearing liabilities	6,837,500	29,682,500
	<u>12,266,910</u>	<u>42,192,361</u>

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

32. Financial Risk Management (continued)

(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:

	31 December 2022		30 June 2022	
	Weighted average effective interest rate %	Balance \$	Weighted average effective interest rate %	Balance \$
Cash and cash equivalents	0.51	6,272,169	0.38	15,270,476
Term deposits	-	-	1.9	12,845,000
Interest bearing borrowings	1.91	<u>(6,837,500)</u>	2.03	<u>(29,682,500)</u>
Net exposure to cash flow interest rate risk		<u><u>(565,331)</u></u>		<u><u>(1,567,024)</u></u>

The Group has borrowings from the bank. The average interest rate payable on the total borrowings at 31 December 2022 was 4.97% (30 June 2022: 2.03%). The Group does not have any fixed interest rate facilities (30 June 2022: Nil) to limit its exposure to increasing variable interest rates from bank borrowings. 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.

(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 2022.

Movement in interest rates	Net Profit Higher / (Lower)	
	December 2022 \$	June 2022 \$
+2.0%	(136,750)	(593,650)
-2.0%	136,750	593,650

(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.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

32. Financial Risk Management (continued)

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:

	December 2022	June 2022
	\$	\$
Cash and cash equivalents	6,272,169	28,115,476
Trade and other receivables	121,560	85,371
	<u>6,393,729</u>	<u>28,200,847</u>

(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:

	December 2022	June 2022
	\$	\$
Bank loans	-	-
Total unused borrowing facilities	<u>-</u>	<u>-</u>

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

32. Financial Risk Management (continued)

Financial arrangements at the reporting date:

	Maturing within 1 year \$	Maturing 1 - 5 years \$	Total \$
At 31 December 2022			
Financial assets			
Cash and cash equivalents	6,272,169	-	6,272,169
Trade and other receivables	121,560	-	121,560
	6,393,729	-	6,393,729
Financial liabilities			
Trade and other payables	5,429,410	-	5,429,410
Interest bearing liabilities	6,837,500	-	6,837,500
	12,266,910	-	12,266,910
At 30 June 2022			
Financial assets			
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
	28,696,670	-	28,696,670
Financial liabilities			
Trade and other payables	12,509,861	-	12,509,861
Interest bearing liabilities	800,000	28,882,500	29,682,500
	13,309,861	28,882,500	42,192,361

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

33. Parent Financial Information

Summary financial information about the Parent is:

	Waratah Hotel Fund	
	December 2022	June 2022
	\$	\$
Current assets	4,565,121	41,991,703
Non-current assets	43,614,433	29,732,978
Total assets	48,179,554	71,724,681
Current liabilities	9,417,737	10,562,871
Non-current liabilities	26,199,589	41,126,363
Total liabilities	35,617,326	51,689,234
Unitholders' equity		
Issued units	9,375,588	12,302,126
Accumulated profits / (losses)	3,186,640	7,733,321
Total unitholders' equity	12,562,228	20,035,447
Net profit / (losses) attributable to unitholders of the Parent	(4,546,685)	3,470,757
Total income	169,774	6,392,962

Contingent liabilities

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

Capital commitments

The parent had no capital commitments as at 31 December 2022 and 30 June 2022

Significant accounting policies

The accounting policies of the parent are consistent with those of the consolidated Group.

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

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, AASB134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

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



Darren Baker
Director
Sydney, 27 March 2023



David Horton
Director
Sydney, 27 March 2023



INDEPENDENT AUDITOR'S 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 31 December 2022, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement cash flows for the half 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 31 December 2022 and of its performance for the half 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the directors for the financial report

The directors of the 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 AUDITOR'S 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 half year ended 31 December 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. This description forms part of our auditor's report.

Dated at Sydney on the 27th of March 2023

ESV Business Advice and Accounting

Travas Burns
Partner