

Waratah Hotel Group

Interim Consolidated Financial Statements

Half Year Ended 31 December 2022

Waratah Hotels Limited
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Waratah Hotels No 2 Limited
ABN 78 619 064 998
Waratah Hotel Fund
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Waratah Hotel Group

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Waratah Hotel Group

Directors' Report

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

Auditor's Independence Declaration

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

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

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



Darren Baker
Director
Sydney, 14 March 2023



David Horton
Director
Sydney, 14 March 2023

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

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Waratah Hotel Group for the half-year ended 31 December 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 14th 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

	December 2022	December 2021
	\$	\$
Income		
Hotel operations revenue	12,820,854	24,140,215
Other income	122,738	241,780
Total Income	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	(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	3	6,272,169	15,766,299
Trade and other receivables	4	121,560	85,371
Inventories	5	573,166	466,289
Assets held for sale	6	25,000	26,224,059
Financial assets - term deposits		-	12,845,000
Other assets	7	549,986	832,907
Total Current Assets		7,541,881	56,219,925
Non-Current Assets			
Land and buildings	8	13,379,924	20,266,091
Property plant and equipment	9	1,894,181	1,689,713
Intangible assets	10	18,314,747	1,826,257
Right-of-use assets	11	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	12	5,429,410	12,509,861
Interest bearing liabilities	13	6,837,500	800,000
Lease Liabilities	14	557,310	269,233
Current tax liability		187,774	648,879
Liabilities held for sale	15	5,000	1,668,433
Provisions	16	184,486	230,000
Total Current Liabilities		13,201,480	16,126,406
Non-Current Liabilities			
Interest bearing liabilities	13	-	28,882,500
Lease Liabilities	14	2,331,094	986,032
Provisions	16	40,010	20,385
Deferred tax liability	17	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		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 Pub 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 Pub 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

Waratah Hotel Group

Consolidated Statement of Changes in Equity

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

Waratah Hotel Group

Consolidated Statement of Cash Flows

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	(948,144)	1,654,661
Cash Flows From Investing Activities		
Payments for property, plant & equipment	(866,524)	(542,192)
Payments for hotel investment properties	(366,000)	-
Payments for other hotel assets	(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	6,272,169	12,918,614

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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.

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

The consolidated financial statements for Waratah Hotel Group for the six months ended 31 December 2022 were authorised for issue in accordance with the resolution of the directors of the Company and of WFML on 14 March 2023.

Basis of Preparation

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

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

The financial statements do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2022.

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.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1. Statement of Significant Accounting Policies (continued)

Change in Accounting Policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

2. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. 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

Further information relating to key Director estimates for hotel and pub properties is contained in Note 8.

3. 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.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

4. 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 (June 2022: \$nil).

5. Current Assets - Inventories

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

6. 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.

7. 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

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

8. 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	<u>(180,676)</u>	<u>(137,913)</u>
	3,592,003	2,868,213
Total non-current assets - Land and buildings	<u>13,379,924</u>	<u>20,266,091</u>

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
	\$
Opening fair value	17,397,878
Fair value adjustment of land and buildings	(2,975,957)
Hotel assets purchased during the year	366,000
Reclassified to Intangible assets	<u>(5,000,000)</u>
Closing fair value	<u>9,787,921</u>

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.

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
	\$
Balance at 1 July	2,868,213
Additions	299,775
Hotel assets purchased during the year	519,223
Assets written off	(51,998)
Depreciation expense	<u>(43,210)</u>
Balance at 31 December 2022	<u>3,592,003</u>

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.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

9. 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
	\$
Balance at 1 July	1,689,713
Additions	566,749
Hotel assets purchased during the year	135,696
Reclassified to Assets Held For Sale	(25,000)
Assets Written Off	(315,709)
Depreciation expense	(157,268)
Balance at 31 December 2022	1,894,181

10. 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
	\$
Balance at 1 July	1,826,257
Additions	12,645,082
Impairment	(1,156,592)
Reclassified from Land and Building	5,000,000
Balance at 31 December 2022	18,314,747

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 – 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 (Dec 2021: Nil).

11. 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
	\$
Balance at 1 July	1,207,491
Additions	1,832,092
Depreciation	(224,846)
Balance at 31 December 2022	2,814,737

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.

12. 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

13. 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 \$22.845m. 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.

The total bank debt facility of \$6.837m 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.

14. 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

15. 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

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Notes to the Financial Statements

For the Half Year Ended 31 December 2022

16. Current and Non-Current Liabilities – Provisions

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

17. Non-Current Liabilities – Deferred Tax Liability

	December 2022	June 2022
	\$	\$
Deferred tax liabilities	289,650	290,526
Total deferred tax liabilities	289,650	290,526

18. Contributed Equity

Movement in stapled securities on issue

	December 2022	June 2022
	No.	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	24,538,227	24,525,159

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.

19. 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 (December 2021: \$918,359).

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

20. 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	<u>822</u>
Net assets acquired	13,176,460
Goodwill	<u>95,082</u>
Acquisition-date fair value of the hotel consideration transferred	13,271,542
Representing:	
Cash Paid or Payable to Vendor	<u>13,271,542</u>
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	<u>22,706</u>
Net cash used in current financial year	<u>13,294,248</u>

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

20. 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>

21. 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

21. 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				
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 8 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 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.

Movement in EBITDA	Securityholders Equity	
	December 2022	December 2021
	Higher / (Lower)	
	\$	\$
+10.0%	4,249,100	6,850,000
-10.0%	(4,249,100)	(6,850,000)

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.

Waratah Hotel Group

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

21. Fair value measurement (continued)

	Securityholders Equity	
	Higher / (Lower)	
Movement in capitalisation rate	December 2022	December 2021
+0.05%	\$ (2,087,000)	\$ (3,050,000)
-0.05%	2,087,000	3,050,000

22. Contingent Assets and Contingent Liabilities

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

23. 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.

24. 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 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, 14 March 2023



David Horton
Director
Sydney, 14 March 2023

INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF WARATAH HOTEL GROUP

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Waratah Hotel Group ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Waratah Hotel Group is not in accordance with the *Corporations Act 2001* including:

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Group in accordance with the 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.

Directors' Responsibilities for the Half-Year Financial Report

The directors of the Waratah Funds Management Limited ("the Responsible Entity") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

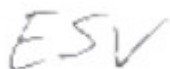
INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF WARATAH HOTEL GROUP

Auditor's Responsibilities

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

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

Dated at Sydney on the 14th of March 2023



ESV Business advice and accounting



Travas Burns
Partner