

# **Waratah Hotel Group**

## **Consolidated Annual Financial Report**

Year Ended 30 June 2020

**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  
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# Waratah Hotel Group

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# Waratah Hotel Group

## Directors' Report

The Directors present their report together with the consolidated financial report of the Waratah Hotel Group ('Group') for the year ended 30 June 2020. The Group is comprised of:

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

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

The consolidated financial reports of the Group for the year ended 30 June 2020 comprise the consolidated financial reports of the Fund and the Companies.

### Principal Activities & Result

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

The net result for the Group was a profit after tax of \$7,103,867 (2019: \$1,936,000). The result includes the following non-trading items:

- A fair value adjustment of \$6,935,396 (2019: (\$6,143)) relating to the value of the hotel assets;
- Performance fees paid of \$927,000 (2019: Nil) relating to the uplift in the value of the hotel assets; and
- A capital loss of Nil (2019: a loss of \$49,573);

For the financial year ended 30 June 2020 the Group generated operating cash flows of \$1,678,990 (2019: \$2,492,980).

### Significant Changes in Affairs

In June 2020, the Group acquired Tommy's Tavern, a small freehold hotel in Lismore for \$700,000. The asset was acquired with the intention of surrendering the hotel license in a defensive move to protect the Group's significant investment in Mary G's Lismore and thereafter selling the freehold property.

In June 2020, the Group entered into purchase contracts to acquire a freehold going concern hotel and adjacent retail tenancy located in central Queensland. Settlement of this property did not occur during the 2020 financial year and as a result the financial performance of the Fund during the 2020 financial year was not impacted by the acquisition of this new asset.

During the 2020 financial year the Group issued a further 943,261 units in the Fund raising \$990,582. These funds were primarily used to fund capital expenditure.

For the period from late March to early June 2020, the Group substantially reduced or ceased trading at all of its on-premise hotel locations in line with directives from the government in response to the COVID-19 pandemic.

# Waratah Hotel Group

## Directors' Report (continued)

Other than the acquisition of new hotel properties, the issuing of additional units in the Fund and the substantial reduction in trading in response to COVID-19, there were no significant changes to the state of affairs of the Group during the financial year.

### Dividends / Distributions

Distributions of \$1,070,937 (2019: \$2,058,918) were paid or declared during the 2020 financial year. The distributions to unitholders represent a return of capital. No dividends were paid by the Companies for the year ended 30 June 2020 (2019: \$nil).

### Coronavirus Impact

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australian and international economies. We cannot reasonably estimate the length or severity of this pandemic, but we currently do not anticipate a material adverse impact on our financial position, results of operations, and cash flows in the financial year 2021.

### Likely Developments

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

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

### Events Subsequent to Reporting Date

On 11 August 2020 the Group utilised existing cash reserves to repay to National Australia Bank an amount of \$1,657,500. This amount had initially been drawn down to support the Group whilst its hotels were largely shut down from late March to early June 2020 in response to directives from the government relating to the COVID-19 pandemic.

On 20 August 2020 the Group exchanged contracts to sell Tommy's Tavern Lismore for \$800,000 with settlement occurring on 28 September 2020. The Fund is providing vendor finance for 50% of the sale price. The hotel was acquired in June 2020 for \$700,000 as a defensive move to protect the Group's significant investment in Mary G's Lismore and the Group surrendered the hotel licence prior to selling the property.

On 21 August 2020, the Group entered into a new facility agreement of \$27.5m with Commonwealth Bank of Australia. The purpose of the facility is to:

- refinance the Group's existing National Australia Bank facility that was due to expire on 30 September 2020; and
- finance the acquisition of the central Queensland freehold hotel that the Group entered into a contract to acquire in June 2020. This acquisition is expected to settle in the December 2020 quarter.

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

# Waratah Hotel Group

## Directors' Report (continued)

### Directors

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

Darren Baker

David Horton

Lucy Partridge – resigned 30 March 2020

Phil Baker – appointed 30 March 2020 and resigned 1 June 2020

Josephine Horton – appointed 1 June 2020

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

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

David is a Chartered Accountant with 25 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.

**Lucy Partridge**                      **Director (Waratah Hotels Limited) – resigned 30 March 2020**  
**Director (Waratah Hotels No 2 Limited) – resigned 30 March 2020**  
**Director (Waratah Funds Management Limited) – resigned 30 March 2020**

Lucy has over 18 years' corporate advisory and funds management experience, including 10 years with BDO in Brisbane and Sydney, advising a variety of clients in all facets of corporate finance, audit and superannuation. Prior to joining Waratah, Lucy was Head of Funds Management for Blackwall Limited (ASX: BWF). She oversees the execution of daily funds management operations and, together with the Board, drives the strategic direction

# Waratah Hotel Group

## Directors' Report (continued)

of funds under management. Lucy holds a Bachelor of Science (Honours) in Mathematics from University of Queensland and a Bachelor of Commerce from Bond University.

**Phil Baker**                      **Director (Waratah Hotels Limited) – appointed 30 March 2020 and resigned 1 June 2020**  
**Director (Waratah Hotels No 2 Limited) – appointed 30 March 2020 and resigned 1 June 2020**  
**Director (Waratah Funds Management Limited) – appointed 30 March 2020 and resigned 1 June 2020**

Phil is a very experienced director and responsible manager of property based managed funds and managed investment schemes. Phil has over 30 years' experience in corporate finance and funds management including seven years at Macquarie Bank as well as his own property funds management businesses including Lachlan REIT which when sold had nearly \$500 million of property assets under management. Phil is responsible manager for Waratah Funds Management Limited and he is also a responsible manager for Stapleton Asset Management and Brindabella Investment Group as well as being a Non-Executive Director for Equiti Capital. Phil has a Graduate Diploma in Applied Securities and Investments from the Securities Institute of Australia and a Bachelor of Arts from Macquarie University.

**Josephine ('Jo') Horton**    **Director (Waratah Hotels Limited) – appointed 1 June 2020**  
**Director (Waratah Hotels No 2 Limited) – appointed 1 June 2020**  
**Director (Waratah Funds Management Limited) – appointed 1 June 2020**

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.

## Meeting Attendances

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

<b>Director</b>	<b>WFML</b>	<b>WHL</b>	<b>WHL2</b>
Meetings Held	7	7	7
Darren Baker	7	7	7
David Horton	7	7	7
Lucy Partridge	3	3	3
Phillip Baker	0	0	0
Josephine Horton	1	1	1

## 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.

# Waratah Hotel Group

## Directors' Report (continued)

### 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 Company 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 Company 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 Company 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 2020 financial year. Please refer to Note 22 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.

### 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, 30 September 2020



**David Horton**  
Director  
Sydney, 30 September 2020

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

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the Waratah Hotel Group as at 30 June 2020, 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 30<sup>th</sup> of September 2020

ESV

**ESV Business advice and accounting**

T. Burns

**Travas Burns  
Partner**

# Waratah Hotel Group

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

For the Year Ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
Hotel Operations Income		36,108,084	37,799,329
Profit/(loss) on sale of hotel		-	(49,573)
Other income		7,145	5,426
<b>Total Revenue</b>	3	<b>36,115,229</b>	<b>37,755,182</b>
<b>Expenses</b>			
Cost of sales		(16,327,165)	(16,612,785)
General and administrative expenses		(667,623)	(669,776)
Marketing expenses		(1,154,423)	(1,559,840)
Poker machine expenses		(573,384)	(665,860)
Operating expenses		(2,044,378)	(2,421,777)
Employment expenses		(9,014,220)	(9,068,013)
Occupancy costs		(1,802,340)	(2,185,049)
Other management expenses		(1,995,802)	(1,013,358)
Depreciation, amortisation and impairment		(1,145,898)	(737,221)
Finance costs		(969,506)	(1,114,908)
Fair value adjustment of property, plant & equipment		6,935,396	6,143
<b>Profit Before Income Tax</b>		<b>7,355,886</b>	<b>1,712,738</b>
Income tax (expense)/benefit	4	(252,019)	223,262
<b>Profit After Income Tax for the year</b>		<b>7,103,867</b>	<b>1,936,000</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the year</b>		<b>7,103,867</b>	<b>1,936,000</b>
<b>Profit for the year is attributable to:</b>			
Waratah Hotel Fund		6,458,932	91,588
Waratah Hotels Limited		675,504	1,704,918
Waratah Hotels No 2 Limited		(30,569)	139,494
		<b>7,103,867</b>	<b>1,936,000</b>
<b>Total Comprehensive Income for the year is attributable to:</b>			
Waratah Hotel Fund		6,458,932	91,588
Waratah Hotels Limited		675,504	1,704,918
Waratah Hotels No 2 Limited		(30,569)	139,494
		<b>7,103,867</b>	<b>1,936,000</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	1,899,568	1,825,359
Trade and other receivables	6	684,539	133,970
Inventories	7	926,137	850,894
Deferred tax assets	8	69,559	275,202
Assets held for sale	9	775,000	-
Other assets	10	856,416	499,547
<b>Total Current Assets</b>		<b>5,211,219</b>	<b>3,584,972</b>
<b>Non-Current Assets</b>			
Land and buildings	11	41,676,506	34,648,036
Property plant and equipment	12	2,417,041	2,335,474
Intangible assets	13	6,418,133	6,521,899
Right-of-use assets	14	1,416,796	-
<b>Total Non-Current Assets</b>		<b>51,928,476</b>	<b>43,505,409</b>
<b>TOTAL ASSETS</b>		<b>57,139,695</b>	<b>47,090,381</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	3,753,673	3,552,171
Interest bearing liabilities	16	22,281,954	1,689,591
Lease liabilities	17	272,944	-
Provisions	18	477,758	413,465
<b>Total Current Liabilities</b>		<b>26,786,329</b>	<b>5,655,227</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	16	50,258	19,324,712
Lease liabilities	17	1,160,233	-
Provisions	18	96,492	87,571
<b>Total Non-Current Liabilities</b>		<b>1,306,983</b>	<b>19,412,283</b>
<b>TOTAL LIABILITIES</b>		<b>28,093,312</b>	<b>25,067,510</b>
<b>NET ASSETS</b>		<b>29,046,383</b>	<b>22,022,871</b>
<b>EQUITY</b>			
Contributed equity	19	30,176,902	30,257,257
Accumulated losses		(1,130,519)	(8,234,386)
<b>TOTAL EQUITY</b>		<b>29,046,383</b>	<b>22,022,871</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Financial Position (continued)

As at 30 June 2020

	2020	2019
	\$	\$
<b>Equity attributable to members of Waratah Hotel Fund (Parent interest)</b>		
Contributed equity	23,063,159	23,341,617
Accumulated losses	(550,911)	(7,020,170)
<b>Total Equity attributable to members of Waratah Hotel Fund</b>	<b>22,512,248</b>	<b>16,321,447</b>
<b>Equity attributable to members of Waratah Hotels Limited</b>		
Contributed equity	7,113,742	6,915,639
Accumulated losses	(567,514)	(1,243,017)
<b>Total Equity attributable to members of Waratah Hotels Limited</b>	<b>6,546,228</b>	<b>5,672,622</b>
<b>Equity attributable to members of Waratah Hotels No 2 Limited</b>		
Contributed equity	1	1
Accumulated profits/(losses)	(12,094)	28,801
<b>Total Equity attributable to members of Waratah Hotels No 2 Limited</b>	<b>(12,093)</b>	<b>28,802</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

	Contributed equity \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2019</b>	<b>30,257,257</b>	<b>(8,234,386)</b>	<b>22,022,871</b>
Issues of securities	990,582	-	990,582
Distributions Paid	(1,070,937)	-	(1,070,937)
Profit after income tax for the year	-	7,103,867	7,103,867
<b>Balance at 30 June 2020</b>	<b>30,176,902</b>	<b>(1,130,519)</b>	<b>29,046,383</b>
<b>Balance at 1 July 2018</b>	<b>31,280,987</b>	<b>(10,084,941)</b>	<b>21,196,046</b>
Issues of securities	949,743	-	949,743
Distributions Paid	(1,973,473)	(85,445)	(2,058,918)
Profit after income tax for the year	-	1,936,000	1,936,000
<b>Balance at 30 June 2019</b>	<b>30,257,257</b>	<b>(8,234,386)</b>	<b>22,022,871</b>

The accompanying notes form part of these consolidated financial statements.

# Waratah Hotel Group

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

		2020	2019
		\$	\$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers inclusive of GST		39,169,037	41,695,078
Payments to suppliers and employees inclusive of GST		(36,252,353)	(38,092,616)
Interest paid		(969,506)	(1,114,908)
Interest received		7,145	5,426
Income tax paid		(275,333)	-
<b>Net Cash Flows From Operating Activities</b>	23	<b>1,678,990</b>	<b>2,492,980</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(1,079,418)	(824,671)
Payment for acquisition of new hotel assets		(700,000)	-
Deposit paid for new hotel assets		(356,330)	-
Proceeds from sale of hotel assets		-	2,700,427
<b>Net Cash Flows (Used in)/From Investing Activities</b>		<b>(2,135,748)</b>	<b>1,875,756</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of securities		990,515	949,355
Payment of distributions		(1,502,915)	(2,062,495)
Proceeds from borrowings		3,007,500	97,272
Repayment of borrowings		(1,689,591)	(3,462,969)
Payment of lease liabilities		(274,542)	-
<b>Net Cash Flows From/(Used in) Financing Activities</b>	24	<b>530,967</b>	<b>(4,478,837)</b>
<b>Net Increase/(Decrease) in Cash Held</b>			
Cash and cash equivalents at the beginning of the year		1,825,359	1,935,460
<b>Cash and Cash Equivalents at End of the Year</b>	5	<b>1,899,568</b>	<b>1,825,359</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 1. Statement of Significant Accounting Policies

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

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

The consolidated financial statements for Waratah Hotel Group for the year ended 30 June 2020 were authorised for issue in accordance with the resolution of the directors of the Company and of WFML on 30 September 2020.

#### Basis of Preparation

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

#### Going Concern and Net Working Capital Deficiency

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 exceed current assets as a result of the Group's debt being due for renewal on 30 September 2020. The Group entered into a new facility agreement with Commonwealth Bank of Australia on 21 August 2020. This new facility has a term of three years and will pay out the existing National Australia bank debt in full. The hotel assets within the Group are expected to continue to generate sufficient cashflow to allow the Group to settle all liabilities in the ordinary course of business.

# Waratah Hotel Group

## Notes to the Financial Statements

For the Year Ended 30 June 2020

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

#### Change in Accounting Policies

The Group has changed the way that it accounts for the carrying value of its hotel assets during the current period. Comparative information has also been amended to reflect the change.

Previously the Group valued its property, plant, equipment and intangible assets which comprise of hotels, on a composite asset basis using a fair value model. A review of the accounting standards in conjunction with the Group's auditors, determined that a more appropriate treatment of recording the value of the Group's hotel assets was to separately record the value of land and buildings, property, plant and equipment, and intangible assets. The Group has adopted this approach in the current period and the impact of this change in accounting policy is as follows:

*Previous treatment:*

<b>Cumulative fair value of hotel and pub properties</b>	<b>Fair value 30 June 2019</b>
	<b>\$</b>
Amaroo Tavern, Moree NSW	5,000,000
Victoria Hotel, Wagga Wagga NSW	17,900,000
Mary G's Hotel, Lismore NSW	10,300,000
Diplomat Motel, Alice Springs NT	9,600,000
Tandara Hotel Motel, Sarina QLD	3,500,000
Que, Wagga Wagga NSW (leasehold)	500,000
<b>Total hotel and pub properties</b>	<b>46,800,000</b>

*Current treatment:*

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Land and buildings</b>		
Land and buildings – at valuation	38,012,717	31,195,538
Building Improvements - net	3,663,789	3,452,498
<b>Total non-current assets – Land and buildings</b>	<b>41,676,506</b>	<b>34,648,036</b>
<b>Furniture, fittings and equipment</b>		
Furniture, fittings and equipment – at cost	7,443,592	6,729,480
Less: accumulated depreciation	(5,145,576)	(4,487,599)
<b>Total Furniture, fittings and equipment</b>	<b>2,298,016</b>	<b>2,241,881</b>
<b>Intangible assets</b>		
Gaming, liquor licenses and goodwill – at cost	6,418,133	6,521,899
<b>Total non-current assets – intangible assets</b>	<b>6,418,133</b>	<b>6,521,899</b>
<b>Total carrying value of assets</b>	<b>50,392,655</b>	<b>43,411,816</b>

The change in the carrying value of the Group's assets of \$3,388,184 resulting from this change in accounting policy has been applied against opening retained earnings balance as at 01 July 2018.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 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.

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

The following accounting standards and interpretations are most relevant to the consolidated entity:

##### *AASB 16 Leases*

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

##### *Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	\$
Operating lease commitments as at 1 July 2019 (AASB 117)	1,976,637
Less short term leases excluded under AASB 16	(426,382)
Lease extension entered into in current year	310,109
Operating lease commitments discount based on weighted average incremental borrowing rate of 3% (AASB 16)	(152,645)
<b>Right-of-use assets (AASB 16)</b>	<b>1,707,719</b>
Lease liabilities – current (AASB 16)	(316,846)
Lease liabilities – non-current (AASB 16)	(1,390,873)
<b>Reduction in opening retained profits as at 1 July 2019</b>	<b>-</b>

##### *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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

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 re-measurement 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.

#### **Presentation of financial statements**

##### **Presentation currency**

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

#### **Principles of Consolidation**

##### **Controlled entities**

The consolidated financial statements comprise the financial statements of Waratah Hotel Fund and its subsidiaries, Waratah Hotels Limited and its controlled entities and Waratah Hotels No 2 Limited and its controlled entities as at 30 June 2020. 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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### Inter-company balances

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

##### Stapled Securities

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

##### Distributions

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

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

###### *Land and Building*

The land and building components of the Group's hotel assets 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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### *Property plant and equipment*

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

##### *Intangible assets*

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

#### **Depreciation**

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

#### **Useful life**

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

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

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

#### **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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### Non-current assets classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

##### Financial Instruments

##### Non-derivative financial instruments

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

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

##### Recognition

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

##### 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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### Interest bearing borrowings

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

##### Impairment

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

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

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

Impairment losses are recognised in the statement of comprehensive income.

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

##### Employee benefits

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

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

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

##### 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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### **Inventories**

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

##### **Trade and other receivables**

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

##### **Trade and other payables**

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

##### **Revenue**

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

##### **Income Tax**

##### **Current income tax expense**

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

##### **Accounting for deferred tax**

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

##### **Deferred tax calculation**

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.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### Deferred income tax assets

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

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

##### Benefit brought to account

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

##### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

##### 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.

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group has not undertaken a detailed assessment of the impact of these new standards and interpretations.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 2. Critical Accounting Estimates and Judgments

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

##### *Key estimates - Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Directors have recognized an impairment loss of \$102,266 in the 2020 financial year (2019: Nil) reducing the carrying value of the intangible assets associated with the Que Bar Wagga to Nil. The venue is a nightclub operation that has been closed since March 2020 due to legislation introduced by the government in response to COVID-19. The property is a leasehold asset and there is significant uncertainty relating to when the venue will recommence its trading activities.

##### *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. For this report, all land and buildings are held at independent valuations carried out in the past six months.

##### *Key estimates - COVID-19*

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

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

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

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

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

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 3. Revenue

	2020	2019
	\$	\$
<b>Revenue from hotel operations:</b>		
- Food and beverage sales	24,673,200	25,678,631
- Gaming revenue	6,923,588	7,850,281
- Accommodation income	2,051,915	2,683,356
- Jobkeeper	1,021,500	-
- ATO Cashflow Boost	500,000	-
- Other income	937,881	1,587,061
	<u>36,108,084</u>	<u>37,799,329</u>
<b>Other income:</b>		
- Profit/(loss) on sale of hotel	-	(49,573)
- Interest income	7,145	5,426
	<u>7,145</u>	<u>(44,147)</u>
<b>Total revenue</b>	<b><u>36,115,229</u></b>	<b><u>37,755,182</u></b>

#### 4. Income Tax Expense

	2020	2019
	\$	\$
Current tax	252,019	(223,262)
Deferred tax	-	-
<b>Total income tax expense/(benefit)</b>	<b><u>252,019</u></b>	<b><u>(223,262)</u></b>
Profit before income tax	7,355,886	1,712,738
Prima facie tax on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	2,022,869	471,003
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Waratah Hotel Fund Trust income	(21,287)	(22,549)
- ATO Cashflow Boost payment	(137,500)	-
- Fair value adjustment of property, plant and equipment	(1,907,234)	(1,689)
- Other non-deductible expenses	27,401	51,650
Add / (less) tax effect of:		
Utilisation of prior year tax losses		(446,475)
Carried forward tax losses	267,770	(275,202)
<b>Total income tax expense</b>	<b><u>252,019</u></b>	<b><u>(223,262)</u></b>
Tax Effect of Tax Losses Carried Forward	338,414	311,489

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

	2020	2019
	\$	\$
Cash on hand and at bank	1,899,568	1,825,359
<b>Total cash and cash equivalents</b>	<b>1,899,568</b>	<b>1,825,359</b>

##### (a) Effective interest rate

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

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

	2020	2019
	\$	\$
Trade receivables:		
- Trade debtors	16,278	45,204
- Jobkeeper	337,500	-
- ATO Cashflow Boost	250,000	-
- Sundry debtors	80,761	88,766
<b>Total trade and other receivables</b>	<b>684,539</b>	<b>133,970</b>

None of the receivables were impaired as at 30 June 2020 (2019: \$nil).

#### 7. Current Assets - Inventories

	2020	2019
	\$	\$
Food supplies and beverages	926,137	850,894
<b>Total inventories</b>	<b>926,137</b>	<b>850,894</b>

#### 8. Current Assets - Deferred Tax Assets

	2020	2019
	\$	\$
Deferred tax assets	69,559	275,202
<b>Total deferred tax assets</b>	<b>69,559</b>	<b>275,202</b>

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

	2020	2019
	\$	\$
Tommy's Tavern Lismore	775,000	-
<b>Total assets held for sale</b>	<b>775,000</b>	<b>-</b>

The asset held for sale did not trade or generate any cashflow during the year. As a result, there is no profit or loss on discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 10. Current Assets – Other Assets

	2020	2019
	\$	\$
Prepaid expenses	192,732	192,193
Security and other deposits	663,683	307,354
<b>Total other assets</b>	<b>856,416</b>	<b>499,547</b>

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

	2020	2019
	\$	\$
Land and building – at valuation	38,012,717	31,195,538
Building Improvements – at cost	4,525,245	4,201,294
Less: accumulated depreciation	(861,456)	(748,796)
	<u>3,663,789</u>	<u>3,452,498</u>
<b>Total non-current assets – Land and buildings</b>	<b>41,676,506</b>	<b>34,648,036</b>

#### *Reconciliation of Land and Buildings*

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

	2020	2019
	\$	\$
Opening fair value	31,195,541	31,195,541
Additions	700,000	-
Fair value adjustment of land and buildings	6,935,396	-
Asset held for sale	(775,000)	-
Other adjustments	(43,220)	-
<b>Closing fair value</b>	<b>38,012,717</b>	<b>31,195,541</b>

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

	2020	2019
	\$	\$
Balance at 1 July	3,452,498	3,458,641
Additions	326,046	110,497
Depreciation expense	(114,755)	(116,640)
Balance at 30 June	<u>3,663,789</u>	<u>3,452,498</u>

#### *Valuations of land and building*

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

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

	2020	2019
	\$	\$
Furniture, fittings and equipment – at cost	7,443,592	6,729,480
Less: accumulated depreciation	(5,145,576)	(4,487,599)
<b>Total Furniture, fittings and equipment</b>	<b>2,298,016</b>	<b>2,241,881</b>
Motor Vehicle	142,133	102,873
Less: Accumulated depreciation	(23,108)	(9,280)
<b>Total Motor Vehicle</b>	<b>119,025</b>	<b>93,593</b>
	<b>2,417,041</b>	<b>2,335,474</b>

#### Reconciliations

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

	Furniture, fittings & equipment	Motor Vehicle	Total
	\$	\$	\$
Balance at 1 July 2019	2,241,881	93,593	2,335,474
Additions	714,112	39,260	753,372
Depreciation expense	(657,977)	(13,828)	(671,805)
Balance at 30 June 2020	2,298,016	119,025	2,417,041
Balance at 1 July 2018	2,278,100	-	2,278,100
Additions	575,082	102,873	677,955
Depreciation expense	(611,301)	(9,280)	(620,581)
Balance at 30 June 2019	2,241,881	93,593	2,335,474

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

	2020	2019
	\$	\$
Gaming, liquor licences and goodwill – at cost	6,418,133	6,521,899
<b>Total non-current assets – intangible assets</b>	<b>6,418,133</b>	<b>6,521,899</b>

#### Reconciliation

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

	2019	2020
	\$	\$
Balance at 1 July	6,521,899	6,521,899
Impairment of Que Bar, Wagga	(103,766)	-
<b>Balance at 30 June</b>	<b>6,418,133</b>	<b>6,521,899</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### *Impairment testing*

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

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

##### *Fair value of hotel assets*

The following table shows the cumulative fair value of the hotel and pub properties as at balance date.

Name	Fair value	Fair value
	30 June 2020	30 June 2019
	\$	\$
Amaroo Tavern, Moree NSW	4,750,000	5,000,000
Victoria Hotel, Wagga Wagga NSW	18,350,000	17,900,000
Mary G's Hotel, Lismore NSW	13,500,000	10,300,000
Diplomat Motel, Alice Springs NT	10,600,000	9,600,000
Tandara Hotel Motel, Sarina QLD	8,870,000	3,500,000
Que, Wagga Wagga NSW (leasehold)	-	500,000
<b>Total hotel and pub properties</b>	<b>56,070,000</b>	<b>46,800,000</b>

#### **Directors' valuations as at 30 June 2020**

Fair value represents the value apportioned to the freehold, leasehold, gaming entitlements and liquor licences held by the Group as stated in the Directors' valuations.

Valuation information of the aggregate of the freehold and leasehold interests in all hotel assets on a going concern basis including gaming entitlements, hotel licences held by the Fund, trade furniture, fixtures and fittings, plant and equipment and goodwill, subject to vacant possession but excluding stock in trade as stated in the Directors' valuation is as follows:

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

Name	Adopted yield	Directors' valuation	Adopted yield	Directors' valuation
	30 June 2020	30 June 2020 \$	30 June 2019	30 June 2019 \$
Amaroo Tavern, Moree NSW	13.03%	4,750,000	14.01%	5,000,000
Victoria Hotel, Wagga Wagga NSW	11.00%	18,350,000	12.52%	17,900,000
Mary G's Hotel, Lismore NSW	11.75%	13,500,000	12.25%	10,300,000
Diplomat Motel, Alice Springs NT	12.53%	10,600,000	10.83%	9,600,000
Tandara Hotel Motel, Sarina QLD	13.50%	8,870,000	17.60%	3,500,000
Que, Wagga Wagga NSW (leasehold)	-	-	-	500,000
<b>Total hotel and pub properties</b>		<b>56,070,000</b>		<b>46,800,000</b>

#### Valuation of hotel and pub properties

The basis of valuation of hotel and pub properties is fair value being the amounts for which the properties 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.

Valuations of all freehold hotels within the Fund were performed by registered independent valuers during the period from March to June 2020. The valuations were undertaken using reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections on a going concern basis. The Directors have adopted the independent valuations obtained for each property.

The Que leasehold interest was acquired in October 2017. The venue which operates as a night club remains closed in line with legislation enacted by the government in response to COVID-19. The Directors have reduced the fair value of this asset to Nil given that the nightclub is unlikely to trade profitably for the short to medium term due to the impact of COVID-19 on a business of this nature.

#### Ownership

All hotel and pub properties other than Que are freehold or strata titled assets. 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 30 June 2020. (2019: Nil)

#### Assets pledged as securities

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

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

	2020	2019
	\$	\$
Land and buildings – right-of-use	1,707,719	-
Less: accumulated depreciation	(290,923)	-
<b>Total non-current assets - Right-of-use assets</b>	<b>1,416,796</b>	<b>-</b>

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

The Group leases land and buildings for two of its hotel assets under agreements that are 10 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.

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

	2020	2019
	\$	\$
Trade and Other Payables		
- Trade creditors	3,436,356	2,878,501
- Accrued expenses	310,180	149,110
- Distribution payable	7,137	524,560
<b>Total trade and other payables</b>	<b>3,753,673</b>	<b>3,552,171</b>

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

	2020	2019
	\$	\$
<b>Current</b>		
Secured - bank borrowings	22,262,500	-
Secured – other borrowings	-	1,675,000
Secured – motor vehicle loan	19,454	14,591
<b>Total current borrowings</b>	<b>22,281,954</b>	<b>1,689,591</b>
	2020	2019
	\$	\$
<b>Non-Current</b>		
Secured – bank borrowings	-	19,255,000
Secured – motor vehicle loan	50,258	69,712
<b>Total non-current borrowings</b>	<b>50,258</b>	<b>19,324,712</b>

In August 2019, the Fund entered into a new Amendment and Restatement Deed with National Australia Bank that secured an additional \$1.5 million of borrowings. The purpose of the additional borrowing was to assist in funding the repayment of the second ranking debt initially provided by the vendors of the Diplomat Motel. This facility requires amortization of \$75,000 per quarter with the first reduction occurring on 31<sup>st</sup> December 2019.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

On 21 August 2019 the Group utilized this additional \$1.5 million National Australia Bank facility together with existing cash reserves to fully repay the \$1.675 million second ranking debt.

In December 2019, the Fund entered into a new Amendment and Restatement Deed with National Australia Bank that secured an additional \$500,000 borrowing facility. The initial purpose of the additional borrowing was to assist in funding capital improvements to the Diplomat Motel in Alice Springs. This facility has not been utilized for this purpose to date however this \$500,000 facility was drawn down on 31 March 2020 when it was approved to be used for working capital purposes to assist the Fund to deal with the impact of hotel closures as legislated by the government in response to COVID-19.

In April 2020, the Fund entered into a new Amendment and Restatement Deed with National Australia Bank that secured an additional \$2,610,000 borrowing facility. The purpose of the additional borrowing was to provide working capital to assist the Fund to deal with the impact of hotel closures as legislated by the government in response to COVID-19. This amended deed does not impose any covenant requirements on the Fund. The Fund had utilized \$1.15m of this facility at 30<sup>th</sup> June 2020.

The interest bearing liabilities from the National Australia Bank of \$22.26 million are secured against all of the hotel's assets within the Fund and the facility has amortisation requirements which have been complied with throughout the financial year. The National Australia Bank facility is a variable facility other than a \$9.0 million component which is fixed at a rate of 4.69% per annum to 30 September 2020.

A registered mortgage debenture over Waratah Hotels Limited and Waratah Hotels No 2 Limited is held by the National Australia Bank as supporting security for the bank bill facility held by Waratah Hotel Fund in the name of Waratah Funds Management Limited as responsible entity of the Fund.

Since the end of the financial year, the Group has utilised existing cash reserves to repay to National Australia Bank an amount of \$1,657,500. This amount had initially been drawn down to support the Group whilst its hotels were largely shut down from late March to early June 2020 in response to directives from the government relating to the COVID-19 pandemic.

Other than the facility increases, the amortisation requirements and the relaxation of covenant requirements as outlined above, all other terms of the updated Amendment and Restatement Deeds issued throughout the year are consistent with the National Australia Bank facility that the Group entered into in December 2018. The facility continues to have an expiry date of 30 September 2020 and the total borrowings under this facility as at the date of this report are \$20.605 million.

On 21 August 2020, the Group has entered into a new facility agreement for \$27.5m with Commonwealth Bank of Australia. The facility is expected to be utilised in October 2020. The purpose of the facility is to:

- refinance the Group's existing National Australia Bank facility that was due to expire on 30 September 2020; and
- finance the acquisition of the central Queensland freehold hotel that the Group entered into a contract to acquire in June 2020. This acquisition is expected to settle in the December 2020 quarter.

# Waratah Hotel Group

## Notes to the Financial Statements

For the Year Ended 30 June 2020

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

	2020	2019
	\$	\$
<b>Current</b>		
Property lease liabilities	272,944	-
<b>Total current other assets</b>	<u>272,944</u>	<u>-</u>
<b>Non-current</b>		
Property lease liabilities	1,160,233	-
<b>Total current other assets</b>	<u>1,160,233</u>	<u>-</u>

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

	2020	2019
	\$	\$
<b>(a) Current</b>		
Annual leave	316,621	305,167
Time in Lieu	43,166	-
Long service leave	117,971	108,298
<b>Total current provisions</b>	<u>477,758</u>	<u>413,465</u>
<b>(b) Non-current</b>		
Long service leave	96,492	87,571
<b>Total non-current provisions</b>	<u>96,492</u>	<u>87,571</u>

### 19. Contributed Equity

#### (a) Summary table

	2020	2019
	\$	\$
<b>Ordinary Stapled Securities (“Stapled Securities”)</b> 24,402,717 (30 June 2019: 23,459,456)	30,176,902	30,257,257
<b>Total contributed equity</b>	<u>30,176,902</u>	<u>30,257,257</u>

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

	2020	2019
	No.	No.
<b>Stapled Securities</b>		
At the beginning of reporting period	23,459,456	22,555,805
Stapled Securities issued	943,261	903,651
<b>Stapled Securities at reporting date</b>	<u>24,402,717</u>	<u>23,459,456</u>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 19. Contributed Equity (continued)

##### Stapled Securities

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

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

#### 20. Business Combinations

##### Tommy's Tavern Lismore

On 30 June, the Group acquired the land and building relating to Tommy's Tavern in Lismore for total consideration of \$700,000. The acquired property did not contribute any revenue to the Group during the 2020 financial year.

The values identified in relation to the acquisition of Tommy's Tavern are final at 30 June 2020. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Land and Buildings	<u>700,000</u>
Net Assets Acquired	700,000
Goodwill	-
Acquisition-date fair value of the total consideration transferred	<u>700,000</u>
Representing:	
Cash Paid or Payable to Vendor	<u>700,000</u>
Acquisition costs expensed to the Profit or Loss	(26,952)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	<u>700,000</u>
Net cash used	<u>700,000</u>

#### 21. Dividends / Distributions

Distributions of \$1,070,937 were declared for the year ended 30 June 2020 (2019: \$2,058,918). The distributions included a return of capital component of \$1,070,937 (2019: \$1,973,473).

There were no dividends paid or declared for the year ended 30 June 2020 (2019: Nil).

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 22. Auditors' Remuneration

	2020	2019
	\$	\$
Remuneration of the auditor of the Group for:		
- Auditing of the financial statements	64,788	55,679
- Other services	-	-
	<b>64,788</b>	<b>55,679</b>

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

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

	2020	2019
	\$	\$
Profit for the year	7,103,867	1,936,000
Adjustments for:		
Depreciation and amortisation	752,709	737,221
Fair value adjustments – property, plant and equipment	(6,935,396)	(6,143)
Impairment adjustment	102,266	-
Profit/(loss) on sale of hotel asset	-	49,573
Lease liability payments	290,922	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(550,570)	115,274
(Increase)/decrease in inventories	(75,244)	(45,861)
(Increase)/decrease in other assets	(539)	27,515
(Increase)/decrease in deferred tax assets	205,643	(275,202)
Increase/(decrease) in trade payables and accruals	927,621	(210,728)
Increase/(decrease) in other liabilities	(215,502)	104,918
Increase in provisions	73,213	60,413
<b>Net cash flows from operating activities</b>	<b>1,678,990</b>	<b>2,492,980</b>

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

	Bank Borrowings	Other Borrowings	Motor Vehicle Financing	Lease Liability	Total
Balance as at 1 July 2018	22,705,000	1,675,000	-	-	24,380,000
Additions	-	-	97,272	-	97,272
Repayments	(3,450,000)	-	(12,969)	-	(3,462,969)
Balance at 30 June 2019	19,255,000	1,675,000	84,303	-	21,014,303
Balance at 1 July 2019	19,255,000	1,675,000	84,303	-	21,014,303
Lease Liability recognised on adoption	-	-	-	1,707,719	1,707,719
Additions	3,007,500	-	-	-	3,007,500
Repayments	-	(1,675,000)	(14,591)	(274,542)	(1,964,133)
Balance at 30 June 2020	22,262,500	-	69,712	1,433,177	23,765,389

#### 25. Commitments

	2020 \$	2019 \$
<b>Lease commitments – operating</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	633,978
One to five years	-	1,342,659
	<u>-</u>	<u>1,976,637</u>

Operating lease commitments include:

- rent payable under the property leases relating to the Que Wagga, and the Sarina Cellars Bottleshop.
- contracted amounts for gaming machine software and hardware under non-cancellable operating leases expiring within three years.

#### 26. Contingent Assets and Contingent Liabilities

The Group had no contingent assets or contingent liabilities as at 30 June 2020 (2019: Nil).

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 27. Subsequent Events

On 11 August 2020 the Group utilised existing cash reserves to repay to National Australia Bank an amount of \$1,657,500. This amount had initially been drawn down to support the Group whilst its hotels were largely shut down from late March to early June 2020 in response to directives from the government relating to the COVID-19 pandemic.

On 20 August 2020 the Group exchanged contracts to sell Tommy's Tavern Lismore for \$800,000 with settlement occurring on 28 September 2020. The Fund is providing vendor finance for 50% of the sale price. The hotel was acquired by the Fund in June 2020 for \$700,000 as a defensive move to protect the Group's significant investment in Mary G's Lismore and the Group surrendered the hotel licence prior to selling the property.

On 21 August 2020, the Group entered into a new facility agreement of \$27.5m with Commonwealth Bank of Australia. The purpose of the facility is to:

- refinance the Group's existing National Australia Bank facility that was due to expire on 30 September 2020; and
- finance the acquisition of the central Queensland freehold hotel that the Group entered into a contract to acquire in June 2020. This acquisition is expected to settle in the December 2020 quarter.

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

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 28. Controlled Entities

Name of subsidiary	Country of incorporation	Percentage owned (%)	
		2020	2019
<b>Waratah Hotels Limited:</b>			
Hotel Business Trust	Australia	100	100
Victoria Business Trust	Australia	100	100
Bridge Business Trust	Australia	100	100
Gilhooleys Business Trust	Australia	100	100
<b>Waratah Hotel Fund:</b>			
No 1 Trust	Australia	100	100
No 2 Trust	Australia	100	100
No 3 Trust	Australia	100	100
No 4 Trust	Australia	100	100
No 5 Trust	Australia	100	100
No 6 Trust	Australia	100	100
Hotel Property Trust	Australia	100	100
Victoria Realty Trust	Australia	100	100
Bridge Realty Trust	Australia	100	100
Gilhooleys Realty Trust	Australia	100	100
Victoria Property Trust	Australia	100	100
Bridge Property Trust	Australia	100	100
Gilhooleys Property Trust	Australia	100	100
Victoria Land Trust	Australia	100	100
Bridge Land Trust	Australia	100	100
Gilhooleys Land Trust	Australia	100	100
<b>Waratah Hotels No 2 Limited:</b>			
Diplomat Trading (Aust) Pty Ltd	Australia	100	100
The Diplomat Trading (Aust) Unit Trust	Australia	100	100

#### 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 30 June 2020 fund management fees amounted to \$715,075 (2019: \$650,331). Of these fund management fees relating to the 2020 financial year, \$586,450 (2019: \$613,265) were paid, none were converted to equity (2019: Nil) and the balance of \$128,625 (2019: \$37,066) was outstanding at 30 June 2020.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

Under the terms of the Fund Constitution, the Responsible Entity is also entitled to a performance fee calculated as 10% of the uplift in value of the hotel assets. For the year ended 30 June 2020 performance fees amounted to \$927,000 (2019: Nil). Of these performance fees, none were paid (2019: Nil), none were converted to equity (2019: Nil) and the balance of \$927,000 (2019: Nil) was outstanding at 30 June 2020.

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) Transactions with Related Parties

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

	2020	2019
	\$	\$
<b>Expenses:</b>		
- Fund Management fees Waratah Funds Management Limited	715,075	650,331
- Performance fees Waratah Funds Management Limited	927,000	-
- Asset Management fees Waratah Hotel Management Pty Ltd	526,184	539,226
- Accounting and tax services fees Horton & Associates Pty Ltd	47,871	58,650
- In June 2020, the Fund acquired Tommy's Tavern, a small freehold hotel in Lismore for \$700,000. The hotel had not traded for a number of years however it holds a liquor and gaming licence. The acquisition was a strategic measure to protect the Group's significant investment in Mary G's hotel Lismore, as both properties are located in the CBD of Lismore. The property was owned by an entity associated with Mr Darren Baker (Director) and Mr Jaz Mooney (a former Director) of the Group. The acquisition price was marginally less than the independent valuation that was obtained for the property in June 2020.		

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 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 2019	Securities issued or purchased/(sold)	Holdings at June 2020
Waratah Funds Management Limited <sup>(i)</sup>	15,696	143,352	159,048
Jodaho Pty Ltd <sup>(ii)</sup>	2,057,833	742,016	2,799,849
Hirondelle Investments Pty Ltd <sup>(iii)</sup>	797,571	(797,571)	-
Darren Baker Pty Ltd <sup>(iv)</sup>	1,871,912	(455,555)	1,416,357
Toak Pty Ltd <sup>(v)</sup>	-	400,000	400,000
Lucy Fitzgerald	126,668	4,114	130,782
Waratah Hotel Management Pty Ltd <sup>(vi)</sup>	-	1,681	1,681
	<u>4,869,680</u>	<u>38,037</u>	<u>4,907,717</u>

<sup>(i)</sup> Waratah Funds Management Limited, the Companies and the Responsible Entity have common directors.

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

<sup>(iii)</sup> David Horton and Jo Horton, directors of the Companies and the Responsible Entity were directors of Hirondelle Investments Pty Ltd.

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

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

<sup>(vi)</sup> 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 and former Directors of the Company and the Responsible Entity (refer Directors' Report). The Group does not provide any short term or post-employment benefits to its key management personnel.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 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

<b>Year ended - 30 June 2020</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<i>Assets</i>				
Land & Building	-	-	38,012,717	38,012,717
Total assets	-	-	38,012,717	38,012,717
<i>Liabilities</i>				
Total liabilities	-	-	-	-
<b>Year ended - 30 Jun 2019</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<i>Assets</i>				
Land & Building	-	-	31,195,538	31,195,538
Total assets	-	-	31,195,538	31,195,538
<i>Liabilities</i>				
Total liabilities	-	-	-	-

There were no transfers between levels during the financial year.

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

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

The basis of the valuation of land and building is fair value. Land and building were revalued between March and June 2020 based on independent assessments by professionally qualified valuers having recent experience in the location and category of land and building being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition. Land and buildings are revalued by the directors each period where an independent valuation has not been sought. The directors believe the fair value as reflected in the accounts which is based on independent assessments is appropriate since the last revaluation date.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

The table below demonstrates the sensitivity to reasonably possible changes in EBITDA for the portfolio of hotel assets, with all other variables held constant. A negative amount in the table reflects a potential reduction in the value of securityholders' equity while a positive amount reflects a potential increase. The analysis is performed on the same basis for 30 June 2019.

Movement in EBITDA	Securityholders Equity Higher / (Lower)	
	2020	2019
	\$	\$
+ 10.0%	6,130,000	4,680,000
- 10.0%	(6,130,000)	(4,680,000)

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 2019.

Movement in capitalisation rate	Securityholders Equity Higher / (Lower)	
	2020	2019
	\$	\$
+ 0.05%	(3,280,000)	(2,463,000)
- 0.05%	3,280,000	2,463,000

#### 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 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 Company are subject to externally imposed capital requirements.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

The Group holds the following financial instruments:

	2020 \$	2019 \$
<b>Financial assets</b>		
Cash and cash equivalents	1,899,568	1,825,359
Trade and other receivables	684,539	133,970
	<u>2,584,107</u>	<u>1,959,329</u>
<b>Financial liabilities</b>		
Trade and other payables	3,753,673	3,552,171
Interest bearing liabilities	22,332,212	21,014,303
	<u>26,085,885</u>	<u>24,566,474</u>

#### (b) Market risk

##### (i) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	30 June 2020		30 June 2019	
	Weighted average effective interest rate %	Balance \$	Weighted average effective interest rate %	Balance \$
Cash and cash equivalents	0.05	1,377,077	0.50	1,116,339
Interest bearing borrowings	4.62	(22,332,212)	5.22	(21,014,303)
Net exposure to cash flow interest rate risk		<u>(20,955,135)</u>		<u>(19,897,964)</u>

The Group has no interest bearing financial assets other than cash and cash equivalents and does not hold large cash balances. As such, any increase or decrease in variable interest rates of up to 2% would not have a significant impact on the Group's net results or securityholders' equity.

The Group has borrowings from the bank and other external parties. The average interest rate payable on the total borrowings at 30 June 2020 was 4.62% (2019: 5.22%). The Group has entered into a fixed interest rate facility for \$9.0m (2019: \$19.794m) of its debt which limits its exposure to increasing variable interest rates from bank and other borrowings.

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

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

##### (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 2019.

Movement in interest rates	Net Profit Higher / (Lower)	
	2020	2019
	\$	\$
+ 2.0%	(261,250)	(22,720)
- 2.0%	261,250	22,720

##### (c) Credit risk

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

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

	2020	2019
	\$	\$
Cash and cash equivalents	1,377,077	1,116,339
Trade and other receivables	684,539	133,970
	<u>2,061,616</u>	<u>1,250,309</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.

# Waratah Hotel Group

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 32. Financial Risk Management (continued)

#### Financing arrangements

Unused borrowing facilities at the reporting date:

	2020	2019
	\$	\$
Bank loans	1,460,000	-
<b>Total Unused borrowing facilities</b>	<b>1,460,000</b>	<b>-</b>

Financial arrangements at the reporting date:

	Maturing within 1 year \$	Maturing 1 - 5 years \$	Total \$
<b>At 30 June 2020</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,377,077	-	1,377,077
Trade and other receivables	684,539	-	684,539
	<b>2,061,616</b>	<b>-</b>	<b>2,061,616</b>
<b>Financial liabilities</b>			
Trade and other payables	3,753,673	-	3,753,673
Interest bearing liabilities	22,281,954	50,258	22,332,212
	<b>26,035,627</b>	<b>50,258</b>	<b>26,085,885</b>
<b>At 30 June 2019</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,116,339	-	1,116,339
Trade and other receivables	133,970	-	133,970
	<b>1,250,309</b>	<b>-</b>	<b>1,250,309</b>
<b>Financial liabilities</b>			
Trade and other payables	3,552,171	-	3,552,171
Interest bearing liabilities	1,689,591	19,324,712	21,014,303
	<b>5,241,762</b>	<b>19,324,712</b>	<b>24,566,474</b>

### 33. Segment Reporting

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

# Waratah Hotel Group

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 34. Parent Financial Information

Summary financial information about the Parent is:

	Waratah Hotel Fund	
	2020	2019
	\$	\$
Current assets	114,180	34,624
Non-current assets	42,287,702	33,137,987
<b>Total assets</b>	<b>42,401,882</b>	<b>33,172,611</b>
Current liabilities	18,964,029	968,463
Non-current liabilities	925,605	15,882,701
<b>Total liabilities</b>	<b>19,889,634</b>	<b>16,851,164</b>
<b>Unitholders' equity</b>		
Issued units	23,063,159	23,341,617
Accumulated losses	(550,911)	(7,020,170)
<b>Total unitholders' equity</b>	<b>22,512,248</b>	<b>16,321,447</b>
Net profit/(loss) attributable to unitholders of the Parent	6,458,932	91,588
Total revenue	1,930,401	1,909,589

#### 35. Company Details

##### Principal place of business

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

# Waratah Hotel Group

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 46 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



**Darren Baker**

Director

Sydney, 30 September 2020



**David Horton**

Director

Sydney, 30 September 2020

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

### Opinion

We have audited the financial report of Waratah Hotel Group (the “Group”), which comprises the consolidated statement of financial position as at 30 June 2020, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- giving a true and fair view of the Group’s financial position as at 30 June 2020 and of its performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Responsibilities of the directors for the financial report

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

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

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

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

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

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

Dated at Sydney on the 30<sup>th</sup> of September 2020

ESV

**ESV Business advice and accounting**

T. Burns

**Travas Burns**  
**Partner**