



WaratahFunds  
MANAGEMENT

# Waratah Hotel Group

## Offer Document



**Waratah Hotels Limited**  
ACN 117 204 225



**Waratah Hotels No.2 Limited**  
ACN 619 064 998



**Waratah Funds Management Limited**  
ACN 606 091 543, AFS Licence No. 477840

---

## Important Information and Disclaimer

This Offer Document is dated 15 July 2019 and was lodged with ASIC on that date (hereafter referred to as the Offer Document).

The Offer Document is issued by Waratah Funds Management Limited as Responsible Entity for the Waratah Hotel Fund (ARSN 123 286 304), Waratah Hotels Limited ACN 117 204 225 and Waratah Hotels No.2 Limited ACN 619 064 998 for the issue of new Stapled Securities, each consisting of a Unit in the Fund and a Share in each Company. Stapled Securities issued under this Offer Document are issued on the terms and conditions contained in this Offer Document and the constitutions of the Fund and the Companies.

Capitalised terms used in this Offer Document are defined in the Glossary in section 12.

ASIC takes no responsibility for the content of this Offer Document or the merits of the investment to which this Offer Document relates.

The Offer Document is a prospectus for the purposes of Chapter 6D of the Corporations Act and a product disclosure statement for the purposes of Chapter 7 of the Corporations Act. This Offer Document expires as a prospectus 13 months after the date of this Offer Document, and no Stapled Securities will be issued under this Offer after that date.

This Offer Document does not constitute a recommendation, nor does it constitute financial product advice nor take into account your investment objectives, taxation situation, financial situation or needs. Prospective Investors should rely upon their own enquiries and seek such professional advice as they consider appropriate before deciding whether to invest in this Offer.

Certain statements contained in this Offer Document may constitute "forward-looking statements" or statements about "future matters" for the purpose of the Corporations Act. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements have been based on current expectations about future events and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward-looking statements.

None of the Responsible Entity and the Companies, nor any of the Responsible Entity's and the Companies' related bodies corporate, associates, directors, officers or affiliates, guarantees the performance of the Group, repayment of capital from the Group or the rate of return (if any) on the Stapled Securities.

Other than as required by law, none of the Responsible Entity and the Companies, nor any of the Responsible Entity's and the Companies' related bodies corporate, associates, affiliates, directors, officers, employees and agents make any representation or warranty, express or implied, that the occurrence of the events expressed or implied in any forward-looking statements or statements about future matters in this Offer Document will actually occur.

This Offer Document does not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Offer Document (whether electronically or

otherwise) in jurisdictions outside Australia may be restricted by law and any person into whose possession this Offer Document comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions.

Information in this Offer Document is subject to change from time to time. We may update this Offer Document for changes that are not materially adverse to Investors without issuing a supplementary Offer Document. Such updated information is accessible by calling us or by accessing our website. A paper copy of the updated information will be available free of charge upon request.

For further information on the Waratah Hotel Group, visit our website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au) or contact us at:

**1/207 Ben Boyd Road  
Neutral Bay NSW 2089**

**Telephone 02 9098 9100  
Email [info@waratahmanagement.com.au](mailto:info@waratahmanagement.com.au)**

# Contents.

---

1.	Investment Overview	p 01
2.	The Offer	p 05
3.	Portfolio	p 09
4.	Management	p 17
5.	Financial Information	p 21
6.	ASIC Disclosures	p 29
7.	Risks	p 35
8.	Taxation	p 39
9.	Fees and Other Costs	p 43
10.	Additional Information	p 49
11.	How to Invest	p 57
12.	Glossary	p 61



# Investment Overview.

---

01





## WHAT IS WARATAH HOTEL GROUP?

Waratah Hotel Group, formerly Pelathon Pub Group, was established in 2006 and comprises Waratah Hotels Limited ACN 117 204 225, Waratah Hotels No.2 Limited ACN 619 064 998 and Waratah Hotel Fund ARSN 123 286 304 being a registered managed investment scheme under the Corporations Act. Securities in Waratah Hotel Group are structured as Stapled Securities. A Stapled Security comprises a Unit in the Fund and a Share in each of the Companies.

The Fund holds the land, buildings, headleases, gaming and liquor licences. These assets are held by the Custodian of the Fund. The Companies own the hotel businesses and associated assets, and employ all the employees of the Group.

The Group's objective is to provide Waratah Hotel Group Investors with superior total returns and secure income distributions through investments in an Australian portfolio of hotel assets.

### Section 2

## THE OFFER

The Offer is for up to 2,857,143 Stapled Securities at an Issue Price of \$1.05 each, to raise \$3.0 million. There are currently 23,649,932 Stapled Securities on issue. There are no other securities in the Group on issue.

The Offer is being undertaken to facilitate the expansion of the Group's portfolio through capital expenditure to drive the operational success of existing assets and allow the Group to make new acquisitions as market opportunities arise.

### Section 2

## USE OF FUNDS

If fully subscribed, the Offer will raise \$3.0 million, the net proceeds of which will be allocated to capital expenditure and new acquisitions as indicated below:

Capital expenditure and new acquisitions	\$2,950,000
Costs of the Offer	\$50,000
<b>Total</b>	<b>\$3,000,000</b>

To the extent that the Offer is not fully subscribed then capital expenditure and new acquisitions will be reduced accordingly.

### Section 2.2

## DISTRIBUTIONS

The Group is currently paying quarterly cash distributions to Investors at a rate of 9 cents per Stapled Security per annum, which equates to an annual yield of 8.6% on the Issue Price. The Board anticipates that this distribution will be able to be maintained after the Offer.

### Section 2.3

## FUND TERM AND LIQUIDITY

The Group will have a liquidity event on or around September 2023. Thereafter, the Group will have rolling five-year terms.

At that time, all the Group's assets will be independently valued and a sale value calculated. Investors will then be asked if they wish to sell all or part of their Stapled Securities at the assessed sale value per Stapled Security. The sale value will be the NTA per Stapled Security less estimated sale costs of the Group's portfolio at the time, as well as a pro rata part of the Responsible Entity's sale fee.

For Investors wishing to sell their Stapled Securities, the Responsible Entity will, to the extent permitted by law, endeavour to facilitate the sale of those Stapled Securities to other Investors (including the Responsible Entity in its own right), to either new or existing investors or via a redemption of Stapled Securities through additional Group borrowings if appropriate. If Waratah is unable to facilitate the sale of Stapled Securities or borrow sufficient monies to effect all required redemptions, enough assets will be sold to finance the redemption of those Stapled Securities. If more than 50% of Investors (by number of Stapled Securities held) wish to sell their Stapled Securities, the Group will consider selling all of the assets and the proceeds distributed among Investors in proportion to their holding, or in other words wind up the Group.

### Section 2

## PORTFOLIO

The Group's portfolio currently comprises six assets located in regional towns across three Australian states/territories:

> **Freehold or Strata-Titled Assets:**

- > The Victoria Hotel, Wagga Wagga NSW
- > The Diplomat Motel, Alice Springs NT
- > Mary G's, Lismore NSW
- > Amaroo Tavern, Moree NSW
- > Tandara Hotel Motel, Sarina Qld

> **Leasehold Asset:**

- > Que, Wagga Wagga NSW

### Section 3

## MANAGEMENT

By investing in the Offer, Investors will not need to be involved in the day to day management of the Group's hotels. The Group's Board and responsible managers are highly experienced in the operation of managed investment schemes and in the management of hotels.

### Asset Management

Waratah Hotel Management (WHM), formerly Pelathon Management Group, was formed in 2009 and has successfully managed more than 25 pub and leisure facilities up until the date of this Offer Document. In addition to the six assets in the Waratah Hotel Group, WHM currently manages three more venues and a retail outlet. It has through various investment vehicles had great success in 'adding value' for its clients and on behalf of its directors. WHM earns a fee from managing the assets owned by the Waratah Hotel Group.

Interests associated with Darren Baker and David Horton own 100% of WHM. Darren Baker and David Horton are two of the three directors of the Responsible Entity and the Companies.

### Funds Management

Waratah has effectively been running most aspects of the Group since 2013 and during this time has stabilised and then improved its financial position. Waratah Funds Management Limited (WFML) implements and monitors the investment strategy of the Group and ensures it meets its reporting and compliance obligations.

Darren Baker, David Horton and Lucy Partridge are directors of WFML. Darren Baker, David Horton, Lucy Partridge and Fiona Dixon are responsible managers under WFML's AFS Licence. Lucy Partridge is WFML's Head of Funds Management. WFML is wholly owned by interests associated with Darren Baker and David Horton.

### Section 4

## GEARING

At 31 March 2019, the Group held \$19.505 million of senior debt and \$1.675 million of Subordinated Debt secured over the Group's portfolio. The senior debt LVR was 42.2% at 31 March 2019 and total LVR was at 45.8%.

Waratah seeks to maintain a target gearing ratio for the Fund in the range of 40-50%. Gearing may temporarily fall outside this range, particularly when cash flow is being managed to fund larger transactions, like the acquisition or disposal of assets.

Further details of the Group's loan facilities are set out in section 5.1.1.

### Section 5.1.1

## RISKS

### Illiquid direct property investment

An investment in the Group is not "liquid", as that term is defined in the Corporations Act. This means that Investors will have no right to withdraw their investment, subject to the policy of the Responsible Entity regarding a liquidity event as detailed above under the heading "Fund Term and Liquidity". Stapled Securities are transferable to any other person or entity subject to the transfer provisions in the Constitutions and the consent of the Group. Investors should be aware that the Group is not obliged to repurchase Stapled Securities at any time, other than as described in the liquidity event detailed above under the heading "Fund Term and Liquidity".

### Other Risks

All of the Group's assets are located in regional areas. Property, by its nature, is subject to general property market risks and local risk factors too.

As with all investments it is important to seek independent financial advice. We urge you to read this Offer Document carefully and speak with your accountant, stockbroker or financial adviser before making an investment decision.

### Section 7

## FEES

Neither the Responsible Entity nor WHM are charging any fees to the Group with respect to the Offer.

The Responsible Entity is paid a management fee not exceeding 1.5% per annum of the Group's total assets.

More information and a schedule of fees potentially payable by the Group is included at section 9.

### Section 9

## FINANCIAL INFORMATION

The Group is a disclosing entity and therefore required to prepare and lodge audited annual financial reports and audited or reviewed half yearly financial reports.

The Group's audited annual financial results together with its unaudited management accounts for the nine months ended 31 March 2019 form the basis of the financial disclosures and Pro Forma Balance Sheets in this Offer Document.

### Section 5

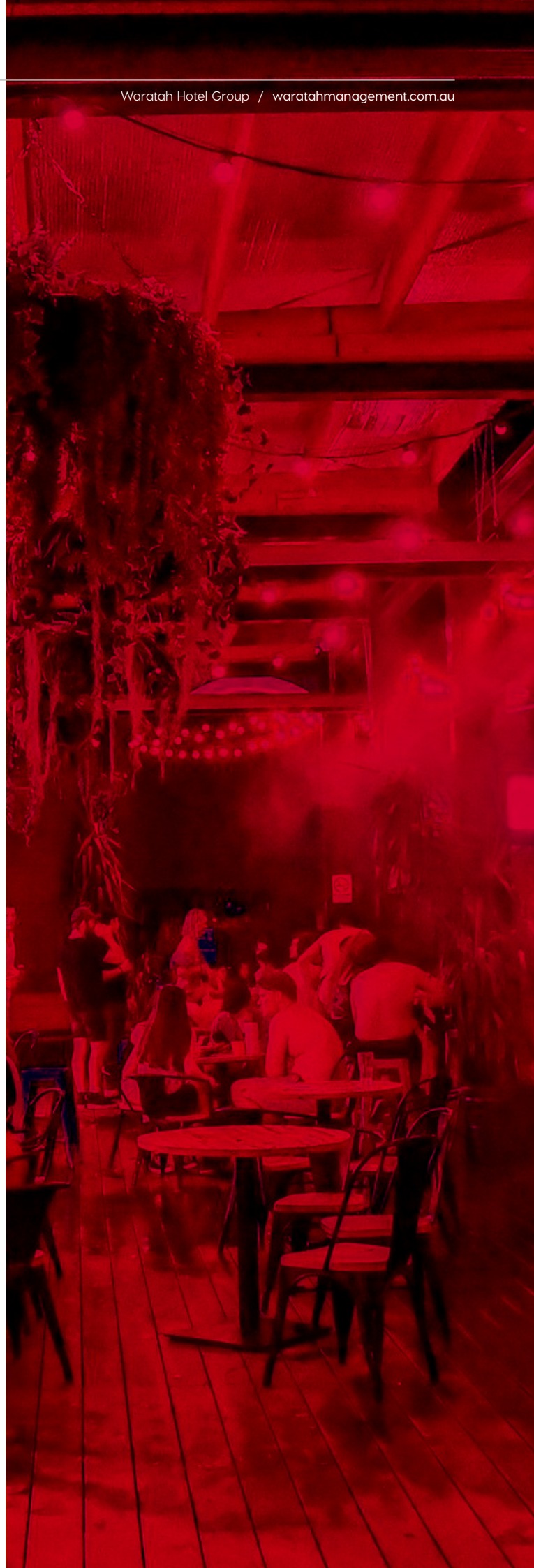
## HOW DO I INVEST?

To invest in the Group:

1. Complete the accompanying Application Form in accordance with the instructions set out on the form;
2. Provide payment of the Application monies at \$1.05 per Stapled Security; and
3. Return the completed Application Form and associated cheque or transfer confirmation to:

Waratah Funds Management Ltd  
PO Box 605  
Neutral Bay NSW 2089

### Section 11



# The Offer.

---

Section 2

02







The Group is offering Investors the opportunity to invest in the Group, which is an unlisted registered managed investment scheme and unlisted public companies. Key aspects of the Offer are listed in this section.

## 2.1. General

The Offer is an offer to subscribe for Stapled Securities, at a price of \$1.05 per Stapled Security. This represents a 1.9% discount to the current NTA per Stapled Security. There are currently approximately 23.6 million Stapled Securities on issue. There are no other securities in the Group on issue.

If fully subscribed, approximately 2.9 million Stapled Securities will be issued under the Offer, raising \$3 million.

## 2.2. Purpose and use of funds

The Offer is being undertaken to facilitate the expansion of the Group's portfolio through capital expenditure to drive the operational success of existing assets and to enable the Group to respond quickly to new market opportunities.

The proceeds of the Offer, assuming \$3.0 million is raised, will be allocated as follows:

Capital expenditure and potential new acquisitions	\$2,950,000
Costs of the Offer	\$50,000
<b>Total</b>	<b>\$3,000,000</b>

## 2.3. Distributions

The Group is currently paying quarterly cash distributions to Investors at a rate of 9 cents per Stapled Security per annum, which equates to an annual yield of 8.6% on the Issue Price.

## 2.4. Distribution Reinvestment Plan

Securityholders may elect to participate in a Dividend/ Distribution Reinvestment Plan (DRP). Participants in the DRP will benefit from having their distributions reinvested into the Waratah Hotel Group at a discount to the prevailing NTA. The discount is expected to be set at 3% of NTA for at least the twelve months following the date of this Offer Document.

## 2.5. Amount to be raised

There is no minimum amount to be raised under the Offer. To the extent that the Offer is not fully subscribed then the amount attributed to capital expenditure and new acquisitions will be reduced accordingly.

If the Offer is oversubscribed, Waratah reserves the right to allocate additional Stapled Securities exceeding \$3.0 million in total, or to proportionally reduce each applicant's requested allocation. In this event, excess monies will be refunded within ten business days into the applicant's nominated bank account.

## 2.6. Minimum application

There is no minimum investment amount for which Investors must subscribe under the Offer.

## 2.7. Offer period

The Offer will open to investors on 29 July 2019 and will close 13 months after the date of this Offer Document, being Friday 14 August 2020.

## 2.8. NTA calculations

The current NTA per Stapled Security is \$1.07. The NTA per Unit is 85.6 cents (as at 31 March 2019) and, in accordance with the Fund constitution, Units will be issued at this price under the Offer. The NTA for the Shares in the Companies comprises the balance of the NTA of the Stapled Securities, and the issue price for the Shares under this Offer will comprise the balance of the Stapled Security issue price of \$1.05 per Stapled Security.

## 2.9. Directors' interests

The Responsible Entity, Waratah and its associates' holdings in the Group equate to approximately 20.7% of the Stapled Securities on issue. These holdings are however subject to the 10% voting power limitation as detailed in section 10.2 of the Offer Document.

## 2.10. Fees

Neither the Responsible Entity nor WHM are charging any fees to the Group with respect to the Offer.

The existing fees applicable to the Group are as set out in section 9 of the Offer Document.

## 2.11. Risk factors

The risks involved with property and business investments such as Waratah Hotel Group are varied and cannot be exhaustively categorised. There are various risk factors that should be carefully considered by Investors and, whilst some of these can be mitigated through the use of safeguards, appropriate systems and actions, some fall outside the control of the Group and cannot be mitigated.

As with any investment, this investment is, by its nature, a speculative investment. No guarantee is, or can be given, that there will be a capital gain arising on the sale of any properties and hotel businesses or that the properties and hotel businesses will not decrease in value.

The key risks associated with an investment in the Group, including risks that may result in a reduction of the expected returns and/or loss of Investors' capital, are described in section 7 of this Offer Document.

## 2.12. How to invest in the group

If, after reading in full this Offer Document, you would like to subscribe to the Offer, then please complete the Application Form enclosed with this Offer Document, in accordance with the instructions set out in section 11.



# The Portfolio.

---

Section 3

03







The following table provides an overview of the Group's portfolio and each asset's revenue streams:

Venue	Value	Beverage	Food	Gaming	Accommodation	Other	Section
Freehold/Strata:							
The Victoria Hotel	\$17.9 m	Bar	Bistro	28 EGMs	14 rooms	Cocktail lounge	3.1
Diplomat Motel	\$9.6 m	Bar	Bistro	n/a	81 rooms	Separate cafe	3.2
Mary G's	\$10.3 m	Bar & bottle shop	Bistro	19 EGMs	n/a	Nightclub	3.3
Amaroo Tavern	\$5.0 m	Bar & bottle shop	Bistro	18 EGMs	n/a	n/a	3.4
Tandara Hotel Motel	\$3.5 m	Bar & bottle shop	Bistro	31 EGMs	15 rooms	Detached Bottle Shop	3.5
Leasehold:							
Que Wagga	\$0.50 m	Bar	Bar Menu	n/a	n/a	Nightclub	3.6





## Key Features

- > Historic hotel constructed circa 1940
- > Broad mix of revenues from bars, "The Loft" cocktail lounge, bistro, accommodation and 28 gaming entitlements
- > Located in the large regional city of Wagga Wagga



## 3.1. The Victoria Hotel

57 Baylis Street, Wagga Wagga, NSW



## Valuation Summary

The hotel was valued by an independent hotel valuer in April 2017 for \$17.9 million.



## Location

The Victoria Hotel is located in the City of Wagga some 450km south west of Sydney. Wagga Wagga is the main regional centre for the Riverina Region and has a population of 60,000. In addition to the strong and diversified rural economy, Wagga

Wagga is supported by Charles Sturt University, and the Kapooka Army and Forest RAAF Bases.

The hotel sits in a prime position on Baylis Street, the main street of Wagga Wagga. There are a number of competing hotels along Baylis Street.



## Property Description

The Victoria Hotel is a circa 1940s three-storey hotel comprising basement cellar, ground level public bar, kitchen, restaurant, restaurant

bar, lounge bars, indoor/outdoor gaming area, gaming bar, beer garden, first level whiskey and cocktail lounge, administration offices and 14 rooms of accommodation.

The building has a gross building area of approximately 1,605sqm over three levels with a further 315sqm in a balcony and external courtyard. The land area is approximately 1,311sqm.

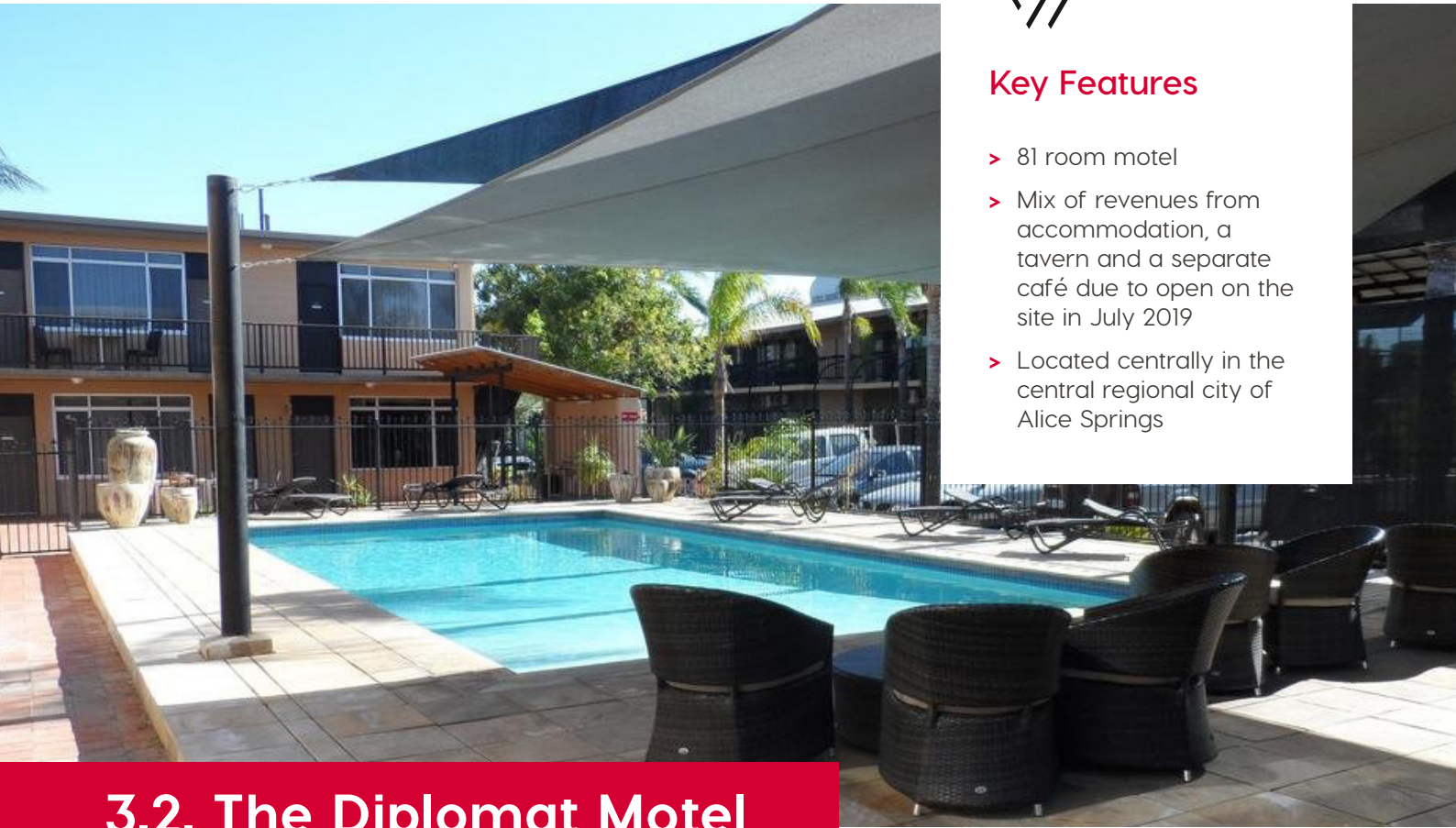
The hotel currently trades until 3am Friday and Saturday nights. It has 28 gaming machines.

Off street parking is provided to the rear of the hotel and there is a licence agreement with the local council for seating of up to 30 patrons on the footpath adjoining Baylis Street.



## Key Features

- > 81 room motel
- > Mix of revenues from accommodation, a tavern and a separate café due to open on the site in July 2019
- > Located centrally in the central regional city of Alice Springs



## 3.2. The Diplomat Motel

20 Gregory Terrace, Alice Springs NT



### Valuation Summary

The hotel was valued by an independent valuer in March 2017 for \$9.6 million.



### Location

The Diplomat Motel is located in the central business zone of the city of Alice Springs in the Northern Territory. Alice Springs is situated roughly in the centre of the Australian continent and had a population of approximately 27,000 in 2016. It is located around 1,500 km south of Darwin and 1,530 km north-west of Adelaide.

The motel is located at the corner of Gregory Terrace and Hartley Street in central Alice Springs and as a result has good exposure to passing pedestrian and vehicular traffic.



### Property Description

The Diplomat Motel comprises 81 motel rooms across four two-level accommodation blocks. The accommodation facility is rated 3.5 stars. Other amenities and facilities include a cafe tavern, two small conference rooms, two managers' residences, swimming pool with BBQ and outdoor parking for approximately 70 vehicles. As a result of this configuration, the property has multiple income streams. The secure parking is a feature sought after by both self-drive travellers and trade service providers.





## Key Features

- > Strata title hotel
- > Broad mix of revenues from bars, drive through bottle shop, nightclub, bistro and 19 gaming machines
- > Located in the regional city of Lismore



## 3.3. Mary G's

110 Woodlark Street, Lismore NSW



### Valuation Summary

The hotel was valued by an independent hotel valuer in April 2018 at \$10.3 million.



### Location

Lismore is located around 760 km north east of Sydney and only 120 km south of the Gold Coast. It is also less than an hour's drive from Byron Bay. With a population of 44,000 and a campus of Southern Cross University, it is the main regional centre for the Northern Rivers Region of NSW. Centrally located in the Lismore business retail and commercial area, Mary G's enjoys good exposure to passing pedestrian and vehicular traffic, and a reputation as one of the most popular of several competing hotels in the area.



### Property Description

Mary G's comprises a ground level public bar, TAB, kitchen, restaurant, lounge bars, outdoor gaming area, beer garden, night club and manager's flat. The building has a gross building area of approximately 1,091sqm over two levels with a further 1,161sqm in a balcony and external courtyard. The strata area is 2,252sqm. It currently has 19 gaming machines and off-street council parking is provided to the rear of the hotel.





## Key Features

- > Modern purpose-built tavern constructed in 1988
- > Broad mix of revenues from bar, drive through bottle shop, bistro and 18 gaming machines
- > DC3 aircraft tourist attraction
- > Large land holding (10,000sqm) with room for a possible 20-30 room motel development (STCA)
- > Limited local competition



## 3.4. Amaroo Tavern

28 Boronia Avenue, Moree NSW



### Valuation Summary

The hotel was valued by an independent hotel valuer in April 2017 at \$5.0 million.



### Location

The tavern is situated in a residential precinct south of the main town centre known as Amaroo. Moree is the principal town of Moree Plains Shire Council with a population of approximately 7,000 out of a Shire population of around 13,000. Moree is located on the fertile western plains some 670km north west of Sydney.

The area's economy is supported by agricultural activities such as cotton farming and ginning, wheat and pecan nut growing, sheep and cattle grazing as well as tourism, which is driven by its well-known artesian baths.

Moree township has only three other older style hotels.



### Property Description

The tavern was constructed in 1988 and includes a public bar, TAB area, gaming room, drive through bottle shop, external beer garden and bistro and dining areas. There is also a commercial kitchen with walk-in storeroom and cool room, cellar, two office areas, shower and store room. The standard of finishes and fit out is high. In addition, a three-bedroom residence utilised by the manager is located on the site. An additional feature and attraction of the property is a World War II DC3 Aircraft which is located at the front of the site.



## Key Features

- > Semi-modern hotel and motel located 30 km south of Mackay
- > 15 room motel
- > Bar, bistro and gaming room with 31 gaming authorities
- > Attached large format drive through bottle shop and detached bottle shop located within the main shopping centre underpinned by Woolworths
- > One of three hotels in the town with a population of approximately 5,700
- > Site area 5,100 sqm

## 3.5. Tandara Hotel Motel

17-25 Broad Street, Sarina Qld



### Valuation Summary

The hotel was valued by an independent hotel valuer in May 2017 for \$3.5 million.



### Location

The Tandara Hotel Motel is a strong regional property located on Broad Street, which forms part of the Bruce Highway, 30km south of Mackay. The hotel has diverse revenue sources: food and beverage, bottle shop sales, gaming and accommodation.

Sarina was originally established as a centre of sugar growing and milling. Additionally, it acts as a minor service town to the nearby Hay Point and Dalrymple Bay coal terminals.



### Property Description

The single storey property was originally constructed circa 1960 and comprises a public bar, restaurant with bar, kitchen, gaming room with 31 EGMs, enclosed beer garden and 15 motel rooms. An adjoining two-lane drive through bottleshop was added to the site more recently. A two-storey, four-bedroom residence sits to the rear of the 5,100 sqm site. The Tandara Hotel Motel also holds a detached bottle shop licence trading as Cellarbrations in the shopping village opposite.





## Key Features

- > Caters to younger demographic
- > Long-running entertainment space well-known to the Wagga community
- > High quality fitout
- > Revenue sourced from food, beverage and door sales



## 3.6. Que Wagga

109 Baylis Street, Wagga Wagga NSW



### Valuation Summary

The Group purchased the leasehold in October 2017 for \$500,000. The Directors resolved to hold the asset at its purchase price on the balance sheet as at 31 December 2018.



### Location

Que is located in the City of Wagga, New South Wales, on the same street as The Victoria Hotel. Refer to section 3.1 for more information on this location.



### Property Description

The first-floor site offers indoor and outdoor space functioning as a vibrant entertainment scene at night. The premises are roughly separated into three areas: Playground Nightclub, The Deck and Frank's. Frank's is a unique pizza and games space designed to capture the resident student market.

The venue is a well-known institution in Wagga, having operated as a bar and nightclub under various names, including Capital Entertainment Centre and Beer DeLuxe, since the building's construction in 1983. Waratah took over management in 2017, following a substantial refurbishment by the previous business owner.

The lease has approximately six years to run with rent increasing at CPI annually, with a ten year option to renew and a further five year option following that.

# Management.

---

Section 4

# 04





## 4.1. Structure

'Waratah' comprises Waratah Funds Management Limited (the responsible entity of the Fund) and Waratah Hotel Management Pty Ltd (or WHM) (the asset manager of the Group's hotels).

Investors own Stapled Securities in the Waratah Hotel Group, which comprises Waratah Hotel Fund and the Companies, but have no ownership interest in the Responsible Entity or WHM.

### 4.1.1. Waratah Funds Management Limited – the Responsible Entity

Waratah Funds Management Limited, formerly Pelathon Funds Management Limited, was formed in June 2015 and obtained an Australian Financial Services Licence from ASIC on 21 April 2016 on being appointed as responsible entity of the Waratah Hotel Fund, formerly Pelathon Pub Fund. Waratah Funds Management Limited is 100% owned by interests associated with Darren Baker and David Horton.

More details concerning its management team and details about the investment strategy for the Fund are provided below.

### 4.1.2. Waratah Hotel Management – the asset manager

Waratah Hotel Management (WHM), formerly Pelathon Management Group, is a privately-owned company that manages the daily operations of a portfolio of hotels, including those owned by Waratah Hotel Group. More information on WHM's relationship to Waratah Hotel Group in its capacity as asset manager is available in the Asset Management Agreement (summarised at section 10.4) and in the Constitutions.

WHM has acted as the asset manager of the Waratah Hotel Group since August 2009 under the Asset Management Agreement or its precedents.

In consideration of its services, WHM is entitled to an asset management fee of 10% of EBITDA of the managed assets of the Waratah Hotel Group, plus GST. In addition to this fee WHM is entitled to be reimbursed for reasonable expenses incurred by WHM in performing its functions under the Asset Management Agreement. More information on the way in which the asset management fee is calculated is included at section 9.10.

Under the Asset Management Agreement the term of WHM's appointment only ends once the Fund is terminated, unless terminated earlier under clause 9 of the Asset Management Agreement.

Clause 9 of the Asset Management Agreement provides in summary that the only circumstances in which the Asset Management Agreement may be terminated by the Group (on the one hand) or WHM (on the other hand) is if the other party goes into liquidation, has a receiver or receiver and manager appointed in relation to its property, is placed under official management or has an administrator appointed in relation to its affairs, or ceases to carry on business.

Prospective Investors should take note of the above given that WHM, a related party, has a major role in the Group and will be entitled to ongoing fees and cannot be removed or replaced except in the above limited prescribed circumstances. Prospective Investors may also consider this a risk associated with investing in the Group, as should the performance of WHM be unsatisfactory, it may be difficult for its appointment as asset manager to be terminated.

## 4.2. Board of Directors

The directors of the Responsible Entity and the Companies are Darren Baker, David Horton and Lucy Partridge.



**Mr Darren Baker** has over 30 years' experience owning and operating small businesses and hotels. He was a director and responsible manager of Tankstream Capital from inception of the Tankstream Pub and Leisure Fund as Waratah Hotel Group was then called.

Darren is experienced in all facets of hotel operation. His primary areas of responsibility are investment fund management and hotel portfolio management.



**Mr David Horton** is a Chartered Accountant with over 25 years' accounting, business and tax experience. In 2010 he established his own Chartered Accountants practice providing accounting, tax and consulting services to a broad range of clients.

David has deep insights and strong experience in the media and entertainment, hospitality and security industries with significant experience in asset sales, acquisitions, business integrations, public listings and take-overs within this space.



**Ms Lucy Partridge** has over 18 years' funds management and corporate advisory experience. Having established her advisory career with BDO in Brisbane and Sydney, Lucy moved into funds management as Manager – Fund & Corporate Transactions with Pelorus Property Group (formerly listed on the ASX under the code PPI) in 2010, then becoming Head of Funds Management for BlackWall Limited (ASX:BWF) before joining Pelathon (now Waratah) in 2017.

Lucy holds a Bachelor of Science (Honours) in mathematics from the University of Queensland and a Bachelor of Commerce from Bond University.

## 4.3. Senior Executive and Responsible Managers

Lucy Partridge is Head of Funds Management for Waratah Funds Management Limited. The responsible managers of Waratah Funds Management Limited are Darren Baker, David Horton, Lucy Partridge and Fiona Dixon.



**Ms Fiona Dixon** has over 20 years' experience in the funds management industry, having held positions with Deutsche Bank and Colonial First State Investments. In the past 10 years Fiona has been responsible for acting as an independent compliance consultant, providing compliance consultancy, external compliance committee membership and acting as responsible manager for a number of companies within the funds management industry. Fiona has primary responsibility for providing compliance services through her company, Compliance for Business Pty Limited to the Fund.

Fiona holds a Graduate Diploma in Management from the Macquarie Graduate School of Management.

## 4.4. Ownership

Waratah Funds Management Limited is 100% owned by interests associated with Darren Baker and David Horton.

WHM is 100% owned by interests associated with Darren Baker and David Horton. WHM is therefore a related body corporate of Waratah Funds Management Limited (the Responsible Entity).

Investors own Stapled Securities in the Waratah Hotel Group, which comprises Waratah Hotel Fund and the Companies, but have no ownership interest in the Responsible Entity or WHM.



#### 4.5. Investment strategy for Waratah Hotel Group

The Group's objective is to provide its Investors with strong total returns and secure income distributions through investments in a quality hotel portfolio. The Group actively assesses opportunities to expand the portfolio and diversify its income streams.





# Financial Information.

---

Section 5

# 05





## 5.1 Consolidated Balance Sheets

Set out below are the audited consolidated Balance Sheets of the Group as at 30 June 2017 and 30 June 2018, the unaudited consolidated Balance Sheet of the Group as at 31 March 2019 together with Pro Forma Balance Sheets after accounting for the impact of the Offer under scenarios where both the minimum and maximum amounts are raised.

Balance Sheet	Audited 30-June-17	Audited 30-June-18	Unaudited 31-March-19	Pro Forma Post Offer (minimum raising)	Pro Forma Post Offer (maximum raising)
<b>Assets:</b>					
Current Assets					
Cash and cash equivalents*	941,981	1,935,460	1,637,524	1,587,524	4,587,524
Trade and other receivables	65,089	2,999,244	368,068	368,068	368,068
Inventories	461,808	805,032	836,324	836,324	836,324
Other assets	833,835	527,062	518,866	518,866	518,866
<b>Total Current Assets</b>	<b>2,302,713</b>	<b>6,266,798</b>	<b>3,360,782</b>	<b>3,310,782</b>	<b>6,310,782</b>
Non-Current Assets					
Property plant and equipment	31,800,000	46,800,000	46,800,000	46,800,000	46,800,000
Other fixed assets	-	-	100,023	100,023	100,023
<b>Total Non-Current Assets</b>	<b>31,800,000</b>	<b>46,800,000</b>	<b>46,900,023</b>	<b>46,900,023</b>	<b>46,900,023</b>
<b>TOTAL ASSETS</b>	<b>34,102,713</b>	<b>53,066,798</b>	<b>50,260,805</b>	<b>50,210,805</b>	<b>53,210,805</b>
<b>Liabilities</b>					
Current Liabilities					
Trade and other payables	1,874,739	3,661,945	3,441,646	3,441,646	3,441,646
Interest bearing liabilities	-	4,050,000	1,925,000	1,925,000	1,925,000
Vehicle finance			89,167	89,167	89,167
Provisions	129,057	259,938	270,866	270,866	270,866
<b>Total Current Assets</b>	<b>2,003,796</b>	<b>7,971,883</b>	<b>5,726,679</b>	<b>5,726,679</b>	<b>5,726,679</b>
Non-Current Liabilities					
Interest bearing liabilities	10,534,000	20,330,000	19,255,000	19,255,000	19,255,000
Provisions	86,717	180,685	193,666	193,666	193,666
<b>Total Non-Current Liabilities</b>	<b>10,620,717</b>	<b>20,510,685</b>	<b>19,448,666</b>	<b>19,448,666</b>	<b>19,448,666</b>
<b>TOTAL LIABILITIES</b>	<b>12,624,513</b>	<b>28,482,568</b>	<b>25,175,345</b>	<b>25,175,345</b>	<b>25,175,345</b>
<b>NET ASSETS</b>	<b>21,478,200</b>	<b>24,584,230</b>	<b>25,085,460</b>	<b>25,035,460</b>	<b>28,035,460</b>
Equity					
Contributed equity	27,876,102	30,710,129	30,090,111	30,090,111	33,090,111
Accumulated losses	(6,397,902)	(6,125,899)	(5,004,651)	(5,054,651)	(5,054,651)
<b>TOTAL EQUITY</b>	<b>21,478,200</b>	<b>24,584,230</b>	<b>25,085,460</b>	<b>25,035,460</b>	<b>28,035,460</b>

\*Under a maximum capital raising scenario, the capital raised is reflected initially in cash and cash equivalents, prior to its expenditure on capital investment on existing properties or the potential acquisition of additional assets.



Investors should consider the Pro Forma Balance Sheets in light of the assumptions outlined at section 5.3 and the risks outlined in section 7. The financial information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

The audited 30 June 2017 Balance Sheet and audited 30 June 2018 Balance Sheet have been extracted from the audited Consolidated Annual Financial Reports of the Group for the year ended 30 June 2017 and 30 June 2018, respectively. Copies of those financial Consolidated Financial Reports are available on the Group's website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au). The unaudited 31 March 2019 Balance Sheet has been extracted from the Group's management accounts.

#### 5.1.1. Debt and gearing

At 31 March 2019, the Group held senior debt facilities with NAB with a total amount drawn of \$19.505 million, Subordinated Debt of \$1.675 million and vehicle finance of \$0.089 million.

LVR	Audited 30-June-17	Audited 30-June-18	Unaudited 31-March-19	Pro Forma Post Offer (minimum raising)	Pro Forma Post Offer (maximum raising)
Senior LVR (NAB debt/ Secured Portfolio)	33.1%	46.5%	42.2%	42.2%	42.2%
Total LVR (Total debt/ Secured Portfolio)	33.1%	50.0%	45.8%	45.8%	45.8%

Of the senior debt currently drawn, the interest rate in respect of the principal amounts of \$9.119 million and \$9 million is fixed at an average rate of 4.71% per annum until December 2019 and September 2020, respectively.

More information on the Group's debt, hedging and relevant covenants is included with the ASIC disclosures at section 6.

## 5.2. Consolidated Profit & Loss

The Group's audited Consolidated Statements of Profit or Loss and other Comprehensive Income for the year ended 30 June 2017 and 30 June 2018 are detailed in the table below. Additionally, the Group's unaudited Consolidated Statements of Profit and Loss and other Comprehensive Income for the nine months ended 31 March 2019 is detailed in the table below.

Profit & Loss	Audited 30-June-17	Audited 30-June-18	Unaudited 31-March-19
<b>Revenue:</b>			
Hotel Operations Income	19,049,940	31,710,414	28,332,777
Profit on sale of hotels	-	413,870	(32,811)
Other Income	6,584	5,868	5,055
<b>Total Revenue</b>	<b>19,056,524</b>	<b>32,130,152</b>	<b>28,305,021</b>
<b>Expenses</b>			
Cost of sales	8,467,605	13,598,643	12,474,857
General and administrative expenses	350,464	575,155	501,787
Marketing expenses	779,539	1,252,474	1,184,581
Poker machine expenses	458,393	660,450	506,758
Operating expenses	938,345	1,928,671	1,868,833
Employment expenses	4,991,728	8,430,768	6,786,093
Occupancy costs	852,142	1,951,990	1,713,146
Other management expenses	515,564	897,763	767,155
Depreciation and amortisation	278,679	500,600	558,209
Finance costs	495,480	1,053,229	826,163
Transaction costs relating to hotel acquisitions	-	1,005,224	-
Fair value adjustment of property, plant & equipment	(7,313,846)	3,182	(3,809)
<b>Profit/(Loss) Before Income Tax</b>	<b>8,242,431</b>	<b>272,003</b>	<b>1,121,248</b>
Income tax expense	-	-	-
<b>Profit/(Loss) After Income Tax</b>	<b>8,242,431</b>	<b>272,003</b>	<b>1,121,248</b>
EBITDA excluding fair value adjustments and one-off transaction costs relating to acquisitions	1,702,744	2,834,238	2,501,811

Investors should consider the 31 March 2019 Consolidated Profit and Loss in light of the assumptions outlined at section 5.3 and the risks outlined in section 7. The financial information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

The audited 30 June 2017 and 30 June 2018 Consolidated Profit and Loss have been extracted from the audited Consolidated Annual Financial Reports of the Group for the year ended 30 June 2017 and 30 June 2018, respectively. Copies of those financial Consolidated Financial Reports are available on the Group's website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au).



### 5.3. Assumptions and disclosures

The financial information and estimates in this Offer Document have not been the subject of an external audit or review unless otherwise stated.

The Pro Forma Balance Sheets have been prepared using the Group's unaudited management accounts for the nine months ended 31 March 2019, adjusted for subsequent material changes, and on the basis of the following assumptions:

- > Minimum raising – Describes the scenario where no capital is raised under the Offer
- > Maximum raising – The Offer will be subscribed as to the maximum subscription amount of \$3.0 million
- > "\$2.95 million of net proceeds raised under the Offer are added to cash and cash equivalents. From there they will be used for capital expenditure and the potential acquisition of additional assets.
- > Offer costs of \$50,000.

### 5.4. Basis of preparation of consolidated financial reports, management accounts and Pro Forma Balance Sheets

The audited 30 June 2018 Consolidated Financial Reports have been prepared on the same basis as the audited 30 June 2017 annual Consolidated Financial Reports of the Group. The audited 30 June 2018 Consolidated Financial Reports are presented on an accrual basis and there were no changes to the accounting policies of the Group during the year ended 30 June 2018.

The unaudited Consolidated Statement of Profit and Loss for the nine months ended 31 March 2019 and the Groups unaudited consolidated Balance Sheet as at 31 March 2019 have been extracted from the Group's management accounts. The Group's management accounts are prepared on an accrual basis adopting the same accounting policies that were applied to the audited 30 June 2018 Consolidated Financial Reports.

The basis of valuation of the Group's property, plant, equipment and intangibles is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. The valuations adopted by the Group at 31 March 2019 are in line with the independent valuations obtained for the hotel assets between April 2017 and June 2018; with the exception of Que Wagga, which is included at purchase price as no independent valuation has been undertaken. The Group has assessed the carrying value of its tangible and intangible assets for impairment and has determined that there is no indication of impairment at 31 March 2019.

### 5.5. Statement of significant accounting policies applicable to the 30 June 2017 and 30 June 2018 Consolidated Financial Reports and the management accounts of the Group

The financial statements of the Waratah Hotel Group for the years ended 30 June 2017 and 30 June 2018 comprise the consolidated financial statements of the Companies and their subsidiaries and the Fund and its controlled entities.

The management accounts of the Waratah Hotel Group for the nine months ended 31 March 2019 comprise of a consolidated Statement of Profit and Loss and other Comprehensive Income for the nine months ended 31 March 2019 of the Companies and their subsidiaries and Fund and its controlled entities and a consolidated Balance Sheet as at 31 March 2019.

#### Basis of Preparation

The financial statements for the years ended 30 June 2017 and 30 June 2018 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.

The financial statements and the management accounts were 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 for the years ended 30 June 2017 and 30 June 2018 and the management accounts for the nine months ended 31 March 2019.

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

The Group adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that were mandatory for the current reporting period. Any then new, revised or amending Accounting Standards or Interpretations that were not mandatory at the time were not early adopted.

#### Going Concern

The financial statements were 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.

### Change in Accounting Policies

There were no changes in accounting policies for the Group during both the 2017 and 2018 financial years and the nine months ended 31 March 2019.

### Property, plant and equipment

Property, plant and equipment refer to the Group's freehold going concern ownership of hotels, gaming machine entitlements and liquor licences, together with any plant and equipment used in operating the Group's venues and the leasehold interest in Que Wagga. Property, plant, equipment and intangibles were valued on a composite asset basis as each of the components of property, plant, equipment and intangibles was considered fundamental to the nature of being able to earn income from the integrated hotel property owning the operating business. The basis of valuation of the property, plant, equipment and intangibles was fair value being 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 locations and condition and subject to similar leases. Any accumulated depreciation at the date of the evaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

### 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 assets are:

Plant and Equipment over 2 to 40 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 assets, 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 assets 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.

### Stapled Securities

The Waratah Hotel Group comprises the Fund and the Companies. 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 and one Share in each of the Companies to the value of 20% of the issue prices of a Stapled Security. The 80/20 percentage apportionment of the value of a Stapled Security to the Fund and Companies respectively can be varied subject to agreement by both the Directors of the Companies and the Directors of the Responsible Entity. Any change to the 80/20 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.

### 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 recognised if the Group's obligation specified in the contract expires or is discharged or cancelled.

### Loans and receivables

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

### Financial liabilities

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

### Interest bearing borrowings

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

### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individual 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 Group'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.

### Inventories

Inventories are measured at the lower of cost or net realisable value.

### Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts 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 or recognition.

### Revenue

Revenues from sale of goods are 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.

### Current income tax expense

The income tax expense or revenue for a 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 account or taxable profit or loss.

#### Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to a period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

#### Benefit brought to account

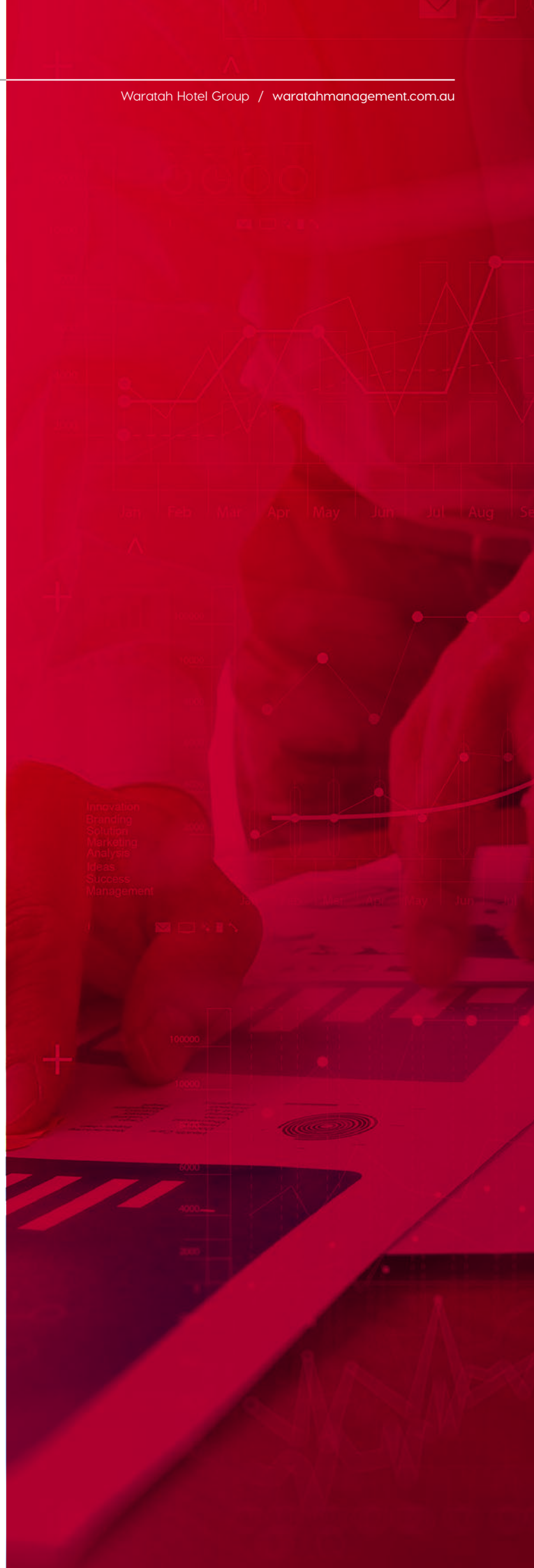
The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised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

#### Goods and Services Tax (GST)

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

## 5.6. Past performance warning

This Offer Document contains details of the historical financial performance of the Group for both the years ended 30 June 2017 and 30 June 2018 and the nine months ended 31 March 2019. The financial performance of the Group for these periods is not necessarily indicative of future performance and should be used as a general guide only. The revenue and earnings of and costs attributable to the Group's assets may be subject to change and are likely to vary from year to year.



# ASIC Disclosures.

---

Section 6

# 06





The following section provides information on the ASIC disclosure principles and benchmarks for unlisted property schemes and the Group's relevant disclosures and performance against those benchmarks.

## 6.1. Gearing Policy

### **Disclosure Principle 1:**

The Group's gearing ratio indicates the extent to which its assets are funded by external liabilities:

$$\text{Gearing ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

The Group's gearing ratio at 31 March 2019 was 42%, calculated using the assets and liabilities in the unaudited management accounts as at 31 March 2019.

The Responsible Entity will continually monitor the Group's debt requirements and may seek to refinance or hedge the borrowings when conditions are favourable. Borrowing (or gearing) can be an important investment tool because, through borrowing, larger amounts become available to generate returns. But whilst this can enhance any gains, conversely it can magnify any losses. Returns from geared investments are also more volatile than returns from the same investments that are not geared. Accordingly, a geared fund will be regarded as having a higher risk profile than a comparable ungeared fund. The greater the level of gearing, the greater the potential for both significant capital gain and loss.

### **Benchmark 1:**

*"The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level."*

The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

The Group's gearing policy is to maintain or reduce current gearing levels based on the existing assets within the Fund to ensure compliance with existing facilities. The finance agreement relating to the NAB facilities contains a Loan to Value Ratio covenant which is similar to the gearing ratio described above, and with which the Group is compliant. The Subordinated Debt agreement does not contain a covenant relating to the Group's gearing ratio.

## 6.2. Interest Cover

### **Disclosure Principle 2:**

Interest cover indicates the Group's ability to meet interest payments from earnings:

$$\text{Interest cover} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

Based on the Group's unaudited management accounts for the nine months ended 31 March 2019, the interest cover ratio of the Group is 3.03. This implies that the annualised realised earnings before interest and taxes of the Group are 3.03 times greater than its interest expense.

Interest cover is a key indicator of the financial health of the Group. The lower the interest cover, the higher the risk that the Group will not be able to meet its interest payments. A Group with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.

### **Benchmark 2:**

*"The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level."*

The Responsible Entity does not maintain a written policy that governs the level of interest cover at an individual credit facility level, as there are no interest cover covenants within its current NAB facility or Subordinated Debt agreement.



## 6.3. Borrowings

### Disclosure Principle 3:

This principle requires information on the Group's borrowing maturity and credit facility expiry and any associated risks. It is also important that investors are kept informed and updated with information they would reasonably require on breaches of loan covenants.

The Group's debt portfolio profile as at 31 March 2019 is summarised below. All amounts are in Australian dollars.

Facility	Facility Limit	Amount Drawn	Maturity	Hedging <sup>1</sup>
NAB bank bill facility 1	\$5.860 million	\$5.860 million	30/09/2020	100%
NAB bank bill facility 2	\$1.670 million	\$1.670 million	30/09/2020	63%
NAB bank bill facility 3	\$2.210 million	\$2.210 million	30/09/2020	100%
NAB bank bill facility 4	\$9.765 million	\$9.765 million	30/09/2020	92%
Subtotal NAB Debt	\$19.505 million	\$19.505 million		
Subordinated Debt	\$1.675 million	\$1.675 million	13/09/2019	Nil
<b>Total Debt</b>	<b>\$21.180 million</b>	<b>\$21.180 million</b>		

On 31 March 2019, the Group repaid \$250,000 on NAB bank bill facility 4, bringing total NAB debt to \$19.505 million and total debt to \$21.18 million, and the percentage of NAB bank bill facility 4 amount drawn that is hedged to 92%.

Over the year to 31 March 2019, the Group repaid \$3.45 million to amortise NAB bank facility 4. The Group repaid a further \$250,000 on 28 June 2019 to amortise NAB bank bill facility 4.

The Constitution of the Fund allows the Responsible Entity to borrow on behalf of the Group.

All debt facilities arranged for the Group will limit the security of a financier to the assets of the Group. Therefore, the financier will have no recourse against any Investor personally or against other assets of any Investor. No Investor will be responsible to a financier for the obligations of any other Investor.

Investors should be aware that the amount owing to the financier and other creditors of the Group rank before an Investor's interest in the Group.

### Benchmark 3:

*"The interest expense of the scheme is not capitalised."*

The Group meets the benchmark.

Capitalised interest is where the Group is not paying interest but the lender is accruing interest for payment at a later time. The interest expense of the Group is not being capitalised nor is it expected to be capitalised.

## 6.4. Portfolio Diversification

### Disclosure Principle 4:

This information addresses the Group's investment practices and portfolio risk.

The Group invests in hotel assets located in areas with stable or growing populations and a strong demographic profile, with strong income returns and the potential to improve trade either through better management or refurbishment. The Group owns the following hotel assets in locations across Australia:

Asset	Address	Valuation	Valuation date
<b>Freehold/Strata</b>			
Amaroo Tavern	28 Boronia Ave, Moree NSW	\$5.0 million	April 2017
Mary G's	110 Woodlark St, Lismore NSW	\$10.3 million	April 2018
The Victoria Hotel	57 Baylis St, Wagga Wagga NSW	\$17.9 million	April 2017
Diplomat Motel	20 Gregory Tce, Alice Springs NT	\$9.6 million	March 2017
Tandara Hotel Motel	17-25 Broad St, Sarina QLD	\$3.5 million	May 2017
<b>Total Freehold/Strata</b>		<b>\$46.3 million</b>	
<b>Leasehold</b>			
Que Wagga	109 Baylis St, Wagga Wagga NSW	\$0.5 million	June 2018
<b>Total Leasehold</b>		<b>\$0.5 million</b>	
<b>Total Portfolio</b>		<b>\$46.8 million</b>	

The Group is not invested in property development.

The values listed in the table above are based on the Group's reviewed financial statements for the half year ended 31 December 2018.

### 6.4.1. Valuations

#### Benchmark 4:

"The Responsible Entity is required to maintain and comply with a written property valuation policy that requires:

- (a) a Valuer to:
  - a. be registered or licensed in the relevant State, Territory or overseas jurisdiction in which the property is located, or otherwise be a member of an appropriate professional body in that jurisdiction; and
  - b. be independent
- (b) procedures to be followed for dealing with any conflict of interest;
- (c) rotation and diversity of valuers;
- (d) valuations to be obtained in accordance with a set timetable;
- (e) for each property, an independent valuation to be obtained:
  - a. before the property is purchased
  - b. for a development property, on an 'as is' and 'as if complete' basis; and
  - c. for all other property, on an 'as is' basis; and
  - d. within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property."

The Group does not meet the benchmark because valuations are not obtained in accordance with a set timetable, instead, independent valuations are to be obtained before the property is purchased and then at such time as the Responsible Entity deems appropriate for the nature of the asset or upon instruction by the senior lender.

The risks associated with this approach is that if a valuation is not required to be obtained upon instruction by the senior lender and the Responsible Entity decides not to obtain a valuation for several years, the most recent valuation may not reflect the current value of the asset.

The Responsible Entity maintains and complies with a written property valuation policy that can be provided on demand from the Responsible Entity.

## 6.5. Related Party Transactions

### Disclosure Principle 5:

Investors need to be able to assess the Group's approach to related party transactions.

The Group maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest.

The financial benefit payable to WHM (being its asset management fee calculated at 10% of EBITDA plus GST) for the 2017 and 2018 financial years is disclosed in section 9.10 of this Offer Document. The asset management fee paid to WHM (formerly PMG) for the 2018 financial year was \$386,417 (or \$425,059 including GST). The asset management fee paid to WHM for the nine months to 31 March 2019 was \$400,903 (or \$440,993 including GST).

The appointment of WHM as asset manager to the Group was approved by investor meetings of the Group held on 26 July 2013 by way of special resolutions. The explanatory memorandum to the notices of meeting disclosed the limited termination rights applicable to the Asset Management Agreement discussed in section 4.1.2 of this Offer Document.

WHM is wholly owned by interests associated with Mr Darren Baker and Mr David Horton. Waratah Funds Management Limited (the responsible entity for the Waratah Hotel Fund) is wholly owned by interests associated with two of its directors, Mr Baker and Mr Horton. Furthermore, the directors of Waratah Hotels Limited and Waratah Hotels No.2 Limited include Mr Baker and Mr Horton who also hold substantial interests in the Group (refer to section 10.6 of this Offer Document for more information). Under the Asset Management Agreement, unless WHM becomes insolvent, it cannot be terminated as the asset manager of the Group except with its consent. Prospective Investors may consider this is a risk associated with investing in the Group, as should the performance of WHM be unsatisfactory, it may be difficult for its appointment as asset manager to be terminated.

Other than as set out above, the Board may review transactions and prior approvals at any time and, if necessary, revoke its approval. All related party transactions must either be on arm's length commercial terms or approved by investors by ordinary resolution. The Company Secretary monitors all related party transactions to ensure that they are approved in the required manner.

Details of all related party transactions are reported annually as part of the Group's audited annual accounts. The latest annual audited accounts of the Group can be found on our website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au).

### Benchmark 5:

*"The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest."*

The Group has a Related Party Policy and Procedures and meets this benchmark.

Key elements of this policy are as follows:

- > The Group adopts and requires an environment where senior management must always act in the interests of its Investors in funds and in regard to related party transactions will act with those interests paramount.
- > The obligation to act in the best interests of Investors means that the Group is required to ensure that principal and agent transactions with a related party are conducted at arm's length and on commercial terms or better.
- > The Group will ensure that it keeps records showing what it has done in terms of this policy including maintaining a Related Party Register.

Compliance with this policy is monitored by the Group by review at the meetings of the compliance committee and the board of directors. A copy of the related party transactions policy is available for inspection by Investors upon request. The Group currently complies with the Related Party Policy and Procedures.

## 6.6. Distribution Practices

### Disclosure Principle 6:

This discloses whether distributions to Investors have been made solely from realised income or from a combination of realised income and a return of capital funded by borrowings. Information on the Group's distribution practices helps Investors assess the sources of the distributions and be informed about the sustainability of distributions from sources other than realised income.

### Benchmark 6:

*"The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution."*

The Group does not meet the benchmark because the Board has reserved its right to, from time to time, determine the appropriate levels of distributions considering all



factors including the revenue and expenses of the Group's operations, the Group's asset values and gearing capacity.

We ensure that any material issues related to the Group's distribution practices are notified to investors through ongoing disclosure, which includes disclosing the changes on our website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au).

The Group re-commenced quarterly distributions from 31 December 2016. The distribution rate paid for the quarter ended 31 March 2019 was 2.25 cents per unit.

## 6.7. Withdrawal Arrangements

### *Disclosure Principle 7:*

An investment in the Group is an illiquid investment. As such, Investors will have no right to withdraw their investment. Investors may transfer Stapled Securities in accordance with the Constitutions. The Group has however proposed a liquidity event facility as detailed in section 2.7.

## 6.8. Net Tangible Assets

### *Disclosure Principle 8:*

The value of the net tangible assets (NTA) of the Group on a per Stapled Security basis in pre-tax dollars is calculated using the following formula:

$$\text{NTA} = \frac{\text{Net assets} - \text{intangible assets} + / - \text{any other adjustments}}{\text{Number of securities in the Group on issue}}$$

The Group's current NTA is \$1.07 per Stapled Security.

NTA has been calculated using the current net assets of the Group as shown in the unaudited management accounts for the nine months to 31 March 2019, included at section 5.1.



# Risks.

---

Section 7

# 07





By their very nature, the risks involved with property and business investments such as this are varied and cannot be exhaustively categorised. There are a number of risk factors that should be carefully considered by Investors, and whilst some of these can be mitigated through the use of safeguards, appropriate systems and actions, some fall outside the control of the Group and cannot be mitigated.

As with any investment, this investment is, by its nature, a speculative investment. No guarantee is, or can be given, that there will be a capital gain arising on the sale of any properties and hotel businesses or that the properties and hotel businesses will not decrease in value.

The key risks associated with an investment in the Group including risks that may result in a reduction of the expected returns and/or loss of Investors' capital, include, but are not limited to, the following:

### 7.1. Macroeconomic risks

The general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, statutory requirements and exchange rates may influence investments.

### 7.2. Bank debt risk

The current loan facilities with NAB expire in September 2020 when it will need to be extended or refinanced. There is a risk that this may not occur although given the continuing improvement in the hotels' trading performances and the relatively low projected gearing, the Responsible Entity anticipates an extension with the existing lender or a refinancing with a new lender will be possible. However, this cannot be guaranteed.

In addition, the Group repaid a further \$250,000 to amortise NAB Bank Bill facility 4 on 28 June 2019.

### 7.3. Specific property risks

All of the Group's assets are located in regional areas. Property, by its nature, is subject to general property market risks and local risk factors too. For example, each of the Victoria Hotel at Wagga, Mary G's at Lismore and

the Amaroo Tavern at Moree are in areas that have been threatened by flooding in the past. In the case of Mary G's, the property was adversely affected by a tropical storm in March 2017 causing considerable damage to the ground floor bottleshop and bar.

Flooding is an insurable risk. Waratah has been able to secure limited cover for flood damage at sites that are listed in the "1 in 100 year" flood zones; these being The Victoria Hotel, Mary G's and the Diplomat Motel. WHM has very detailed and extensive operational policies to minimise potential financial and trading losses in the event of flooding.

The Group's businesses are dependent on patrons attending the venues and generating income through food and beverage purchases and gambling. Events such as flooding can prevent patrons attending the venues which would have a direct and negative impact on a venue's income. In addition, factors affecting agriculture (such as climactic conditions, global warming and commodity prices) may also adversely affect the revenue generated at the Group's venues.

### 7.4. General property market risks

The property market can rise and fall and there is no guarantee as to the state of the property market throughout the term of the investment.



## 7.5. Taxation risks

A change to the current taxation regime may affect the Group and its Investors. Tax liabilities are the responsibility of individual Investors, and the Group is not responsible either for taxation or penalties incurred by Investors.

Potential Investors should consult their own tax advisors to ascertain the tax implications of their investment.

## 7.6. Interest rate risk

Changes in interest rates can have a negative impact on a fund's investment values or returns. For example, as a result of interest rate increases, the cost of the borrowings can increase.

Of the senior debt currently drawn, the interest rate on the principal amounts of \$9.119 million and \$9 million is fixed at an average rate of 4.71% per annum until December 2019 and September 2020, respectively.

## 7.7. Liquidity

Stapled Securities are illiquid investments. Potential Investors have no right to redeem their investment. The Group has however proposed a liquidity event facility as detailed in section 1.

## 7.8. Changes in law

Changes in law may affect the business or assets of the Group and may also affect the acquisition or disposal of assets by the Group.

## 7.9. Earnings risk

Hotels are businesses and are subject to business risk. Earnings derived from the existing and acquired assets of the Group may not fulfil the expectations of management and consequently affect the Group's ability to pay distributions, interest expenses and other amounts payable by the Group.

## 7.10. Future acquisitions

The Group intends to consider further property acquisition opportunities where it considers such acquisitions are in the best interests of Investors. The portfolio expansion will depend on market forces and capital availability at the time.

## 7.11. Unforeseen expenses

The Group is not aware of any expenses that may need to be incurred in respect of the existing properties that have not been already taken into account. However, if unforeseen expenses were to be incurred then distributions may be reduced as a result.

## 7.12. Borrowings

Borrowings have been used to partly fund the purchase of the existing properties and may be used in future acquisitions. This is referred to as 'gearing' and can enhance the potential for capital gain for Investors if the properties increase in value. However, it may also increase any capital loss in the event that the value of the properties falls relative to a property investment that has no borrowings. If asset values were to fall further, this might have an impact under the 'loan to value ratio' covenants under the Group's loan facility.

The Group will need to extend or refinance its loan facility with NAB by September 2020 and there is no guarantee that the Group will be able to refinance the facility. As noted above, the Group is required to pay \$250,000 to amortise NAB bank bill facility 4 on or before 30 June 2019.

Further, if the loans are refinanced, the interest payable may be higher than the current interest rates.

## 7.13. Contractual disputes, litigation and other potential liabilities

The Group has contractual relations with suppliers, financiers and other parties, and it will enter into other such arrangements in the future. As a result, the Group is potentially faced with liabilities and losses that may result from disputes in the future. Such events could have a material impact on the value of your investment.

## 7.14. Taxable income

It is assumed that the Group will not be taxed on its income before that income is distributed, given existing tax losses. Depending on investors' individual circumstances, and by way of example only, if the Australian Tax Office denied the Fund's "flow-through" tax status, this may adversely affect post-tax investment returns.

## 7.15. Asset acquisition

The Group makes no representation in this Offer Document that further assets will be acquired. However, it is the intention of Group to acquire further assets in the future.

## 7.16. Financial information

Audited accounts for the Companies and the Fund for the years ended 30 June 2017 and 30 June 2018 are available. The Pro Forma Balance Sheets included in this Offer document have been prepared from the unaudited management accounts of the Group for the nine months ended 31 March 2019, subsequent material events and the assumptions outlined at section 5.3.

## 7.17. Asset specific risks

Whilst the Group has identified various items of potential upside with the individual assets, Investors should be aware that there are numerous risks associated with the performance of individual assets.

These include management risk (on-site managers underperforming or departing and the associated difficulties in replacing them with suitable alternatives), theft of stock and cash (although insurance is in place for such events), the possibility that the asset is unable to reach its operating potential, economic and local factors affecting the performance of the asset, and the inability to fund required capital expenditure, amongst others.

## 7.18. Related party management risks

As set out elsewhere in this document WHM (asset manager for the Group) is wholly owned by interests associated with Mr Darren Baker and Mr David Horton. Waratah Funds Management Limited (the responsible entity for the Waratah Hotel Fund) is wholly owned by interests associated with two of its directors, Mr Baker and Mr David Horton. Furthermore, the directors of Waratah Hotels Limited and Waratah Hotels No.2 Limited include Mr Baker and Mr Horton who also hold substantial interests in the Group. Under the Asset Management Agreement, unless WHM becomes insolvent, it cannot be terminated as the asset manager of the group except with its consent. Prospective Investors may consider this is a risk associated with investing in the Group, as should the performance of WHM be unsatisfactory, it may be difficult for its appointment as asset manager to be terminated.

## 7.19. Industry specific risks

There is a community and government focus on gaming activities, and the potential for changes to existing gaming legislation is a risk factor that should be considered when making an investment in the Group. The potential for increased local competition to individual assets and changes to late-night trading laws are additional risk factors.

# Taxation.

---

Section 8

# 08



## 8.1. Scope

This section provides an outline of some of the taxation consequences to Australian resident taxpayers investing in the Group. The information provided below has been prepared on the basis that Investors are individuals or other general investors, such as complying superannuation funds or investment trusts (other than public trading trusts or corporate unit trusts). Taxation implications for other Investors may differ substantially from those outlined. Further, the information provided below assumes that Investors hold their investment in the Group on capital account and not on revenue account, nor as trading stock.

This outline is general in nature due to the complexity of Australian taxation laws. Investors in the Group should obtain and rely upon their own advice.

## 8.2. Taxation of the Companies

The Companies will be subject to taxation on their taxable income. Revenue losses or net capital losses incurred by the Companies cannot be distributed to Investors. Revenue losses may be available for offset against future assessable income and net capital losses may be available to offset future capital gains of the Companies, subject to the satisfaction of the relevant tax loss carry forward rules that may apply from time to time.

Capital gains derived by the Companies will not be eligible for capital gains tax (CGT) discount treatment.

## 8.3. Taxation of the Fund

The Fund should not be subject to taxation on net income derived for tax purposes provided it is fully distributed to Investors, which is expected to be the case.

Revenue losses or net capital losses incurred by the Fund cannot be distributed to Investors. Revenue losses may be carried forward in the Fund to offset future capital gains made by the Fund. The ability to carry forward any losses of the Fund will be subject to the satisfaction of the relevant tax loss carry forward rules that may apply from time to time.

It is unlikely that the provisions of Division 6C of Part III of the *Income Tax and Assessment Act 1936* ('1936 Tax Act') (which seek to tax certain public trading trusts as companies) will apply to the Fund on the basis that the Fund does not propose to carry on, control, nor is able to control, a 'trading business' as defined in the 1936 Tax Act. It is not anticipated that the Fund will be considered to be carrying on a 'trading business' whilst its activities consist of investing in land (either directly or through one or more unit trusts) for the purpose or primarily for the purpose of deriving rent and investing any surplus funds on deposit.

## 8.4. Taxation of distributions by the Fund

Presently entitled Investors (who are not under any legal disability) will generally be assessable on their share of distributions from the Fund in the year in which the entitlement arises. The income derived from leasing of the Fund assets and capital gains derived upon any future sales of those assets will retain its character as it ultimately flows through to the Investors.

An Investor's share of the net income in the Fund for income tax purposes is expected to be less than the actual cash distributions received (i.e. a portion of the distributions received is likely to be tax deferred). This arises predominantly from the utilisation of existing tax losses and availability of non-cash deductions for capital allowances on capital works and depreciating assets. Tax deferred distributions are not immediately assessable when received by the Investor but will reduce the cost base of the Units. Once the cost base of the Units has been reduced to nil, further tax deferred amounts are assessable as capital gains to the Investor.

Distributions attributable to capital gains made by the Fund should be included in determining the Investor's net capital gain for the year. Where the distribution includes a discount capital gain, the Investor is required to multiply the discounted capital gain component by two and include that amount as their capital gain.

Investors that are individuals or trustees may be entitled to reduce that capital gain by a CGT discount percentage (which is currently 50%), to the extent that the gain is included in their taxable income as a net capital gain for the year.

Investors that are complying superannuation funds may be entitled to reduce that capital gain by a CGT discount percentage (which is currently 33.33%), to the extent that the gain is included in their taxable income as a capital gain for the year.

No CGT discount is available for the capital gain component of distributions to corporate Investors.

## 8.5. Taxation of distributions by the Companies

Investors will generally be assessable on any dividends (grossed up by the amount of any imputation credits attaching to the dividend) paid by the Companies in the year in which the dividend is received. Imputation credits attaching to the dividends may be available as a tax offset, subject to relevant imputation credit integrity measures, such as the 45-day holding period rule.



## 8.6. Disposal of Stapled Securities

Under the CGT provisions, any taxable capital gain arising from the disposal of an Investor's Stapled Securities may form part of an Investor's assessable income. From a CGT perspective each Unit in the Fund and each Share in the Companies will be treated as a separate CGT asset. It will be necessary to apportion the proceeds received in respect of the disposal of Stapled Securities on a reasonable basis between each of the underlying Units in the Fund and Shares in the Companies. An Investor will make a capital gain in respect of a Unit or a Share to the extent that the capital proceeds attributable to the Unit or Share exceed the Investor's cost base in that Unit or Share. Alternatively, the Investor will make a capital loss to the extent that the capital proceeds attributable to that Unit or Share are less than the CGT reduced cost base in that Unit or Share. In determining the cost base or reduced cost base of underlying Units, Investors will need to take into account any returns of capital and tax deferred distributions received in respect of those Units (as outlined above).

An Investor may be entitled to apply the relevant discount percentage to any capital gain to the extent that it is included in its net capital gain for the income year, provided that the Investor has held the Unit or Share for at least 12 months. For individuals and trusts, the capital gain may be reduced by a CGT discount percentage (which is currently 50%). For complying superannuation funds, the capital gain may be reduced by a CGT discount percentage (which is currently 33.33%). Corporate Investors are not eligible to apply discounts to capital gains.

If an Investor carries on a business of trading in securities, the Investor may be assessed in relation to dealings in Units and Shares as ordinary income rather than under the CGT provisions.

## 8.7. Non-Resident Investors

Appropriate statutory deductions of Australian tax will be made from income distributed to non-resident Investors.

Capital gains realised upon the disposal or redemption of Stapled Securities owned by non-resident Investors will only be subject to Australian CGT if the relevant Investor and their associated own or have owned at least 10% of the issued Stapled Securities at any time during the five years prior to disposal or redemption.

We strongly recommend that non-resident Investors obtain independent professional tax advice prior to investing in the Group.

## 8.8. GST

There will be no GST payable by Investors on subscription money paid for the acquisition of Stapled Securities. Further, there will be no GST applicable to the sale or redemption proceeds received on disposal of Stapled Securities. GST is also not payable on distributions of income or capital by the Group.

However, GST may apply to professional advice or other costs incurred by Investors in relation to the acquisition of Stapled Securities, such as taxation advice or financial planning advice obtained by Investors. Even if registered for Australian GST purposes, Investors may not be entitled to claim full input tax credits in respect of these acquisitions as they will relate to the making of input taxed financial supplies by the Investors. Where the Group is entitled to input tax credits under the GST legislation for GST paid in respect of services provided to it (generally limited to 75% of the GST paid in respect of certain acquisitions), the cost to the Group of paying GST will be reduced proportionately.

## 8.9. Tax File Number (TFN) and Australian Business Number (ABN)

It is not compulsory for Investors to quote their TFN or ABN. If an Investor is making an investment in the Group in the course of a business or enterprise carried on by you, the Investor may quote an ABN instead of a TFN. Failure by an Investor to quote an ABN or TFN or claim an exemption may oblige us to withhold tax at the top marginal rate (including Medicare levy) on gross payments (including distributions of income) to the Investor.



# FINANCIAL

**HOW TO USE:** Enter your budget for each category in the Summary by Category table below. Enter transactions on the Transactions sheet to see how your actual spending compares to your budget.

## ACTUAL SUMMARY

Category	Actual	Target
Food	17%	17%
Transport	17%	17%
Utilities	17%	17%
Entertainment	17%	17%
Health	17%	17%
Education	17%	17%
Other	17%	17%

## SAVINGS GOAL



## SAVINGS CALCULATOR

Category	Amount	Percentage	Frequency	Start Date	End Date
Food	17%	17%	17%	17%	17%
Transport	17%	17%	17%	17%	17%
Utilities	17%	17%	17%	17%	17%
Entertainment	17%	17%	17%	17%	17%
Health	17%	17%	17%	17%	17%
Education	17%	17%	17%	17%	17%
Other	17%	17%	17%	17%	17%

## RESULTS

Category	Amount	Percentage	Frequency	Start Date	End Date
Food	17%	17%	17%	17%	17%
Transport	17%	17%	17%	17%	17%
Utilities	17%	17%	17%	17%	17%
Entertainment	17%	17%	17%	17%	17%
Health	17%	17%	17%	17%	17%
Education	17%	17%	17%	17%	17%
Other	17%	17%	17%	17%	17%

## TOTAL SAVINGS

Category	Amount	Percentage	Frequency	Start Date	End Date
Food	17%	17%	17%	17%	17%
Transport	17%	17%	17%	17%	17%
Utilities	17%	17%	17%	17%	17%
Entertainment	17%	17%	17%	17%	17%
Health	17%	17%	17%	17%	17%
Education	17%	17%	17%	17%	17%
Other	17%	17%	17%	17%	17%

# Fees & Other Costs.

---

Section 9

09



## 9.1. Consumer advisory warning

Government regulations require the Responsible Entity to include the following standard consumer advisory warning. The information in this consumer advisory warning is standard across all product disclosure statements and is not specific to information on fees and costs in this Group.



### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### To find out more...

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.



## 9.2. Fees and other costs

The table below shows fees applicable to an investment in the Group.

Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Acquisition and Finance Fee	Up to 5% of the purchase price of each and every hotel property and business acquired by the Group.	Each Acquisition and Finance Fee is payable to the Responsible Entity following the earlier of three business days after the acquisition date or on the completion of any related capital raising.
Fund Management Fee (includes trust operating expenses subject to an MER Cap of 1.5%)	1.5% of Group gross assets and trust operating expenses.	Payable out of the Fund and is paid monthly in arrears.
Custodian Fee	Percentage of the gross value of assets held by the Custodian.	This fee is paid quarterly in arrears to the Custodian.
Asset Management Fee	10% p.a. of EBITDA of the managed assets of the Group, plus GST, plus costs, as described at section 9.10.	<p>Payable to Waratah Hotel Management monthly in arrears, within 30 days of month end.</p> <p>Under clause 4.3(a) of the Asset Management Agreement the Responsible Entity authorises WHM to withdraw the asset management fee directly out of the assets of the Group without further notice to the Responsible Entity or the Companies, and the Responsible Entity and the Companies must make any necessary arrangement to give effect to this arrangement.</p> <p>More information on the asset management fee is included at section 9.10.</p>
Sale Fee	<p>If the "Net Sale Price" of a hotel asset exceeds its "Adjusted Purchase Price", the Responsible Entity will be entitled to a sale fee equal to 2% of the Net Sale Price of the asset.</p> <p>"Adjusted Purchase Price" is defined as the aggregate of the purchase price of the hotel and the capital expenditure relating to the hotel.</p> <p>"Net Sale Price" is defined as sale price of the hotel after deduction of agent's fees, legal fees relating to the sale, advertising and auction expenses and other costs in relation to the sale.</p> <p>However, if payment of the Sale Fee would result in the sum of the Adjusted Purchase Price plus the Sale Fee in respect of the asset in question being greater than the Net Sale Price of that asset, the Sale Fee will be reduced by the amount that will ensure that the sum of the Adjusted Purchase Price and the Sale Fee in respect of that asset is equal to the Net Sale Price of the asset.</p>	<p>The Sale Fee will be payable to the Responsible Entity upon the occurrence of either of the following events:</p> <ul style="list-style-type: none"> <li>&gt; The sale or disposal of a hotel property and business</li> <li>&gt; The removal or involuntary retirement of the Responsible Entity, unless such removal or involuntary retirement is due to the improper performance by the Responsible Entity of its duties</li> </ul> <p>The Sale Fee will be payable with respect to each asset. In the event of the removal or involuntary retirement of the Responsible Entity, the Net Sale Price will be taken to be the value of the asset included in the net Group value as calculated at the last valuation time prior to the date of such removal or involuntary retirement.</p> <p>Any Sale Fee will be reduced (or extinguished, if applicable) by the amount of any Sale Fee that has already been paid to a Responsible Entity in respect of</p>

Type of fee or cost	Amount	How and when paid
Sale Fee cont.	Where the Sale Fee is payable because of the removal or involuntary retirement of the Responsible Entity, the minimum Sale Fee payable will be an amount equal to 4% of Group gross assets as at the date of removal or involuntary retirement of the Responsible Entity.	the asset in question as a result of the removal or involuntary retirement of the Responsible Entity.  The Sale Fee will be payable to the Responsible Entity on the date the relevant sale proceeds are received by the Group or (in the case of a removal or involuntary retirement of the Responsible Entity) on the date of removal or involuntary retirement of the Responsible Entity.
Transfer and Redemption Charge	In respect of transfers and redemptions, the Responsible Entity will be entitled to a Transfer and Redemption Charge of \$250 in respect of the transfer or redemption of Stapled Securities or options over Stapled Securities.	In the case of a transfer, this charge is payable by the transferee. In the case of a redemption, this charge is payable by the Investor whose Stapled Securities or options over Stapled Securities are being redeemed. (Note - Investors have no right to redeem their Stapled Securities).

### 9.3. Other fees

The Responsible Entity and its associates may provide other services including acquisition, disposal, due diligence, project management, development management, asset management, property management and leasing services to the Group. The Responsible Entity will be entitled to charge fees for these services at current market rates.

### 9.4. Expenses

All expenses reasonably and properly incurred by the Responsible Entity in connection with the Group (including in connection with this Offer Document) or in performing its obligations are payable or can be reimbursed out of the Group. Amounts payable are in addition to fees payable and rights to indemnification or reimbursement conferred under the Fund or Companies' constitutions or by law.

All fees and charges in respect of dishonoured funds (cheque or electronic) will be borne by the Investor.

### 9.5. MER cap on fees and expenses

The Responsible Entity's entitlement to fees and expenses from the Fund must not in any financial year result in the Responsible Entity becoming entitled to fees and expenses in excess of a Group MER (management expense ratio) of 1.5% per annum. At the date of this Offer Document, 1.5% of Group MER would be approximately \$702,000 per annum.

The Responsible Entity's fee and expense recovery will be adjusted at the end of every financial year so that if the combined fees and expenses of the Group for a financial year are less than the MER maximum limit of 1.5% per annum, then the balance may be used by the Responsible Entity to offset the fees and expenses incurred in any preceding or following financial years in which the MER limit is exceeded up to the extent of that excess. The MER cap does not apply in the case of the following fees:

- Any Acquisition and Finance Fee
- Any Sale Fee
- WHM's Asset Management Fee

## 9.6. Waiver of fees and expenses

The Responsible Entity may waive, reduce or postpone the receipt of any fee (or any part of a fee) or expense or charge a lesser fee or expense than it is entitled to receive. The Responsible Entity may recover any fees or expenses waived, reduced or postponed in a later year, unless otherwise stated.

The Responsible Entity has waived its entitlement to the Performance Fees (capital and income) pending putting a proposal to Investors for these fees to be reinstated in a different form. Any such reinstatement will need to be passed by a special resolution of Investors with the Responsible Entity and its associates not voting.

## 9.7. Effect of stapling

While stapling applies, the Responsible Entity may in its absolute discretion agree the apportionment of expenses incurred in connection with both the Fund and the Companies or with Stapled Securities, as among the Fund and the Companies. Any such apportionment could result in the Fund bearing the entirety of the expense or it being shared with the Companies or borne totally by either of the Companies.

## 9.8. GST on fees

The fees payable to the Responsible Entity do not include any amount referable to GST. If the Responsible Entity is or becomes liable to pay GST in respect of any supply (including its fees, the supply of any goods, services, rights, benefits or things), then, in addition to any fee or other amount or consideration payable to the Responsible Entity in respect of the supply, the Responsible Entity is entitled to be paid an additional amount on account of GST. This amount is to be calculated by multiplying the fee, amount or consideration for the part of the supply which is a taxable supply for GST purposes by the prevailing rate of GST, and the Responsible Entity will be entitled to be reimbursed or indemnified for such amount of GST out of the Fund.

## 9.9. GST on expenses

If the Responsible Entity has a claim under or in connection with this Offer Document for an expense on which it must pay GST, the claim is for the expense plus all GST (except to the extent that the Responsible Entity is entitled to an input tax credit for any GST).

## 9.10. Asset Management Fee payable to Waratah Hotel Management

### 9.10.1. Background

Waratah Hotel Management (WHM), formerly Pelathon Management Group, has acted as the asset manager of the Waratah Hotel Group (formerly Pelathon Pub Group) since August 2009 under the Asset Management Agreement or its precedents.

In consideration of its services, WHM is entitled to an asset management fee of 10% of EBITDA of the managed assets of the Waratah Hotel Group, plus GST. In addition to this fee WHM is entitled to be reimbursed for reasonable expenses incurred by WHM in performing its functions under the Asset Management Agreement.

### 9.10.2. Further disclosure as to how the 10% plus GST asset management fee is calculated

In practice WHM assesses the EBITDA of each managed asset of the Group separately, based on internal management accounts. Where the individual hotel asset produces a positive EBITDA, this forms the base for the calculation of the 10% plus GST asset management fee. Where the individual hotel asset produces a negative EBITDA, WHM does not charge a 10% plus GST asset management fee. This calculation is undertaken monthly in arrears.

In terms of expense recoveries, WHM did not recover any expenses from the Group in relation to the performance of its services under the Asset Management Agreement in both the 2017 and 2018 financial years and the nine months to 31 March 2019. For the avoidance of doubt, there exist some services unrelated to the Asset Management Agreement, which are procured by WHM on behalf of the Group and other venues under WHM's management. These include, for example, marketing and design, bookkeeping, IT and computing, and payroll systems. These services are performed on an ongoing basis and apportioned and on-charged to the relevant venues at cost.

### 9.10.3. Actual 10% plus GST asset management fee paid

As the WHM 10% plus GST asset management fee is calculated on the EBITDA of each managed asset of the Group separately, this Group EBITDA is not the EBITDA on which the asset management fee has been calculated. The actual total managed asset EBITDA for these periods on which the asset management fee has been calculated, and the asset management fee actually paid to WHM (formerly PMG), is as follows:

Period	EBITDA on which management fee calculated	Asset management fee paid
FY 2017	\$2,465,913	\$246,594 (or \$271,253 including GST)
FY 2018	\$3,864,172	\$386,417 (or \$425,059 including GST)
Nine months to 31 March 2019	\$4,009,029	\$400,903 (or \$440,993 including GST)

## 9.11. Example of annual fees and costs

This table gives an example of how the fees and costs can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example: Balance of \$50,000		
Fund Management Fee cap	1.5% p.a.	For every \$50,000 you have invested in the Fund, you will be charged \$750 each year
Asset Management Fee	10% of EBITDA of the managed assets of the Group, plus costs	For every \$50,000 you have invested in the Fund, you will be charged \$786 each year, based on fees charged for the financial year ended 30 June 2018
Total fees*		For every \$50,000 you have invested in the Fund, you will be charged total fees of \$1,536 each year

The Fund Management Fee represents the indirect cost ratio for the Group, which is calculated by dividing the annual management costs (which include the ongoing Fund Management Fee and expense recoveries) by the Group's gross assets. However, the Group MER cap (see above in section 9.5) will apply meaning the maximum amount that may be charged is 1.5% per annum except the Acquisition and Finance Fee, any Sale Fee and expenses relating to acquisitions and equity raising. In addition, WHM will continue to be paid an Asset Management fee at the rate payable since August 2009 when appointed by the previous responsible entity of 10% of EBITDA of the managed assets of the Group, plus costs.

\* Additional fees may also apply which may be incurred but cannot be included because they cannot be estimated.



# Additional Information.

---

Section 10

# 10



## 10.1. Fund constitution and Companies' constitutions

A number of rights attach to Units and Shares. In the case of Units, these rights arise from the constitution of the Fund, the law of trusts and the Corporations Act. In the case of Shares, these rights arise from the Companies' constitutions and the Corporations Act.

### 10.1.1. Fund Constitution

The Responsible Entity is the trustee of the Fund. Its obligations are set out in the Fund constitution, together with all duties, responsibilities and rights pertaining to the Fund. The Corporations Act also sets out duties of the Responsible Entity and the framework under which the Fund operates. Investors can inspect a copy of the Fund constitution on the Group's website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au) or at Waratah's registered office during business hours. Some of the key provisions under the Fund Constitution are:

- Unitholders are entitled to receive notice of, and to attend and vote at, a general meeting of the Fund and to receive all notices, accounts and other documents required to be sent to members under the Constitution;
- The Responsible Entity may issue further Units. Whilst stapling applies, a Unit may only be issued together with a Share in each of the Companies as part of a Stapled Security. The issue price for a Stapled Security will be the price specified in the Constitution or a different price determined by the Responsible Entity;
- The Responsible Entity may issue Units in different classes which may have rights which are preferential to ordinary Units;
- Unitholders have no right to redeem their Units. The Responsible Entity may in its absolute discretion offer Unitholders an opportunity to redeem their Units;
- Unitholders will be entitled to participate in any distributions of income from the Fund according to their rights and interests. Subject to the rights attached to a particular class of Units, this means in proportion to their holdings;
- If the Fund is wound up, Unitholders will be entitled to participate in any surplus assets of the Fund according to their rights and interests. Subject to the rights attached to a particular class of Units (such as the Stapled Securities), this means in proportion to their holdings. In addition to the circumstances in which the Fund may be wound up under the Corporations Act, the Responsible Entity may wind up the Fund by giving Unitholders notice of the termination date; and
- Subject to the constitution of the Fund and the Corporations Act, the Responsible Entity has all the powers in respect of the Fund, which it would have if it were the owner of the assets of the Fund.

In addition, under the Fund Constitution, no Unitholder may acquire a relevant interest in Units such that that Unitholder's or other person's voting power in the Fund increases from 15% or below to more than 15%, except with the prior written consent of the Responsible Entity, which consent may be

given or refused in the absolute and unfettered discretion of the Responsible Entity.

### 10.1.2. Companies' Constitutions

The Companies' constitutions are the documents that set out the rights of the holders of Shares. Both of the Companies' constitutions are for all intents and purposes identical. The Corporations Act also sets out directors' duties and the framework under which the Company operates. Investors can inspect a copy of the Companies' constitutions at Waratah's registered office during business hours.

Some of the key provisions under the Companies' Constitutions are:

- Shareholders are entitled to receive notice of, and to attend and vote at, a general meeting of the Companies and to receive all notices, accounts and other documents required to be sent to members;
- The Board may issue further Shares at any time and on any terms and conditions as the Board resolves. This includes the right to issue preference shares, including redeemable or convertible preference shares. Whilst stapling applies, a Share may only be issued together with a Unit as part of a Stapled Security;
- The Board may from time to time resolve to pay dividends to members and fix the amount of the dividend, the timing for determining entitlements to the dividend and the timing and method of payment. Shareholders will be entitled to participate in any dividends according to their rights and interests. Subject to the rights attached to a particular class of Shares, this means in proportion to their holdings; and
- If either Company is wound up, Shareholders in that Company will be entitled to participate in any surplus assets of the Company according to their rights and interests. Subject to the rights attached to a particular class of Shares (such as the Stapled Securities), this means in proportion to their holdings.

## 10.2. Voting power and 15% ownership restriction

### 10.2.1. Voting Power Limitation

Under the Constitutions, the voting power (as defined in the Corporations Act) of any Investor is capped at 10% of the total votes attached to all issued Units in the Trust, and Shares in the Companies, even if that Investor holds or controls more than 10% of the issued ordinary Stapled Securities.

An Investor must not transfer or attempt to transfer or grant a proxy or other right to vote in respect of any of their ordinary Stapled Securities in any manner designed to subvert or render ineffective the operation of this cap.

In assessing the voting power of ordinary Stapled Securities held by an Investor, all Stapled Securities (including voting power attached to Stapled Securities) held or controlled by any associate or associates (as defined in the Corporations Act) of an Investor will be treated as the one single holding for the purposes of calculating whether the 10% limitation applies (ie the 10% limitation will apply to multiple holdings of ordinary Stapled Securities as if they were a single holding).

#### 10.2.2. 15% Ownership Restriction

The Fund Constitution contains a prohibition on any Stapled Security holder increasing its voting power from 15% or below to more than 15%, without prior written consent of the Responsible Entity, which may be given or refused in the Responsible Entity's absolute discretion. Although the former Responsible Entity has to date given its consent on each relevant occasion, the discretionary 15% restriction on ownership of Stapled Securities could be a deterrent to an Investor seeking to control the Group.

### 10.3. Reservation of right to un-staple

The Fund and the Companies reserve the right to at any time un-staple the Fund and the Companies (ie un-staple Units from the Shares), if they consider this is in the best interests of Investors (for example, in order to pursue a merger with another fund).

### 10.4. Asset Management Agreement

The Asset Management Agreement between the Responsible Entity and the Companies, and Waratah Hotel Management, sets out the terms of Waratah's appointment as manager of the Group's assets and operating businesses. WHM receives an Asset Management Fee of 10% of EBITDA of the managed assets of the Group, plus costs plus GST. WHM's duties as Asset Manager to the Fund and the Companies are listed in detail in the Asset Management Agreement. In summary, these duties cover the day to day management of the properties and the operating businesses.

More information on the calculation of the asset management fee is included at section 9.10.

### 10.5. Withdrawal of Offer Document

The Responsible Entity and the Companies may withdraw this Offer Document at any time. To the extent permitted by law, neither the Responsible Entity, the Companies, nor any other person accepts liability to any recipient of this Offer Document for costs incurred or losses suffered should the Offer Document for any reason be withdrawn or if a particular subscription is refused in whole or in part.

### 10.6. Disclosure of interests of Directors and others, and Directors' intentions

Other than as set out in this Offer Document:

- (a) no director of the Companies or the Responsible Entity or other person envisaged in section 711(4) of the Corporations Act has, or has had, in the two years before the date of this Offer Document, any interest in the Offer, in the formation or promotion of the Group, or in any property of, or proposed to be acquired by the Group, in connection with the formation or promotion of the Group or the Offer;
- (b) no amount, whether in cash or Shares, or otherwise, has been paid or agreed to be paid, or any benefit given, or agreed to be given, to any director of the Companies or the Responsible Entity to induce him or her to become, or to qualify him or her as a director;
- (c) no amount, whether in cash or Shares, or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, for services provided by a director of the Companies or the Responsible Entity, or other person envisaged in section 711(4) of the Corporations Act in connection with the formation or promotion of the Group or the Offer.

The directors of the Responsible Entity and the Companies have the following direct or indirect interests in the Group as at the date of this Offer Document.

Director	Number of Stapled Securities In the Group in which Directors hold an interest
Darren Baker	1,887,608
David Horton	2,871,100
Lucy Partridge	126,668

Included in Darren Baker and David Horton's holdings listed above, is the 15,696 Stapled Securities owned by the Responsible Entity in its own capacity.

Currently no directors' fees or other remuneration for any services provided by the directors of the Companies or the Fund are drawn from the Companies or the Fund, but this may occur in the future.

Interests associated with Darren Baker and David Horton are shareholders in the Responsible Entity, which has an entitlement to fees from the Fund.

Interests associated with Darren Baker and David Horton are shareholders in WHM, which has an entitlement to fees from the Group.

David Horton, as a director of Horton and Associates Pty Ltd, derives fees for providing tax and accounting services to the Group.

## 10.7. Litigation

As far as the directors of the Fund and the Companies are aware, there is no current, pending or threatened litigation or arbitration proceedings of a material nature in which the Group is directly or indirectly concerned which are likely to have a material adverse impact on the business or financial position of the Group.

## 10.8. General Legal Requirements

The Corporations Act requires this Offer to contain certain information regarding the offer of Stapled Securities as follows:

- (i) No amount will or may be payable by an Investor after the Stapled Securities are allotted and issued;
- (ii) As a disclosing entity, the Group is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Group such as the Group's most recent annual reports, half yearly reports and any subsequent continuous disclosure notices may be obtained from, or inspected at, an ASIC office;
- (iii) You have a right to obtain a copy of the following documents: the annual report most recently lodged with ASIC; any half year financial report lodged with ASIC; and any continuous disclosure notices given by the Group, from ASIC or, if you request such documents from the Group, the Group will provide them free of charge;
- (iv) in respect of Stapled Securities issued under the Offer, no interest will be paid to Investors on Application monies received. Application monies will be held in a subscription account and any interest earned will be retained by the Group.

Notwithstanding any other provision of this Offer Document, each Investor agrees to provide any information and documents reasonably requested by the Companies or the Responsible Entity to comply with the AML/CTF Act and any other applicable anti-money laundering or counter-terrorism financing laws including, without limitation, any applicable laws imposing "know your customer" or other identification checks or procedures to which the Companies and the Responsible Entity are subject.

If the Companies or the Responsible Entity form the view that, in its reasonable opinion, it is required to disclose information to any person in order to comply with its obligations under the AML/CTF Act or other applicable law, to the extent permitted by law, each Investor agrees that such disclosure will not be a breach of any obligation or duty, whether such obligation or duty is imposed by contract or law, owed by that party and that party will be released from any claim made against it in respect of such disclosure.



## 10.9. Eligibility of super funds to invest in the Securities

Trustees of superannuation funds, including self-managed superannuation funds are entitled to participate in the Offer and subscribe for Stapled Securities.

Failing to comply with superannuation law can have grave consequences for trustees of regulated superannuation funds and for their funds - including penalties, loss of tax concessions and personal liability for trustees who fail to discharge their trustee obligations properly. Consequently, trustees of regulated superannuation funds should seek their own professional advice on whether the Stapled Securities are a suitable investment for their fund.

## 10.10. Cooling Off

The Fund is not a liquid scheme, therefore applicants may not exercise any 'cooling off' rights they would have had if the Fund were a liquid scheme registered under the Corporations Act.

## 10.11. Privacy

The *Privacy Act 1988* (Cth) (Privacy Act) and amendments made to the Privacy Act by the *Privacy Amendments (Private Sector) Act 2000* (Cth) govern the use of an individual's personal information gained by an organisation from dealings with the individual. The National Privacy Principles of the Privacy Act govern the way in which organisations should treat personal information. The Group is committed to managing and only using personal information in ways that comply with the Privacy Act. As a result, the Group will apply the National Privacy Principles in respect of all information you provide in making an application for Stapled Securities. The information the Group obtains from you is used to evaluate your Application for Stapled Securities, as well as to issue and manage your investment. The Group retains the information you provide for record keeping purposes; however, once your personal information is no longer required, the Group will either destroy it, or retain it in a way that does not identify that it relates to you.

You have a right to know the information the Group holds which relates to you and to require the Group to correct any errors in respect of that information. In this regard, you can assist the Group to keep your details up to date by advising the Group of any information that is incorrect. You can call the Group or write to it at the address listed in the Corporate Directory to obtain details about the information the Group holds which relates to you.

As well as reporting to you about your investment in the Group, the Group may use your contact details to let you know about other investment opportunities. If you prefer not to receive these communications, please telephone or mail the Group at the contact details referred to in the Corporate Directory. If the Group is obliged to do so by law, it will pass your personal information to other parties strictly in accordance with the relevant legal requirements. The Group may also disclose your personal information to its agents and service providers on the basis that they deal with such information in accordance with the Group's privacy policy.

A copy of the Group's privacy policy is available by contacting the Group, or by visiting Waratah's website at [www.waratahmanagement.com.au](http://www.waratahmanagement.com.au)

Australian Executor Trustees Limited (AET) may collect your personal information for primarily purpose of providing custodial services to the Responsible Entity and for ancillary purposes detailed in the Privacy Policy. AET may disclose your personal information, such as, your name and contact details, along with your account information to its related bodies corporate, the Responsible Entity, professional advisers, the land titles office and/or as otherwise instructed by the Responsible Entity. We are also permitted to collect and disclose your personal information when required or authorised to do so by law. AET is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with AET's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by AET and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the Privacy Policy at [www.aetlimited.com.au/privacy](http://www.aetlimited.com.au/privacy) Australian Executor Trustees Limited ABN 84 007 869 794 AFSL 240023

## 10.12. Complaints

If you have a complaint about the performance of the Group, then you are entitled to have your complaint dealt with in a proper, fair and consistent manner. The Constitutions, Corporations Act and ASIC Regulatory Guides detail how complaints can be made and how the Responsible Entity must address them.

If you have a complaint, then you should notify the Group in writing or otherwise. Each complaint will be addressed in an equitable, objective and unbiased manner by the Group's internal complaints resolution handling process.

If a satisfactory resolution cannot be reached within 45 days, then you may lodge your complaint with the Australian Financial Complaints Authority (details below) which is an external resolution service, or take whatever other action you believe is appropriate.

**Australian Financial Complaints Authority (AFCA)**  
**Telephone:** 1800 931 678  
**Email:** [info@afca.org.au](mailto:info@afca.org.au)  
**Website:** [www.afca.org.au](http://www.afca.org.au)

## 10.13. Consents

Written consents to be named in this Offer Document have been given, and have not at the date of this Offer Document been withdrawn, by the following parties:

- a) Australian Executor Trustees Limited has not withdrawn its consent to be named in the Offer Document as custodian of the Fund in the form and context in which it is named. Australian Executor Trustees Limited does not make, or purport to make, any statement that is included in this Offer Document and there is no statement in this Offer Document which is based on any statement by the Australian Executor Trustees Limited. To the maximum extent permitted by law, Australian Executor Trustees Limited expressly

disclaims and takes no responsibility for any part of this Offer Document other than the references to its name. Australian Executor Trustees Limited does not guarantee the repayment of capital or any particular rate of capital or income return.

- b) Waratah Hotel Management has given, and not withdrawn, its consent to be named in the Offer Document as the Asset Manager and Investment Manager in the form and context in which it is named. It has not authorised or caused the issue of this Offer Document.
- c) ESV Accounting and Business Advisors has given its written consent to all statements by it or said to be based on statements by it in the form and context in which they are included, and has not withdrawn this consent as at the date this Offer Document is lodged with ASIC. The statements include all statements referring to the audited accounts of the Group for the financial years ended 30 June 2017 and 30 June 2018, in section 5.
- d) Horton and Associates Pty Limited Accountants has given its consent to all statements by it or said to be based on statements by it in the form and context in which they are included, and has not withdrawn this consent as at the date this Offer Document is lodged with ASIC.

Each director of the Board of the Companies and the Responsible Entity has consented to the lodgement and issue of this Offer Document.

## 10.14. Communication

Investors will receive the following acknowledgements, statements and reports relating to their investment in the Group:

- > a written confirmation acknowledging each issue of Securities;
- > an annual taxation statement showing the detail of the distributed income and its components for the last financial year; and
- > the annual report for the Group, if requested.

We will provide you with these reports by email where possible unless you tell us that you would prefer to receive these reports by post.

## 10.15. Custody

The Responsible Entity has appointed an independent custodian to hold the assets of the Fund.

Australian Executor Trustees Limited (AET) is one of Australia's largest and oldest licensed trustee companies. AET has been providing custody and trustee services for over 130 years, having been established in 1880. AET is a member of the IOOF Holdings Limited ("IOOF") Group, a leading provider of wealth management products and services in Australia. IOOF is an ASX200 listed company.

The Responsible Entity has appointed Australian Executor Trustees Limited under a custodian agreement. The Custodian's role is to hold the assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions.

Australian Executor Trustees Limited has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to a Unitholder for any act done or omission made in accordance with the custodian agreement.

Australian Executor Trustees Limited's role as Custodian is limited to holding the assets of the Fund.

## 10.16. Labour standards, environmental, social or ethical considerations applicable to the Group

Labour standards, environmental, social or ethical considerations are generally not relevant in the selection of real property type investments. However, it is possible that the Group could invest in another fund or entity that has or acquires property that could require remediation for environmental issues and this would generally be factored into any decision to purchase, sell or retain an investment.

## 10.17. Electronic copies of the Offer Document

If this Offer Document is received electronically, the Group will provide a paper copy free of charge to eligible applicants on request. This Offer Document does not constitute an offer if it is received by a person in a jurisdiction (whether electronically or otherwise) to whom it would not be lawful to make such an offer.

## 10.18. Document for inspection

The following documents are available for inspection during normal business hours at the registered office of the Responsible Entity:

- > this Offer Document;
- > the constitution of the Fund;
- > the constitutions of each of the Companies; and
- > the consents referred to in section 10.13 of this Offer Document.

## 10.19. ASIC relief

ASIC has granted the Responsible Entity relief from sections 601FC(1)(c) and 601FD(1)(c) of the Corporations Act to allow the Responsible Entity to act in the best interests of the holders of Units having regard to their interests as holders of Stapled Securities and not just Units.

ASIC has granted relief from section 601LC of the Corporations Act to permit the Responsible Entity (an entity controlled by the Responsible Entity or an agent or person engaged by the Responsible Entity) to give a financial benefit to the Companies. The relief will only apply where Units and Shares are stapled.

## 10.20. Governing law

This Offer Document and the contract that arise from the acceptance of Application Forms are governed by the law applicable in New South Wales and each applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

## 10.21. Enquiries

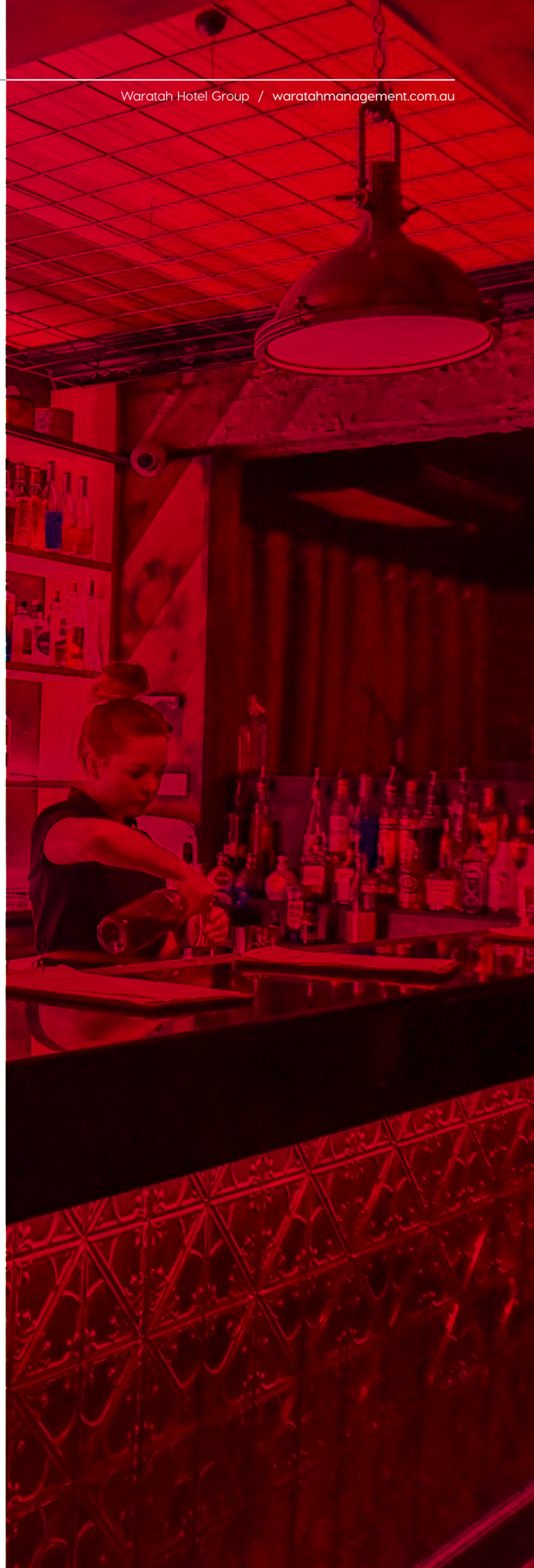
All enquiries in respect of this Offer Document should be directed to:

**Waratah Funds Management Limited**  
1/207 Ben Boyd Road  
Neutral Bay, NSW 2089  
Ph: 02 9098 9100  
[info@waratahmanagement.com.au](mailto:info@waratahmanagement.com.au)

## 10.22. Authorisation

This Offer Document is issued by the Responsible Entity and the Companies, and each director of the Responsible Entity and the Company has authorised that this Offer Document be issued.

Dated: 15 July 2019





# How to Invest.

---

Section 11

# 11





## Step 1. Complete the Application Form

To invest in the Group:

- > Complete the accompanying Application Form in accordance with the instructions set out on the form; and
- > Provide payment of the Application monies at \$1.05 per Stapled Security.



## Step 2. Pay the Application Money

Cheques or bank cheques must be drawn on an Australian financial institution in Australian currency only, made payable to "Australian Executor Trustees Limited – Waratah Hotel Fund" and crossed "Not Negotiable". Cash will NOT be accepted and receipt for payment will not be issued.

Alternatively, funds can be electronically transferred to the bank account details listed below. It is imperative that a completed Application Form and a transfer confirmation showing the transaction narration is delivered, mailed or emailed to Waratah.

**Account:** AETL ACF Waratah Hotel Fund Application Account  
**BSB:** 332-027  
**Number:** 552527054

You should ensure that there are sufficient funds in the relevant account(s) to cover the cheque(s) or your Application may be rejected.



## Step 3. Return the Application Form and Cheque/ Transfer Confirmation

Completed Application Forms and associated cheque or transfer confirmation should be either delivered or mailed to the following address, to be received on or before 5pm (Sydney time) on Friday 14 August 2020.

Waratah Funds Management Ltd  
PO Box 605  
1/207 Ben Boyd Road  
Neutral Bay NSW 2089

## 11.1. Correct name

The type of entity you are using to subscribe for Stapled Securities will determine how you complete the Application Form. Please refer to the table below when completing the name of the Investor.

Type of Investor	Correct form
<b>Individual</b> Use given names in full, not initials.	✓ Peter Robert Smith ✗ P.R. Smith
<b>Company</b> Use full company name, not abbreviations	✓ Smith Building Services Pty Ltd ✗ SBS P/L ✗ Smith Building Services
<b>Minor (under 18 years of age)</b> Use the name of the responsible adult with the minor in brackets, not just the name of the minor.	✓ Jane Elizabeth Smith <Jane Elizabeth Smith Jnr> ✗ Jane Elizabeth Smith Jnr
<b>Trusts</b> Use the name of the trustee with the name of the Fund in brackets, not just the name of the Fund	✓ Peter Robert Smith <Smith Family Fund> ✗ Smith Family Fund
<b>Superannuation Funds</b> Use the name of the trustee with the name of the fund in brackets, not just the superannuation fund.	✓ Jane Elizabeth Smith <Smith Superannuation Fund> ✗ Smith Superannuation Fund
<b>Partnerships</b> Use the name of the partners and not the name of the firm or business	✓ Peter Robert Smith and John Smith <Smith Brothers> ✗ Smith Brothers

## 11.2. Tax File Number

You do not have to provide us with your Tax File Number (TFN). However, if you do not provide your TFN, then we may be required to deduct tax from any income paid to you at the top marginal tax rate. You may be eligible for an exemption to provide your TFN, in which case you will need to state the reason in the Application Form in the space provided.

### 11.3. Anti-Money Laundering and Counter-Terrorism Financing Requirements

In accordance with the Commonwealth *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), we are required to identify, and verify the identity of, new Investors (and in certain circumstances existing Investors). In order to do this, and as required by the AML/CTF Act, we must collect certain information from Investors relating to their identity and the source of their funds.

We must then verify this information by citing certain verifying documentation. Please refer to the Application Form instructions for the documentation you are required to provide. If you do not provide us with this information, we may not be able to process your application.

We are obliged under the AML/CTF Act to take and maintain copies of any information collected from you and, in certain circumstances, may be required to disclose this information to the Australian Transaction Reports and Analysis Centre (AUSTRAC) or other government bodies and we may not be permitted to inform you of any such disclosure. The AML/CTF Act also required us to submit certain reports to AUSTRAC.

Your information may be required under the AML/CTF Act to be included in a report. In addition to such disclosure, the AML/CTF Act permits us to provide your information to related entities and persons. Apart from these disclosures, we will ensure that your information is kept confidential in accordance with any relevant legislation.

### 11.4. Common Reporting Standards and United States Foreign Account Tax Compliance Act (CRS/FATCA)

If requested by the Responsible Entity, you agree, and it is a condition of the issue of the Stapled Securities, to provide certain information required by it or the Custodian in order to comply with any applicable law, including the Common Reporting Standards and United States *Foreign Account Tax Compliance Act* (CRS/FATCA).

### 11.5. Interest on Application Monies

Until Stapled Securities are issued, Application monies will be held on trust in a bank account. The account will be established and kept solely for the purpose of depositing Application monies and retaining those funds for as long as required under the Corporations Act. Any interest accrued on Application monies will be retained by the Group. In this regard to the fullest extent permitted by law, each Applicant agrees that the Application monies will not bear or earn interest for the Applicant, irrespective of whether or not all or any of the Stapled Securities applied for by the Applicant are issued. The Group will bear any bank charges payable with respect to the bank account in which Application monies are held until the Application monies are applied to the issue of Stapled Securities.

### 11.6. Allocation and Allotment of Stapled Securities

Allotment of Stapled Securities will be made within seven days of receipt of cleared funds and a completed Application Form. Application monies will be held in a separate bank account in trust for all applicants until the allotment of Stapled Securities occurs.

A completed and lodged Application Form, and/or a direct deposit, cheque or bank cheque for the Application monies constitutes a binding and irrevocable Application.

If the Application Form is not completed correctly, or if the accompanying payment of the Application monies is for the wrong amount, it may still be treated as a valid Application.

The Group's decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Stapled Securities than is indicated by the amount of the direct deposit, cheque or bank draft that accompanies the Application.



# Glossary.

---

Section 12

# 12



<b>AET</b>	Australian Executor Trustees Limited ABN 84 007 869 794, AFSL 240023
<b>AFS Licence</b>	Australian Financial Services Licence
<b>AML/CTF Act</b>	<i>Anti-Money Laundering and Counter Terrorism Financing Act 2006</i> (Cth)
<b>Application</b>	An application to subscribe Stapled Securities under this Offer Document
<b>Application Form</b>	The Application Form accompanying this Offer Document
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Asset Management Agreement</b>	The agreement between the Responsible Entity and the Companies, and Waratah Hotel Management, as described at section 10.4
<b>ASX</b>	Australian Securities Exchange
<b>Auditor</b>	ESV Accounting and Business Advisors, being the auditor of the financial report for Waratah Hotel Group for the years ended 30 June 2017 and 30 June 2018
<b>Board</b>	Board of Directors of Waratah
<b>Closing Date</b>	Friday 14 August 2020, unless extended or the Offer is closed earlier
<b>Companies or Company</b>	Waratah Hotels Limited ACN 117 204 225 and Waratah Hotels No.2 Limited ACN 619 064 998
<b>Constitutions</b>	Constitutions of the Fund and of the Companies, as amended from time to time
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>CRS/FATCA</b>	Common Reporting Standards and United States <i>Foreign Account Tax Compliance Act</i>
<b>Custodian or AET</b>	Australian Executor Trustees Limited ABN 84 007 869 794, AFSL 240023
<b>DRP</b>	Dividend/Distribution Reinvestment Plan pertaining to dividends or distributions payable on Stapled Securities
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EGM</b>	Electronic gaming machine
<b>Fund</b>	Waratah Hotel Fund ARSN 123 286 304

<b>Group or Waratah Hotel Group</b>	The Fund and the Companies taken as a whole
<b>GST</b>	Goods and services tax
<b>Investor</b>	A current or prospective investor in the Group
<b>Issue Price</b>	\$1.05 per Stapled Security, apportioned between Units in the Fund and Shares in the Companies as set out in this Offer Document
<b>LVR</b>	Loan to value ratio
<b>MER</b>	Management expense ratio
<b>NAB</b>	National Australia Bank Limited ACN 004 044 937
<b>NTA</b>	Net Tangible Asset value
<b>Offer</b>	The offer of Stapled Securities under this Offer Document
<b>Offer Document</b>	This document, dated 15 July 2019
<b>Waratah</b>	Waratah Funds Management Limited ACN 606 091 543 and Waratah Hotel Management Pty Limited ACN 138 659 140, collectively
<b>WHM or Waratah Hotel Management</b>	Waratah Hotel Management Pty Ltd ACN 138 659 140
<b>Pro Forma Balance Sheets</b>	Consolidated balance sheets prepared using the Group's unaudited financial statements as at 31 March 2019, adjusted for subsequent material changes, and the assumptions laid out at section 5.3
<b>Responsible Entity</b>	Waratah Funds Management Limited ACN 606 091 543, the responsible entity of the Fund
<b>Secured Portfolio</b>	The portfolio of assets over which the Group's debt is secured; comprising The Victoria Hotel, Diplomat Motel, Mary G's, Amaroo Tavern, Tandara Hotel Motel and Queens Hotel Motel, and a bus maintained by the Victoria Hotel.
<b>Share</b>	A share either of the Companies
<b>Shareholder</b>	A holder of a Share
<b>Stapled Security</b>	A Unit in the Fund and a Share in each of the Companies, which are stapled together such that they can only be transferred and dealt with together
<b>STCA</b>	Subject to council approval
<b>Unit</b>	A unit in the Fund
<b>Unitholder</b>	A holder of a Unit
<b>Subordinated Debt</b>	The subordinated debt owed to the vendors of the Diplomat Motel, amounting to \$1.675 million as at 31 March 2019, as described in section 6.3.



# Corporate Directory.

---

## RESPONSIBLE ENTITY

Waratah Funds Management Limited  
ACN 606 091 543, AFS Licence No. 477840  
Level 1, 207 Ben Boyd Road Neutral Bay NSW 2089  
Ph: (02) 9098 9100  
[www.waratahmanagement.com.au](http://www.waratahmanagement.com.au)

## COMPANIES

Waratah Hotels Limited  
ACN 117 204 225  
Waratah Hotels No.2 Limited  
ACN 619 064 998  
Level 1, 207 Ben Boyd Road Neutral Bay NSW 2089  
Ph: (02) 9098 9100  
[www.waratahmanagement.com.au](http://www.waratahmanagement.com.au)

## ASSET MANAGER

Waratah Hotel Management Pty Ltd  
ACN 138 659 140  
Level 1, 207 Ben Boyd Road Neutral Bay NSW 2089  
Ph: (02) 9098 9100  
[www.waratahmanagement.com.au](http://www.waratahmanagement.com.au)



## Waratah Hotel Group

With our expertise and proven track record in pub and accommodation management, we identify deep-value investment opportunities and drive returns from an operational level. Portfolio diversification and prudent use of debt help deliver these returns to investors via a lean and transparent funds management system.

Quite simply, our goal is to use our specialist expertise to grow our investment together.

[waratahmanagement.com.au](http://waratahmanagement.com.au)

