

# **Pelathon Pub Group**

## **Interim Consolidated Financial Statements**

Half Year Ended 31 December 2017

**Pelathon Hotels Limited**  
**ABN 80 117 204 225**  
**Pelathon Hotels No 2 Limited**  
**ABN 78 619 064 998**  
**Pelathon Pub Fund**  
**ARSN 123 286 304**  
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# Pelathon Pub Group

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# Pelathon Pub Group

## Directors' Report

The Directors present their report together with the consolidated financial report of the Pelathon Pub Group (Group) for the six months ended 31 December 2017. The Group is comprised of:

- (1) Two companies - Pelathon Hotels Limited (PHL) and its controlled entities and Pelathon Hotels No 2 Limited (PHL 2) and its controlled entities (together referred to as the Companies); and
- (2) A trust - Pelathon Pub Fund and its controlled entities (Fund) (an Australian registered scheme for which Pelathon Funds Management Limited (PFML) acts as responsible entity).

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

The consolidated financial reports of the Group for the six months ended 31 December 2017 comprise the consolidated financial reports of the Fund and the Companies.

### Principal Activities & Result

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

The net result for the Group was a loss after tax of \$468,848 (December 2016: a profit of \$889,567). The result for the half year includes transaction costs of \$1,005,224 (December 2016: Nil) relating to new hotel acquisitions and negative fair value adjustments to the carrying value of the fund hotel assets of \$299,144 (December 2016: positive fair value adjustment of \$5,386). The Group's after tax earnings from operations excluding the impact of new hotel acquisition costs, plant and equipment depreciation and fair value adjustments was a profit of \$1,020,509 (December 2016: \$1,044,459).

For the six months ended 31 December 2017 the Group generated operating cash flows of \$1,170,596 (December 2016: \$1,107,226) inclusive of transaction costs relating to new hotel acquisitions of \$1,005,224 (December 2016: Nil). Excluding transaction costs relating to new hotel acquisitions, the Group's operating cashflow was \$2,175,820 (December 2016: \$1,107,226).

### Significant Changes in Affairs

During the six months to 31 December 2017 the Group completed the settlement of the freehold going concern interests of three new assets, namely:

- Diplomat Motel, Alice Springs NT
- Tandara Hotel Motel, Sarina QLD (including a stand-alone leasehold bottle shop)
- Queens Hotel Motel, Gladstone QLD

The Group also entered into and settled a sale contract to acquire the leasehold going concern interests of an entertainment asset in Wagga Wagga NSW. The venue has been renamed as the Que Restaurant & Nightclub.

During the six months to 31 December 2017 the Group issued a further 3,523,231 units in the Fund raising \$3,166,003. These funds were used to assist in funding the four new hotel assets acquired during the period.

Immediately after acquiring the Queens Hotel Motel, Gladstone, the Group placed the asset on the market. This asset was only acquired because it was being sold in one line with the Tandara Hotel Motel by the vendor who was exiting the market. The asset is recognised as a current asset in the balance sheet at 31 December 2017.

Other than the above, there were no significant changes to the state of affairs of the Group during the six months to 31 December 2017.

# Pelathon Pub Group

## Directors' Report (continued)

### Dividends / Distributions

Distributions of \$810,955 (December 2016: \$298,319) were paid or declared during the six months to 31 December 2017.

### Likely Developments

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

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

### Events Subsequent to Reporting Date

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

### Directors

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

Darren Baker  
James (Jaz) Mooney  
David Horton

### Auditor's Independence Declaration

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

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

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



**Darren Baker**  
Director  
Sydney, 14 March 2018



**David Horton**  
Director  
Sydney, 14 March 2018



**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PELATHON PUB GROUP**

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Pelathon Pub Group as at 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney 14<sup>th</sup> of March 2018

A handwritten signature in black ink that reads 'ESV'.

**ESV Accounting and Business Advisors**

A handwritten signature in black ink that reads 'Tim Valtwies'.

**Tim Valtwies**  
Partner

# Pelathon Pub Group

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

For the Half Year Ended 31 December 2017

	December 2017	December 2016
	\$	\$
<b>Revenue</b>		
Hotel Operations Income	13,284,369	10,268,734
Other income	1,228	4,943
<b>Total Revenue</b>	<b>13,285,597</b>	<b>10,273,677</b>
<b>Expenses</b>		
Cost of sales	(5,616,688)	(4,470,636)
General and administrative expenses	(219,424)	(170,727)
Marketing expenses	(509,980)	(359,622)
Poker machine expenses	(270,976)	(214,259)
Operating expenses	(788,670)	(535,000)
Employment expenses	(3,436,220)	(2,538,025)
Occupancy costs	(586,247)	(409,024)
Other management expenses	(434,968)	(279,415)
Depreciation and amortisation	(184,989)	(160,278)
Finance costs	(401,912)	(252,510)
Transaction costs relating to hotel acquisitions	(1,005,224)	-
Fair value adjustment of assets held for sale	500,000	-
Fair value adjustment of property, plant & equipment	(799,147)	5,386
<b>Profit/(Loss) Before Income Tax</b>	<b>(468,848)</b>	<b>889,567</b>
Income tax expense	-	-
<b>Profit/(Loss) After Income Tax for the year</b>	<b>(468,848)</b>	<b>889,567</b>
Other Comprehensive Income/(Loss)	-	-
<b>Total Comprehensive Profit/(Loss) for the year</b>	<b>(468,848)</b>	<b>889,567</b>

The accompanying notes form part of these consolidated financial statements.

# Pelathon Pub Group

## Consolidated Statement of Financial Position

As at 31 December 2017

	Note	December 2017 \$	June 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	2,267,494	941,981
Trade and other receivables	4	118,933	65,089
Inventories	5	875,983	461,808
Other assets	6	676,848	833,835
Assets Held for Sale	7	2,500,000	-
<b>Total Current Assets</b>		<b>6,439,258</b>	<b>2,302,713</b>
<b>Non-Current Assets</b>			
Property plant and equipment	8	45,690,000	31,800,000
<b>Total Non-Current Assets</b>		<b>45,690,000</b>	<b>31,800,000</b>
<b>TOTAL ASSETS</b>		<b>52,129,258</b>	<b>34,102,713</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	3,507,218	1,874,739
Interest bearing liabilities	10	2,100,000	-
Provisions	11	233,006	129,057
<b>Total Current Liabilities</b>		<b>5,840,224</b>	<b>2,003,796</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	10	22,780,000	10,534,000
Provisions	11	144,634	86,717
<b>Total Non-Current Liabilities</b>		<b>22,924,634</b>	<b>10,620,717</b>
<b>TOTAL LIABILITIES</b>		<b>28,764,858</b>	<b>12,624,513</b>
<b>NET ASSETS</b>		<b>23,364,400</b>	<b>21,478,200</b>
<b>EQUITY</b>			
Contributed equity	12	30,231,152	27,876,102
Accumulated losses		(6,866,752)	(6,397,902)
<b>TOTAL EQUITY</b>		<b>23,364,400</b>	<b>21,478,200</b>

The accompanying notes form part of these consolidated financial statements.

# Pelathon Pub Group

## Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2017

	No. of securities	Contributed equity \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>	<b>17,542,988</b>	<b>27,876,102</b>	<b>(6,397,902)</b>	<b>21,478,200</b>
Issues of securities	3,523,231	3,166,003	-	3,166,003
Loss after income tax for the period	-	-	(468,848)	(468,848)
Distribution paid	-	(810,955)	-	(810,955)
<b>Balance at 31 December 2017</b>	<b>21,066,219</b>	<b>30,231,150</b>	<b>(6,866,750)</b>	<b>23,364,400</b>
<b>Balance at 1 July 2016</b>	<b>128,073,505</b>	<b>25,554,455</b>	<b>(14,640,333)</b>	<b>10,914,122</b>
Issues of securities	47,256,280	3,193,689	-	3,193,689
Profit after income tax for the period	-	-	889,567	889,567
Distribution Paid	-	(298,219)	-	(298,219)
<b>Balance at 31 December 2016</b>	<b>175,329,785</b>	<b>28,449,925</b>	<b>(13,750,766)</b>	<b>14,699,159</b>

# Pelathon Pub Group

## Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2017

	Note	December 2017 \$	December 2016 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers inclusive of GST		14,559,084	11,257,977
Payments to suppliers and employees inclusive of GST		(12,987,804)	(9,903,184)
Interest paid		(401,912)	(252,510)
Interest received		1,228	4,943
<b>Net Cash Flows From Operating Activities</b>		<b>1,170,596</b>	<b>1,107,226</b>
<b>Cash Flows From/(Used In) Investing Activities</b>			
Payments for plant and equipment		(779,255)	(146,863)
Payment for acquisition of new hotel assets		(13,294,892)	-
Proceeds from sale of assets		-	581,483
<b>Net Cash Flows From/(Used In) Investing Activities</b>		<b>(14,074,147)</b>	<b>434,620</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of securities		2,516,003	3,193,689
Payment of distributions		(632,939)	-
Proceeds from borrowings		13,071,000	-
Repayment of borrowings		(725,000)	(2,628,332)
<b>Net Cash Flows From Financing Activities</b>		<b>14,229,064</b>	<b>565,357</b>
<b>Net Increase in Cash Held</b>		<b>1,325,513</b>	<b>2,107,203</b>
Cash and cash equivalents at the beginning of the year		941,981	817,716
<b>Cash and Cash Equivalents at End of the Year</b>	3	<b>2,267,494</b>	<b>2,924,919</b>

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 1. Statement of Significant Accounting Policies

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

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

The consolidated financial statements for Pelathon Pub Group for the six months ended 31 December 2017 were authorised for issue in accordance with the resolution of the directors of the Company and of PFML on 14 March 2018.

#### Basis of Preparation

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

These financial statements are general purpose financial reports that have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the IFRS IAS 34 *Interim Financial Reporting*.

The financial statements do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2017.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2017.

#### Going Concern

This financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

#### Change in Accounting Policies

There were no changes in accounting policies for the Group during the six months ending 31 December 2017.

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

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

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

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

#### 2. Critical Accounting Estimates and Judgments

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

##### *Key estimates - Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. The Directors believed it appropriate to raise no impairment provisions for the six months ended 31 December 2017.

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

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

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

	December 2017	June 2017
	\$	\$
Cash on hand and at bank	2,267,494	941,981
<b>Total cash and cash equivalents</b>	<b>2,267,494</b>	<b>941,981</b>

##### **(a) Effective interest rate**

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

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

	December 2017	June 2017
	\$	\$
Trade receivables:		
- Trade debtors	13,277	41,657
- Sundry debtors	105,656	23,432
<b>Total trade and other receivables</b>	<b>118,933</b>	<b>65,089</b>

None of the receivables were impaired as at 31 December 2017 (June 2017: \$nil).

# Pelathon Pub Group

## Notes to the Financial Statements

For the Half Year Ended 31 December 2017

### 5. Current Assets - Inventories

	December 2017	June 2017
	\$	\$
Food supplies and beverages	875,983	461,808
<b>Total inventories</b>	<b>875,983</b>	<b>461,808</b>

### 6. Current Assets - Other Assets

	December 2017	June 2017
	\$	\$
Prepaid expenses	364,494	134,015
Security and other deposits	23,780	10,980
Rental bond deposits	288,574	-
Deposits for acquisition of hotel assets	-	688,840
<b>Total other assets</b>	<b>676,848</b>	<b>833,835</b>

### 7. Assets Held for Sale

	December 2017	June 2017
	\$	\$
Queens Hotel Motel Gladstone QLD	2,500,000	-
<b>Total assets held for sale</b>	<b>2,500,000</b>	<b>-</b>

### 8. Non-Current Assets - Property, plant, equipment and intangibles

Property, plant, equipment and intangibles refers to the Group's freehold and leasehold going concern ownership of hotels, gaming machine entitlements and liquor licences together with plant and equipment used in operating the hotels.

	December 2017	June 2017
	\$	\$
<b>Non-Current</b>		
Hotel and pub properties at fair value	45,690,000	31,800,000
<b>Total Property, plant, equipment and intangibles</b>	<b>45,690,000</b>	<b>31,800,000</b>
<b>Reconciliation</b>		
Carrying amount at the beginning of the year	31,800,000	23,900,000
Hotel assets purchased/(sold) during the year	14,094,878	(528,621)
Additions to existing property	779,255	1,393,454
Depreciation	(184,989)	(278,679)
Net fair value adjustments	(799,144)	7,313,846
	<b>45,690,000</b>	<b>31,800,000</b>

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 8. Non-Current Assets - Property, plant, equipment and intangibles (continued)

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

Name	Fair value	Fair value
	31 December 2017	30 June 2017
	\$	\$
Amaroo Tavern, Moree NSW	5,140,000	5,000,000
Victoria Hotel, Wagga Wagga NSW	17,900,000	17,900,000
Mary G's Hotel, Lismore NSW	9,050,000	8,900,000
Diplomat Motel, Alice Springs NT	9,600,000	-
Tandara Hotel Motel, Sarina QLD	3,500,000	-
Que Restaurant & Nightclub, Wagga Wagga NSW (leasehold)	500,000	-
<b>Total hotel and pub properties</b>	<b>45,690,000</b>	<b>31,800,000</b>

The Group's property, plant, equipment and intangible assets are valued on a composite basis using the revaluation model.

#### Directors' valuations as at 31 December 2017

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

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

Name	Adopted yield	Directors' valuation	Adopted yield	Directors' valuation
	31 Dec 2017	31 Dec 2017	30 June 2017	30 June 2017
		\$		\$
Amaroo Tavern, Moree NSW	13.63%	5,140,000	14.01%	5,000,000
Victoria Hotel, Wagga Wagga NSW	12.52%	17,900,000	12.52%	17,900,000
Mary G's Hotel, Lismore NSW	13.77%	9,050,000	14.00%	8,900,000
Diplomat Motel, Alice Springs NT	10.83%	9,600,000	-	-
Tandara Hotel Motel, Sarina QLD	17.60%	3,500,000	-	-
Que Restaurant & Nightclub, Wagga Wagga NSW (leasehold)	-	500,000	-	-
<b>Total hotel and pub properties</b>		<b>45,690,000</b>		<b>31,800,000</b>

# Pelathon Pub Group

## Notes to the Financial Statements

For the Half Year Ended 31 December 2017

### 8. Non-Current Assets - Property, plant, equipment and intangibles (continued)

#### Valuation of hotel and pub properties

The basis of valuation of hotel and pub properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Valuations were performed by registered independent valuers for all of the hotel properties other than the Que Restaurant & Nightclub during the period from March 2017 to May 2017 by reference to recent market sales of similar properties and common valuation methodologies including capitalisation of income projections on a going concern basis. These values have been adjusted where appropriate to reflect market conditions (including consideration of appropriate market evidence where available) at period end and represent the best estimates of fair value at the balance sheet date. The Que Restaurant & Nightclub leasehold interest was acquired during the current period and the Director's value is in line with the price paid to acquire this asset.

#### Ownership

All hotel and pub properties other than the Que Restaurant & Nightclub are freehold assets. All hotel and pub properties are 100% owned by the Group and are comprised of land, buildings, fixed improvements, liquor licences and gaming entitlements, trade furniture and fixtures and fittings associated with the hotels.

#### Capital commitments

There were no capital expenditure commitments contracted in relation to the properties as at 31 December 2017.

#### Assets pledged as securities

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

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

	December 2017	June 2017
	\$	\$
Trade and Other Payables		
- Trade creditors	2,917,589	1,497,535
- Accrued expenses	110,553	76,144
- Distribution payable	479,076	301,060
<b>Total trade and other payables</b>	<b>3,507,218</b>	<b>1,874,739</b>

# Pelathon Pub Group

## Notes to the Financial Statements

For the Half Year Ended 31 December 2017

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

	December 2017	June 2017
	\$	\$
<b>Current</b>		
Secured - bank borrowings	2,100,000	-
<b>Total current borrowings</b>	<b>2,100,000</b>	<b>-</b>
<b>Non-Current</b>		
Secured – bank borrowings	21,105,000	10,534,000
Secured – other borrowings	1,675,000	-
<b>Total non-current borrowings</b>	<b>22,780,000</b>	<b>10,534,000</b>

In November 2017, the Fund increased and extended the term of its facilities with National Australia Bank to assist with the funding of new hotel assets. The new facility which covers all bank borrowings related to the Fund expires on 30 September 2020.

The interest bearing liabilities from the National Australia Bank of \$23.205 million are secured against all of the hotel's assets within the Fund and the facility has amortisation requirements which have been complied with throughout the financial year. The National Australia Bank facility comprises a \$9.119 million fixed component at a rate of 4.73% per annum, a \$9.0 million fixed component at a rate of 4.69% per annum and a variable component of \$5.086 million.

The Fund also has a \$1.675 million secured loan that was provided by the vendors of the Diplomat Hotel when the asset was acquired in September 2017. This loan is a fixed interest loan paying interest at a rate of 9% per annum with a maturity date of 13 September 2019.

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

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

	December 2017	June 2017
	\$	\$
<b>(a) Current</b>		
Annual leave	233,006	129,057
<b>Total current provisions</b>	<b>233,006</b>	<b>129,057</b>
<b>(b) Non-current</b>		
Long service leave	144,634	86,717
<b>Total non-current provisions</b>	<b>144,634</b>	<b>86,717</b>

# Pelathon Pub Group

## Notes to the Financial Statements

For the Half Year Ended 31 December 2017

### 12. Contributed Equity

#### Movement in stapled securities on issue

	December 2017 No.	June 2017 No.
<b>Stapled Securities</b>		
At the beginning of reporting period	17,542,988	128,073,505
Stapled Securities issued	3,523,231	47,351,094
Consolidation of Stapled Securities	-	(157,881,611)
<b>Stapled Securities at reporting date</b>	<b>21,066,219</b>	<b>17,542,988</b>

#### Stapled Securities

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

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

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 13. Business Combinations

##### **Diplomat Motel, Alice Springs NT**

On 13<sup>th</sup> September 2017, the Group acquired the land and building relating to the Diplomat Motel and 100% of the units of Diplomat (Aust) Trading Unit Trust for total consideration of \$9.65m. This entity carries on the trading activities of the Diplomat Motel located in Alice Springs. The acquired business contributed revenues of \$1,510,752 and profit after tax of \$279,027 to the consolidated entity for the period from 13<sup>th</sup> September to 31 December 2017.

The values identified in relation to the acquisition of the Diplomat Motel are final at 31 December 2017. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Cash and Cash Equivalents	77,148
Trade Receivables	86,380
Prepayments	19,939
Stock	41,795
Land and Buildings	7,250,000
Plant & Equipment	1,964,707
Trade Payables	(204,146)
Employee Benefits	<u>(48,804)</u>
Net Assets Acquired	9,187,019
Goodwill	<u>523,512</u>
Acquisition-date fair value of the total consideration transferred	<u>9,710,531</u>
Representing:	
Cash Paid or Payable to Vendor	7,060,531
Vendor Loan	2,000,000
Issued Units	<u>650,000</u>
	9,710,531
Acquisition costs expensed to the Profit or Loss	(536,986)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,060,531
Less: Cash and Cash equivalents	<u>(77,148)</u>
Net cash used	<u>6,983,383</u>

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 13. Business Combinations (continued)

##### Queens Hotel Motel, Gladstone QLD

On 6<sup>th</sup> November 2017, the Group acquired the land, building and business relating to the Queens Hotel Motel in Gladstone Qld for total consideration of \$2.0m. The acquired business contributed revenues of \$445,050 and profit after tax of \$62,592 to the consolidated entity for the period from 6<sup>th</sup> November to 31 December 2017.

The values identified in relation to the acquisition of the Queens Hotel Motel are final at 31 December 2017. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Cash and Cash Equivalents	65,000
Prepayments	43,358
Stock	61,263
Land and Buildings	1,800,000
Gaming Entitlements	200,000
Trade Payables	(49,772)
Employee Benefits	<u>(29,464)</u>
Net Assets Acquired	2,090,385
Goodwill	<u>-</u>
Acquisition-date fair value of the total consideration transferred	<u>2,090,385</u>
Representing:	
Cash Paid or Payable to Vendor	<u>2,090,385</u>
Acquisition costs expensed to the Profit or Loss	(159,138)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,090,385
Less: Cash and Cash equivalents	<u>(65,000)</u>
Net cash used	<u>2,025,385</u>

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 13. Business Combinations (continued)

##### Tandara Hotel Motel, Sarina QLD

On 13<sup>th</sup> November 2017, the Group acquired the land, building and business relating to the Tandara Hotel Motel in Sarina Qld for total consideration of \$4.0m. The acquired business contributed revenues of \$811,339 and profit after tax of \$98,815 to the consolidated entity for the period from 13<sup>th</sup> November to 31 December 2017.

The values identified in relation to the acquisition of the Tandara Hotel Motel are final at 31 December 2017. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Cash and Cash Equivalents	43,400
Prepayments	35,429
Stock	308,633
Land and Buildings	3,200,000
Gaming Entitlements	800,000
Trade Payables	(16,340)
Employee Benefits	<u>(17,452)</u>
Net Assets Acquired	4,353,670
Goodwill	<u>-</u>
Acquisition-date fair value of the total consideration transferred	<u>4,353,670</u>
Representing:	
Cash Paid or Payable to Vendor	<u>4,353,670</u>
Acquisition costs expensed to the Profit or Loss	(283,919)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,353,670
Less: Cash and Cash equivalents	<u>(43,400)</u>
Net cash used	<u>4,310,270</u>

# Pelathon Pub Group

## Notes to the Financial Statements

For the Half Year Ended 31 December 2017

### 13. Business Combinations (continued)

#### Que Restaurant and Nightclub, Wagga Wagga NSW

On 20<sup>th</sup> October 2017, the Group acquired the leasehold going concern interests of an entertainment asset in Wagga Wagga NSW for total consideration of \$444,878. The venue has been renamed as the Que Restaurant & Nightclub. The acquired business contributed revenues of \$437,597 and a loss after tax of \$35,845 to the consolidated entity for the period from 20<sup>th</sup> October to 31 December 2017.

The values identified in relation to the acquisition of the Que Restaurant and Nightclub are final at 31 December 2017. Details of the acquisition are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Cash and Cash Equivalents	10,000
Prepayments	12,954
Stock	25,643
Plant and Equipment	396,234
Trade Payables	(1,200)
Employee Benefits	<u>(13,131)</u>
Net Assets Acquired	430,500
Goodwill	<u>48,644</u>
Acquisition-date fair value of the total consideration transferred	<u>479,144</u>
Representing:	
Cash Paid or Payable to Vendor	<u>479,144</u>
Acquisition costs expensed to the Profit or Loss	(25,181)
Cash used to acquire business net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	479,144
Less: Cash and Cash equivalents	<u>(10,000)</u>
Net cash used	<u>469,144</u>

# Pelathon Pub Group

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 14. Dividends / Distributions

Distributions in the form of returns of capital of \$810,955 were declared for the six months to 31 December 2017 with the December 2017 quarter distribution being paid in January 2018. (December 2016: \$298,219).

#### 15. Contingent Assets and Contingent Liabilities

The Group had no contingent assets or contingent liabilities as at 31 December 2017 (June 2017: Nil).

#### 16. Subsequent Events

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

#### 17. Segment Reporting

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

#### 18. Company Details

##### Principal place of business

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

# Pelathon Pub Group

## Directors' Declaration

In the opinion of the Directors of Pelathon Funds Management Limited, the Responsible Entity of Pelathon Pub Fund:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, AASB134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

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



**Darren Baker**  
Director  
Sydney, 14 March 2018



**David Horton**  
Director  
Sydney, 14 March 2018



## INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF PELATHON PUB GROUP

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pelathon Pub Group ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Responsibilities of the directors for the Half-Year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



## INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS OF PELATHON PUB GROUP

### **Opinion**

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney on the 14<sup>th</sup> of March 2018

**ESV Accounting and Business Advisors**

**Tim Valtwies**  
Partner