



Appendix 4E - Preliminary Final Report
Results for announcement to the market
Year Ended 30 June 2016

Newhaven Hotels Limited (ASX:NHH) is pleased to announce its financial results for the 2015 – 2016 financial year.

| | % | 2016 | 2015 |
|--|----------------|-------------------|-------------------|
| | change | \$ | \$ |
| Sales Revenue | -24.22% | 11,035,378 | 19,529,149 |
| Interest Revenue | | 98,207 | 118,852 |
| Other Revenue | | 33,054 | 77,944 |
| Revenue from ordinary activities | -23.91% | 11,166,639 | 19,725,945 |
| <hr/> | | | |
| Earnings before interest, tax & depreciation | -48.75% | 2,368,006 | 4,621,379 |
| Depreciation & loss on plant disposal | | 473,886 | 710,175 |
| Earnings before interest & tax | -51.57% | 1,894,120 | 3,911,204 |
| Finance costs | | 648,067 | 1,164,620 |
| Profit before income tax expense | -54.63% | 1,246,053 | 2,746,584 |
| Income tax expense | | 384,988 | 828,149 |
| Net profit from ordinary activities after tax attributable to members | -55.11% | 861,065 | 1,918,435 |
| Profit/(Loss) on sale of fixed assets | | 121,323 | (778,838) |
| Net Profit attributable to members | -13.79% | 982,388 | 1,139,597 |
| Retained profits at beginning of year | | 4,519,823 | 4,801,046 |
| Dividends paid or provided | | 10,182,544 | 1,420,820 |
| Transfers | | 6,289,813 | - |
| Retained profits at end of year | | 1,609,480 | 4,519,823 |
| <hr/> | | | |
| Basic earnings per share | | \$0.041 | \$0.048 |

Explanation of revenue from ordinary activities profit from ordinary activities after tax and net profit attributable to members
(Appendix 4E item 2.6)

Revenue from ordinary activities and net profit from ordinary activities attributable to members have decreased following the sale of Buena Vista Hotel on 14 July 2014, the sale of Bateau Bay Hotel on 21 May 2015 and the sale of the Duke of Gloucester Hotel on 17 November 2015.

| Dividends per security | | 2016 | 2015 |
|----------------------------------|------------------------------|-------------|-------------|
| Interim Dividend - fully franked | | - cents | 3 cents |
| Paid 06 February 2015 | Record date 28 January 2015 | | |
| Total paid | | - | \$710,410 |
| Final Dividend - fully franked | | - cents | 3 cents |
| Paid 23 June 2015 | Record date 12 June 2015 | | |
| Total paid | | - | \$710,410 |
| Special Dividend - fully franked | | 8 cents | |
| Paid 17 July 2015 | Record date 03 July 2015 | | |
| Total paid | | \$1,894,427 | - |
| Special Dividend - fully franked | | 35 cents | |
| Paid 14 December 2015 | Record date 03 December 2015 | | |
| Total paid | | \$8,288,117 | - |

The company does not operate a dividend reinvestment plan.
There were no foreign sourced dividends or distributions.

Additional Dividend Information (Appendix 4E, item 2.6)

The company has paid all dividends. Additional information relating to dividend payment amounts and dates is located in the table above.

The company does not operate a dividend reinvestment scheme. (Appendix 4E, item 7)

NTA Backing (Appendix 4E, item 9)

| | 2016 | 2015 |
|----------------------------|--------------|--------------|
| Net tangible asset backing | \$ | \$ |
| Net tangible assets | \$18,057,250 | \$27,257,406 |
| Shares issued | 23,680,335 | 23,680,335 |
| Net assets per share | \$0.7625 | \$1.1510 |

Additional Information

The company does not have any associate or joint venture entities.

The company is not a foreign entity.

The report is based on accounts which are in the process being audited.

Other Comments

The successful sale of the Buena Vista Hotel, the Bateau Bay Hotel and the Duke of Gloucester Hotel have enabled the company to significantly reduce its debts.

During the year shareholders received special dividends of 8 cents and 43 cents per share fully franked.

On 24 June 2016 the company announced that it had applied to ASX for removal from the official list. A general meeting to seek members approval is being held on 5 September 2016.

William F Kelly (Director)

31st August 2016

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2016

| | NOTE | 2016 \$ | 2015 \$ |
|---|------|----------------|------------------|
| Continuing Operations | | | |
| Revenue | 2 | 9,223,725 | 9,742,528 |
| Other Income | 2 | 29,208 | 19,500 |
| Cost of goods sold | 3 | (3,467,180) | (3,476,121) |
| Employee expenses | | (2,231,134) | (2,387,116) |
| Depreciation expenses | | (353,960) | (263,631) |
| Finance costs | 3 | (527,838) | (433,299) |
| Hotel gaming device duties | | (520,003) | (473,179) |
| Hotel repairs and maintenance | | (120,272) | (90,296) |
| Other Hotel expenses | | (842,497) | (933,856) |
| Group expenses | | (238,498) | (394,698) |
| Profit before income tax | | 951,551 | 1,309,832 |
| Income tax expense | 4 | (296,636) | (397,123) |
| Net profit from continuing operations | | 654,915 | 912,709 |
| Discontinued operations | | | |
| Profit from discontinued operations after tax | 27 | 327,474 | 226,888 |
| Net profit for the year | | 982,389 | 1,139,597 |
| Other Comprehensive Income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Revaluation gain on land and buildings, net of tax | | - | 552,631 |
| Other comprehensive income for the year, net of tax | | - | 552,631 |
| Total Comprehensive Income for the year | | 982,389 | 1,692,228 |
| Net profit attributable to members of the parent entity | | 982,389 | 1,139,597 |
| Total comprehensive income attributable to members of the parent entity | | 982,389 | 1,692,228 |
| Earnings per Share: | | | |
| From continuing and discontinued operations: | | | |
| Basic earnings per share (cents) | 8 | 4.1 | 4.8 |
| Diluted earnings per share (cents) | 8 | 4.1 | 4.8 |
| From continuing operations: | | | |
| Basic earnings per share (cents) | 8 | 2.8 | 3.9 |
| Diluted earnings per share (cents) | 8 | 2.8 | 3.9 |
| From discontinued operations: | | | |
| Basic earnings per share (cents) | 8 | 1.4 | 1.0 |

The accompanying notes form part of these financial statements.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016**

| | NOTE | 2016 \$ | 2015 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 9 | 6,300,972 | 5,418,530 |
| Hotel inventories | | 155,472 | 198,772 |
| Non current assets held for sale | 27 | - | 16,180,000 |
| Other assets | 10 | <u>170,851</u> | <u>183,224</u> |
| Total current assets | | <u>6,627,295</u> | <u>21,980,526</u> |
| Non Current Assets | | | |
| Property, plant and equipment | 11 | 28,259,537 | 28,363,629 |
| Intangible assets | 12 | 2,752,554 | 2,752,554 |
| Deferred tax assets | 15 | <u>54,816</u> | <u>68,569</u> |
| Total non-current assets | | <u>31,066,907</u> | <u>31,184,752</u> |
| TOTAL ASSETS | | <u>37,694,202</u> | <u>53,165,278</u> |
| Current Liabilities | | | |
| Trade and other payables | 13 | 460,418 | 842,313 |
| Short term borrowings | 14 | 8,297 | 3,660,559 |
| Current tax liabilities | 15 | 2,284,125 | 1,140,233 |
| Short term provisions | 16 | <u>123,996</u> | <u>154,371</u> |
| Total current liabilities | | <u>2,876,836</u> | <u>5,797,476</u> |
| Non-Current Liabilities | | | |
| Long term borrowings | 14 | 11,000,000 | 12,226,893 |
| Provision for capital gains tax | 15 | <u>5,760,116</u> | <u>7,883,503</u> |
| Total non-current liabilities | | <u>16,760,116</u> | <u>20,110,396</u> |
| TOTAL LIABILITIES | | <u>19,636,952</u> | <u>25,907,872</u> |
| NET ASSETS | | <u>18,057,250</u> | <u>27,257,406</u> |
| EQUITY | | | |
| Issued capital | 17 | 5,936,449 | 5,936,449 |
| Reserves | | 10,511,321 | 16,801,134 |
| Retained earnings | | <u>1,609,480</u> | <u>4,519,823</u> |
| TOTAL EQUITY | | <u>18,057,250</u> | <u>27,257,406</u> |

The accompanying notes form part of these financial statements.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

| | Note | Share Capital Ordinary \$ | Retained Earnings \$ | Asset Revaluation Reserve \$ | Asset Realisation Reserve \$ | Total \$ |
|--|------|------------------------------------|----------------------------|---------------------------------------|---------------------------------------|-------------------|
| Balance at 1 July 2014 | | 5,936,449 | 4,801,046 | 14,668,509 | 1,579,994 | 26,985,998 |
| Comprehensive Income | | | | | | |
| Profit for the year | | 0 | 1,139,597 | 0 | | 1,139,597 |
| Other comprehensive income for the year | | 0 | 0 | 552,631 | 0 | 552,631 |
| Total comprehensive income | | 0 | 1,139,597 | 552,631 | 0 | 1,692,228 |
| Transactions with owners, in their capacity as owners and other transfers | | | | | | |
| Payment of dividends | 7 | 0 | (1,420,820) | 0 | 0 | (1,420,820) |
| Total transactions with owners, in their capacity as owners and other transfers | | 0 | (1,420,820) | 0 | 0 | (1,420,820) |
| Other | | | | | | |
| Transfer of prior year revaluation increment to asset realisation reserve on sale of Hotel | | 0 | 0 | (1,372,090) | 1,372,090 | 0 |
| Total Other | | 0 | 0 | (1,372,090) | 1,372,090 | 0 |
| Balance at 30 June 2015 | | 5,936,449 | 4,519,823 | 13,849,050 | 2,952,084 | 27,257,406 |
| Balance at 1 July 2015 | | 5,936,449 | 4,519,823 | 13,849,050 | 2,952,084 | 27,257,406 |
| Comprehensive Income | | | | | | |
| Profit for the year | | 0 | 982,388 | 0 | | 982,388 |
| Other comprehensive income for the year | | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 982,388 | 0 | 0 | 982,388 |
| Transactions with owners, in their capacity as owners and other transfers | | | | | | |
| Payment of dividends | 7 | 0 | (10,182,544) | 0 | 0 | (10,182,544) |
| Total transactions with owners, in their capacity as owners and other transfers | | 0 | (10,182,544) | 0 | 0 | (10,182,544) |
| Other | | | | | | |
| Transfer of prior year revaluation increment to retained earnings on sale of Hotel | | 0 | 6,289,813 | (3,337,729) | (2,952,084) | 0 |
| Total Other | | 0 | 6,289,813 | (3,337,729) | (2,952,084) | 0 |
| Balance at 30 June 2016 | | 5,936,449 | 1,609,480 | 10,511,321 | 0 | 18,057,250 |

The accompanying notes form part of these financial statements.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

| | NOTE | 2016 \$ | 2015 \$ |
|--|-------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 12,152,157 | 21,486,643 |
| Interest received | | 98,682 | 110,957 |
| | | <u> </u> | <u> </u> |
| | | 12,250,839 | 21,597,600 |
| Payments to suppliers and employees | | (9,550,163) | (15,855,082) |
| Cash generated from operations | | 2,700,676 | 5,742,518 |
| Interest and other costs of finance paid | | (633,829) | (1,128,969) |
| Income tax paid - attributable to this year | | (210,497) | (301,131) |
| Income tax paid - attributable to last year | | (1,140,233) | (2,833,144) |
| Goods and services tax paid | | (677,103) | (1,324,101) |
| Net cash generated by operating activities | 20(a) | <u>39,014</u> | <u>155,173</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for plant and equipment | | (308,282) | (1,027,172) |
| Payment for poker machine entitlement | | - | (237,595) |
| Proceeds from sale of plant and equipment | | 30,012 | 65,000 |
| Proceeds from sale of Buena Vista Hotel | | 2,000 | 12,742,943 |
| Proceeds from sale of Bateau Bay Hotel | | - | 10,760,208 |
| Proceeds from sale of Duke of Gloucester Hotel | | <u>16,181,397</u> | <u> </u> |
| Net cash generated by investing activities | | <u>15,905,127</u> | <u>22,303,384</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of Bank loan | | (4,500,000) | (21,000,000) |
| Repayment of borrowings | | (379,155) | (720,717) |
| Dividend paid to owners of the company | | <u>(10,182,544)</u> | <u>(1,420,820)</u> |
| Net cash used in financing activities | | <u>(15,061,699)</u> | <u>(23,141,537)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 882,442 | (682,980) |
| Cash and cash equivalents at the beginning of the year | | <u>5,418,530</u> | <u>6,101,510</u> |
| Cash and cash equivalents at the end of the year | 9 | <u>6,300,972</u> | <u>5,418,530</u> |

The accompanying notes form part of these financial statements.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

These consolidated financial statements and notes represent those of Newhaven Hotels Limited and its controlled entity. The separate financial statements of the parent entity have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 31 August 2016 by the directors of the company.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. . Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based upon historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and current liabilities.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the entity controlled by Newhaven Hotels Limited at the end of the reporting period. A controlled entity is any entity over which Newhaven Hotels Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. The controlled entity is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all intra-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

b) Hotel inventories

Hotel inventories are measured at the lower of cost and net realisable value. Costs are determined on a first in first out basis.

c) Property, plant and equipment

Each class of property, plant and equipment is carried at fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are recognised in profit and loss.

Work in progress is carried at cost of materials.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Buildings | 1-5% |
| Plant and equipment | 13-27% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings or asset realisation reserve.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

d) Employee Benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee provisions

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

e) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year.

Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

g) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive the dividend has been established.

All revenue is stated net of goods and services tax (GST).

h) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amount normally paid within 30 days of recognition of the liability.

i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

j) Good 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 Tax Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are presented as operating cash flows are included in receipts from customers or payments to suppliers.

k) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables 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 or losses are recognised in the profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

These investments are non-derivative financial assets that have fixed maturities, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in the profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

l) Intangibles

Gaming machine entitlements have an indefinite life as they are NSW Government granted entitlements which are not subject to annual renewal and are impairment tested annually.

m) Provisions

Provisions are recognised when the Company 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. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

o) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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

p) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

This Standard is not expected to significantly impact the Company's financial statements.

- AASB 15 *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15)

The directors anticipate that the adoption of AASB 15 will have little impact on the group's financial statements as revenue is generally received by cash or credit card.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

| | 2016 \$ | 2015 \$ |
|---|-------------------|-------------------|
| 2. Revenue and Other Income | | |
| (a) Revenue and other income from continuing operations | | |
| Sales Revenue:- | | |
| Hotel Sale of goods | 7,163,265 | 7,756,571 |
| Other hotel income | 1,932,918 | 1,838,762 |
| Other Revenue:- | | |
| Rental income | 33,054 | 35,857 |
| Interest and dividend revenue from other persons | 94,488 | 111,338 |
| | <u>9,223,725</u> | <u>9,742,528</u> |
| Other Income:- | | |
| Gain on disposal of property, plant and equipment | 29,208 | 19,500 |
| | <u>29,208</u> | <u>19,500</u> |
| Total revenue and other income from continuing operations | <u>9,252,933</u> | <u>9,762,028</u> |
| (b) Revenue and other income from discontinued operations | | |
| Buena Vista Hotel, Bateau Bay Hotel and Duke of Gloucester Hotel | <u>1,913,706</u> | <u>9,963,917</u> |
| (c) Income from continuing and discontinued operations | <u>11,166,639</u> | <u>19,725,945</u> |
| 3. Profit for the Year | | |
| Profit before income tax includes the following specific expenses: | | |
| Cost of Sales | <u>3,467,180</u> | <u>3,476,121</u> |
| Interest expense on financial liabilities not at fair value through profit and loss | | |
| - unrelated parties | <u>527,838</u> | <u>433,299</u> |
| 4. Income Tax Expense | | |
| The components of tax expense comprise: | | |
| - current tax | 371,234 | 801,953 |
| - deferred tax | <u>13,753</u> | <u>26,196</u> |
| | <u>384,987</u> | <u>828,149</u> |
| Income tax expense | | |
| Income tax expense – continued operations | 296,636 | 397,123 |
| Income tax expense – discontinued operations | <u>88,351</u> | <u>431,026</u> |
| | <u>384,987</u> | <u>828,149</u> |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:- | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014 30%) | 373,816 | 823,975 |
| Add: Tax effect of: | | |
| Tax deductible depreciation | <u>11,171</u> | <u>4,174</u> |
| Total income tax expense | <u>384,987</u> | <u>828,149</u> |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

| | 2016 \$ | 2015 \$ |
|--|-------------------|-------------------|
| 5. Key Management Personnel Compensation | | |
| Key management personnel compensation and the remuneration policy is disclosed in the Remuneration Report section of the Directors' Report. | | |
| 6. Auditors' Remuneration | | |
| Remuneration of the auditor of the Company for: | | |
| Auditing or reviewing the financial statements | <u>29,500</u> | <u>50,660</u> |
| 7. Dividends Paid and Proposed | | |
| <i>Distributions paid:</i> | | |
| Interim ordinary dividend, fully franked at the tax rate of 30% paid 6 February 2015 | | 710,410 |
| Final ordinary dividend, fully franked at the tax rate of 30% paid 23 June 2015 | | 710,410 |
| Special dividend, fully franked at the tax rate of 30% paid 17 July 2015 | 1,894,427 | - |
| Special dividend, fully franked at the tax rate of 30% paid 14 December 2015 | <u>8,288,117</u> | <u>-</u> |
| | <u>10,182,544</u> | <u>1,420,820</u> |
| <i>Proposed dividends</i> | | |
| Proposed Interim ordinary dividend, fully franked at the tax rate of 30% paid 26 July 2016 | 473,606 | 0 |
| Proposed Special dividend, fully franked at the Tax rate of 30%, paid 17 July 2015 | <u>0</u> | <u>1,894,427</u> |
| Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and franking debits from payment of proposed dividends. | <u>2,459,072</u> | <u>5,381,655</u> |
| 8. Earnings Per Share | | |
| Earnings used in calculation of basic EPS | | |
| Net profit after tax attributable to members of Newhaven Hotels Limited | 982,388 | 1,139,597 |
| | ordinary shares | ordinary shares |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | <u>23,680,335</u> | <u>23,680,335</u> |
| Diluted earnings per share does not differ from basic earnings per share | | |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

| | 2016 \$ | 2015 \$ | |
|---|---|------------------------------|-------------------|
| 9. Cash and Cash Equivalents | | | |
| Cash at bank and on hand | 6,289,972 | 5,407,530 | |
| Deposits Paid | <u>11,000</u> | <u>11,000</u> | |
| | <u>6,300,972</u> | <u>5,418,530</u> | |
| 10. Other Assets | | | |
| Current | | | |
| Accrued Income | 20,461 | 32,402 | |
| Prepayments | <u>150,390</u> | <u>150,822</u> | |
| | <u>170,851</u> | <u>183,224</u> | |
| 11. Property, Plant and Equipment | | | |
| Hotel property, plant and equipment | | | |
| Freehold land, building and improvements at directors' valuation June 2015 | 27,353,358 | 27,390,364 | |
| Plant and equipment at cost | <u>906,179</u> | <u>973,265</u> | |
| Total hotels' property, plant and equipment | <u>28,259,537</u> | <u>28,363,629</u> | |
| a) Movements in carrying amounts | | | |
| | Freehold land, Buildings and Improvements \$ | Plant and equipment \$ | Total \$ |
| Property, plant and equipment | | | |
| Balance at 1 July 2014 | 48,764,943 | 1,872,181 | 50,637,124 |
| Additions | - | 1,027,172 | 1,027,172 |
| Disposals | (8,880,911) | (298,218) | (9,179,129) |
| Transfer to non-current assets held for sale | (13,147,612) | (995,046) | (14,142,658) |
| Depreciation expense | (77,351) | (632,824) | (710,175) |
| Revaluation increment | <u>731,295</u> | <u>-</u> | <u>731,295</u> |
| Balance at 30 June 2015 | <u>27,390,364</u> | <u>973,265</u> | <u>28,363,629</u> |
| Balance at 1 July 2015 | 27,390,364 | 973,265 | 28,363,629 |
| Additions | - | 250,672 | 250,672 |
| Disposals | - | (804) | (804) |
| Depreciation expense | <u>(37,006)</u> | <u>(316,954)</u> | <u>(353,960)</u> |
| Balance at 30 June 2016 | <u>27,353,358</u> | <u>906,179</u> | <u>28,259,537</u> |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

- (b) Registered first mortgages have been granted over freehold property to secure bank loans. (Refer to Note 14). The directors review annually the carrying amount of property, plant and equipment. (Note 1). The Terrigal Hotel was independently valued by Owen Property Valuation Trust on 01 September 2015 and this value was adopted by the directors at 30 June 2016. The revaluation surplus was credited to a revaluation surplus in shareholders' equity. Any reduction in a previous increment in value was debited to a revaluation surplus in shareholders' equity.

| | 2016 \$ | 2015 \$ |
|---|-------------------|-------------------|
| 12. Intangible Assets | | |
| Intangible Hotel assets | | |
| Gaming machine entitlements at directors valuation | | |
| Balance at beginning of year | 2,752,554 | 6,881,386 |
| Transfer to non-current assets held for sale | - | (2,037,342) |
| Additions | - | 237,595 |
| Disposals | - | (2,329,085) |
| Balance at end of year | <u>2,752,554</u> | <u>2,752,554</u> |
| The gaming machine entitlements at Terrigal Hotel were independently valued by Owen Property Valuation Trust on 1 September 2015. These values were adopted by the directors at 30 June 2016. | | |
| 13. Trade and Other Payables | | |
| Unsecured liabilities: | | |
| Trade payables | 295,180 | 580,103 |
| Sundry payables and accrued expenses | 65,450 | 102,400 |
| Goods and Services Tax | <u>99,788</u> | <u>159,810</u> |
| | <u>460,418</u> | <u>842,313</u> |
| 14. Borrowings | | |
| Current Secured liabilities: | | |
| Bank Finance leases | 8,297 | 160,559 |
| Bank Loans | <u>8,297</u> | <u>3,500,000</u> |
| | <u>8,297</u> | <u>3,660,559</u> |
| Non-current Secured liabilities: | | |
| Bank Loans | 11,000,000 | 12,000,000 |
| Bank Finance leases | - | <u>226,893</u> |
| Bank loans | <u>11,000,000</u> | <u>12,226,893</u> |
| (a) Total of current and non-current secured liabilities: | | |
| Bank Loans | 11,000,000 | 15,500,000 |
| Bank Finance leases | <u>8,297</u> | <u>387,452</u> |
| | <u>11,008,297</u> | <u>15,887,452</u> |
| (b) The carrying amounts of non-current assets pledged as security are: | | |
| First mortgage on freehold property | 30,105,912 | 45,327,872 |
| Floating charge over assets | <u>7,588,290</u> | <u>7,837,406</u> |
| | <u>37,694,202</u> | <u>53,165,278</u> |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

The bank loan facility of \$11,000,000 expires on 31 July 2017.

A new letter of offer was signed on 15 July 2014. The bank debts were renegotiated in July 2014 following the sale of the Buena Vista Hotel. The \$21,000,000 facility was renegotiated to \$11,000,000 and is due for repayment on 31 July 2017.

Collateral Provided

The bank debts are secured by first registered mortgages over the freehold properties owned by the company.

| | 2016 \$ | 2015 \$ |
|--|------------------|------------------|
| 15. Tax | | |
| ASSETS | | |
| Non-current | | |
| Provision for future income tax benefit | <u>54,816</u> | <u>68,569</u> |
| LIABILITIES | | |
| Current | | |
| Income tax payable | <u>2,284,125</u> | <u>1,140,233</u> |
| Non-current | | |
| Provision for deferred capital gains tax | <u>5,760,116</u> | <u>7,883,503</u> |

Capital gains tax has been provided on the difference between the cost of hotels and their revalued amount at balance date.

16. Provisions

| | | |
|-----------------------|----------------|----------------|
| Employee entitlements | <u>123,996</u> | <u>154,371</u> |
|-----------------------|----------------|----------------|

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

| | 2016 \$ | 2015 \$ |
|---|-------------------|-------------------|
| 17. Issued Capital | | |
| 23,680,335 (2015 – 23,680,335) fully paid ordinary shares | <u>5,936,449</u> | <u>5,936,449</u> |
| a) Ordinary Shares | No. | No. |
| At the beginning of the reporting year | <u>23,680,335</u> | <u>23,680,335</u> |
| At the end of the reporting period | <u>23,680,335</u> | <u>23,680,335</u> |

There were no movements in the ordinary share capital of the company in the current or prior year.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

b) Capital Management

Management control the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and distributions to shareholders.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

| | Note | 2016 \$ | 2015 \$ |
|---------------------------------|--------|--------------------|--------------------|
| Total borrowings | 14, 19 | 11,008,297 | 15,887,452 |
| Less: cash and cash equivalents | 9 | <u>(6,300,972)</u> | <u>(5,418,530)</u> |
| Net debt | | 4,707,325 | 10,468,922 |
| Total equity | | <u>18,057,250</u> | <u>27,257,406</u> |
| Total capital | | <u>22,764,575</u> | <u>37,726,328</u> |
| Gearing ratio | | 20.68% | 27.77% |

18. Reserves

a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

b) Asset Realisation Reserve

The asset realisation reserve records realised gains on sale of non-current assets.

19. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable and loans from banks.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows :-

| | Note | 2016 \$ | 2015 \$ |
|------------------------------|------|-------------------|-------------------|
| FINANCIAL ASSETS | | | |
| Cash and cash equivalents | 9 | <u>6,300,972</u> | <u>5,418,530</u> |
| Total Financial Assets | | <u>6,300,972</u> | <u>5,418,530</u> |
| FINANCIAL LIABILITIES | | | |
| Trade and other payables | 13 | 460,418 | 842,313 |
| Borrowings | 14 | <u>11,008,297</u> | <u>15,887,452</u> |
| Total Financial Liabilities | | <u>11,468,715</u> | <u>16,729,765</u> |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

- (i) **Treasury Risk Management**
The Company regularly analyses interest rate exposure in the context of the most recent economic conditions and forecasts.
- (ii) **Financial Risks**
The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2016 approximately 95% of Company's debt is fixed. It is the policy of the Company to keep debt on fixed interest rates. For further details on interest risk refer to Note 19(iii).

Foreign currency risk

The Company is not exposed to fluctuations in foreign currencies.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

Credit risk

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

The Company does not have any derivative financial instruments.

Price risk

The Company is not exposed to commodity price risk.

(iii) Interest rate risk

The Company's exposure to interest rate risk and the effective weighted interest rate for classes of financial assets and financial liabilities are set out below:-

| | Note | Weighted Average Interest Rate | Floating Interest Rate \$000 | Fixed interest maturing in 1 year or less \$000 | 1 to 5 years \$000 | Non-interest Bearing \$000 | Total \$000 |
|-------------------------------|------|---|---------------------------------------|--|--------------------------|----------------------------------|----------------|
| 2015 | | | | | | | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | 9 | 3.0% | 5,224 | 0 | 0 | 194 | 5,418 |
| Financial liabilities: | | | | | | | |
| Accounts payable | 13 | | 0 | 0 | 0 | 842 | 842 |
| Bank loans | 14 | 5.51% | 0 | 0 | 11,000 | 0 | 11,000 |
| Bank loans | 14 | 6.60% | 0 | 161 | 227 | 0 | 388 |
| Bank Loans | | 4.23% | 0 | 0 | 4,500 | 0 | 4,500 |
| | | | 0 | 161 | 15,727 | 842 | 16,730 |
| 2016 | | | | | | | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | 9 | 3.0% | 6,170 | 0 | 0 | 131 | 6,301 |
| Financial liabilities: | | | | | | | |
| Accounts payable | 13 | | 0 | 0 | 0 | 460 | 460 |
| Bank loans | 14 | 5.51% | 0 | 0 | 11,000 | 0 | 11,000 |
| Bank loans | 14 | 6.60% | 0 | 8 | 0 | 0 | 8 |
| Bank Loans | | 4.23% | 0 | 0 | 0 | 0 | 0 |
| | | | 0 | 8 | 11,000 | 460 | 11,468 |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Net Fair Values

Net fair values of financial assets are materially in line with carrying values.

Sensitivity Analysis

Bank loans are at fixed rates and accordingly there is no market risk from interest rate changes at year end.

| | 2016 \$ | 2015 \$ |
|--|-----------------|-----------------|
| 20. Reconciliation of Profit for the year to Net Cash Flows from Operating Activities | | |
| (a) Cash flows from operating activities | | |
| Profit for the year | 1,246,053 | 2,746,584 |
| Income tax expense recognised in profit or loss | (384,988) | (828,149) |
| Non-cash flows in profit: | | |
| * Depreciation | 473,886 | 710,175 |
| * Gain on disposal of property, plant and equipment | (29,208) | (64,993) |
| Changes in assets and liabilities: | | |
| * Decrease in receivables and other current assets | 67,981 | 87,019 |
| * Decrease in inventories | 43,300 | 122,687 |
| * Decrease in trade payables | (284,922) | (35,746) |
| * Decrease in sundry payables | (96,972) | (232,192) |
| * Movement in income taxes payable | (965,742) | (2,306,127) |
| * Decrease in provisions | <u>(30,374)</u> | <u>(44,085)</u> |
| Net cash generated by operating activities | <u>39,014</u> | <u>155,173</u> |

(b) Credit standby arrangements with banks

The Company holds sufficient cash to meet foreseeable funding requirements. Accordingly, credit standby arrangements are not required and have not been arranged.

21. Operating Segments

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregated operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the type of class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Types of products and services by segment

Hotel trading

The Hotel trading segment operates licensed Hotels providing liquor, food and accommodation. All products are aggregated as one reportable segment as the products are similar in nature, they are provided to similar types of customers and they are subject to a similar regulatory environment.

Gaming TAB and Amusements

The gaming TAB and amusement segment provides gaming services to customers of the licensed Hotels.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Year ended 30 June 2016

Segment Performance

| | Hotel Trading | Gaming TAB and Amusements | Total |
|-----------------------|------------------|---------------------------------|-------------------|
| Revenue | | | |
| External Sales | <u>8,890,478</u> | <u>2,115,692</u> | <u>11,006,170</u> |
| Total Segment Revenue | <u>8,890,478</u> | <u>21152,692</u> | <u>11,006,170</u> |

Reconciliation of segment result to the Company's net profit before tax

Unallocated items:

| | |
|---------------------------------|---------------------|
| • Interest received | 98,207 |
| • Rent received | 33,054 |
| • Depreciation and Amortisation | (473,886) |
| • Finance costs | (648,067) |
| • Hotel gaming device duties | (700,616) |
| • Other | <u>(8,068,809)</u> |

Segment profit before tax

1,246,053

Segment Assets

All of the assets are in the hotel segments

37,694,202

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Year ended 30 June 2015

| Segment Performance | Hotel Trading | Gaming TAB and Amusements | Total |
|--|-------------------|---------------------------------|---------------------|
| Revenue | | | |
| External Sales | <u>15,521,499</u> | <u>3,942,656</u> | <u>19,464,155</u> |
| Total Segment Revenue | <u>15,521,499</u> | <u>3,942,656</u> | <u>19,464,155</u> |
| Reconciliation of segment result to the Company's net profit before tax | | | |
| Unallocated items: | | | |
| • Interest received | | | 118,852 |
| • Rent received | | | 77,945 |
| • Depreciation and Amortisation | | | (710,175) |
| • Finance costs | | | (1,164,620) |
| • Hotel gaming device duties | | | (1,285,446) |
| • Other | | | <u>(13,754,127)</u> |
| Segment profit before tax | | | <u>2,746,584</u> |
| Segment Assets | | | |
| All of the assets are in the hotel segments | | | <u>53,165,278</u> |

22. Controlled Entities

Controlled Entities Consolidated

| | Country of Incorporation | Percentage Owned (%) | |
|--|-----------------------------|----------------------|------|
| | | 2016 | 2015 |
| Duke of Gloucester Hotel Unit Trust (to 17 November 2015) | Australia | 100 | 100 |

23. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

| Financial position | 2016 \$ | 2015 \$ |
|-------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | 6,627,295 | 5,389,032 |
| Non-current assets | <u>31,066,907</u> | <u>46,786,296</u> |
| | <u>37,694,202</u> | <u>52,175,328</u> |
| Liabilities | | |
| Current liabilities | 2,876,836 | 2,012,207 |
| Non-current liabilities | <u>16,760,116</u> | <u>24,006,396</u> |
| | <u>19,636,952</u> | <u>26,018,603</u> |
| Net Assets | <u>18,057,250</u> | <u>26,156,725</u> |

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016**

| | 2016 | 2015 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Equity | | |
| Issued capital | 5,936,449 | 5,936,449 |
| Retained earnings | 1,609,480 | 2,495,142 |
| Reserves | | |
| Asset revaluation | 10,511,321 | 13,622,850 |
| Asset realisation | <u>-</u> | <u>4,102,284</u> |
| Total equity | <u>18,057,250</u> | <u>26,156,725</u> |
| Financial performance | | |
| Profit for the year | 982,389 | 679,726 |
| Other comprehensive income | <u>-</u> | <u>(880,343)</u> |
| Total comprehensive income | <u>982,389</u> | <u>(200,617)</u> |

24 Related Party Transactions**Related Parties****a. The Company's main related parties are as follows:****i. Key management personnel:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly, or indirectly, including any director (whether executive or otherwise) of that Company are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the Remuneration Report section of the Directors' Report.

ii. Other related parties:

Other related parties include entities over which key management personnel have joint control.

b. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

25. Events after the Reporting Period

On 24 June 2016 the company announced that it had applied to ASX for the removal from the official list. A general meeting to seek members approval was held on 05 September 2016.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

26. Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- freehold land and buildings;
- investment properties; and
- obligation for contingent consideration arising from a business combination.

The Group subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

30 June 2016

| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|---------------|---------------|---------------|-------------|
| Recurring fair value measurements | | | | | |
| Non-financial assets | | | | | |
| Freehold land& Buildings | 11 | - | - | 27,353,358 | 27,353,358 |
| Gaming Machine Entitlements | 12 | - | - | 2,752,554 | 2,752,554 |
| Total non-financial assets recognised at fair value on a recurring basis | | - | - | 30,105,912 | 30,105,912 |

30 June 2015

| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|---------------|---------------|---------------|-------------|
| Recurring fair value measurements | | | | | |
| Non-financial assets | | | | | |
| Freehold land& Buildings | 11 | - | - | 27,390,364 | 27,390,364 |
| Gaming Machine Entitlements | 12 | - | - | 2,752,554 | 2,752,554 |
| Total non-financial assets recognised at fair value on a recurring basis | | - | - | 30,142,918 | 30,142,918 |

Freehold Land and Buildings have been transferred from level 2 to level 3 fair value hierarchy to recognise that some input is not based upon recognisable market data and to be consistent with the categorisation of similar assets by other companies in the hotel industry.

b. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values

| Description | Fair Value at 30 June 2016 | Valuation Technique and Inputs Used |
|---------------------------|-------------------------------|--|
| Non-financial assets | | |
| Freehold land & Buildings | 27,353,358 | Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology |
| Gaming Entitlements | 2,752,554 | Market approach using observable market data for similar entitlements |

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

27. Discontinued Operations

The sale of the Company's Buena Vista Hotel at Mosman for \$13m was settled on 14 July 2014, the sale of the Company's Bateau Bay Hotel for \$11m was settled on 21 May 2015 and the sale of the Company's Duke of Gloucester Hotel for \$16.5m was settled on 17 November 2015.

The Financial information relating to the discontinued operations for the year is set out below.

The Financial performance of the discontinued operation for the year, which is included in profit/(loss) from discontinued operations per statement of comprehensive income, is as follows:-

| | 2016 \$ | 2015 \$ |
|---|------------------|------------------|
| Revenue | <u>1,913,706</u> | <u>9,963,917</u> |
| Cost of goods sold | 553,103 | 2,959,008 |
| Interest expense on financial liabilities not at fair value through profit and loss | 120,229 | 731,321 |
| Other expenses | <u>945,872</u> | <u>4,836,836</u> |
| Expenses | <u>1,619,204</u> | <u>8,527,165</u> |
| Profit before income tax | 294,502 | 1,436,752 |
| Income tax expense | <u>(88,351)</u> | <u>(431,026)</u> |
| Profit after tax from discontinued operations | <u>206,151</u> | <u>1,005,726</u> |
| Profit/(Loss) on sale of hotels before income tax | 157,720 | (1,003,057) |
| Capital gains (tax)/tax benefit | <u>(36,397)</u> | <u>224,219</u> |
| Profit/(Loss) on sale after income tax | <u>121,323</u> | <u>(778,838)</u> |
| Total profit after tax attributable to discontinued operations | <u>327,474</u> | <u>226,888</u> |

The net cash flows of the discontinued operations which have been incorporated into the statement of cash flows are as follows:-

| | | |
|--|----------------|------------------|
| Net cash inflow from operating activities | 364,204 | 1,726,549 |
| Net cash used in investing activities | <u>-</u> | <u>(336,017)</u> |
| Net cash increase generated by the discontinued operations | <u>364,204</u> | <u>1,390,532</u> |

Non- Current Assets Held for Sale:-

| | | |
|--|----------|-------------------|
| Duke of Gloucester Hotel | | |
| Property Plant and Equipment (Note 11) | - | 14,142,658 |
| Intangibles (Note 12) | <u>-</u> | <u>2,037,342</u> |
| | <u>-</u> | <u>16,180,000</u> |