

# NEW HAVEN HOTELS LIMITED

(FORMERLY NEWHAVEN PARK STUD LIMITED)

INCORPORATED IN NEW SOUTH WALES

ABN 72 002 993 017

"Red Hill" Bowning, NSW 2582

Telephone: (02) 6227 6140 Fax: (02) 6227 6068

TFH:TW

K:\DATA\DOC\NEWHH-GENERAL\YEAR END JUNE 2017\ASX\ANNOUNCEMENT 29 SEPT 16.DOCX

29 September 2016

The Manager - Companies  
Australian Stock Exchange Limited  
SYDNEY

Dear Sir

## ANNOUNCEMENT

### 2016 ANNUAL REPORT

The Company's 2016 Annual Report is attached.

We also confirm that the Company's Annual Report to be despatched to shareholders is in the same form as that which has been lodged with the Exchange, that the accounts included therein are those attested by the Company's Auditor, and that the audit report included therein has been signed by the auditor.

A copy of the notice of annual general meeting, explanatory notes and proxy form will be lodged in due course.

Yours faithfully



T F HORTON  
(Secretary)

Registered Office C/- W M Samuel, Martin & Rogerson  
54 Goulburn Street, Crookwell 2583  
Tel (02) 4832 1100 Fax (02) 4832 2100

**NEWHAVEN HOTELS LIMITED  
AND CONTROLLED ENTITY**

**ACN 002 993 017**

**ANNUAL REPORT 2016**

**C O N T E N T S**

	Page
Corporate directory	1
Schedule of hotels	1
Chairman's statement	2
Corporate governance statement	3-5
Directors' report	6-11
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to and forming part of the financial statements	17-37
Directors' declaration	38
Independent audit report	39-40
Stock Exchange information	41
Notice of annual general meeting	Enclosed
Explanatory notes	Enclosed
Proxy form	Enclosed

## **NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

**Quoted on the official list of the Australian Stock Exchange Limited**

### **C O R P O R A T E   D I R E C T O R Y**

#### **Directors**

Frederick John KELLY (Chairman and Director of Finance)  
Norman Eric NAPPER, LL.B  
Thomas William John KELLY (Director of Gaming & Entertainment)  
Frederick John KELLY JNR (Director of Merchandise & Marketing)  
Samuel Frederick KELLY (Chief Executive Officer)  
William Frederick KELLY  
Katherine Jane KELLY (Director of Administration & Human Resources)

#### **Secretary**

Thomas Francis HORTON. BA (Acc), ACA

#### **Principal office**

Newhaven Hotels Limited  
C/- F J Kelly, "Red Hill", Bowning, NSW 2582  
Telephone: (02) 6227 6140, Fax: (02) 6227 6068

#### **Registered office and share register**

C/- SMR Crookwell Pty Ltd, Chartered Accountants  
54 Goulburn Street, Crookwell, NSW 2583  
Telephone: (02) 4832 1100, Fax: (02) 4832 2100  
P O Box 4, Crookwell, NSW 2583

#### **Share register maintained by**

Computershare Investor Services Pty. Limited  
Level 5, 115 Grenfell Street, Adelaide, SA, 5000  
Telephone: (08) 8236 2300, Fax: (08) 8236 2305  
G P O Box 1903, Adelaide, SA 5001

#### **Auditors**

Stirling International, Chartered Accountants  
Level 4, 285 Clarence Street,  
Sydney, NSW 2000

#### **Solicitors**

Esplins, Solicitors  
Level 6, 261 George Street  
Sydney, NSW 2000

#### **Bankers**

ANZ Banking Group Limited, Cowra, NSW 2794

#### **SCHEDULE OF HOTELS**

At 30 June, 2016

TERRIGAL HOTEL,  
Terrigal Drive, Terrigal, NSW

## **NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

### **CHAIRMAN'S STATEMENT**

---

Newhaven Hotels Ltd has had another good years trading and shareholders were rewarded with the payment of dividends totalling 43 cents fully franked this year.

Following the sale of the Duke of Gloucester Hotel at Randwick, which was settled in November 2015 we have continued to reduce our debts and strengthen the company's balance sheet.

Despite historically low interest rates, consumer spending continues to be slow and hotel trading conditions are very tight. The Company's directors will continue to explore best ways to pursue opportunities to make best use of the company's strong balance sheet and company structure to benefit shareholders.

The Board of the Company has determined that the delisting of the Company from the ASX is in the best interests of shareholders, as the benefits for the Company of being listed no longer outweigh the costs and disadvantages to the Company of continued listing.

The Company considers that the best way for it to move forward is as an unlisted Company.

At a General Meeting held on 5<sup>th</sup> September 2016 shareholders approved a resolution to delist the company. The company will be removed the ASX official list on 6<sup>th</sup> October 2016.

I would like to thank all our Managers and Staff for their efforts throughout the year and fellow Directors for their help and support.

FREDERICK J KELLY

28th September 2016

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### CORPORATE GOVERNANCE STATEMENT

---

This statement on the corporate governance of the Company is based on the eight principles of corporate governance set out in the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

#### Principle 1: Laying Solid Foundations for Management and Oversight

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders. For these responsibilities the Board is accountable to shareholders.

The board of directors comprises:

– executive directors

F J Kelly (Chairman) - appointed 1985

F J Kelly Jnr - appointed 2003

S F Kelly - appointed 2006

T W J Kelly - appointed 2003

K J Kelly - appointed 2007

W F Kelly - appointed 2006

– non-executive directors

N E Napper - appointed 1985

The composition of the board is determined by the shareholders.

The Board's vehicle to facilitate the identification of significant areas of business risk, implement procedures to manage such risks and to develop policies regarding the establishment and maintenance of appropriate ethical standards is the directors comprising F J Kelly and N E Napper together with the Secretary, T F Horton. Their specific role is to:

- ensure compliance in legal, statutory, and ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities;
- monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

#### Principle 2: Structuring the Board to Add Value

##### Board Composition

The Board is comprised of a Chairman, Chief Executive Officer, four executive directors and one non-executive director, all of whom have a personal financial interest in the Company. Because the Company is small the Board considers that a financial interest is desirable and does not compromise independence. One of the directors is regarded as independent and the Board is comprised of a balance of executive directors and non-executive directors. The Board considers this composition is appropriate for a Company of this size and adjusting the Board to achieve majority independent status is not necessary at this time. Details of the skills, experience and expertise of the directors is set out in the Directors Report. The directors are subject to rotation in accordance with the Articles of Association of the Company.

The directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense in accordance with the Articles of Association of the Company.

##### Committee Structure

##### Audit Committee

The Company was not within the ASX top 500 All Ordinaries Index at the 1 July 2015 and, accordingly, an audit committee is not mandatory. The Company has a small board of directors. The board considers that a formal audit committee would not provide improved efficiencies

The Board periodically reviews the Company's accounting policies; the content of financial statements; issues relating to the controls applied to the Company's activities; the content, effectiveness and independence of the external audit; risk management issues; compliance issues and other related matters.

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### CORPORATE GOVERNANCE STATEMENT (continued)

---

#### Remuneration Committee

The remuneration of both the executive and non-executive directors is determined by the board subject to the limits set by the Articles of Association of the Company and/or the shareholders in general meeting. The Company has a small Board of Directors. The Board considers that a formal remuneration committee would not provide improved efficiencies.

#### Nomination Committee

The Company has a small Board of Directors. The Board considers that a formal nomination committee would not provide improved efficiencies.

#### Independence of Directors

Mr Frederick John Kelly, the Chairman, has been a director of the Company for 31 years and has a continuing close involvement in the management of the Company. Accordingly, he is not considered an independent director. It is of great assistance to have a Chairman with a depth of experience and skills in the hotel industry, who is actively involved in the Company's decisions. Given the size of the Company, an independent Chairman is not regarded as necessary.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

Mr Norman Eric Napper who has been a director for 31 years is considered to be independent. The Board does not consider that his tenure compromises independence.

The Board is of the view that length of service on the Board does not of itself compromise independence. In fact, we believe it assists the Board of Directors to have experience over a number of business cycles.

Consideration is also given to the issue of Director Independence in any situation where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with Newhaven Hotels Limited. The Board would consider whether the relevant Director remained independent in any situation where, as a result of the commercial relationship with Newhaven Hotels Limited, an amount is paid or received and the Director had a direct or indirect material interest.

#### Principle 3: Promotion of Ethical and Responsible Decision-making

The Company maintains high standards of ethical conduct to ensure all its activities are undertaken with efficiency, honesty and fairness. Because of its size the Company does not consider a written statement of the Principles of Conduct will provide greater efficiency.

#### Dealings by Directors and Officers in Company Securities

Specific policies have been adopted by the Board in relation to buying or selling by Directors and employees, of securities in the Company itself. Directors and officers must not buy or sell the Company's securities if they possess information which is not generally available and which may materially affect the value of the Company's securities until that information has been released to the market and adequate time has been given for this to be reflected in the securities prices.

#### Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. The company is small and accordingly the Board does not believe a written policy on diversity is necessary.

	2016	
	No.	%
Women on the Board	1	14
Women in senior management roles	0	0
Women employees in the company	22	39

## **NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

### **CORPORATE GOVERNANCE STATEMENT (continued)**

---

#### **Principle 4: Safeguarding Integrity in Financial Reporting**

The Company is not required to establish an Audit Committee. (Refer to Principle 2).

The Board has obtained from the CEO and the CFO written affirmation that to the best of their knowledge and belief the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

#### **Principle 5: Timely and Balanced Disclosure**

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, we keep the market advised of all information required to be disclosed under the Rules which we believe would have material effect on the price or value of the Company's securities.

The Company Secretary and the Managing Director have responsibility for compliance with ASX Listing Rules.

Because of its size, the Company does not consider a written statement of policies and procedures designed to give effect to obligations under the ASX Listing Rules will provide greater efficiency.

#### **Principle 6: Respecting the Rights of Shareholders**

Our shareholders own the Company, and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. As owners of the Company, the Board maintains active communication with shareholders as often as is practicable.

Each year the Company asks its external auditor to attend the Annual General Meeting to answer any shareholders' questions regarding the audit.

#### **Principle 7: Recognising and Managing Risk**

The Company is committed to the establishment and maintenance of a sound system of risk oversight, management and internal control. The Company has recognised and addressed material risks to the business since its inception. The Company does not consider a formal statement of risk management procedures would result in improved efficiency.

The CEO and CFO have stated in writing that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects and the statement given at Principle 4 is founded on a sound system of risk management and internal compliance and control.

#### **Principle 8: Fair and Responsible Remuneration**

The board sets the remuneration of executive directors. The Company does not employ any non director executives. The Board does not consider that a formal Remuneration Committee would improve efficiencies when the Company has a small Board of Directors and no non director executives.

#### **Directors' Remuneration**

The constitution of Newhaven Hotels Limited requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors.

Non-executive directors do not receive any performance based remuneration. Non-executive Directors' remuneration comprises solely of Directors' fees and allowances plus payments pursuant to the Superannuation Guarantee Contribution.



## **NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

### **DIRECTORS' REPORT**

---

The directors of Newhaven Hotels Limited submit herewith the annual report on the Company for the financial year ended 30 June 2016. In order to comply with the Corporations Act, the directors report as follows:

#### **Directors**

The names of the directors of the Company who held office during the whole of the financial year or since the end of the financial year are:-

Mr Frederick J Kelly  
Mr Norman E Napper  
Mr Thomas W J Kelly  
Mr Frederick J Kelly Jnr  
Mr Samuel F Kelly  
Mr William F Kelly  
Ms Katherine J Kelly

#### **Company Secretary**

The following person held the position of Company Secretary at the end of the financial year:-

Mr Thomas F Horton – BA (Accounting) Chartered Accountant. Mr Horton has been a partner in Public Accounting firm WM Samuel Martin & Rogerson Crookwell since 1992. The firm has provided accounting management and taxation advice to the Company since 1985. Mr Horton was appointed Company Secretary on 23 October 2000.

#### **Principal activities**

The principal activities of the Company during the year ended 30 June 2016 were operating of licensed hotels.

#### **Operating results**

The Company's profit after income tax amounted to \$982,389 (2015 - \$1,139,597).

#### **Dividends Paid or Recommended**

Dividends paid or recommended for payment are as follows:

– Special dividend of 8 cents per share, fully franked at 30%, paid 17 July 2015.	\$1,894,427
– Special dividend of 35 cents per share, fully franked at 30%, paid 14 December 2015.	\$8,288,117
– Ordinary Interim dividend of 2 cents per share, fully franked at 30%, paid 26 July 2016.	\$473,606

#### **Review of operations**

The operating profit before income tax was \$951,551 (2015 - \$1,309,832). This decrease of \$358,281 is attributable mainly to tighter trading conditions in the hotel industry..

Hotel revenues decreased to \$11,166,639 (2015 - \$19,725,945) following the sale of Bateau Bay Hotel and the Duke of Gloucester Hotel.

#### **Financial Position**

The net assets of the Company have decreased by \$271,408 from 30 June 2015 to \$18,057,250 in 2016. The directors believe the Company is in a strong and stable financial position.

## **NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

### **DIRECTORS' REPORT (continued)**

---

#### **After Balance Date Events**

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 was held on 05 September 2016. The members approved the resolution and the company will be removed from the official list of ASX on 6<sup>th</sup> October 2016.

#### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Company that occurred during the financial year not otherwise disclosed in this report or the financial accounts.

#### **Future developments prospects and business strategies**

The Company's directors will continue to explore best ways to pursue opportunities to make best use of the company's strong balance sheet and company structure to benefit shareholders. The directors believe, on reasonable grounds, that to include further information on future developments and results would be likely to result in unreasonable prejudice to the Company.

#### **Environmental Regulations**

The Company's operations are not subject to significant environmental regulation under the laws of the Commonwealth and State, except for increasing restrictions on smoking in licensed premises.

#### **Information on Directors**

Frederick John KELLY (Chairman and Director of Finance)

- Subscribing shareholder and director since incorporation on 19 September, 1985.
- Appointed joint managing director October, 1985.
- Appointed chairman of directors September, 1997.
- Responsible for direction of hotel operations.
- Frederick Kelly has had many years experience in the thoroughbred breeding and racing industry and in pastoral activities; he has been actively involved in the hotel industry since 1988.
- Mr F J Kelly has a direct interest in 496,351 company shares.
- Mr F J Kelly has not been a director of any other listed entity during the last 3 years.

Norman Eric NAPPER, LL.B.

- Subscribing shareholder and non-executive director since incorporation on 19 September, 1985.
- Mr Napper is a retired solicitor.
- Mr N E Napper has an indirect interest in 20,001 shares in the company.
- Mr N E Napper has not been a director of any other listed entity during the last 3 years.

Thomas William John KELLY (Director of Gaming and Entertainment)

- Executive director appointed 6 August, 2003.
- Mr Kelly has had experience in the hotel industry, thoroughbred breeding and racing industry and in pastoral activities.
- Mr T W J Kelly has a direct interest in 2,754,001 company shares and an indirect interest in a further 3,922,750 shares in the company.
- Mr T W J Kelly has not been a director of any other listed entity during the last 3 years.

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### DIRECTORS' REPORT (continued)

#### Information on directors (continued)

Frederick John KELLY JNR (Director of Merchandise and Marketing)

- Executive director appointed 6 August, 2003.  
Mr F J Kelly Jnr has had extensive experience in hotel management and is involved in the management of the Company hotels.
- Mr F J Kelly Jnr has a direct interest in 48,481 shares in the company and an indirect interest in a further 1,553,213 Company shares.  
Mr F J Kelly Jnr has not been a director of any other listed entity during the last 3 years

Samuel Frederick KELLY (Chief Executive Officer)

- Executive director appointed 15 February 2006.
- Mr S F Kelly has had experience in hotel management and is involved in the management of the Company hotels.
- Mr S F Kelly has a direct interest in 173,665 shares in the company and an indirect interest in a further 6,032,028 Company shares.
- Mr S F Kelly has not been a director of any other listed entity during the last 3 years.

William Frederick KELLY

- Non executive director appointed 15 February 2006.
- Mr W F Kelly has had experience in the hotel industry and thoroughbred racing and breeding and pastoral activities.
- Mr W F Kelly has a direct interest in 175,650 shares in the company and an indirect interest in a further 6,468,566 Company shares.
- Mr W F Kelly has not been a director of any other listed entity during the last 3 years.

Katherine Jane KELLY (Director of Administration and Human Resources)

- Executive Director appointed 1 July 2007.
- Ms K J Kelly has had experience in hotel management and administration.
- Ms Kelly has a direct interest in 49,000 shares in the Company and an indirect interest in a further 1,546,779 Company shares.
- Ms Kelly has not been a director of any other listed entity during the last 3 years.

#### Remuneration Report

This report details the nature and amount of remuneration for each director of Newhaven Hotels Limited, and for the executives receiving the highest remuneration.

#### Performance Based Remuneration

Remuneration of directors, secretary or senior management does not contain any performance based conditions.

#### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration of directors is considered moderate. The directors between them hold a significant number of shares in the Company. This position is considered to promote increased shareholder wealth.

The following table shows gross revenue, profits and dividends for the last five years as well as the share price at the end of each year.

	2012	2013	2014	2015	2016
Revenue	\$23.55m	\$25.12m	\$26.12m	\$19.8m	\$11.2m
Net Profit	\$1.1m	\$0.7m	\$1.8m	\$1.1m	\$1.0m
Share Price at Year-end	\$1.12	\$0.93	\$0.85	\$1.55	\$1.79
Dividends Paid	6 cents	4 cents	6 cents	14 cents	43 cents

# NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

## DIRECTORS' REPORT (continued)

### Details of Remuneration for year ended 30 June 2016

The remuneration for each director and each executive officer of the Company during the year was as follows:

2016		Short Term Benefits	Post Employment Benefits			
Director	Position held And any change During the year	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Options Benefits	Total
F J Kelly	Chairman and Managing Director	135,000	13,586	-	-	148,586
N E Napper	Director	10,000	760	-	-	10,760
T W J Kelly	Director	25,800	26,583	-	-	52,383
F J Kelly Jnr	Director	10,000	760	-	-	10,760
S F Kelly	Director and CEO	51,600	4,712	-	-	56,312
W F Kelly	Director	51,600	4,712	-	-	56,312
K J Kelly	Director	41,200	3,724	-	-	44,924
		<u>325,200</u>	<u>54,837</u>	<u>-</u>	<u>-</u>	<u>380,037</u>

2015		Short Term Benefits	Post Employment Benefits			
Director	Position held And any change During the year	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Options Benefits	Total
F J Kelly	Chairman and Managing Director	140,000	19,632	-	-	159,632
N E Napper	Director	10,000	760	-	-	10,760
T W J Kelly	Director	24,800	30,894	-	-	55,694
F J Kelly Jnr	Director	10,000	1,500	-	-	11,500
S F Kelly	Director and CEO	52,000	6,378	-	-	58,378
W F Kelly	Director	52,000	6,378	-	-	58,378
K J Kelly	Director	41,200	5,130	-	-	46,330
		<u>330,000</u>	<u>70,672</u>	<u>-</u>	<u>-</u>	<u>400,672</u>

There were no other primary or post employment items of remuneration.

### Remuneration Options

Options are not granted as remuneration.

### Shares Issued on Exercise of Remuneration Options

Options are not granted as remuneration.

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### DIRECTORS' REPORT (continued)

#### Shareholdings

Number of Shares held by Directors and Specified Executives

Directors	Balance 01/07/15	Changes During Year	Balance 30/06/16
F J Kelly	496,351	0	496,351
N E Napper	20,001	0	20,001
T W J Kelly	6,676,751	0	6,676,751
F J Kelly Jnr	1,605,213	(3,519)	1,601,694
S F Kelly	6,205,693	0	6,205,693
W F Kelly	6,644,216	0	6,644,216
K J Kelly	<u>1,595,779</u>	<u>0</u>	<u>1,595,779</u>
	<u>23,244,004</u>	<u>(3,519)</u>	<u>23,240,485</u>

#### Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:-

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

#### Performance Income as a Proportion of Total Remuneration

Performance based bonuses are not paid by the Company.

#### Options Issued as Part of Remuneration

Options are not granted as remuneration.

#### Employment Contracts of Directors and Senior Executives

The employment conditions of the directors are not formalised in written contracts of employment. The directors are subject to rotation in accordance with the Articles of Association of the Company.

#### Directors' Meetings

During the year, six (6) meetings of directors (including committees) were held. The attendances of the directors at the meetings of the Board were:

	Number Attended	Number eligible to attend
F J Kelly	6	6
N E Napper	6	6
T W J Kelly	6	6
F J Kelly Jnr	6	6
S F Kelly	6	6
W F Kelly	6	6
K J Kelly	6	6

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### DIRECTORS' REPORT (continued)

---

#### Indemnifying of Officers and Auditor

During or since the end of the financial year the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid or agreed to pay a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

#### Options

No options were granted over unissued shares or interest during or since the financial year by the Company to directors or any remunerated officers as part of their remuneration.

#### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

#### Non-audit Services

The Company's auditors do not provide non audit services to the Company.

#### Auditor's Independence Declaration

The auditor's independence declaration is included on Page 12 of the annual report.

This directors' report is signed in accordance with a resolution of the board of directors made pursuant to s.298 of the Corporations Act 2001.



S F KELLY  
Director



N E NAPPER  
Director

28th September 2016



# STIRLING INTERNATIONAL

CHARTERED ACCOUNTANTS

ABN 65 085 182 822

The Board of Directors  
Newhaven Hotels Limited  
"Red Hill"  
Bowning, NSW 2582

Dear Board Members

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Newhaven Hotels Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours Sincerely,

STIRLING INTERNATIONAL  
Chartered Accountants

Roger Williams  
Partner

28th September 2016

Level 4, 285 Clarence Street Sydney NSW 2000 Australia  
PO Box Q182 Sydney NSW 1230  
Email: [office@stirlinginternational.com.au](mailto:office@stirlinginternational.com.au)  
Telephone (02) 8268 8188 Facsimile (02) 8268 8199

---

Liability limited by a scheme approved under Professional Standards Legislation

**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 \$
<b>Continuing Operations</b>			
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		(2,247,272)	(2,387,116)
Depreciation expenses		( 353,960)	( 263,631)
Finance costs	3	( 527,711)	( 433,299)
Hotel gaming device duties		( 520,003)	( 473,179)
Hotel repairs and maintenance		( 120,272)	( 90,296)
Other Hotel expenses		( 826,486)	( 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)
<b>Net profit from continuing operations</b>		<b>654,915</b>	<b>912,709</b>
<b>Discontinued operations</b>			
Profit from discontinued operations after tax	27	327,474	226,888
Net profit for the year		982,389	1,139,597
<b>Other Comprehensive Income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Revaluation gain on land and buildings, net of tax		-	552,631
Other comprehensive income for the year, net of tax		-	552,631
<b>Total Comprehensive Income for the year</b>		<b>982,389</b>	<b>1,692,228</b>
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
<b>Earnings per Share:</b>			
<b>From continuing and discontinued operations:</b>			
Basic earnings per share (cents)	8	4.1	4.8
Diluted earnings per share (cents)	8	4.1	4.8
<b>From continuing operations:</b>			
Basic earnings per share (cents)	8	2.7	3.8
Diluted earnings per share (cents)	8	2.7	3.8
<b>From discontinued operations:</b>			
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 \$
<b>Current Assets</b>			
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>
<b>Total current assets</b>		<u>6,627,295</u>	<u>21,980,526</u>
<b>Non Current Assets</b>			
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>
<b>Total non-current assets</b>		<u>31,066,907</u>	<u>31,184,752</u>
<b>TOTAL ASSETS</b>		<u>37,694,202</u>	<u>53,165,278</u>
<b>Current Liabilities</b>			
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>
<b>Total current liabilities</b>		<u>2,876,836</u>	<u>5,797,476</u>
<b>Non-Current Liabilities</b>			
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>
<b>Total non-current liabilities</b>		<u>16,760,116</u>	<u>20,110,396</u>
<b>TOTAL LIABILITIES</b>		<u>19,636,952</u>	<u>25,907,872</u>
<b>NET ASSETS</b>		<u>18,057,250</u>	<u>27,257,406</u>
<b>EQUITY</b>			
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>
<b>TOTAL EQUITY</b>		<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
<b>Comprehensive Income</b>						
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
<b>Transactions with owners, in their capacity as owners and other transfers</b>						
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)
<b>Other</b>						
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
<b>Balance at 30 June 2015</b>		<b>5,936,449</b>	<b>4,519,823</b>	<b>13,849,050</b>	<b>2,952,084</b>	<b>27,257,406</b>
<b>Balance at 1 July 2015</b>		<b>5,936,449</b>	<b>4,519,823</b>	<b>13,849,050</b>	<b>2,952,084</b>	<b>27,257,406</b>
<b>Comprehensive Income</b>						
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
<b>Transactions with owners, in their capacity as owners and other transfers</b>						
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)
<b>Other</b>						
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
<b>Balance at 30 June 2016</b>		<b>5,936,449</b>	<b>1,609,480</b>	<b>10,511,321</b>	<b>0</b>	<b>18,057,250</b>

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 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		12,152,157	21,486,643
Interest received		98,682	110,957
		<u>12,250,839</u>	<u>21,597,600</u>
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		<u>(677,103)</u>	<u>(1,324,101)</u>
Net cash generated by operating activities	20(a)	<u>39,014</u>	<u>155,173</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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 27 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.

#### Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversals of impairment recognised on classification as held for sale or prior to such classification are recognised as a gain in profit or loss in the period in which it occurs.

#### 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%

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

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

---

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.

#### 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.

## **NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

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

---

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.

#### **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.

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

---

**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).

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.



## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

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

---

#### (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 re-measurements 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.

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.

**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 \$
<b>2. Revenue and Other Income</b>		
(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	<u>94,488</u>	<u>111,338</u>
	<u>9,223,725</u>	<u>9,742,528</u>
Other Income:-		
Gain on disposal of property, plant and equipment	<u>29,208</u>	<u>19,500</u>
	<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>
<b>3. Profit for the Year</b>		
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>527,711</u>	<u>433,299</u>
<b>4. Income Tax Expense</b>		
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 \$
<b>5. Key Management Personnel Compensation</b>		
Key management personnel compensation and the remuneration policy is disclosed in the Remuneration Report section of the Directors' Report.		
<b>6. Auditors' Remuneration</b>		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial statements	<u>29,500</u>	<u>50,660</u>
<b>7. Dividends Paid and Proposed</b>		
<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>
<b>8. Earnings Per Share</b>		
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 \$	
<b>9. Cash and Cash Equivalents</b>			
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>	
<b>10. Other Assets</b>			
Current			
Accrued Income	20,461	32,402	
Prepayments	<u>150,390</u>	<u>150,822</u>	
	<u>170,851</u>	<u>183,224</u>	
<b>11. Property, Plant and Equipment</b>			
<b>Hotel property, plant and equipment</b>			
Freehold land, building and improvements at directors' valuation less depreciation	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 \$
<b>Property, plant and equipment</b>			
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 subject to depreciation. 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 \$
<b>12. Intangible Assets</b>		
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>
<b>13. Trade and Other Payables</b>		
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>
<b>14. Borrowings</b>		
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 \$
<b>15. Tax</b>		
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 \$
<b>17. Issued Capital</b>		
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 \$
<b>FINANCIAL ASSETS</b>			
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>
<b>FINANCIAL LIABILITIES</b>			
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
<b>2015</b>							
<b>Financial assets:</b>							
Cash and cash equivalents	9	3.0%	5,224	0	0	194	5,418
<b>Financial liabilities:</b>							
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
<b>2016</b>							
<b>Financial assets:</b>							
Cash and cash equivalents	9	3.0%	6,170	0	0	131	6,301
<b>Financial liabilities:</b>							
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 \$
<b>20. Reconciliation of Profit for the year to Net Cash Flows from Operating Activities</b>		
(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	(30,374)	(44,085)
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

	<b>Hotel Trading</b>	<b>Gaming TAB and Amusements</b>	<b>Total</b>
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>2,115,692</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	<u>1,246,053</u>
---------------------------	------------------

##### Segment Assets

All of the assets are in the hotel segments	<u>37,694,202</u>
---	-------------------

# 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>
<b>Segment Assets</b>			
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	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 \$
<b>Assets</b>		
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>
<b>Liabilities</b>		
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 \$
<b>Equity</b>		
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	-	4,102,284
<b>Total equity</b>	<b>18,057,250</b>	<b>26,156,725</b>
<b>Financial performance</b>		
Profit for the year	982,389	679,726
Other comprehensive income	-	(880,343)
<b>Total comprehensive income</b>	<b>982,389</b>	<b>(200,617)</b>

**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. The members approved the resolution and the company will be removed from the official list of ASX on 6<sup>th</sup> October 2016.

**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

### 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>



## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### DIRECTORS DECLARATION

---

In accordance with a resolution of the directors of the Company, the directors declare that:

1. the financial statements and notes, as set out on pages 13 to 37 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards; which. As stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer.



S F KELLY  
Director



N E NAPPER  
Director

28th September 2016



STIRLING INTERNATIONAL  
CHARTERED ACCOUNTANTS  
ABN 65 085 182 822

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY**

### ***Report of the Financial Report***

We have audited the accompanying financial report of Newhaven Hotels Limited and controlled entity which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant policies and other explanatory information and the directors' declaration of the company at the year's end or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statement*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Newhaven Hotels Limited and controlled entity, would be in the same terms if provided to the directors as at the date of this auditor's report.

### **Auditor's Opinion**

In our opinion:

- a. the financial report of Newhaven Hotels Limited and controlled entity is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Newhaven Hotels Limited and controlled entity for the year ended 30 June 2016 complies with s300A of the *Corporations Act 2001*.



STIRLING INTERNATIONAL  
Chartered Accountants



Roger Williams  
Partner

Signed this 28th day of September 2016 at Sydney, New South Wales

Level 4, 285 Clarence Street Sydney NSW 2000 Australia  
PO Box Q182 Sydney NSW 1230  
Email: [office@stirlinginternational.com.au](mailto:office@stirlinginternational.com.au)  
Telephone (02) **8268 8188** Facsimile (02) **8268 8199**

---

Liability limited by a scheme approved under Professional Standards Legislation

## NEWHAVEN HOTELS LIMITED AND CONTROLLED ENTITY

### STOCK EXCHANGE INFORMATION

#### Statement of quoted securities as at 27 September, 2016

- there are 92 shareholders holding a total of 23,680,335 quoted ordinary shares fully paid.
- voting rights are that on a show of hands each member present in person or by proxy or attorney or representative shall have one vote and upon a poll every member so present shall have one vote for every share held.

#### Distribution of securities as at 27 September, 2016

Range	Number of holders
1 - 1,000	25
1,001 - 5 000	48
5,001 - 10,000	5
10,001 - 100,000	6
100,001 and over	8
Total holders	<u>92</u>

There are 5 shareholders holding less than a marketable parcel of 304 shares.

#### Substantial shareholdings

The names of the substantial shareholders listed in the company's register are:

Shareholder	Number
FJK Nominees Pty Limited	1,595,779 ordinary shares
JWK Nominees Pty Limited	6,676,751 ordinary shares
WF Kelly Pty Limited	6,388,216 ordinary shares
Bella Developments Pty Limited	1,553,213 ordinary shares
Bryjoi Pty Limited	6,205,693 ordinary shares

#### Twenty largest shareholders as at 27 September, 2016

	Number of Shares	% of total Shares
JWK Nominees Pty Limited	6,676,751	28.20
WF Kelly Pty Limited	6,388,216	26.98
Bryjoi Pty Limited	6,205,693	26.21
FJK Nominees Pty Limited	1,595,779	6.74
Bella Developments Pty Limited	1,553,213	6.56
Mr Frederick John Kelly	496,351	2.10
One Managed Investment Funds Ltd	344,620	0.46
Mr Trevor Andrew Eustace	110,000	1.24
Mrs Jennie Fawcner Stenlake	30,000	0.13
Mr Danny Tee Keat Tan	26,000	0.11
Mr Norman Eric & Mrs Kristine Napper	20,001	0.08
Mr Bruce Webb	20,000	0.08
Mr Jason McDermott	17,000	0.07
Mr Gregory Keith Irwin	12,000	0.05
EJ O'Connor & Son (Yass) Pty Limited	10,000	0.04
Mr Bruce Edward Shelton	10,000	0.04
Mr Ian Vincent & Mrs Anne Millard	6,000	0.03
Mr Sidney Edward Smith	6,000	0.03
Mr Peter John Young	6,000	0.03
Ms Dagmar Maria Abrahams	5,000	0.03
	<u>23,538,624</u>	<u>99.40</u>