



MA Financial Group

Redcape Hotel Group

Annual Report

Issuer and responsible entity

Redcape Hotel Group Management Ltd ACN 610 990 004, as responsible entity of the Redcape Hotel Trust I, ARSN 629 354 614 and the Redcape Hotel Trust II, ARSN 629 354 696

Manager

MA Hotel Management Pty Ltd
ACN 619297228

30 June 2022



Redcape
HOTEL GROUP

Redcape Hotel Group

Comprising Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696)

Annual Report - 30 June 2022

Redcape Hotel Group
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Redcape Hotel Group
Directors' report
30 June 2022

The Directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the stapled consolidated entity (referred to hereafter as 'Redcape' or 'Group') consisting of Redcape Hotel Trust I ('RHT I') and Redcape Hotel Trust II ('RHT II') and the entities they controlled at the end of, or during, the year ended 30 June 2022. The manager of Redcape is MA Hotel Management Pty Ltd ('Trust Manager' or 'Management'), a wholly owned subsidiary of MA Financial Group Limited ('MA Financial').

Directors

The following persons were Directors of the Responsible Entity for the year ended 30 June 2022 and up to the date of this report, unless otherwise stated:

Mr Nicholas Collishaw
Mr Daniel Brady
Mr Andrew Ireland
Mr David Groves
Mr Hugh Thomson

Principal activities

Redcape is a leading Australian hotel business operating a portfolio of 36 hotels across New South Wales ('NSW') and Queensland ('QLD'). Redcape owns the freehold (land and building) of 34 of the 36 hotels it operates. The hotels offer patrons:

- on-premise food and beverage;
- off-premise packaged liquor through retail bottle shops;
- gaming; and
- other services.

Ownership of the freehold gives Redcape the benefits of investing in refurbishment opportunities as well as providing potential future development and enhancement opportunities from the real estate on which the hotels are situated.

Significant changes in the state of affairs

Delisting of Redcape from the Australian Securities Exchange ('ASX')

On 18 August 2021, the Board of the Responsible Entity recommended the delisting of Redcape from the ASX. The delisting proposal provided optionality for unitholders to either remain invested in Redcape as an open-ended unlisted fund or realise their investment through an off-market buy-back at \$1.15 per unit ('Buy-Back Price'). The Buy-Back occurred prior to delisting with a proposed maximum amount of \$247.3 million. Redcape also proposed a Rights Issue to partially fund the Buy-Back and provide the opportunity for existing Redcape unitholders to acquire additional units.

Unitholders voted in favour of the delisting proposal at the Redcape Hotel Group Unitholder General Meeting on 10 September 2021. At 19 October 2021, applications for the buy-back of 126.5 million Redcape ordinary stapled units were received.

The \$145.5 million Buy-Back (representing 126.5 million securities) was funded as follows:

- \$115.0 million of net debt funding from Redcape comprising \$100.0 million in new facilities and draw down of \$15.0 million in existing facilities;
- \$1.4 million of proceeds from the Rights Issue; and
- \$29.1 million via an issue of 25.3 million new units to MA Moelis Australia Advisory Pty Ltd in accordance with underwriting arrangements for the Rights Issue.

Redcape was removed from the ASX Official List at the close of trading on 2 November 2021.

Expanded debt headroom and extended tenor

On 13 August 2021, Redcape extended the tenor of two of its existing lending facilities from September 2022 to December 2025.

On 25 October 2021, Redcape secured an additional \$100.0 million funding facility with \$25.0 million expiring in December 2025 and \$75.0 million ('Bridge Loan') expiring in March 2023. This increased the Facility Limit from \$600.0 million to \$700.0 million excluding \$4.0 million in ancillary facilities. Subsequent to year-end, the Bridge Loan was refinanced and extended with a 5-year tenor.

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Distributions

Distributions paid/payable during the financial year for the quarters ending:

	Consolidated	
	2022	2021
	\$'000	\$'000
30 September 2021 of nil cents (30 September 2020: 1.83 cents) per stapled unit	-	10,105
31 December 2021 of 1.95 cents (31 December 2020: 1.83 cents) per stapled unit	8,818	10,105
31 March 2022 of 2.30 cents (31 March 2021: 1.83 cents) per stapled unit	10,424	10,105
30 June 2022 of 2.30 cents (30 June 2021: 2.67 cents) per stapled unit	10,652	14,744
	29,894	45,059

Review of operations

The statutory loss for Redcape after providing for income tax amounted to \$37.7 million (30 June 2021: profit of \$28.5 million).

Impacts of Coronavirus ('COVID-19') pandemic

Redcape continued to be impacted by COVID-19 government restrictions for most of the financial year. Hotels in NSW (excluding off-premise bottle shops) were temporarily closed from 26 June 2021 to 11 October 2021 in line with NSW Government COVID-19 restrictions. The NSW hotels resumed trading albeit under Government mandated restrictions from 11 October 2021 until 28 February 2022 when all restrictions were lifted. Hotels in QLD (excluding off-premise bottle shops) were intermittently closed from 29 June 2021 to 8 August 2021. All restrictions for the hotels in QLD were lifted on 12 June 2022.

Assistance and support by governments and others

During the financial year, the Group received \$3.2 million of government support through the JobSaver program. JobSaver is a temporary subsidy for NSW businesses impacted by COVID-19 to help maintain their NSW employee headcount.

In addition to JobSaver, the Group received payment deferrals of State and other taxes amounting to \$22.0 million which will be repaid in financial year 2023.

Non-IFRS Disclosures

The Group utilises non-IFRS financial metrics in its assessment and presentation of Group performance. In particular, the Group references Operating Earnings Before Interest, Tax, Depreciation and Amortisation ('Operating EBITDA') and Underlying Earnings ('UE') per Stapled Unit.

The Directors of the Responsible Entity believe these non-IFRS metrics are useful to users as they:

- reveal the underlying and operating performance of the Group which enhances the reader's understanding of past performance;
- provide insight into Management's decision making as Management uses these measures to run the business, allocate resources and make financial, strategic, and operating decisions; and
- forms the basis of the Group's annual budgeting and internal forecasting processes.

Operating EBITDA and UE are not prepared in accordance with International Financial Reporting Standards and are not audited. A reconciliation of non-IFRS financial metrics to statutory results is provided below.

Redcape Hotel Group
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The key metrics achieved during the year are set out below:

- Statutory loss of \$37.7 million predominantly driven by:
 - lower operating EBITDA of \$55.2 million (30 June 2021: \$74.1 million) primarily due to the temporary closure of NSW Hotels (excluding off-premise bottle shops) to 11 October 2021 and intermittent closure of QLD Hotels (excluding off-premise bottle shops) till 8 August 2021
 - higher performance fee of \$48.2 million (30 June 2021: \$11.9 million) reflective of the revaluation of the Group's assets due to improved earnings and cap rate compression
 - loss on revaluation of assets of \$13.6 million (30 June 2021: \$4.4 million gain)
- Underlying earnings of \$33.9 million or 6.98 cents per stapled unit (30 June 2021: \$56.4 million or 10.21 cents per stapled unit)
- Distributions of \$29.9 million or 6.55 cents per stapled unit (30 June 2021: \$45.1 million or 8.16 cents per stapled unit)
- Operating cash flows of \$46.5 million (30 June 2021: \$69.0 million)
- Portfolio value increased to \$1,196.5 million (30 June 2021: \$1,175.8 million). The increase in value reflects the net impact of revaluation of \$39.8 million comprising \$53.4 million gain recognised in asset revaluation reserve reduced by \$13.6 million loss recognised in the statement of profit or loss and other comprehensive income; reduced by \$22.8 million reclassified to asset held for sale; capital spend \$21.5 million less depreciation \$17.7 million and asset disposal of \$0.1 million
- Statutory Net Asset Value of \$1.16 per stapled unit (30 June 2021: \$1.17 per stapled unit)
- Directors Net Asset Value of \$1.65 per stapled unit (30 June 2021: \$1.31 per stapled unit)
- Total capital expenditure of \$21.5 million (30 June 2021: \$20.1 million) of which \$15.0 million was related to capital growth and \$6.5 million for capital maintenance

It is important to note that the above metrics when compared to the year prior reflect the impact of temporary lockdowns in NSW until 11 October 2021 and South-East Queensland until 8 August 2021. As such they are non-comparable.

Reconciliation of non-IFRS financial metrics to statutory results

(i) Reconciliation of Operating EBITDA to Statutory Net Profit after Tax ('NPAT')

	Consolidated	
	2022	2021
	\$'000	\$'000
Revenue	308,905	335,318
Gross profit	162,448	174,818
Operating costs	(38,912)	(36,070)
Employment costs	(52,824)	(48,407)
Management fees (excluding performance fee)	(15,512)	(16,286)
Operating EBITDA	55,200	74,055
Performance fee	(48,178)	(11,876)
(Loss)/gain on disposal of non-current assets	(178)	48
(Loss)/gain on asset revaluation	(13,585)	4,390
Business acquisition costs	-	(4,366)
Transaction costs	-	(5,000)
EBITDA	(6,741)	57,251

Redcape Hotel Group
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EBITDA	(6,741)	57,251
Depreciation expense on right-of-use assets	(2,806)	(2,419)
Depreciation expense	(17,697)	(15,014)
EBIT	(27,244)	39,818
Interest on lease liabilities	(1,223)	(1,331)
Net finance costs	(13,805)	(10,985)
	(15,028)	(12,316)
Income tax benefit	4,533	970
Statutory NPAT	(37,739)	28,472
Gross profit (% of Revenue)	52.6%	52.1%
Operating EBITDA (% of Revenue)	17.9%	22.1%

(ii) Reconciliation of Statutory NPAT to Underlying Earnings

	Consolidated	
	2022	2021
	\$'000	\$'000
Statutory NPAT	(37,739)	28,472
Add/(deduct) non-cash and non-operating items		
Performance fees	48,178	11,876
Business acquisition costs	-	4,366
Loss/(gain) on disposal of non-current assets	178	(48)
Loss/(gain) on asset revaluation	13,585	(4,390)
Transaction costs	-	5,000
Depreciation expense on right-of-use assets	2,806	2,419
Depreciation expense	17,697	15,014
Interest on lease liabilities	1,223	1,331
Cash rent adjustment	(2,930)	(2,553)
Amortisation of capitalised loan establishment costs	1,963	1,456
Maintenance capital expenditure	(6,515)	(5,596)
Tax benefit	(4,533)	(970)
Underlying earnings	33,913	56,377
Underlying earnings per stapled unit (cents)	6.98	10.21
Weighted average number of stapled units	486,172,130	552,195,195

Management strategies and future prospects

Continuing the strategy to optimise sustainable distributions

The Group was well placed to manage the fluctuating conditions caused by COVID-19. The Group's strong liquidity, cost management capability, motivated and engaged workforce and supportive customers ensured strong performance on reopening. This strong performance was sustained throughout the 2022 financial year despite the fluctuations in regulatory restrictions during the period.

Redcape has experienced strong revenue performance since venues reopened from lockdown. Operating EBITDA increased progressively post resumption of trade reflecting a combination of strong trading post re-opening and disciplined cost management.

Material business risks

Redcape is subject to a range of business risk factors, both specific to the Group and general in nature which may impact the operating and financial performance of the Group. These risks are regularly reviewed for their possible impact.

Redcape Hotel Group
Directors' report
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Major business disruption events

The Group's continued success is underpinned by its ability to anticipate, respond to and recover from events which have the potential to prevent the continued operation of the Group's venues for a sustained period of time. The Group's business continuity framework enables identification of material risks and outlines the response and recovery of the business to minimise the impact of a major disruption on the business.

Regulatory risk

The Group operates in a highly regulated industry, where changes to liquor or gaming licences could significantly impact the trading performance and therefore impact Operating EBITDA and long-term profitability of the Group. The Group is unable to control regulatory changes that may impact on the Group's venues however this is closely monitored to ensure that any potential impacts are mitigated as much as possible.

Financial management

The ability to maintain financial performance and a strong balance sheet enables the Group to fund future growth opportunities on commercially acceptable terms. The Group annually establishes a financial budget which underpins the setting of performance targets incorporated in management incentive plans. Financial performance is continuously monitored for any variations from annual financial budgets and forecast.

Matters subsequent to the end of the financial year

Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group has been reflected in the results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine and boosters, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the prompt implementation of business continuation processes should future lockdowns occur. These processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation closely.

Assets held for sale

As detailed in note 12 of the notes to the consolidated financial statements, the Group completed the settlement of the sale of Minskys Hotel on 8 August 2022 for a total consideration of \$39.0 million. The accounting gain on the sale of Minskys Hotel will be included in the 2023 financial year.

New loan facility

On 23 August 2022, Redcape secured a new \$75.0 million debt facility with a 5-year tenor (expiry August 2027) to replace the Bridge Loan which was due to expire in March 2023.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Redcape Hotel Group
Directors' report
30 June 2022**

Information on Directors

Name: Nicholas Collishaw
Title: Independent Non-Executive Director and Chairman
Qualifications: Fellow of Australian Institute of Valuers, a Fellow of Royal Institute of Chartered Surveyors, a Graduate Member of FINSIA and the Institute of Company Directors.
Experience and expertise: Nicholas was appointed to the Board on 27 September 2018. Nicholas has over 40 years of experience in Australian and Global real estate and funds management markets. He has considerable experience in the development and management of residential, hotel, commercial, retail, industrial and retirement assets. Nicholas currently serves as the joint Chief Executive Officer ('CEO') of Lincoln Place Pty Ltd, a boutique funds management entity focused on affordable retirement accommodation and is an Independent Non-Executive Director of ASX-listed Lendlease Group. Until retirement recently, Nicholas was a non-executive director of ASX-listed investment manager Centuria Capital.

Special responsibilities: Nicholas's executive career has comprised of a number of high profile roles including Centuria Capital's Chief Executive Officer of Listed Property and Chief Executive Officer and Managing Director of Mirvac Group. He also held senior leadership positions at James Fielding Group where he was Executive Director and Head of Property, Deutsche Industrial Trust and Paladin Commercial Trust.
Chairman of the Board and Member of the Audit, Risk & Compliance Committee

Name: Daniel Brady ¹
Title: Non-Executive Director
Qualifications: Graduated from the Advanced Management Program, Harvard Business School 2016.
Experience and expertise: Daniel was appointed to the Board on 29 October 2018. Daniel is currently CEO of MA Hotel Management Pty Ltd ('MAHM'), the manager and hotel operator of Redcape. An accomplished CEO, Board member, and Director, Daniel is a proven leader who consistently delivers excellence through leading-edge strategy development, execution, and high team performance to guarantee financial returns and prosperity for all stakeholders.

With over 30 years' experience, from proprietary ownership of a single hotel operation to his current role, Daniel is widely regarded as an industry specialist. As the CEO of Redcape and MA Hotel Management, Daniel oversees circa \$2 billion in Hotel Assets under management, circa \$150 million in total earnings.

Special responsibilities: Daniel values the power that capable people and systems add to an organisation and is acutely focused on performance with a foundation of strong ethical governance and risk management.
None

¹ Daniel Brady is a Non-Executive Director of the Responsible Entity as he is not employed by the Group, however, is responsible for managing the day to day affairs of the Group in his capacity as CEO of MAHM.

**Redcape Hotel Group
Directors' report
30 June 2022**

Name: Andrew Ireland
Title: Independent Non-Executive Director
Qualifications: Bachelor of Science from La Trobe University, Graduate Member of the Australian Institute of Company Directors and a Life Member of the Australian Football League.
Experience and expertise: Andrew was appointed to the Board on 29 October 2018. Andrew is currently Chairman of Six Point Consultancy, Deputy Chairman of the Australian Sports Commission and Director of the Sydney Swans.

Prior to this, Andrew was Managing Director and CEO of Sydney Swans having been appointed as CEO in September 2009 after joining the club in 2002 as General Manager of Football. Since 1990, Andrew has been involved in the management of leading Australian sporting teams including a successful tenure as CEO of Brisbane Bears and Brisbane Lions (1990 – 2001). He led the Brisbane Lions to their first premiership in 2001 as CEO and has overseen a strong and successful football program and growth in commercial areas during his time at Sydney Swans. During both tenures as CEO, Andrew had ultimate responsibility for the AFL clubs' substantial social clubs, which included bars, restaurants and EGMs.

During his tenure at the Brisbane Lions, Andrew was appointed by the QLD Treasurer as a Director of The Golden Casket Corporation, overseeing a gaming entity in a highly regulated market.

Special responsibilities: Member of the Audit, Risk & Compliance Committee

Name: David Groves
Title: Independent Non-Executive Director
Qualifications: Member of Chartered Accountants Australia & New Zealand; Bachelor of Commerce from the University of Wollongong and a Master of Commerce from the University of NSW.

Experience and expertise: David was appointed to the Board on 27 September 2018. He has over 25 years' experience as a company director. David is a Non-Executive Director of Pengana Capital Group Limited, Pengana International Equities Limited and is Chairman of Tasman Sea Salt Pty Ltd. He is a former director of EQT Holdings Limited, Tassal Group Limited and GrainCorp Limited and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. David is a member of the Council of Wollongong University.

Special responsibilities: Chairman of the Audit, Risk & Compliance Committee

Name: Hugh Thomson
Title: Non-Executive Director
Qualifications: Qualified chartered accountant and holds a Bachelor of Arts (Honours) from the University of East Anglia.

Experience and expertise: Hugh was appointed to the Board on 26 February 2016. Hugh is a Managing Director at MA Financial with a broad range of responsibilities including managing one of the Group's speciality lending businesses. Prior to this, he was COO of MA Financial. Hugh has over 24 years of experience in Investment Management, with a particular emphasis on the acquisition of alternative assets, finance and operations in Australia across a range of industry sectors. Hugh's previous roles include Chief Financial Officer ('CFO') and CEO of ING Real Estate Investment Management, COO of HiLife Health & Beauty and CFO of Industrie Clothing. Hugh has considerable expertise in managing ASX listed funds, including as an executive Board member and Chairman of investment committees and operational risk management committees.

Special responsibilities: None

Company Secretary

Ms Rebecca Ong was appointed to the position of Company Secretary in October 2018. Rebecca is General Counsel of MA Financial Group Limited (ASX: MAF). She has over 15 years of experience in areas of corporate, regulatory and funds management. Prior to joining MA Financial in 2018, Rebecca was Regional Counsel with UBS, with primary responsibilities for advising its Asset Management businesses across Asia Pacific both from Sydney and Hong Kong. Rebecca holds a Bachelor of Commerce (Finance Major) / Bachelor of Laws from the University of New South Wales and is a Fellow with the Governance Institute of Australia.

Redcape Hotel Group
Directors' report
30 June 2022

Meetings of Directors

The number of meetings of the Responsible Entity's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Full Board		Sub-Committee of Board		Audit, Risk & Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Nicholas Collishaw	16	17	1	1	6	6
Mr Daniel Brady	17	17	1	1	-	-
Mr Andrew Ireland	17	17	-	-	6	6
Mr David Groves	17	17	-	-	6	6
Mr Hugh Thomson	17	17	-	-	-	-

A temporary Sub-Committee comprising Independent Directors was formed to oversee the delisting process. The number of meetings held during the year ended 2022, and the number of meetings attended by each Independent Director were:

	Sub-Committee of Board - Independent Board Committee (Delisting) Attended	Sub-Committee of Board - Independent Board Committee (Delisting) Held
	Mr Nicholas Collishaw	3
Mr Andrew Ireland	3	3
Mr David Groves	3	3

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Indemnity and insurance of officers

In accordance with the Constitutions of RHT I and RHT II, the Responsible Entity is indemnified on a full indemnity basis in respect of all taxes, costs and losses which it may pay or incur, in exercising any of its powers, rights, or obligations in properly performing its duties in connection with RHT I and RHT II.

All Directors of the Responsible Entity are appointed by MA Financial. MA Financial has agreed to indemnify all current and former Directors and Company Secretaries of the Responsible Entity against all liabilities to persons which arise out of the performance of their normal duties as a Director or Company Secretary to the extent permitted by law unless the liability relates to conduct involving wilful misconduct, bad faith or conduct known to be in breach of law.

During the financial year, MA Financial paid an insurance premium in respect of customary Directors' and Officers' insurance coverage for the Responsible Entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

RHT I and RHT II have not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of either trust or any related entity against a liability incurred by the auditor.

During the financial year, neither RHT I nor RHT II have paid a premium in respect of a contract to insure the auditor of either trust or any related entity.

Proceedings on behalf of the trust

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the trust, or to intervene in any proceedings to which the trust is a party for the purpose of taking responsibility on behalf of the trust for all or part of those proceedings.

**Redcape Hotel Group
Directors' report
30 June 2022**

Rounding of amounts

Amounts have been rounded to the nearest thousand dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

Auditor's independence declaration

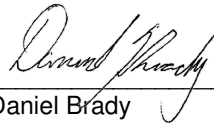
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors of the Responsible entity, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

24 August 2022
Sydney



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Redcape Hotel Group Management Ltd, as
Responsible Entity of Redcape Hotel Group

I declare that, to the best of my knowledge and belief, in relation to the audit of Redcape Hotel Group for the financial year ended 30 June 2022 there have been:

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

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' and a stylized graphic of four vertical bars.

KPMG

A handwritten signature in blue ink, appearing to read 'Paul Thomas'.

Paul Thomas

Partner

Sydney

24 August 2022

Redcape Hotel Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Revenue	4	308,905	335,318
Cost of sales		(146,457)	(160,500)
Expenses			
Operating costs	5	(38,912)	(36,070)
Employment costs	6	(52,824)	(48,407)
Management fees	7	(63,690)	(28,162)
Net finance costs	8	(15,028)	(12,316)
Depreciation expense	13,15	(17,697)	(15,014)
Depreciation expense on right-of-use assets	17	(2,806)	(2,419)
(Loss)/gain on disposal of non-current assets		(178)	48
(Loss)/gain on asset revaluation	14	(13,585)	4,390
Business acquisition costs		-	(4,366)
Operating (loss)/profit		(42,272)	32,502
Transaction costs		-	(5,000)
(Loss)/profit before income tax benefit		(42,272)	27,502
Income tax benefit	9	4,533	970
(Loss)/profit after income tax benefit for the year		(37,739)	28,472
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land	14	53,378	57,776
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity		5,596	792
Other comprehensive income for the year, net of tax		58,974	58,568
Total comprehensive income for the year		<u>21,235</u>	<u>87,040</u>
(Loss)/profit for the year is attributable to:			
Stapled unitholders of Redcape Hotel Trust I (non-controlling interest)		(27,077)	31,047
Stapled unitholders of Redcape Hotel Trust II		(10,662)	(2,575)
		<u>(37,739)</u>	<u>28,472</u>
Total comprehensive income for the year is attributable to:			
Stapled unitholders of Redcape Hotel Trust I (non-controlling interest)		31,897	89,615
Stapled unitholders of Redcape Hotel Trust II		(10,662)	(2,575)
		<u>21,235</u>	<u>87,040</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Redcape Hotel Group
Consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	47,238	48,109
Trade and other receivables	11	2,885	3,140
Inventories		6,401	6,305
Other current assets		3,482	2,507
		<u>60,006</u>	<u>60,061</u>
Non-current assets classified as held for sale	12	22,800	-
Total current assets		<u>82,806</u>	<u>60,061</u>
Non-current assets			
Investment property	13	2,994	2,999
Land	14	434,667	404,110
Property, plant and equipment	15	152,619	153,428
Intangible assets	16	606,176	615,239
Right-of-use assets	17	41,931	44,610
Derivative financial instruments	18	5,304	-
Deferred tax	9	12,195	7,662
Total non-current assets		<u>1,255,886</u>	<u>1,228,048</u>
Total assets		<u>1,338,692</u>	<u>1,288,109</u>
Liabilities			
Current liabilities			
Trade and other payables	19	86,214	58,692
Lease liabilities	20	1,588	1,584
Employee benefits	21	4,043	3,321
Distribution payable	22	10,652	14,744
Borrowings	23	75,000	-
Total current liabilities		<u>177,497</u>	<u>78,341</u>
Non-current liabilities			
Trade and other payables	19	26,076	-
Lease liabilities	20	45,322	46,907
Employee benefits	21	346	372
Borrowings	23	551,882	517,839
Derivative financial instruments	18	-	292
Total non-current liabilities		<u>623,626</u>	<u>565,410</u>
Total liabilities		<u>801,123</u>	<u>643,751</u>
Net assets		<u>537,569</u>	<u>644,358</u>
Equity			
Contributed equity	24	193,909	235,897
Accumulated losses		(78,104)	(67,442)
Equity attributable to the stapled unitholders of Redcape Hotel Group		<u>115,805</u>	<u>168,455</u>
Non-controlling interest	25	421,764	475,903
Total equity		<u>537,569</u>	<u>644,358</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Redcape Hotel Group
Consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Equity attributable to RHT I (non-controlling interest)			
Contributed equity		262,794	318,936
Reserves		247,670	188,696
Accumulated losses		<u>(88,700)</u>	<u>(31,729)</u>
Total equity attributable to unitholders of RHT I (non-controlling interest)		<u><u>421,764</u></u>	<u><u>475,903</u></u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Redcape Hotel Group
Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2020	235,897	(64,867)	431,347	602,377
(Loss)/profit after income tax benefit for the year	-	(2,575)	31,047	28,472
Other comprehensive income for the year, net of tax	-	-	58,568	58,568
Total comprehensive income for the year	-	(2,575)	89,615	87,040
<i>Transactions with stapled unitholders in their capacity as stapled unitholders:</i>				
Distribution payable (note 22)	-	-	(14,744)	(14,744)
Distributions paid (note 26)	-	-	(30,315)	(30,315)
Balance at 30 June 2021	<u>235,897</u>	<u>(67,442)</u>	<u>475,903</u>	<u>644,358</u>
Consolidated	Issued capital \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2021	235,897	(67,442)	475,903	644,358
Loss after income tax benefit for the year	-	(10,662)	(27,077)	(37,739)
Other comprehensive income for the year, net of tax	-	-	58,974	58,974
Total comprehensive income for the year	-	(10,662)	31,897	21,235
<i>Transactions with stapled unitholders in their capacity as stapled unitholders:</i>				
Units issued (note 24)	7,162	-	9,497	16,659
Rights issue (note 24)	13,072	-	17,457	30,529
Stapled units buy-back (note 24)	(62,313)	-	(83,216)	(145,529)
Distribution reinvestment plans (note 24)	91	-	120	211
Distribution payable (note 22)	-	-	(10,652)	(10,652)
Distributions paid (note 26)	-	-	(19,242)	(19,242)
Balance at 30 June 2022	<u>193,909</u>	<u>(78,104)</u>	<u>421,764</u>	<u>537,569</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Redcape Hotel Group
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		340,051	368,819
Payments to suppliers and employees (inclusive of GST)		(280,622)	(286,919)
Interest received		2	169
Interest and other finance costs paid		<u>(12,916)</u>	<u>(13,033)</u>
Net cash from operating activities	36	<u>46,515</u>	<u>69,036</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	(96,676)
Business acquisition transaction costs		-	(4,366)
Payments for property, plant and equipment	15	(21,518)	(20,118)
Payment of fees relating to disposal of business		(44)	-
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>48</u>
Net cash used in investing activities		<u>(21,562)</u>	<u>(121,112)</u>
Cash flows from financing activities			
Proceeds from issue of stapled units	24	16,659	-
Proceeds from rights issue	24	30,529	-
Payments for buy-back of stapled units	24	(145,529)	-
Proceeds from borrowings	36	130,000	122,000
Repayment of borrowings	36	(22,000)	(90,000)
Repayment of lease liabilities	36	(1,708)	(1,221)
Distributions paid	22	<u>(33,775)</u>	<u>(32,027)</u>
Net cash used in financing activities		<u>(25,824)</u>	<u>(1,248)</u>
Net decrease in cash and cash equivalents		(871)	(53,324)
Cash and cash equivalents at the beginning of the financial year		<u>48,109</u>	<u>101,433</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>47,238</u></u>	<u><u>48,109</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 1. General information

Redcape Hotel Group ('Redcape' or 'Group') is a stapled entity comprising Redcape Hotel Trust II ('RHT II' or 'the parent entity'), and Redcape Hotel Trust I ('RHT I'), and their controlled entities. Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696) are Australian registered managed investment schemes. Redcape Hotel Group Management Ltd (ABN 87 610 990 004) is the Responsible Entity of the Group.

The financial statements are presented in Australian dollars, which is Redcape's functional and presentation currency.

In accordance with AASB 3 *Business Combinations*, one of the entities in the stapled structure is required to be identified as the parent for the purpose of preparing consolidated financial reports. In accordance with this requirement, RHT II was identified as the parent entity.

Redcape's registered office and principal place of business are:

Level 27
Brookfield Place
10 Carrington Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 August 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

Redcape has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of Redcape.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

Going concern

The financial report has been prepared on a going concern basis. Notwithstanding the ongoing COVID-19 pandemic, the Group is well placed to manage the volatility around COVID-19. It has strong liquidity, demonstrated cost management capability, a motivated workforce and supportive customers. It is well positioned should regulatory restrictions be eased and conversely, to withstand a more difficult environment where restrictions are tightened.

At 30 June 2022, the Group had current assets of \$82,806,000 and current liabilities of \$177,497,000 leaving a net deficit of working capital of \$94,691,000. Subsequent to the year-end, the Group completed the refinance of the \$75,000,000 current borrowings into a 5-year long term borrowing. Refer to note 37 for details of refinancing. At the reporting date, the Group had access to \$70,000,000 of undrawn loan facilities. The Directors of the Responsible Entity believe the Group has sufficient liquidity to meet current liabilities and that the Group will be generating operating cash flows sufficient to meet future obligations.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 2. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of land and derivative financial instruments measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RHT II and RHT I as at 30 June 2022 and the results of all subsidiaries for the year then ended. RHT II and RHT I and its subsidiaries together are referred to in these financial statements as 'Redcape' or the 'Group'.

Subsidiaries are all those entities over which Redcape has control. Redcape controls an entity when Redcape is exposed to, or has rights to, variable returns from its involvement with the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Redcape. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in Redcape are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries align with the policies adopted by Redcape.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where Redcape loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. Redcape recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in Redcape's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in Redcape's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 2. Significant accounting policies (continued)

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 tax authority is included in other receivables or other 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 recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

Standards on issue but not yet effective that are most relevant to the Group:

New or revised requirement	When effective
<i>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	Applicable to annual reporting periods beginning on or after 1 January 2022
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	Applicable to annual reporting periods beginning on or after 1 January 2023
<i>AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	Applicable to annual reporting periods beginning on or after 1 January 2023
<i>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	Applicable to annual reporting periods beginning on or after 1 January 2023
<i>AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	Applicable to annual reporting periods beginning on or after 1 January 2023

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. All critical accounting judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities have been reflected in the notes:

- Valuation of land - Note 14 and 28
- Fair value measurement - Note 28
- Goodwill and other indefinite life intangible assets - Note 16

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 4. Revenue

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Major revenue streams</i>		
Gaming revenue	172,452	207,418
On-premise revenue	66,113	65,248
Off-premise revenue	68,981	61,296
Other services	1,359	1,356
	<u>308,905</u>	<u>335,318</u>
Revenue	<u>308,905</u>	<u>335,318</u>

Disaggregation of revenue

All major revenue streams are within Australia and the timing of revenue recognition is at a point in time when goods or services are transferred.

Accounting policy for revenue recognition

Redcape recognises revenue as follows:

Revenue

Redcape's revenue mainly comprises gaming revenue, food and beverage revenue and revenue from accommodation and other services. Revenue is recognised when control of the goods has transferred to the customer or when the service is provided at an amount that reflects the consideration to which Redcape expects to be entitled.

Variable consideration is not material in the context of Redcape's total revenue.

Gaming revenue

Gaming revenue is the net difference between gaming wins and losses and is recognised upon the outcome of the game.

On-premise

Food and beverage revenue is recognised when the performance obligation to transfer control of the goods to the customer is satisfied, which occurs at the point in time the goods are provided and payment is collected.

Revenue from accommodation and functions are recognised when the performance obligations have been satisfied. When services are rendered, revenue is recognised at the point in time. Where payment for the goods and services is received prior to control transferring to the customer, revenue recognition is deferred in deposits received in advance within trade and other payables in the consolidated statement of financial position until the goods have been delivered to, or services are rendered to the customer.

Off-premise

For sale of goods in-store, control of the goods transfers to the customer at the point the customer purchases the goods in-store.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 5. Operating costs

	Consolidated	
	2022	2021
	\$'000	\$'000
Administrative expenses	5,648	4,916
Advertising and marketing expenses	6,274	5,897
Operating expenses	12,908	12,781
Repairs and maintenance expenses	3,148	2,510
Property outgoing expenses	10,772	9,809
Short-term lease payments	162	157
	<u>38,912</u>	<u>36,070</u>

Note 6. Employment costs

	Consolidated	
	2022	2021
	\$'000	\$'000
Employment costs	<u>52,824</u>	<u>48,407</u>

Employment costs include defined contribution superannuation expense amounting to \$4.5 million (30 June 2021: \$4.1 million). During the current financial year, the Group received \$3.2 million in government assistance through the JobSaver program. JobSaver is a temporary subsidy for NSW businesses impacted by COVID-19 to help maintain their NSW employee headcount. In the prior year, the Group received JobKeeper benefit of \$4.0 million.

Accounting policy for government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Note 7. Management fees

	Consolidated	
	2022	2021
	\$'000	\$'000
Hotel operating fee	9,051	10,918
Asset management fee	6,461	5,368
Performance fee	<u>48,178</u>	<u>11,876</u>
	<u>63,690</u>	<u>28,162</u>

Refer to note 33 'Related party transactions' for further information on outstanding management fees as at 30 June 2022 and 30 June 2021.

Note 8. Net finance costs

	Consolidated	
	2022	2021
	\$'000	\$'000
Finance income	(2)	(169)
Finance costs	13,807	11,154
Interest on lease liabilities	<u>1,223</u>	<u>1,331</u>
	<u>15,028</u>	<u>12,316</u>

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 8. Net finance costs (continued)

Accounting policy for finance income and costs

Interest

Interest income is recognised using the effective interest method.

Finance costs

Finance costs are expensed in the period in which they are incurred. Finance costs comprise interest expense on borrowings using the effective interest rate method.

Note 9. Income tax

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Income tax (benefit)/expense</i>		
Deferred tax - origination and reversal of temporary differences	(4,533)	(970)
Aggregate income tax benefit	<u>(4,533)</u>	<u>(970)</u>
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	(4,533)	(970)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit	(42,272)	27,502
Tax at the statutory tax rate of 30%	(12,682)	8,251
Tax effected balances:		
Prior year tax losses not recognised now recouped	-	(1,105)
Trust profit/(loss) not subject to tax and transactions between group entities	8,123	(8,497)
Non-deductible expenses	26	381
Income tax benefit	<u>(4,533)</u>	<u>(970)</u>
	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	6,256	223
Depreciation	(339)	2,148
Employee benefits	1,167	1,116
Leases	1,494	1,164
Accrued expenses	2,740	1,099
Transaction costs	877	1,912
Deferred tax asset	<u>12,195</u>	<u>7,662</u>
Movements:		
Opening balance	7,662	6,692
Credited to profit or loss	4,533	970
Closing balance	<u>12,195</u>	<u>7,662</u>

Note 9. Income tax (continued)

Accounting policy for income tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

RHT II and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime, effective July 2017 and are taxed as a single entity from that date. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group. These are recognised as amounts payable to or receivable from other entities in the tax consolidated group in conjunction with any tax funding arrangement amount.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangement requires payments to or from the head entity equal to the current tax liability or asset assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

The members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

In determining the amount of current and deferred tax RHT II takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. RHT II believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes RHT II to change its judgement regarding the adequacy of existing tax assets and liabilities; such changes to tax assets and liabilities will impact tax expense in the period such a determination is made.

RHT I

Under current income tax legislation, RHT I is not liable for income tax provided unit holders are presently entitled to all of RHT I's income at 30 June each year.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 9. Income tax (continued)

RHT II

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 10. Cash and cash equivalents

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current assets</i>		
Cash and cash equivalents	47,238	48,109

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less.

Note 11. Trade and other receivables

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	351	342
Other receivables	2,534	2,798
	2,885	3,140

Allowance for expected credit losses

There was no expense for expected credit losses for the year ended 30 June 2022 (30 June 2021: nil).

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Redcape has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. These provisions are considered representative across all customers of Redcape based on recent sales experience, historical collection rates and forward-looking information that is available.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 12. Non-current assets classified as held for sale

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current assets</i>		
Land	9,236	-
Buildings	1,599	-
Property improvements	2,299	-
Fixtures, fittings and equipment	603	-
Intangibles	9,063	-
	22,800	-
	22,800	-

On 6 May 2022, the Group entered into a contract to sell one of the hotels (Minskys Hotel) for a total consideration of \$39.0 million. As a result, the carrying value of tangible and intangible assets has been transferred to assets held for sale. The settlement of the transaction occurred on 8 August 2022. The accounting gain on the sale of Minskys Hotel will be included in the 2023 financial year.

Accounting policy for non-current assets classified as held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Upon classification as held for sale, the assets are remeasured in accordance with Redcape's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

Note 13. Investment property

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Investment property - at cost	3,000	3,000
Less: Accumulated depreciation	(6)	(1)
	2,994	2,999
	2,994	2,999

Reconciliation

Reconciliation of the carrying values at the beginning and end of the current and previous financial year are set out below:

Opening balance	2,999	-
Additions through business combinations	-	3,000
Depreciation expenses	(5)	(1)
	2,994	2,999
Closing balance	2,994	2,999

Accounting policy for investment property

Investment property principally comprises freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment property is recognised at cost (including transaction costs) less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated over the freehold building component of the investment property and is recognised in the profit or loss on a straight-line basis over its estimated useful life. The estimated useful life of freehold buildings is 40 years. The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 14. Land

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Land - at fair value	<u>434,667</u>	<u>404,110</u>
<i>Reconciliation</i>		
Reconciliation of the fair values of the opening and closing of the balances of the current and previous financial year are set out below:		
Opening fair value	404,110	313,835
Additions through business combinations	-	28,109
Classified as held for sale (note 12)	(9,236)	-
Revaluation increments*	<u>39,793</u>	<u>62,166</u>
Closing fair value	<u>434,667</u>	<u>404,110</u>

Refer to note 28 for further information on fair value measurement.

- * Total revaluation increment of \$39.8 million (2021: \$62.2 million) includes gain of \$53.4 million (2021: \$57.8 million) recognised in the asset revaluation reserve and loss of \$13.6 million (2021: gain of \$4.4 million) recognised in the statement of profit or loss.

Accounting policy for land

Land is recognised at fair value based on periodic valuations by external independent valuers and/or Directors' valuations made in accordance with the Group's valuation policy. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount.

Increases in the carrying amounts arising on revaluation of land are recognised in other comprehensive income and accumulated in other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 15. Property, plant and equipment

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Buildings - at cost	62,464	64,160
Less: Accumulated depreciation	<u>(6,431)</u>	<u>(4,922)</u>
	56,033	59,238
Property improvements - at cost	64,090	59,572
Less: Accumulated depreciation	<u>(11,610)</u>	<u>(8,748)</u>
	52,480	50,824
Furniture, fittings and equipment - at cost	69,503	62,505
Less: Accumulated depreciation	<u>(35,762)</u>	<u>(25,987)</u>
	33,741	36,518
Work-in-progress - at cost	<u>10,365</u>	<u>6,848</u>
	<u><u>152,619</u></u>	<u><u>153,428</u></u>

Reconciliations

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

Consolidated	Building \$'000	Property improve- ments \$'000	Furniture, fittings and equipment \$'000	Work-in- progress \$'000	Total \$'000
Balance at 1 July 2020	55,914	46,837	33,729	2,822	139,302
Additions	-	-	-	20,118	20,118
Additions through business combinations	4,811	492	3,718	-	9,021
Transfers in/(out)	-	6,875	9,217	(16,092)	-
Depreciation expense	<u>(1,487)</u>	<u>(3,380)</u>	<u>(10,146)</u>	-	<u>(15,013)</u>
Balance at 30 June 2021	59,238	50,824	36,518	6,848	153,428
Additions	-	-	-	21,518	21,518
Disposals	-	-	(54)	(80)	(134)
Classified as held for sale (note 12)	(1,599)	(2,299)	(603)	-	(4,501)
Transfers in/(out)	-	8,014	9,907	(17,921)	-
Depreciation expense	<u>(1,606)</u>	<u>(4,059)</u>	<u>(12,027)</u>	-	<u>(17,692)</u>
Balance at 30 June 2022	<u><u>56,033</u></u>	<u><u>52,480</u></u>	<u><u>33,741</u></u>	<u><u>10,365</u></u>	<u><u>152,619</u></u>

There has been no impairment recognised in relation to property, plant and equipment at 30 June 2022 (30 June 2021: nil).

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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Note 15. Property, plant and equipment (continued)

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Redcape will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

Freehold buildings	40 - 150 years
Property improvements	6 - 40 years
Furniture, fittings and equipment	2 - 14 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to Redcape. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 16. Intangible assets

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	333,035	336,948
Gaming and liquor licences - at cost	273,141	278,291
	<u>606,176</u>	<u>615,239</u>

Reconciliations

Reconciliations of the beginning and end balances of the current and previous financial year are set out below:

Consolidated	Goodwill	Gaming and liquor	Total
	\$'000	licences	\$'000
	\$'000	\$'000	\$'000
Balance at 1 July 2020	303,106	256,264	559,370
Additions through business combinations	33,842	22,027	55,869
Balance at 30 June 2021	336,948	278,291	615,239
Classified as held for sale (note 12)	(3,913)	(5,150)	(9,063)
Balance at 30 June 2022	<u>333,035</u>	<u>273,141</u>	<u>606,176</u>

Note 16. Intangible assets (continued)

Impairment testing

(i) Goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use ('VIU') of the group of cash-generating units ('CGUs') to which goodwill has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and require the use of assumptions, including estimated discount rates, growth rates of estimated future cash flows, and terminal growth rates.

The VIU method used in determining the recoverable amount of the group of CGUs is affected by the management's assumptions used in the calculation. A summary of the key assumptions used in the calculation is detailed below.

Estimated future cash flows in Year 1 are based on the Board approved FY23 budget. The cash flows are projected from Years 2 to 5 based on an annualised growth rate of 3.0% (30 June 2021: 3.0%). The growth rate has been determined with reference to historical performance of the Group.

The discount rates used in the VIU calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the Group. The discount rates have been determined using the weighted average cost of capital and the current market risk-free rate, adjusted for relevant business risks. The discount rate applied in the current year VIU model is 8.20% (30 June 2021: 7.39%).

A terminal growth rate of 2.96% (30 June 2021: 2.96%) has been assumed in the VIU calculation and reflects the long-term growth expectations beyond the five-year forecast horizon, considering both industry comparatives and Redcape's consistent outperformance. Management has modelled the impact of a six-month business shutdown once every hundred years in the derived outcome of terminal growth rate.

Management has based the VIU calculations on the historical performance and future prospects of the business as reported to the Responsible Entity, taking into consideration the like-for-like historical growth and impacts of COVID-19 on current trading performance.

Sensitivity

Management believes that based on current economic conditions and Group performance, any reasonably possible change in the key assumptions used would not result in the Group's carrying amount to exceed its recoverable amount and result in a material impairment.

The below table shows the key assumptions used in the value-in-use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Pre-tax discount rate	Terminal value
	%	%
Assumptions used in value in use calculation	8.20%	2.96%
Rate required for recoverable amount to equal carrying value*	8.73%	2.29%

* Each rate is determined in isolation.

The above table exclude growth rates of future cash flows as this key assumption is not sensitive in determining impairment of goodwill. Material changes to short-term cash flows do not result in estimated recoverable amount being less than its carrying value.

There has been no impairment recognised in relation to goodwill at 30 June 2022 (30 June 2021: nil).

Note 16. Intangible assets (continued)

(ii) CGU assets comprising gaming and liquor licences and other non-financial assets

Gaming and liquor licences

In accordance with AASB 138, gaming and liquor licences are accounted for at cost. As both gaming and liquor licences are not subject to renewal and do not have an expiry date, these are considered to have an indefinite useful life and are tested for impairment annually.

Gaming and liquor licences of \$273.1 million are allocated across the Group's 35 hotels.

Other non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment assessment

Redcape tests assets for impairment at the CGU level being each individual hotel. This is the smallest group of assets that independently generate cash flows and whose cash flow is largely independent of the cash flows generated by other assets.

Redcape assesses the recoverable amount of each CGU based on the higher of its fair value less costs to dispose ('FVLCD') and VIU. The carrying amount of each CGU comprises land at fair value, buildings at cost less accumulated depreciation, plant and equipment at cost less accumulated depreciation, work in progress and intangibles at cost comprising gaming and liquor licences, and right-of-use assets less lease liabilities. As at 30 June 2022, FVLCD methodology was adopted for 34 hotels and VIU methodology adopted for the remaining 1 hotel.

FVLCD includes an estimate of the CGU's fair value and costs of disposal. Each CGU's fair value is based on the income capitalisation method, which is determined with reference to maintainable earnings and adopted yield. Refer to note 28 for details of key assumptions used. Costs of disposal is estimated at 2.0% of the hotel's fair value, which has been determined with reference to recent disposals.

VIU assumptions are consistent with those listed above in relation to goodwill impairment, being discount rate and terminal growth rate.

Sensitivity

Management believes that based on current economic conditions and CGU performance, any reasonably possible change in the key assumptions used would not result in the CGU's carrying amount to exceed its recoverable amount and result in a material impairment.

As the recoverable amount from the FVLCD and/or VIU assessments exceeded the carrying amount for each CGU, no impairment loss was recorded (30 June 2021: nil).

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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Note 16. Intangible assets (continued)

Gaming and liquor licences

Separately acquired gaming and liquor licences are shown at historical cost. Gaming and liquor licences acquired in a business combination are recognised at fair value at the acquisition date. They have an indefinite useful life and are subsequently carried at cost less accumulated impairment losses.

Gaming and liquor licences are not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Note 17. Right-of-use assets

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use assets	49,147	49,020
Less: Accumulated depreciation	(7,216)	(4,410)
	<u>41,931</u>	<u>44,610</u>

Redcape leases land and buildings under agreements of between 3 to 20 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Consolidated	Land and buildings \$'000
Balance at 1 July 2020	42,241
Additions	4,788
Depreciation expense	<u>(2,419)</u>
Balance at 30 June 2021	44,610
Additions	127
Depreciation expense	<u>(2,806)</u>
Balance at 30 June 2022	<u><u>41,931</u></u>

For other AASB 16 lease-related disclosures refer to the following:

- note 8 for details of interest on lease liabilities and other lease expenses;
- note 20 and note 36 for details of lease liabilities at the beginning and end of the reporting period;
- note 27 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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Note 17. Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 18. Derivative financial instruments

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Interest rate swap contracts - cash flow hedges	5,304	-
<i>Non-current liabilities</i>		
Interest rate swap contracts - cash flow hedges	-	(292)
	5,304	(292)
	5,304	(292)

Refer to note 27 for further information on financial instruments.

Refer to note 28 for further information on fair value measurement.

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Accounting policy for cash flow hedges

Cash flow hedges are used to hedge Redcape's interest rate risk exposures. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

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Note 19. Trade and other payables

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	3,395	7,428
Accrued interest	1,510	440
Other payables*	39,646	23,414
State Government taxes	41,663	27,410
	<u>86,214</u>	<u>58,692</u>
<i>Non-current liabilities</i>		
Other payables and accruals*	<u>26,076</u>	-
	<u><u>112,290</u></u>	<u><u>58,692</u></u>

Refer to note 27 for further information on financial instruments.

* Other payables increased due to accrual of performance fee based on Directors' valuation. Management fees are capped and the portion which is not due and payable within the next 12 months is classified as non-current.

The Group received payment deferrals of State and other taxes amounting to \$22.0 million which will be repaid in financial year 2023.

Accounting policy for trade and other payables

Trade and other payables represent liabilities for goods and services provided to Redcape prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost, are unsecured and are not discounted.

Note 20. Lease liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liabilities	<u>1,588</u>	<u>1,584</u>
<i>Non-current liabilities</i>		
Lease liabilities	<u>45,322</u>	<u>46,907</u>
	<u><u>46,910</u></u>	<u><u>48,491</u></u>

Refer to note 27 for the maturity analysis.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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Note 20. Lease liabilities (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 21. Employee benefits

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	3,305	2,742
Long service leave	738	579
	4,043	3,321
<i>Non-current liabilities</i>		
Long service leave	346	372
	4,389	3,693

Accounting policy for employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 22. Distribution payable

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Distributions	10,652	14,744
	10,652	14,744

Distributions

The provision represents distributions declared, being appropriately authorised and no longer at the discretion of the trust, on or before the end of the financial year but not distributed at the reporting date.

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Note 22. Distribution payable (continued)

Movements in provision and the end of current and previous financial year is set out below:

	Consolidated	
	2022	2021
	\$'000	\$'000
Carrying amount at the start of the year	14,744	1,712
Distribution declared during the year	29,894	45,059
Payments relating to prior period	(14,744)	(1,712)
Payments relating to current period	(19,031)	(30,315)
Dividends under reinvestment plan (note 24)	(211)	-
	<u>10,652</u>	<u>14,744</u>

Accounting policy for provisions

Provisions are recognised when Redcape has a present (legal or constructive) obligation as a result of a past event, it is probable Redcape will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 23. Borrowings

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans	<u>75,000</u>	<u>-</u>
<i>Non-current liabilities</i>		
Bank loans	555,000	522,000
Capitalised loan establishment costs	(3,118)	(4,161)
	<u>551,882</u>	<u>517,839</u>
	<u>626,882</u>	<u>517,839</u>

Refer to note 27 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2022	2021
	\$'000	\$'000
Bank loans	<u>630,000</u>	<u>522,000</u>

Common Terms Deed

Redcape refinanced its existing debt arrangements under the Common Terms Deed as outlined below:

- On 13 August 2021, Redcape refinanced \$62.5 million of Tranche A and Revolver with a revised expiry date of December 2025.
- On 25 October 2021, Redcape refinanced and secured an additional \$100.0 million loan facility. This includes Tranche D for \$25.0 million with expiry date of December 2025 and a Bridge Loan for \$75.0 million with expiry date of March 2023.

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Note 23. Borrowings (continued)

The total facility amount is \$700.0 million (excluding \$4.0 million ancillary facility).

Description of the facility	Amount (\$ million)	Expiry
Tranche B	250.0	December 2024
Tranche A1 and Revolver A1 Facility	250.0	December 2025
Tranche C	100.0	December 2025
Tranche D	25.0	December 2025
Bridge loan	75.0	March 2023
	700.0	

The Group has access to a \$4.0 million ancillary facility. As at 30 June 2022, \$3.0 million has been utilised on bank guarantees to a supplier and landlords (30 June 2021: \$3.0 million).

Subsequent to the year-end, the Group completed the refinance of the \$75.0 million current borrowings into a 5-year long term borrowing. Refer to note 37 for details of refinancing.

Assets pledged as security

The financiers in respect of the bank loans have first ranking security over all of the assets of each entity in the Group, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Defaults and breaches

The Group's hotels were negatively impacted due to the forced shutdown in the beginning of financial year 2022. As a result, on 16 August 2021, a formal waiver was agreed and formally documented with the Group's lending syndicate, ensuring that the Group remained in full compliance with its loan agreement. In addition, the lending syndicate has also agreed to temporarily amend the financial covenants. There have been no breaches of bank covenants within the definition of the bank waiver for the year ended 30 June 2022.

Restrictions on distributions

As part of the waiver, the Group may not declare or pay a distribution during the waiver period unless already declared or notified to the lending syndicate. A consent to declare distribution was obtained from the lending syndicate in December 2021. There have been no breaches of the restrictions on the distributions as described in the waiver for the year ended 30 June 2022.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2022	2021
	\$'000	\$'000
Total facilities		
Bank loans	700,000	600,000
Used at the reporting date		
Bank loans	630,000	522,000
Unused at the reporting date		
Bank loans	70,000	78,000

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 24. Contributed equity

	2022	Consolidated		2021
	Stapled Units	2021 Stapled Units	2022 \$'000	2021 \$'000
Contributed equity	463,129,705	552,195,195	193,909	235,897
	2022	2021	2022	2021
Details	No of units	No of units	\$'000	\$'000
	'000	\$'000	\$'000	\$'000
RHT II				
Balance at beginning of the period	552,195	552,195	235,897	235,897
Units issued	10,792	-	7,162	-
Rights issue	26,546	-	13,072	-
Units buy-back	(126,546)	-	(62,313)	-
Units issued under dividend reinvestment plan	143	-	91	-
Balance at end of the period	463,130	552,195	193,909	235,897
	2022	2021	2022	2021
Details	No of units	No of units	\$'000	\$'000
	'000	'000	\$'000	\$'000
RHT I (non-controlling interest)				
Balance at beginning of the period	552,195	552,195	318,936	318,936
Units issued	10,792	-	9,497	-
Rights issue	26,546	-	17,457	-
Units buy-back	(126,546)	-	(83,216)	-
Units issued under dividend reinvestment plan	143	-	120	-
Balance at end of the period	463,130	552,195	262,794	318,936

Ordinary stapled units

The ordinary units of RHT II are stapled to the units of RHT I. Each stapled unit entitles the holder to participate in distributions and the proceeds on the winding up of the trust in proportion to the number of and amounts paid on the units held. The fully paid stapled ordinary units have no par value and the trust does not have a limited amount of authorised capital.

On a show of hands every unit holder present at a meeting in person or by proxy shall have one vote and upon a poll each stapled unit shall have one vote.

Stapled units Rights Issue and Buy-Back

On 18 August 2021, the Board of the Responsible Entity recommended the delisting of Redcape to align the realisable value of Redcape ordinary stapled units ('units') more closely with the fundamental value of the business. The delisting proposal provided optionality for unitholders to either remain invested in Redcape as an open-ended unlisted fund or realise their investment through an off-market buy-back at \$1.15 per unit ('Buy-Back Price'). The Buy-Back occurred prior to delisting and with a maximum amount of \$247.3 million. Redcape also proposed a Rights Issue to partially fund the Buy-Back and provide the opportunity for existing Redcape unitholders to acquire additional units.

Unitholders voted in favour of the delisting proposal at the Redcape Hotel Group Unitholder General Meeting on 10 September 2021. At 19 October 2021, applications for the buy-back of 126.5 million Redcape ordinary stapled units were received. As a result, the unitholders' capital amounting to \$145.5 million was reduced to give effect to the unit buy-back transaction.

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Note 24. Contributed equity (continued)

Capital risk management

Redcape's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for stapled unit holders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, Redcape may adjust the amount of distributions paid to stapled unit holders, return capital to stapled unit holders, issue new stapled units or sell assets to reduce debt.

Redcape is subject to certain covenants in respect of its financing and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the previous reporting period.

Accounting policy for issued capital

Ordinary stapled units are classified as equity.

Incremental costs directly attributable to the issue of new stapled units or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 25. Non-controlling interest

	Consolidated				
	2022	2021			
	\$'000	\$'000			
Contributed equity	262,794	318,936			
Reserves	247,670	188,696			
Accumulated losses	(88,700)	(31,729)			
	<u>421,764</u>	<u>475,903</u>			
	Contributed equity	Hedging reserve	Revaluation reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
RHT I					
Balance at 1 July 2021	318,936	(292)	188,988	(31,729)	475,903
Profit for the year	-	-	-	(27,077)	(27,077)
Total other comprehensive income	-	5,596	53,378	-	58,974
Units issued	9,497	-	-	-	9,497
Units issued under dividend reinvestment plan	120	-	-	-	120
Rights issue	17,457	-	-	-	17,457
Stapled units buy-back	(83,216)	-	-	-	(83,216)
Provisions for distribution to stapled unitholders	-	-	-	(10,652)	(10,652)
Distributions paid to stapled unitholders	-	-	-	(19,242)	(19,242)
Balance at 30 June 2022	<u>262,794</u>	<u>5,304</u>	<u>242,366</u>	<u>(88,700)</u>	<u>421,764</u>

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 26. Distributions

Distributions paid/payable during the financial year for the quarters ending:

	Consolidated	
	2022	2021
	\$'000	\$'000
30 September 2021 of nil cents (30 September 2020: 1.83 cents) per stapled unit	-	10,105
31 December 2021 of 1.95 cents (31 December 2020: 1.83 cents) per stapled unit	8,818	10,105
31 March 2022 of 2.30 cents (31 March 2021: 1.83 cents) per stapled unit	10,424	10,105
30 June 2022 of 2.30 cents (30 June 2021: 2.67 cents) per stapled unit	10,652	14,744
	29,894	45,059
	29,894	45,059

Accounting policy for distributions

Distributions are recognised when declared during the financial year and no longer at the discretion of the trust.

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the trust, on or before the end of the financial year but not distributed at the reporting date.

Note 27. Financial instruments

Financial risk management objectives

Redcape's activities expose it to interest rate risk, credit risk and liquidity risk. Redcape's overall risk management program seeks to minimise potential adverse effects on the financial performance of Redcape. Redcape uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk exposure. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. Redcape uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Directors of the Responsible Entity. These policies include identification and analysis of the risk exposure of Redcape and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within Redcape's operations. Finance reports to the Directors on a monthly basis.

Market risk

Foreign currency risk

Redcape is not exposed to any foreign currency risk.

Price risk

Redcape is not exposed to any significant price risk.

Interest rate risk

Redcape's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose Redcape to interest rate risk. Borrowings obtained at fixed rates expose Redcape to fair value interest rate risk. The policy is to maintain at least 30% of the current borrowing facilities at fixed rates using interest rate swaps with Cap and Floor rates.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 27. Financial instruments (continued)

As at the reporting date, Redcape had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2022		2021	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	1.14%	630,000	1.08%	522,000
Interest rate swaps (notional principal amount)	-	(188,700)	-	(180,000)
Net exposure to interest rate risk		<u>441,300</u>		<u>342,000</u>

The bank loans outstanding, totalling \$630.0 million (30 June 2021: \$522.0 million), are interest payment loans. Monthly cash outlays of approximately \$0.6 million (30 June 2021: \$0.5 million) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of \$4.4 million (30 June 2021: \$3.4 million) per annum.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Redcape. Redcape has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount. Redcape does not hold any collateral or have any expected credit losses.

Liquidity risk

Redcape manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Redcape has a voluntary working capital deficiency based on its capital management strategy of paying down debt with excess cash. Due to the uncertainties associated with the ongoing COVID-19 pandemic, it was deemed prudent to maintain cash reserves at 30 June 2022 to meet the ongoing working capital requirements of the Group.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2022 \$'000	2021 \$'000
Bank loans	<u>70,000</u>	<u>78,000</u>

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 27. Financial instruments (continued)

Remaining contractual maturities

The following tables detail Redcape's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	3,395	-	-	-	3,395
Other payables	-	81,309	-	-	-	81,309
<i>Interest-bearing - variable</i>						
Bank loans	3.05%	93,223	17,224	595,368	-	705,815
<i>Interest-bearing - fixed rate</i>						
Lease liability	2.79%	3,019	3,059	9,570	48,391	64,039
Total non-derivatives		180,946	20,283	604,938	48,391	854,558
Consolidated - 2021						
Consolidated - 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	7,428	-	-	-	7,428
Other payables	-	50,824	-	-	-	50,824
<i>Interest-bearing - variable</i>						
Bank loans	1.05%	5,284	62,440	475,842	-	543,566
<i>Interest-bearing - fixed rate</i>						
Lease liability	2.79%	3,079	2,996	9,285	51,560	66,920
Total non-derivatives		66,615	65,436	485,127	51,560	668,738
Derivatives						
Interest rate swaps outflow	0.30%	123	-	-	-	123
Total derivatives		123	-	-	-	123

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 28. Fair value measurement

Fair value hierarchy

The following tables detail Redcape's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Land	-	-	434,667	434,667
Interest rate swaps	-	5,304	-	5,304
Total assets	-	5,304	434,667	439,971
Consolidated - 2021				
Consolidated - 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Land	-	-	404,110	404,110
Total assets	-	-	404,110	404,110
<i>Liabilities</i>				
Interest rate swaps	-	292	-	292
Total liabilities	-	292	-	292

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Land

Land is recognised at fair value based on periodic valuations by external independent valuers and/or six-monthly Director valuations. Independent external assessments are conducted by a professionally qualified valuer, having recent experience in the location and category of land being valued. Land is revalued by the Directors each half-year where an independent valuation has not been sought. The Group last obtained independent land valuations in May 2022.

The carrying amount of land would be \$221.6 million if it were carried at cost.

Valuation process

Directors' valuations were undertaken for all Freehold Going Concern properties at 30 June 2022. In assessing fair value of these properties, the Directors' valuations adopted the same adjustment process as used by external independent valuers. This included changes in assumptions that have been applied to specific properties based on consideration of market indicators. The Group obtained independent valuations for 20 venues from the portfolio during the year with the last one finalised in May 2022.

Note 28. Fair value measurement (continued)

Freehold Going Concern valuations are based on the income capitalisation method, which is determined with reference to maintainable earnings and adopted yield. The overall increment/decrement to the portfolio's Freehold Going Concern valuation is allocated across its various components (both Freehold and Leasehold) based on prior independent valuations, noting that with the exception of land, all other components are recorded at historical cost less impairment and accumulated depreciation (for buildings and PPE). Freehold valuation for each venue comprises land, licences, buildings and investment property. Total value assigned to land is based on a market accepted residual approach after attributing a fair value to the licences and buildings based on recently available market data and indicators associated with the value of licences and buildings.

All external and internal valuations have been reviewed and approved by the Responsible Entity.

Land being the level 3 asset comprises the following unobservable inputs:

Unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurement
		The estimated fair value would increase (decrease) if:
Freehold going concern - capitalisation rates	5.74% - 12.06%	Capitalisation rates were lower (higher)
Freehold going concern - adopted earnings	\$0.6 million - \$6.5 million	Adopted earnings were higher (lower)
Licences	Diverse*	Licences are lower (higher)
Buildings - replacement costs	\$2,000 - \$6,000 per square metre	Building replacement costs are lower (higher)
Buildings - economic life remaining	25% - 85%	Economic life remaining is lower (higher)

* The range of inputs have been derived from combination of market data assessments from independent valuers or the application thereof of both data sets against assets with like characteristics.

Derivative financial instruments

Derivative financial instruments comprise interest rate swaps and have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Land \$'000
Balance at 1 July 2020	313,835
Gains recognised in profit or loss	4,390
Gains recognised in other comprehensive income	57,776
Additions - business acquisition	<u>28,109</u>
Balance at 30 June 2021	404,110
Losses recognised in profit or loss	(13,585)
Gains recognised in other comprehensive income	53,378
Transfer to asset held for sale	<u>(9,236)</u>
Balance at 30 June 2022	<u><u>434,667</u></u>

Note 28. Fair value measurement (continued)

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 29. Key management personnel disclosures

Fees paid or payable for services provided by key management personnel were borne by Redcape Hotel Group Management Ltd, the Responsible Entity. Refer to note 33 for further details.

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the trust:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - KPMG</i>		
Audit or review of the financial statements	413,000	395,000
<i>Other services - KPMG</i>		
Tax and advisory related services	283,722	150,000
Other services	34,000	-
	<u>317,722</u>	<u>150,000</u>
	<u>730,722</u>	<u>545,000</u>

Redcape may decide to employ the auditor ('KPMG') on assignments additional to their statutory audit duties where the auditor's expertise and experience are important. The Chair of the Audit, Risk & Compliance Committee (or authorised delegate) must approve any other services provided by KPMG.

Note 31. Contingent liabilities

Redcape has provided bank guarantees to a supplier and landlords as at 30 June 2022 of \$3.0 million (30 June 2021: \$3.0 million).

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 32. Commitments

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	12,194	2,455

Note 33. Related party transactions

Parent entity

Redcape Hotel Trust II is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 29.

Transactions with related parties

Transactions with the Responsible Entity

	Transaction values for the year ended 30 June 2022	Balance outstanding as at 30 June 2022	Transaction values for the year ended 30 June 2021	Balance outstanding as at 30 June 2021
	\$	\$	\$	\$
Redcape Hotel Group Management Ltd (i)				
Asset management fee	6,460,639	565,988	5,367,740	489,244
Debt arrangement fee (ii)	500,000	-	500,000	-
Acquisition fee	-	-	959,992	-
Performance fee (iii)	48,178,083	48,178,083	11,876,000	6,040,000
	<u>55,138,722</u>	<u>48,744,071</u>	<u>18,703,732</u>	<u>6,529,244</u>

(i) Fees paid to the Responsible Entity are subsequently paid to MA Hotel Management Pty Ltd in its capacity as Trust Manager.

(ii) Debt arrangement fee equates to 0.5% of the \$100.0 million (2021: \$100.0 million) debt refinanced.

(iii) Performance fee reflects positive revaluations underpinned by both improved earnings and tightened capitalisation rates. A performance fee of \$48,178,083 has been accrued for the current financial year ended 30 June 2022 based on Directors valuations. The amount payable based on Independent external valuations completed prior to 30 June 2022 is \$22,102,360.

Payment of performance fee is subject to a 1.25% cap against the gross hotel portfolio value comprising Investment Management (asset management fee, debt arrangement fee, acquisition fee and divestment fee) and performance fees, meaning a portion of the accrued fee could become payable subsequent to the financial year ended 30 June 2023.

Other related party transactions

The aggregate amounts recognised during the period relating to transactions between Redcape and related entities were as follows:

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 33. Related party transactions (continued)

Related Entity	Transaction	Transaction values for the year ended 30 June 2022	Balance outstanding as at 30 June 2022	Transaction values for the year ended 30 June 2021	Balance outstanding as at 30 June 2021
		\$	\$	\$	\$
MA Hotel Management Pty Ltd	Hotel operating fee	9,050,631	1,992,209	10,917,564	533,931
MA Hotel Management Pty Ltd	Project development fee	505,113	60,352	357,891	157,600
		<u>9,555,744</u>	<u>2,052,561</u>	<u>11,275,455</u>	<u>691,531</u>

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$'000	\$'000
Loss after income tax	<u>(10,772)</u>	<u>(2,702)</u>
Total comprehensive income	<u>(10,772)</u>	<u>(2,702)</u>

Statement of financial position

	Parent	
	2022	2021
	\$'000	\$'000
Total current assets	<u>132,789</u>	<u>127,682</u>
Total assets	<u>176,720</u>	<u>219,653</u>
Total current liabilities	<u>13,475</u>	<u>3,648</u>
Total liabilities	<u>13,475</u>	<u>3,648</u>
Equity		
Contributed equity	193,909	235,897
Accumulated losses	<u>(30,664)</u>	<u>(19,892)</u>
Total equity	<u>163,245</u>	<u>216,005</u>

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 34. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The subsidiaries of RHT II are the original guarantors under the Common Terms Deed of Redcape Hotel Property Trust's bank facility, a subsidiary of RHT I. Redcape Hotel Fund Pty Ltd, a subsidiary of RHT II also has in place a Deed of Cross Guarantee in relation to the debts of certain subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of Redcape, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy outlined in the notes to the financial statements:

	Consolidated	
	2022	2021
	%	%
Subsidiaries of RHT II (All entities below are incorporated in Australia)		
Redcape Hotel Fund Pty Ltd	100%	100%
MAHF Custodian Pty Ltd	100%	100%
MAHPT TT Pty Ltd	100%	100%
Redcape Group Limited	100%	100%
Redcape Hotel Group Pty Ltd	100%	100%
RHG Operations Pty Ltd	100%	100%
Redcape Services Pty Ltd	100%	100%
RGM TT Pty Ltd	100%	100%

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 35. Interests in subsidiaries (continued)

	Consolidated	
	2022	2021
	%	%
Subsidiaries of RHT I (All entities below are incorporated in Australia)		
Redcape Hotel Property Trust	100%	100%
St George Hotel Trust	100%	100%
Doonside Hotel Trust	100%	100%
El Cortez Hotel Trust	100%	100%
Keighery Hotel Trust	100%	100%
Lakeview Hotel Motel Trust	100%	100%
Prospect Hotel Trust	100%	100%
Royal Hotel Trust	100%	100%
St Marys Hotel Trust	100%	100%
Belrose Hotel Trust	100%	100%
Red Lantern Hotel Trust	100%	100%
Campbelltown Hotel Trust	100%	100%
Eastwood Hotel Trust	100%	100%
Leumeah Hotel Trust	100%	100%
Mount Annan Hotel Trust	100%	100%
Revesby Pacific Hotel Trust	100%	100%
Willoughby Hotel Trust	100%	100%
Eastern Creek Tavern Hotel Trust	100%	100%
Landmark Hotel Trust	100%	100%
Crown Revesby Hotel Trust	100%	100%
Minskys Hotel Trust	100%	100%
Shamrock Hotel Trust	100%	100%
Hermit Park Hotel Trust	100%	100%
Wattle Hotel Trust	100%	100%
Carrington Hotel Trust	100%	100%
Andergrove Tavern Hotel Trust	100%	100%
Cabramatta Hotel Trust	100%	100%
Crescent Hotel Trust	100%	100%
Wattle Grove Hotel Trust	100%	100%
Sun Hotel Trust	100%	100%
Vauxhall Hotel Trust	100%	100%
Australian Hotel & Brewery Trust	100%	100%
Central Hotel Trust	100%	100%
Unanderra Hotel Trust	100%	100%
Figtree Hotel Trust	100%	100%
Kings Head Hotel Trust	100%	100%
Gladstone Hotel Trust	100%	100%
O'Donoghues Hotel Trust	100%	100%
Aspley Hotel Trust	100%	100%
Shafston Hotel Trust	100%	100%

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 36. Cash flow information

Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated	
	2022	2021
	\$'000	\$'000
(Loss)/profit after income tax benefit for the year	(37,739)	28,472
Adjustments for:		
Depreciation and amortisation	20,503	17,433
Loss/(gain) on asset revaluation	13,585	(4,390)
Net loss/(gain) on disposal of non-current assets	178	(48)
Business acquisition costs	-	4,366
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	255	(31)
Increase in inventories	(96)	(581)
Increase in deferred tax assets	(4,533)	(970)
(Increase)/decrease in prepayments	(975)	78
Decrease/(increase) in capitalised loan establishment costs	1,043	(414)
Increase in trade and other payables	53,598	23,935
Increase in employee benefits	696	1,186
Net cash from operating activities	<u>46,515</u>	<u>69,036</u>

Non-cash investing and financing activities

	Consolidated	
	2022	2021
	\$'000	\$'000
Additions to the right-of-use assets	127	4,788
Stapled Units issued under distribution reinvestment plan	211	-
	<u>338</u>	<u>4,788</u>

Changes in liabilities arising from financing activities

Consolidated	Bank loans	Lease liabilities	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2020	490,000	44,924	534,924
Net cash (used in)/from financing activities	32,000	(1,221)	30,779
Acquisition of leases	-	4,788	4,788
Balance at 30 June 2021	522,000	48,491	570,491
Net cash (used in)/from financing activities	108,000	(1,708)	106,292
Acquisition of leases	-	127	127
Balance at 30 June 2022	<u>630,000</u>	<u>46,910</u>	<u>676,910</u>

Redcape Hotel Group
Notes to the consolidated financial statements
30 June 2022

Note 37. Events after the reporting period

Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group has been reflected in the results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine and boosters, have started to mitigate the risks caused by COVID- 19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the prompt implementation of business continuation processes should future lockdowns occur. These processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation closely.

Assets held for sale

As detailed in note 12 of the notes to the consolidated financial statements, the Group completed the settlement of the sale of Minskys Hotel on 8 August 2022 for a total consideration of \$39.0 million. The accounting gain on the sale of Minskys Hotel will be included in the 2023 financial year.

New loan facility

On 23 August 2022, Redcape secured a new \$75.0 million debt facility with a 5-year tenor (expiry August 2027) to replace the Bridge Loan which was due to expire in March 2023.

Redcape Hotel Group
Directors' declaration
30 June 2022

The Directors of the Responsible entity declare that:

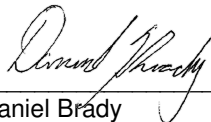
- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

24 August 2022
Sydney



Independent Auditor's Report

To the stapled security holders of Redcape Hotel Group

Opinion

We have audited the **Financial Report** of Redcape Hotel Group (the Stapled Group).

In our opinion, the accompanying Trust Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Stapled Group** consists of Redcape Hotel Trust II and the entities it controlled at the year-end or from time to time during the financial year and Redcape Hotel Trust I and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Trust Financial Report* section of our report.

We are independent of the Group and Redcape Hotel Group Management Ltd (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Trust Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Other Information

Other Information is financial and non-financial information in Redcape Hotel Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Redcape Hotel Group Management Ltd (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Redcape Hotel Group Management Ltd (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, cursive font.

KPMG

A handwritten signature in blue ink, appearing to read 'Paul Thomas', written in a cursive style.

Paul Thomas

Partner

Sydney

24 August 2022



MA Financial Group

Redcape
HOTEL GROUP

Redcape Hotel Trust I

ARSN 629 354 614

Annual Report - 30 June 2022

Redcape Hotel Trust I
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30 June 2022

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Redcape Hotel Trust I
Directors' report
30 June 2022

The Directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Redcape Hotel Trust I (referred to hereafter as the 'trust' or 'parent entity' or 'RHT I') and the entities it controlled at the end of, or during, the year ended 30 June 2022. The manager of Redcape Hotel Group ('Redcape') is MA Hotel Management Pty Ltd ('Trust Manager' or 'Management'), a wholly owned subsidiary of MA Financial Group Limited ('MA Financial'). Redcape is a stapled Fund consisting of Redcape Hotel Trust I and Redcape Hotel Trust II and the entities they controlled.

Directors

The following persons were Directors of the Responsible Entity for the year ended 30 June 2022 and up to the date of this report, unless otherwise stated:

Mr Nicholas Collishaw
Mr Daniel Brady
Mr Andrew Ireland
Mr David Groves
Mr Hugh Thomson

Principal activities

During the financial year, the principal continuing activities of the consolidated entity consisted of real estate investment in the hotel freehold (land and building) in Australia.

Distributions

Distributions paid/payable during the financial year for the quarters ending:

	Consolidated	
	2022	2021
	\$'000	\$'000
30 September 2021 of nil cents (30 September 2020: 1.83 cents) per unit	-	10,105
31 December 2021 of 1.95 cents (31 December 2020: 1.83 cents) per unit	8,818	10,105
31 March 2022 of 2.3 cents (31 March 2021: 1.83 cents) per unit	10,424	10,105
30 June 2022 of 2.3 cents (30 June 2021: 2.67 cents) per unit	10,652	14,744
	<u>29,894</u>	<u>45,059</u>

Significant changes in the state of affairs

Delisting of Redcape from the Australian Securities Exchange ('ASX')

On 18 August 2021, the Board of the Responsible Entity recommended the delisting of Redcape from the ASX. The delisting proposal provided optionality for unitholders to either remain invested in Redcape as an open-ended unlisted fund or realise their investment through an off-market buy-back at \$1.15 per unit ('Buy-Back Price'). The Buy-Back occurred prior to delisting with a maximum amount of \$247.3 million. Redcape also proposed a Rights Issue to partially fund the Buy-Back and provide the opportunity for existing Redcape unitholders to acquire additional units.

Unitholders voted in favour of the delisting proposal at the Redcape Hotel Group Unitholder General Meeting on 10 September 2021. At 19 October 2021, applications for the buy-back of 126.5 million Redcape ordinary stapled units were received.

The \$145.5 million (\$83.2 million allocated to Redcape Hotel Trust I) Buy-Back (representing 126.5 million securities) was funded as follows:

- \$115.0 million of net debt funding from Redcape comprising \$100.0 million in new facilities and draw down of \$15.0 million in existing facilities;
- \$1.4 million (\$0.8 million allocated to Redcape Hotel Trust I) of proceeds from the Rights Issue; and
- \$29.1 million (\$16.7 million allocated to Redcape Hotel Trust I) via an issue of 25.3 million new units to MA Moelis Australia Advisory Pty Ltd in accordance with underwriting arrangements for the Rights Issue.

Redcape was removed from the ASX Official List at the close of trading on 2 November 2021.

Redcape Hotel Trust I
Directors' report
30 June 2022

Expanded debt headroom and extended tenor

On 13 August 2021, the consolidated entity extended the tenor of two of its existing lending facilities from September 2022 to December 2025.

On 25 October 2021, the consolidated entity secured an additional \$100.0 million funding facility with \$25.0 million expiring in December 2025 and \$75.0 million ('Bridge Loan') expiring in March 2023. This increased the Facility limit from \$600.0 million to \$700.0 million, excluding \$4.0 million in ancillary facilities. Subsequent to year-end, the Bridge Loan was refinanced and extended with a 5-year tenor.

Review of operations

The loss for the consolidated entity amounted to \$14,019,000 (30 June 2021: profit of \$26,659,000).

Impacts of Coronavirus ('COVID-19') pandemic

The consolidated entity's tenants have been impacted by COVID-19 government restrictions for most of the financial year. Tenants in New South Wales ('NSW') (excluding off-premise bottle shops) were temporarily closed from 26 June 2021 to 11 October 2021 in line with NSW government COVID-19 restrictions. The NSW hotels resumed trading albeit under Government mandated restrictions from 11 October 2021 until 28 February 2022. Hotels in Queensland ('QLD') (excluding off-premise bottle shops) were intermittently closed from 29 June 2021 to 8 August 2021. All restrictions for the QLD hotels were lifted on 12 June 2022.

Partial rent and interest waiver

On 14 September 2021, the consolidated entity granted a partial rent waiver to its NSW tenants whose revenue had been negatively impacted by COVID-19 between 1 July 2021 to 31 December 2021. A partial interest waiver was also granted to a related party between 1 July 2021 to 31 December 2021.

Matters subsequent to the end of the financial year

Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity has been reflected in the results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine and boosters, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the prompt implementation of business continuation processes should future lockdowns occur. These processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation closely.

Assets held for sale

As detailed in note 9 of the notes to the consolidated financial statements, the consolidated entity completed the settlement of the sale of Minskys Hotel on 8 August 2022 for a total consideration of \$31.8 million. The accounting gain on the sale of Minskys Hotel will be included in the 2023 financial year.

New loan facility

On 23 August 2022, Redcape secured a new \$75.0 million debt facility with a 5-year tenor (expiry August 2027) to replace the Bridge Loan which was due to expire in March 2023.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers

In accordance with the Constitution of RHT I, the Responsible Entity is indemnified on a full indemnity basis in respect of all taxes, costs and losses which it may pay or incur, in exercising any of its powers, rights, or obligations in properly performing its duties in connection with RHT I.

Redcape Hotel Trust I
Directors' report
30 June 2022

All Directors of the Responsible Entity are appointed by MA Financial. MA Financial has agreed to indemnify all current and former Directors and company secretaries of the Responsible Entity against all liabilities to persons which arise out of the performance of their normal duties as a Director or Company Secretary to the extent permitted by law unless the liability relates to conduct involving wilful misconduct, bad faith or conduct known to be in breach of law.

During the financial year, MA Financial paid an insurance premium in respect of customary Directors' and Officers' insurance coverage for the Responsible Entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The trust has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the trust or any related entity against a liability incurred by the auditor.

During the financial year, the trust has not paid a premium in respect of a contract to insure the auditor of the trust or any related entity.

Proceedings on behalf of the trust

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the trust, or to intervene in any proceedings to which the trust is a party for the purpose of taking responsibility on behalf of the trust for all or part of those proceedings.

Rounding of amounts

Amounts have been rounded to the nearest thousand dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

Auditor's independence declaration

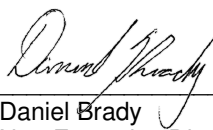
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

24 August 2022
Sydney



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Redcape Hotel Group Management Ltd, as
Responsible Entity of Redcape Hotel Trust I

I declare that, to the best of my knowledge and belief, in relation to the audit of Redcape Hotel Trust I for the financial year ended 30 June 2022 there have been:

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

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' and a stylized graphic of four vertical bars.

KPMG

A handwritten signature in blue ink, appearing to read 'Paul Thomas'.

Paul Thomas

Partner

Sydney

24 August 2022

Redcape Hotel Trust I
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Investment income	4	37,746	50,999
Finance income		6,573	7,425
Total revenue		<u>44,319</u>	<u>58,424</u>
Expenses			
Operating expenses	5	(6,391)	(5,727)
Management fees	6	(36,541)	(9,885)
Finance costs		(13,760)	(11,080)
Depreciation expense	11	(1,611)	(1,488)
Loss on disposal of business		(35)	-
Transaction costs		-	(3,585)
Total expenses		<u>(58,338)</u>	<u>(31,765)</u>
(Loss)/profit for the year attributable to the unitholders of Redcape Hotel Trust I		(14,019)	26,659
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity		<u>5,596</u>	<u>792</u>
Other comprehensive income for the year		<u>5,596</u>	<u>792</u>
Total comprehensive income for the year attributable to the unitholders of Redcape Hotel Trust I		<u>(8,423)</u>	<u>27,451</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Redcape Hotel Trust I
Consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	28,668	36,026
Other receivables	8	14	163
Prepayments		1,789	1,683
		<u>30,471</u>	<u>37,872</u>
Non-current assets classified as held for sale	9	20,983	-
Total current assets		<u>51,454</u>	<u>37,872</u>
Non-current assets			
Other receivables	8	218,444	176,658
Derivative financial instruments	10	5,304	-
Investment property	11	588,938	611,532
Total non-current assets		<u>812,686</u>	<u>788,190</u>
Total assets		<u>864,140</u>	<u>826,062</u>
Liabilities			
Current liabilities			
Trade and other payables	12	19,967	10,992
Distribution payable	13	10,652	14,744
Borrowings	14	75,000	-
Total current liabilities		<u>105,619</u>	<u>25,736</u>
Non-current liabilities			
Trade and other payables	12	18,903	-
Derivative financial instruments	10	-	292
Borrowings	14	551,882	517,839
Total non-current liabilities		<u>570,785</u>	<u>518,131</u>
Total liabilities		<u>676,404</u>	<u>543,867</u>
Net assets		<u>187,736</u>	<u>282,195</u>
Equity			
Issued capital	15	262,794	318,936
Cash flow hedge reserve	16	5,304	(292)
Accumulated losses		<u>(80,362)</u>	<u>(36,449)</u>
Total equity		<u>187,736</u>	<u>282,195</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Redcape Hotel Trust I
Consolidated statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Cash flow hedge reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	318,936	(1,084)	(18,049)	299,803
Profit for the year	-	-	26,659	26,659
Other comprehensive income for the year	-	792	-	792
Total comprehensive income for the year	-	792	26,659	27,451
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid (note 17)	-	-	(45,059)	(45,059)
Balance at 30 June 2021	318,936	(292)	(36,449)	282,195

Consolidated	Issued capital \$'000	Cash flow hedge reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	318,936	(292)	(36,449)	282,195
Loss for the year	-	-	(14,019)	(14,019)
Other comprehensive income for the year	-	5,596	-	5,596
Total comprehensive income for the year	-	5,596	(14,019)	(8,423)
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued (note 15)	9,497	-	-	9,497
Rights issue (note 15)	17,457	-	-	17,457
Units buy-back (note 15)	(83,216)	-	-	(83,216)
Distribution reinvestment plans (note 15)	120	-	-	120
Distributions paid/payable (note 17)	-	-	(29,894)	(29,894)
Balance at 30 June 2022	262,794	5,304	(80,362)	187,736

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Redcape Hotel Trust I
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		42,264	56,150
Payments to suppliers (inclusive of GST)		(20,074)	(15,871)
Interest received		6,573	7,425
Interest and other finance costs paid		<u>(11,646)</u>	<u>(11,647)</u>
Net cash from operating activities	27	<u>17,117</u>	<u>36,057</u>
Cash flows from investing activities			
Payment of fees relating to disposal of investment properties		(35)	-
Payments for acquisition of investment properties		<u>-</u>	<u>(61,062)</u>
Net cash used in investing activities		<u>(35)</u>	<u>(61,062)</u>
Cash flows from financing activities			
Proceeds from issue of units	15	9,497	-
Proceeds from rights issue	15	17,457	-
Payments for units buy-back	15	(83,216)	-
Proceeds from bank loans	27	130,000	122,000
Repayment of bank loans	27	(22,000)	(90,000)
Loans to related and other parties		(87,455)	(74,508)
Loans from related and other parties		45,052	60,230
Distributions paid	13	<u>(33,775)</u>	<u>(32,027)</u>
Net cash used in financing activities		<u>(24,440)</u>	<u>(14,305)</u>
Net decrease in cash and cash equivalents		(7,358)	(39,310)
Cash and cash equivalents at the beginning of the financial year		<u>36,026</u>	<u>75,336</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>28,668</u></u>	<u><u>36,026</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 1. General information

The financial statements cover Redcape Hotel Trust I (ARSN 629 354 614) as a consolidated entity consisting of Redcape Hotel Trust I ('RHT I') and the entities it controlled at the end of, or during, the period (collectively referred to as the 'consolidated entity' or 'Group'). Redcape Hotel Trust I is a registered managed investment scheme under the Corporations Act 2001 domiciled in Australia. The registered managed investment scheme became effective on 26 October 2018. The responsible entity of RHT I is Redcape Hotel Group Management Ltd (ABN 87 610 990 004) (the 'Responsible Entity').

The financial statements are presented in Australian dollars, which is Redcape Hotel Trust I's functional and presentation currency.

The Responsible Entity is incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 27
Brookfield Place
10 Carrington Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 August 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the consolidated entity:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021*

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 30 June 2022, the consolidated entity had current assets of \$51,454,000 and current liabilities of \$105,619,000 leaving a net deficit of working capital of \$54,165,000 (30 June 2021: surplus of \$12,136,000). Subsequent to the year-end, the consolidated entity completed refinancing the \$75,000,000 current borrowings into a 5-year long term borrowing. Refer to note 28 for details of refinancing. At the reporting date, the consolidated entity had access to \$70,000,000 of undrawn loan facilities. The Directors of the Responsible Entity believe the consolidated entity has sufficient liquidity to meet current liabilities and that the consolidated entity will be generating operating cash flows sufficient to meet future obligations.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 2. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, the revaluation of derivative financial instruments measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 'Critical accounting judgements, estimates and assumptions'.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25 'Parent entity information'.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Redcape Hotel Trust I ('trust' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Redcape Hotel Trust I and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries align with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Taxation

Under current income tax legislation, RHT I is not liable for income tax provided unit holders are presently entitled to all of RHT I's income at 30 June each year.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

Standards on issue but not yet effective that are most relevant to the consolidated entity:

New or revised requirement	When effective
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	Applicable to annual reporting periods beginning on or after 1 January 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	Applicable to annual reporting periods beginning on or after 1 January 2023
AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	Applicable to annual reporting periods beginning on or after 1 January 2023
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	Applicable to annual reporting periods beginning on or after 1 January 2023

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. All critical accounting judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities have been reflected in the notes:

Investment properties and impairment – note 11

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 4. Investment income

	Consolidated	
	2022	2021
	\$'000	\$'000
Rental income from investment properties*	32,515	46,546
Revenue from outgoings recovered	5,231	4,453
	<u>37,746</u>	<u>50,999</u>
Investment income	<u><u>37,746</u></u>	<u><u>50,999</u></u>

* Rental income includes both internal rental income and external rental income. Refer to note 24 related party transactions for further information on internal rental income.

Disaggregation of revenue

All major revenue streams are within Australia and revenue is recognised over time as the service is provided.

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Rent

Rent revenue from investment property leases with fixed annual rent increases is recognised on a straight-line basis over the lease term. Fixed increases to the operating lease revenue relating to future periods, are recognised as components of the relevant property investment's carrying value.

Interest

Interest income is recognised using the effective interest method.

Note 5. Operating expenses

	Consolidated	
	2022	2021
	\$'000	\$'000
Investment property outgoings and expenses	5,572	4,597
Other expenses	819	1,130
	<u>6,391</u>	<u>5,727</u>
	<u><u>6,391</u></u>	<u><u>5,727</u></u>

Note 6. Management fees

	Consolidated	
	2022	2021
	\$'000	\$'000
Asset management fee	1,615	1,342
Performance fee	34,926	8,543
	<u>36,541</u>	<u>9,885</u>
	<u><u>36,541</u></u>	<u><u>9,885</u></u>

Refer to note 24 related party transactions for further information on outstanding management fees as at 30 June 2022 and 30 June 2021.

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Note 7. Cash and cash equivalents

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	28,668	36,026

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less.

Note 8. Other receivables

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current assets</i>		
Other receivables	14	163
<i>Non-current assets</i>		
Interest bearing related party receivable*	217,464	175,152
Straight line lease asset	980	1,506
	218,444	176,658
	218,458	176,821

* The interest-bearing related party receivable is from Redcape Hotel Fund Pty Ltd. The related party loan facility expires on 30 June 2025. Loan interest is paid on a monthly basis. Refer to note 24 related party transactions for more details.

Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 9. Non-current assets classified as held for sale

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current assets</i>		
Investment properties	20,983	-

On 6 May 2022, the consolidated entity entered into a contract to sell one of the hotels (Minskys Hotel) for a total consideration of \$31.8 million. As a result, the carrying value of investment property has been transferred to assets held for sale. The settlement of the transaction occurred on 8 August 2022. The accounting gain on the sale of Minskys Hotel will be included in the 2023 financial year.

Accounting policy for non-current assets classified as held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Upon classification as held for sale, the assets are remeasured in accordance with the consolidated entity's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

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Note 10. Derivative financial instruments

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Interest rate swap contracts - cash flow hedges	5,304	-
<i>Non-current liabilities</i>		
Interest rate swap contracts - cash flow hedges	-	(292)
	<u>5,304</u>	<u>(292)</u>

Refer to note 18 for further information on financial instruments.

Refer to note 19 for further information on fair value measurement.

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Accounting policy for cash flow hedges

Cash flow hedges are used to hedge the consolidated entity's interest rate risk exposures. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the consolidated entity expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The consolidated entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

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Note 11. Investment property

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Non-current assets</i>		
Investment property - at cost	595,375	616,456
Less: Accumulated depreciation	<u>(6,437)</u>	<u>(4,924)</u>
	<u>588,938</u>	<u>611,532</u>
 <i>Reconciliation</i>		
Reconciliations of opening and closing balances of the current and previous financial year are set out below:		
Opening	611,532	551,958
Additions through acquisitions	-	61,062
Classified as held for sale (note 9)	(20,983)	-
Depreciation expense	<u>(1,611)</u>	<u>(1,488)</u>
Closing	<u>588,938</u>	<u>611,532</u>

All investment properties are freehold and 100% owned by MAHF Custodian Pty Ltd as appointed custodian. Investment properties comprise land, buildings, liquor and gaming licenses. Plant and equipment is held by the tenant.

Accounting policy for investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation. Investment properties are recognised at cost (including transaction costs) less accumulated depreciation and accumulated impairment losses. Fair value of these investment properties as at 30 June 2022 is \$935.9 million (30 June 2021: \$841.1 million).

Impairment assessment

Determining whether investment properties are impaired requires an assessment of each investment property's recoverable amount less its carrying value. The recoverable amount is based on the higher of its value in use (VIU) and fair value less costs to dispose (FVLCD) of each individual investment property.

(i) VIU methodology

These VIU calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates, growth rates of estimated future cash flows, and terminal growth rates. The VIU method used in determining the recoverable amount of the investment properties is affected by management's assumptions used in the calculation. A summary of the key assumptions used in the calculation is detailed below.

Estimated future cash flows are based on fixed annual increases in line with rental agreements and range from 0% to 3.75% (30 June 2021: 0% to 3.75%).

The discount rates used in the VIU calculation are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the consolidated entity. The discount rates have been determined using the weighted average cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rates applied in the current year VIU model range from 7.8% to 9.41% (30 June 2021: 7.31% to 8.94%).

Terminal growth rate is based on fixed annual increases in line with rental agreements for each investment property which reflects the long-term growth expectations beyond the five-year forecast horizon. Adopted terminal growth rates in the VIU model range from 0% to 3.75% (30 June 2021: 0% to 3.75%).

(ii) FVLCD methodology

FVLCD includes an estimate of each investment property's fair value and costs of disposal. Each investment property's fair value is based on the income capitalisation method, which is determined with reference to market rent and adopted capitalisation rate.

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Note 11. Investment property (continued)

Sensitivity

Management believes that based on current economic conditions and trading performance of each investment property, any reasonably possible change in the key assumptions used would not result in the carrying amount to exceed its recoverable amount and result in a material impairment.

As the recoverable amount from the VIU and/or FVLCD assessments exceeded the carrying amount for each investment property, no impairment loss was recorded.

Investment property lessor commitments

	Consolidated	
	2022	2021
	\$'000	\$'000
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	55,051	49,075
One to five years	229,263	205,143
More than five years	665,926	657,037
	<u>950,240</u>	<u>911,255</u>

Note 12. Trade and other payables

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	156	176
Accrued interest	1,510	440
Other payables*	17,128	9,273
Outgoings recovered received in advance	1,173	1,103
	<u>19,967</u>	<u>10,992</u>
<i>Non-current liabilities</i>		
Other payables and accruals*	18,903	-
	<u>38,870</u>	<u>10,992</u>

Refer to note 18 for further information on financial instruments.

* Other payables increased due to accrual of performance fee based on Directors' valuation. Management fee capped which is not due and payable within the next 12 months are classified as non-current.

Accounting policy for trade and other payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted.

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Note 13. Distribution payable

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Distributions	<u>10,652</u>	<u>14,744</u>

Distributions

The provision represents distributions declared, being appropriately authorised and no longer at the discretion of the trust, on or before the end of the financial year but not distributed at the reporting date.

Movements in provision during the current financial year are set out below:

Consolidated - 2022	Distributions \$'000
Carrying amount at the start of the year	14,744
Additional provisions recognised	29,894
Payments relating to prior period	(14,744)
Payments relating to current period	(19,031)
RHT I units issued under dividend reinvestment plan (note 15)	(120)
RHT II stapled units issued under dividend reinvestment plan	<u>(91)</u>
Carrying amount at the end of the year	<u><u>10,652</u></u>

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 14. Borrowings

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans	<u>75,000</u>	<u>-</u>
<i>Non-current liabilities</i>		
Bank loans	555,000	522,000
Capitalised loan establishment costs	<u>(3,118)</u>	<u>(4,161)</u>
	<u>551,882</u>	<u>517,839</u>
	<u><u>626,882</u></u>	<u><u>517,839</u></u>

Refer to note 18 for further information on financial instruments.

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Note 14. Borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2022	2021
	\$'000	\$'000
Bank loans	<u>630,000</u>	<u>522,000</u>

Common Terms Deed

The consolidated entity refinanced its existing debt arrangements under the Common Terms Deed as outlined below:

- On 13 August 2021, the consolidated entity refinanced \$62.5 million of Tranche A and Revolver with a revised expiry date of December 2025.
- On 25 October 2021, the consolidated entity refinanced and secured an additional \$100.0 million loan facility. This includes Tranche D for \$25.0 million with the expiry date of December 2025 and a Bridge Loan for \$75.0 million with the expiry date of March 2023.

The total facility amount is \$700.0 million (excluding \$4.0 million ancillary facility).

Description of the facility	Amount	Expiry
	(\$ million)	
Tranche B	250.0	December 2024
Tranche A1 and Revolver A1 Facility	250.0	December 2025
Tranche C	100.0	December 2025
Tranche D	25.0	December 2025
Bridge Loan	<u>75.0</u>	March 2023
	<u>700.0</u>	

The consolidated entity has access to a \$4.0 million ancillary facility. As at 30 June 2022, \$3.0 million has been utilised on bank guarantees to a supplier and landlords (30 June 2021: \$3.0 million).

Subsequent to the year-end, the consolidated entity completed the refinance of the \$75.0 million current borrowings into a 5-year long term borrowing. Refer to note 28 for details of refinancing.

Assets pledged as security

The financiers in respect of the bank loans have first ranking security over all of the assets of the consolidated entity, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Defaults and breaches

The consolidated entity's hotels were negatively impacted due to the forced shutdown in the beginning of the financial year 2022. As a result, on 16 August 2021, a formal waiver was agreed upon and formally documented with the consolidated entity's lending syndicate, ensuring that the consolidated entity remained in full compliance with its loan agreement. In addition, the lending syndicate has also agreed to temporarily amend the financial covenants. There have been no breaches of bank covenants within the definition of the bank waiver for the financial year ended 30 June 2022.

Restrictions on distributions

As part of the waiver, the consolidated entity may not declare or pay a distribution during the waiver period unless already declared or notified to the lending syndicate. A consent to distribute was obtained from the lending syndicate in December 2021. There have been no breaches of the restrictions on the distributions as described in the waiver for the financial year ended 30 June 2022.

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Notes to the consolidated financial statements
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Note 14. Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2022	2021
	\$'000	\$'000
Total facilities		
Bank loans	700,000	600,000
Used at the reporting date		
Bank loans	630,000	522,000
Unused at the reporting date		
Bank loans	70,000	78,000

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 15. Issued capital

	Consolidated			
	2022	2021	2022	2021
	Units	Units	\$'000	\$'000
Ordinary units - fully paid	463,129,705	552,195,195	262,794	318,936
Details	2022	2021	2022	2021
	No of units	No of units	\$'000	\$'000
	'000	'000	'000	'000
Balance at beginning of the period	552,195	552,195	318,936	318,936
Units issued	10,792	-	9,497	-
Rights issue	26,546	-	17,457	-
Units buy-back	(126,546)	-	(83,216)	-
Unit issued under dividend reinvestment plan	143	-	120	-
Balance at end of the period	463,130	552,195	262,794	318,936

Stapled units

The ordinary units of Redcape Hotel Trust I ('RHT I') and Redcape Hotel Trust II ('RHT II') are stapled together such that the units of RHT I and RHT II must be purchased, sold or transferred together. The stapled group is collectively known as Redcape Hotel Group ('Redcape').

Ordinary units

The ordinary units of RHT I entitle the holder to participate in distributions and the proceeds on the winding up of the trust in proportion to the number of and amounts paid on the units held. The fully paid ordinary units have no par value and the trust does not have a limited amount of authorised capital.

On a show of hands every unit holder present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

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Note 15. Issued capital (continued)

Stapled units Rights Issue and Buy-Back

On 18 August 2021, the Board of the Responsible Entity recommended the delisting of Redcape to align the realisable value of Redcape ordinary stapled units ('units') more closely with the fundamental value of the business. The delisting proposal provided optionality for unitholders to either remain invested in Redcape as an open-ended unlisted fund or realise their investment through an off-market buy-back at \$1.15 per unit ('Buy-Back Price'). The Buy-Back occurred prior to delisting with a maximum amount of \$247.3 million. Redcape also proposed a Rights Issue to partially fund the Buy-Back and provide the opportunity for existing Redcape unitholders to acquire additional units.

Unitholders voted in favour of the delisting proposal at the Redcape Hotel Group Unitholder General Meeting on 10 September 2021. At 19 October 2021, applications for buy-back of 126.5 million Redcape ordinary stapled units were received. As a result, the unitholders' capital amounting to \$145.5 million (\$83.2 million allocated to Redcape Hotel Trust I) was reduced to give effect to the unit buy-back transaction.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for unit holders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of distributions paid to unit holders, return capital to unit holders, issue new units or sell assets to reduce debt.

The consolidated entity is subject to certain covenants in respect of its financing and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from previous reporting period.

Accounting policy for issued capital

Ordinary units are classified as equity.

Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction from the proceeds.

Note 16. Cash flow hedge reserve

	Consolidated	
	2022	2021
	\$'000	\$'000
Hedging reserve - cash flow hedges	<u>5,304</u>	<u>(292)</u>

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

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Note 16. Cash flow hedge reserve (continued)

Refer to note 18 for further information on financial instruments.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Hedging reserve \$'000
Balance at 1 July 2020	(1,084)
Revaluation - gross	792
	<hr/>
Balance at 30 June 2021	(292)
Revaluation - gross	5,596
	<hr/>
Balance at 30 June 2022	<u>5,304</u>

Note 17. Distributions

Distributions paid/payable during the financial year for the quarters ending:

	Consolidated	
	2022	2021
	\$'000	\$'000
30 September 2021 of nil cents (30 September 2020: 1.83 cents) per unit	-	10,105
31 December 2021 of 1.95 cents (31 December 2020: 1.83 cents) per unit	8,818	10,105
31 March 2022 of 2.3 cents (31 March 2021: 1.83 cents) per unit	10,424	10,105
30 June 2022 of 2.3 cents (30 June 2021: 2.67 cents) per unit	10,652	14,744
	<hr/>	<hr/>
	<u>29,894</u>	<u>45,059</u>

Accounting policy for distributions

Distributions are recognised when declared during the financial year and no longer at the discretion of the trust.

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the trust, on or before the end of the financial year but not distributed at the reporting date.

Note 18. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to interest rate risk, liquidity risk and credit risk. The consolidated entity's overall risk management program seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk exposure. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and liquidity risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Directors of the Responsible Entity. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operations. Finance reports to the Directors on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity is not exposed to any foreign currency risk.

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Note 18. Financial instruments (continued)

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk. The policy is to maintain at least 30% of current borrowings at fixed rates using interest rate swaps with cap and floor rates.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2022		2021	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	1.14%	630,000	1.08%	522,000
Interest rate swaps (notional principal amount)	-	(188,700)	-	(180,000)
Net exposure to interest rate risk		<u>441,300</u>		<u>342,000</u>

The bank loans outstanding, totalling \$630.0 million (30 June 2021: \$522.0 million), are interest payment loans. Monthly cash outlays of approximately \$0.6 million (30 June 2021: \$0.5 million) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of \$4.4 million (30 June 2021: \$3.4 million) per annum.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount. The consolidated entity does not hold any collateral or have any expected credit losses.

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated entity has a voluntary working capital deficiency based on its capital management strategy of paying down debt with excess cash. Due to the uncertainties associated with the ongoing COVID-19 pandemic, it was deemed prudent to maintain cash reserves at 30 June 2022 to meet the ongoing working capital requirements of the consolidated entity.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2022 \$'000	2021 \$'000
Bank loans	<u>70,000</u>	<u>78,000</u>

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Note 18. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	156	-	-	-	156
Other payables	-	17,128	-	-	-	17,128
<i>Interest-bearing - variable</i>						
Bank loans	3.05%	93,223	17,224	595,368	-	705,815
Total non-derivatives		110,507	17,224	595,368	-	723,099
Consolidated - 2021						
Consolidated - 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	176	-	-	-	176
Other payables	-	9,273	-	-	-	9,273
<i>Interest-bearing - variable</i>						
Bank loans	1.05%	5,284	62,440	475,842	-	543,566
Total non-derivatives		14,733	62,440	475,842	-	553,015
Derivatives						
Interest rate swaps outflow	0.30%	123	-	-	-	123
Total derivatives		123	-	-	-	123

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

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Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Interest rate swaps	-	5,304	-	5,304
Total assets	-	5,304	-	5,304
Consolidated - 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Interest rate swaps	-	292	-	292
Total liabilities	-	292	-	292

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2

Derivative financial instruments comprise interest rate swaps and have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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Note 20. Key management personnel disclosures

Fees paid or payable for services provided by key management personnel, were borne by Redcape Hotel Group Management Ltd, the Responsible Entity. Refer note 24 for further details.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the trust:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - KPMG</i>		
Audit or review of the financial statements	413,000	395,000
<i>Other services - KPMG</i>		
Tax and advisory related services	283,722	150,000
Other services	34,000	-
	<u>317,722</u>	<u>150,000</u>
	<u>730,722</u>	<u>545,000</u>

The fees were paid by RHT I and RHT II as a stapled Group.

The consolidated entity may decide to employ the auditor ('KPMG') on assignments additional to their statutory audit duties where the auditor's expertise and experience are important. The Chair of the Audit, Risk & Compliance Committee (or authorised delegate) in the stapled Group must approve any other services provided by KPMG.

Note 22. Contingent liabilities

The consolidated entity has given bank guarantees to a supplier and landlords of a related party as at 30 June 2022 of \$3.0 million (2021: \$3.0 million).

Note 23. Commitments

The consolidated entity had no commitments as at 30 June 2022 and 30 June 2021.

Note 24. Related party transactions

Parent entity

Redcape Hotel Trust I is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

Transactions with related parties

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 24. Related party transactions (continued)

Transactions with the Responsible entity

	Transaction values for the year ended 30 June 2022 \$	Balance outstanding as at 30 June 2022 \$	Transaction values for the year ended 30 June 2021 \$	Balance outstanding as at 30 June 2021 \$
Redcape Hotel Group Management Ltd (i)				
Asset management fee	1,615,160	141,497	1,341,935	122,311
Debt arrangement fee (ii)	500,000	-	500,000	-
Acquisition fee	-	-	578,973	-
Performance fee (iii)	<u>34,926,079</u>	<u>34,926,079</u>	<u>8,542,680</u>	<u>4,330,680</u>
	<u>37,041,239</u>	<u>35,067,576</u>	<u>10,963,588</u>	<u>4,452,991</u>

(i) Fees paid to the Responsible Entity are subsequently paid to MA Hotel Management Pty Ltd in its capacity as Trust Manager.

(ii) Debt arrangement fee equates to 0.5% of the \$100.0 million (2021: \$100.0 million) debt refinanced.

iii) Performance fee reflects positive revaluations underpinned by both improved earnings and tightened capitalisation rates. A performance fee of \$48,178,083 (\$34,926,079 for RHT I) has been accrued in Redcape for the current financial year ended 30 June 2022 based on Directors valuation. The amount payable based on Independent external valuation is \$22,102,360 (\$16,022,821 for RHT I).

Payment of performance fee is subject to a 1.25% cap against the gross hotel portfolio value comprising Investment Management (asset management fee, debt arrangement fee, acquisition fee and divestment fee) and performance fees, meaning a portion of the accrued fee could become payable subsequent to the financial year ended 30 June 2023. The accrued performance fee has been split proportionately to the Net Asset Value ('NAV') on a monthly basis averaging Redcape Hotel Trust I 72.49% and Redcape Hotel Trust II 27.51%.

Other related party transaction

The aggregate amounts recognised during the period relating to transactions between the consolidated entity and related entities were as follows:

Related Entity	Transaction	Transaction values for the year ended 30 June 2022 \$	Balance outstanding as at 30 June 2022 \$	Transaction values for the year ended 30 June 2021 \$	Balance outstanding as at 30 June 2021 \$
Redcape Hotel Group Pty Ltd	Rental income	(32,992,748)	-	(46,587,877)	-
Redcape Hotel Group Pty Ltd	Interest income	(6,571,481)	(1,033,210)	(6,608,077)	(695,882)
Redcape Hotel Fund Pty Ltd	Loan receivable	42,312,747	217,464,318	14,276,811	175,151,571

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$'000	\$'000
(Loss)/profit	(9,586)	26,024
Total comprehensive income	(9,586)	26,024

Statement of financial position

	Parent	
	2022	2021
	\$'000	\$'000
Total current assets	36	13
Total assets	222,569	295,450
Total current liabilities	18,742	22,912
Total liabilities	45,653	22,912
Equity		
Issued capital	262,794	318,936
Accumulated losses	(85,878)	(46,398)
Total equity	<u>176,916</u>	<u>272,538</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Distributions received from subsidiaries are recognised as other income by the parent entity.

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy outlined in the notes to the financial statements:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Redcape Hotel Property Trust	Australia	100%	100%
St George Hotel Trust	Australia	100%	100%
Doonside Hotel Trust	Australia	100%	100%
El Cortez Hotel Trust	Australia	100%	100%
Keighery Hotel Trust	Australia	100%	100%
Lakeview Hotel Motel Trust	Australia	100%	100%
Prospect Hotel Trust	Australia	100%	100%
Royal Hotel Trust	Australia	100%	100%
St Marys Hotel Trust	Australia	100%	100%
Belrose Hotel Trust	Australia	100%	100%
Red Lantern Hotel Trust	Australia	100%	100%
Campbelltown Hotel Trust	Australia	100%	100%
Eastwood Hotel Trust	Australia	100%	100%
Leumeah Hotel Trust	Australia	100%	100%
Mount Annan Hotel Trust	Australia	100%	100%
Revesby Pacific Hotel Trust	Australia	100%	100%
Willoughby Hotel Trust	Australia	100%	100%
Eastern Creek Tavern Hotel Trust	Australia	100%	100%
Landmark Hotel Trust	Australia	100%	100%
Crown Revesby Hotel Trust	Australia	100%	100%
Minskys Hotel Trust	Australia	100%	100%
Shamrock Hotel Trust	Australia	100%	100%
Hermit Park Hotel Trust	Australia	100%	100%
Wattle Hotel Trust	Australia	100%	100%
Carrington Hotel Trust	Australia	100%	100%
Andergrove Tavern Hotel Trust	Australia	100%	100%
Cabramatta Hotel Trust	Australia	100%	100%
Crescent Hotel Trust	Australia	100%	100%
Wattle Grove Hotel Trust	Australia	100%	100%
Sun Hotel Trust	Australia	100%	100%
Vauxhall Hotel Trust	Australia	100%	100%
Australian Hotel & Brewery Trust	Australia	100%	100%
Central Hotel Trust	Australia	100%	100%
Unanderra Hotel Trust	Australia	100%	100%
Figtree Hotel Trust	Australia	100%	100%
Kings Head Hotel Trust	Australia	100%	100%
Gladstone Hotel Trust	Australia	100%	100%
O'Donoghues Hotel Trust	Australia	100%	100%
Aspley Hotel Trust	Australia	100%	100%
Shafston Hotel Trust	Australia	100%	100%

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 27. Cash flow information

Reconciliation of (loss)/profit to net cash from operating activities

	Consolidated	
	2022	2021
	\$'000	\$'000
(Loss)/profit for the year	(14,019)	26,659
Adjustments for:		
Depreciation expense	1,611	1,488
Loss on disposal of business	35	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	675	418
Increase in prepayments	(106)	(110)
Increase in trade and other payables	27,878	8,034
Decrease/(increase) in capitalised loan establishment costs	1,043	(432)
Net cash from operating activities	<u>17,117</u>	<u>36,057</u>

Non-cash investing and financing activities

	Consolidated	
	2022	2021
	\$'000	\$'000
Dividends under reinvestment plan	<u>211</u>	<u>-</u>

Changes in liabilities arising from financing activities

Consolidated	Bank loans
	\$'000
Balance at 1 July 2020	490,000
Net cash from financing activities	<u>32,000</u>
Balance at 30 June 2021	522,000
Net cash from financing activities	<u>108,000</u>
Balance at 30 June 2022	<u>630,000</u>

Note 28. Events after the reporting period

Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity has been reflected in the results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine and boosters, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the prompt implementation of business continuation processes should future lockdowns occur. These processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation closely.

Assets held for sale

As detailed in note 9 of the notes to the consolidated financial statements, the consolidated entity completed the settlement of the sale of Minskys Hotel on 8 August 2022 for a total consideration of \$31.8 million. The accounting gain on the sale of Minskys Hotel will be included in the 2023 financial year.

Redcape Hotel Trust I
Notes to the consolidated financial statements
30 June 2022

Note 28. Events after the reporting period (continued)

New loan facility

On 23 August 2022, Redcape secured a new \$75.0 million debt facility with a 5-year tenor (expiry August 2027) to replace the Bridge Loan which was due to expire in March 2023.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Redcape Hotel Trust I
Directors' declaration
30 June 2022

The Directors of Redcape Hotel Group Management Ltd, as the Responsible Entity of Redcape Hotel Trust I, declare that:

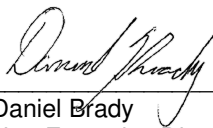
- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors of the Responsible Entity, made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

24 August 2022
Sydney



Independent Auditor's Report

To the security holders of Redcape Hotel Trust I

Opinion

We have audited the **Financial Report** of Redcape Hotel Trust I (the Trust Financial Report).

In our opinion, the accompanying Trust Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Redcape Hotel Trust I and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Trust Financial Report* section of our report.

We are independent of the Group and Redcape Hotel Management Ltd (the responsible entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Redcape Hotel Trust I's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Redcape Hotel Group Management Ltd (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Redcape Hotel Management Ltd (the responsible entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Paul Thomas

Partner

Sydney

24 August 2022