Redcape Hotel Group
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Redcape Hotel Group
Comprising:	Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696)
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

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2. Results for announcement to the market

			Consolidated	
		%	2021 $'000	2020 $'000
Revenues from ordinary activities	improved by	29.3%	335,318	259,294
Profit for the year attributable to the stapled security holders	improved by	153.6%	28,472	11,227

	2021 Cents	2020 Cents
Basic earnings per stapled security	5.16	2.03
Diluted earnings per stapled security	5.16	2.03

Distributions

	Amount per stapled security Cents	Franked amount per stapled security Cents
Distribution for the quarter ended 30 September 2020 (paid 30 November 2020)	1.830	-
Distribution for the quarter ended 31 December 2020 (paid 26 February 2021)	1.830	-
Distribution for the quarter ended 31 March 2021 (paid 31 May 2021)	1.830	-
Distribution for the quarter ended 30 June 2021 (payable 30 August 2021)	2.670	-

Comments
Commentary and analysis of the results can be found in the ASX released results announcement and presentation.

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3. Net assets and Net tangible assets

	Jun 2021 Cents	Jun 2020 Cents
Net assets per stapled security	116.69	109.09
Net tangible assets per stapled security (a)	5.98	8.27

(a) Net tangible assets calculation excludes right-of-use assets, lease liabilities, goodwill and licences.

No. of stapled securities on issue at 30 June 2021 is 552,195,195 (30 June 2020: 552,195,195).

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4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

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6. Distributions

Current period

	Amount per stapled security Cents	Franked amount per stapled security Cents
Distribution for the quarter ended 30 September 2020 (paid 30 November 2020)	1.830	-
Distribution for the quarter ended 31 December 2020 (paid 26 February 2021)	1.830	-
Distribution for the quarter ended 31 March 2021 (paid 31 May 2021)	1.830	-
Distribution for the quarter ended 30 June 2021 (payable 30 August 2021)	2.670	-

Previous period

	Amount per stapled security Cents	Franked amount per stapled security Cents
Distribution for the quarter ended 30 September 2019 (paid 29 November 2019)	2.199	-
Distribution for the quarter ended 31 December 2019 (paid 28 February 2020)	2.211	-
Distribution for the quarter ended 30 June 2020 (paid 31 August 2020)	0.310	-

There is no foreign sourced distribution for the current and previous period.

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7. Distribution reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

Redcape Hotel Group
Appendix 4E
Preliminary final report

11. Attachments

Details of attachments (if any):

The Annual Report of Redcape Hotel Group for the year ended 30 June 2021 is attached.

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12. Signed

Date: 18 August 2021

Nicholas Collishaw
Chairman
Sydney

WE ARE

Redcape

HOTEL GROUP

Annual Report 30 June 2021

Redcape Hotel Group is one of Australia's leading community pub operators with a portfolio of 36 quality hotels strategically located across New South Wales and Queensland. Redcape is committed to delivering sustainable distributions and growing earnings through its proven operating platform, active portfolio management and accretive acquisitions.

General information

Redcape Hotel Group ("Redcape") 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 Redcape.

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

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

Registered office
Level 27
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Principal place of business
Level 1
Minskys Hotel
287 Military Road
Cremorne NSW 2090

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 18 August 2021. The Directors have the power to amend and reissue the financial statements.

We enrich communities through our hospitality.

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Contents

Redcape demonstrated high performance of its business and its people reporting strong Underlying Earnings for the year of 10.21 cents per share.

Financial Performance

$56.4m

FY21 Underlying Earnings[1] up 51.7%

FY20 Underlying Earnings of $37.2m

$28.5m

Statutory NPAT up 153.6%

FY20 NPAT of $11.2m impacted by shut down

1. Underlying Earnings (previously Distributable Earnings); Operating Earnings before interest, taxes, depreciations and amortization (EBITDA) less cash rent, cash interest and maintenance capital expenditure (plus other unrealised or non-recurring items specifically excluded from operating EBITDA)

Operational Performance

29.3%

Revenue growth (FY21 versus FY20 revenue)

8.4%

Like-for-Like Revenue growth[2] from July 2020 to end February 2021 (not cycling FY20 COVID impact)

$74.1m

FY21 Operating EBITDA[3] up 29.6%

FY20 Operating EBITDA of $57.1m

Capital Management

35.9%

Gearing ratio – Directors[4]

Gearing ratio – Statutory[5] of 38.2% within target range

$1.31

Directors NAV[6] per stapled security at 30 June 2021

Statutory NAV[7] of $1.17 per stapled security at 30 June 2021

2. Based on venues that were owned or leased for the full year FY20 and FY21 and thus excludes any part year acquisitions and divestments
3. EBITDA excluding unrealised, non-recurring and non-operational items such as venue acquisition costs, gains/losses on asset revaluation, gains/losses on sale and disposal of venue/assets and performance fees
4. Total borrowings less cash & cash equivalents as a percentage of adjusted total assets less cash & cash equivalents; total assets adjusted by substituting Investment property, Land, PPE & Intangibles with Directors valuations
5. Total borrowings less cash & cash equivalents as a percentage of total assets less cash & cash equivalents
6. Statutory Net Asset Value deducting Investment property, Land, PPE & Intangibles replacing it with the most recent valuation of that asset
7. Net Asset Value per the statutory accounts

Dear Securityholders,

Redcape Hotel Group's ("Redcape" or "the Group") strong performance during FY21 has positioned the business for sustainable future growth led by a highly capable executive team.

A strong recovery

Following the impact of COVID-19 on our operations in FY20, our business recovered strongly during FY21 which was driven by our highly capable management team who had taken decisive actions to ensure the business was well placed to achieve optimal outcomes for Securityholders.

Our leadership and highly engaged staff responded to a volatile economic and operating environment with energy and commitment to deliver great customer experiences which resulted in strong customer engagement and financial performance.

This robust performance continued throughout FY21 despite the many ongoing changes in COVID-19 restrictions. Our retail bottle shops remained operational during the period, while regulatory restrictions in New South Wales and Queensland tightened in late June as renewed outbreaks occurred, with the doors of our venues remaining open until June 26 and June 29, respectively.

The economic and trading environment throughout the remainder of FY22 continues to be uncertain. However, we are confident Redcape's business, together with its people first approach, has positioned us to achieve our strategy and continue to deliver strong long-term operating and financial outcomes.

A year of performance

Performance during the financial year was pleasing with the Redcape business growing Underlying Earnings that supported our Distributions, and generated future growth through effective portfolio management.

With a renewed focus on the growth of our business, Redcape traded positively with strong operating momentum in FY21. Building customer advocacy through our digital platform and keeping our team of staff highly engaged delivered an outstanding financial performance in a challenging environment.

In the September quarter, this resulted in the reinstatement of distributions to Securityholders, following the decision to hold back distributions while our venues were closed in FY20. Our strong trading momentum continued throughout the subsequent quarters, underpinned by the central role played by our pubs in their communities, resulting in an 11.5% uplift, versus previous guidance, to our full year distribution for the year ended 30 June 2021.

Our growth in FY21 included the acquisition of four quality Freehold Going Concern (FHGC) assets which settled in 2H FY21, expanding our portfolio of assets to 36. Our acquisitions were supported by the additional $100m expansion of our debt facility to $600m, which further optimised our balance sheet in line with our stated growth strategy.

Our leadership team and employees under CEO Dan Brady have demonstrated great resilience and diligence to respond to highly variable operating restrictions and macro conditions throughout FY21. This is evidenced in the business during FY21 delivering strong metrics in like-for-like (LFL) revenue growth of 8.4%, an increase in Operating EBITDA of 29.6% and Underlying Earnings growing 51.7%.

Redcape pubs are the hub of the communities in which they operate and I am confident their important role in connecting communities will again come to the fore in FY22.

Positioned for the future

The operating environment clearly remains dynamic and challenging for our business. The fluctuating trading restrictions resulting from COVID-19 outbreaks create a level of uncertainty as governments respond to peaks in infection rates and seek to balance the health and economic outcomes.

Notwithstanding this operating environment, Redcape continues to take steps to best position the portfolio to navigate the external headwinds. The business has maintained its strong balance sheet and liquidity, its staff are engaged - maintaining their high levels of connectedness - and customer advocacy is being maintained including through our leading digital platform.

Redcape's management team under Dan is a high performing one, using their diverse wealth of experience across a range of operating environments to maintain an innovative and customer first culture that continues to connect our assets with their communities.

We acknowledge that, despite the continued strong performance and operating metrics of the business, Redcape's security price has failed to reward Securityholders. For this reason, as Chairman I have led the Board through a thorough and extensive strategic review to consider the best pathway to provide Securityholders with access to a trading price that more accurately reflects the underlying value of Redcape's high quality assets.

As a Board, we have reached agreement that it is the best interests of Securityholders to take Redcape back to being an unlisted fund which is where our journey started. As Securityholders, you will determine the future of Redcape with the delisting subject to Securityholder approval and noting that MA Financial, and its associated funds, will not vote on the delisting proposal.

Importantly, the strategy for the business will remain unchanged. Redcape will continue to seek to provide investors with sustainable and growing distributions by investing in a diversified portfolio of high-quality pubs and hotels with refurbishment, portfolio recycling and alternative use opportunities from its real estate land bank.

Redcape pubs are the hub of the communities in which they operate and I am confident their important role in connecting communities will again come to the fore in FY22. Our position within our communities, coupled with our prudent and disciplined capital management, will allow Redcape to optimise its assets and continue the focus on future growth through great customer experience, digital innovation, and effective portfolio management.

On behalf of the Board of Directors, I would like to thank our Securityholders, our leadership and employees and the communities in which we operate for their continued support through what has been a challenging but successful year.

Nicholas Collishaw, Chairman

The continuation of business momentum, despite being in lockdown at the end of FY20, has translated into strong performance and continued growth immediately upon reopen in FY21.

Delivering Performance

Key to delivering the strong performance in FY21 were the decisions and actions taken during FY20 lockdowns - being clear on our strategy, staying true to our values and making bold decisions including further investment in leading digital customer platform, automation and AI to enhance performance. This agility and innovation resulted in the business returning distributions to Securityholders in the first quarter of FY21 and throughout the year.

The business traded positively delivering an outstanding performance in an operating environment with elevated COVID-19 related compliance costs reflecting the Group's earnings resilience. In FY21, LFL Revenue growth was up 8.4%[1] and Underlying Earnings were up 51.7% against last year reflecting our strong return to trading and disciplined management. Each trading department delivered LFL Revenue growth during the period, consistent with the update in February 2021. Food and Beverage (On-premise) was up 28%, reflecting a focus on customer engagement and delivering on Redcape's bespoke community pub model. Our Retail department (Off-premise) was up 22.4%, with strong momentum and continued growth.

Underpinning this financial performance was the ongoing focus on our lead indicator metrics of Staff Satisfaction (4.2 out of a maximum of 5.0) and Customer NPS (50+ out of a range of -100 to +100). Targets of 4.5 and 50 respectively continue to be central performance metrics for the business as the lead performance indicators in our value chain for managing our future financial performance.

During the period, the Group secured an additional funding facility ($100 million) and extended the tenor of two of its existing lending tranches to further optimise our balance sheet assisting our growth strategy. This enhanced support from our major lenders is underpinned by the strength of our business and continued strong capital management discipline.

Connecting with community

Our leading edge digital customer platform and continued high levels of engagement with customers facilitated the successful launch of our community centric digital Publinc Communities Program that realises our vision of enriching local communities through our hospitality.

The Publinc Communities Program has been implemented at 34 Redcape pubs and during the FY21 period $400,000 was distributed to 64 community organisations in the first seven months since launch, deepening the connection in the communities we operate in. The success of the program and its uptake from our Publinc Peer partners has us planning to distribute $1 million to our Peer Partners in FY22[2].

Our focus on deepening the connection our pubs have with their community through Publinc Communities, has proven to lift and build the communities we operate in. This is perpetual in nature and underpins the circular economy that our hospitality creates. This is a win/win for Redcape and customers and ignites our value chain for our staff, customers and our Securityholders.

Portfolio Management

We returned to our strategy of active portfolio management on re-opening in July 2020, with four strategic acquisitions representing a total of $96 million[3].

The Gladstone Hotel in Dulwich Hill, a freehold going concern acquired for $38.0 million[3] in November 2020, was the first of the four transactions confirming the Group's return to strategy of active portfolio optimisation and growing sustainable distributions for our Securityholders. The Group expanded the Queensland venues in its portfolio in early December 2020 successfully acquiring the Shafston Hotel, Kangaroo Point and the Aspley Hotel, Aspley, for a purchase price of $27.5 million[3]. O'Donoghue's Hotel at Emu Plains was acquired in late December for $30.5 million[3]. These four quality freehold going concern acquisitions will benefit from our platform expertise and refurbishment capability.

1. For the period July 2020 to end of February 2021
2. Subject to return of full strategy
3. Excluding transaction costs

Our focus on deepening the connection our pubs have with their community through Publinc Communities, has proven to lift and build the communities we operate in.

Capital refurbishments program recommenced at the start of the period with a modest progress on major projects, and more accelerated progress and completion of minor projects. Maintenance capital continued throughout FY21, with lower rates experienced this period likely to readjust to normal levels in coming periods. Alternate use optionality and asset optimisation opportunities were progressed with development plans lodged for Cabramatta, Keighery Hotel, Auburn and a new project identified in Leumeah.

Capital Management

Post the four acquisitions, gearing sits at 35.9%[4] with adequate cash and debt headroom. This reflects disciplined balance sheet management.

The strong relationships the Group maintains with Australia's four largest banks has proven invaluable as we secured access to additional funding and extended the tenor of existing facilities.

This increased strength of our balance sheet provides certainty with adequate cash and cash equivalents in addition to undrawn facilities.

Directors NAV[5] was $1.31 cps demonstrating the underlying strength of the portfolio. The valuation of the 36 pubs in the portfolio resulted in an uplift of $77.6 million in 2HFY21.

A sustainable future

The performance of the Group in FY21 as improved due to further actions taken during the first lockdown in 2020. During this period, we made some bold moves which paid off tremendously. This included substantially increasing the investment in our digital platform, developing our people through learning and training and, keeping our team connected. Our results have been achieved by drawing on the depth of experience within the management team, with support from Redcape's experienced Board.

Redcape's Responsible entity Board as recommended by the Independent Board Committee (IBC) has put forward to Securityholders a Delisting Proposal (Proposal) to more closely align the value of Redcape Securities with the fundamental value of the business.

The Board and Management are supportive of the Proposal and believe in the fundamentals underpinning the portfolio and attractiveness of the hospitality asset class and we remain committed and aligned with Redcape Securityholders to deliver long term value.

Our business model has proven to be resilient during lockdowns and FY21 performance demonstrates how the business can respond when a sustainable growth strategy is maintained. The business currently is primed for an optimal return to trading despite the outlook for FY22 remaining uncertain. We have been uncompromising in our focus on the engagement and wellbeing of our staff and, investing in learning, development and support programs to maintain connection with our team to ensure our pubs can commence full service from day one of re-open. The investment in our digital platform continues as we continue to build high levels of engagement with our customers and maintain our strong connection with community.

Daniel Brady, Chief Executive Officer

4. Directors gearing; total borrowings less cash as a percentage of adjusted total assets less cash; total assets adjusted by substituting Investment Property, Land, PPE & Intangibles with Directors valuations
5. Statutory Net Asset Value deducting Investment property, Land, PPE & Intangibles replacing it with the most recent valuation of that asset

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 '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 2021. The manager of Redcape ('Trust Manager' or 'Management') is MA Hotel Management Pty Ltd, a wholly owned subsidiary of MA Financial Group Ltd ('MA Financial', formerly known as Moelis Australia Ltd).

Directors

The following persons were Directors of the Responsible Entity of Redcape for the year ended 30 June 2021 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

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 Security.

The Directors 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
- Form 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 in the "Review of Operations".

Principal activities

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

- Gaming
- On-premise food and beverage
- Off-premise packaged liquor through retail bottle shops
- Other services

Freehold Going Concern ownership gives Redcape the ability to invest in refurbishment opportunities as well as provide potential future development and enhancement flexibility from the real estate on which the hotels are situated.

Distributions

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

	Consolidated	
	2021	**2020**
	$'000	**$'000**
30 September 2020 of 1.830 cents (30 September 2019: 2.199 cents) per stapled security	10,105	12,137
31 December 2020 of 1.830 cents (31 December 2019: 2.211 cents) per stapled security	10,105	12,211
31 March 2021 of 1.830 cents (31 March 2020: zero cents) per stapled security	10,105	-
30 June 2021 of 2.670 cents (30 June 2020: 0.310 cents) per stapled security	14,744	1,712
	45,059	26,060

Review of operations
The statutory profit for Redcape after providing for income tax amounted to $28.5 million (30 June 2020: $11.2 million).

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

- Underlying earnings of $56.4 million or 10.21 cents per stapled security (30 June 2020: $37.2 million or 6.73 cents per stapled security)
- Distributions of $45.1 million or 8.16 cents per stapled security (30 June 2020: $26.1 million or 4.72 cents per stapled security)
- Operating EBITDA of $74.1 million (30 June 2020: $57.1 million)
- Operating cash flows of $69.0 million (30 June 2020: $32.9 million)
- Portfolio value increased to $1,175.8 million (30 June 2020: $1,012.5 million). The increase in value reflects the net impact of revaluation ($62.2 million) comprising $57.8 million gain recognised in asset revaluation reserve and $4.4 million gain recognised in profit or loss; acquisition of four hotels $96.0 million; and capital spend $20.1 million less depreciation ($15.0 million)
- Statutory Net Asset Value of $1.17 per stapled security (30 June 2020: $1.09 per stapled security)
- Total capital expenditure of $20.1 million (30 June 2020: $20.8 million) of which $14.5 million related to capital growth and $5.6 million for capital maintenance

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Statutory Net Profit / (Loss) after tax	28,472	11,227

Impacts of Coronavirus (COVID-19)
Redcape venues reopened from 1 June 2020 and during financial year 2021 were, at times, impacted by capacity restrictions and periodic lockdowns. During this period, Redcape maintained its COVID-19 Safety plans across its venues including employing dedicated COVID-19 Safe Hygiene Marshals at the appropriate times required to ensure all venues operated safely.

Redcape reinstated quarterly distributions from the September 2020 quarter.

Redcape venues in NSW (excluding Off premise Bottle shops) were temporarily closed from 26 June 2021 in line with NSW Government COVID-19 restrictions.

Redcape venues operating in Queensland (except two venues in Mackay and Off premise Bottle shops) were temporarily closed from 29 June 2021 in line with QLD COVID-19 restrictions.

For further information, please refer to the Matters subsequent to the end of the financial year.

Assistance and support by governments and others
During the financial year, the Group received government support through the JobKeeper Payment Scheme (‘JobKeeper’). JobKeeper is a temporary subsidy for businesses significantly affected by COVID-19, where eligible employers are entitled to receive a JobKeeper payment to support the business in ongoing payments to employees. The Group was eligible to receive JobKeeper from 30 March 2020. Total JobKeeper subsidy received from the ATO from 1 July 2020 to 27 September 2020 was $4.5 million, with an impact to current year earnings of $4.0 million. As venues re-opened, the Group was not eligible for JobKeeper subsidy from 27 September 2020.

In addition to JobKeeper, the Group received payment deferrals of State and other taxes amounting to $8.4 million which will be paid in financial year 2022.

Acquisition of hotels
During the financial year, the Group settled the acquisition of four hotels as listed below.

- Gladstone Hotel, Dulwich Hill, NSW (settled on 1 February 2021)
- O'Donoghues Hotel, Emu Plains, NSW (settled on 15 February 2021)
- Aspley Hotel, Aspley, QLD (settled on 17 May 2021)
- Shafston Hotel, East Brisbane, QLD (settled on 17 May 2021)

Expanded debt headroom and extended tenor
In December 2020, the Group secured an additional $100.0 million funding facility expiring in December 2025.

In addition, the Group has extended the tenor of two of its existing lending facilities, increasing the weighted average maturity of its total debt facility to 3.6 years as at 30 June 2021.

Reconciliation of non-IFRS financial metrics to statutory results
(i) Reconciliation of Operating EBITDA to Statutory Net Profit after Tax (NPAT)

	Consolidated	
	30 Jun 2021	**30 Jun 2020**
	$'000	**$'000**
Revenue	335,318	259,294
Gross profit	**174,818**	**137,609**
Gross profit (% of Revenue)	**52.1%**	**53.1%**
Operating costs	(35,913)	(29,602)
Employment costs	(48,407)	(35,992)
Management fees (excluding performance fee)	(16,286)	(14,731)
Rent expense	(157)	(153)
Operating EBITDA	**74,055**	**57,131**
Operating EBITDA (% of Revenue)	**22.1%**	**22.0%**
Performance fee	(11,876)	-
Business acquisition costs	(4,366)	(1,687)
Gain/(loss) on disposal of non-current assets	48	(110)
Gain/(loss) on asset revaluation	4,390	(3,669)
Transaction costs	(5,000)	-
EBITDA	**57,251**	**51,665**
Depreciation expense on right-of-use assets	(2,419)	(1,991)
Depreciation expense	(15,014)	(14,180)
EBIT	**39,818**	**35,494**
Interest on lease liabilities	(1,331)	(843)
Net finance costs	(10,985)	(13,932)
Swaps and borrowing costs write off	-	(3,992)
Profit before income tax expense	**27,502**	**16,727**
Income tax expense	970	(5,500)
Statutory NPAT	**28,472**	**11,227**

(ii) Reconciliation of Statutory NPAT to Underlying Earnings

	Consolidated	
	30 Jun 2021 **$'000**	**30 Jun 2020** **$'000**
Statutory NPAT	**28,472**	**11,227**
Add / (deduct) non-cash & non-operating items		
Performance fees	11,876	-
Business acquisition costs	4,366	1,687
(Gain)/loss on disposal of non-current assets	(48)	110
(Gain)/loss on asset revaluation	(4,390)	3,669
Transaction costs	5,000	-
Depreciation expense on right-of-use assets	2,419	1,991
Depreciation expense	15,014	14,180
Interest on lease liabilities	1,331	843
Cash rent adjustment	(2,553)	(2,034)
Amortisation of capitalised loan establishment costs	1,456	1,182
Swaps and borrowing costs write off	-	3,992
Maintenance capital expenditure	(5,596)	(5,175)
Tax expense	(970)	5,500
Underlying earnings	**56,377**	**37,173**
Underlying earnings per stapled security (Cents)	**10.21**	**6.73**

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 financial year 2021 despite the fluctuations in regulatory restrictions during the period.

Redcape has experienced strong revenue performance since venues reopened from 1 June 2020. Operating EBITDA increased at a steady margin during the financial period reflecting a strong return to trading and disciplined cost management.

The Group has improved its performance-based metrics of Staff Satisfaction and Customer Net Promoter Score ('NPS') and reinstated Distributions in the September 2020 quarter.

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.

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.

Significant changes in the state of affairs
Other than the matters noted in the 'Review of Operations', there were no other significant changes in the state of affairs of the Group during the financial period.

Matters subsequent to the end of the financial year

On 13 August 2021, the Group extended the tenor of two of its existing lending facilities from September 2022 to December 2025. The weighted average maturity of its debt facility (pre-finance) as at 30 June 2021 was 3.6 years.

On 18 August 2021, the Board of the Responsible Entity announced a general meeting of Redcape Securityholders. The meeting will be held on 10 September 2021 to consider the proposed delisting of Redcape as a result of a unanimous recommendation from the Independent Business Committee of the Responsible Entity. The proposal involves a Buy-Back to provide an immediate liquidity opportunity at a premium to Redcape's current ASX trading price for Redcape Securityholders who choose not to hold an unlisted investment in Redcape. The immediate liquidity facility will provide the opportunity for existing Redcape investors to acquire additional securities at $1.15 and a repurchasing of securities by Redcape itself. The buy-back is capped at $247.3 million and the rights issue component of $132.3 million is underwritten by MA Financial. For more information, please refer to https://www.redcape.com.au/investor-centre/.

At the date of this report:

- Redcape's NSW venues (except Off premise Bottle shops) remain closed.
- Redcape's QLD venues have resumed trading albeit under Government mandated restrictions.

Redcape remains well prepared to manage the re-opening of its NSW venues once permitted to do so by the NSW Government.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure in the notes to the financial statements (refer Note 2 Basis of preparation).

Other than the above matters, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 not be practicable to estimate the potential impact, positive or negative, after the reporting date.

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

Information on Directors

Name:	Nicholas Collishaw
Title:	Independent Non-Executive Director and Chairman
Experience and expertise:	Nicholas was appointed to the Board on 27 September 2018. Nicholas has over 35 years' 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 is a 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. Nicholas is currently a Non-Executive Director of Centuria Capital Group ('Centuria') and was previously Chief Executive Officer ('CEO') - Listed Property Funds at Centuria. Prior to his time at Centuria, Nicholas held the position of CEO and Managing Director of Mirvac Group and successfully guided the business through the global financial crisis and implemented a strategy of sustained growth for the Real Estate and Investment Company.
Other current directorships:	Centuria Capital Group (ASX: CNI)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Board and Member of the Audit, Risk & Compliance Committee
Interests in stapled securities:	Ordinary stapled securities – 100,000

Name:	Daniel Brady
Title:	Non-Executive Director [1]
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 Senior Executive with more than 10 years' experience, including 10 years' board experience on various boards; Daniel is a proven leader of large teams and businesses with diverse capital and ownership structures. Daniel's disciplined approach to strategy development, execution and the management of capital has seen him consistently deliver financial returns, ensuring prosperity for all stakeholders. Daniel values the power that capable people and systems can add to an organisation and is acutely focused on performance with a foundation of strong ethical governance and risk management. Daniel is widely regarded as an industry specialist with over 25 years' experience from proprietary ownership of a single hotel operation to director and board member of large hotel groups. Daniel is an active member of the Australian Hotels Association and has contributed to the development of key policy decisions that continue to positively impact the success and prosperity of communities and the Hotels industry. Graduated from the Advanced Management Program, Harvard Business School 2016.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in stapled securities:	Ordinary stapled securities – 576,991

[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.

Name:	Andrew Ireland
Title:	Independent Non-Executive Director
Experience and expertise:	Andrew was appointed to the Board on 29 October 2018. Andrew is currently Chairman of VIVID MLC, Director of Sports Australia 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. Andrew holds a Bachelor of Science from La Trobe University, is a Graduate Member of the Australian Institute of Company Directors and is a Life Member of the Australian Football League.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit, Risk & Compliance Committee
Interests in stapled securities:	Ordinary stapled securities – 100,000

Name:	David Groves
Title:	Independent Non-Executive Director
Experience and expertise:	David was appointed to the Board on 27 September 2018. David 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 Pipers Brook Vineyard 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. David is a member of Chartered Accountants Australia & New Zealand and is a Fellow of the Australian Institute of Company Directors. He holds a Bachelor of Commerce from the University of Wollongong and a Master of Commerce from the University of NSW.
Other current directorships:	Pengana Capital Group Limited (ASX: PCG), Pengana International Equities Limited (ASX: PIA)
Former directorships (last 3 years):	Pyrolyx AG (ASX: PLX)
Special responsibilities:	Chairman of the Audit, Risk & Compliance Committee
Interests in stapled securities:	Ordinary stapled securities – 200,000

Name:	Hugh Thomson
Title:	Non-Executive Director
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 lending businesses. Prior to this, he was COO of MA Financial. Hugh has over 24 years' 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. Hugh is a qualified chartered accountant and holds a Bachelor of Arts (Honours) from the University of East Anglia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in stapled securities:	Ordinary stapled securities – 54,164

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last three (3) years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary
Ms Rebecca Ong was appointed to the position of Company Secretary in October 2018.

Rebecca is General Counsel of MA Financial. 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.

Meetings of Directors
The number of meetings of the Responsible Entity's Board of Directors ('the Board') held during the year ended 30 June 2021, 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	12	12	2	2	7	7
Mr Daniel Brady (a)	12	12	2	2	-	-
Mr Andrew Ireland	12	12	-	-	7	7
Mr David Groves	12	12	-	-	7	7
Mr Hugh Thomson (a)	12	12	-	-	-	-

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

(a) Not a member of the Audit, Risk & Compliance Committee.

Remuneration report
Remuneration of the Responsible Entity is in accordance with the Constitutions of RHT I and RHT II. As the Responsible Entity is wholly owned by MA Financial, MA Financial oversees the appointment of Directors to the Board of the Responsible Entity and in this connection sets Director remuneration. Remuneration of the Directors is paid either directly by the Responsible Entity or by entities associated with MA Financial. The Directors are not provided with any remuneration by the Trusts. Directors are not entitled to any equity interests in the Trusts or any rights to or options for equity interests in the Trusts as a result of their remuneration provided by the Responsible Entity. There are no Directors or key management personnel employed directly by entities within the Group.

Corporate Governance Statement
Redcape Hotel Group is a stapled entity comprising Redcape Hotel Trust I (ARSN: 629 354 614) and Redcape Hotel Trust II (ARSN: 629 354 696). Redcape Hotel Group Management Ltd (ACN 610 990 004) is the responsible entity of Redcape Hotel Group ('Responsible Entity') and the Board of the Responsible Entity in this capacity ('the Board') is responsible for the overall corporate governance of Redcape and its controlled entities.

The Board has created a framework for managing Redcape, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Redcape's business and which are designed to promote the responsible management and conduct of Redcape.

The Corporate Governance Statement sets out the key features of Redcape's governance framework and reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) ('ASX Principles and Recommendations').

The policies and charters referred to in the Corporate Governance Statement are available via the 'Corporate Governance' section of Redcape's website which is available at www.redcape.com.au.

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, RHT I and RHT II 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.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the trust, acting as advocate for the trust or jointly sharing economic risks and rewards.

Officers of the Responsible Entity who are former partners of KPMG
There are no officers of the Responsible Entity who are former partners of KPMG.

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	Daniel Brady
Chairman	Non-Executive Director

18 August 2021
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 2021 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.

KPMG

KPMG

Paul Thomas

Partner

Sydney

18 August 2021

Redcape Hotel Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	6	335,318	259,294
Cost of sales		(160,500)	(121,685)
Expenses			
Operating costs	7	(36,070)	(29,755)
Employment costs	8	(48,407)	(35,992)
Management fees	9	(28,162)	(14,731)
Net finance costs	10	(12,316)	(18,767)
Depreciation expense on right-of-use assets	18	(2,419)	(1,991)
Depreciation expense	16	(15,014)	(14,180)
Gain/(loss) on disposal of non-current assets		48	(110)
Gain/(loss) on asset revaluation	15	4,390	(3,669)
Business acquisition costs	37	(4,366)	(1,687)
Operating profit		32,502	16,727
Transaction costs		(5,000)	-
Profit before income tax benefit/(expense)		27,502	16,727
Income tax benefit/(expense)	11	970	(5,500)
Profit after income tax benefit/(expense) for the year		28,472	11,227
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on the revaluation of land		57,776	(10,251)
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		792	2,404
Other comprehensive income for the year, net of tax		58,568	(7,847)
Total comprehensive income for the year		87,040	3,380
Profit for the year is attributable to:			
Stapled Securityholders of Redcape Hotel Trust I		31,047	31,327
Stapled Securityholders of Redcape Hotel Trust II		(2,575)	(20,100)
		28,472	11,227
Total comprehensive income for the year is attributable to:			
Stapled Securityholders of Redcape Hotel Trust I		89,615	23,480
Stapled Securityholders of Redcape Hotel Trust II		(2,575)	(20,100)
		87,040	3,380
		Cents	**Cents**
Basic earnings per stapled security	39	5.16	2.03
Diluted earnings per stapled security	39	5.16	2.03

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 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	12	48,109	101,433
Trade and other receivables	13	3,140	3,109
Inventories		6,305	4,708
Other current assets		2,507	2,417
Total current assets		60,061	111,667
Non-current assets			
Investment property	14	2,999	-
Land	15	404,110	313,835
Property, plant and equipment	16	153,428	139,302
Intangible assets	17	615,239	559,370
Right-of-use assets	18	44,610	42,241
Deferred tax	11	7,662	6,692
Total non-current assets		1,228,048	1,061,440
Total assets		1,288,109	1,173,107
Liabilities			
Current liabilities			
Trade and other payables	21	58,692	34,446
Lease liabilities	19	1,584	1,039
Employee benefits	22	3,321	2,106
Distribution payable	23	14,744	1,712
Total current liabilities		78,341	39,303
Non-current liabilities			
Borrowings	24	517,839	486,253
Lease liabilities	20	46,907	43,885
Derivative financial instruments	25	292	1,084
Employee benefits	26	372	205
Total non-current liabilities		565,410	531,427
Total liabilities		643,751	570,730
Net assets		644,358	602,377
Equity			
Contributed equity	27	235,897	235,897
Accumulated losses		(67,442)	(68,302)
Equity attributable to the stapled securityholders of RHT II		168,455	167,595
Non-controlling interest	28	475,903	434,782
Total equity		644,358	602,377

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

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Equity attributable to RHT I (non-controlling interest)			
Contributed equity		318,936	318,936
Reserves		188,696	130,128
Accumulated losses		(31,729)	(14,282)
Total equity attributable to security holders of RHT I (non-controlling interest)	28	475,903	434,782

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 2021

Consolidated	**Issued capital $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2019	235,545	(48,202)	436,895	624,238
(Loss)/profit after income tax expense for the year	-	(20,100)	31,327	11,227
Other comprehensive income for the year, net of tax	-	-	(7,847)	(7,847)
Total comprehensive income for the year	-	(20,100)	23,480	3,380
Transactions with stapled securityholder in their capacity as stapled securityholder:				
Distribution reinvestment plans	352	-	467	819
Distribution payable (note 23)	-	-	(1,712)	(1,712)
Distributions paid (note 29)	-	-	(24,348)	(24,348)
Balance at 30 June 2020	235,897	(68,302)	434,782	602,377

Consolidated	**Issued capital $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2020	235,897	(68,302)	434,782	602,377
Adjustment for reclassification	-	3,435	(3,435)	-
Balance at 1 July 2020 - restated	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
Transactions with stapled securityholder in their capacity as stapled securityholder:				
Distribution payable (note 23)	-	-	(14,744)	(14,744)
Distributions paid (note 29)	-	-	(30,315)	(30,315)
Balance at 30 June 2021	235,897	(67,442)	475,903	644,358

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

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		368,819	286,080
Payments to suppliers and employees (inclusive of GST)		(286,919)	(229,990)
		81,900	56,090
Interest received		169	162
Interest and other finance costs paid (a)		(13,033)	(23,348)
Net cash from operating activities	40	69,036	32,904
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	37	(96,676)	(38,426)
Business acquisition transaction costs	37	(4,366)	(1,687)
Payments for property, plant and equipment	16	(20,118)	(19,943)
Payments for intangibles	17	-	(880)
Proceeds from disposal of business		-	95,682
Proceeds from disposal of property, plant and equipment		48	253
Net cash (used in)/from investing activities		(121,112)	34,999
Cash flows from financing activities			
Proceeds from issue of stapled securities		-	819
Proceeds from borrowings		122,000	152,650
Repayment of borrowings		(90,000)	(99,350)
Repayment of lease liabilities		(1,221)	(1,192)
Distributions paid	29	(32,027)	(36,378)
Net cash (used in)/from financing activities		(1,248)	16,549
Net (decrease)/increase in cash and cash equivalents		(53,324)	84,452
Cash and cash equivalents at the beginning of the financial year		101,433	16,981
Cash and cash equivalents at the end of the financial year	12	48,109	101,433

(a) Financial year 2020 includes refinancing establishment costs of $4.8 million and hedge break costs of $3.8 million.

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

Note 1. General Information

Reporting Entity

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 is a for-profit entity and its principal activity is the ownership and operation of hotels. There has been no significant change in the nature of the principal activity during the year.

The consolidated financial statements were authorised for issue with a resolution by the Directors of the Responsible Entity on 18 August 2021. The Directors have the power to amend and reissue the consolidated financial statements.

Responsible Entity

Redcape Hotel Group Management Ltd ('RHGM') is the Responsible Entity of RHT I and RHT II.

Scheme Registration

RHT I (ARSN 629 354 614) and RHT II (ARSN 629 354 696) are domiciled in Australia and were registered as managed investment schemes on 26 October 2018 under the *Corporations Act 2001*.

Note 2. Basis of preparation

The Responsible Entity has prepared General Purpose consolidated financial statements for the year ended 30 June 2021 for the purpose of meeting the listing requirements of the Australian Securities Exchange ('ASX').

Compliance Statement

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').

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 2021, Redcape had current assets of $60.1 million and current liabilities of $78.3 million leaving a net deficit of working capital of $18.2 million. At reporting date, Redcape had access to $78.0 million of undrawn loan facilities. The Directors of the Responsible Entity believe Redcape has sufficient liquidity to meet current liabilities and believe that Redcape will be generating operating cash flows sufficient to meet future obligations once the COVID-19 restrictions are lifted.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following that are measured at fair value:
- land; and
- derivative financial instruments.

The methods used to measure fair values are discussed in note 31 Fair Value Measurement.

Functional and presentation currency

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

Note 2. Basis of preparation (continued)

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying 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 4 Critical accounting judgements, estimates and assumptions.

Note 3. 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 amendments adopted for the year commencing 1 July 2020 are most relevant to the consolidated entity:
- AASB 2018 - 6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018 - 7 *Amendment to Australian Accounting Standards – Definition of Material*
- AASB 2019 - 1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019 - 5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

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 2021. 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.

Standard on issue but not yet effective that is most relevant to the consolidated entity:

New or revised requirement	**When effective**
AASB 2020 - 1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	Effective for annual reporting periods beginning on or after 1 January 2022

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RHT II as at 30 June 2021 and the results of all subsidiaries for the year then ended. RHT II and its subsidiaries together are referred to in these financial statements as 'Redcape'.

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.

Note 3. Significant accounting policies (continued)

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.

Note 4. 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 15 and 31
- Fair value measurement - Note 31
- Goodwill and other indefinite life intangible assets - Note 17

Note 5. Operating segments

Identification of reportable operating segments
Redcape operates as one business segment being the owner and/or operator of hotels, and in one geographic segment being Australia. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM assesses the performance of the operating segment based on a measure of Operating EBITDA, Underlying Earnings per Security and NPAT. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information is reported to the CODM on a monthly basis.

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). Redcape operates wholly within one business segment being the ownership and operation of hotels in Australia.

Note 6. Revenue

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021 $'000	2020 $'000
Major revenue streams		
Gaming revenue	207,418	157,131
On-premise revenue	65,248	50,977
Off-premise revenue	61,296	50,051
Other services	1,356	1,135
Revenue	335,318	259,294

All major revenue streams are within Australia and timing of revenue recognition is when goods or services transferred.

Note 6. Revenue (continued)

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 at the close of business.

Food and beverage revenue
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.

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.

Accommodation and other services
Revenue from accommodation and other services is recognised when the performance obligations have been satisfied. Revenue is recognised when the services are rendered. 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.

Goods and Services Tax ('GST') and other similar taxes
Revenue is recognised net of the amount of associated GST.

Note 7. Operating costs

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Administrative expenses	4,916	3,812
Advertising and marketing expenses	5,897	4,701
Operating expenses	12,781	10,121
Repairs and maintenance expenses	2,510	2,376
Property outgoing expenses	9,809	8,592
Short-term lease payments	157	153
	36,070	29,755

Goods and Services Tax ('GST') and other similar taxes
Expenses 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 expense.

Note 8. Employment costs

	Consolidated	
	2021	2020
	$'000	$'000
Employment costs	48,407	35,992

Employment costs include defined contribution superannuation expense amounting to $4.1 million (30 June 2020: $3.0 million) and Job Keeper benefit of $4.0 million (30 June 2020: $2.7 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 9. Management fees

	Consolidated	
	2021	2020
	$'000	$'000
Hotel operating fee	10,918	9,449
Asset management fee	5,368	5,282
Performance Fee (a)	11,876	-
	28,162	14,731

(a) Fee payable to the Responsible Entity, in its personal capacity, on the overall performance of Redcape and realised every six months. Performance fee reflects positive independent revaluations underpinned by both improved earnings and tightened cap rates.

Note 10. Net finance costs

	Consolidated	
	2021	2020
	$'000	$'000
Finance income	(169)	(162)
Finance costs	11,154	14,094
Interest on lease liabilities	1,331	843
Hedge break costs	-	3,821
Capitalised loan establishment costs written off	-	171
	12,316	18,767

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, and unwinding of the discount on provisions.

Note 11. Income tax

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Income tax (benefit)/expense		
Deferred tax - origination and reversal of temporary differences	(970)	5,500
Aggregate income tax (benefit)/expense	(970)	5,500
Deferred tax included in income tax (benefit)/expense comprises:		
(Increase)/decrease in deferred tax assets	(970)	5,500
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate		
Profit before income tax benefit/(expense)	27,502	16,727
Tax at the statutory tax rate of 30%	8,251	5,018
Current year tax losses not recognised	-	1,105
Prior year tax losses not recognised now recouped	(1,105)	-
Trust profit not subject to tax and transactions between group entities	(8,497)	(2,576)
Non-deductible expenses	381	307
Gain on disposal of business	-	1,625
Prior year adjustment	-	21
Income tax (benefit)/expense	(970)	5,500

(a) During the year ended 30 June 2021, RHT II utilised $2.9 million (30 June 2020: $12.9 million) of carried forward tax losses, resulting in unutilised tax losses of $0.8 million (30 June 2020: $3.7 million) at year end.

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	223	-
Depreciation	2,148	1,574
Employee benefits	1,116	688
Leases	1,164	805
Accrued expenses	1,099	308
Transaction costs	1,912	3,317
Deferred tax asset	7,662	6,692
Movements:		
Opening balance	6,692	15,645
Credited/(charged) to profit or loss	970	(5,500)
Charged to retained earnings - AASB 16	-	(3,453)
Closing balance	7,662	6,692

Note 11. 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.

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 12. Current assets - cash and cash equivalents

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Cash and cash equivalents	48,109	101,433

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 13. Current assets - trade and other receivables

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Trade receivables	342	117
Other receivables (a)	2,798	2,992
	3,140	3,109

(a) Financial year 2021 include receivables from supplier rebates. Financial year 2020 include supplier rebates and government subsidy relating to Job Keeper.

Allowance for expected credit losses
There was no expense for expected credit losses for the year ended 30 June 2021 (30 June 2020: 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.

Note 14. Non-current assets - Investment property

	Consolidated	
	2021 $'000	2020 $'000
Investment property	3,000	-
Less: Accumulated depreciation	(1)	-
	2,999	-

Reconciliation
Reconciliation of the fair values of the opening and closing balances of the current and previous financial year are set out below:

	2021 $'000	2020 $'000
Opening balance	-	-
Additions - business acquisitions (a)	3,000	-
Depreciation	(1)	-
Closing balance	2,999	-

(a) Note 37 details the treatment of business combinations.

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.

Note 15. Non-current assets - Land

	Consolidated	
	2021 $'000	2020 $'000
Land - at valuation	404,110	313,835

Reconciliation
Reconciliation of the fair values of the opening and closing of the balances of the current and previous financial year are set out below:

	2021 $'000	2020 $'000
Opening fair value	313,835	351,648
Disposals - business	-	(31,239)
Additions - business acquisitions (a)	28,109	7,346
Revaluation increments/(decrements) (b)	62,166	(13,920)
Closing fair value	404,110	313,835

Refer to note 31 for further information on fair value measurement.

(a) Note 37 details the treatment of business combinations.
(b) Total revaluation increment of $62.2 million (2020: decrement $13.9 million) includes gain of $57.8 million (2020: loss $10.2 million) recognised in the asset revaluation reserve and gain of $4.4 million (2020: loss $3.7 million) recognised in the profit or loss.

Note 15. Non-current assets - Land (continued)

Accounting policy for land
Land is recognised at fair value based on periodic valuations by external independent valuers and/or six-monthly Directors' valuations.

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.

Note 16. Non-current assets - property, plant and equipment

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Buildings - at cost	64,160	59,349
Less: Accumulated depreciation	(4,922)	(3,435)
	59,238	55,914
Property improvements - at cost	59,572	52,205
Less: Accumulated depreciation	(8,748)	(5,368)
	50,824	46,837
Furniture, fittings & equipment - at cost	62,505	49,620
Less: Accumulated depreciation	(25,987)	(15,891)
	36,518	33,729
Work in progress - at cost	6,848	2,822
	153,428	139,302

Note 16. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Building $'000	Property improvements $'000	Furniture, fittings & equipment $'000	Work in progress $'000	Total $'000
Balance at 1 July 2019	57,472	34,574	32,178	10,729	134,953
Disposals	-	(322)	(343)	(56)	(721)
Disposals - business	(675)	(2,101)	(1,279)	(75)	(4,130)
Additions	-	-	-	19,943	19,943
Additions - business acquisitions	564	534	2,339	-	3,437
Transfers in/(out)	-	17,677	10,042	(27,719)	-
Depreciation expense	(1,447)	(3,525)	(9,208)	-	(14,180)
Balance at 30 June 2020	55,914	46,837	33,729	2,822	139,302
Additions	-	-	-	20,118	20,118
Additions - business acquisitions (a)	4,811	492	3,718	-	9,021
Transfers in/(out)	-	6,875	9,217	(16,092)	-
Depreciation expense	(1,487)	(3,380)	(10,146)	-	(15,013)
Balance at 30 June 2021	59,238	50,824	36,518	6,848	153,428

(a) Note 37 details the treatment of business combinations.

There has been no impairment recognised in relation to property, plant and equipment ('PPE') at 30 June 2021 (30 June 2020: nil). Refer to note 17 intangible assets.

Accounting policy for property, plant and equipment
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 follow:

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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

Note 17. Non-current assets - intangible assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Goodwill - at cost	336,948	303,106
Gaming and liquor licences - at cost	278,291	256,264
	615,239	559,370

Reconciliations
Reconciliations of the opening and closing balances of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Gaming and liquor licences $'000	Total $'000
Balance at 1 July 2019	327,714	263,043	590,757
Additions - business acquisitions	7,576	20,141	27,717
Additions	-	880	880
Disposals - business	(32,184)	(27,800)	(59,984)
Balance at 30 June 2020	303,106	256,264	559,370
Additions - business acquisitions (note 37)	33,842	22,027	55,869
Balance at 30 June 2021	336,948	278,291	615,239

(a) Note 37 details the treatment of business combinations.

Note 17. Non-current assets - 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 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 group of CGUs 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 in Year 1 are based on scenario modelling for lockdown arising from forced closure of venues in the first quarter and for the remainder of the year based on the budget approved by the Board. The budget reflects forecasted trading performance considering current trading restrictions. These cash flows are projected from Years 2 to 5 based on an annualised growth rate of 3.0% (30 June 2020: 3.0%). Growth rate on new acquisitions is projected on rates based on the investment analysis from Years 2 to 5. 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. Discount rate applied in the current year VIU model: 7.39% (30 June 2020: 7.69%).

A terminal growth rate of 2.96% (30 June 2020: 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 CODM, 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	7.39%	2.96%
Rate required for recoverable amount to equal carrying value (a)	9.32%	0.79%

(a) 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 2021 (30 June 2020: nil).

Note 17. Non-current assets - 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 $278.3 million are allocated across the Group's 36 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. Due to the ongoing COVID-19 pandemic, these assets have been assessed for impairment as outlined below.

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.

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 31 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 2020: 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.

Gaming licences
Separately acquired Gaming licences are shown at historical cost. Gaming 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 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. Non-current assets - intangible assets (continued)

Liquor licences
Separately acquired Liquor licences are shown at historical cost. 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.

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 18. Non-current assets - right-of-use assets

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Land and buildings - right-of-use assets	49,020	44,232
Less: Accumulated depreciation	(4,410)	(1,991)
	44,610	42,241

Redcape leases land and buildings for its offices and retail outlets 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 opening and closing balances of the current and previous financial year are set out below:

Consolidated	**Land & buildings $'000**
Balance at 1 July 2019	-
Adjustment to opening balance on transition to AASB 16	23,753
Additions	20,479
Depreciation expense	(1,991)
Balance at 30 June 2020	42,241
Additions	4,788
Depreciation expense	(2,419)
Balance at 30 June 2021	44,610

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Amounts recognised in profit or loss		
Depreciation expense on right-of-use assets	2,419	1,991
Interest expense on lease liabilities	1,331	843
Expense relating to short-term leases	157	153
	3,907	2,987

There has been no impairment recognised in relation to right-of-use assets at 30 June 2021 (30 June 2020: nil). Refer to note 17.

Note 18. Non-current assets - right-of-use assets (continued)

Refer to notes 19 and 20 for lease liabilities at year end.

Refer to note 30 for the maturity analysis of lease liabilities.

Refer to the consolidated cash flow statement 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.

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 19. Current liabilities - lease liabilities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Lease liabilities	1,584	1,039

Refer to note 30 for the maturity analysis.

Note 20. Non-current liabilities - lease liabilities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Lease liabilities	46,907	43,885

Refer to note 30 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.

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. Current liabilities - trade and other payables

	Consolidated	
	2021	2020
	$'000	$'000
Trade payables	7,428	4,873
Accrued interest	440	574
Other payables (a)	23,414	10,276
State Government taxes	27,410	18,723
	58,692	34,446

Refer to note 30 for further information on financial instruments.

(a) Other payables increase due to accrual of performance fee and transaction costs.

Accounting policy for trade and other payables
These amounts 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 22. Current liabilities - employee benefits

	Consolidated	
	2021	2020
	$'000	$'000
Annual leave	2,742	1,687
Long service leave	579	419
	3,321	2,106

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.

Note 23. Current liabilities - distribution payable

	Consolidated	
	2021	2020
	$'000	$'000
Distributions	14,744	1,712

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.

Note 23. Current liabilities - distribution payable (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Carrying amount at the start of the year	1,712	12,030
Distribution declared during the year	45,059	26,060
Payments relating to prior period	(1,712)	(12,030)
Payments relating to current period	(30,315)	(24,348)
Carrying amount at the end of the year	14,744	1,712

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 24. Non-current liabilities - borrowings

	Consolidated 2021 $'000	Consolidated 2020 $'000
Bank loans	522,000	490,000
Capitalised loan establishment costs	(4,161)	(3,747)
	517,839	486,253

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Bank loans	522,000	490,000

Common Terms Deed
On 24 December 2020, Redcape refinanced its existing debt arrangements under the Common Terms Deed and secured additional funding as outlined below:

- Refinanced $187.5 million of Tranche A (now referred to as Tranche A1) and Revolver A (now referred to as Revolver A1) with a revised expiry date of December 2025
- Secured an additional $100.0 million facility (Tranche C) with an expiry date of December 2025

The total facility amount is $600.0 million (excluding $4.0 million ancillary facility).

Description of facility	Amount ($ million)	Expiry
Tranche A and Revolver	62.5	September 2022
Tranche B	250.0	December 2024
Tranche A1 and Revolver A1	187.5	December 2025
Tranche C	100.0	December 2025
	600.0	

Note 24. Non-current liabilities - borrowings (continued)

The Group has access to a $4.0 million ancillary facility. At 30 June 2021, $3.0 million has been utilised on bank guarantees to suppliers and landlords (30 June 2020: $2.6 million).

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 Redcape, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Defaults and breaches
On 22 December 2020, the Group obtained approvals to amend its lending waiver. Bank covenants are now based on performance commencing from 1 July 2020. There have been no breaches of bank covenants for the year ended 30 June 2021.

Restrictions on distributions
As part of the waiver, the group sought and obtained consent from its lenders to resume the September 2020 quarter distributions. Distributions from the December 2020 to June 2021 quarter were approved by the Board in the ordinary course.

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

	Consolidated	
	2021 $'000	2020 $'000
Total facilities		
Bank loans	600,000	500,000
Used at the reporting date		
Bank loans	522,000	490,000
Unused at the reporting date		
Bank loans	78,000	10,000

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 25. Non-current liabilities - derivative financial instruments

	Consolidated	
	2021 $'000	2020 $'000
Interest rate swap contracts - cash flow hedges	292	1,084

Refer to note 30 for further information on financial instruments.

Note 25. Non-current liabilities - derivative financial instruments (continued)

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 the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Note 26. Non-current liabilities - employee benefits

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Long service leave	372	205

Accounting policy for 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 27. Equity - contributed equity

	Consolidated			
	2021 Stapled Securities	**2020 Stapled Securities**	**2021 $'000**	**2020 $'000**
Contributed equity	552,195,195	552,195,195	235,897	235,897

Details	**2021 No of securities '000**	**2021 $'000**	**2020 No of securities '000**	**2020 $'000**
RHT II				
Balance at beginning of the period	552,195	235,897	551,446	235,545
Securities issued	-	-	749	352
Balance at end of the period	552,195	235,897	552,195	235,897

Note 27. Equity - contributed equity (continued)

Details	2021 No of securities '000	2021 $'000	2020 No of securities '000	2020 $'000
RHT I (non-controlling interest)				
Balance at beginning of the period	552,195	318,936	551,446	318,469
Securities issued	-	-	749	467
Balance at end of the period	552,195	318,936	552,195	318,936

Ordinary stapled securities
The ordinary securities of RHT II are stapled to the securities of RHT I. Each stapled security 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 securities held. The fully paid stapled ordinary securities have no par value and the trust does not have a limited amount of authorised capital.

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

Stapled securities buy-back
As disclosed in the PDS, the Responsible Entity may in its sole discretion proceed with an on-market buy-back of up to 5% of Redcape stapled securities. The timing of and conduct of the buy-back will be in accordance with the Listing Rules and all applicable laws. No buy-back of Redcape stapled securities has been undertaken by the Responsible Entity.

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 security 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 security holders, return capital to stapled security holders, issue new stapled securities or sell assets to reduce debt.

Redcape would look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current trust's stapled securities price at the time of the investment.

Redcape is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions.

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

Accounting policy for issued capital
Ordinary stapled securities are classified as equity.

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

Note 28. Equity - non-controlling interest

	Consolidated 2021 $'000	Consolidated 2020 $'000
Contributed equity	318,936	318,936
Reserves	188,696	130,128
Accumulated losses	(31,729)	(14,282)
	475,903	434,782

	Contributed equity $'000	Hedging reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
RHT I					
Balance at 1 July 2020	318,936	(1,084)	131,212	(14,282)	434,782
Adjustment to opening retained earnings on building depreciation	-	-	-	(3,435)	(3,435)
Profit for the year	-	-	-	31,047	31,047
Total other comprehensive income	-	792	57,776	-	58,568
Distributions paid/payable to stapled securityholders	-	-	-	(45,059)	(45,059)
Balance at 30 June 2021	318,936	(292)	188,988	(31,729)	475,903

Note 29. Equity - distributions

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
30 September 2020 of 1.830 cents (30 September 2019: 2.199 cents) per stapled security	10,105	12,137
31 December 2020 of 1.830 cents (31 December 2019: 2.211 cents) per stapled security	10,105	12,211
31 March 2021 of 1.830 cents (31 March 2020: zero cents) per stapled security	10,105	-
30 June 2021 of 2.670 cents (30 June 2020: 0.310 cents) per stapled security	14,744	1,712
	45,059	26,060

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 30. 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 and ageing analysis for credit risk.

Note 30. Financial instruments (continued)

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.

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

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	1.08%	522,000	1.81%	490,000
Interest rate swaps (notional principal amount)	-	(180,000)	-	(150,000)
Net exposure to interest rate risk		342,000		340,000

The bank loans outstanding, totalling $522.0 million (30 June 2020: $490.0 million), are interest payment loans. Monthly cash outlays of approximately $0.5 million (30 June 2020: $0.7 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 $5.2 million (30 June 2020: $4.9 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 2021 to meet the ongoing working capital requirements of the Group.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $'000	**2020 $'000**
Bank loans	78,000	10,000

Note 30. 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 - 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						
Non-interest bearing						
Trade payables	-	7,428	-	-	-	7,428
Other payables	-	51,264	-	-	-	51,264
Interest-bearing - variable						
Bank loans	1.05%	5,284	62,440	475,842	-	543,566
Lease liability	2.79%	3,079	2,996	9,285	51,560	66,920
Total non-derivatives		67,055	65,436	485,127	51,560	669,178
Derivatives						
Interest rate swaps outflow	0.30%	123	-	-	-	123
Total derivatives		123	-	-	-	123

Consolidated - 2020	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						
Non-interest bearing						
Trade payables	-	4,873	-	-	-	4,873
Other payables	-	29,573	-	-	-	29,573
Interest-bearing - variable						
Bank loans	1.49%	6,760	96,125	408,914	-	511,799
Lease liability	2.92%	2,336	2,385	7,127	50,846	62,694
Total non-derivatives		43,542	98,510	416,041	50,846	608,939
Derivatives						
Interest rate swaps outflow	0.25%	67	-	-	-	67
Total derivatives		67	-	-	-	67

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. Redcape refinanced Tranche A and Revolver bank loans in August 2021 and have extended the repayments by another three years. The extension of the bank loans is not reflected in the June 2021 contractual maturities.

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

Note 31. 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 - 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Land	-	-	404,110	404,110
Total assets	-	-	404,110	404,110
Liabilities				
Interest rate swaps	-	292	-	292
Total liabilities	-	292	-	292

Consolidated - 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Land	-	-	313,835	313,835
Total assets	-	-	313,835	313,835
Liabilities				
Interest rate swaps	-	1,084	-	1,084
Total liabilities	-	1,084	-	1,084

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to 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
(i) 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 June 2021.

The carrying amount of land would be $232.4 million if it were carried at cost.

Note 31. Fair value measurement (continued)

Valuation process
Independent valuations were undertaken for all Freehold Going Concern properties were in June 2021 with the exception of Gladstone and O'Donoghues Hotel which were completed in April 2021 (on acquisition).

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 and buildings. 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 independent valuations have been reviewed and approved by the Board.

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	6.2% - 14.0%	Capitalisation rates were lower (higher)
Freehold Going Concern - adopted earnings	\$0.9 million - \$6.2 million	Adopted earnings were higher (lower)
Licences	Diverse (a)	Licences are lower (higher)
Buildings - replacement costs	\$2,000 - \$5,000 per square metre	Building replacement costs are lower (higher)
Buildings - economic life remaining	25% - 85%	Economic life remaining is lower (higher)

(a) The range of inputs have been derived from combination of market data as at 30 June 2021 on Freehold Going Concern property transactions during the year as well as value of gaming revenue and historical yields where market data is not available.

(ii) 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.

Note 31. Fair value measurement (continued)

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

Consolidated	Land $'000
Balance at 1 July 2019	351,648
Loss recognised in profit or loss	(3,669)
Loss recognised in other comprehensive income	(10,251)
Disposals - business	(31,239)
Additions - business acquisition	7,346
Balance at 30 June 2020	313,835
Gains recognised in profit or loss	4,390
Gains recognised in other comprehensive income	57,776
Additions - business acquisition	28,109
Balance at 30 June 2021	404,110

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 32. 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 2021 $	Consolidated 2020 $
Audit services - KPMG		
Audit or review of the financial statements	395,000	384,000
Other services - KPMG		
Tax and advisory related services	150,000	-
	545,000	384,000

Note 32. Remuneration of auditors (continued)

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 33. Contingent liabilities

Redcape has provided bank guarantees to a supplier and landlord as at 30 June 2021 of $3.0 million (30 June 2020: $2.6 million).

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

Note 34. Commitments

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	2,455	-

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

Note 35. Related party transactions

Parent entity
Redcape Hotel Trust II is the parent entity.

Transactions with related parties

(a) Responsible Entity

	Transaction values for the year ended 30 June 2021 $	**Balance outstanding as at 30 June 2021 $**	**Transaction values for the year ended 30 June 2020 $**	**Balance outstanding as at 30 June 2020 $**
Redcape Hotel Group Management Ltd (i)				
Asset management fee	5,367,740	489,244	5,281,673	432,811
Debt arrangement fee (ii)	500,000	-	2,500,000	-
Acquisition fee	959,992	-	385,000	-
Disposal fee	-	-	981,250	-
Performance fee (iii)	11,876,000	6,040,000	-	-
	18,703,732	6,529,244	9,147,923	432,811

(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 (31 December 2019: $500.0 million) debt refinanced.

(iii) Performance fee reflects positive independent revaluations underpinned by both improved earnings and tightened cap rates.

Note 35. Related party transactions (continued)

(b) Other related party transactions
The aggregate amounts recognised during the period relating to transactions between Redcape and related entities were as follows:

Related Entity	Transaction	Transaction values for the year ended 30 June 2021 $	Balance outstanding as at 30 June 2021 $	Transaction values for the year ended 30 June 2020 $	Balance outstanding as at 30 June 2020 $
MA Hotel Management Pty Ltd	Hotel operating fee	10,917,564	533,931	9,449,372	1,254,639
MA Hotel Management Pty Ltd	Project development fee	357,891	157,600	399,723	16,115
		11,275,455	691,531	9,849,095	1,270,754

Note 36. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2021 $'000	Parent 2020 $'000
Loss after income tax	(2,702)	(3,305)
Total comprehensive income	(2,702)	(3,305)

Statement of financial position

	Parent 2021 $'000	Parent 2020 $'000
Total current assets	127,682	191,516
Total assets	219,653	218,870
Total current liabilities	3,648	163
Total liabilities	3,648	163
Equity		
Contributed equity	235,897	235,897
Accumulated losses	(19,892)	(17,190)
Total equity	216,005	218,707

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 2021 and 30 June 2020.

Note 36. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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 37. Business combinations

Business acquisitions
Redcape acquired the business and net assets of Gladstone Hotel in February 2021, O'Donoghues Hotel in February 2021, Aspley Hotel in May 2021 and Shafston Hotel in May 2021. They were all Freehold Going Concern for a total cash consideration of $97.1 million.

The consideration transferred, major classes of assets acquired, and liabilities assumed at the acquisition dates are final as at 30 June 2021 and are detailed as follows

	Fair value $'000
Cash and cash equivalents	390
Inventories	1,017
Other current assets	167
Land (note 15)	28,109
Property, plant and equipment (note 16)	9,021
Investment property	3,000
Gaming and liquor licences (note 17)	22,027
Trade and other payables	(312)
Employee benefits	(195)
Net assets acquired	63,224
Goodwill	33,842
Acquisition-date fair value of the total consideration transferred	97,066
Representing:	
Cash paid or payable to vendor	97,066
Acquisition costs expensed to profit or loss	4,366
Cash used to acquire businesses, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	97,066
Less: cash and cash equivalents	(390)
Net cash used	96,676

Acquisition related costs
Business acquisition costs of $4.4 million comprising stamp duty, legal fees and due diligence costs were included in Redcape's consolidated statement of profit or loss and other comprehensive income.

Contribution to the Group's results
From each hotel's date of acquisition to 30 June 2021, the four hotels contributed $9.2 million to the consolidated Group revenue. The aggregate of these venues' Operating EBITDA was $1.4 million.

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 37. Business combinations (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at the proportionate share of identifiable net assets of the acquiree. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, Redcape assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, Redcape's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, Redcape remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 38. 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	
	2021	2020
	%	%
Subsidiaries of RHT II		
(All incorporated in Australia)		
Redcape Hotel Fund Pty Ltd	100.00%	100.00%
MAHF Custodian Pty Ltd	100.00%	100.00%
MAHPT TT Pty Ltd	100.00%	100.00%
Redcape Group Limited	100.00%	100.00%
Redcape Hotel Group Pty Ltd	100.00%	100.00%
RHG Operations Pty Ltd	100.00%	100.00%
Redcape Services Pty Ltd	100.00%	100.00%
RGM TT Pty Ltd	100.00%	100.00%

Note 38. Interests in subsidiaries (continued)

	Consolidated 2021 %	Consolidated 2020 %
Subsidiaries of RHT I		
(All incorporated in Australia)		
Redcape Hotel Property Trust	100.00%	100.00%
St George Hotel Trust	100.00%	100.00%
Doonside Hotel Trust	100.00%	100.00%
El Cortez Hotel Trust	100.00%	100.00%
Keighery Hotel Trust	100.00%	100.00%
Lakeview Hotel Motel Trust	100.00%	100.00%
Prospect Hotel Trust	100.00%	100.00%
Royal Hotel Trust	100.00%	100.00%
St Marys Hotel Trust	100.00%	100.00%
Belrose Hotel Trust	100.00%	100.00%
Red Lantern Hotel Trust	100.00%	100.00%
Campbelltown Hotel Trust	100.00%	100.00%
Eastwood Hotel Trust	100.00%	100.00%
Leumeah Hotel Trust	100.00%	100.00%
Mount Annan Hotel Trust	100.00%	100.00%
Revesby Pacific Hotel Trust	100.00%	100.00%
Willoughby Hotel Trust	100.00%	100.00%
Eastern Creek Tavern Hotel Trust	100.00%	100.00%
Landmark Hotel Trust	100.00%	100.00%
Crown Revesby Hotel Trust	100.00%	100.00%
Minskys Hotel Trust	100.00%	100.00%
Shamrock Hotel Trust	100.00%	100.00%
Hermit Park Hotel Trust	100.00%	100.00%
Wattle Hotel Trust	100.00%	100.00%
Carrington Hotel Trust	100.00%	100.00%
Andergrove Tavern Hotel Trust	100.00%	100.00%
Cabramatta Hotel Trust	100.00%	100.00%
Crescent Hotel Trust	100.00%	100.00%
Wattle Grove Hotel Trust	100.00%	100.00%
Sun Hotel Trust	100.00%	100.00%
Vauxhall Hotel Trust	100.00%	100.00%
Australian Hotel & Brewery Trust	100.00%	100.00%
Central Hotel Trust	100.00%	100.00%
Unanderra Hotel Trust	100.00%	100.00%
Figtree Hotel Trust	100.00%	100.00%
Kings Head Hotel Trust	100.00%	100.00%
Gladstone Hotel Trust (incorporated on 18 November 2020)	100.00%	-
O'Donoghues Hotel Trust (incorporated on 23 December 2020)	100.00%	-
Aspley Hotel Trust (incorporated on 7 December 2020)	100.00%	-
Shafston Hotel Trust (incorporated on 7 December 2020)	100.00%	-

Note 39. Earnings per stapled security

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax	28,472	11,227
Weighted average number of ordinary securities used in calculating basic and diluted earnings per stapled security	552,195,195	551,981,676
Basic and diluted earnings per stapled security (cents)	5.16	2.03

Note 40. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax benefit/(expense) for the year	28,472	11,227
Adjustments for:		
Depreciation and amortisation	17,433	16,171
(Gain)/loss on asset revaluation	(4,390)	3,669
Net (gain)/loss on disposal of non-current assets	(48)	110
Business acquisition costs	4,366	1,687
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(31)	827
(Increase)/decrease in inventories	(581)	484
(Increase)/decrease in deferred tax assets	(970)	5,500
Decrease in prepayments	78	446
Increase in capitalised loan establishment costs	(414)	(3,049)
Increase/(decrease) in trade and other payables	23,935	(4,485)
Increase in employee benefits	1,186	317
Net cash from operating activities	69,036	32,904

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.

Non-cash investing and financing activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Stapled Securities issued under distribution reinvestment plan	-	819
Loans from banks	32,000	53,300
Repayment of lease liabilities	(1,221)	(1,192)
Distributions paid	(32,027)	(36,378)
	(1,248)	16,549

Note 41. Events after the reporting period

On 13 August 2021, the Group extended the tenor of two of its existing lending facilities from September 2022 to December 2025. The weighted average maturity of its debt facility (pre-finance) as at 30 June 2021 was 3.6 years.

On 18 August 2021, the Board of the Responsible Entity announced a general meeting of Redcape Securityholders. The meeting will be held on 10 September 2021 to consider the proposed delisting of Redcape as a result of a unanimous recommendation from the Independent Business Committee of the Responsible Entity. The proposal involves a Buy-Back to provide an immediate liquidity opportunity at a premium to Redcape's current ASX trading price for Redcape Securityholders who choose not to hold an unlisted investment in Redcape. The immediate liquidity facility will provide the opportunity for existing Redcape investors to acquire additional securities at $1.15 and a repurchasing of securities by Redcape itself. The buy-back is capped at $247.3 million and the rights issue component of $132.3 million is underwritten by MA Financial. For more information, please refer to https://www.redcape.com.au/investor-centre/.

At the date of this report:

- Redcape's NSW venues (except Off premise Bottle shops) remain closed.
- Redcape's QLD venues have resumed trading albeit under Government mandated restrictions.

Redcape remains well prepared to manage the re-opening of its NSW venues once permitted to do so by the NSW Government.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure in the notes to the financial statements (refer Note 2 Basis of preparation).

Other than the above matters, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Redcape Hotel Group
Directors' declaration
30 June 2021

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 notes 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 2021 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.

The Directors of the Responsible Entity have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

18 August 2021
Sydney

KPMG

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 2021 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 2021
- 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.

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of land
- Valuation of goodwill
- Valuation of gaming and liquor licenses and other non-financial assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of land ($404m)	
Refer to Note 15 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
It is the Stapled Group's policy that land is recognised at fair value based on valuations that are conducted by the Directors of Redcape Hotel Group Management Ltd (the Responsible Entity of the Stapled Group) and its external valuation experts. As at 30 June 2021, the valuation of land is based on external experts' valuations on a residual valuation methodology. We considered the valuation of land as a key audit matter, given the: • inherently subjective nature of property valuations due to the use of assumptions containing estimation uncertainty and increased complexity of the valuation methodology. These estimates lead to additional audit effort due to differing assumptions such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property. This was further heightened with the ongoing impacts of the COVID-19 pandemic, decreasing the volume of market transactions which are ordinarily strong sources of evidence regarding fair value; • relative size of land in the statement of financial position (being 31% of total assets); and • quantum of the revaluation gains/losses that directly impact the Consolidated statement of profit or loss and other comprehensive income through the fair value fluctuations.	Working with our real-estate valuation specialists, our procedures included: • understanding the Stapled Group's process regarding the valuation of land including specific considerations for the impact of COVID-19; • we assessed the appropriateness of the accounting policies applied by the Stapled Group, against the requirements of the accounting standards; • we assessed the scope, competence and objectivity of Stapled Group's external valuation experts to fair value the individual developed properties and its components; • we assessed the valuation methodology used by external experts for consistency with the Stapled Group's valuation policy, and compliance with accounting standards and industry practice; • we assessed the specific valuation assumptions (including the capitalisation rate and market rental income) for a sample of property valuations, through comparison to market data published by commercial real estate agents, and our knowledge of historical performance of the properties held by the Stapled Group and their condition and location; • we compared the stabilised net operating profit (EBITDA) used in the valuations to historical results of the Stapled Group's operations including specific considerations for the impact of COVID-19. We adjusted for expected changes such as the annualisation

We focused on the significant forward-looking assumptions and estimations contained in the valuation methodology used by the Stapled Group with consideration given to the impact of COVID-19: • Capitalisation rate: reflects the yield that an investor would look to recover on an investment. COVID-19 has resulted in a lack of transactional evidence and other market data points being difficult to obtain; • Forecast cash flows: this includes stabilised net operating profit (EBITDA) and market rental income. These assumptions are more judgemental because the extent of the uncertainty of how COVID-19 may impact on future cash flows; and • Component fair values: these are the notional fair values ascribed to buildings and licenses which are subsequently removed from the property valuation to derive a land residual value. We involved real-estate valuation specialists to supplement our senior audit team members in assessing this key audit matter.	of results of properties acquired by the Stapled Group during the year. We used our knowledge of the Group, its past performance, business and customers, and our industry experience; • we assessed the methodology and specific valuation assumptions for a sample of individual components including building and license valuations. We used our knowledge of the Stapled Group, its past performance, business and customers, condition of the buildings and our industry experience; • we checked amounts recorded in the statement of profit or loss and other comprehensive income, to movements in the fair value of the land for the year from the Stapled Group's Consolidated statement of financial position; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.
Valuation of goodwill ($336m)	
Refer to Note 17 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Annual testing of goodwill impairment is a key audit matter, given the size of the balance (being 26% of total assets) and the significantly higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. We focussed on the significant forward-looking assumptions the Stapled Group applied in its value in use model for the group of cash generating units ("CGUs"), including: • forecast cash flows, growth rates and terminal growth rates – the Stapled Group has experienced significant business disruption, as a result of the trading restrictions imposed by the government due to COVID-19. These conditions increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider. We focused on the expected rate of recovery for the Stapled Group, what the Stapled Group considers as its future business	Working with our valuation specialists, our procedures included: • we considered the appropriateness of the value in use method applied by the Stapled Group to perform the annual test of goodwill for impairment, for the group of CGUs, against the requirements of the accounting standards; • we assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas; • we considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rate and discount rate, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures;

model when assessing the feasibility of the Group's forecast cash flows; and • discount rates - these are complex in nature and vary according to the conditions and environment in which the group of CGUs operate. The Stapled Group uses a complex model to perform its annual testing of goodwill for impairment. The model is largely manually developed, uses adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing highly judgemental forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. The Stapled Group has a large number of individual developed properties, necessitating our consideration of the Stapled Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows. We considered the Stapled Group's allocation of goodwill to the group of CGUs to which they belong based on the management and monitoring of the business. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• we compared the forecast cash flows contained in the value in use model to those approved by the Board; • we assessed the accuracy of previous Stapled Group forecasts to inform our evaluation of forecasts incorporated in the model; • we challenged the Stapled Group's significant forecast cash flow including specific considerations of the impact of COVID-19 such as expected rate of recovery and growth assumptions by comparing the forecast to historical results of the Stapled Group's operations and applied increased scepticism to areas where previous forecasts were not achieved. We compared forecast growth rates, including terminal growth rate to published studies of industry trends and expectations. We used our knowledge of the Stapled Group, its past performance, business and customers, and our industry experience; • we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Stapled Group and the industry it operates in; • we considered the Stapled Group's determination of its CGUs based on our understanding of the operations of the Stapled Group's business, and how independent cash inflows were generated, against the requirements of the accounting standards; • we analysed the Stapled Group's internal reporting to assess the Stapled Group's monitoring and management of activities, and the consistency of the allocation of goodwill to the group of CGUs; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

<table>
<tr><th colspan="2">Valuation of gaming and liquor licenses ($278m) and other non-financial assets ($198m)</th></tr>
<tr><td colspan="2">Refer to Note 17 of the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Stapled Group is required to perform an annual impairment assessment for gaming and liquor licenses which are intangible assets with indefinite useful lives. Other non-financial assets comprising of property, plant and equipment and right-of-use assets are assessed for impairment when there is an indicator of impairment such as the business disruption impact of the COVID-19 global pandemic.
As part of the Staple Group's impairment assessment for gaming and liquor licenses and other non-financial assets, the Stapled Group estimated its recoverable amount and compared it to its carrying value for each of the Stapled Group's cash generating units ("CGUs").
The Stapled Group uses the higher of the fair value less cost of disposal and value in use models to perform its impairment assessment for the CGUs. This further increased our audit effort in this key audit area.
We focussed on the significant forward-looking assumptions the Stapled Group applied in its fair value less cost of disposal and value in use models for the CGUs, including:

capitalisation rates which reflects the yield that an investor would look to recover on an investment in the fair value less cost of disposal models. COVID-19 has resulted in a lack of transactional evidence and other market data points being difficult to obtain.
forecast cash flows including stabilised net operating profit (EBITDA), growth rates and terminal growth rates – the Stapled Group has experienced significant business disruption, as a result of the trading restrictions imposed by the government due to COVID-19. These conditions increase the possibility of a CGU being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider. We focused on the expected rate of recovery for each CGU, what the Stapled Group considers as it future business model when assessing the feasibility of the CGU's revised COVID-19 forecast cash flows; and

</td><td>
Working with our valuation specialists, our procedures included:

we considered the appropriateness of the fair value less cost of disposal and value in use models applied by the Stapled Group to perform the impairment test for the CGUs, against the requirements of the accounting standards;
we assessed the integrity of the fair value less cost of disposal and value in use models used, including the accuracy of the underlying calculation formulas;
we assessed the capitalisation rate for a sample of fair value less cost of disposal models, through comparison to market data published by commercial real estate agents, and our knowledge of historical performance of the properties held by the Stapled Group and their condition and location;
we compared the stabilised net operating profit (EBITDA) used in the fair value less cost of disposal model to historical results of the Stapled Group's operations including specific considerations for the impact of COVID-19. We adjusted for expected changes such as the annualisation of results of properties acquired by the Stapled Group during the year. We used our knowledge of the Group, its past performance, business and customers, and our industry experience;
we considered the sensitivity of the value in use models by varying key assumptions, such as forecast growth rates, terminal growth rate and discount rate, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures;
we compared the forecast cash flows contained in the value in use model to revised forecasts approved by the Board;
we assessed the accuracy of previous Stapled Group forecasts to inform our evaluation of forecasts incorporated in the models;

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• discount rates – these are complex in nature and vary according to the conditions and environment the specific CGUs is subject to from time to time. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing highly judgemental forward-looking assumptions, tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• we challenged the Stapled Group's significant forecast cash flow including specific considerations of the impact of COVID-19 such as expected rate of recovery and growth assumptions by comparing the forecast to historical results of the Stapled Group's operations and applied increased scepticism to areas where previous forecasts were not achieved. We compared forecast growth rates, including terminal growth rate to published studies of industry trends and expectations. We used our knowledge of the Group, its past performance, business and customers, and our industry experience; • we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGU and the industry it operates in; • we considered the Stapled Group's determination of its CGUs based on our understanding of the operations of the Stapled Group's business, and how independent cash inflows were generated, against the requirements of the accounting standards; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

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.

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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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

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Paul Thomas

Partner

Sydney

18 August 2021

Redcape Hotel Group
Stapled Securityholder information
30 June 2021

The stapled security holder's information set out below was applicable as at 02 August 2021.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Ordinary stapled securities	
	Number of holders	Number of stapled securities issued
1 to 1,000	468	326,175
1,001 to 5,000	506	1,584,355
5,001 to 10,000	603	4,782,751
10,001 to 100,000	2,075	82,602,155
100,001 and over	478	462,899,759
	4,130	552,195,195
Holding less than a marketable parcel	-	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary stapled securities	
	Number held	% of total stapled securities issued
The Trust Company (Australia) Limited	118,881,938	21.53
Western Funds Management Pty Ltd	51,541,700	9.33
Moelis Australia Asset Management Ltd	40,516,237	7.34
J P Morgan Nominees Australia Pty Limited	26,656,489	4.83
HSBC Custody Nominees (Australia) Limited	25,853,945	4.68
Netwealth Investments Limited	10,070,735	1.82
Carpe Diem Asset Management Pty Ltd	9,596,947	1.74
The Trust Company (Australia) Limited	8,759,042	1.59
Citicorp Nominees Pty Limited	8,068,540	1.46
National Nominees Limited	5,468,979	0.99
Rhino Trade Pty Ltd	5,000,000	0.91
Peters Meats (Export) Pty Ltd	4,629,630	0.84
Top 4 Pty Ltd	4,522,192	0.82
BNP Paribas Nominees Pty Ltd	4,218,306	0.76
Mr Duan Chao	3,120,000	0.57
Liangrove Media Pty Limited	1,991,360	0.36
J B Holdings Pty Ltd	1,830,000	0.33
Chalt Pty Limited	1,763,271	0.32
BNP Paribas Nominees Pty Ltd	1,760,375	0.32
Ocean Capital Pty Limited	1,700,000	0.31
	335,949,686	60.85

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
Substantial holders in Redcape are set out below:

Substantial Holders	Securities held at date of notice	Percentage of securities held at date of notice %	Date of notice
MA Financial Group Limited (including its related bodies corporate)	213,953,331	38.80%	04/12/2018

Voting rights
The voting rights attached to ordinary stapled securities are set out below:

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

There are no other classes of equity securities.

Redcape Hotel Group
Corporate directory
30 June 2021

Directors	Mr Nicholas Collishaw Mr Daniel Brady Mr Andrew Ireland Mr David Groves Mr Hugh Thomson
Responsible Entity	Redcape Hotel Group Management Ltd ACN: 610 990 004 ('Responsible Entity')
Company secretary	Ms Rebecca Ong
Entity Information	Redcape Hotel Trust II ARSN: 629 354 696 ('RHT II' or 'Parent Entity') Redcape Hotel Trust I ARSN: 629 354 614 ('RHT I') together form the stapled entity; Redcape Hotel Group ('Redcape')
Registered office	Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 (02) 8288 5555
Principal place of business	Level 1 Minskys Hotel 287 Military Road Cremorne NSW 2090 (02) 9719 4000
Share register	Boardroom Pty Ltd Level 12 Grosvenor Place 225 George Street Sydney NSW 2000 1300 737 760
Auditor	KPMG Level 38 International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000
Stock exchange listing	Redcape Hotel Group stapled securities are listed on the Australian Securities Exchange (ASX code: RDC)
Website	www.redcape.com.au

ASX:RDC | redcape.com.au

Redcape Hotel Trust I

ARSN 629 354 614

Annual Report - 30 June 2021

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General information

The Redcape Hotel Trust I ('RHT I') is a registered managed investment scheme under the *Corporations Act 2001* domiciled in Australia. These consolidated annual financial statements as at 30 June 2021 comprise RHT I and it's controlled entities, and collectively are referred to as the 'consolidated entity' or 'Group'. The Responsible Entity of RHT I is Redcape Hotel Group Management Ltd (the 'Responsible Entity').

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

Registered office	**Principal place of business**
Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000	Level 1 Minskys Hotel 287 Military Road Cremorne NSW 2090

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 18 August 2021. The Directors have the power to amend and reissue the financial statements.

Redcape Hotel Trust I
Directors' report
30 June 2021

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') and the entities it controlled at the end of, or during, the year ended 30 June 2021. 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 Ltd ('MA Financial', formerly known as Moelis Australia Ltd).

Directors

The following persons were Directors of the Responsible Entity of the Trust for the year ended 30 June 2021:

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 freehold pub sector in Australia.

Distributions

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

	Consolidated	
	2021 $'000	2020 $'000
30 September 2020 of 1.830 cents (30 September 2019: 2.199 cents) per security	10,105	12,137
31 December 2020 of 1.830 cents (31 December 2019: 2.211 cents) per security	10,105	12,211
31 March 2021 of 1.830 cents (31 March 2020: zero cents) per security	10,105	-
30 June 2021 of 2.670 cents (30 June 2020: 0.310 cents) per security	14,744	1,712
	45,059	26,060

Review of operations

The profit for the consolidated entity amounted to $26.7 million (30 June 2020: $33.9 million).

Impacts of Coronavirus (COVID-19)

Redcape venues reopened from 1 June 2020 and during financial year 2021 were, at times, impacted by capacity restrictions and periodic lockdowns. During this period, Redcape maintained its COVID-19 Safety plans across its venues including employing dedicated COVID-19 Safe Hygiene Marshals to ensure all venues operated safely.

Redcape reinstated quarterly distributions from the September 2020 quarter.

Redcape venues in NSW (excluding Off premise Bottle shops) were temporarily closed from 26 June 2021 in line with NSW Government COVID-19 restrictions.

Redcape venues operating in Queensland (except two venues in Mackay and Off premise Bottle shops) were temporarily closed from 29 June 2021 in line with QLD COVID-19 restrictions.

For further information, refer to Matters subsequent to the end of the financial year.

Acquisition of hotels
The consolidated entity settled the acquisition of four hotels as listed below:

- Gladstone Hotel, Dulwich Hill, NSW (settled on 1 February 2021)
- O'Donoghues Hotel, Emu Plains, NSW (settled on 15 February 2021)
- Aspley Hotel, Aspley, QLD (settled on 17 May 2021)
- Shafston Hotel, East Brisbane, QLD (settled on 17 May 2021)

Expanded debt headroom and extended tenor
In December 2020, the Group secured an additional $100.0 million funding facility expiring in December 2025.

In addition, the Group has extended the tenor of two of its existing lending facilities, increasing the weighted average maturity of its total debt facility to 3.6 years as at 30 June 2021.

Significant changes in the state of affairs
Other than the matters noted in the 'Review of Operations', there were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 13 August 2021, the Group extended the tenor of two of its existing lending facilities from September 2022 to December 2025. The weighted average maturity of its debt facility (pre-finance) as at 30 June 2021 was 3.6 years.

On 18 August 2021, the Board of the Responsible Entity announced a general meeting of Redcape Securityholders. The meeting will be held on 10 September 2021 to consider the proposed delisting of Redcape as a result of a unanimous recommendation from the Independent Business Committee of the Responsible Entity. The proposal involves a Buy-Back to provide an immediate liquidity opportunity at a premium to Redcape's current ASX trading price for Redcape Securityholders who choose not to hold an unlisted investment in Redcape. The immediate liquidity facility will provide the opportunity for existing Redcape investors to acquire additional securities at $1.15 and a repurchasing of securities by Redcape itself. The buy-back is capped at $247.3 million and the rights issue component of $132.3 million is underwritten by MA Financial. For more information, please refer to https://www.redcape.com.au/investor-centre/.

At the date of this report:

- Redcape's NSW venues (except Off premise Bottle shops) remain closed.
- Redcape's QLD venues have resumed trading albeit under Government mandated restrictions.

Redcape remains well prepared to manage the re-opening of its NSW venues once permitted to do so by the NSW Government.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure in the notes to the financial statements (refer Note 2 Basis of preparation).

Other than the above matters, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 not be practicable to estimate the potential impact, positive or negative, after the reporting date.

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.

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.

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

18 August 2021
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 2021 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.

KPMG	Paul Thomas
	Partner
	Sydney
	18 August 2021

Redcape Hotel Trust I
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Investment income	4	50,999	38,254
Finance income		7,425	7,725
Total revenue		58,424	45,979
Expenses			
Operating expenses	5	(5,727)	(4,696)
Management fee	6	(9,885)	(1,320)
Finance costs		(11,080)	(18,000)
Depreciation expense		(1,488)	(1,447)
Transaction costs		(3,585)	(3)
Total expenses		(31,765)	(25,466)
Operating profit		26,659	20,513
Gain on disposal of investment properties		-	13,419
Profit for the year attributable to the securityholders of Redcape Hotel Trust I	17	26,659	33,932
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		792	2,405
Other comprehensive income for the year		792	2,405
Total comprehensive income for the year attributable to the securityholders of Redcape Hotel Trust I		27,451	36,337

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 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	7	36,026	75,336
Trade and other receivables		163	24
Other current assets	8	1,683	1,574
Total current assets		37,872	76,934
Non-current assets			
Other receivables	9	176,658	162,824
Investment properties	10	611,532	551,958
Total non-current assets		788,190	714,782
Total assets		826,062	791,716
Liabilities			
Current liabilities			
Trade and other payables	11	10,992	2,846
Distribution payable	12	14,744	1,712
Total current liabilities		25,736	4,558
Non-current liabilities			
Borrowings	13	517,839	486,271
Derivative financial instruments	14	292	1,084
Total non-current liabilities		518,131	487,355
Total liabilities		543,867	491,913
Net assets		282,195	299,803
Equity			
Issued capital	15	318,936	318,936
Cash flow hedge reserve	16	(292)	(1,084)
Accumulated losses	17	(36,449)	(18,049)
Total equity		282,195	299,803

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 2021

Consolidated	**Issued capital $'000**	**Cash flow hedge reserve $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2019	318,469	(3,489)	(25,921)	289,059
Profit for the year	-	-	33,932	33,932
Other comprehensive income for the year	-	2,405	-	2,405
Total comprehensive income for the year	-	2,405	33,932	36,337
Transactions with securityholders in their capacity as securityholders:				
Contributions of equity, net of transaction costs (note 15)	467	-	-	467
Distributions paid (note 18)	-	-	(26,060)	(26,060)
Balance at 30 June 2020	318,936	(1,084)	(18,049)	299,803

Consolidated	**Issued capital $'000**	**Cash flow hedge reserve $'000**	**Retained profits $'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
Transactions with securityholders in their capacity as securityholders:				
Distributions paid (note 18)	-	-	(45,059)	(45,059)
Balance at 30 June 2021	318,936	(292)	(36,449)	282,195

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 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		56,150	41,839
Payments to suppliers (inclusive of GST)		(15,871)	(12,597)
		40,279	29,242
Interest received		7,425	7,725
Interest and other finance costs paid		(11,647)	(22,492)
Net cash from operating activities	27	36,057	14,475
Cash flows from investing activities			
Payments for acquisition of investment properties	10	(61,062)	(21,297)
Payments for additions to investment properties		-	(882)
Proceeds from disposal of investment properties		-	52,352
Net cash (used in)/from investing activities		(61,062)	30,173
Cash flows from financing activities			
Proceeds from issue of securities		-	467
Proceeds from bank loans		122,000	152,650
Repayment of bank loans		(90,000)	(99,350)
Loans to related and other parties		(74,508)	(67,308)
Loans from related and other parties		60,230	79,221
Distributions paid		(32,027)	(36,378)
Net cash (used in)/from financing activities		(14,305)	29,302
Net (decrease)/increase in cash and cash equivalents		(39,310)	73,950
Cash and cash equivalents at the beginning of the financial year		75,336	1,386
Cash and cash equivalents at the end of the financial year	7	36,026	75,336

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

Note 1. General Information

Reporting Entity
The consolidated entity is a for-profit entity and its principal activity is real estate investment in the freehold pub sector in Australia. These consolidated financial statements as at 30 June 2021 comprise RHT I and its controlled entities, and collectively are referred to as the 'consolidated entity' or 'Group'. The Responsible Entity of RHT I is Redcape Hotel Group Management Ltd (the 'Responsible Entity'). The financial statements are presented in Australian dollars, which is the functional and presentation currency of RHT I.

Responsible Entity

A description of the nature of the consolidated entity's operations and its principal activity are included in the directors' report, which is not part of 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 amendments adopted for the year commencing 1 July 2020 are most relevant to the consolidated entity:

- AASB 2018 - 6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018 - 7 *Amendment to Australian Accounting Standards – Definition of Material*
- AASB 2019 - 1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019 - 5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

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 2021. 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.

Standard on issue but not yet effective that is most relevant to the consolidated entity:

New or revised requirement	**When effective**
AASB 2020 - 1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	Effective for annual reporting periods beginning on or after 1 January 2022

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').

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. Its main source of income is rental income from investment properties. From 1 July 2020 until 31 December 2020, the Group agreed to provide a partial rent waiver to its tenants whose gross revenue decreased compared to the prior corresponding period. The partial rent waiver was calculated as a percentage of their gross revenue decrease.

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.

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
In accordance with the *Corporations Act 2001*, 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 2021 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.

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.*

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 10

Note 4. Investment income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Rental income from investment properties (a)	46,546	34,079
Revenue from outgoings recovered	4,453	4,175
Investment income	50,999	38,254

(a) Current year rental income includes both internal rental income and external rental income. Please refer to note 24 related party transactions for further information on internal rental income

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.

Goods and Services Tax ('GST') and other similar taxes
Revenues is recognised net of the amount of associated GST.

Note 5. Operating expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Investment property outgoings and expenses	4,597	4,259
Other expenses	1,130	437
	5,727	4,696

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

Note 6. Management fee

	Consolidated 2021 $'000	Consolidated 2020 $'000
Asset Management Fee	1,342	1,320
Performance Fee	8,543	-
	9,885	1,320

Refer to Note 24 Related party transactions for further information on outstanding management fees as at 30 June 2021.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2021 $'000	2020 $'000
Cash at bank	36,026	75,336

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. Current assets - other current assets

	Consolidated	
	2021 $'000	2020 $'000
Prepayments	1,683	1,574

Note 9. Non-current assets - Other receivables

	Consolidated	
	2021 $'000	2020 $'000
Interest bearing related party receivable (a)	175,152	160,875
Straight line lease asset	1,506	1,949
	176,658	162,824

(a) 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.

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.

Note 10. Non-current assets - investment properties

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.

Note 10. Non-current assets - investment properties (continued)

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Investment properties	616,456	555,393
Less: Accumulated depreciation	(4,924)	(3,435)
	611,532	551,958

Reconciliation
Reconciliations of opening and closing balances of the current and previous financial year are set out below:

	2021	2020
Opening	551,958	570,162
Additions	-	882
Disposals	-	(38,933)
Additions through acquisitions	61,062	21,294
Depreciation expense	(1,488)	(1,447)
Closing	611,532	551,958

Investment properties at cost
Investment properties principally comprise 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 2021 is $841.1 million (30 June 2020: $639.0 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 2020: 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 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. Discount rates applied in the current year VIU model range from 7.31% to 8.94% (30 June 2020: 8.14% to 9.61%). Reduction in discount rates reflect the trend in borrowing rates over the last five years.

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 2020: 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 if based on the income capitalisation method, which is determined with reference to market rent and adopted capitalisation rate.

Note 10. Non-current assets - investment properties (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.

Refer to note 20 for further information on fair value measurement.

Investment Property Lessor Commitments

	Consolidated	
	2021 $'000	2020 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	49,075	46,657
One to five years	205,143	145,323
More than five years	657,037	607,415
	911,255	799,395

Note 11. Current liabilities - trade and other payables

	Consolidated	
	2021 $'000	2020 $'000
Trade payables	176	357
Accrued interest	440	574
Other payables (a)	9,273	924
Outgoings recovered received in advance	1,103	991
	10,992	2,846

(a) Including Transactions Costs - Strategic Review payable of $3.6 million (30 June 2020: nil) and Performance Fee payable of $4.3 million (30 June 2020: nil).

Accounting policy for trade and other payables
These amounts 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.

Receivables or 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.

Note 12. Current liabilities - distribution payable

	Consolidated	
	2021 $'000	2020 $'000
Distribution	14,744	1,712

Note 12. Current liabilities - distribution payable (continued)

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.

Consolidated - 2021	$'000
Carrying amount at the start of the year	1,712
Additional provisions recognised	45,059
Payments relating to prior period	(1,712)
Payments relating to current period	(30,315)
Carrying amount at the end of the year	14,744

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 13. Non-current liabilities - borrowings

	Consolidated	
	2021 $'000	2020 $'000
Bank loans	522,000	490,000
Capitalised loan establishment costs	(4,161)	(3,729)
	517,839	486,271

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	2021 $'000	2020 $'000
Bank loans	522,000	490,000

Common Terms Deed
On 24 December 2020, Redcape refinanced its existing debt arrangements under the Common Terms Deed and secured additional funding as outlined below:

- Refinanced $187.5 million of Tranche A (now referred to as Tranche A1) and Revolver A (now referred to as Revolver A1) with a revised expiry date of December 2025
- Secured an additional $100.0 million facility (Tranche C) with an expiry date of December 2025

The total facility amount is $600.0 million (excluding $4.0 million ancillary facility).

Note 13. Non-current liabilities - borrowings (continued)

Description of facility	Amount ($ million)	Expiry
Tranche A and Revolver	62.5	September 2022
Tranche B	250.0	December 2024
Tranche A1 and Revolver A1	187.5	December 2025
Tranche C	100.0	December 2025
	600.0	

The Group has access to a $4.0 million ancillary facility. At 30 June 2021, $3.0 million has been utilised on bank guarantees to suppliers and landlords (30 June 2020: $2.6 million).

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 Redcape, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Defaults and breaches
On 22 December 2020, the Group obtained approvals to amend its lending waiver. Bank covenants are now based on performance commencing from 1 July 2020. There have been no breaches of bank covenants for the year ended 30 June 2021.

Restrictions on distributions
As part of the waiver, the group sought and obtained consent from its lenders to resume the September 2020 quarter distributions. Distributions from the December 2020 to June 2021 quarter were approved by the Board in the ordinary course.

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

	Consolidated	
	2021 $'000	2020 $'000
Total facilities		
Bank loans	600,000	500,000
Used at the reporting date		
Bank loans	522,000	490,000
Unused at the reporting date		
Bank loans	78,000	10,000

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 14. Non-current liabilities - derivative financial instruments

	Consolidated	
	2021 $'000	2020 $'000
Interest rate swap contracts - cash flow hedges	292	1,084

Refer to note 19 for further information on financial instruments.

Note 14. Non-current liabilities - derivative financial instruments (continued)

Refer to note 20 for further information on fair value measurement.

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.

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were classified in equity are immediately reclassified to profit or loss.

Note 15. Equity - issued capital

	Consolidated			
	2021 Securities	2020 Securities	2021 $'000	2020 $'000
Ordinary securities - fully paid	552,195,195	552,195,195	318,936	318,936

Details	June 2021 No of units '000	June 2021 $'000	June 2020 No of units '000	June 2020 $'000
Balance at beginning of the period	552,195	318,936	552,195	318,936

Ordinary units
Each unit represents a right to an individual share in the trust and does not extend to a right to the underlying assets of the trust. There are no separate classes of units and each unit has the same rights attaching to it as with all other units of the trust.

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

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 financing arrangements covenants 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.

Note 15. Equity - issued capital (continued)

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

Note 16. Equity - Cash flow hedge reserve

	Consolidated	
	2021 $'000	2020 $'000
Hedging reserve - cash flow hedges	(292)	(1,084)

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.

Refer to note 19 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	$'000	Total $'000
Balance at 1 July 2019	(3,489)	(3,489)
Revaluation - gross	2,405	2,405
Balance at 30 June 2020	(1,084)	(1,084)
Revaluation - gross	792	792
Balance at 30 June 2021	(292)	(292)

Note 17. Equity - accumulated losses

	Consolidated	
	2021 $'000	2020 $'000
Accumulated losses at the beginning of the financial year	(18,049)	(25,921)
Profit for the year	26,659	33,932
Distributions paid (note 18)	(45,059)	(26,060)
Accumulated losses at the end of the financial year	(36,449)	(18,049)

Note 18. Equity - distributions

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

	Consolidated	
	2021 $'000	2020 $'000
30 September 2020 of 1.830 cents (30 September 2019: 2.199 cents) per security	10,105	12,137
31 December 2020 of 1.830 cents (31 December 2019: 2.211 cents) per security	10,105	12,211
31 March 2021 of 1.830 cents (31 March 2020: zero cents) per security	10,105	-
30 June 2021 of 2.670 cents (30 June 2020: 0.310 cents) per security	14,744	1,712
	45,059	26,060

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 19. 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 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

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 approximately 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:

	2021		2020	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	1.08%	522,000	1.81%	490,000
Interest rate swaps (notional principal amount)	-	(150,000)	-	(150,000)
Net exposure to cash flow interest rate risk		372,000		340,000

Note 19. Financial instruments (continued)

The bank loans outstanding, totalling $522.0 million (30 June 2020: $490.0 million), are interest payment loans. Monthly cash outlays of approximately $0.5 million (30 June 2020: $0.7 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 $5.2 million (30 June 2020: $4.9 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 2020 to meet the ongoing working capital requirements of the Group.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Bank loans	78,000	10,000

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 - 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						
Non-interest bearing						
Trade payables	-	176	-	-	-	176
Other payables	-	10,816	-	-	-	10,816
Interest-bearing - variable						
Bank loans	1.05%	5,284	62,440	475,842	-	543,566
Total non-derivatives		16,276	62,440	475,842	-	554,558
Derivatives						
Interest rate swaps outflow	0.30%	123	-	-	-	123
Total derivatives		123	-	-	-	123

Note 19. Financial instruments (continued)

Consolidated - 2020	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						
Non-interest bearing						
Trade payables	-	357	-	-	-	357
Other payables	-	2,489	-	-	-	2,489
Interest-bearing - variable						
Bank loans	1.49%	6,760	96,125	408,914	-	511,799
Total non-derivatives		9,606	96,125	408,914	-	514,645
Derivatives						
Interest rate swaps outflow	0.25%	67	-	-	-	67
Total derivatives		67	-	-	-	67

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

Note 20. 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 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Consolidated - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swaps	-	292	-	292
Total liabilities	-	292	-	292

Consolidated - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swaps	-	1,084	-	1,084
Total liabilities	-	1,084	-	1,084

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available.

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.

Note 20. Fair value measurement (continued)

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.

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	
	2021	**2020**
	$	**$**
Audit services - KPMG		
Audit or review of the financial statements	395,000	384,000
Other services - KPMG		
Tax and advisory related services	150,000	-
	545,000	384,000

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 suppliers and a landlord of a related party as at 30 June 2021 of $3.0 million (2020: $2.6 million).

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

Note 23. Commitments

The consolidated entity had no commitments as at 30 June 2021 and 30 June 2020.

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

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.

Transactions with related parties
(a) Responsible entity

	Transaction values for the year ended 30 June 2021 $	Balance outstanding as at 30 June 2021 $	Transaction values for the year ended 30 June 2020 $	Balance outstanding as at 30 June 2020 $
Redcape Hotel Group Management Ltd (i)				
Asset management fee	1,341,935	122,311	1,320,418	108,203
Debt arrangement fee (ii)	500,000	-	2,500,000	-
Acquisition fee	578,973	-	206,305	-
Disposal fee	-	-	536,750	-
Performance fee (iii)	8,542,680	4,330,680	-	-
	10,963,588	4,452,991	4,563,473	108,203

(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 debt refinanced in the year ended 30 June 2021 (30 June 2020: $500.0 million).

(iii) Performance fee reflects the Stapled Group's (comprising Redcape Hotel Trust I and Redcape Hotel Trust II) positive independent revaluations underpinned by both improved earnings and tightened cap rates. It is split proportionately to the Net Asset Value ('NAV') as at 31 December 2020 of Redcape Hotel Trust (72.18%) and Redcape Hotel Trust II (27.82%).

(b) Other related party disclosures
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 2021 $	Balance outstanding as at 30 June 2021 $	Transaction values for the year ended 30 June 2020 $	Balance outstanding as at 30 June 2020 $
Redcape Hotel Group Pty Ltd	Rental income	(46,587,877)	-	(33,850,271)	-
Redcape Hotel Group Pty Ltd	Interest income	(6,608,077)	(695,882)	(7,608,110)	-
Redcape Hotel Group Pty Ltd	Loan receivable	(175,151,572)	-	(160,874,761)	(160,874,761)
		(228,347,526)	(695,882)	(202,333,142)	(160,874,761)

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	
	2021 **$'000**	**2020** **$'000**
Profit	26,024	26,134
Total comprehensive income	26,024	26,134

Statement of financial position

	Parent	
	2021 **$'000**	**2020** **$'000**
Total current assets	13	93
Total assets	295,450	293,446
Total current liabilities	22,912	1,873
Total liabilities	22,912	1,873
Equity		
Issued capital	318,936	318,936
Accumulated losses	(46,398)	(27,363)
Total equity	272,538	291,573

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 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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.

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 2021 %	Ownership interest 2020 %
Redcape Hotel Property Trust	Australia	100.00%	100.00%
St George Hotel Trust	Australia	100.00%	100.00%
Doonside Hotel Trust	Australia	100.00%	100.00%
El Cortez Hotel Trust	Australia	100.00%	100.00%
Keighery Hotel Trust	Australia	100.00%	100.00%
Lakeview Hotel Motel Trust	Australia	100.00%	100.00%
Prospect Hotel Trust	Australia	100.00%	100.00%
Royal Hotel Trust	Australia	100.00%	100.00%
St Marys Hotel Trust	Australia	100.00%	100.00%
Belrose Hotel Trust	Australia	100.00%	100.00%
Red Lantern Hotel Trust	Australia	100.00%	100.00%
Campbelltown Hotel Trust	Australia	100.00%	100.00%
Eastwood Hotel Trust	Australia	100.00%	100.00%
Leumeah Hotel Trust	Australia	100.00%	100.00%
Mount Annan Hotel Trust	Australia	100.00%	100.00%
Revesby Pacific Hotel Trust	Australia	100.00%	100.00%
Willoughby Hotel Trust	Australia	100.00%	100.00%
Eastern Creek Tavern Hotel Trust	Australia	100.00%	100.00%
Landmark Hotel Trust	Australia	100.00%	100.00%
Crown Revesby Hotel Trust	Australia	100.00%	100.00%
Minskys Hotel Trust	Australia	100.00%	100.00%
Shamrock Hotel Trust	Australia	100.00%	100.00%
Hermit Park Hotel Trust	Australia	100.00%	100.00%
Wattle Hotel Trust	Australia	100.00%	100.00%
Carrington Hotel Trust	Australia	100.00%	100.00%
Andergrove Tavern Hotel Trust	Australia	100.00%	100.00%
Cabramatta Hotel Trust	Australia	100.00%	100.00%
Crescent Hotel Trust	Australia	100.00%	100.00%
Wattle Grove Hotel Trust	Australia	100.00%	100.00%
Sun Hotel Trust	Australia	100.00%	100.00%
Vauxhall Hotel Trust	Australia	100.00%	100.00%
Australian Hotel & Brewery Trust	Australia	100.00%	100.00%
Central Hotel Trust	Australia	100.00%	100.00%
Unanderra Hotel Trust	Australia	100.00%	100.00%
Figtree Hotel Trust	Australia	100.00%	100.00%
Kings Head Hotel Trust	Australia	100.00%	100.00%
Gladstone Hotel Trust (incorporated on 18 November 2020)	Australia	100.00%	-
O'Donoghues Hotel Trust (incorporated on 23 December 2020)	Australia	100.00%	-
Aspley Hotel Trust (incorporated on 7 December 2020)	Australia	100.00%	-
Shafston Hotel Trust (incorporated on 7 December 2020)	Australia	100.00%	-

Note 27. Cash flow information

Reconciliation of profit to net cash from operating activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit for the year	26,659	33,932
Adjustments for:		
Depreciation expense	1,488	1,447
Net gain on disposal of investment properties	-	(13,419)
Business acquisition costs	-	3
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	418	(240)
(Increase)/decrease in prepayments	(110)	359
Increase/(decrease) in trade and other payables	8,034	(3,122)
Decrease in capitalised loan establishment costs	(432)	(4,485)
Net cash from operating activities	36,057	14,475

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.

Non-cash investing and financing activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Securities issued under distribution reinvestment plan	-	467
Loans from banks	32,000	53,300
Loans from related parties	-	11,913
Loans to related parties	(14,278)	-
Distributions paid	(32,027)	(36,378)
	(14,305)	29,302

Note 28. Events after the reporting period

On 13 August 2021, the Group extended the tenor of two of its existing lending facilities from September 2022 to December 2025. The weighted average maturity of its debt facility (pre-finance) as at 30 June 2021 was 3.6 years.

On 18 August 2021, the Board of the Responsible Entity announced a general meeting of Redcape Securityholders. The meeting will be held on 10 September 2021 to consider the proposed delisting of Redcape as a result of a unanimous recommendation from the Independent Business Committee of the Responsible Entity. The proposal involves a Buy-Back to provide an immediate liquidity opportunity at a premium to Redcape's current ASX trading price for Redcape Securityholders who choose not to hold an unlisted investment in Redcape. The immediate liquidity facility will provide the opportunity for existing Redcape investors to acquire additional securities at $1.15 and a repurchasing of securities by Redcape itself. The buy-back is capped at $247.3 million and the rights issue component of $132.3 million is underwritten by MA Financial. For more information, please refer to https://www.redcape.com.au/investor-centre/.

At the date of this report:

- Redcape's NSW venues (except Off premise Bottle shops) remain closed.
- Redcape's QLD venues have resumed trading albeit under Government mandated restrictions.

Redcape remains well prepared to manage the re-opening of its NSW venues once permitted to do so by the NSW Government.

Further considerations in relation to the COVID-19 pandemic are included in the going concern disclosure in the notes to the financial statements (refer Note 2 Basis of preparation).

Other than the above matters, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Redcape Hotel Trust I
Directors' declaration
30 June 2021

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 2021 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	Daniel Brady
Chairman	Non-Executive Director

18 August 2021
Sydney

KPMG

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 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 2021 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:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income, statement of changes in equity, and 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 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 Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsibly 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 Group and Trust 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Thomas

Partner

Sydney

18 August 2021