



MA Financial Group

# Redcape Hotel Group

## Annual Report

### Issuer and responsible entity

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

### Manager

MA Hotel Management Pty Ltd  
ACN 619297228

30 June 2023



**Redcape**  
HOTEL GROUP

# **Redcape Hotel Group**

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

**Annual Report - 30 June 2023**

**Redcape Hotel Group**  
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**30 June 2023**

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**Redcape Hotel Group**  
**Directors' report**  
**30 June 2023**

The Directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the stapled consolidated entity (referred to hereafter as 'Redcape' or 'Group') consisting of Redcape Hotel Trust I ('RHT I') and Redcape Hotel Trust II ('RHT II') and the entities they controlled at the end of, or during, the year ended 30 June 2023. The manager of Redcape is MA Hotel Management Pty Ltd ('Trust Manager' or 'Management'), a wholly owned subsidiary of MA Financial Group Limited ('MA Financial').

**Directors**

The following persons were Directors of the Responsible Entity of Redcape for the financial year ended 30 June 2023 and up to the date of this report, unless otherwise stated:

Mr Nicholas Collishaw  
 Mr Andrew Ireland  
 Mr David Groves  
 Mr Christopher Unger - appointed on 16 December 2022  
 Mr Andrew Martin - appointed on 16 December 2022  
 Mr Hugh Thomson - resigned on 29 August 2022  
 Mr Daniel Brady - resigned on 15 December 2022

**Principal activities**

Redcape is a leading Australian hotel business operating a portfolio of 35 hotels across New South Wales ('NSW') and Queensland ('QLD'). Redcape owns 33 of the 35 hotels it operates. The hotels offer patrons:

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

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

**Distributions**

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

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| 30 September 2022 of 2.50 cents (30 September 2021: nil) per stapled unit      | 11,348              | -             |
| 31 December 2022 of 2.50 cents (31 December 2021: 1.95 cents) per stapled unit | 11,073              | 8,818         |
| 31 March 2023 of 2.50 cents (31 March 2022: 2.30 cents) per stapled unit       | 10,873              | 10,424        |
| 30 June 2023 of 2.50 cents (30 June 2022: 2.30 cents) per stapled unit         | 10,757              | 10,652        |
|  | 44,051              | 29,894        |

**Review of operations**

The statutory profit for Redcape after providing for income tax amounted to \$32.3 million (30 June 2022: loss of \$37.7 million).

*Disposal of hotels*

As detailed in note 12, the consolidated entity completed the settlement of the sale of Minskys Hotel on 8 August 2022 for a total consideration of \$39.0 million.

*Bank loan facility*

On 22 August 2022, the consolidated entity refinanced \$75.0 million of Bridge loan and secured a Revolving B loan with 5 years tenor.

On 22 December 2022, the consolidated entity terminated the NAB Tranche B facility of \$62.5 million and increased its Tranche B facility with ANZ by the same amount.

**Redcape Hotel Group**  
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**Non-IFRS Disclosures**

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

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

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

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

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

- Underlying earnings of \$41.5 million or 9.45 cents per stapled unit (30 June 2022: \$33.9 million or 6.98 cents per stapled unit)
- Distributions of \$44.1 million or 10.0 cents per stapled unit (30 June 2022: \$29.9 million or 6.55 cents per stapled unit)
- Operating EBITDA of \$78.2 million (30 June 2022: \$55.2 million)
- Cash from operating activities of \$0.5 million (30 June 2022: \$46.5 million). During current reporting period, the Group paid \$25.1 million of deferred gaming tax from prior periods and \$19.4 million additional interest compared to financial year 2022, which is mainly because the Reserve Bank of Australia materially raised interest rates.
- Statutory portfolio value decreased to \$1,193.0 million<sup>1</sup> (30 June 2022: \$1,196.5 million excluding Minskys hotel). The decrease in value reflects the net impact of revaluation decreases of \$12.0 million (comprising an \$8.5 million loss recognised in the asset revaluation reserve and a \$3.5 million loss recognised in income statement), capital spending of \$27.0 million and depreciation expense of \$18.4 million.
- Statutory Net Asset Value of \$1.0924 per stapled unit (30 June 2022: \$1.1669 per stapled unit)
- Total capital expenditure of \$27.0 million (30 June 2022: \$21.5 million) of which \$22.3 million related to capital growth and \$4.7 million for capital maintenance.

\* *Prior period comparatives were impacted by government mandated COVID-19 shutdowns and trading restrictions between 1 July 2021 and October 2021.*

**Reconciliation of non-IFRS financial metrics to statutory results**

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

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2023</b>         | <b>2022</b>    |
|   | <b>\$'000</b>       | <b>\$'000</b>  |
| Revenue                                     | 373,465             | 308,905        |
| <b>Gross profit</b>                         | <b>205,309</b>      | <b>162,448</b> |
| <b>Gross profit (% of Revenue)</b>          | <b>55.0%</b>        | <b>52.6%</b>   |
| Operating costs                             | (45,227)            | (38,912)       |
| Employment costs                            | (62,521)            | (52,824)       |
| Management fees (excluding performance fee) | (19,348)            | (15,512)       |
| <b>Operating EBITDA</b>                     | <b>78,213</b>       | <b>55,200</b>  |
| <b>Operating EBITDA (% of Revenue)</b>      | <b>20.9%</b>        | <b>17.9%</b>   |

<sup>1</sup> Statutory portfolio value comprises land, buildings, investment property, plant and equipment, and intangible assets.

**Redcape Hotel Group**  
**Directors' report**  
**30 June 2023**

|  |               |                 |
|--|---------------|-----------------|
| Performance fee                                | (3,390)       | (48,178)        |
| Gain/(loss) on disposal of non-current assets  | 15,313        | (178)           |
| Loss on asset revaluation                      | (3,459)       | (13,585)        |
| <b>EBITDA</b>                                  | <b>86,677</b> | <b>(6,741)</b>  |
| Depreciation expense on right-of-use assets    | (2,590)       | (2,806)         |
| Depreciation expense                           | (18,420)      | (17,697)        |
| <b>EBIT</b>                                    | <b>65,667</b> | <b>(27,244)</b> |
| Interest on lease liabilities                  | (1,844)       | (1,223)         |
| Net finance costs                              | (32,806)      | (13,805)        |
| <b>Profit/(loss) before income tax expense</b> | <b>31,017</b> | <b>(42,272)</b> |
| Income tax benefit                             | 1,322         | 4,533           |
| <b>Statutory NPAT</b>                          | <b>32,339</b> | <b>(37,739)</b> |

(ii) Reconciliation of Statutory NPAT to Underlying Earnings

|  | <b>Consolidated</b> |                 |
|--|---------------------|-----------------|
|  | <b>2023</b>         | <b>2022</b>     |
|  | <b>\$'000</b>       | <b>\$'000</b>   |
| <b>Statutory NPAT</b>                                | <b>32,339</b>       | <b>(37,739)</b> |
| <b>Add/(deduct) non-cash and non-operating items</b> |                     |                 |
| Performance fees                                     | 3,390               | 48,178          |
| (Gain)/loss on disposal of non-current assets        | (15,313)            | 178             |
| Loss on asset revaluation                            | 3,459               | 13,585          |
| Depreciation expense on right-of-use assets          | 2,590               | 2,806           |
| Depreciation expense                                 | 18,420              | 17,697          |
| Interest on lease liabilities                        | 1,844               | 1,223           |
| Cash rent adjustment                                 | (3,169)             | (2,930)         |
| Amortisation of capitalised loan establishment costs | 4,022               | 1,963           |
| Maintenance capital expenditure                      | (4,699)             | (6,515)         |
| Income tax benefit                                   | (1,322)             | (4,533)         |
| <b>Underlying earnings</b>                           | <b>41,561</b>       | <b>33,913</b>   |
| <b>Underlying earnings per stapled unit (cents)</b>  | <b>9.45</b>         | <b>6.98</b>     |
| Weighted average number of stapled units             | 439,979,288         | 486,172,130     |

**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.

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**Directors' report**  
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*Regulatory risk*

The Group operates in a highly regulated industry, where changes to liquor or gaming licences or other trading regulations could significantly impact the trading performance and therefore impact Operating EBITDA and long-term profitability of the Group. There is a current focus with regards to gaming regulations reform in NSW, which may include, amongst other regulatory changes, a transition to cashless gaming in the future.

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. Financial performance is continuously monitored for any variations from annual financial budgets and forecast.

At 30 June 2023, the Group had current assets of \$29,354,000 and current liabilities of \$67,576,000 leaving a net deficit of working capital of \$38,222,000 (30 June 2022: net working capital deficit of \$94,691,000). Liquidity is being managed by the following:

- At the reporting date, the Group had access to \$13,500,000 of undrawn loan facilities and has prepared cash flow forecasts which demonstrate that the Group will have sufficient cash generated from the business to enable the Group to meet its obligations as they fall due;
- The Group has paused the Fund's Quarterly liquidity facility, reducing redemptions and applications for new securities as of 30 June 2023 for a period of up to 180 days. Future redemption requests will be managed per the Product disclosure document which stipulates a maximum cap of 2.5% of the Directors' Net Asset Value at the relevant quarter end, however the Responsible Entity has further discretion to manage this;
- A portion of the accrued performance fees due to the fund manager will be re-invested into the Group by converting the liability to equity, and
- Pursuing the sale of assets to provide sufficient liquidity, if required.

On 30 June 2023, Redcape Hotel Group Management Ltd, as responsible entity of Redcape Hotel Group announced that it has elected to pause the quarterly liquidity facility and applications as of 30 June 2023 for a period of up to 180 days until 27 December 2023. The suspension was facilitated to ensure that capital reserves are being managed carefully to provide stability through the uncertainty created by the evolving economic conditions and lower asset liquidity.

**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 year.

**Matters subsequent to the end of the financial year**

In August 2023, the Group entered into contracts to sell two of its Queensland venues for a total consideration of \$28 million. The settlement of these transactions are expected to occur in the 2024 financial year. The accounting gain/loss on the sale of the venues will be included in the 2024 financial year.

Other than the above, no other matter or circumstance has arisen since 30 June 2023 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 be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**

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

**Redcape Hotel Group  
Directors' report  
30 June 2023**

**Information on Directors**

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

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

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

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

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

Name: David Groves  
Title: Independent Non-Executive Director  
Qualifications: Member of Chartered Accountants Australia & New Zealand; Bachelor of Commerce from the University of Wollongong and a Master of Commerce from the University of NSW.  
Experience and expertise: David was appointed to the Board on 27 September 2018. He has over 25 years' experience as a company director. David is a Chairman of Pengana Capital Group Limited (ASX: PCG) and H&G High Conviction Limited (ASX: HCF) and is a Non-Executive Director of Pengana International Equities Limited (ASX: PIA). He is a former director of EQT Holdings Limited, Tassal Group Limited and GrainCorp Limited and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. David is a member of the Council of Wollongong University.  
Special responsibilities: Chairman of the Audit, Risk & Compliance Committee

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**Directors' report**  
**30 June 2023**

Name: Christopher Unger (appointed on 16 December 2022)  
Title: Managing Director  
Experience and expertise: Chris is a highly regarded hospitality industry specialist. He has more than 20 years' experience across pubs, clubs and casinos, leading operations in both private and public ownership structures, including more than 10 years with the Redcape portfolio of hotels.

As the Managing Director, Chris is responsible for the overall strategy, leadership and operating performance of Redcape, including identifying opportunities to improve staff and customer experience to deliver sustainable growth across the portfolio.

Chris has a proven record of identifying and delivering value at both asset and portfolio levels. He promotes collaborative leadership and data-driven strategies complemented by the adoption of technology within venues to inform decision-making and to improve business performance.

Special responsibilities: None

Name: Andrew Martin (appointed on 16 December 2022)  
Title: Non-Executive Director  
Qualifications: Bachelor of Laws from University of Sydney  
Experience and expertise: Andrew Martin is a Managing Director of MA Financial Group and the Head of MA Financial Group Asset Management.

Andrew has over 30 years' experience in global investment as a principal investor and adviser across a range of sectors including real estate, infrastructure, private equity and energy.

Prior to joining MA Financial Group Andrew was a Managing Director at UBS Global Asset Management in Infrastructure and Private Equity.

Prior to that Andrew was a principal of an asset management firm which founded several real estate funds in the US, Australia and Asia.

Previously Andrew was an investment banker with Rothschild, and served in the NSW Government Premier's Department and the Cabinet Office where he advised on the privatisation and corporatisation of infrastructure and utilities.

Andrew has also held senior positions in Australian and international law firms.

Special responsibilities: None

**Company Secretary**

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

**Redcape Hotel Group**  
**Directors' report**  
**30 June 2023**

**Meetings of Directors**

The number of meetings of the Responsible Entity's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

|                       | Full Board |      | Audit, Risk & Compliance Committee |      |
|-----------------------|------------|------|------------------------------------|------|
|                       | Attended   | Held | Attended                           | Held |
| Mr Nicholas Collishaw | 10         | 11   | 4                                  | 5    |
| Mr Andrew Ireland     | 11         | 11   | 5                                  | 5    |
| Mr David Groves       | 11         | 11   | 5                                  | 5    |
| Mr Christopher Unger  | 5          | 5    | 3                                  | 3    |
| Mr Andrew Martin      | 5          | 5    | -                                  | -    |
| Mr Hugh Thomson       | 1          | 1    | -                                  | -    |
| Mr Daniel Brady       | 5          | 5    | 2                                  | 2    |

Held: represents the number of meetings held during the time the Director held office.

**Indemnity and insurance of officers**

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

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

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

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the trust**

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

**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.

**Redcape Hotel Group**  
**Directors' report**  
**30 June 2023**

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



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Nicholas Collishaw  
Chairman



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Christopher Unger  
Managing Director

23 August 2023  
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 2023 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

23 August 2023

**Redcape Hotel Group**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

|   | Note  | Consolidated<br>2023<br>\$'000 | 2022<br>\$'000  |
|---|-------|--------------------------------|-----------------|
| <b>Revenue</b>  | 4     | 373,465                        | 308,905         |
| Cost of sales   |       | (168,156)                      | (146,457)       |
| <b>Expenses</b>   |       |                                |                 |
| Operating costs   | 5     | (45,227)                       | (38,912)        |
| Employment costs  | 6     | (62,521)                       | (52,824)        |
| Management fees   | 7     | (22,738)                       | (63,690)        |
| Net finance costs   | 8     | (34,650)                       | (15,028)        |
| Depreciation expense on right-of-use assets                               | 17    | (2,590)                        | (2,806)         |
| Depreciation expense  | 13,15 | (18,420)                       | (17,697)        |
| Gain/(loss) on disposal of non-current assets                             | 12    | 15,313                         | (178)           |
| Loss on asset revaluation   | 14    | (3,459)                        | (13,585)        |
| <b>Profit/(loss) before income tax benefit</b>                            |       | 31,017                         | (42,272)        |
| Income tax benefit  | 9     | 1,322                          | 4,533           |
| <b>Profit/(loss) after income tax benefit for the year</b>                |       | 32,339                         | (37,739)        |
| <b>Other comprehensive income</b>   |       |                                |                 |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |       |                                |                 |
| (Loss)/gain on the revaluation of land                                    | 14    | (8,557)                        | 53,378          |
| <i>Items that may be reclassified subsequently to profit or loss</i>      |       |                                |                 |
| Net change in the fair value of cash flow hedges taken to equity          | 25    | 5,156                          | 5,596           |
| Other comprehensive income for the year, net of tax                       |       | (3,401)                        | 58,974          |
| <b>Total comprehensive income for the year</b>                            |       | <u>28,938</u>                  | <u>21,235</u>   |
| Profit/(loss) for the year is attributable to:                            |       |                                |                 |
| Stapled unitholders of Redcape Hotel Trust I (non-controlling interest)   |       | 30,451                         | (27,077)        |
| Stapled unitholders of Redcape Hotel Trust II                             |       | 1,888                          | (10,662)        |
|   |       | <u>32,339</u>                  | <u>(37,739)</u> |
| Total comprehensive income for the year is attributable to:               |       |                                |                 |
| Stapled unitholders of Redcape Hotel Trust I (non-controlling interest)   |       | 27,050                         | 31,897          |
| Stapled unitholders of Redcape Hotel Trust II                             |       | 1,888                          | (10,662)        |
|   |       | <u>28,938</u>                  | <u>21,235</u>   |

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

**Redcape Hotel Group**  
**Consolidated statement of financial position**  
**As at 30 June 2023**

|   | Note | Consolidated<br>2023<br>\$'000 | 2022<br>\$'000   |
|---|------|--------------------------------|------------------|
| <b>Assets</b>   |      |                                |                  |
| <b>Current assets</b>   |      |                                |                  |
| Cash and cash equivalents   | 10   | 15,889                         | 47,238           |
| Trade and other receivables   | 11   | 3,478                          | 2,885            |
| Inventories   |      | 5,906                          | 6,401            |
| Other current assets  |      | 4,081                          | 3,482            |
|   |      | <u>29,354</u>                  | <u>60,006</u>    |
| Assets classified as held for sale                                    | 12   | -                              | 22,800           |
| Total current assets  |      | <u>29,354</u>                  | <u>82,806</u>    |
| <b>Non-current assets</b>   |      |                                |                  |
| Investment property   | 13   | 2,990                          | 2,994            |
| Land  | 14   | 422,651                        | 434,667          |
| Property, plant and equipment   | 15   | 161,166                        | 152,619          |
| Intangible assets   | 16   | 606,176                        | 606,176          |
| Right-of-use assets   | 17   | 38,440                         | 41,931           |
| Derivative financial instruments                                      | 18   | 10,460                         | 5,304            |
| Deferred tax  | 9    | 13,517                         | 12,195           |
| Total non-current assets  |      | <u>1,255,400</u>               | <u>1,255,886</u> |
| <b>Total assets</b>   |      | <u>1,284,754</u>               | <u>1,338,692</u> |
| <b>Liabilities</b>  |      |                                |                  |
| <b>Current liabilities</b>  |      |                                |                  |
| Trade and other payables  | 19   | 51,102                         | 86,214           |
| Lease liabilities   | 20   | 1,465                          | 1,588            |
| Employee benefits   | 21   | 4,252                          | 4,043            |
| Distribution payable  | 22   | 10,757                         | 10,652           |
| Borrowings  | 23   | -                              | 75,000           |
| Total current liabilities   |      | <u>67,576</u>                  | <u>177,497</u>   |
| <b>Non-current liabilities</b>  |      |                                |                  |
| Trade and other payables  | 19   | 19,053                         | 26,076           |
| Lease liabilities   | 20   | 43,220                         | 45,322           |
| Employee benefits   | 21   | 441                            | 346              |
| Borrowings  | 23   | 684,421                        | 551,882          |
| Total non-current liabilities   |      | <u>747,135</u>                 | <u>623,626</u>   |
| <b>Total liabilities</b>  |      | <u>814,711</u>                 | <u>801,123</u>   |
| <b>Net assets</b>   |      | <u>470,043</u>                 | <u>537,569</u>   |
| <b>Equity</b>   |      |                                |                  |
| Contributed equity  | 24   | 171,371                        | 193,909          |
| Accumulated losses  |      | <u>(76,216)</u>                | <u>(78,104)</u>  |
| Equity attributable to the stapled unitholders of Redcape Hotel Group |      | 95,155                         | 115,805          |
| Non-controlling interest  | 25   | 374,888                        | 421,764          |
| <b>Total equity</b>   |      | <u>470,043</u>                 | <u>537,569</u>   |

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

**Redcape Hotel Group**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**

| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Non-controlling interest<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|----------------------------------|--------------------------------------|--|--------------------------------|
| Balance at 1 July 2021   | 235,897                          | (67,442)                             | 475,903                                    | 644,358                        |
| Loss after income tax benefit for the year   | -                                | (10,662)                             | (27,077)                                   | (37,739)                       |
| Other comprehensive income for the year, net of tax                                    | -                                | -                                    | 58,974                                     | 58,974                         |
| Total comprehensive income for the year  | -                                | (10,662)                             | 31,897                                     | 21,235                         |
| <i>Transactions with stapled unitholders in their capacity as stapled unitholders:</i> |                                  |                                      |  |                                |
| Units issued (note 24)   | 7,162                            | -                                    | 9,497                                      | 16,659                         |
| Rights issue (note 24)   | 13,072                           | -                                    | 17,457                                     | 30,529                         |
| Stapled units buy-back (note 24)   | (62,313)                         | -                                    | (83,216)                                   | (145,529)                      |
| Distributions paid (note 26)   | -                                | -                                    | (19,242)                                   | (19,242)                       |
| Distribution reinvestment plans (note 24)  | 91                               | -                                    | 120  | 211                            |
| Distributions payable (note 22)  | -                                | -                                    | (10,652)                                   | (10,652)                       |
| Balance at 30 June 2022  | <u>193,909</u>                   | <u>(78,104)</u>                      | <u>421,764</u>                             | <u>537,569</u>                 |
| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Non-controlling interest<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
| Balance at 1 July 2022   | 193,909                          | (78,104)                             | 421,764                                    | 537,569                        |
| Profit after income tax benefit for the year   | -                                | 1,888                                | 30,451                                     | 32,339                         |
| Other comprehensive income for the year, net of tax                                    | -                                | -                                    | (3,401)                                    | (3,401)                        |
| Total comprehensive income for the year  | -                                | 1,888                                | 27,050                                     | 28,938                         |
| <i>Transactions with stapled unitholders in their capacity as stapled unitholders:</i> |                                  |                                      |  |                                |
| Units issued (note 24)   | 7,703                            | -                                    | 10,212                                     | 17,915                         |
| Units redeemed (note 24)   | (30,559)                         | -                                    | (40,508)                                   | (71,067)                       |
| Distributions paid (note 26)   | -                                | -                                    | (33,294)                                   | (33,294)                       |
| Distribution reinvestment plans (note 24)  | 318                              | -                                    | 421  | 739                            |
| Distributions payable (note 22)  | -                                | -                                    | (10,757)                                   | (10,757)                       |
| Balance at 30 June 2023  | <u>171,371</u>                   | <u>(76,216)</u>                      | <u>374,888</u>                             | <u>470,043</u>                 |

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

**Redcape Hotel Group**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**

|  | Note | Consolidated<br>2023<br>\$'000 | 2022<br>\$'000 |
|--|------|--------------------------------|----------------|
| <b>Cash flows from operating activities</b>                      |      |                                |                |
| Receipts from customers (inclusive of GST)                       |      | 421,934                        | 340,051        |
| Payments to suppliers (inclusive of GST)                         |      | (389,500)                      | (280,622)      |
| Interest received  |      | 441                            | 2              |
| Interest and other finance costs paid                            |      | (32,345)                       | (12,916)       |
|  |      | <hr/>                          | <hr/>          |
| Net cash from operating activities                               | 37   | 530                            | 46,515         |
| <b>Cash flows from investing activities</b>                      |      |                                |                |
| Payments for property, plant and equipment                       | 15   | (26,985)                       | (21,518)       |
| Net proceeds from disposal of business                           | 12   | 38,134                         | -              |
| Payment of fees relating to disposal of business                 |      | -                              | (44)           |
|  |      | <hr/>                          | <hr/>          |
| Net cash from/(used in) investing activities                     |      | 11,149                         | (21,562)       |
| <b>Cash flows from financing activities</b>                      |      |                                |                |
| Proceeds from borrowings   | 37   | 103,000                        | 130,000        |
| Repayment of borrowings  | 37   | (46,500)                       | (22,000)       |
| Repayment of leases  | 37   | (3,169)                        | (1,708)        |
| Payments for buy-back of stapled units                           | 24   | -                              | (145,529)      |
| Proceeds from issue of stapled units                             | 24   | 17,915                         | 16,659         |
| Proceeds from rights issue                                       | 24   | -                              | 30,529         |
| Payments for redemption of stapled units                         | 24   | (71,067)                       | -              |
| Distributions paid   | 22   | (43,207)                       | (33,775)       |
|  |      | <hr/>                          | <hr/>          |
| Net cash used in financing activities                            |      | (43,028)                       | (25,824)       |
| Net decrease in cash and cash equivalents                        |      | (31,349)                       | (871)          |
| Cash and cash equivalents at the beginning of the financial year |      | 47,238                         | 48,109         |
|  |      | <hr/>                          | <hr/>          |
| Cash and cash equivalents at the end of the financial year       | 10   | <u>15,889</u>                  | <u>47,238</u>  |

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

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 1. General information**

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

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

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

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

Level 1, 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 23 August 2023. The Directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

Redcape has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

- AASB 2020-3 - *Property, Plant and Equipment Proceeds before intended use - Amendments to AASB 16*
- AASB 2020-3 – *Onerous contracts – cost of fulfilling a contract - Amendments to AASB 137*

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

**Going concern**

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

At 30 June 2023, the Group had current assets of \$29,354,000 and current liabilities of \$67,576,000 leaving a net deficit of working capital of \$38,222,000 (30 June 2022: net working capital deficit of \$94,691,000). Liquidity is being managed by the following:

- At the reporting date, the Group had access to \$13,500,000 of undrawn loan facilities and has prepared cash flow forecasts which demonstrate that the Group will have sufficient cash generated from the business to enable the Group to meet its obligations as they fall due;
- The Group has paused the Fund's Quarterly liquidity facility, reducing redemptions and applications for new securities as of 30 June 2023 for a period of up to 180 days. Future redemption requests will be managed per the Product Disclosure Statement which stipulates a maximum cap of 2.5% of the Directors' Net Asset Value at the relevant quarter end, however the Responsible Entity has further discretion to manage this;
- A portion of the accrued performance fees due to the fund manager will be re-invested into the Group by converting the liability to equity, and
- Pursuing the sale of assets to provide sufficient liquidity, if required.

**Note 2. Significant accounting policies (continued)**

Therefore, the Directors of the Responsible Entity believe that the Group has the ability to manage its liquidity to meet current liabilities and future obligations, and that it remains appropriate to prepare the financial statements on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

**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').

*Historical cost convention*

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

*Critical accounting estimates*

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

**Parent entity information**

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

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RHT II and RHT I as at 30 June 2023 and the results of all subsidiaries for the year then ended. RHT II and RHT I and its subsidiaries together are referred to in these financial statements as 'Redcape' or the 'Group'.

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

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

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

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

**Current and non-current classification**

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

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

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 2. Significant accounting policies (continued)**

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

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

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

**Comparatives**

Comparatives in the financial statement have been realigned to the current year's presentation. There was no effect on the results of operations for the comparative year.

**Rounding of amounts**

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

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

**New or revised requirement**

*AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

*AASB 2021-2 Amendments to Australian Accounting Standards– Disclosure of Accounting Policies and Definition of Accounting Estimates*

*AASB 2021-5 Amendments to Australian Accounting Standards–Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

*AASB 2022-6 Amendments – Non-current liabilities with after covenants*

**When effective**

Applicable to annual reporting periods beginning on or after 1 January 2024

Applicable to annual reporting periods beginning on or after 1 January 2023

Applicable to annual reporting periods beginning on or after 1 January 2023

Applicable to annual reporting periods beginning on or after 1 January 2024

**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. The paragraphs below are related to estimates only. 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:

*Goodwill and other indefinite life intangible assets*

Redcape tests annually, or more frequently if events or changes in circumstances indicate potential impairment of goodwill and/or other indefinite life intangible assets, in accordance with the accounting policy stated in note 16. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less costs of disposal and value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, growth rates of the estimated future cash flows and terminal growth rates. Note 16 includes further details of key assumptions used in recoverable amount models related to these assets.

*Recovery of deferred tax assets*

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

Refer to the following notes for critical judgements and estimates for other assets:

- Valuation of land - Note 14 and 28
- Fair value measurement - Note 28

**Note 4. Revenue**

|                              | <b>Consolidated</b> |                |
|------------------------------|---------------------|----------------|
|                              | <b>2023</b>         | <b>2022</b>    |
|                              | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Major revenue streams</i> |                     |                |
| Gaming revenue               | 228,994             | 172,452        |
| On-premise revenue *         | 80,195              | 66,113         |
| Off-premise revenue *        | 62,939              | 68,981         |
| Other services *             | 1,337               | 1,359          |
|                              | <u>373,465</u>      | <u>308,905</u> |
| Revenue                      |                     |                |

\* relates to AASB15 Revenue from contract with Customers

*Disaggregation of revenue*

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

*Accounting policy for revenue recognition*

Redcape recognises revenue as follows:

*Revenue*

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

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

*Gaming revenue*

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

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 4. Revenue (continued)**

*On-premise*

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

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

*Off-premise*

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

**Note 5. Operating costs**

|                                    | <b>Consolidated</b> |               |
|------------------------------------|---------------------|---------------|
|                                    | <b>2023</b>         | <b>2022</b>   |
|                                    | <b>\$'000</b>       | <b>\$'000</b> |
| Administrative expenses            | 6,318               | 5,648         |
| Advertising and marketing expenses | 7,367               | 6,274         |
| Other operating costs              | 5,990               | 5,369         |
| Cleaning costs                     | 3,247               | 2,544         |
| Security costs                     | 6,375               | 4,995         |
| Repairs and maintenance expenses   | 3,430               | 3,148         |
| Property outgoing expenses         | 12,333              | 10,772        |
| Short-term lease payments          | 167                 | 162           |
|                                    | 45,227              | 38,912        |
|                                    | 45,227              | 38,912        |

**Note 6. Employment costs**

|                  | <b>Consolidated</b> |               |
|------------------|---------------------|---------------|
|                  | <b>2023</b>         | <b>2022</b>   |
|                  | <b>\$'000</b>       | <b>\$'000</b> |
| Employment costs | 62,521              | 52,824        |
|                  | 62,521              | 52,824        |

Employment costs include defined contribution superannuation expense amounting to \$5.3 million (30 June 2022: \$4.5 million). In the prior year, the Group received \$3.2 million in government assistance through the JobSaver program. JobSaver is a temporary subsidy for NSW businesses impacted by COVID-19 to help maintain their NSW employee headcount.

*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. The amounts were shown on a net basis.

*Accounting policy for defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Refer to note 21 for accounting policies on other employee benefits.

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 7. Management fees**

|                      | <b>Consolidated</b> |               |
|----------------------|---------------------|---------------|
|                      | <b>2023</b>         | <b>2022</b>   |
|                      | <b>\$'000</b>       | <b>\$'000</b> |
| Hotel operating fee  | 12,146              | 9,051         |
| Asset management fee | 7,202               | 6,461         |
| Performance fee      | 3,390               | 48,178        |
|                      | <u>22,738</u>       | <u>63,690</u> |

Refer to note 33 'Related party transactions' for further information on outstanding management fees as at 30 June 2023 and 30 June 2022.

**Note 8. Net finance costs**

|                               | <b>Consolidated</b> |               |
|-------------------------------|---------------------|---------------|
|                               | <b>2023</b>         | <b>2022</b>   |
|                               | <b>\$'000</b>       | <b>\$'000</b> |
| Finance income                | (441)               | (2)           |
| Finance costs                 | 33,247              | 13,807        |
| Interest on lease liabilities | 1,844               | 1,223         |
|                               | <u>34,650</u>       | <u>15,028</u> |

*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.

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 9. Income tax**

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2023</b>         | <b>2022</b>    |
|   | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Income tax (benefit)/expense</i>   |                     |                |
| Deferred tax - origination and reversal of temporary differences                    | (1,322)             | (4,533)        |
| Aggregate income tax benefit  | <u>(1,322)</u>      | <u>(4,533)</u> |
| Deferred tax included in income tax benefit comprises:                              |                     |                |
| Increase in deferred tax assets   | (1,322)             | (4,533)        |
| <i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i> |                     |                |
| Profit/(loss) before income tax benefit   | 31,017              | (42,272)       |
| Tax at the statutory tax rate of 30%  | 9,305               | (12,682)       |
| Tax effected balances:  |                     |                |
| Trust (loss)/profit not subject to tax and transactions between group entities      | (8,614)             | 8,123          |
| Non-deductible expenses   | 36                  | 26             |
| Non-assessable income from disposal of business                                     | (2,050)             | -              |
| Prior year adjustment   | 1                   | -              |
| Income tax benefit  | <u>(1,322)</u>      | <u>(4,533)</u> |

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Deferred tax asset</i>   |                     |               |
| Deferred tax asset comprises temporary differences attributable to: |                     |               |
| Amounts recognised in profit or loss:                               |                     |               |
| Tax losses  | 7,842               | 6,256         |
| Depreciation expenses   | 1,512               | (339)         |
| Employee benefits   | 1,234               | 1,167         |
| Leases  | 1,874               | 1,494         |
| Accrued expenses  | 698                 | 2,740         |
| Transaction costs   | 357                 | 877           |
| Deferred tax asset  | <u>13,517</u>       | <u>12,195</u> |
| Movements:  |                     |               |
| Opening balance   | 12,195              | 7,662         |
| Credited to profit or loss  | 1,322               | 4,533         |
| Closing balance   | <u>13,517</u>       | <u>12,195</u> |

**Note 9. Income tax (continued)**

*Accounting policy for income tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary difference related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and its probable that they will not reverse in the foreseeable future; and
- Taxable temporary difference arising on the initial recognition of goodwill.

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.

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**Note 9. Income tax (continued)**

*RHT II*

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

**Note 10. Cash and cash equivalents**

|                           | <b>Consolidated</b> |               |
|---------------------------|---------------------|---------------|
|                           | <b>2023</b>         | <b>2022</b>   |
|                           | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current assets</i>     |                     |               |
| Cash and cash equivalents | 15,889              | 47,238        |

*Accounting policy for cash and cash equivalents*

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

**Note 11. Trade and other receivables**

|                       | <b>Consolidated</b> |               |
|-----------------------|---------------------|---------------|
|                       | <b>2023</b>         | <b>2022</b>   |
|                       | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current assets</i> |                     |               |
| Trade receivables     | 970                 | 351           |
| Other receivables     | 2,508               | 2,534         |
|                       | 3,478               | 2,885         |

*Allowance for expected credit losses*

There was no expense for expected credit losses for the year ended 30 June 2023 (30 June 2022: 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.

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**Note 12. Assets classified as held for sale**

|                       | <b>Consolidated</b> |               |
|-----------------------|---------------------|---------------|
|                       | <b>2023</b>         | <b>2022</b>   |
|                       | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current assets</i> |                     |               |
| Land                  | -                   | 9,236         |
| Buildings             | -                   | 1,599         |
| Property improvement  | -                   | 2,299         |
| Fixtures and fittings | -                   | 603           |
| Intangibles           | -                   | 9,063         |
|                       | <u>-</u>            | <u>22,800</u> |

On 6 May 2022, the Group entered into a contract to sell one of the hotels (Minskys Hotel) for a total consideration of \$39.0 million. As a result, the carrying value of tangible and intangible assets was transferred to assets held for sale as at 30 June 2022. The settlement of the transaction occurred on 8 August 2022. The accounting gain on the sale of Minskys Hotel amounting to \$15.3 million is included in the statement of profit or loss for the year ended 30 June 2023.

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

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

**Note 13. Investment property**

|                                | <b>Consolidated</b> |               |
|--------------------------------|---------------------|---------------|
|                                | <b>2023</b>         | <b>2022</b>   |
|                                | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Non-current assets</i>      |                     |               |
| Investment property - at cost  | 3,000               | 3,000         |
| Less: Accumulated depreciation | <u>(10)</u>         | <u>(6)</u>    |
|                                | <u>2,990</u>        | <u>2,994</u>  |

*Reconciliation*

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

|                       |              |              |
|-----------------------|--------------|--------------|
| Opening balance       | 2,994        | 2,999        |
| Depreciation expenses | <u>(4)</u>   | <u>(5)</u>   |
| Closing balance       | <u>2,990</u> | <u>2,994</u> |

*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.

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**Note 14. Land**

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2023</b>         | <b>2022</b>    |
|  | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Non-current assets</i>  |                     |                |
| Land - at valuation  | <u>422,651</u>      | <u>434,667</u> |
| <i>Reconciliation</i>  |                     |                |
| Reconciliation of the fair values of the opening and closing of the balances of the current and previous financial year are set out below: |                     |                |
| Opening fair value   | 434,667             | 404,110        |
| Classified as held for sale (note 12)  | -                   | (9,236)        |
| Revaluation (decrements)/increments*   | <u>(12,016)</u>     | <u>39,793</u>  |
| Closing fair value   | <u>422,651</u>      | <u>434,667</u> |

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

- \* 30 June 2023 total decrement of \$12.0 million (30 June 2022: increment of \$39.8 million) includes loss of \$8.5 million (30 June 2022: gain of \$53.4 million) recognised in the asset revaluation reserve and loss of \$3.5 million (30 June 2022: \$13.6 million) recognised in the statement of profit or loss.

*Accounting policy for land*

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

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

**Note 15. Property, plant and equipment**

|   | <b>Consolidated</b> |                 |
|---|---------------------|-----------------|
|   | <b>2023</b>         | <b>2022</b>     |
|   | <b>\$'000</b>       | <b>\$'000</b>   |
| <i>Non-current assets</i>                   |                     |                 |
| Buildings - at cost                         | 62,464              | 62,464          |
| Less: Accumulated depreciation              | <u>(8,015)</u>      | <u>(6,431)</u>  |
|   | 54,449              | 56,033          |
| Property improvements - at cost             | 77,024              | 64,090          |
| Less: Accumulated depreciation              | <u>(15,819)</u>     | <u>(11,610)</u> |
|   | 61,205              | 52,480          |
| Furniture, fittings and equipment - at cost | 81,870              | 69,503          |
| Less: Accumulated depreciation              | <u>(48,122)</u>     | <u>(35,762)</u> |
|   | 33,748              | 33,741          |
| Work-in-progress - at cost                  | <u>11,764</u>       | <u>10,365</u>   |
|   | <u>161,166</u>      | <u>152,619</u>  |

**Redcape Hotel Group**  
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**Note 15. Property, plant and equipment (continued)**

*Reconciliations*

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

| <b>Consolidated</b>                   | <b>Building<br/>\$'000</b> | <b>Property<br/>improve-<br/>ments<br/>\$'000</b> | <b>Furniture,<br/>fittings and<br/>equipment<br/>\$'000</b> | <b>Work-in-<br/>progress<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---------------------------------------|----------------------------|---|---|---|-------------------------|
| Balance at 1 July 2021                | 59,238                     | 50,824  | 36,518  | 6,848                                   | 153,428                 |
| Classified as held for sale (note 12) | (1,599)                    | (2,299)   | (603)   | -                                       | (4,501)                 |
| Disposals                             | -                          | -   | (54)  | (80)                                    | (134)                   |
| Additions                             | -                          | -   | -   | 21,518                                  | 21,518                  |
| Transfers in/(out)                    | -                          | 8,014   | 9,907   | (17,921)                                | -                       |
| Depreciation expense                  | (1,606)                    | (4,059)   | (12,027)  | -                                       | (17,692)                |
| Balance at 30 June 2022               | 56,033                     | 52,480  | 33,741  | 10,365                                  | 152,619                 |
| Additions                             | -                          | -   | -   | 26,985                                  | 26,985                  |
| Disposals                             | -                          | -   | (22)  | -                                       | (22)                    |
| Transfers in/(out)                    | -                          | 12,934  | 12,652  | (25,586)                                | -                       |
| Depreciation expense                  | (1,584)                    | (4,209)   | (12,623)  | -                                       | (18,416)                |
| Balance at 30 June 2023               | <u>54,449</u>              | <u>61,205</u>                                     | <u>33,748</u>   | <u>11,764</u>                           | <u>161,166</u>          |

There has been no impairment recognised in relation to property, plant and equipment ('PPE') at 30 June 2023 (30 June 2022: nil).

*Accounting policy for property, plant and equipment*

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

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.

The estimated useful lives are as follows:

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

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

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

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**Note 16. Intangible assets**

|                                      | <b>Consolidated</b> |                |
|--------------------------------------|---------------------|----------------|
|                                      | <b>2023</b>         | <b>2022</b>    |
|                                      | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Non-current assets</i>            |                     |                |
| Goodwill - at cost                   | 333,035             | 333,035        |
| Gaming and liquor licences - at cost | 273,141             | 273,141        |
|                                      | <u>606,176</u>      | <u>606,176</u> |

*Reconciliations*

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

| <b>Consolidated</b>                   | <b>Goodwill</b> | <b>Gaming and liquor licences</b> | <b>Total</b>   |
|---------------------------------------|-----------------|-----------------------------------|----------------|
|                                       | <b>\$'000</b>   | <b>\$'000</b>                     | <b>\$'000</b>  |
| Balance at 1 July 2021                | 336,948         | 278,291                           | 615,239        |
| Classified as held for sale (note 12) | (3,913)         | (5,150)                           | (9,063)        |
| Balance at 30 June 2022               | 333,035         | 273,141                           | 606,176        |
| Balance at 30 June 2023               | <u>333,035</u>  | <u>273,141</u>                    | <u>606,176</u> |

*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. The CGUs are determined to be individual venues. These calculations reflect an estimated cash flow projection based on a five-year forecast and require the use of assumptions, including estimated discount rates, growth rates of estimated future cash flows, and terminal growth rates.

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

Estimated future cash flows in Year 1 are based on the Board approved FY24 budget. The cash flows are projected from Years 2 to 5 based on an annualised growth rate of 3.0% (30 June 2022: 3.0%). The growth rate has been determined with reference to historical performance of the Group.

The discount rates used in the VIU calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the Group. The discount rates have been determined using the weighted average cost of capital and the current market risk-free rate, adjusted for relevant business risks. The discount rate applied in the current year VIU model is 8.11% (30 June 2022: 8.20%).

A terminal growth rate of 2.96% (30 June 2022: 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 historical performance. Management has modelled the impact of a six-month business shutdown once every hundred years in the derived outcome of terminal growth rate.

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

**Note 16. Intangible assets (continued)**

*Sensitivity*

Management believes that based on current economic conditions and Group performance, a 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 VIU 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.

|   | <b>Pre-tax<br/>discount rate</b><br>% | <b>Terminal<br/>value</b><br>% |
|---|---------------------------------------|--------------------------------|
| Assumptions used in value in use calculation                  | 8.11%                                 | 2.96%                          |
| Rate required for recoverable amount to equal carrying value* | 8.67%                                 | 2.38%                          |

\* Each rate is determined in isolation.

The above table excludes 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 2023 (30 June 2022: nil).

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

*Gaming and liquor licences*

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

Gaming and liquor licences of \$273.1 million are allocated across the Group's 35 hotels and no individual hotel has a significant amount of gaming and liquor licence relative to the Group's carrying amount of gaming and liquor licences.

*Other non-financial assets*

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

*Impairment assessment*

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

Redcape assesses the recoverable amount of each CGU based on its fair value less costs to dispose ('FVLCD'). 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. At 30 June 2023, FVLCD methodology was adopted for 35 hotels.

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

**Note 16. Intangible assets (continued)**

*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 2022: 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. 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 and liquor licences*

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

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

**Note 17. Right-of-use assets**

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Non-current assets</i>                |                     |               |
| Land and buildings - right-of-use assets | 48,247              | 49,147        |
| Less: Accumulated depreciation           | (9,807)             | (7,216)       |
|  | <u>38,440</u>       | <u>41,931</u> |

Redcape leases land and buildings under agreements of between 5 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.

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

*Reconciliations*

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

| <b>Consolidated</b>     | <b>Land and buildings<br/>\$'000</b> |
|-------------------------|--------------------------------------|
| Balance at 1 July 2021  | 44,610                               |
| Additions               | 127                                  |
| Depreciation expense    | <u>(2,806)</u>                       |
| Balance at 30 June 2022 | 41,931                               |
| Other changes           | (901)                                |
| Depreciation expense    | <u>(2,590)</u>                       |
| Balance at 30 June 2023 | <u><u>38,440</u></u>                 |

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>2023</b>         | <b>2022</b>         |
|  | <b>\$'000</b>       | <b>\$'000</b>       |
| <i>Amounts recognised in profit and loss</i> |                     |                     |
| Depreciation expense on right-of-use assets  | 2,590               | 2,806               |
| Interest expense on lease liabilities        | 1,844               | 1,223               |
| Expense relating to short-term leases        | <u>167</u>          | <u>162</u>          |
|  | <u><u>4,601</u></u> | <u><u>4,191</u></u> |

There has been no impairment recognised in relation to right-of-use assets at 30 June 2023 (30 June 2022: nil). Refer to note 16.

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

- note 8 for details of interest on lease liabilities;
- note 20 and note 37 for details of lease liabilities at the beginning and end of the reporting period;
- note 27 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

*Accounting policy for right-of-use assets*

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

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

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

**Note 18. Derivative financial instruments**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Non-current assets</i>                       |                     |               |
| Interest rate swap contracts - cash flow hedges | 10,460              | 5,304         |

Refer to note 27 for further information on financial instruments.

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

*Accounting policy for derivative financial instruments*

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

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

*Accounting policy for cash flow hedges*

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

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

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

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**Note 19. Trade and other payables**

|                                | <b>Consolidated</b> |               |
|--------------------------------|---------------------|---------------|
|                                | <b>2023</b>         | <b>2022</b>   |
|                                | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current liabilities</i>     |                     |               |
| Trade payables                 | 3,828               | 3,395         |
| Accrued interest               | 1,373               | 1,510         |
| Other payables *               | 25,798              | 39,646        |
| State Government taxes         | 20,103              | 41,663        |
|                                | 51,102              | 86,214        |
| <i>Non-current liabilities</i> |                     |               |
| Other payables and accruals *  | 19,053              | 26,076        |
|                                | 70,155              | 112,290       |

Refer to note 27 for further information on financial instruments.

The Group received payment deferrals of State and other taxes amounting to \$22.0 million at the end of financial year 2022 which has been repaid in financial year 2023.

\* Other payables (current) includes a component of performance fee payable. Management fees are capped and the portion which is not due and payable within the next 12 months is classified as non-current. The current performance fee payable is \$12.5m and non-current performance fee liability is \$19.1m.

*Accounting policy for trade and other payables*

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

**Note 20. Lease liabilities**

|                                | <b>Consolidated</b> |               |
|--------------------------------|---------------------|---------------|
|                                | <b>2023</b>         | <b>2022</b>   |
|                                | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current liabilities</i>     |                     |               |
| Lease liabilities              | 1,465               | 1,588         |
| <i>Non-current liabilities</i> |                     |               |
| Lease liabilities              | 43,220              | 45,322        |
|                                | 44,685              | 46,910        |

Refer to note 27 for the maturity analysis.

*Accounting policy for lease liabilities*

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

**Note 20. Lease liabilities (continued)**

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

**Note 21. Employee benefits**

|                                | <b>Consolidated</b> |               |
|--------------------------------|---------------------|---------------|
|                                | <b>2023</b>         | <b>2022</b>   |
|                                | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current liabilities</i>     |                     |               |
| Annual leave                   | 3,540               | 3,305         |
| Long service leave             | 712                 | 738           |
|                                | <u>4,252</u>        | <u>4,043</u>  |
| <i>Non-current liabilities</i> |                     |               |
| Long service leave             | 441                 | 346           |
|                                | <u>4,693</u>        | <u>4,389</u>  |

*Accounting policy for employee benefits*

*Short-term employee benefits*

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

*Other long-term employee benefits*

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

**Note 22. Distribution payable**

|                            | <b>Consolidated</b> |               |
|----------------------------|---------------------|---------------|
|                            | <b>2023</b>         | <b>2022</b>   |
|                            | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current liabilities</i> |                     |               |
| Distributions              | 10,757              | 10,652        |

*Distributions*

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

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**Note 22. Distribution payable (continued)**

*Movements in provisions*

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

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| Carrying amount at the start of the year    | 10,652              | 14,744        |
| Distribution declared during the year       | 44,051              | 29,894        |
| Payments relating to prior period           | (10,445)            | (14,744)      |
| Payments relating to current period         | (32,762)            | (19,031)      |
| Dividends under reinvestment plan (note 24) | (739)               | (211)         |
|   | <u>10,757</u>       | <u>10,652</u> |

*Accounting policy for provisions*

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

**Note 23. Borrowings**

|                                      | <b>Consolidated</b> |                |
|--------------------------------------|---------------------|----------------|
|                                      | <b>2023</b>         | <b>2022</b>    |
|                                      | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Current liabilities</i>           |                     |                |
| Bank loans                           | -                   | 75,000         |
| <i>Non-current liabilities</i>       |                     |                |
| Bank loans                           | 686,500             | 555,000        |
| Capitalised loan establishment costs | (2,079)             | (3,118)        |
|                                      | <u>684,421</u>      | <u>551,882</u> |
|                                      | <u>684,421</u>      | <u>626,882</u> |

Refer to note 27 for further information on financial instruments.

*Total secured liabilities*

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

|            | <b>Consolidated</b> |                |
|------------|---------------------|----------------|
|            | <b>2023</b>         | <b>2022</b>    |
|            | <b>\$'000</b>       | <b>\$'000</b>  |
| Bank loans | <u>686,500</u>      | <u>630,000</u> |

*Common Terms Deed*

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

- On 22 August 2022, Redcape refinanced \$75.0 million of Bridge loan and secured a Revolving B loan with 5 years tenor.
- On 22 December 2022, Redcape terminated the NAB Tranche B facility of \$62.5 million and increased its Tranche B facility with ANZ by the same amount.

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**Note 23. Borrowings (continued)**

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

| Description of the facility         | Amount<br>(\$ million) | Expiry        |
|-------------------------------------|------------------------|---------------|
| Tranche B                           | 250.0                  | December 2024 |
| Tranche A1 and Revolver A1 Facility | 250.0                  | December 2025 |
| Tranche C                           | 100.0                  | December 2025 |
| Tranche D                           | 25.0                   | December 2025 |
| Revolver B Facility                 | 75.0                   | August 2027   |
|                                     | 700.0                  |               |

The Group has access to a \$4.0 million ancillary facility. At 30 June 2023, \$3.0 million has been utilised on bank guarantees to a supplier and landlords (30 June 2022: \$3.0 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*

There have been no breaches of bank covenants for the year ended 30 June 2023 and 30 June 2022.

*Financing arrangements*

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

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2023<br>\$'000 | 2022<br>\$'000 |
| Total facilities             |                |                |
| Bank loans                   | 700,000        | 700,000        |
| Used at the reporting date   |                |                |
| Bank loans                   | 686,500        | 630,000        |
| Unused at the reporting date |                |                |
| Bank loans                   | 13,500         | 70,000         |

*Accounting policy for borrowings*

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

**Note 24. Contributed equity**

|                    | Consolidated  |               |         |         |
|--------------------|---------------|---------------|---------|---------|
|                    | 2023          | 2022          | 2023    | 2022    |
|                    | Stapled units | Stapled units | \$'000  | \$'000  |
| Contributed equity | 430,273,709   | 463,129,705   | 171,371 | 193,909 |

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**Note 24. Contributed equity (continued)**

| Details   | 2023                | 2022                | 2023           | 2022           |
|---|---------------------|---------------------|----------------|----------------|
|   | No of units<br>'000 | No of units<br>'000 | \$'000         | \$'000         |
| <b>RHT II</b>                                     |                     |                     |                |                |
| Balance at beginning of the year                  | 463,130             | 552,195             | 193,909        | 235,897        |
| Units issued                                      | 10,442              | 10,792              | 7,703          | 7,162          |
| Units redeemed                                    | (43,741)            | -                   | (30,559)       | -              |
| Rights issued                                     | -                   | 26,546              | -              | 13,072         |
| Units buy-back                                    | -                   | (126,546)           | -              | (62,313)       |
| Units issued under distribution reinvestment plan | 443                 | 143                 | 318            | 91             |
| Balance at end of the year                        | <u>430,274</u>      | <u>463,130</u>      | <u>171,371</u> | <u>193,909</u> |
| <b>RHT I (non-controlling interest)</b>           |                     |                     |                |                |
| Balance at beginning of the year                  | 463,130             | 552,195             | 262,794        | 318,936        |
| Units issued                                      | 10,442              | 10,792              | 10,212         | 9,497          |
| Units redeemed                                    | (43,741)            | -                   | (40,508)       | -              |
| Rights issue                                      | -                   | 26,546              | -              | 17,457         |
| Units buy-back                                    | -                   | (126,546)           | -              | (83,216)       |
| Units issued under distribution reinvestment plan | 443                 | 143                 | 421            | 120            |
| Balance at end of the year                        | <u>430,274</u>      | <u>463,130</u>      | <u>232,919</u> | <u>262,794</u> |

The Directors of the Responsible Entity have elected to pause the Group's quarterly liquidity facility as of 30 June 2023 for a period of up to 180 days until 27 December 2023 ('suspension period').

*Stapled units*

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

*Redeemable stapled units*

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

**Note 24. Contributed equity (continued)**

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

**Redeemable units (Restated)**

The Group classified financial instruments issued as financial liabilities or equity instrument in accordance with the substance of the contractual terms of the instrument.

The Group classified all its units as redeemable units.

A puttable financial instrument that includes a contractual obligation for the Group to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- It entitles the holder to a pro rata share of the Group's net assets in the event of the Group's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Group to repurchase or redeem the instrument for cash, the instrument does not include any other features that would require classification as a liability and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Group over the life of the instrument.

The Group's redeemable units meet these conditions and are classified as equity. The Group has restated the presentation of the redeemable units which were previously presented as ordinary units.

*Capital risk management*

At 30 June 2023, the Group has 430,273,709 redeemable units (2022: 463,129,705) classified as equity.

The Group's objective in managing the redeemable units are to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity arising from redemptions.

On 30 June 2023, Redcape Hotel Group Management Ltd, as responsible entity of Redcape Hotel Group announced that it has elected to pause the quarterly liquidity facility and applications as of 30 June 2023 for a period of up to 180 days until 27 December 2023. The pause was to ensure that capital reserves are being managed carefully to provide stability through the uncertainty created by the evolving economic conditions and lower asset liquidity. The applications received at that time were rolled over for consideration when the pause is lifted. Future redemptions are at the discretion of the responsible entity and are expected to be capped at 2.5% of the Directors' Net Asset Value at the relevant quarter end.

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

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

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

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

*Accounting policy for issued capital*

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

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**Note 25. Non-controlling interest**

|                    | <b>Consolidated</b> |                |
|--------------------|---------------------|----------------|
|                    | <b>2023</b>         | <b>2022</b>    |
|                    | <b>\$'000</b>       | <b>\$'000</b>  |
| Contributed equity | 232,919             | 262,794        |
| Reserves           | 244,269             | 247,670        |
| Accumulated losses | (102,300)           | (88,700)       |
|                    | <u>374,888</u>      | <u>421,764</u> |

|  | <b>Contributed<br/>equity<br/>\$'000</b> | <b>Hedging<br/>reserve<br/>\$'000</b> | <b>Revaluation<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|--|---------------------------------------|---|--|-------------------------|
| <b>RHT I</b>                                       |  |                                       |   |  |                         |
| Balance at 1 July 2021                             | 318,936                                  | (292)                                 | 188,988                                   | (31,729)                                 | 475,903                 |
| Profit for the year                                | -  | -                                     | -   | (27,077)                                 | (27,077)                |
| Total comprehensive income                         | -  | 5,596                                 | 53,378                                    | -  | 58,974                  |
| Units issued                                       | 9,497                                    | -                                     | -   | -  | 9,497                   |
| Units issued under distribution reinvestment plan  | 120                                      | -                                     | -   | -  | 120                     |
| Rights issue                                       | 17,457                                   | -                                     | -   | -  | 17,457                  |
| Stapled units buy-back                             | (83,216)                                 | -                                     | -   | -  | (83,216)                |
| Provisions for distribution to stapled unitholders | -  | -                                     | -   | (10,652)                                 | (10,652)                |
| Distributions paid to stapled unitholders          | -  | -                                     | -   | (19,242)                                 | (19,242)                |
| Balance at 30 June 2022                            | <u>262,794</u>                           | <u>5,304</u>                          | <u>242,366</u>                            | <u>(88,700)</u>                          | <u>421,764</u>          |
| Profit for the year                                | -  | -                                     | -   | 30,451                                   | 30,451                  |
| Total comprehensive income                         | -  | 5,156                                 | (8,557)                                   | -  | (3,401)                 |
| Units issued                                       | 10,212                                   | -                                     | -   | -  | 10,212                  |
| Units issued under distribution reinvestment plan  | 421                                      | -                                     | -   | -  | 421                     |
| Units redeemed                                     | (40,508)                                 | -                                     | -   | -  | (40,508)                |
| Provisions for distribution to stapled unitholders | -  | -                                     | -   | (10,757)                                 | (10,757)                |
| Distributions paid to stapled unitholders          | -  | -                                     | -   | (33,294)                                 | (33,294)                |
| Balance at 30 June 2023                            | <u>232,919</u>                           | <u>10,460</u>                         | <u>233,809</u>                            | <u>(102,300)</u>                         | <u>374,888</u>          |

Units in RHT I and RHT II were stapled to one another on 2 July 2018. RHT II is identified as the parent of the Group and acquirer of RHT I. The issued units of RHT I are not owned by RHT II and are presented as non-controlling interests in the Group even though units in RHT I are held directly by the unitholders of the trust.

The equity in the net assets of RHT I and the profit/(loss) arising from those net assets have been separately identified in the statement of comprehensive income and financial position. RHT I's contributed equity and retained earnings/accumulated losses are shown as a non-controlling interest in the consolidated financial statements in accordance with accounting standards.

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**Note 26. Distributions**

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

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| 30 September 2022 of 2.50 cents (30 September 2021: nil) per stapled unit      | 11,348              | -             |
| 31 December 2022 of 2.50 cents (31 December 2021: 1.95 cents) per stapled unit | 11,073              | 8,818         |
| 31 March 2023 of 2.50 cents (31 March 2022: 2.30 cents) per stapled unit       | 10,873              | 10,424        |
| 30 June 2023 of 2.50 cents (30 June 2022: 2.30 cents) per stapled unit         | 10,757              | 10,652        |
|  | <b>44,051</b>       | <b>29,894</b> |
|  | <b>44,051</b>       | <b>29,894</b> |

*Accounting policy for distributions*

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

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

**Note 27. Financial instruments**

***Financial risk management objectives***

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

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

***Market risk***

*Foreign currency risk*

Redcape is not exposed to any foreign currency risk.

*Price risk*

Redcape is not exposed to any significant price risk.

*Interest rate risk*

Redcape's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose Redcape to interest rate risk. Borrowings obtained at fixed rates expose Redcape to fair value interest rate risk. Redcape has a capital management policy which requires at least 30% of the borrowing facilities to be hedged using interest rate derivatives which may include one or a combination of interest rate swaps, caps, floors and collars. Redcape's current borrowing facilities are hedged to 58%.

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**Note 27. Financial instruments (continued)**

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

| <b>Consolidated</b>                             | <b>2023</b>                             |                       | <b>2022</b>                             |                       |
|---|---|-----------------------|---|-----------------------|
|   | <b>Weighted average interest rate %</b> | <b>Balance \$'000</b> | <b>Weighted average interest rate %</b> | <b>Balance \$'000</b> |
| Bank loans                                      | 3.87%                                   | 686,500               | 1.14%                                   | 630,000               |
| Interest rate swaps (notional principal amount) |   | <u>(411,200)</u>      |   | <u>(188,700)</u>      |
| Net exposure to interest rate risk              |   | <u>275,300</u>        |   | <u>441,300</u>        |

The bank loans outstanding, totalling \$686.5 million (30 June 2022: \$630.0 million), are interest payment loans. Monthly cash outlays of approximately \$2.0 million (30 June 2022: \$0.6 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 \$2.8million (30 June 2022: \$4.4 million) per annum.

**Derivatives interest rate swap**

The Group has entered into interest rate swap contracts with notional/principal value as at 30 June 2023 of \$411.2 million (2022: \$188.7 million). The interest rate swap contract hedges the Group's risk against an increase in variable interest rate. The remaining weighted average contract tenure of the contracts is 2.12 years as at 30 June 2023. The fixed rates range from 1.50 - 3.52% per annum (2022: 1.50% - 3.30%).

**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.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

|            | <b>Consolidated</b> |                    |
|------------|---------------------|--------------------|
|            | <b>2023 \$'000</b>  | <b>2022 \$'000</b> |
| Bank loans | <u>13,500</u>       | <u>70,000</u>      |

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**Note 27. Financial instruments (continued)**

*Remaining contractual maturities*

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

| <b>Consolidated - 2023</b>           | <b>Weighted average interest rate %</b> | <b>1 year or less \$'000</b> | <b>Between 1 and 2 years \$'000</b> | <b>Between 2 and 5 years \$'000</b> | <b>Over 5 years \$'000</b> | <b>Remaining contractual maturities \$'000</b> |
|--------------------------------------|---|------------------------------|-------------------------------------|-------------------------------------|----------------------------|--|
| <b>Non-derivatives</b>               |   |                              |                                     |                                     |                            |  |
| <i>Non-interest bearing</i>          |   |                              |                                     |                                     |                            |  |
| Trade payables                       | -                                       | 3,828                        | -                                   | -                                   | -                          | 3,828  |
| Other payables                       | -                                       | 25,798                       | 19,053                              | -                                   | -                          | 44,851   |
| State Government taxes               | -                                       | 20,103                       | -                                   | -                                   | -                          | 20,103   |
| <i>Interest-bearing - variable</i>   |   |                              |                                     |                                     |                            |  |
| Bank loans                           | 5.51%                                   | 40,739                       | 273,587                             | 434,566                             | -                          | 748,892  |
| <i>Interest-bearing - fixed rate</i> |   |                              |                                     |                                     |                            |  |
| Lease liability                      | 4.19%                                   | 3,266                        | 3,326                               | 10,306                              | 46,271                     | 63,169   |
| Total non-derivatives                |   | 93,734                       | 295,966                             | 444,872                             | 46,271                     | 880,843  |

| <b>Consolidated - 2022</b>           | <b>Weighted average interest rate %</b> | <b>1 year or less \$'000</b> | <b>Between 1 and 2 years \$'000</b> | <b>Between 2 and 5 years \$'000</b> | <b>Over 5 years \$'000</b> | <b>Remaining contractual maturities \$'000</b> |
|--------------------------------------|---|------------------------------|-------------------------------------|-------------------------------------|----------------------------|--|
| <b>Non-derivatives</b>               |   |                              |                                     |                                     |                            |  |
| <i>Non-interest bearing</i>          |   |                              |                                     |                                     |                            |  |
| Trade payables                       | -                                       | 3,395                        | -                                   | -                                   | -                          | 3,395  |
| Other payables                       | -                                       | 39,646                       | 26,076                              | -                                   | -                          | 65,722   |
| State Government taxes               | -                                       | 41,663                       | -                                   | -                                   | -                          | 41,663   |
| <i>Interest-bearing - variable</i>   |   |                              |                                     |                                     |                            |  |
| Bank loans                           | 3.05%                                   | 94,733                       | 17,224                              | 595,368                             | -                          | 707,325  |
| <i>Interest-bearing - fixed rate</i> |   |                              |                                     |                                     |                            |  |
| Lease liability                      | 2.79%                                   | 3,019                        | 3,059                               | 9,570                               | 48,391                     | 64,039   |
| Total non-derivatives                |   | 182,456                      | 46,359                              | 604,938                             | 48,391                     | 882,144  |

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

***Fair value of financial instruments***

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

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 28. Fair value measurement**

*Fair value hierarchy*

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

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

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

Level 3: Unobservable inputs for the asset or liability

|                            | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|----------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Consolidated - 2023</b> |                   |                   |                   |                 |
| <i>Assets</i>              |                   |                   |                   |                 |
| Land                       | -                 | -                 | 422,651           | 422,651         |
| Interest rate swaps        | -                 | 10,460            | -                 | 10,460          |
| Total assets               | -                 | 10,460            | 422,651           | 433,111         |
| <b>Consolidated - 2022</b> |                   |                   |                   |                 |
| <i>Assets</i>              |                   |                   |                   |                 |
| Land                       | -                 | -                 | 434,667           | 434,667         |
| Interest rate swaps        | -                 | 5,304             | -                 | 5,304           |
| Total assets               | -                 | 5,304             | 434,667           | 439,971         |

There were no transfers between levels during the financial year.

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

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

*Land (level 3)*

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

*Valuation process*

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

Directors' valuations were undertaken for all Freehold Going Concern properties at 30 June 2023. In assessing fair value of these properties, the Directors' valuations adopted the same adjustment process as used by external independent valuers. This included changes in assumptions that have been applied to specific properties based on consideration of market indicators. The Group obtained independent valuations for 21 venues from the portfolio during the year with the last one finalised in June 2023.

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

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 28. Fair value measurement (continued)**

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

| Unobservable inputs                           | Range                               | Inter-relationship between key unobservable inputs and fair value measurement |
|---|-------------------------------------|---|
|   |                                     | The estimated fair value would increase (decrease) if:                        |
| Freehold Going Concern - Capitalisation rates | 5.85% - 12.20%                      | Capitalisation rates were lower (higher)                                      |
| Freehold Going Concern - Adopted earnings     | \$0.4 million - \$6.6 million       | Adopted earnings were higher (lower)  |
| Licences                                      | Diverse*                            | Licences are lower (higher)   |
| Buildings - replacement costs                 | \$2,829 - \$13,085 per square metre | Building replacement costs are lower (higher)                                 |
| Buildings - Economic life remaining           | 23.33% - 89.33%                     | Economic life remaining is lower (higher)                                     |

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

*Derivative financial instruments (level 2)*

Derivative financial instruments have been valued using observable market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

*Level 3 assets and liabilities*

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

| Consolidated                                   | Land<br>\$'000        |
|--|-----------------------|
| Balance at 1 July 2021                         | 404,110               |
| Losses recognised in profit or loss            | (13,585)              |
| Gains recognised in other comprehensive income | 53,378                |
| Transfer to asset held for sale                | <u>(9,236)</u>        |
| Balance at 30 June 2022                        | 434,667               |
| Loss recognised in profit or loss              | (3,459)               |
| Loss recognised in other comprehensive income  | <u>(8,557)</u>        |
| Balance at 30 June 2023                        | <u><u>422,651</u></u> |

*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.

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 28. Fair value measurement (continued)**

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

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

**Note 29. Key management personnel disclosures**

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

**Note 30. Remuneration of auditors**

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

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2023</b>         | <b>2022</b>    |
|   | <b>\$</b>           | <b>\$</b>      |
| <i>Audit services - KPMG</i>                |                     |                |
| Audit or review of the financial statements | 431,000             | 413,000        |
| <i>Other services - KPMG</i>                |                     |                |
| Tax and advisory related services           | -                   | 283,722        |
| Other services                              | -                   | 34,000         |
|   | -                   | 317,722        |
|   | <u>431,000</u>      | <u>730,722</u> |

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

**Note 31. Contingent liabilities**

Redcape has provided bank guarantees to a supplier and landlords as at 30 June 2023 of \$3.0 million (30 June 2022: \$3.0 million).

**Note 32. Commitments**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Capital commitments</i>  |                     |               |
| Committed at the reporting date but not recognised as liabilities, payable: |                     |               |
| Property, plant and equipment   | 829                 | 12,194        |

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 33. Related party transactions**

*Parent entity*

Redcape Hotel Trust II is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 36.

*Transactions with related parties*

**Transactions with the Responsible Entity**

|   | Transaction<br>values for<br>the year<br>ended 30<br>June 2023<br>\$ | Balance<br>outstanding<br>as at 30 June<br>2023<br>\$ | Transaction<br>values for<br>the year<br>ended 30<br>June 2022<br>\$ | Balance<br>outstanding<br>as at 30 June<br>2022<br>\$ |
|---|--|---|--|---|
| <b>Redcape Hotel Group Management Ltd (i)</b> |  |   |  |   |
| Asset management fee                          | 7,201,712  | 605,459   | 6,460,639  | 565,988   |
| Debt arrangement fee (ii)                     | -  | -   | 500,000  | -   |
| Disposal fee (iii)                            | 390,000  | -   | -  | -   |
| Performance fee (iv)                          | 3,389,924  | 31,547,240  | 48,178,083   | 48,178,083  |
|   | <u>10,981,636</u>  | <u>32,152,699</u>                                     | <u>55,138,722</u>  | <u>48,744,071</u>                                     |

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

(ii) Debt arrangement fee equates to 0.5% of the debt refinanced amount (30 June 2022: 0.5% of \$100.0 million).

(iii) Disposal fee equates to 1.0% of sales proceeds from the disposal of Minskys Hotel.

(iv) Performance fee has been accrued based on Directors Valuations as at 30 June 2023 and is expected to crystallise and become payable as Independent Valuations are performed. The accrued fee has been split proportionately to the Net Asset Value ('NAV') as at 31 December 2022 of Redcape Hotel Trust I (71.69%) and Redcape Hotel Trust II (28.31%).

**Other related party transactions**

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

| Related Entity              | Transaction             | Transaction<br>values for<br>the year<br>ended 30<br>June 2023<br>\$ | Balance<br>outstanding<br>as at 30 June<br>2023<br>\$ | Transaction<br>values for<br>the year<br>ended 30<br>June 2022<br>\$ | Balance<br>outstanding<br>as at 30 June<br>2022<br>\$ |
|-----------------------------|-------------------------|--|---|--|---|
| MA Hotel Management Pty Ltd | Hotel operating fee     | 12,146,062   | 884,901   | 9,050,631  | 1,992,209   |
| MA Hotel Management Pty Ltd | Project development fee | 936,489  | 54,163  | 505,113  | 60,352  |
|                             |                         | <u>13,082,551</u>  | <u>939,064</u>  | <u>9,555,744</u>   | <u>2,052,561</u>                                      |

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 34. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

|                            | Parent         |                |
|----------------------------|----------------|----------------|
|                            | 2023<br>\$'000 | 2022<br>\$'000 |
| Loss after income tax      | (4,023)        | (10,772)       |
| Total comprehensive income | (4,023)        | (10,772)       |

*Statement of financial position*

|                           | Parent         |                |
|---------------------------|----------------|----------------|
|                           | 2023<br>\$'000 | 2022<br>\$'000 |
| Total current assets      | 129,136        | 132,789        |
| Total assets              | 145,827        | 176,720        |
| Total current liabilities | 9,143          | 13,475         |
| Total liabilities         | 9,143          | 13,475         |
| Equity                    |                |                |
| Contributed equity        | 171,371        | 193,909        |
| Accumulated losses        | (34,687)       | (30,664)       |
| Total equity              | <u>136,684</u> | <u>163,245</u> |

*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 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had the same capital commitments for property, plant and equipment as the subsidiaries as at 30 June 2023 and 30 June 2022.

*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.
- Distributions received from subsidiaries are recognised as other income by the parent entity.

**Note 35. Business combinations and disposals**

Redcape disposed of the business and net assets of 1 hotel during the financial year ended 30 June 2023, resulting in a gain on disposal of \$15.3 million. At the date of disposal, the carrying amount of land amounted to \$9.2 million, property, plant and equipment \$2.9 million and intangibles \$9.0 million.

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 36. 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:

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2023</b>         | <b>2022</b> |
|  | <b>%</b>            | <b>%</b>    |
| <b>Subsidiaries of RHT II</b> (All entities below are incorporated in Australia) |                     |             |
| Redcape Hotel Fund Pty Ltd   | 100%                | 100%        |
| MAHF Custodian Pty Ltd   | 100%                | 100%        |
| MAHPT TT Pty Ltd   | 100%                | 100%        |
| Redcape Group Limited  | 100%                | 100%        |
| Redcape Hotel Group Pty Ltd  | 100%                | 100%        |
| RHG Operations Pty Ltd   | 100%                | 100%        |
| Redcape Services Pty Ltd   | 100%                | 100%        |
| RGM TT Pty Ltd   | 100%                | 100%        |

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 36. Interests in subsidiaries (continued)**

|   | <b>Consolidated</b> |             |
|---|---------------------|-------------|
|   | <b>2023</b>         | <b>2022</b> |
|   | %                   | %           |
| <b>Subsidiaries of RHT I</b> (All entities below are incorporated in Australia) |                     |             |
| Redcape Hotel Property Trust  | 100%                | 100%        |
| St George Hotel Trust   | 100%                | 100%        |
| Doonside Hotel Trust  | 100%                | 100%        |
| El Cortez Hotel Trust   | 100%                | 100%        |
| Keighery Hotel Trust  | 100%                | 100%        |
| Lakeview Hotel Motel Trust  | 100%                | 100%        |
| Prospect Hotel Trust  | 100%                | 100%        |
| Royal Hotel Trust   | 100%                | 100%        |
| St Marys Hotel Trust  | 100%                | 100%        |
| Belrose Hotel Trust   | 100%                | 100%        |
| Red Lantern Hotel Trust   | 100%                | 100%        |
| Campbelltown Hotel Trust  | 100%                | 100%        |
| Eastwood Hotel Trust  | 100%                | 100%        |
| Leumeah Hotel Trust   | 100%                | 100%        |
| Mount Annan Hotel Trust   | 100%                | 100%        |
| Revesby Pacific Hotel Trust   | 100%                | 100%        |
| Willoughby Hotel Trust  | 100%                | 100%        |
| Eastern Creek Tavern Hotel Trust  | 100%                | 100%        |
| Landmark Hotel Trust  | 100%                | 100%        |
| Crown Revesby Hotel Trust   | 100%                | 100%        |
| Minskys Hotel Trust   | 100%                | 100%        |
| Shamrock Hotel Trust  | 100%                | 100%        |
| Hermit Park Hotel Trust   | 100%                | 100%        |
| Wattle Hotel Trust  | 100%                | 100%        |
| Carrington Hotel Trust  | 100%                | 100%        |
| Andergrove Tavern Hotel Trust   | 100%                | 100%        |
| Cabramatta Hotel Trust  | 100%                | 100%        |
| Crescent Hotel Trust  | 100%                | 100%        |
| Wattle Grove Hotel Trust  | 100%                | 100%        |
| Sun Hotel Trust   | 100%                | 100%        |
| Vauxhall Hotel Trust  | 100%                | 100%        |
| Australian Hotel & Brewery Trust  | 100%                | 100%        |
| Central Hotel Trust   | 100%                | 100%        |
| Unanderra Hotel Trust   | 100%                | 100%        |
| Figtree Hotel Trust   | 100%                | 100%        |
| Kings Head Hotel Trust  | 100%                | 100%        |
| Gladstone Hotel Trust   | 100%                | 100%        |
| O'Donoghues Hotel Trust   | 100%                | 100%        |
| Aspley Hotel Trust  | 100%                | 100%        |
| Shafston Hotel Trust  | 100%                | 100%        |

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 37. Cash flow information**

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

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| Profit/(loss) after income tax benefit for the year | 32,339              | (37,739)      |
| Adjustments for:                                    |                     |               |
| Depreciation and amortisation                       | 21,010              | 20,503        |
| Loss on asset revaluation                           | 3,459               | 13,585        |
| Net loss on disposal of non-current assets          | 21                  | 178           |
| Gain on disposal of business                        | (15,334)            | -             |
| Lease interest                                      | 1,844               | -             |
| Change in operating assets and liabilities:         |                     |               |
| (Increase)/decrease in trade and other receivables  | (596)               | 255           |
| Decrease/(increase) in inventories                  | 496                 | (96)          |
| Increase in deferred tax assets                     | (1,323)             | (4,533)       |
| Increase in prepayments                             | (598)               | (975)         |
| Decrease in capitalised loan establishment costs    | 1,039               | 1,043         |
| (Decrease)/increase in trade and other payables     | (42,131)            | 53,598        |
| Increase in employee benefits                       | 304                 | 696           |
| Net cash from operating activities                  | <u>530</u>          | <u>46,515</u> |

*Non-cash investing and financing activities*

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| Additions to the right-of-use assets                      | -                   | 127           |
| Stapled units issued under distribution reinvestment plan | 739                 | 211           |
|   | <u>739</u>          | <u>338</u>    |

*Changes in liabilities arising from financing activities*

| <b>Consolidated</b>                          | <b>Bank loans</b> | <b>Lease liabilities</b> | <b>Total</b>   |
|--|-------------------|--------------------------|----------------|
|  | <b>\$'000</b>     | <b>\$'000</b>            | <b>\$'000</b>  |
| Balance at 1 July 2021                       | 522,000           | 48,491                   | 570,491        |
| Net cash (used in)/from financing activities | 108,000           | (1,708)                  | 106,292        |
| Acquisition of leases                        | -                 | 127                      | 127            |
| Balance at 30 June 2022                      | 630,000           | 46,910                   | 676,910        |
| Net cash (used in)/from financing activities | 56,500            | (3,169)                  | 53,331         |
| Other changes                                | -                 | 944                      | 944            |
| Balance at 30 June 2023                      | <u>686,500</u>    | <u>44,685</u>            | <u>731,185</u> |

**Redcape Hotel Group**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 38. Events after the reporting period**

In August 2023, the Group entered into contracts to sell two of its Queensland venues for a total consideration of \$28 million. The settlement of these transactions are expected to occur in the 2024 financial year. The accounting gain/loss on the sale of the venues will be included in the 2024 financial year.

Other than the above, no other matters or circumstances which has arisen since 30 June 2023 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 2023**

The Directors of Redcape Hotel Group Management Ltd, as the Responsible entity declare that:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



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Nicholas Collishaw  
Chairman



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Christopher Unger  
Managing Director

23 August 2023  
Sydney



# Independent Auditor's Report

To the stapled security holders of Redcape Hotel Group

## Opinion

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

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

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2023 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 2023
- 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 the 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 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other Information

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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



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

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

*KPMG*

KPMG

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

Paul Thomas

*Partner*

Sydney

23 August 2023

# **Redcape Hotel Trust I**

**ARSN 629 354 614**

**Annual Report - 30 June 2023**

**Redcape Hotel Trust I**  
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**30 June 2023**

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**Redcape Hotel Trust I**  
**Directors' report**  
**30 June 2023**

The Directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Redcape Hotel Trust I (referred to hereafter as the 'Trust' or 'parent entity' or 'RHT I') and the entities it controlled at the end of, or during, the year ended 30 June 2023. The manager of Redcape Hotel Group ('Redcape') is MA Hotel Management Pty Ltd ('Trust Manager' or 'Management'), a wholly owned subsidiary of MA Financial Group Limited ('MA Financial'). Redcape is a stapled Fund consisting of Redcape Hotel Trust I and Redcape Hotel Trust II and the entities they controlled.

**Directors**

The following persons are Directors of the Responsible Entity of the Trust during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Nicholas Collishaw  
Mr Andrew Ireland  
Mr David Groves  
Mr Christopher Unger - appointed on 16 December 2022  
Mr Andrew Martin - appointed on 16 December 2022  
Mr Hugh Thomson - resigned on 29 August 2022  
Mr Daniel Brady - resigned on 15 December 2022

**Principal activities**

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

**Distributions**

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

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| 30 September 2022 of 2.50 cents (30 September 2021: nil) per unit      | 11,348              | -             |
| 31 December 2022 of 2.50 cents (31 December 2021: 1.95 cents) per unit | 11,073              | 8,818         |
| 31 March 2023 of 2.50 cents (31 March 2022: 2.30 cents) per unit       | 10,873              | 10,424        |
| 30 June 2023 of 2.50 cents (30 June 2022: 2.30 cents) per unit         | 10,757              | 10,652        |
|  | <u>44,051</u>       | <u>29,894</u> |

**Review of operations**

The profit for the consolidated entity amounted to \$33.9m (30 June 2022: loss of \$14.0m).

During the previous financial year ended 30 June 2022, the consolidated entity's lessees were impacted by government mandated shutdowns and trading restrictions. The consolidated entity provided temporary rental relief to its lessees and interest waivers for its related party loan arrangements, which impacted total revenues and operating results for the previous financial year.

During the current financial year, the consolidated entity also provided partial rental relief for selected venues.

*Disposal of hotels*

As detailed in note 10, the consolidated entity completed the settlement of the sale of Minskys Hotel on 8 August 2022 for a total consideration of \$31.8 million.

*Bank loan facility*

On 22 August 2022, the consolidated entity refinanced \$75.0 million of Bridge loan and secured a Revolving B loan with 5 years tenor.

On 22 December 2022, the consolidated entity terminated the NAB Tranche B facility of \$62.5 million and increased its Tranche B facility with ANZ by the same amount.

**Redcape Hotel Trust I**  
**Directors' report**  
**30 June 2023**

On 30 June 2023, Redcape Hotel Group Management Ltd, as responsible entity of Redcape Hotel Group announced that it has elected to pause the quarterly liquidity facility and applications as of 30 June 2023 for a period of up to 180 days until 27 December 2023. The suspension was facilitated to ensure that capital reserves are being managed carefully to provide stability through the uncertainty created by the evolving economic conditions and lower asset liquidity.

**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 consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

In August 2023, the Group entered into contracts to sell two of its Queensland venues for a total consideration of \$19.3 million. The settlement of these transactions are expected to occur in the 2024 financial year. The accounting gain/loss on the sale of the venues will be included in the 2024 financial year.

Other than the above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

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

**Environmental regulation**

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

**Indemnity and insurance of officers**

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

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

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

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the Trust**

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

**Rounding of amounts**

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

**Redcape Hotel Trust I**  
**Directors' report**  
**30 June 2023**

**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



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Nicholas Collishaw  
Chairman



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Christopher Unger  
Managing Director

23 August 2023  
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 2023 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

23 August 2023

**Redcape Hotel Trust I**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

|   | Note | Consolidated<br>2023<br>\$'000 | 2022<br>\$'000        |
|---|------|--------------------------------|-----------------------|
| <b>Investment income</b>  | 4    | 47,983                         | 37,746                |
| Finance income  |      | 20,494                         | 6,573                 |
| <b>Total revenue and other income</b>   |      | <u>68,477</u>                  | <u>44,319</u>         |
| <b>Expenses</b>   |      |                                |                       |
| Operating expenses  | 5    | (6,079)                        | (6,391)               |
| Management fee  | 6    | (3,927)                        | (36,541)              |
| Finance costs   |      | (33,211)                       | (13,760)              |
| Depreciation expense  | 12   | (1,588)                        | (1,611)               |
| Gain/(loss) on disposal of assets   | 10   | 10,179                         | (35)                  |
| <b>Total expenses</b>   |      | <u>(34,626)</u>                | <u>(58,338)</u>       |
| <b>Profit/(loss) for the year attributable to the unitholders of Redcape Hotel Trust I</b>              |      | <b>33,851</b>                  | <b>(14,019)</b>       |
| <b>Other comprehensive income</b>   |      |                                |                       |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                    |      |                                |                       |
| Net change in the fair value of cash flow hedges taken to equity  | 17   | <u>5,156</u>                   | <u>5,596</u>          |
| Other comprehensive income for the year   |      | <u>5,156</u>                   | <u>5,596</u>          |
| <b>Total comprehensive income for the year attributable to the unitholders of Redcape Hotel Trust I</b> |      | <u><u>39,007</u></u>           | <u><u>(8,423)</u></u> |

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

**Redcape Hotel Trust I**  
**Consolidated statement of financial position**  
**As at 30 June 2023**

|                                      | Note | Consolidated<br>2023<br>\$'000 | 2022<br>\$'000        |
|--------------------------------------|------|--------------------------------|-----------------------|
| <b>Assets</b>                        |      |                                |                       |
| <b>Current assets</b>                |      |                                |                       |
| Cash and cash equivalents            | 7    | 1,558                          | 28,668                |
| Trade and other receivables          | 8    | 4,913                          | 14                    |
| Other current assets                 | 9    | 1,935                          | 1,789                 |
|                                      |      | <u>8,406</u>                   | <u>30,471</u>         |
| Assets classified as held for sale   | 10   | -                              | 20,983                |
| <b>Total current assets</b>          |      | <b><u>8,406</u></b>            | <b><u>51,454</u></b>  |
| <b>Non-current assets</b>            |      |                                |                       |
| Trade and other receivables          | 8    | 268,147                        | 218,444               |
| Derivative financial instruments     | 11   | 10,460                         | 5,304                 |
| Investment properties                | 12   | 587,350                        | 588,938               |
| <b>Total non-current assets</b>      |      | <b><u>865,957</u></b>          | <b><u>812,686</u></b> |
| <b>Total assets</b>                  |      | <b><u>874,363</u></b>          | <b><u>864,140</u></b> |
| <b>Liabilities</b>                   |      |                                |                       |
| <b>Current liabilities</b>           |      |                                |                       |
| Trade and other payables             | 13   | 12,531                         | 19,967                |
| Distribution payable                 | 14   | 10,757                         | 10,652                |
| Borrowings                           | 15   | -                              | 75,000                |
| <b>Total current liabilities</b>     |      | <b><u>23,288</u></b>           | <b><u>105,619</u></b> |
| <b>Non-current liabilities</b>       |      |                                |                       |
| Trade and other payables             | 13   | 13,837                         | 18,903                |
| Borrowings                           | 15   | 684,421                        | 551,882               |
| <b>Total non-current liabilities</b> |      | <b><u>698,258</u></b>          | <b><u>570,785</u></b> |
| <b>Total liabilities</b>             |      | <b><u>721,546</u></b>          | <b><u>676,404</u></b> |
| <b>Net assets</b>                    |      | <b><u>152,817</u></b>          | <b><u>187,736</u></b> |
| <b>Equity</b>                        |      |                                |                       |
| Issued capital                       | 16   | 232,919                        | 262,794               |
| Cash flow hedge reserve              | 17   | 10,460                         | 5,304                 |
| Accumulated losses                   |      | <u>(90,562)</u>                | <u>(80,362)</u>       |
| <b>Total equity</b>                  |      | <b><u>152,817</u></b>          | <b><u>187,736</u></b> |

*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 2023**

| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Cash flow<br/>hedge<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|----------------------------------|---|--|--------------------------------|
| Balance at 1 July 2021   | 318,936                          | (292)   | (36,449)                                 | 282,195                        |
| Loss for the year  | -                                | -   | (14,019)                                 | (14,019)                       |
| Other comprehensive income for the year                                | -                                | 5,596   | -  | 5,596                          |
| Total comprehensive income for the year                                | -                                | 5,596   | (14,019)                                 | (8,423)                        |
| <i>Transactions with unitholders in their capacity as unitholders:</i> |                                  |   |  |                                |
| Units issued (note 16)   | 9,497                            | -   | -  | 9,497                          |
| Rights issue (note 16)   | 17,457                           | -   | -  | 17,457                         |
| Units buy-back (note 16)   | (83,216)                         | -   | -  | (83,216)                       |
| Distribution reinvestment plans (note 16)                              | 120                              | -   | -  | 120                            |
| Distributions paid (note 18)   | -                                | -   | (29,894)                                 | (29,894)                       |
| <b>Balance at 30 June 2022</b>   | <b>262,794</b>                   | <b>5,304</b>                                      | <b>(80,362)</b>                          | <b>187,736</b>                 |

| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Cash flow<br/>hedge<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|----------------------------------|---|--|--------------------------------|
| Balance at 1 July 2022   | 262,794                          | 5,304   | (80,362)                                 | 187,736                        |
| Profit for the year  | -                                | -   | 33,851                                   | 33,851                         |
| Other comprehensive income for the year                                | -                                | 5,156   | -  | 5,156                          |
| Total comprehensive income for the year                                | -                                | 5,156   | 33,851                                   | 39,007                         |
| <i>Transactions with unitholders in their capacity as unitholders:</i> |                                  |   |  |                                |
| Units issued (note 16)   | 10,212                           | -   | -  | 10,212                         |
| Units redeemed (note 16)   | (40,508)                         | -   | -  | (40,508)                       |
| Distribution reinvestment plans (note 16)                              | 421                              | -   | -  | 421                            |
| Distributions paid (note 18)   | -                                | -   | (44,051)                                 | (44,051)                       |
| <b>Balance at 30 June 2023</b>   | <b>232,919</b>                   | <b>10,460</b>                                     | <b>(90,562)</b>                          | <b>152,817</b>                 |

*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 2023**

|  | Note | Consolidated   |                |
|--|------|----------------|----------------|
|  |      | 2023<br>\$'000 | 2022<br>\$'000 |
| <b>Cash flows from operating activities</b>                      |      |                |                |
| Receipts from customers (inclusive of GST)                       |      | 48,187         | 42,264         |
| Payments to suppliers (inclusive of GST)                         |      | (27,563)       | (20,074)       |
| Interest received  |      | 20,494         | 6,573          |
| Interest and other finance costs paid                            |      | (32,308)       | (11,646)       |
| Net cash from operating activities                               | 28   | 8,810          | 17,117         |
| <b>Cash flows from investing activities</b>                      |      |                |                |
| Payment of fees relating to disposal of investment properties    |      | -              | (35)           |
| Net proceeds from disposal of investment properties              | 10   | 31,162         | -              |
| Net cash from/(used in) investing activities                     |      | 31,162         | (35)           |
| <b>Cash flows from financing activities</b>                      |      |                |                |
| Proceeds from bank loans   | 28   | 103,000        | 130,000        |
| Repayment of bank loans  | 28   | (46,500)       | (22,000)       |
| Loans to related and other parties                               |      | (118,873)      | (87,455)       |
| Loans from related and other parties                             |      | 68,794         | 45,052         |
| Payments for buy-back of units                                   | 16   | -              | (83,216)       |
| Proceeds from issue of units                                     | 16   | 10,212         | 9,497          |
| Proceeds from rights issue                                       | 16   | -              | 17,457         |
| Payments for redemption of stapled units                         | 16   | (40,508)       | -              |
| Distributions paid   | 14   | (43,207)       | (33,775)       |
| Net cash used in financing activities                            |      | (67,082)       | (24,440)       |
| Net decrease in cash and cash equivalents                        |      | (27,110)       | (7,358)        |
| Cash and cash equivalents at the beginning of the financial year |      | 28,668         | 36,026         |
| Cash and cash equivalents at the end of the financial year       | 7    | 1,558          | 28,668         |

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

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 1. General information**

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

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

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

Level 1, 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 23 August 2023. The Directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

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

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

- *AASB 2020-3 - Property, Plant and Equipment Proceeds before intended use - Amendments to AASB 16*
- *AASB 2020-3 – Onerous contracts – cost of fulfilling a contract - Amendments to AASB 137*

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

**Going concern**

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

As at 30 June 2023, the consolidated entity had current assets of \$8,406,000 and current liabilities of \$23,288,000 leaving a net deficit of working capital of \$14,882,000 (30 June 2022: net working capital deficit of \$54,165,000). Liquidity is being managed by the following:

- At the reporting date, the Group had access to \$13,500,000 of undrawn loan facilities and has prepared cash flow forecasts which demonstrate that the Group will have sufficient cash generated from the business to enable the Group to meet its obligations as they fall due;
- Redcape Hotel Group has paused the Fund's Quarterly liquidity facility, reducing redemptions and applications for new securities as of 30 June 2023 for a period of up to 180 days. Future redemption requests will be managed per the Product Disclosure Statement which stipulates a maximum cap of 2.5% of the Directors' Net Asset Value at the relevant quarter end, however the Responsible Entity has further discretion to manage this;
- A portion of the accrued performance fees due to the fund manager will be re-invested into the stapled Group by converting the liability to equity, and
- Pursuing the sale of assets to provide sufficient liquidity, if required.

**Note 2. Significant accounting policies (continued)**

Therefore, the Directors of the Responsible Entity believe that the Group has the ability to manage its liquidity to meet current liabilities and future obligations, and that it remains appropriate to prepare the financial statements on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

**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').

*Historical cost convention*

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

*Critical accounting estimates*

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

**Parent entity information**

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26 '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 2023 and the results of all subsidiaries for the year then ended. Redcape Hotel Trust I and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

**Current and non-current classification**

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

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

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 2. Significant accounting policies (continued)**

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

**Taxation**

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

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

**Comparative figures**

Comparatives in the financial statement have been realigned to the current year's presentation. There was no effect on the results of operations for the comparative year.

**Rounding of amounts**

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

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

| <b>New or revised requirement</b>   | <b>When effective</b>   |
|---|---|
| AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>                  | Applicable to annual reporting periods beginning on or after 1 January 2024 |
| AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i> | Applicable to annual reporting periods beginning on or after 1 January 2023 |
| AASB 2021-5 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>   | Applicable to annual reporting periods beginning on or after 1 January 2023 |
| AASB 2022-6 <i>Amendments – Non-current liabilities with covenants</i>  | Applicable to annual reporting periods beginning on or after 1 January 2024 |

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 3. Critical accounting judgements, estimates and assumptions**

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

Investment properties and impairment – note 12

**Note 4. Investment income**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| Rental income from investment properties* | 43,053              | 32,515        |
| Revenue from outgoings recovered          | 4,930               | 5,231         |
|   | <hr/>               | <hr/>         |
| Investment income                         | <u>47,983</u>       | <u>37,746</u> |

\* Rental income includes both internal rental income and external rental income. Refer to note 25 related party transactions for further information on internal rental income. During the current financial year, the consolidated entity also provided partial rental relief for selected venues

*Disaggregation of revenue*

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

*Accounting policy for revenue recognition*

The consolidated entity recognises revenue as follows:

*Rent*

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

*Interest*

Interest income is recognised using the effective interest method.

**Note 5. Operating expenses**

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Investment property outgoings and expenses | 5,225               | 5,572         |
| Other expenses                             | 854                 | 819           |
|  | <hr/>               | <hr/>         |
|  | <u>6,079</u>        | <u>6,391</u>  |

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
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**Note 6. Management fee**

|                      | <b>Consolidated</b> |               |
|----------------------|---------------------|---------------|
|                      | <b>2023</b>         | <b>2022</b>   |
|                      | <b>\$'000</b>       | <b>\$'000</b> |
| Asset management fee | 1,800               | 1,615         |
| Performance fee      | 2,127               | 34,926        |
|                      | <u>3,927</u>        | <u>36,541</u> |

Refer to note 25 related party transactions for further information on outstanding management fees as at 30 June 2023 and 30 June 2022.

**Note 7. Cash and cash equivalents**

|                       | <b>Consolidated</b> |               |
|-----------------------|---------------------|---------------|
|                       | <b>2023</b>         | <b>2022</b>   |
|                       | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current assets</i> |                     |               |
| Cash at bank          | <u>1,558</u>        | <u>28,668</u> |

*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. Trade and other receivables**

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2023</b>         | <b>2022</b>    |
|  | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Current assets</i>                      |                     |                |
| Trade receivables                          | 4,893               | -              |
| Other receivables                          | 20                  | 14             |
|  | <u>4,913</u>        | <u>14</u>      |
| <i>Non-current assets</i>                  |                     |                |
| Interest-bearing related party receivable* | 267,226             | 217,464        |
| Straight-line lease asset                  | 921                 | 980            |
|  | <u>268,147</u>      | <u>218,444</u> |
|  | <u>273,060</u>      | <u>218,458</u> |

\* 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 25 related party transactions for more details.

*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.

The consolidated entity 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.

**Redcape Hotel Trust I**  
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**Note 8. Trade and other receivables (continued)**

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

**Note 9. Other current assets**

|                       | <b>Consolidated</b> |               |
|-----------------------|---------------------|---------------|
|                       | <b>2023</b>         | <b>2022</b>   |
|                       | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current assets</i> |                     |               |
| Prepayments           | <u>1,935</u>        | <u>1,789</u>  |

**Note 10. Assets classified as held for sale**

|                       | <b>Consolidated</b> |               |
|-----------------------|---------------------|---------------|
|                       | <b>2023</b>         | <b>2022</b>   |
|                       | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current assets</i> |                     |               |
| Investment properties | <u>-</u>            | <u>20,983</u> |

On 6 May 2022, the consolidated entity had entered into a contract to sell one of the hotels (Minskys Hotel) for a total consideration of \$31.8 million (before selling expenses of \$0.6 million). As a result, the carrying value of investment property had been transferred to assets held for sale as at 30 June 2022. The settlement of the transaction occurred on 8 August 2022. The accounting gain on the sale of Minskys Hotel amounting to \$10.2 million is included in the statement of profit or loss for the year ended 30 June 2023.

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

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

**Note 11. Derivative financial instruments**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Non-current assets</i>                       |                     |               |
| Interest rate swap contracts - cash flow hedges | <u>10,460</u>       | <u>5,304</u>  |

Refer to note 19 for further information on financial instruments.

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

*Accounting policy for derivative financial instruments*

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

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

**Redcape Hotel Trust I**  
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**Note 11. Derivative financial instruments (continued)**

*Accounting policy for cash flow hedges*

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

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

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

**Note 12. Investment properties**

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2023</b>         | <b>2022</b>    |
|   | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Non-current assets</i>   |                     |                |
| Investment property - at cost   | 595,375             | 595,375        |
| Less: Accumulated depreciation  | (8,025)             | (6,437)        |
|   | <u>587,350</u>      | <u>588,938</u> |
| <i>Reconciliation</i>   |                     |                |
| Reconciliations of opening and closing balances of the current and previous financial year are set out below: |                     |                |
| Opening balance   | 588,938             | 611,532        |
| Classified as held for sale (note 10)   | -                   | (20,983)       |
| Depreciation expense  | (1,588)             | (1,611)        |
| Closing balance   | <u>587,350</u>      | <u>588,938</u> |

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

*Accounting policy for investment properties*

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation. Investment properties are recognised at cost (including transaction costs) less accumulated depreciation and accumulated impairment losses. Fair value of these investment properties as at 30 June 2023 is \$968.8 million (30 June 2022: \$935.9 million).

**Redcape Hotel Trust I**  
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**Note 12. Investment properties (continued)**

*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 2022: 0% to 3.75%).

The discount rates used in the VIU calculation are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the consolidated entity. The discount rates have been determined using the weighted average cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rates applied in the current year VIU model range from 7.86% to 9.59% (30 June 2022: 7.81% to 9.41%).

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 2022: 0% to 3.75%).

*(ii) FVLCD methodology*

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

*Sensitivity*

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

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

*Investment property lessor commitments*

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2023</b>         | <b>2022</b>    |
|  | <b>\$'000</b>       | <b>\$'000</b>  |
| Minimum lease commitments receivable but not recognised in the financial statements: |                     |                |
| Within one year  | 50,719              | 49,360         |
| One to five years  | 209,088             | 203,344        |
| More than five years   | 529,553             | 576,537        |
|  | <u>789,360</u>      | <u>829,241</u> |

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**Note 13. Trade and other payables**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2023</b>         | <b>2022</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current liabilities</i>              |                     |               |
| Trade payables                          | 344                 | 156           |
| Accrued interest                        | 1,374               | 1,510         |
| Other payables*                         | 9,395               | 17,128        |
| Outgoings recovered received in advance | 1,418               | 1,173         |
|   | 12,531              | 19,967        |
| <i>Non-current liabilities</i>          |                     |               |
| Other payables and accruals*            | 13,837              | 18,903        |
|   | 26,368              | 38,870        |

Refer to note 19 for further information on financial instruments.

\* Other payables (current) includes a component of performance fee payable. Management fees are subject to a cap and any amounts which are not due and payable within the next 12 months are classified as non-current. The current performance fee payable is \$8.7m and non-current performance fee liability is \$12.5m.

*Accounting policy for trade and other payables*

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

**Note 14. Distribution payable**

|                            | <b>Consolidated</b> |               |
|----------------------------|---------------------|---------------|
|                            | <b>2023</b>         | <b>2022</b>   |
|                            | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Current liabilities</i> |                     |               |
| Distributions              | 10,757              | 10,652        |

*Distributions*

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

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

| <b>Consolidated – 2023</b>                      | <b>Distributions</b> |
|---|----------------------|
|   | <b>\$'000</b>        |
| Carrying amount at the start of the year        | 10,652               |
| Distribution declared during the current period | 44,051               |
| Payments relating to prior period               | (10,445)             |
| Payments relating to current period             | (32,762)             |
| Distributions under reinvestment plan           | (739)                |
| Carrying amount at the end of the year          | 10,757               |

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
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**Note 14. Distribution payable (continued)**

*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 15. Borrowings**

|                                      | <b>Consolidated</b> |                |
|--------------------------------------|---------------------|----------------|
|                                      | <b>2023</b>         | <b>2022</b>    |
|                                      | <b>\$'000</b>       | <b>\$'000</b>  |
| <i>Current liabilities</i>           |                     |                |
| Bank loans                           | -                   | 75,000         |
| <i>Non-current liabilities</i>       |                     |                |
| Bank loans                           | 686,500             | 555,000        |
| Capitalised loan establishment costs | (2,079)             | (3,118)        |
|                                      | <u>684,421</u>      | <u>551,882</u> |
|                                      | <u>684,421</u>      | <u>626,882</u> |

Refer to note 19 for further information on financial instruments.

*Total secured liabilities*

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

|            | <b>Consolidated</b> |                |
|------------|---------------------|----------------|
|            | <b>2023</b>         | <b>2022</b>    |
|            | <b>\$'000</b>       | <b>\$'000</b>  |
| Bank loans | <u>686,500</u>      | <u>630,000</u> |

*Common Terms Deed*

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

- On 22 August 2022, the consolidated entity secured a \$75.0 million Revolving B debt facility with a 5-year tenor.
- On 22 December 2022, the consolidated entity terminated the NAB Tranche B facility of \$62.5 million and increased its Tranche B facility with ANZ by the same amount.

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

| <b>Description of the facility</b>  | <b>Amount</b><br><b>(\$ million)</b> | <b>Expiry</b> |
|-------------------------------------|--------------------------------------|---------------|
| Tranche B                           | 250.0                                | December 2024 |
| Tranche A1 and Revolver A1 Facility | 250.0                                | December 2025 |
| Tranche C                           | 100.0                                | December 2025 |
| Tranche D                           | 25.0                                 | December 2025 |
| Revolver B Facility                 | <u>75.0</u>                          | August 2027   |
|                                     | <u>700.0</u>                         |               |

**Redcape Hotel Trust I**  
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**Note 15. Borrowings (continued)**

The consolidated entity has access to a \$4.0 million ancillary facility. As at 30 June 2023, \$3.0 million has been utilised on bank guarantees to a supplier and landlords (30 June 2022: \$3.0 million).

*Assets pledged as security*

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

*Defaults and breaches*

There have been no breaches of bank covenants for the financial year ended 30 June 2023 and 30 June 2022.

*Financing arrangements*

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

|                              | <b>Consolidated</b> |               |
|------------------------------|---------------------|---------------|
|                              | <b>2023</b>         | <b>2022</b>   |
|                              | <b>\$'000</b>       | <b>\$'000</b> |
| Total facilities             |                     |               |
| Bank loans                   | 700,000             | 700,000       |
| Used at the reporting date   |                     |               |
| Bank loans                   | 686,500             | 630,000       |
| Unused at the reporting date |                     |               |
| Bank loans                   | 13,500              | 70,000        |

*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 16. Issued capital**

|  | <b>Consolidated</b> |                    |               |               |
|--|---------------------|--------------------|---------------|---------------|
|  | <b>2023</b>         | <b>2022</b>        | <b>2023</b>   | <b>2022</b>   |
|  | <b>Units</b>        | <b>Units</b>       | <b>\$'000</b> | <b>\$'000</b> |
| Redeemable units – fully paid                    | 430,273,709         | 463,129,705        | 232,919       | 262,794       |
|  | <b>2023</b>         | <b>2022</b>        | <b>2023</b>   | <b>2022</b>   |
| <b>Details</b>                                   | <b>No of units</b>  | <b>No of units</b> | <b>\$'000</b> | <b>\$'000</b> |
|  | <b>'000</b>         | <b>'000</b>        | <b>\$'000</b> | <b>\$'000</b> |
| Balance at beginning of the year                 | 463,130             | 552,195            | 262,794       | 318,936       |
| Units issued                                     | 10,442              | 10,792             | 10,212        | 9,497         |
| Rights issue                                     | -                   | 26,546             | -             | 17,457        |
| Units buy-back                                   | -                   | (126,546)          | -             | (83,216)      |
| Units redeemed                                   | (43,741)            | -                  | (40,508)      | -             |
| Unit issued under distribution reinvestment plan | 443                 | 143                | 421           | 120           |
| Balance at end of the year                       | 430,274             | 463,130            | 232,919       | 262,794       |

*Stapled units*

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

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
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**Note 16. Issued capital (continued)**

*Redeemable units*

Redeemable units entitle the holder to participate in distributions and the proceeds on the winding up of the Trust in proportion to the number of and amounts paid on the units held. The fully paid redeemable units 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 unit shall have one vote.

**Redeemable units (Restated)**

The Group classified financial instruments issued as financial liabilities or equity instrument in accordance with the substance of the contractual terms of the instrument.

The Group classified all its units as redeemable units.

A puttable financial instrument that includes a contractual obligation for the Group to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- It entitles the holder to a pro rata share of the Group's net assets in the event of the Group's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Group to repurchase or redeem the instrument for cash, the instrument does not include any other features that would require classification as a liability and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Group over the life of the instrument.

The Group's redeemable units meet these conditions and are classified as equity. The Group has restated the presentation of the redeemable units which were previously presented as ordinary units.

*Capital risk management*

At 30 June 2023, the Group has 430,273,709 redeemable units (2022: 463,129,705) classified as equity.

The Group's objective in managing the redeemable units are to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity arising from redemptions.

On 30 June 2023, Redcape Hotel Group Management Ltd, as responsible entity of Redcape Hotel Group announced that it has elected to pause the quarterly liquidity facility and applications as of 30 June 2023 for a period of up to 180 days until 27 December 2023. The pause was to ensure that capital reserves are being managed carefully to provide stability through the uncertainty created by the evolving economic conditions and lower asset liquidity. The applications received at that time were rolled over for consideration when the pause is lifted. Future redemptions are at the discretion of the responsible entity and are expected to be capped at 2.5% of the Directors' Net Asset Value at the relevant quarter end.

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

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

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

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

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

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
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**Note 16. Issued capital (continued)**

*Accounting policy for issued capital*

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

**Note 17. Cash flow hedge reserve**

|                                    | <b>Consolidated</b> |               |
|------------------------------------|---------------------|---------------|
|                                    | <b>2023</b>         | <b>2022</b>   |
|                                    | <b>\$'000</b>       | <b>\$'000</b> |
| Hedging reserve - cash flow hedges | 10,460              | 5,304         |

*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:

| <b>Consolidated</b>     | <b>Hedging<br/>reserve<br/>\$'000</b> |
|-------------------------|---------------------------------------|
| Balance at 1 July 2021  | (292)                                 |
| Revaluation - gross     | 5,596                                 |
| Balance at 30 June 2022 | 5,304                                 |
| Revaluation - gross     | 5,156                                 |
| Balance at 30 June 2023 | 10,460                                |

**Note 18. Distributions**

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

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| 30 September 2022 of 2.50 cents (30 September 2021: nil) per unit      | 11,348              | -             |
| 31 December 2022 of 2.50 cents (31 December 2021: 1.95 cents) per unit | 11,073              | 8,818         |
| 31 March 2023 of 2.50 cents (31 March 2022: 2.30 cents) per unit       | 10,873              | 10,424        |
| 30 June 2023 of 2.50 cents (30 June 2022: 2.30 cents) per unit         | 10,757              | 10,652        |
|  | 44,051              | 29,894        |

*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.

**Redcape Hotel Trust I**  
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**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 risk and liquidity risks and ageing analysis for credit risk.

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

**Market risk**

*Foreign currency risk*

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

*Price risk*

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

*Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk. The policy is to maintain at least 58% 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:

| <b>Consolidated</b>                             | <b>2023</b>                             |                       | <b>2022</b>                             |                       |
|---|---|-----------------------|---|-----------------------|
|   | <b>Weighted average interest rate %</b> | <b>Balance \$'000</b> | <b>Weighted average interest rate %</b> | <b>Balance \$'000</b> |
| Bank loans                                      | 3.87%                                   | 686,500               | 1.14%                                   | 630,000               |
| Interest rate swaps (notional principal amount) | -                                       | (411,200)             | -                                       | (188,700)             |
| Net exposure to interest rate risk              |   | <u>275,300</u>        |   | <u>441,300</u>        |

The bank loans outstanding, totalling \$686.5 million (30 June 2022: \$630.0 million), are interest payment loans. Monthly cash outlays of approximately \$2.0 million (30 June 2022: \$0.6 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 \$2.8 million (30 June 2022: \$4.4 million) per annum.

**Derivatives interest rate swap**

The consolidated entity has entered into interest rate swap contracts with notional/principal value as at 30 June 2023 of \$411.2 million (2022: \$188.7 million). The interest rate swap contract hedges the consolidated entity's risk against an increase in variable interest rate. The remaining weighted average contract tenure of the contracts is 2.12 years as at 30 June 2023. The fixed rates range from 1.50 – 3.52% per annum (2022: 1.50% - 3.30%).

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 19. Financial instruments (continued)**

**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.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

|            | <b>Consolidated</b> |               |
|------------|---------------------|---------------|
|            | <b>2023</b>         | <b>2022</b>   |
|            | <b>\$'000</b>       | <b>\$'000</b> |
| Bank loans | 13,500              | 70,000        |

**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.

| <b>Consolidated - 2023</b>         | <b>Weighted<br/>average<br/>interest rate<br/>%</b> | <b>1 year or<br/>less<br/>\$'000</b> | <b>Between 1<br/>and 2 years<br/>\$'000</b> | <b>Between 2<br/>and 5 years<br/>\$'000</b> | <b>Over 5 years<br/>\$'000</b> | <b>Remaining<br/>contractual<br/>maturities<br/>\$'000</b> |
|------------------------------------|---|--------------------------------------|---|---|--------------------------------|--|
| <b>Non-derivatives</b>             |   |                                      |   |   |                                |  |
| <i>Non-interest bearing</i>        |   |                                      |   |   |                                |  |
| Trade payables                     | -   | 344                                  | -   | -   | -                              | 344  |
| Other payables                     | -   | 9,395                                | 13,837                                      | -   | -                              | 23,232   |
| <i>Interest-bearing - variable</i> |   |                                      |   |   |                                |  |
| Bank loans                         | 5.51%   | 40,740                               | 273,587                                     | 434,566                                     | -                              | 748,893  |
| Total non-derivatives              |   | 50,479                               | 287,424                                     | 434,566                                     | -                              | 772,469  |

| <b>Consolidated - 2022</b>         | <b>Weighted<br/>average<br/>interest rate<br/>%</b> | <b>1 year or<br/>less<br/>\$'000</b> | <b>Between 1<br/>and 2 years<br/>\$'000</b> | <b>Between 2<br/>and 5 years<br/>\$'000</b> | <b>Over 5 years<br/>\$'000</b> | <b>Remaining<br/>contractual<br/>maturities<br/>\$'000</b> |
|------------------------------------|---|--------------------------------------|---|---|--------------------------------|--|
| <b>Non-derivatives</b>             |   |                                      |   |   |                                |  |
| <i>Non-interest bearing</i>        |   |                                      |   |   |                                |  |
| Trade payables                     | -   | 156                                  | -   | -   | -                              | 156  |
| Other payables                     | -   | 17,128                               | 18,903                                      | -   | -                              | 36,031   |
| <i>Interest-bearing - variable</i> |   |                                      |   |   |                                |  |
| Bank loans                         | 3.05%   | 94,733                               | 17,224                                      | 595,368                                     | -                              | 707,325  |
| Total non-derivatives              |   | 112,017                              | 36,127                                      | 595,368                                     | -                              | 743,512  |

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 19. Financial instruments (continued)**

***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 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

| <b>Consolidated - 2023</b> | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|----------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <i>Assets</i>              |                           |                           |                           |                         |
| Interest rate swaps        | -                         | 10,460                    | -                         | 10,460                  |
| Total assets               | -                         | 10,460                    | -                         | 10,460                  |

| <b>Consolidated - 2022</b> | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|----------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <i>Assets</i>              |                           |                           |                           |                         |
| Interest rate swaps        | -                         | 5,304                     | -                         | 5,304                   |
| Total assets               | -                         | 5,304                     | -                         | 5,304                   |

There were no transfers between levels during the financial year.

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

***Valuation techniques for fair value measurements categorised within level 2***

***Derivative financial instruments (level 2)***

Derivative financial instruments have been valued using observable market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

***Accounting policy for fair value measurement***

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

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

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

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 20. Fair value measurement (continued)**

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. Key management personnel disclosures**

Fees paid or payable for services provided by key management personnel, which is included in the asset management fee, were borne by Redcape Hotel Group Management Ltd, the Responsible Entity. Refer note 25 for further details.

**Note 22. Remuneration of auditors**

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

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2023</b>         | <b>2022</b>    |
|   | <b>\$</b>           | <b>\$</b>      |
| <i>Audit services - KPMG</i>                |                     |                |
| Audit or review of the financial statements | 431,000             | 413,000        |
| <i>Other services - KPMG</i>                |                     |                |
| Tax and advisory related services           | -                   | 283,722        |
| Other services                              | -                   | 34,000         |
|   | -                   | 317,722        |
|   | <u>431,000</u>      | <u>730,722</u> |

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

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

**Note 23. Contingent liabilities**

The consolidated entity has given bank guarantees to a supplier and landlords of a related party as at 30 June 2023 of \$3.0 million (2022: \$3.0 million).

**Note 24. Commitments**

The consolidated entity had no commitments as at 30 June 2023 and 30 June 2022.

**Note 25. Related party transactions**

*Parent entity*

Redcape Hotel Trust I is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 27.

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 25. Related party transactions (continued)**

*Transactions with related parties*

**(a) Responsible Entity**

|   | Transaction<br>values for<br>the year<br>ended<br>30 June 2023<br>\$ | Balance<br>outstanding<br>as at<br>30 June 2023<br>\$ | Transaction<br>values for<br>the year<br>ended<br>30 June 2022<br>\$ | Balance<br>outstanding<br>as at<br>30 June 2022<br>\$ |
|---|--|---|--|---|
| <b>Redcape Hotel Group Management Ltd (i)</b> |  |   |  |   |
| Asset management fee                          | 1,800,428  | 151,365   | 1,615,160  | 141,497   |
| Debt arrangement fee (ii)                     | -  | -   | 500,000  | -   |
| Disposal fee (iii)                            | 318,000  | -   | -  | -   |
| Performance fee (iv)                          | 2,126,689  | 22,538,971  | 34,926,079   | 34,926,079  |
|   | <u>4,245,117</u>   | <u>22,690,336</u>                                     | <u>37,041,239</u>  | <u>35,067,576</u>                                     |

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

(ii) Debt arrangement fee equates to 0.5% of the debt refinanced amount (2022: 0.5% of \$100.0 million).

(iii) Disposal fee equates to 1.0% of the sales proceeds from the disposal of Minskys Hotel.

(iv) Performance fee has been accrued based on Directors valuations as at 30 June 2023 and is expected to be crystallised and become payable as Independent valuations are performed. The accrued fee has been split proportionately to the Net Asset Value ('NAV') as at 31 December 2022 of Redcape Hotel Trust I (71.69%) and Redcape Hotel Trust II (28.31%).

**(b) Other related party disclosures**

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

| Related Entity              | Transaction     | Transaction<br>values for<br>the year<br>ended<br>30 June 2023<br>\$ | Balance<br>outstanding<br>as at<br>30 June 2023<br>\$ | Transaction<br>values for<br>the year<br>ended<br>30 June 2022<br>\$ | Balance<br>outstanding<br>as at<br>30 June 2022<br>\$ |
|-----------------------------|-----------------|--|---|--|---|
| Redcape Hotel Group Pty Ltd | Rental income   | (43,074,788)   | (4,427,765)   | (32,992,748)   | -   |
| Redcape Hotel Group Pty Ltd | Interest income | (20,247,110)   | (1,989,371)   | (6,571,481)  | (1,033,210)   |
| Redcape Hotel Fund Pty Ltd  | Loan receivable | 49,761,243   | 267,225,561   | 42,312,747   | 217,464,318   |

**Note 26. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

|                            | Parent         |                |
|----------------------------|----------------|----------------|
|                            | 2023<br>\$'000 | 2022<br>\$'000 |
| Profit/(loss)              | 23,123         | (9,586)        |
| Total comprehensive income | 23,123         | (9,586)        |

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 26. Parent entity information (continued)**

*Statement of financial position*

|                           | <b>Parent</b>  |                |
|---------------------------|----------------|----------------|
|                           | <b>2023</b>    | <b>2022</b>    |
|                           | <b>\$'000</b>  | <b>\$'000</b>  |
| Total current assets      | 124            | 36             |
| Total assets              | 206,804        | 206,716        |
| Total current liabilities | 33,388         | 18,742         |
| Total liabilities         | 80,691         | 29,800         |
| Equity                    |                |                |
| Issued capital            | 232,919        | 262,794        |
| Accumulated losses        | (106,806)      | (85,878)       |
| Total equity              | <u>126,113</u> | <u>176,916</u> |

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*

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

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

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 27. 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 /<br>Country of incorporation | Ownership interest |           |
|----------------------------------|---|--------------------|-----------|
|                                  |   | 2023<br>%          | 2022<br>% |
| Redcape Hotel Property Trust     | Australia   | 100%               | 100%      |
| St George Hotel Trust            | Australia   | 100%               | 100%      |
| Doonside Hotel Trust             | Australia   | 100%               | 100%      |
| El Cortez Hotel Trust            | Australia   | 100%               | 100%      |
| Keighery Hotel Trust             | Australia   | 100%               | 100%      |
| Lakeview Hotel Motel Trust       | Australia   | 100%               | 100%      |
| Prospect Hotel Trust             | Australia   | 100%               | 100%      |
| Royal Hotel Trust                | Australia   | 100%               | 100%      |
| St Marys Hotel Trust             | Australia   | 100%               | 100%      |
| Belrose Hotel Trust              | Australia   | 100%               | 100%      |
| Red Lantern Hotel Trust          | Australia   | 100%               | 100%      |
| Campbelltown Hotel Trust         | Australia   | 100%               | 100%      |
| Eastwood Hotel Trust             | Australia   | 100%               | 100%      |
| Leumeah Hotel Trust              | Australia   | 100%               | 100%      |
| Mount Annan Hotel Trust          | Australia   | 100%               | 100%      |
| Revesby Pacific Hotel Trust      | Australia   | 100%               | 100%      |
| Willoughby Hotel Trust           | Australia   | 100%               | 100%      |
| Eastern Creek Tavern Hotel Trust | Australia   | 100%               | 100%      |
| Landmark Hotel Trust             | Australia   | 100%               | 100%      |
| Crown Revesby Hotel Trust        | Australia   | 100%               | 100%      |
| Minskys Hotel Trust              | Australia   | 100%               | 100%      |
| Shamrock Hotel Trust             | Australia   | 100%               | 100%      |
| Hermit Park Hotel Trust          | Australia   | 100%               | 100%      |
| Wattle Hotel Trust               | Australia   | 100%               | 100%      |
| Carrington Hotel Trust           | Australia   | 100%               | 100%      |
| Andergrove Tavern Hotel Trust    | Australia   | 100%               | 100%      |
| Cabramatta Hotel Trust           | Australia   | 100%               | 100%      |
| Crescent Hotel Trust             | Australia   | 100%               | 100%      |
| Wattle Grove Hotel Trust         | Australia   | 100%               | 100%      |
| Sun Hotel Trust                  | Australia   | 100%               | 100%      |
| Vauxhall Hotel Trust             | Australia   | 100%               | 100%      |
| Australian Hotel & Brewery Trust | Australia   | 100%               | 100%      |
| Central Hotel Trust              | Australia   | 100%               | 100%      |
| Unanderra Hotel Trust            | Australia   | 100%               | 100%      |
| Figtree Hotel Trust              | Australia   | 100%               | 100%      |
| Kings Head Hotel Trust           | Australia   | 100%               | 100%      |
| Gladstone Hotel Trust            | Australia   | 100%               | 100%      |
| O'Donoghues Hotel Trust          | Australia   | 100%               | 100%      |
| Aspley Hotel Trust               | Australia   | 100%               | 100%      |
| Shafston Hotel Trust             | Australia   | 100%               | 100%      |

**Redcape Hotel Trust I**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 28. Cash flow information**

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

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2023</b>         | <b>2022</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Profit/(loss) for the year                         | 33,851              | (14,019)      |
| Adjustments for:                                   |                     |               |
| Depreciation expense                               | 1,588               | 1,611         |
| (Gain)/loss on disposal of business                | (10,179)            | 35            |
| Change in operating assets and liabilities:        |                     |               |
| (Increase)/decrease in trade and other receivables | (4,839)             | 675           |
| Increase in prepayments                            | (146)               | (106)         |
| (Decrease)/increase in trade and other payables    | (12,504)            | 27,878        |
| Decrease in capitalised loan establishment costs   | 1,039               | 1,043         |
|  | <u>8,810</u>        | <u>17,117</u> |

*Non-cash investing and financing activities*

|                                       | <b>Consolidated</b> |               |
|---------------------------------------|---------------------|---------------|
|                                       | <b>2023</b>         | <b>2022</b>   |
|                                       | <b>\$'000</b>       | <b>\$'000</b> |
| Distributions under reinvestment plan | <u>739</u>          | <u>211</u>    |

*Changes in liabilities arising from financing activities*

| <b>Consolidated</b>                | <b>Bank loans</b> |
|------------------------------------|-------------------|
|                                    | <b>\$'000</b>     |
| Balance at 1 July 2021             | 522,000           |
| Net cash from financing activities | <u>108,000</u>    |
| Balance at 30 June 2022            | 630,000           |
| Net cash from financing activities | <u>56,500</u>     |
| Balance at 30 June 2023            | <u>686,500</u>    |

**Note 29. Events after the reporting period**

In August 2023, the Group entered into contracts to sell two of its Queensland venues for a total consideration of \$19.3 million. The settlement of these transactions are expected to occur in the 2024 financial year. The accounting gain/loss on the sale of the venues will be included in the 2024 financial year.

Other than the above, no other matters or circumstances which has arisen since 30 June 2023 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 2023**

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 2023 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



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Nicholas Collishaw  
Chairman



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Christopher Unger  
Managing Director

23 August 2023  
Sydney



# Independent Auditor's Report

To the security holders of Redcape Hotel Trust I

## Opinion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2023 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 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other Information

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

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors of Redcape Hotel Group Management (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; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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



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

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

*KPMG*  
KPMG

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

Paul Thomas

*Partner*

Sydney

23 August 2023



MA Financial Group

**Redcape**  
HOTEL GROUP