



1. Company details

Name of entity:	Redcape Hotel Group comprising Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696)
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

		%	Consolidated Dec 2020 \$'000	Consolidated Dec 2019 \$'000
Revenues from ordinary activities	up	7.1%	171,987	160,564
Profit/(loss) after tax for the period attributable to the stapled securityholders	improved by	45.9%	25,360	17,386

Comments

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

3. Net assets and Net tangible assets

	Dec 2020 Cents	Dec 2019 Cents
Net assets per stapled security	113.01	115.16
Net tangible assets per stapled security	12.30	12.86

Number of stapled securities on issue at 31 December 2020 are 552,195,195 (31 December 2019: 552,195,195).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Distributions

Current period

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

Previous period

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

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

7. Distribution reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Redcape Hotel Group for the half-year ended 31 December 2020 is attached.

12. Signed

Signed



Nicholas Collishaw
Chairman
Sydney

Date: 17 February 2021

For personal use only

Redcape Hotel Group

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

Interim Report - 31 December 2020



The directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the consolidated entity (referred to hereafter as 'Redcape' or 'Group') consisting of Redcape Hotel Trust I ('RHT I') and Redcape Hotel Trust II ('RHT II') and the entities they controlled at the end of, or during, the period ended 31 December 2020. The manager of Redcape ('Trust Manager' or 'Management') is MA Hotel Management Pty Ltd, a wholly owned subsidiary of Moelis Australia Ltd.

Directors

The following persons were directors of the Responsible Entity of Redcape for the period ended 31 December 2020:

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

Non-IFRS Disclosures

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

The directors believe these non-IFRS metrics are useful to users as they:

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

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

Principal activities

Redcape is an ASX listed, leading Australian hotel business operating a portfolio of 32 hotels (excluding 4 hotels which will be settled post December 2020) across New South Wales ('NSW') and Queensland ('QLD'). Redcape owns 30 of the 32 hotels it operates. The hotels offer patrons:

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

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

Distributions

Distributions paid/payable during the financial half-year were as follows:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
30 September 2020 of 1.83 cents (30 September 2019: 2.199 cents) per stapled security	10,105	12,137
31 December 2020 of 1.83 cents (31 December 2019: 2.211 cents) per stapled security	10,105	12,211
	<u>20,210</u>	<u>24,348</u>

Review of operations

The statutory profit for Redcape after providing for income tax amounted to \$25.4 million (31 December 2019: \$17.4 million).

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

- Distributable earnings of \$32.9 million or 5.96 cents per stapled security (31 December 2019: \$26.4 million or 4.78 cents per stapled security)
- Distributions of \$20.2 million or 3.66 cents per stapled security (31 December 2019: \$24.3 million or 4.41 cents per stapled security)
- Operating EBITDA of \$40.9 million (31 December 2019: \$38.7 million)
- Operating cash flows of \$52.3 million (31 December 2019: \$16.2 million)
- Portfolio value increased to \$1,033.5 million (30 June 2020: \$1,012.5 million). The increase in portfolio value of \$21.0 million reflects the net impact of \$21.8 million in land revaluation comprising \$16.6 million gain recognised in the asset revaluation reserve and \$5.2 million gain recognised in the income statement; capital spend of \$6.2 million less depreciation of \$7.1 million
- Statutory Net Asset Value of \$1.13 per stapled security (30 June 2020: \$1.09 per stapled security) which reflects the increase in fair value of land
- Directors Net Asset Value of \$1.22 per stapled security (30 June 2020: \$1.09 per stapled security) which reflects the valuation of venues as standalone Freehold Going Concerns or Leasehold going concerns
- Total capital expenditure of \$6.2 million (31 December 2019: \$10.7 million) of which \$4.0 million related to capital growth and \$2.2 million for capital maintenance

Impacts of Coronavirus (COVID-19)

Redcape venues reopened from 1 June 2020. Redcape implemented COVID-19 Safety plans across its venues as they reopened and have employed dedicated COVID-19 Safe Hygiene Marshals to ensure all venues can operate safely.

Trading in the half was strong despite higher COVID related compliance costs of \$3.1 million. Redcape reinstated quarterly distributions from the September 2020 quarter.

Assistance and support by governments and others

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

In addition to JobKeeper, the Group received payment deferrals of State and other taxes amounting to \$15.4 million, of which \$7.1 million is expected to be repaid within the second half of financial year 2021. The balance of \$8.3 million will be repaid in financial year 2022.

Acquisition of hotels

During the financial period, the Group exchanged contracts to acquire 4 hotels as listed below.

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

Expanded debt headroom and extended tenor

The Group secured an additional \$100.0 million funding facility expiring in December 2025.

In addition, the Group has extended the tenor of two of its existing lending facilities, increasing the weighted average maturity of its total debt facility to 4.1 years.



Reconciliation of non-IFRS financial metrics to statutory results

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

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Revenue	171,987	160,564
Gross profit	88,190	85,731
Gross profit (% of Revenue)	51.3%	53.4%
Operating costs	(17,278)	(16,866)
Employment costs	(21,311)	(21,502)
Management fees	(8,604)	(8,594)
Rent expense	(78)	(76)
Operating EBITDA	40,919	38,693
Operating EBITDA (% of Revenue)	23.8%	24.1%
Performance fee	(5,836)	-
Business acquisition costs	-	(856)
Loss on disposal of other non-current assets	(4)	(22)
Gain on asset revaluation	5,223	-
EBITDA	40,302	37,815
Depreciation expense on right-of-use assets	(1,137)	(827)
Depreciation expense	(7,118)	(6,556)
EBIT	32,047	30,432
Interest on lease liabilities	(655)	(418)
Net finance costs	(5,234)	(8,093)
Swaps and borrowing costs written off	-	(3,992)
Profit before income tax expense	26,158	17,929
Income tax expense	(798)	(543)
Statutory NPAT	25,360	17,386

(ii) Reconciliation of Statutory NPAT to Distributable Earnings

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Statutory NPAT	25,360	17,386
Add / (deduct) non-cash & non-operating items		
Performance fees	5,836	-
Business acquisition costs	-	856
Gain on asset revaluation	(5,223)	-
Depreciation expense	7,118	6,556
Swaps and borrowing costs written off	-	3,992
Maintenance capital expenditure	(2,243)	(3,863)
Other non-cash / non-recurring items	1,258	926
Tax expense	798	543
Distributable earnings	32,904	26,396
Distributable earnings per stapled security (cents)	5.96	4.78

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

The impact of COVID-19 is ongoing and Redcape has implemented all COVID-19 Safety precautions to ensure venues are safe for staff and patrons. Redcape will respond as the situation develops and is dependent on measures imposed by both Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

The acquisitions of Gladstone Hotel and O'Donoghues Hotel were settled on 1 February 2021 and 15 February 2021, respectively.

The acquisitions of Aspley Hotel and Shafston Hotel are expected to be settled in June 2021.

Other than the above matters, no other matter or circumstance has arisen since 31 December 2020 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.

Rounding of amounts

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

Auditor's independence declaration

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

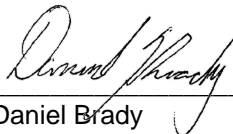
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Nicholas Collishaw
Chairman

17 February 2021
Sydney



Daniel Brady
Non-Executive Director



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 review of Redcape Hotel Group
for the half-year ended 31st December 2020 there have been:

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

17 February 2021

Condensed consolidated statement of profit or loss and other comprehensive income	8
Condensed consolidated statement of financial position	9
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Notes to the condensed consolidated financial statements	13
Directors' declaration	28
Independent auditor's review report to the members of Redcape Hotel Group	29

General information

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

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

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

Registered office

Level 27
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Principal place of business

Level 1
Minskys Hotel
287 Military Road
Cremorne NSW 2090

A description of the nature of the Redcape'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 17 February 2021.

Redcape Hotel Group
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020



		Consolidated	
	Note	31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Revenue	5	171,987	160,564
Cost of sales		(83,797)	(74,833)
Expenses			
Operating costs		(17,356)	(16,942)
Employment costs		(21,311)	(21,502)
Management fees	6	(14,440)	(8,594)
Net finance costs	7	(5,889)	(12,503)
Depreciation expense on right-of-use assets	12	(1,137)	(827)
Depreciation expense	10	(7,118)	(6,556)
Loss on disposal of non-current assets		(4)	(22)
Gain on the revaluation of land		5,223	-
Business acquisition costs		-	(856)
Profit before income tax expense		26,158	17,929
Income tax expense		(798)	(543)
Profit after income tax expense for the half-year		25,360	17,386
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land		16,619	10,420
<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		(111)	3,523
Other comprehensive income for the half-year, net of tax		16,508	13,943
Total comprehensive income for the half-year		41,868	31,329
Profit for the half-year is attributable to:			
Stapled Securityholders of Redcape Hotel Trust I		19,779	22,213
Stapled Securityholders of Redcape Hotel Trust II		5,581	(4,827)
		25,360	17,386
Total comprehensive income for the half-year is attributable to:			
Stapled Securityholders of Redcape Hotel Trust I		36,287	36,156
Stapled Securityholders of Redcape Hotel Trust II		5,581	(4,827)
		41,868	31,329
		Cents	Cents
Basic earnings per stapled security	24	4.59	3.15
Diluted earnings per stapled security	24	4.59	3.15

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

Redcape Hotel Group
Condensed consolidated statement of financial position
As at 31 December 2020



Assets

Current assets

Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
	55,257	101,433
	2,628	3,109
	5,448	4,708
8	7,977	2,417
Total current assets	71,310	111,667

Non-current assets

	9	335,677	313,835
	10	138,412	139,302
	11	559,370	559,370
	12	41,935	42,241
		6,858	6,692
Total non-current assets		1,082,252	1,061,440

Total assets

1,153,562 **1,173,107**

Liabilities

Current liabilities

	14	58,963	34,446
	13	1,129	1,039
		965	-
		2,494	2,106
	15	10,105	1,712
Total current liabilities		73,656	39,303

Non-current liabilities

	16	410,418	486,253
	13	44,082	43,885
		1,195	1,084
		176	205
Total non-current liabilities		455,871	531,427

Total liabilities

529,527 **570,730**

Net assets

624,035 **602,377**

Equity

		235,897	235,897
		(59,286)	(68,302)
		176,611	167,595
	17	447,424	434,782

Total equity

624,035 **602,377**

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

Redcape Hotel Group
Condensed consolidated statement of financial position
As at 31 December 2020



		Consolidated	
	Note	31 Dec 2020	30 Jun 2020
		\$'000	\$'000
Equity attributable to RHT I (non-controlling interest)			
Contributed equity	17	318,936	318,936
Reserves	17	146,636	130,128
Accumulated losses	17	<u>(18,148)</u>	<u>(14,282)</u>
Total equity attributable to securityholders of RHT I (non-controlling interest)		<u><u>447,424</u></u>	<u><u>434,782</u></u>

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



Consolidated

	Issued capital \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019	235,545	(43,293)	436,895	629,147
Adjustment to opening retained earnings on transition to AASB 16, net of tax	-	(1,017)	-	(1,017)
Balance at 1 July 2019 - restated	235,545	(44,310)	436,895	628,130
Profit/(loss) after income tax expense for the half-year	-	(4,827)	22,213	17,386
Other comprehensive income for the half-year, net of tax	-	-	13,943	13,943
Total comprehensive income for the half-year	-	(4,827)	36,156	31,329
<i>Transactions with stapled securityholders in their capacity as stapled securityholders:</i>				
Distribution reinvestment plans	352	-	467	819
Distributions paid (note 18)	-	-	(24,348)	(24,348)
Balance at 31 December 2019	235,897	(49,137)	449,170	635,930

Consolidated

	Issued capital \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2020	235,897	(68,302)	434,782	602,377
Adjustment for reclassification	-	3,435	(3,435)	-
Balance at 1 July 2020 - restated	235,897	(64,867)	431,347	602,377
Profit after income tax expense for the half-year	-	5,581	19,779	25,360
Other comprehensive income for the half-year, net of tax	-	-	16,508	16,508
Total comprehensive income for the half-year	-	5,581	36,287	41,868
<i>Transactions with stapled securityholders in their capacity as stapled securityholders:</i>				
Distributions paid (note 18)	-	-	(20,210)	(20,210)
Balance at 31 December 2020	235,897	(59,286)	447,424	624,035

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



		Consolidated	
	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		189,666	177,899
Payments to suppliers and employees (inclusive of GST)		(130,515)	(144,153)
Interest received		59,151	33,746
Interest and other finance costs paid (a)		127	41
		(7,021)	(17,544)
Net cash from operating activities	23	52,257	16,243
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired (b)	8	(4,840)	(11,520)
Business acquisition transaction costs		-	(856)
Payments for property, plant and equipment	10	(6,232)	(10,673)
Payments for intangibles	11	-	(88)
Proceeds from disposal of business		-	46,156
Proceeds from disposal of property, plant and equipment		-	192
Net cash (used in)/from investing activities		(11,072)	23,211
Cash flows from financing activities			
Proceeds from issue of stapled securities		-	819
Proceeds from borrowings		15,000	62,000
Repayment of borrowings		(90,000)	(65,000)
Repayment of leases		(544)	(449)
Distributions paid		(11,817)	(24,167)
Net cash used in financing activities		(87,361)	(26,797)
Net (decrease)/increase in cash and cash equivalents		(46,176)	12,657
Cash and cash equivalents at the beginning of the financial half-year		101,433	16,981
Cash and cash equivalents at the end of the financial half-year		55,257	29,638

- (a) December 2019 includes one-off refinancing establishment costs of \$4.8 million and hedge break costs of \$3.8 million. December 2020 includes one-off refinancing costs of \$1.5 million.
- (b) December 2020 relates to payments of deposits for future acquisitions.

Note 1. General Information

Reporting Entity

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

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

The consolidated annual financial statements of Redcape as at 30 June 2020 are available at www.redcape.com.au.

Responsible Entity

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

Scheme Registration

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

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Redcape during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Going Concern

The interim 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. Notwithstanding the ongoing COVID-19 pandemic, the Group has strong liquidity and demonstrated cost management capability, a motivated workforce and supportive customers. The Group is well positioned should regulatory restrictions be eased and conversely, to withstand a more difficult environment where restrictions are tightened.

At 31 December 2020, Redcape had current assets of \$71.3 million and current liabilities of \$73.7 million leaving a net deficit of working capital of \$2.4 million. The directors of the Responsible Entity believe Redcape will continue to generate operating cash flows sufficient to meet current liability obligations. In addition, Redcape had access to \$185.0 million of undrawn loan facilities at reporting date.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following that are measured at fair value:

- land; and
- derivative financial instruments.

The methods used to measure fair values are discussed in the relevant notes.

Note 2. Basis of preparation (continued)

Functional and presentation currency

The interim consolidated financial statements are presented in Australian dollars, which is Redcape's functional currency and amounts have been rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. Estimates and judgements affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgements made by Management in applying Redcape's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Note 3. Significant accounting policies

New or amended Accounting Standards and Interpretations adopted

Redcape 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.

Redcape has applied the following standards and amendments for the first time for their reporting period commencing 1 July 2020:

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by Redcape for the interim half-year reporting period ended 31 December 2020. Redcape 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 in issue but not yet effective:

New or revised requirement

AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture*
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

When effective

Applicable to annual reporting periods beginning on or after 1 January 2022

Effective for annual reporting periods beginning on or after 1 January 2022

Note 4. Operating segments

Identification of reportable operating segments

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

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

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

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>Major revenue streams</i>		
Gaming revenue	110,980	102,684
On-premise revenue	30,103	32,987
Off-premise revenue	30,363	24,280
Other services	541	613
Revenue	<u>171,987</u>	<u>160,564</u>

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

Note 6. Management fees

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Hotel operating fee	6,085	5,931
Asset management fee	2,519	2,663
Performance fee	5,836	-
	<u>14,440</u>	<u>8,594</u>



Note 7. Net finance costs

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Finance income	(127)	(41)
Finance costs	5,361	8,134
Interest on lease liability	655	418
Hedge break costs	-	3,821
Capitalised loan establishment costs written off	-	171
	<u>5,889</u>	<u>12,503</u>

Note 8. Other current assets

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Prepayments	3,137	2,417
Deposits for future acquisitions	4,840	-
	<u>7,977</u>	<u>2,417</u>

Note 9. Land

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Land - at valuation	<u>335,677</u>	<u>313,835</u>

Reconciliation

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

Opening fair value	313,835	351,648
Disposals - business	-	(31,239)
Additions - business acquisitions	-	7,346
Revaluation increments/(decrements) (a)	<u>21,842</u>	<u>(13,920)</u>
Closing fair value	<u>335,677</u>	<u>313,835</u>

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

- (a) 31 December 2020 total increment of \$21.8 million (30 June 2020: decrement of \$13.9 million) includes gain of \$16.6 million (30 June 2020: loss of \$10.2 million) recognised in the asset revaluation reserve and gain of \$5.2 million (30 June 2020: loss of \$3.7 million) recognised in the income statement, which represents a reversal of prior period losses in the income statement.



Note 10. Property, plant and equipment

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Buildings - at cost	59,349	59,349
Less: Accumulated depreciation	(4,164)	(3,435)
	<u>55,185</u>	<u>55,914</u>
Property improvements - at cost	54,210	52,205
Less: Accumulated depreciation	(6,981)	(5,368)
	<u>47,229</u>	<u>46,837</u>
Furniture, fittings & equipment - at cost	52,400	49,620
Less: Accumulated depreciation	(20,667)	(15,891)
	<u>31,733</u>	<u>33,729</u>
Work in progress - at cost	4,265	2,822
	<u>138,412</u>	<u>139,302</u>

Reconciliations

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

Consolidated	Buildings \$'000	Property improvements \$'000	Furniture, fittings & equipment \$'000	Work in progress \$'000	Total \$'000
Balance at 1 July 2020	55,914	46,837	33,729	2,822	139,302
Disposals	-	-	-	(4)	(4)
Additions	-	-	-	6,232	6,232
Transfers in/(out) from work in progress	-	2,005	2,780	(4,785)	-
Depreciation expense	(729)	(1,613)	(4,776)	-	(7,118)
Balance at 31 December 2020	<u>55,185</u>	<u>47,229</u>	<u>31,733</u>	<u>4,265</u>	<u>138,412</u>

There has been no impairment recognised in relation to property, plant and equipment ('PPE') at 31 December 2020 (30 June 2020: nil). Refer to note 11.

Note 11. Intangible assets

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Goodwill - at cost	303,106	303,106
Gaming and liquor licences - at cost	256,264	256,264
	<u>559,370</u>	<u>559,370</u>

Note 11. Intangible assets (continued)

Reconciliations

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

Consolidated	Goodwill \$'000	Gaming and liquor licences \$'000	Total \$'000
Balance at 1 July 2020	303,106	256,264	559,370
Balance at 31 December 2020	303,106	256,264	559,370

Impairment testing

(i) Goodwill

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

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

Estimated future cash flows in Year 1 are based on a forecast for first half of calendar year and used pre-COVID (July 2019 to December 2019) as a basis for the second half of the calendar year. The budget reflects forecasted trading performance considering current trading restrictions. The Group is expected to return to trading performance pre-COVID restrictions from Year 2 to 5 based on an annualised growth rate of 3.0% (30 June 2020: 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. Discount rate applied in the current year value-in-use model: 7.45% (30 June 2020: 7.69%).

A terminal growth rate of 2.96% (30 June 2020: 2.96%) has been assumed in the VIU calculation and reflects the long-term growth expectations beyond the five-year forecast horizon, considering both industry comparatives and Redcape's consistent outperformance. In light of COVID-19, management have also modelled the impact of a six-month business shutdown once every hundred years in the derived outcome of terminal growth rate.

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

Sensitivity

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

The below table shows the key assumptions used in the 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.

	Pre-tax discount rate %	Terminal value %
Assumptions used in value in use calculation	7.45%	2.96%
Rate required for recoverable amount to equal carrying value (a)	8.40%	1.91%

Note 11. Intangible assets (continued)

- (a) 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 31 December 2020 (30 June 2020: 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 \$256.3 million are allocated across the Group's 32 hotels.

Other non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impact of the ongoing COVID-19 pandemic has been factored into these assessments.

Impairment assessment

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

Redcape assesses the recoverable amount of each CGU based on the higher of its fair value less costs to dispose ('FVLCD') and VIU. The carrying amount of each CGU comprises land at fair value, buildings at cost less accumulated depreciation, plant and equipment at cost less accumulated depreciation, work in progress and intangibles at cost comprising gaming and liquor licences, and right-of-use assets less lease liabilities. At 31 December 2020, FVLCD methodology was adopted for 31 hotels and VIU methodology adopted for the remaining 1 hotel.

FVLCD includes an estimate of the CGU's fair value and costs of disposal. Each CGU's fair value is based on the income capitalisation method, which is determined with reference to maintainable earnings and adopted yield. Refer to note 19 for details of key assumptions used. Costs of disposal is estimated at 2.0% of the hotel's fair value, which has been determined with reference to recent disposals.

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

Sensitivity

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

As the recoverable amount from the FVLCD and/or VIU assessments exceeded the carrying amount for each CGU, no impairment loss was recorded (30 June 2020: nil).



Note 12. Right-of-use assets

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Land and buildings - right-of-use assets	45,063	44,232
Less: Accumulated depreciation	(3,128)	(1,991)
	<u>41,935</u>	<u>42,241</u>

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

Reconciliation

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

Consolidated	Land and buildings \$'000
Balance at 1 July 2020	42,241
Remeasurement of lease liability	831
Depreciation expense	(1,137)
Balance at 31 December 2020	<u>41,935</u>

Amounts recognised in profit and loss

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Depreciation expense on right-of-use assets	1,137	827
Interest expense on lease liabilities	655	418
Expense relating to short-term leases	78	76
	<u>1,870</u>	<u>1,321</u>

There has been no impairment recognised in relation to right-of-use assets at 31 December 2020 (30 June 2020: nil). Refer to note 11.

Note 13. Lease liabilities

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Lease liabilities		
Current liabilities	1,129	1,039
Non-current liabilities	44,082	43,885
	<u>45,211</u>	<u>44,924</u>



Note 13. Lease liabilities (continued)

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Maturity analysis – contractual undiscounted cash flows		
Within 1 year	2,434	2,336
1 to 2 years	2,442	2,385
3 to 5 years	7,520	7,127
More than 5 years	50,080	50,846
	<u>62,476</u>	<u>62,694</u>

Note 14. Trade and other payables

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Trade payables	4,190	4,873
Accrued interest	403	574
Other payables	19,810	10,276
State Government taxes	34,560	18,723
	<u>58,963</u>	<u>34,446</u>

The Group received payment deferrals of State and other taxes amounting to \$15.4 million, of which, \$7.1 million is expected to be paid within the second half of financial year 2021. The balance of \$8.3 million will be paid in financial year 2022.

Note 15. Distribution payable

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Distributions	<u>10,105</u>	<u>1,712</u>

Distributions

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

	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Carrying amount at the start of the period	1,712	12,030
Additional provisions recognised	20,210	26,060
Payments relating to prior period	(1,712)	(12,030)
Payments relating to current period	(10,105)	(24,348)
	<u>10,105</u>	<u>1,712</u>

Carrying amount at the end of the period

Note 16. Borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Bank loans	415,000	490,000
Capitalised loan establishment costs	(4,582)	(3,747)
	<u>410,418</u>	<u>486,253</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Bank loans	<u>415,000</u>	<u>490,000</u>

Common Terms Deed

On 24 December 2020, Redcape refinanced its existing debt arrangements under the Common Terms Deed and secured an additional \$100.0 million funding facility with an expiry of December 2025.

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

Description of Facility	Amount (\$ million)	Expiry
Tranche A and Revolver	62.5	September 2022
Tranche B	250.0	December 2024
Tranche A1 and Revolver A1 Facility	187.5	December 2025
Tranche C	<u>100.0</u>	December 2025
	<u>600.0</u>	

The Group has access to a \$4.0 million ancillary facility. At 31 December 2020, \$2.6 million has been utilised on bank guarantees to suppliers and landlords (30 June 2020: \$2.6 million).

Assets pledged as security

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

Defaults and breaches

On 22 December 2020, the Group obtained approvals to amend its lending waiver. Bank covenants are now based on performance commencing from 1 June 2020 which reflects the reopening of venues. There have been no breaches of bank covenants in the period ended 31 December 2020.

Restrictions on distributions

As part of the waiver, the group sought and obtained consent from its lenders to resume the September 2020 quarter distributions. Distributions from December 2020 quarter were approved by the board in the ordinary course of business with no lender consent sought or required.



Note 16. Borrowings (continued)

Financing arrangements

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

	Consolidated 31 Dec 2020 \$'000	30 Jun 2020 \$'000
Total facilities		
Bank loans	600,000	500,000
Used at the reporting date		
Bank loans	415,000	490,000
Unused at the reporting date		
Bank loans	185,000	10,000

Note 17. Non-controlling interest

	Consolidated 31 Dec 2020 \$'000	30 Jun 2020 \$'000
Contributed equity	318,936	318,936
Reserves	146,636	130,128
Accumulated losses	(18,148)	(14,282)
	<u>447,424</u>	<u>434,782</u>

	Contributed equity \$'000	Hedging reserve \$'000	Revaluation reserve \$'000	Accumulated losses \$'000	Total \$'000
RHT I					
Balance at 1 July 2020	318,936	(1,084)	131,212	(14,282)	434,782
Adjustment to opening retained earnings on building depreciation	-	-	-	(3,435)	(3,435)
Profit for the period	-	-	-	19,779	19,779
Total other comprehensive income	-	(111)	16,619	-	16,508
Distributions paid/payable to stapled securityholders	-	-	-	(20,210)	(20,210)
Balance at 31 December 2020	<u>318,936</u>	<u>(1,195)</u>	<u>147,831</u>	<u>(18,148)</u>	<u>447,424</u>

Note 18. Distributions

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

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
30 September 2020 of 1.83 cents (30 September 2019: 2.199 cents) per stapled security	10,105	12,137
31 December 2020 of 1.83 cents (31 December 2019: 2.211 cents) per stapled security	10,105	12,211
	<u>20,210</u>	<u>24,348</u>

Note 19. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Land	-	-	335,677	335,677
Total assets	-	-	335,677	335,677
Liabilities				
Interest rate swaps	-	1,195	-	1,194
Total liabilities	-	1,195	-	1,194
Consolidated - 30 Jun 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Land	-	-	313,835	313,835
Total assets	-	-	313,835	313,835
Liabilities				
Interest rate swaps	-	1,084	-	1,084
Total liabilities	-	1,084	-	1,084

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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

(i) Land

Land is recognised at fair value based on periodic valuations by external independent valuers and/or six-monthly Director valuations. Independent external assessments are conducted by a professionally qualified valuer, having recent experience in the location and category of land being valued. Land is revalued by the Directors each half-year where an independent valuation has not been sought. The Group obtained independent land valuations from Allbec Advisory Pty Ltd for 12 venues from the portfolio in December 2020.

The carrying amount of land would be \$204.3 million if it were carried at cost.

Valuation process

Directors' valuations were adopted for all Freehold Going Concern properties at 31 December 2020. These were from 12 independent valuations and the balance from internal valuations. In assessing fair value of these properties, the internal 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.

Note 19. Fair value measurement (continued)

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

All internal valuations have been reviewed and approved by the Board.

Level 3 assets and liabilities

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

Consolidated	Land \$'000
Balance at 1 July 2020	313,835
Gains recognised in profit or loss	5,223
Gains recognised in other comprehensive income	16,619
	<hr/>
Balance at 31 December 2020	<u>335,677</u>

The level 3 assets and liabilities unobservable inputs and sensitivities are as follows:

Description	Significant 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	7.01% - 13.16%	Capitalisation rates were lower (higher)
	Adopted earnings	\$1.0 - \$4.6 million	Adopted earnings were higher (lower)
Buildings	Building replacement costs	\$2,000 - \$5,000 per square metre	Building replacement costs are higher (lower)
	Economic life remaining	25% - 85%	Economic life remaining is higher (lower)

Note 20. Contingent liabilities

Redcape has provided bank guarantees to suppliers and landlords as at 31 December 2020 of \$2.6 million (30 June 2020: \$2.6 million).

Note 21. Related party transactions

Parent entity

Redcape Hotel Trust II is the parent entity.

Note 21. Related party transactions (continued)

Transactions with related parties

(a) Responsible entity

	Transaction values for the period ended 31 Dec 2020 \$	Balance outstanding as at 31 Dec 2020 \$	Transaction values for the period ended 31 Dec 2019 \$	Balance outstanding as at 30 June 2020 \$
Redcape Hotel Group Management Ltd (i)				
Asset management fee	2,518,915	419,819	2,662,988	432,811
Debt arrangement fee (ii)	500,000	500,000	2,500,000	-
Acquisition fee	-	-	115,000	-
Disposal fee	-	-	471,250	-
Performance fee (iii)	5,836,000	5,836,000	-	-
	<u>8,854,915</u>	<u>6,755,819</u>	<u>5,749,238</u>	<u>432,811</u>

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

(ii) Debt arrangement fee equates to 0.5% of the \$100.0 million (31 December 2019: \$500.0 million) debt refinanced.

(iii) Performance fee reflects positive independent revaluations underpinned by both improved earnings and tightened cap rates reflective of the resilience of the Group's asset base.

(b) Other related party transactions

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

Related Entity	Transaction	Transaction values for the period ended 31 Dec 2020 \$	Balance outstanding as at 31 Dec 2020 \$	Transaction values for the period ended 31 Dec 2019 \$	Balance outstanding as at 30 June 2020 \$
MA Hotel Management Pty Ltd	Hotel operating fee	6,085,176	802,710	5,930,737	1,254,639
MA Hotel Management Pty Ltd	Project development fee	103,349	41,002	128,848	16,115
		<u>6,188,525</u>	<u>843,712</u>	<u>6,059,585</u>	<u>1,270,754</u>

Note 22. Events after the reporting period

The impact of COVID-19 is ongoing and Redcape has implemented all COVID-19 Safety precautions to ensure venues are safe for staff and patrons. Redcape will respond as the situation develops and is dependent on measures imposed by both Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

The acquisitions of Gladstone Hotel and O'Donoghues Hotel were settled on 1 February 2021 and 15 February 2021, respectively.

The acquisitions of Aspley Hotel and Shafston Hotel are expected to be settled in June 2021.

Other than the above matters, no other matter or circumstance has arisen since 31 December 2020 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.

Note 23. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Profit after income tax expense for the half-year	25,360	17,386
Adjustments for:		
Depreciation and amortisation	8,255	7,383
Net loss on disposal of non-current assets	4	22
Gain on asset revaluation	(5,223)	-
Business acquisition costs	-	856
Change in operating assets and liabilities:		
Decrease in trade and other receivables	481	1,279
Increase in inventories	(740)	(539)
(Increase)/decrease in deferred tax assets	(166)	543
(Increase)/decrease in prepayments	(720)	100
Increase in capitalised loan establishment costs	(835)	(3,704)
Increase/(decrease) in trade and other payables	24,517	(7,380)
Increase in provision for income tax	965	-
Increase in employee benefits	359	297
Net cash from operating activities	<u>52,257</u>	<u>16,243</u>

Note 24. Earnings per stapled security

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Profit/(loss) after income tax	<u>25,360</u>	<u>17,386</u>
Weighted average number of ordinary securities used in calculating basic and diluted earnings per stapled security	552,195,195	551,767,567
Basic and diluted earnings per stapled security (cents)	4.59	3.15

In the directors' opinion:

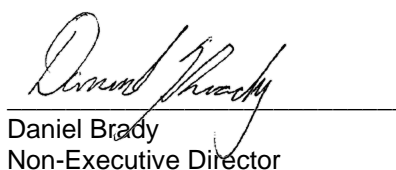
- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting';
- the attached financial statements and notes give a true and fair view of Redcape's financial position as at 31 December 2020 and of its performance for the period ended on that date;
- 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 made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

17 February 2021
Sydney

Independent Auditor's Review Report

To the stapled security holders of Redcape Hotel Group

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Redcape Hotel Trust II as the deemed parent presenting the stapled security arrangement of the Redcape Hotel Group (the Stapled Group)

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Redcape Hotel Group does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 31 December 2020 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises

- Condensed consolidated statement of financial position as at 31 December 2020
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Stapled Group** comprises Redcape Hotel Trust II and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2020.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Stapled Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Interim Financial Report

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

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Stapled Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Paul Thomas

Partner

Sydney

17 February 2021

Redcape Hotel Trust I

ARSN 629 354 614

Interim Report - 31 December 2020

Redcape Hotel Trust I
Directors' report
31 December 2020

The directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Redcape Hotel Trust I (referred to hereafter as the 'trust' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2020.

Directors

The following persons were directors of the Responsible Entity of the Trust for the period ended 31 December 2020:

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

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of real estate investment in the freehold pub sector in Australia.

Review of operations

The profit for the consolidated entity amounted to \$14,190,000 (31 December 2019: \$21,752,000).

Acquisition of hotels

The consolidated entity has exchanged contracts to acquire 4 hotels as listed below:

- Gladstone Hotel, Dulwich Hill, New South Wales (settled on 1 February 2021)
- O'Donoghues Hotel, Emu Plains, New South Wales (settled on 15 February 2021)
- Aspley Hotel, Aspley, Queensland (expected settlement in June 2021)
- Shafston Hotel, East Brisbane, Queensland (expected settlement in June 2021)

Expected debt headroom and extended tenor

The consolidated entity secured an additional \$100.0 million funding facility expiring in December 2025.

In addition, the consolidated entity has extended the tenor of two of its existing lending facilities, increasing the weighted average maturity to 4.1 years.

Impacts of Coronavirus (COVID-19)

The consolidated entity's tenants were impacted by COVID-19 government restrictions during 2020. Tenants were required to shut operations for a portion of 2020 and gradually reopened from 1 June 2020.

Partial rent waiver

The consolidated entity granted partial rent waiver to its tenants whose revenue has been negatively impacted by COVID-19 pandemic from 1 July 2020 to 31 December 2020. This was calculated as a percentage decrease in the tenants' gross revenue in the relevant months versus the prior corresponding period.

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 consolidated entity during the financial half-year.

Redcape Hotel Trust I
Directors' report
31 December 2020

Matters subsequent to the end of the financial half-year

The impact of COVID-19 is ongoing and the consolidated entity's tenants are dependent on measures imposed by both Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The acquisitions of Gladstone Hotel and O'Donoghues Hotel were settled on 1 February 2021 and 15 February 2021, respectively.

The acquisitions of Aspley Hotel and Shafston Hotel are expected to be settled in June 2021.

Other than the above matters, no other matter or circumstance has arisen since 31 December 2020 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.

Rounding of amounts

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

Auditor's independence declaration

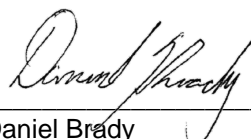
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

On behalf of the directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

17 February 2021
Sydney



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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Redcape Hotel Trust I
for the half-year ended 31st December 2020 there have been:

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

KPMG

Paul Thomas

Partner

Sydney

17 February 2021

Redcape Hotel Trust I

Contents

31 December 2020

Condensed consolidated statement of profit or loss and other comprehensive income	5
Condensed consolidated statement of financial position	6
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	8
Notes to the condensed consolidated financial statements	9
Directors' declaration	16
Independent auditor's review report to the members of Redcape Hotel Trust I	17

General information

The Redcape Hotel Trust I ('RHT 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. These consolidated interim financial statements as at 31 December 2020 comprise of RHT I and its controlled entities, and collectively are referred to as the 'consolidated entity' or 'Group'. The Responsible Entity of RHT I is Redcape Hotel Group Management Ltd (the 'Responsible Entity').

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

Registered office

Level 27
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Principal place of business

Level 1
Minskys Hotel
287 Military Road
Cremorne NSW 2090

A description of the nature of the 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 17 February 2021.

Redcape Hotel Trust I
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

		Consolidated	
	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Investment income	3	24,636	25,795
Interest income		3,524	5,227
Total revenue		28,160	31,022
Expenses			
Operating expenses		(3,075)	(2,471)
Management fee	4	(4,842)	(666)
Finance costs		(5,324)	(12,081)
Depreciation expense		(729)	(729)
Total expenses		(13,970)	(15,947)
Operating profit		14,190	15,075
Gain on disposal of investment properties		-	6,677
Profit for the half-year attributable to the securityholders of Redcape Hotel Trust I		14,190	21,752
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity		(112)	3,524
Other comprehensive income for the half-year		(112)	3,524
Total comprehensive income for the half-year attributable to the securityholders of Redcape Hotel Trust I		14,078	25,276

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

Redcape Hotel Trust I
Condensed consolidated statement of financial position
As at 31 December 2020

		Consolidated	
	Note	31 Dec 2020	30 June 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		37,846	75,336
Trade and other receivables		-	24
Other current assets	5	4,574	1,574
Total current assets		42,420	76,934
Non-current assets			
Other receivables	6	129,719	162,824
Investment properties	7	551,229	551,958
Total non-current assets		680,948	714,782
Total assets		723,368	791,716
Liabilities			
Current liabilities			
Trade and other payables		7,978	2,846
Distribution payable	8	10,105	1,712
Total current liabilities		18,083	4,558
Non-current liabilities			
Borrowings	9	410,418	486,271
Derivative financial instruments		1,196	1,084
Total non-current liabilities		411,614	487,355
Total liabilities		429,697	491,913
Net assets		293,671	299,803
Equity			
Issued capital		318,936	318,936
Cash flow hedge reserve		(1,196)	(1,084)
Accumulated losses		(24,069)	(18,049)
Total equity		293,671	299,803

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

Redcape Hotel Trust I
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2019	318,469	(3,489)	(25,921)	289,059
Profit for the half-year	-	-	21,752	21,752
Other comprehensive income for the half-year	-	3,524	-	3,524
Total comprehensive income for the half-year	-	3,524	21,752	25,276
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Contributions of equity, net of transaction costs	467	-	-	467
Distributions paid (note 10)	-	-	(24,348)	(24,348)
Balance at 31 December 2019	318,936	35	(28,517)	290,454

Consolidated	Issued capital \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	318,936	(1,084)	(18,049)	299,803
Profit for the half-year	-	-	14,190	14,190
Other comprehensive income for the half-year	-	(112)	-	(112)
Total comprehensive income for the half-year	-	(112)	14,190	14,078
<i>Transactions with securityholders in their capacity as securityholders:</i>				
Distributions paid (note 10)	-	-	(20,210)	(20,210)
Balance at 31 December 2020	318,936	(1,196)	(24,069)	293,671

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

Redcape Hotel Trust I
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2020

		Consolidated	
	Note	31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		27,161	28,343
Payments to suppliers (inclusive of GST)		(4,789)	(8,400)
		22,372	19,943
Interest received		3,524	5,227
Interest and other finance costs paid		(6,348)	(17,117)
Net cash from operating activities	15	19,548	8,053
Cash flows from investing activities			
Payments for investment property (a)	7	(2,921)	(88)
Proceeds from disposal of investment property		-	26,144
Net cash (used in)/from investing activities		(2,921)	26,056
Cash flows from financing activities			
Proceeds from issue of securities		-	467
Proceeds of bank loans		15,000	62,000
Repayment of bank loans		(90,000)	(65,000)
Loans to related and other parties		(11,919)	(54,908)
Loans from related and other parties		44,619	47,896
Distributions paid	8	(11,817)	(24,167)
Net cash used in financing activities		(54,117)	(33,712)
Net (decrease)/ increase in cash and cash equivalents		(37,490)	397
Cash and cash equivalents at the beginning of the financial half-year		75,336	1,386
Cash and cash equivalents at the end of the financial half-year		<u>37,846</u>	<u>1,783</u>

(a) December 2020 relates to payments of deposits for future acquisitions.

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

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 1. General Information

The Redcape Hotel Trust I ('RHT I', ARSN 629 354 614) 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. These consolidated interim financial statements as at 31 December 2020 comprise of RHT I and its controlled entities, and collectively are referred to as the 'consolidated entity' or 'Group'. The Responsible Entity of RHT I is Redcape Hotel Group Management Ltd (the 'Responsible Entity').

Reporting Entity

The consolidated entity is a for-profit entity and its principal activity consisted of real estate investment in the freehold pub sector in Australia. There has been no significant change in the nature of the principal activities during the period.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the consolidated entity's functional currency and amounts have been rounded to the nearest thousand dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

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 consolidated entity has applied the following standards and amendments for the first time for their reporting period commencing 1 July 2020:

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the interim half-year reporting period ended 31 December 2020. 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 in issue but not yet effective:

New or revised requirement

AASB 2014 - 10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture*
AASB 2020 - 1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

When effective

Applicable to annual reporting periods beginning on or after 1 January 2022

Effective for annual reporting periods beginning on or after 1 January 2022

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 3. Investment income

	Consolidated	Consolidated
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Rental income from investment properties	22,222	23,584
Revenue from outgoings recovered	2,414	2,211
	<u>24,636</u>	<u>25,795</u>
Investment income	<u><u>24,636</u></u>	<u><u>25,795</u></u>

Note 4. Management fee

	Consolidated	Consolidated
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Asset management fee	630	666
Performance fee	4,212	-
	<u>4,842</u>	<u>666</u>
	<u><u>4,842</u></u>	<u><u>666</u></u>

Note 5. Current assets - other current assets

	Consolidated	Consolidated
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Prepayments	1,653	1,574
Deposits for future acquisitions	2,921	-
	<u>4,574</u>	<u>1,574</u>
	<u><u>4,574</u></u>	<u><u>1,574</u></u>

Note 6. Non-current assets - other receivables

	Consolidated	Consolidated
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Interest bearing related party receivable (a)	128,175	160,875
Straight line lease asset	1,544	1,949
	<u>129,719</u>	<u>162,824</u>
	<u><u>129,719</u></u>	<u><u>162,824</u></u>

(a) The interest bearing related party receivable is from Redcape Hotel Fund Pty Ltd, a related party. The related party loan facility expires on 30 June 2025. Loan interest is paid on a monthly basis.

Note 7. Non-current assets - investment properties

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

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 7. Non-current assets - investment properties (continued)

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Investment properties	555,393	555,393
Less: Accumulated depreciation	(4,164)	(3,435)
	<u>551,229</u>	<u>551,958</u>

Reconciliation

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

Opening balance	551,958	570,162
Additions	-	882
Disposals	-	(38,933)
Additions through acquisitions	-	21,294
Depreciation expense	(729)	(1,447)
Closing balance	<u>551,229</u>	<u>551,958</u>

Investment properties at cost

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 31 December 2020 is \$699 million (30 June 2020: \$639 million).

Note 8. Current liabilities - distribution payable

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Distribution	<u>10,105</u>	<u>1,712</u>

Distributions

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

Consolidated - 31 Dec 2020	\$'000
Carrying amount at the start of the half-year	1,712
Additional provisions recognised	20,210
Payments relating to prior period	(1,712)
Payments relating to current period	<u>(10,105)</u>
Carrying amount at the end of the half-year	<u>10,105</u>

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Bank loans	415,000	490,000
Capitalised loan establishment costs	(4,582)	(3,729)
	<u>410,418</u>	<u>486,271</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Bank loans	<u>415,000</u>	<u>490,000</u>

Common Terms Deed

On 24 December 2020, Redcape Hotel Group ('Redcape') refinanced its existing debt arrangements under the Common Terms Deed and secured an additional \$100.0 million funding facility with an expiry of December 2025.

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

Description	Amount (\$ million)	Expiry
Tranche A and Revolver	62.5	September 2022
Tranche B	250.0	December 2024
Tranche A1 and Revolver A1 Facility	187.5	December 2025
Tranche C	<u>100.0</u>	December 2025
	<u>600.0</u>	

Redcape has access to a \$4.0 million ancillary facility. At 31 December 2020, \$2.6 million has been utilised on bank guarantees to suppliers and landlords (30 June 2020: \$2.6 million).

Assets pledged as security

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

Defaults and breaches

On 22 December 2020, Redcape obtained approvals to amend its lending waiver. Bank covenants are now based on performance commencing from 1 June 2020 which reflects the reopening of venues. There have been no breaches of bank covenants in the period ended 31 December 2020.

Restrictions on distributions

As part of the waiver, Redcape sought and obtained consent from its lenders to resume the September 2020 quarter distributions. Distributions from December 2020 quarter were approved by the board in the ordinary course of business with no lender consent sought or required.

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 9. Non-current liabilities - borrowings (continued)

Financing arrangements

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

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Total facilities		
Bank loans	600,000	500,000
Used at the reporting date		
Bank loans	415,000	490,000
Unused at the reporting date		
Bank loans	185,000	10,000

Note 10. Equity - distributions

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

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
30 September 2020 - 1.83 cents (30 September 2019: 2.199 cents) per security	10,105	12,137
31 December 2020 - 1.83 cents (31 December 2019: 2.211 cents) per security	10,105	12,211
	<u>20,210</u>	<u>24,348</u>

Note 11. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Liabilities</i>				
Interest rate swaps	-	1,196	-	1,196
Total liabilities	-	1,196	-	1,196
Consolidated - 30 June 2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Liabilities</i>				
Interest rate swaps	-	1,084	-	1,084
Total liabilities	-	1,084	-	1,084

There were no transfers between levels during the financial half-year.

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 11. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2

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

Note 12. Contingent liabilities

The consolidated entity has given bank guarantees to suppliers and landlords of a related party as at 31 December 2020 of \$2.6 million (30 June 2020: \$2.6 million).

Note 13. Related party transactions

Parent entity

Redcape Hotel Trust I is the parent entity.

Transactions with related parties

(a) Responsible entity

	Transaction values for the period ended 31 December 2020 \$	Balance outstanding as at 31 December 2020 \$	Transaction values for the period ended 31 December 2019 \$	Balance outstanding as at 30 June 2020 \$
Redcape Hotel Group Management Ltd (i)				
Asset management fee	629,729	104,955	665,747	108,203
Debt arrangement fee (ii)	500,000	500,000	2,500,000	-
Disposal fee	-	-	266,750	-
Performance fee (iii)	4,212,000	4,212,000	-	-
	<u>5,341,729</u>	<u>4,816,955</u>	<u>3,432,497</u>	<u>108,203</u>

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

(ii) Debt arrangement fee equates to 0.5% of the \$100.0 million (31 December 2019: \$500.0 million) debt refinanced.

(iii) Performance fee reflects the Stapled Group's (comprising Redcape Hotel Trust I and Redcape Hotel Trust II) positive independent revaluations underpinned by both improved earnings and tightened cap rates reflective of the resilience of the Stapled Group's asset base. It is split proportionately to the Net Asset Value ('NAV') as at 30 June 2020 of Redcape Hotel Trust I (72.18%) and Redcape Hotel Trust II (27.82%).

(b) Other related party disclosures

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

Redcape Hotel Trust I
Notes to the condensed consolidated financial statements
31 December 2020

Note 13. Related party transactions (continued)

Related Entity	Transaction	Transaction values for the period ended 31 December 2020 \$	Balance outstanding as at 31 December 2020 \$	Transaction values for the period ended 31 December 2019 \$	Balance outstanding as at 30 June 2020 \$
Redcape Hotel Group Pty Ltd	Rental income	(22,222,324)	-	(23,469,571)	-
Redcape Hotel Fund Pty Ltd	Interest income	(3,410,822)	(528,293)	(5,207,844)	-
Redcape Hotel Fund Pty Ltd	Loan receivable	(128,175,128)	(128,175,128)	(179,799,681)	(160,874,761)
		<u>(153,808,274)</u>	<u>(128,703,421)</u>	<u>(208,477,096)</u>	<u>(160,874,761)</u>

Note 14. Events after the reporting period

The impact of COVID-19 is ongoing and the consolidated entity's tenants are dependent on measures imposed by both Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The acquisitions of Gladstone Hotel and O'Donoghues Hotel were settled on 1 February 2021 and 15 February 2021, respectively.

The acquisitions of Aspley Hotel and Shafston Hotel are expected to be settled in June 2021.

Other than the above matters, no other matter or circumstance has arisen since 31 December 2020 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.

Note 15. Reconciliation of profit to net cash from operating activities

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit for the half-year	14,190	21,752
Adjustments for:		
Depreciation and amortisation	729	729
Gain on disposal of investment properties	-	(6,677)
Change in operating assets and liabilities:		
Decrease/(Increase) on trade and other receivables	429	(32)
(Increase)/Decrease in prepayments	(79)	838
(Increase) in capitalised loan establishment costs	(853)	(3,740)
Increase/(decrease) in trade and other payables	5,132	(4,817)
Net cash from operating activities	<u>19,548</u>	<u>8,053</u>

Redcape Hotel Trust I
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-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 made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Nicholas Collishaw
Chairman



Daniel Brady
Non-Executive Director

17 February 2021
Sydney

Independent Auditor's Review Report

To the security holders of Redcape Hotel Trust I

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Redcape Hotel Trust I.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Redcape Hotel Trust I does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises

- Condensed consolidated statement of financial position as at 31 December 2020
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Redcape Hotel Trust I and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2020.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Responsibilities of the Directors for the Interim Financial Report

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

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Paul Thomas

Partner

Sydney

17 February 2021