MA Financial Group

We invest. We lend. We advise.

MA Redcape Hotel Fund

Annual report

30 June 2024

ISSUER AND RESPONSIBLE ENTITY

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

MANAGER

Redcape Hospitality Pty Ltd
ACN 619 297 228

redcape HOSPITALITY

MA Redcape Hotel Fund

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

Annual Report - 30 June 2024

MA Redcape Hotel Fund
Contents
30 June 2024

The Directors of MA Redcape Hotel Fund RE Limited (the 'Responsible Entity') (formerly known as Redcape Hotel Group Management Limited) present their report, together with the financial statements, of the stapled consolidated entity MA Redcape Hotel Fund (referred to hereafter as 'Redcape' or 'Group') consisting of MA Redcape Hotel Trust I ('RHT I') (formerly known as Redcape Hotel Trust I) and MA Redcape Hotel Trust II ('RHT II') (formerly known as Redcape Hotel Trust II) and the entities they controlled at the end of, or during, the year ended 30 June 2024. The manager of Redcape is Redcape Hospitality Pty Ltd ('Trust Manager' or 'Management') (formerly known as MA Hotel Management Pty Ltd), a wholly owned subsidiary of MA Financial Group Limited ('MA Financial').

Directors

The following persons were Directors of the Responsible Entity of Group for the financial year ended 30 June 2024 and up to the date of this report, unless otherwise stated:

Mr Nicholas Collishaw
Mr Andrew Ireland
Mr David Groves
Mr Christopher Unger
Mr Andrew Martin

Principal activities

Redcape is a leading Australian hotel business operating a portfolio of 28 hotels across New South Wales ('NSW') and Queensland ('QLD') as at 30 June 2024. Redcape owns 25 of the 28 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:

	Consolidated	
	2024 **$'000**	**2023** **$'000**
30 September 2023 of 1.70 cents (30 September 2022: 2.50 cents) per stapled unit	7,313	11,348
31 December 2023 of 2.00 cents (31 December 2022: 2.50 cents) per stapled unit	8,671	11,073
31 March 2024 of 2.00 cents (31 March 2023: 2.50 cents) per stapled unit	8,671	10,873
30 June 2024 of 2.30 cents (30 June 2023: 2.50 cents) per stapled unit	9,972	10,757
	34,627	44,051

Review of operations

The profit for Redcape after income tax was $52.3 million (30 June 2023: profit of $32.3 million).

Disposal of hotels
The Group completed the sale of eight hotels during the financial year for total consideration of $205.0 million and exchanged a sale contract for an additional hotel for consideration of $30.5 million. The sale of this hotel is expected to be completed in the 2025 financial year.

Subsequent to the end of the financial year, the Group entered into contracts to sell a further two hotels. Refer to Matters subsequent to the end of the financial year note for further details.

Acquisition of business
The Group acquired a New South Wales leasehold hotel business for $22.4 million ($21.8m net cash consideration after settlement adjustments) in April 2024.

Bank loan facility
During the year, the Group extended $150.0 million of its $250.0 million debt facilities that were due to expire in September 2024 by approximately three to four years. The balance of $100.0 million was repaid in June 2024.

Quarterly Liquidity Facility
On 30 June 2023, the Responsible Entity of the Group announced the suspension of the quarterly liquidity facility and applications for a period of 180 days until 27 December 2023. During the suspension period, deceased estate redemptions were processed according to the Product Disclosure Statement ('PDS') and the Group's continuous disclosure notice dated 30 June 2023. The suspension period was then further extended to 31 March 2024. A new PDS was issued on 2 April 2024 and redemptions recommenced, capped at $10.0 million per quarter until the quarter ended 30 June 2025. However, redemptions received prior to the notification closing date of 16 May 2023 for the quarter ending 30 June 2023 will be prioritised ('Priority Requests'). No new redemption requests will be accepted until the Priority Requests have been paid in full. While the Trust Manager expects satisfaction of Priority Requests to occur over the next four quarters of the 2025 financial year, it will review progress towards the end of financial year 2025 and provide a further update to investors regarding the satisfaction of the Priority Requests.

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
- form the basis of the Group's annual budgeting and internal forecasting processes.

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

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

- Underlying earnings of $39.4 million or 9.12 cents per stapled unit (30 June 2023: $41.6 million or 9.45 cents per stapled unit)
- Distributions of $34.6 million or 8.00 cents per stapled unit (30 June 2023: $44.1 million or 10.00 cents per stapled unit)
- Operating EBITDA of $79.3 million (30 June 2023: $78.2 million)
- Cash from operating activities of $39.3 million (30 June 2023: $0.5 million)
- Portfolio value decreased to $972.0 million[1] (30 June 2023: $1,193.0 million). The decrease in value reflects the net impact of:
  (i) Revaluation decreases: ($37.6 million) comprising an $42.0 million loss recognised in the asset revaluation reserve and a $4.4 million gain recognised in income statement
  (ii) Reclassification of assets held for sale: ($29.3 million)
  (iii) Disposal of assets: ($172.2 million)
  (iv) Acquisition of assets through business combination: $22.4 million
  (v) Capital spend: $11.5 million
  (vi) Depreciation: ($15.8 million)
- Statutory Net Asset Value of $1.0301 per stapled unit (30 June 2023: $1.0924 per stapled unit)
- Total capital expenditure of $11.5 million (30 June 2023: $27.0 million) of which $7.6 million related to capital growth and $3.9 million for capital maintenance.

[1] Portfolio value comprises land, buildings, investment property, plant and equipment, and intangible assets.

Reconciliation of non-IFRS financial metrics to statutory results

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

	Consolidated	
	2024 $'000	**2023 $'000**
Revenue	354,955	373,465
Gross profit	**197,343**	**205,309**
Gross profit (% of Revenue)	**55.6%**	**55.0%**
Operating costs	(42,419)	(45,227)
Employment costs	(59,131)	(62,521)
Management fees (excluding performance fee)	(16,495)	(19,348)
Operating EBITDA	**79,298**	**78,213**
Operating EBITDA (% of Revenue)	**22.3%**	**20.9%**
Performance fee	-	(3,390)
Gain on disposal of non-current assets	26,003	15,313
Gain/ (loss) on asset revaluation	4,410	(3,459)
EBITDA	**109,060**	**86,677**
Depreciation expense on right-of-use assets	(2,903)	(2,590)
Depreciation expense	(15,755)	(18,420)
EBIT	**90,402**	**65,667**
Interest on lease liabilities	(1,997)	(1,844)
Net finance costs	(36,354)	(32,806)

Profit before income tax expense	**52,051**	**31,017**
Income tax benefit	220	1,322
Statutory NPAT	**52,271**	**32,339**

(ii) Reconciliation of Statutory NPAT to Underlying Earnings

	Consolidated	
	2024 $'000	**2023 $'000**
Statutory NPAT	**52,271**	**32,339**
Add/(deduct) non-cash and non-operating items		
Performance fees	-	3,390
Business acquisition costs	651	-
Gain on disposal of non-current assets	(26,003)	(15,313)
(Gain)/ loss on asset revaluation	(4,410)	3,459
Depreciation expense on right-of-use assets	2,903	2,590
Depreciation expense	15,755	18,420
Interest on lease liabilities	1,997	1,844
Cash rent adjustment	(3,716)	(3,169)
Amortisation of capitalised loan establishment costs	1,285	4,022
Swaps & borrowing costs written off	2,817	-
Maintenance capital expenditure	(3,890)	(4,699)
Income tax benefit	(220)	(1,322)
Underlying earnings	**39,440**	**41,561**
Underlying earnings per stapled unit (cents)	**9.12**	**9.45**
Weighted average number of stapled units	432,522,548	439,979,288

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

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

Regulatory risk
The Group operates in a highly regulated industry, where changes to liquor or gaming licences 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 Manager is working with the State Government's Independent Panel on Gaming Reform and has commenced a cashless gaming technology trial at one of the NSW venues.

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 2024, the Group had current assets of $97,210,000 and current liabilities of $64,234,000 leaving a net surplus of working capital of $32,976,000 (30 June 2023: net working capital deficit of $38,222,000).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

In July 2024, the Group entered into contracts to sell two of its New South Wales hotels for total consideration of $105.5 million. The settlement of these transactions are expected to occur in the 2025 financial year. The accounting gain/loss on the sale of the hotels will be included in the 2025 financial year.

Other than the above, no other matter or circumstance has arisen since 30 June 2024 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 the 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.

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. 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.
Special responsibilities:	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 Commissioner of the Australian Football League. Prior to this, Andrew was Managing Director and CEO of Sydney Swans having been appointed as CEO in September 2009 after joining the club in 2002 as General Manager of Football. Since 1990, Andrew has been involved in the management of leading Australian sporting teams including a successful tenure as CEO of Brisbane Bears and Brisbane Lions (1990 – 2001). He led the Brisbane Lions to their first premiership in 2001 as CEO and has overseen a strong and successful football program and growth in commercial areas during his time at Sydney Swans. During both tenures as CEO, Andrew had ultimate responsibility for the AFL clubs' substantial social clubs, which included bars, restaurants and EGMs. During his tenure at the Brisbane Lions, Andrew was appointed by the QLD Treasurer as a Director of The Golden Casket Corporation, overseeing a gaming entity in a highly regulated market.
Special responsibilities:	Member of the Audit, Risk & Compliance Committee

Name:	David Groves
Title:	Independent Non-Executive Director
Qualifications:	Member of Chartered Accountants Australia & New Zealand; Bachelor of Commerce from the University of Wollongong and a Master of Commerce from the University of NSW.
Experience and expertise:	David was appointed to the Board on 27 September 2018. He has over 25 years' experience as a company director. David is the 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 University of Wollongong Council.
Special responsibilities:	Chairman of the Audit, Risk & Compliance Committee

Name:	Christopher Unger
Title:	Managing Director
Experience and expertise:	Chris is a highly regarded hospitality industry specialist. He has almost 30 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 MA Redcape Hotel Fund, 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.
Special responsibilities:	None

Name:	Andrew Martin
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 35 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.

Meetings of Directors
The number of meetings of the Responsible Entity's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

	Full Board		Audit, Risk & Compliance Committee	
	Attended	**Held**	**Attended**	**Held**
Mr Nicholas Collishaw	12	12	6	6
Mr Andrew Ireland	12	12	6	6
Mr David Groves	12	12	6	6
Mr Christopher Unger	12	12	6	6
Mr Andrew Martin	11	12	-	-

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.

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

On behalf of the Directors

Nicholas Collishaw	Christopher Unger
Chairman	Managing Director

21 August 2024
Sydney

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

To the Directors of MA Redcape Hotel Fund RE Limited, as Responsible Entity of MA Redcape Hotel Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of MA Redcape Hotel Fund for the financial year ended 30 June 2024 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

21 August 2024

MA Redcape Hotel Fund
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Revenue	4	354,955	373,465
Cost of sales		(157,612)	(168,156)
Expenses			
Operating costs	5	(42,419)	(45,227)
Employment costs	6	(59,131)	(62,521)
Management fees	7	(16,495)	(22,738)
Net finance costs	8	(38,351)	(34,650)
Depreciation expense on right-of-use assets	17	(2,903)	(2,590)
Depreciation expense	13,15	(15,755)	(18,420)
Gain on disposal of non-current assets	15,37	26,003	15,313
Gain/ (loss) on asset revaluation	14	4,410	(3,459)
Business acquisition costs	36	(651)	-
Profit before income tax benefit		52,051	31,017
Income tax benefit	9	220	1,322
Profit after income tax benefit for the year		52,271	32,339
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Loss on the revaluation of land	14	(41,956)	(8,557)
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity	26	(4,657)	5,156
Other comprehensive income for the year, net of tax		(46,613)	(3,401)
Total comprehensive income for the year		5,658	28,938
Profit for the year is attributable to:			
Stapled unitholders of MA Redcape Hotel Trust I (non-controlling interest)		42,588	30,451
Stapled unitholders of MA Redcape Hotel Trust II	25	9,683	1,888
		52,271	32,339
Total comprehensive income for the year is attributable to:			
Stapled unitholders of MA Redcape Hotel Trust I (non-controlling interest)		(4,025)	27,050
Stapled unitholders of MA Redcape Hotel Trust II		9,683	1,888
		5,658	28,938

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

MA Redcape Hotel Fund
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	10	55,604	15,889
Trade and other receivables	11	2,464	3,478
Inventories		5,017	5,906
Derivative financial instruments	18	1,703	-
Other current assets		3,069	4,081
		67,857	29,354
Assets classified as held for sale	12	29,353	-
Total current assets		97,210	29,354
Non-current assets			
Investment property	13	2,986	2,990
Land	14	331,734	422,651
Property, plant and equipment	15	123,045	161,166
Intangible assets	16	514,222	606,176
Right-of-use assets	17	49,963	38,440
Derivative financial instruments	18	8,136	10,460
Deferred tax	9	13,737	13,517
Total non-current assets		1,043,823	1,255,400
Total assets		1,141,033	1,284,754
Liabilities			
Current liabilities			
Trade and other payables	19	48,206	51,102
Lease liabilities	20	2,328	1,465
Employee benefits	21	3,778	4,252
Distribution payable	22	9,922	10,757
Total current liabilities		64,234	67,576
Non-current liabilities			
Trade and other payables	19	15,997	19,053
Lease liabilities	20	55,092	43,220
Employee benefits	21	350	441
Borrowings	23	558,766	684,421
Total non-current liabilities		630,205	747,135
Total liabilities		694,439	814,711
Net assets		446,594	470,043
Equity			
Contributed equity	24	222,991	171,371
Accumulated losses	25	(66,533)	(76,216)
Equity attributable to the stapled unitholders of MA Redcape Hotel Fund		156,458	95,155
Non-controlling interest	26	290,136	374,888
Total equity		446,594	470,043

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

MA Redcape Hotel Fund
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	**Issued capital $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total equity $'000**
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
Transactions with stapled unitholders in their capacity as stapled unitholders:				
Units issued (note 24)	7,703	-	10,212	17,915
Units redeemed (note 24)	(30,559)	-	(40,508)	(71,067)
Distributions paid (note 27)	-	-	(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	171,371	(76,216)	374,888	470,043

Consolidated	**Issued capital $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2023	171,371	(76,216)	374,888	470,043
Profit after income tax benefit for the year	-	9,683	42,588	52,271
Other comprehensive income for the year, net of tax	-	-	(46,613)	(46,613)
Total comprehensive income for the year	-	9,683	(4,025)	5,658
Transactions with stapled unitholders in their capacity as stapled unitholders:				
Units issued (note 24)	1,703	-	4,010	5,713
Units redeemed (note 24)	(83)	-	(110)	(193)
Equity reallocation (note 24)	50,000	-	(50,000)	-
Distributions paid (note 27)	-	-	(24,705)	(24,705)
Distributions payable (note 22)	-	-	(9,922)	(9,922)
Balance at 30 June 2024	222,991	(66,533)	290,136	446,594

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

MA Redcape Hotel Fund
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated 2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		403,265	421,934
Payments to suppliers (inclusive of GST)		(322,552)	(389,500)
Interest received		1,056	441
Interest and other finance costs paid		(42,450)	(32,345)
Net cash from operating activities	39	39,319	530
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	36	(21,702)	-
Net payments for property, plant and equipment	15	(11,323)	(26,985)
Net proceeds from disposal of business (including assets classified as held for sale)	12,37	198,228	38,134
Net cash from investing activities		165,203	11,149
Cash flows from financing activities			
Proceeds from borrowings		112,933	103,000
Repayment of borrowings		(238,400)	(46,500)
Repayment of leases		(3,716)	(3,169)
Proceeds from issue of stapled units	24,34	31	17,915
Payments for redemption of stapled units	24	(193)	(71,067)
Distributions paid	22	(35,462)	(43,207)
Net cash used in financing activities		(164,807)	(43,028)
Net increase/(decrease) in cash and cash equivalents		39,715	(31,349)
Cash and cash equivalents at the beginning of the financial year		15,889	47,238
Cash and cash equivalents at the end of the financial year	10	55,604	15,889

Note 1. General information

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

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

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

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

Level 27
Brookfield Place
10 Carrington Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 21 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policies

New or amended Accounting Standards and Interpretations adopted
The Group 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 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

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.

At 30 June 2024, the Group had current assets of $97,210,000 and current liabilities of $64,234,000 leaving a net surplus of working capital of $32,976,000 (30 June 2023: net working capital deficit of $38,222,000). At the reporting date, the Group had access to $39,000,000 of undrawn loan facilities. The Directors of the Responsible Entity believe that the Group has the ability to meet current and future obligations and is appropriate to prepare the financial statements on a going concern basis.

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.

Note 2. Material accounting policies (continued)

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 35.

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 2024 and the results of all subsidiaries for the year then ended. RHT II and RHT I and its subsidiaries together are referred to in these financial statements as 'Redcape' or the 'Group'.

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

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

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

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

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

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

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Note 2. Material accounting policies (continued)

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 2024. The Group has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

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

New or revised requirement	When effective
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	Applicable to annual reporting periods beginning on or after 1 January 2024
AASB 2022-6 *Amendments – Non-current liabilities with covenants*	Applicable to annual reporting periods beginning on or after 1 January 2024
AASB 18 *Presentation and Disclosure in Financial Statements*	Applicable to annual reporting periods beginning on or after 1 January 2027

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Refer to the following notes for critical judgements and estimates for other assets:
- Valuation of land - Note 14 and 29
- Fair value measurement - Note 29

Note 4. Revenue

	Consolidated	
	2024 $'000	2023 $'000
Major revenue streams		
Gaming revenue	220,807	228,994
On-premise revenue*	76,345	80,195
Off-premise revenue*	56,359	62,939
Other services*	1,444	1,337
Revenue	354,955	373,465

* relates to AASB 15 *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.

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

	Consolidated	
	2024 $'000	2023 $'000
Administrative expenses	6,806	6,318
Advertising and marketing expenses	6,058	7,367
Other operating costs	5,405	5,990
Cleaning costs	3,044	3,247
Security costs	5,647	6,375
Repairs and maintenance expenses	3,042	3,430
Property outgoing expenses	12,417	12,333
Short-term lease payments	-	167
	42,419	45,227

Note 6. Employment costs

	Consolidated	
	2024 $'000	2023 $'000
Employment costs	59,131	62,521

Employment costs include defined contribution superannuation expense amounting to $5.3 million (30 June 2023: $5.3 million).

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.

Note 7. Management fees

	Consolidated	
	2024 $'000	2023 $'000
Hotel operating fee	9,773	12,146
Asset management fee	6,722	7,202
Performance fee	-	3,390
	16,495	22,738

Refer to note 34 'Related party transactions' for further information on outstanding management fees as at 30 June 2024 and 30 June 2023.

Note 8. Net finance costs

	Consolidated	
	2024 $'000	2023 $'000
Finance income	(1,056)	(441)
Finance costs	37,410	33,247
Interest on lease liabilities	1,997	1,844
	38,351	34,650

Note 8. Net finance costs (continued)

Accounting policy for finance income and costs

Interest
Interest income is recognised using the effective interest method.

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

Note 9. Income tax

	Consolidated	
	2024 $'000	**2023 $'000**
Income tax (benefit)/expense		
Deferred tax - origination and reversal of temporary differences	(220)	(1,322)
Aggregate income tax benefit	(220)	(1,322)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	(220)	(1,322)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit before income tax benefit	52,051	31,017
Tax at the statutory tax rate of 30%	15,615	9,305
Tax effected balances:		
Trust profit not subject to tax and transactions between group entities	(14,450)	(8,614)
Non-deductible expenses	238	36
Non-assessable income from disposal of business	(4,198)	(2,050)
Derecognition on prior year tax losses	2,333	-
Prior year adjustment	242	1
Income tax benefit	(220)	(1,322)

Note 9. Income tax (continued)

	Consolidated 2024 $'000	Consolidated 2023 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	8,250	7,842
Derecognition on prior year tax losses	(2,333)	-
Depreciation expenses	3,252	1,512
Employee benefits	1,278	1,234
Right-of-use assets	(14,989)	(11,532)
Lease liability	17,226	13,406
Accrued expenses	289	698
Transaction costs	204	357
Asset held for sale	(721)	-
Disposal of business not yet settled	1,281	-
Deferred tax asset	13,737	13,517
Movements:		
Opening balance	13,517	12,195
Credited to profit or loss	220	1,322
Closing balance	13,737	13,517

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.

Note 9. Income tax (continued)

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

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

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

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

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

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

Note 10. Cash and cash equivalents

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	55,604	15,889

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

Note 11. Trade and other receivables

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current assets		
Trade receivables	1,262	970
Other receivables	1,202	2,508
	2,464	3,478

Note 11. Trade and other receivables (continued)

Allowance for expected credit losses
There was no expense for expected credit losses for the year ended 30 June 2024 (30 June 2023: nil).

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value, less any allowance for expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on days overdue. These provisions are considered representative across all customers of Redcape based on recent sales experience, historical collection rates and forward-looking information that is available.

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

Note 12. Assets classified as held for sale

	Consolidated	
	2024 $'000	2023 $'000
Current assets		
Land	5,976	-
Buildings	496	-
Property improvement	1,638	-
Fixtures and fittings	767	-
Intangibles	20,458	-
Other	13	-
Work-in-progress	5	-
	29,353	-

During the year, the Group entered into contracts to sell nine of its hotels for total consideration of $235.5 million. As at 30 June 2024, the divestment of eight hotels realised net accounting gain of $26.0 million. The carrying value of the assets relating to the hotel which is not yet settled has been transferred to assets held for sale at the end of the financial year. Settlement of the sale contract is expected to occur and included in the statement of profit or loss for year ended 30 June 2025.

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

Note 13. Investment property

	Consolidated 2024 $'000	Consolidated 2023 $'000
Non-current assets		
Investment property - at cost	3,000	3,000
Less: Accumulated depreciation	(14)	(10)
	2,986	2,990

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

	2024 $'000	2023 $'000
Opening balance	2,990	2,994
Depreciation expenses	(4)	(4)
Closing balance	2,986	2,990

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. Fair value of these investment properties as at 30 June 2024 is $7.0 million (30 June 2023: $7.0 million).

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

Note 14. Land

	Consolidated 2024 $'000	Consolidated 2023 $'000
Non-current assets		
Land - at valuation	331,734	422,651

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

	2024 $'000	2023 $'000
Opening fair value	422,651	434,667
Classified as held for sale (note 12)	(5,976)	-
Disposals - business (note 37)	(47,395)	-
Revaluation decrement*	(37,546)	(12,016)
Closing fair value	331,734	422,651

Refer to note 29 for further information on fair value measurement.

* 30 June 2024 total revaluation decrement of $37.5 million (30 June 2023: decrement of $12.0 million) includes loss of $42.0 million (30 June 2023: loss of $8.5 million) recognised in the asset revaluation reserve and gain of $4.4 million (30 June 2023: loss of 3.5 million) recognised in the statement of profit or loss.

Note 14. Land (continued)

Accounting policy for land
Land is recognised at fair value based on periodic valuations by external independent valuers and/or Portfolio 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

	Consolidated	
	2024 $'000	2023 $'000
Non-current assets		
Buildings - at cost	46,492	62,464
Less: Accumulated depreciation	(6,890)	(8,015)
	39,602	54,449
Property improvements - at cost	69,291	77,024
Less: Accumulated depreciation	(16,487)	(15,819)
	52,804	61,205
Furniture, fittings and equipment - at cost	71,048	81,870
Less: Accumulated depreciation	(44,911)	(48,122)
	26,137	33,748
Work-in-progress - at cost	4,502	11,764
	123,045	161,166

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:

Consolidated	Building $'000	Property improve-ments $'000	Furniture, fittings and equipment $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 2022	56,033	52,480	33,741	10,365	152,619
Disposals	-	-	(22)	-	(22)
Additions	-	-	-	26,985	26,985
Transfers in/(out)	-	12,934	12,652	(25,586)	-
Depreciation expense	(1,584)	(4,209)	(12,623)	-	(18,416)
Balance at 30 June 2023	54,449	61,205	33,748	11,764	161,166
Additions	-	-	-	11,510	11,510
Additions through business combinations (note 36)	-	3,659	1,141	-	4,800
Disposals	-	-	(25)	-	(25)
Classified as held for sale (note 12)	(496)	(1,638)	(767)	(5)	(2,906)
Disposals - business (note 37)	(13,157)	(12,118)	(7,767)	(2,706)	(35,748)
Transfers in/(out)	-	5,921	10,140	(16,061)	-
Depreciation expense	(1,194)	(4,225)	(10,333)	-	(15,752)
Balance at 30 June 2024	39,602	52,804	26,137	4,502	123,045

There has been no impairment recognised in relation to property, plant and equipment ('PPE') at 30 June 2024 (30 June 2023: 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	5 - 43 years
Furniture, fittings and equipment	1 - 40 years

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

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

Note 16. Intangible assets

	Consolidated 2024 $'000	Consolidated 2023 $'000
Non-current assets		
Goodwill - at cost	297,985	333,035
Gaming and liquor licences - at cost	216,237	273,141
	514,222	606,176

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

Consolidated	**Goodwill $'000**	**Gaming and liquor licences $'000**	**Total $'000**
Balance at 1 July 2022	333,035	273,141	606,176
Balance at 30 June 2023	333,035	273,141	606,176
Additions through business combinations (note 36)	11,900	5,650	17,550
Classified as held for sale (note 12)	(7,738)	(12,720)	(20,458)
Disposals - business (note 37)	(39,212)	(49,834)	(89,046)
Balance at 30 June 2024	297,985	216,237	514,222

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 financial year 2025 budget. The cash flows are projected from Years 2 to 5 based on an annualised growth rate of 3.0% (30 June 2023: 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 7.93% (30 June 2023: 8.11%).

A terminal growth rate of 2.96% (30 June 2023: 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.

	Pre-tax discount rate %	Terminal value %
Assumptions used in value in use calculation	7.93%	2.96%
Rate required for recoverable amount to equal carrying value*	9.44%	1.36%

* 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 2024 (30 June 2023: 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 $226.9 million are allocated across the Group's 27 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 2024, FVLCD methodology was adopted for 27 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 29 for details of key assumptions used. Costs of disposal is estimated at 3.0% of the hotel's fair value, which has been determined with reference to recent disposals.

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 2023: nil).

Note 16. Intangible assets (continued)

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

	Consolidated	
	2024 $'000	**2023 $'000**
Non-current assets		
Land and buildings - right-of-use assets	62,420	48,247
Less: Accumulated depreciation	(12,457)	(9,807)
	49,963	38,440

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.

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

Consolidated	**Land and buildings $'000**
Balance at 1 July 2022	41,931
Other changes	(901)
Depreciation expense	(2,590)
Balance at 30 June 2023	38,440
Additions	14,582
Disposals	(247)
Other changes	91
Depreciation expense	(2,903)
Balance at 30 June 2024	49,963

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	2,903	2,590
Interest expense on lease liabilities	1,997	1,844
Expense relating to short-term leases	-	167
	4,900	4,601

There has been no impairment recognised in relation to right-of-use assets at 30 June 2024 (30 June 2023: 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 39 for details of lease liabilities at the beginning and end of the reporting period;
- note 28 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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current assets		
Interest rate swap contracts - cash flow hedges	1,703	-
Non-current assets		
Interest rate swap contracts - cash flow hedges	8,136	10,460
	9,839	10,460

Refer to note 28 for further information on financial instruments.

Refer to note 29 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.

Note 18. Derivative financial instruments (continued)

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.

Note 19. Trade and other payables

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current liabilities		
Trade payables	6,826	3,828
Accrued interest	558	1,373
Other payables *	21,010	25,798
State Government taxes	19,812	20,103
	48,206	51,102
Non-current liabilities		
Other payables and accruals *	15,997	19,053
	64,203	70,155

Refer to note 28 for further information on financial instruments.

* 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 $9.9 million and non-current performance fee liability is $16.0 million.

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

Note 20. Lease liabilities

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current liabilities		
Lease liabilities	2,328	1,465
Non-current liabilities		
Lease liabilities	55,092	43,220
	57,420	44,685

Refer to note 28 for the maturity analysis.

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

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

Note 21. Employee benefits

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current liabilities		
Annual leave	2,993	3,540
Long service leave	785	712
	3,778	4,252
Non-current liabilities		
Long service leave	350	441
	4,128	4,693

Accounting policy for employee benefits

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

Note 21. Employee benefits (continued)

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

Note 22. Distribution payable

	Consolidated	
	2024 $'000	2023 $'000
Current liabilities		
Distributions	9,922	10,757

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

	Consolidated	
	2024 $'000	2023 $'000
Carrying amount at the start of the year	10,757	10,652
Distribution declared during the year	34,627	44,051
Payments relating to prior period	(10,757)	(10,445)
Payments relating to current period	(24,705)	(32,762)
Dividends under reinvestment plan (note 24)	-	(739)
Carrying amount at the end of the year	9,922	10,757

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

Note 23. Borrowings

	Consolidated	
	2024 $'000	2023 $'000
Non-current liabilities		
Bank loans	561,033	686,500
Capitalised loan establishment costs	(2,267)	(2,079)
	558,766	684,421

Refer to note 28 for further information on financial instruments.

Note 23. Borrowings (continued)

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Bank loans	561,033	686,500

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

- During the year, the Group extended $150.0 million of its $250.0 million debt facilities that were due to expire in September 2024 by approximately three to four years. The balance of $100.0 million was repaid in June 2024.
- In March 2024, Redcape increased its Ancillary facility from $4.0 million to $6.0 million.

The total facility amount is $600.0 million (excluding $6.0 million ancillary facility).

Description of the facility	Amount ($ million)	Expiry
Tranche A and Revolver A Facility	250.0	December 2025
Tranche C	100.0	December 2025
Tranche D	25.0	December 2025
Tranche B2	40.0	December 2026
Revolver B Facility	75.0	August 2027
Tranche B2	90.0	September 2027
Tranche B2	20.0	January 2028
	600.0	

The Group has access to a $6.0 million ancillary facility. At 30 June 2024, $4.1 million has been utilised on bank guarantees to a supplier and landlords (30 June 2023: $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 2024 and 30 June 2023.

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Total facilities		
Bank loans	600,033	700,000
Used at the reporting date		
Bank loans	561,033	686,500
Unused at the reporting date		
Bank loans	39,000	13,500

Note 23. Borrowings (continued)

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			
	2024 Stapled units	**2023 Stapled units**	**2024 $'000**	**2023 $'000**
Contributed equity	433,549,702	430,273,709	222,991	171,371

Details	**2024 No of units '000**	**2023 No of units '000**	**2024 $'000**	**2023 $'000**
RHT II				
Balance at beginning of the year	430,274	463,130	171,371	193,909
Units issued	3,397	10,442	1,703	7,703
Units redeemed	(121)	(43,741)	(83)	(30,559)
Units issued under distribution reinvestment plan	-	443	-	318
Equity reallocation	-	-	50,000	-
Balance at end of the year	433,550	430,274	222,991	171,371

Details	**2024 No of units '000**	**2023 No of units '000**	**2024 $'000**	**2023 $'000**
RHT I (non-controlling interest)				
Balance at beginning of the year	430,274	463,130	232,919	262,794
Units issued	3,397	10,442	4,010	10,212
Units redeemed	(121)	(43,741)	(110)	(40,508)
Units issued under distribution reinvestment plan	-	443	-	421
Equity reallocation*	-	-	(50,000)	-
Balance at end of the year	433,550	430,274	186,819	232,919

The Group’s quarterly liquidity facility was suspended on 30 June 2023 and reinstated on 2 April 2024.

* During the year, the Responsible Entity approved a reallocation of contributed equity between RHT I and RHT II wherein RHT I made a return of capital of $50.0 million, which was then reinvested as a capital contribution to RHT II.

Stapled units
The redeemable units of MA Redcape Hotel Trust I (‘RHT I’) and MA 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 MA Redcape Hotel Fund ('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.

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 consolidated entity 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.

Capital risk management
At 30 June 2024, the Group has 433,549,702 redeemable units (2023: 430,273,709) 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, the Responsible Entity of the Group announced the suspension of the quarterly liquidity facility and applications for a period of 180 days until 27 December 2023. During the suspension period, deceased estate redemptions were processed according to the Product Disclosure Statement (‘PDS’) and the Group’s continuous disclosure notice dated 30 June 2023. The suspension period was then further extended to 31 March 2024. A new PDS was issued on 2 April 2024 and redemptions recommenced, capped at $10m per quarter until the quarter ended 30 June 2025. However, redemptions received prior to the notification closing date of 16 May 2023 for the quarter ending 30 June 2023 will be prioritised (‘Priority Requests’). No new redemption requests will be accepted until the Priority Requests have been paid in full. While the Trust Manager expects satisfaction of Priority Requests to occur over the next four quarters of the 2025 financial year, it will review progress towards the end of financial year 2025 and provide a further update to investors regarding the satisfaction of the Priority Requests.

The Responsible Entity is required to ensure withdrawals from Redcape are managed in an orderly and sustainable manner and, consistent with the provision of the Group's PDS, the Responsible Entity will aim to balance satisfying investor liquidity with ongoing working capital requirement of the Group.

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.

Note 25. Accumulated losses

	Consolidated 2024 $'000	Consolidated 2023 $'000
Accumulated losses at the beginning of the financial year	(76,216)	(78,104)
Profit after income tax benefit for the year	9,683	1,888
Accumulated losses at the end of the financial year	(66,533)	(76,216)

Note 26. Non-controlling interest

	Consolidated 2024 $'000	Consolidated 2023 $'000
Contributed equity	186,819	232,919
Reserves	180,960	244,269
Accumulated losses	(77,643)	(102,300)
	290,136	374,888

	Contributed equity $'000	Hedging reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
RHT I					
Balance at 1 July 2022	262,794	5,304	242,366	(88,700)	421,764
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	232,919	10,460	233,809	(102,300)	374,888
Profit for the year	-	-	-	42,588	42,588
Total comprehensive income	-	(4,657)	(58,652)	16,696	(46,613)
Units issued	4,010	-	-	-	4,010
Units redeemed	(110)	-	-	-	(110)
Distributions paid to stapled unitholders	-	-	-	(34,627)	(34,627)
Equity reallocation	(50,000)	-	-	-	(50,000)
Balance at 30 June 2024	186,819	5,803	175,157	(77,643)	290,136

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.

Note 27. Distributions

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

	Consolidated	
	2024 $'000	2023 $'000
30 September 2023 of 1.70 cents (30 September 2022: 2.50 cents) per stapled unit	7,313	11,348
31 December 2023 of 2.00 cents (31 December 2022: 2.50 cents) per stapled unit	8,671	11,073
31 March 2024 of 2.00 cents (31 March 2023: 2.50 cents) per stapled unit	8,671	10,873
30 June 2024 of 2.30 cents (30 June 2023: 2.50 cents) per stapled unit	9,972	10,757
	34,627	44,051

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 28. 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 94%.

Note 28. Financial instruments (continued)

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

Consolidated	2024 Weighted average interest rate %	2024 Balance $'000	2023 Weighted average interest rate %	2023 Balance $'000
Bank loans	5.34%	561,033	3.87%	686,500
Interest rate swaps (notional principal amount)		(561,200)		(411,200)
Net exposure to interest rate risk		(167)		275,300

The bank loans outstanding, totalling $561.0 million (30 June 2023: $686.5 million), are interest payment loans. Monthly cash outlays of approximately $2.3 million (30 June 2023: $2.0 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 $1,700 (30 June 2023: $2.8 million) per annum.

Derivatives interest rate swap
The Group has entered into interest rate swap contracts with notional/principal value as at 30 June 2024 of $561.2 million (30 June 2023: $411.2 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 1.49 years as at 30 June 2024. The fixed rates range from 1.50%-4.25% per annum (30 June 2023: 1.50%-3.52% per annum).

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

Liquidity risk
Redcape manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Redcape has a voluntary working capital deficiency based on its capital management strategy of paying down debt with excess cash.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2024 $'000	Consolidated 2023 $'000
Bank loans	39,000	13,500

Note 28. Financial instruments (continued)

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

Consolidated - 2024	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,826	-	-	-	6,826
Other payables	-	21,010	15,997	-	-	37,007
State Government taxes	-	19,812	-	-	-	19,812
Interest-bearing - variable						
Bank loans	5.18%	24,942	310,050	236,140	-	571,132
Interest-bearing - fixed rate						
Lease liability	4.76%	4,924	4,826	15,052	56,467	81,269
Total non-derivatives		77,514	330,873	251,192	56,467	716,046

Consolidated - 2023	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,828	-	-	-	3,828
Other payables	-	25,798	19,053	-	-	44,851
State Government taxes	-	20,103	-	-	-	20,103
Interest-bearing - variable						
Bank loans	5.51%	40,739	273,587	434,566	-	748,892
Interest-bearing - fixed rate						
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

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.

Note 29. 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 - 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	-	331,734	331,734
Interest rate swaps	-	9,839	-	9,839
Total assets	-	9,839	331,734	341,573

Consolidated - 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	-	422,651	422,651
Interest rate swaps	-	10,460	-	10,460
Total assets	-	10,460	422,651	433,111

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

There were no transfers between levels during the financial year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Land (level 3)
Land is recognised at fair value based on periodic valuations by external independent valuers and/or six-monthly Portfolio 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 historical cost of land is $173.0 million.

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.

Portfolio valuations were undertaken for all Freehold Going Concern properties at 30 June 2024. In assessing fair value of these properties, the Portfolio 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 financial year.

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

Note 29. 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	6.09% - 11.00%	Capitalisation rates were lower (higher)
Freehold Going Concern - Adopted earnings	$0.8 million - $6.7 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	22.67% - 88.67%	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 $'000**
Balance at 1 July 2022	434,667
Loss recognised in profit or loss	(3,459)
Loss recognised in other comprehensive income	(8,557)
Balance at 30 June 2023	422,651
Gains recognised in profit or loss	4,410
Loss recognised in other comprehensive income	(41,956)
Disposals - business (note 37)	(47,395)
Transfer to asset held for sale (note 12)	(5,976)
Balance at 30 June 2024	331,734

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.

Note 29. 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 30. 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 MA Redcape Hotel Fund RE Limited, the Responsible Entity. Refer to note 34 for further details.

Note 31. Remuneration of auditors

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

	Consolidated	
	2024	**2023**
	$	**$**
Audit services - KPMG		
Audit or review of the financial statements	450,000	431,000

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 32. Contingent liabilities

Redcape has provided bank guarantees to a supplier and landlords as at 30 June 2024 of $4.1 million (30 June 2023: $3.0 million).

Note 33. Commitments

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	3,295	829

Note 34. Related party transactions

Parent entity
MA Redcape Hotel Trust II is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 38.

Note 34. Related party transactions (continued)

Transactions with related parties

Transactions with the Responsible Entity

	Transaction values for the year ended 30 June 2024 $	Balance outstanding as at 30 June 2024 $	Transaction values for the year ended 30 June 2023 $	Balance outstanding as at 30 June 2023 $
MA Redcape Hotel Fund RE Limited (i)				
Asset management fee	6,722,289	-	7,201,712	605,459
Debt arrangement fee (ii)	750,000	-	-	-
Acquisition fee (iii)	223,500	-	-	-
Disposal fee (iv)	2,050,000	-	390,000	-
Performance fee (v)	-	25,864,750	3,389,924	31,547,240
	9,745,789	25,864,750	10,981,636	32,152,699

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

(ii) Debt arrangement fee equates to 0.5% of the debt refinanced amount.

(iii) Acquisition fee equates to 1.0% of consideration paid for a leasehold business acquisition.

(iv) Disposal fee equates to 1.0% of sales proceeds from the disposal of eight hotels.

(v) Performance fee is accrued based on Portfolio Valuations and is expected to crystallise and become payable as Independent Valuations are performed. Accrued fee will be split proportionately between MA Redcape Hotel Trust I and MA Redcape Hotel Trust II based on the latest published Net Asset Value (‘NAV’). There is no additional performance fee accrual and $5.7 million of performance fee relating to financial year 2022 and financial year 2023 was settled via issuance of 3.4 million Redcape units during the financial year.

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 values for the year ended 30 June 2024 $	Balance outstanding as at 30 June 2024 $	Transaction values for the year ended 30 June 2023 $	Balance outstanding as at 30 June 2023 $
Redcape Hospitality Pty Ltd	Hotel operating fee*	9,772,647	511,022	12,146,062	884,901
Redcape Hospitality Pty Ltd	Project development fee	130,707	3,248	936,489	54,163
		9,903,354	514,270	13,082,551	939,064

* The Trust Manager has agreed to reduce fees associated with the Hotel Operator Agreement by an annualised amount of approximately $4.3 million from 1 January 2024 (Total waived as at 30 June 2024 is $2.15 million). Any fees foregone because of the reduction will be waived and the Trust Manager will review the Hotel Management Agreement fees associated with this agreement annually until the Group's underlying earnings exceed 10 cents per unit.

Note 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	**2023**
	$'000	**$'000**
Loss after income tax	(3,504)	(4,023)
Total comprehensive income	(3,504)	(4,023)

Statement of financial position

	Parent	
	2024	**2023**
	$'000	**$'000**
Total current assets	173,981	129,136
Total assets	192,208	145,827
Total current liabilities	7,410	9,143
Total liabilities	7,410	9,143
Equity		
Contributed equity	222,991	171,371
Accumulated losses	(38,193)	(34,687)
Total equity	184,798	136,684

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 2024 and 30 June 2023.

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 2024 and 30 June 2023.

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 36. Business combinations

Business acquisitions

Note 36. Business combinations (continued)

Redcape acquired the business and net assets of a Leasehold Going Concern in April 2024 for total net cash consideration of $21.8 million.

The consideration transferred, major classes of assets acquired, and liabilities assumed at the acquisition date were final as at 30 June 2024 and are detailed as follows

	Fair value $'000
Cash and cash equivalents	112
Inventories	64
Other current assets	81
Property, plant and equipment (note 15)	4,800
Gaming and liquor licences (note 16)	5,650
Trade and other payables	(789)
Employee benefits	(4)
Net assets acquired	9,914
Goodwill	11,900
Acquisition-date fair value of the total consideration transferred	21,814
Representing:	
Cash paid or payable to vendor	21,814
Acquisition costs expensed to profit or loss	651
Cash used to acquire businesses, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	21,814
Less: cash and cash equivalents	(112)
Net cash used	21,702

Acquisition related costs
Business acquisition costs of $0.7 million comprising stamp duty, legal fees and due diligence costs were included in Redcape's consolidated statement of profit or loss and other comprehensive income.

Contribution to the Group's results
From the date of acquisition to 30 June 2024, the leasehold business contributed $2.4 million to the consolidated Group revenue. The venue's operating EBITDA was $1.0 million.

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

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

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

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

Note 36. Business combinations (continued)

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

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

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

Note 37. Business disposals

Redcape disposed the business and net assets of eight hotels during the financial year ended 30 June 2024, resulting in a gain on disposal of $26.0 million. At the date of disposal, the carrying amount of tangible and intangible assets are as follows:

	Business disposals $'000
Consolidated	
Consideration received in cash	205,000
Less: Transaction costs	(6,760)
Net consideration	198,240
Land	(47,395)
Buildings	(13,157)
Property Improvements	(12,118)
Furniture and fittings	(7,767)
Work-in-progress	(2,706)
Intangibles	(89,046)
Leases	(28)
Gain on business disposals	26,023

Note 38. Interests in subsidiaries

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

Note 38. Interests in subsidiaries (continued)

	Consolidated	
	2024	**2023**
	%	**%**
Subsidiaries of RHT II (All entities below are incorporated in Australia)		
Redcape Hotel Fund Pty Ltd	100%	100%
MAHF Custodian Pty Ltd	100%	100%
MAHPT TT Pty Ltd	100%	100%
Redcape Group Limited	100%	100%
Redcape Hotel Group Pty Ltd	100%	100%
RHG Operations Pty Ltd	100%	100%
Redcape Services Pty Ltd	100%	100%
RGM TT Pty Ltd	100%	100%

Note 38. Interests in subsidiaries (continued)

	Consolidated 2024 %	Consolidated 2023 %
Subsidiaries of RHT I (All entities below are incorporated in Australia)		
Redcape Hotel Property Trust	100%	100%
St George Hotel Trust	100%	100%
Doonside Hotel Trust	-	100%
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%
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%

Note 39. Cash flow information

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Profit after income tax benefit for the year	52,271	32,339
Adjustments for:		
Depreciation and amortisation	18,658	21,010
(Gain)/ loss on asset revaluation	(4,410)	3,459
Net loss on disposal of non-current assets	21	21
Gain on disposal of business	(26,023)	(15,334)
Lease interest	1,997	1,844
Other payables that are equitized	5,682	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,011	(596)
Decrease in inventories	953	496
Increase in deferred tax assets	(220)	(1,323)
Decrease/(increase) in prepayments	1,093	(598)
(Increase)/decrease in capitalised loan establishment costs	(188)	1,039
Decrease in trade and other payables	(6,920)	(42,131)
Increase in derivative financial instruments	(4,036)	-
(Decrease)/increase in employee benefits	(570)	304
Net cash from operating activities	39,319	530

Non-cash investing and financing activities

	Consolidated 2024 $'000	Consolidated 2023 $'000
Stapled units issued under distribution reinvestment plan	-	739

Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2022	630,000	46,910	676,910
Net cash from/(used in) financing activities	56,500	(3,169)	53,331
Other changes	-	944	944
Balance at 30 June 2023	686,500	44,685	731,185
Net cash used in financing activities	(125,467)	(3,716)	(129,183)
Other changes	-	2,369	2,369
Changes through business combinations	-	14,302	14,302
Changes through discontinued operations	-	(220)	(220)
Balance at 30 June 2024	561,033	57,420	618,453

Note 40. Events after the reporting period

In July 2024, the Group entered into contracts to sell two of its New South Wales hotels for total consideration of $105.5 million. The settlement of these transactions are expected to occur in the 2025 financial year. The accounting gain/loss on the sale of the hotels will be included in the 2025 financial year.

Other than the above, no other matter or circumstance has arisen since 30 June 2024 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 the future financial years.

MA Redcape Hotel Fund
Directors' declaration
30 June 2024

The Directors of MA Redcape Hotel Fund RE Limited, 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 2024 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Nicholas Collishaw
Chairman

Christopher Unger
Managing Director

21 August 2024
Sydney

Independent Auditor's Report

To the stapled security holders of MA Redcape Hotel Fund

Opinion

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

In our opinion, the accompanying Financial Report of the Trust gives a true and fair view, including of the ***Stapled Group***'s financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2024
- 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 material accounting policies
- Directors' Declaration.

The ***Stapled Group*** consists of the MA Redcape Hotel Trust II and the entities it controlled at the year end or from time to time during the financial year and MA 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 MA Redcape Hotel Fund RE Limited (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.

KPMG

Other Information

Other Information is financial and non-financial information in MA Redcape Hotel Fund's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of MA Redcape Hotel Fund RE Limited (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 MA Redcape Hotel Fund RE Limited (the Responsible Entity) are responsible for:

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

Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

21 August 2024

MA Financial Group

redcape HOSPITALITY

MA Redcape Hotel Trust I

ARSN 629 354 614

Annual Report - 30 June 2024

MA Redcape Hotel Trust I
Contents
30 June 2024

The Directors of MA Redcape Hotel Fund RE Limited (the 'Responsible Entity') (formerly known as Redcape Hotel Group Management Limited) present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of MA Redcape Hotel Trust I (referred to hereafter as the 'Trust' or 'parent entity' or 'RHT I') (formerly known as Redcape Hotel Trust I) and the entities it controlled at the end of, or during, the year ended 30 June 2024. The manager of MA Redcape Hotel Fund ('Redcape') (formerly known as Redcape Hotel Group) is Redcape Hospitality Pty Ltd ('Trust Manager' or 'Management') (formerly known as MA Hotel Management Pty Ltd), a wholly owned subsidiary of MA Financial Group Limited ('MA Financial'). Redcape is a stapled Fund consisting of MA Redcape Hotel Trust I and MA Redcape Hotel Trust II ('RHT II') (formerly known as Redcape Hotel Trust II) and the entities they controlled at the end of, or during, the period ended 30 June 2024.

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
Mr Andrew Martin

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:

	Consolidated	
	2024	2023
	$'000	$'000
30 September 2023 of 1.70 cents (30 September 2022: 2.50 cents) per unit	7,313	11,348
31 December 2023 of 2.00 cents (31 December 2022: 2.50 cents) per unit	8,671	11,073
31 March 2024 of 2.00 cents (31 March 2023: 2.50 cents) per unit	8,671	10,873
30 June 2024 of 2.30 cents (30 June 2023: 2.50 cents) per unit	9,972	10,757
	34,627	44,051

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

Distributions payable comprises 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.

Review of operations

The profit for the consolidated entity was $38.0 million (30 June 2023: profit of $33.9 million).

Disposal of investment properties

The consolidated entity completed the sale of eight investment properties during the financial year for total consideration of $134.4 million and exchanged a sale contract for an additional hotel for consideration of $16.5 million. The sale of this investment property is expected to be completed in the 2025 financial year.

Subsequent to the end of the financial year, the Group entered into contracts to sell a further two investment properties. Refer to Matters subsequent to the end of the financial year note for further details.

Bank loan facility

During the year, the Group extended $150.0 million of its $250.0 million debt facilities that were due to expire in September 2024 by approximately three to four years. The balance of $100.0 million was repaid in June 2024.

Capital reallocation
In May 2024, the Group completed a capital reallocation transaction whereby capital was reallocated between RHT I and RHT II. A capital return of $50.0 million was made from RHT I and a subsequent capital contribution of $50.0 million to RHT II whereby RHT II had used these proceeds to make a partial repayment of the intragroup loan.

Quarterly Liquidity Facility
On 30 June 2023, the Responsible Entity of the Group announced the suspension of the quarterly liquidity facility and applications for a period of 180 days until 27 December 2023. During the suspension period, deceased estate redemptions were processed according to the Product Disclosure Statement (‘PDS’) and the Group’s continuous disclosure notice dated 30 June 2023. The suspension period was then further extended to 31 March 2024. A new PDS was issued on 2 April 2024 and redemptions recommenced, capped at $10.0 million per quarter until the quarter ended 30 June 2025. However, redemptions received prior to the notification closing date of 16 May 2023 for the quarter ending 30 June 2023 will be prioritised (‘Priority Requests’). No new redemption requests will be accepted until the Priority Requests have been paid in full. While the Trust Manager expects satisfaction of Priority Requests to occur over the next four quarters of the 2025 financial year, it will review progress towards the end of financial year 2025 and provide a further update to investors regarding the satisfaction of the Priority Requests.

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 July 2024, the Group entered into contracts to sell two of its New South Wales hotels for total consideration of $60.5 million. The settlement of these transactions are expected to occur in the 2025 financial year. The accounting gain/loss on the sale of the hotels will be included in the 2025 financial year.

Other than the above, no other matter or circumstance has arisen since 30 June 2024 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 the 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.

MA Redcape Hotel Trust I
Directors' report
30 June 2024

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

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

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

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

On behalf of the Directors

Nicholas Collishaw
Chairman

Christopher Unger
Managing Director

21 August 2024
Sydney

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

To the Directors of MA Redcape Hotel Fund RE Limited, as Responsible Entity of MA Redcape Hotel Trust I

I declare that, to the best of my knowledge and belief, in relation to the audit of MA Redcape Hotel Trust I for the financial year ended 30 June 2024 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

21 August 2024

MA Redcape Hotel Trust I
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Investment income	4	53,852	47,983
Finance income		16,391	20,494
Total revenue and other income		70,243	68,477
Expenses			
Operating expenses	5	(6,432)	(6,079)
Management fee	6	(1,681)	(3,927)
Finance costs		(37,342)	(33,211)
Depreciation expense	12	(1,196)	(1,588)
Impairment of investment properties	10	(4,727)	-
Gain on disposal of investment properties	28	19,164	10,179
Total expenses		(32,214)	(34,626)
Profit for the year attributable to the unitholders of MA Redcape Hotel Trust I	18	**38,029**	**33,851**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity	17	(4,657)	5,156
Other comprehensive income for the year		(4,657)	5,156
Total comprehensive income for the year attributable to the unitholders of MA Redcape Hotel Trust I		33,372	39,007

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

MA Redcape Hotel Trust I
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Assets			
Current assets			
Cash and cash equivalents	7	36,026	1,558
Trade and other receivables	8	177,174	4,913
Derivative financial instruments	11	1,703	-
Other current assets	9	1,831	1,935
		216,734	8,406
Assets classified as held for sale	10	16,500	-
Total current assets		**233,234**	**8,406**
Non-current assets			
Trade and other receivables	8	771	268,147
Derivative financial instruments	11	8,136	10,460
Investment properties	12	453,682	587,350
Total non-current assets		**462,589**	**865,957**
Total assets		**695,823**	**874,363**
Liabilities			
Current liabilities			
Trade and other payables	13	9,947	12,531
Distribution payable	14	9,922	10,757
Total current liabilities		**19,869**	**23,288**
Non-current liabilities			
Trade and other payables	13	11,726	13,837
Borrowings	15	558,766	684,421
Total non-current liabilities		**570,492**	**698,258**
Total liabilities		**590,361**	**721,546**
Net assets		**105,462**	**152,817**
Equity			
Issued capital	16	186,819	232,919
Cash flow hedge reserve	17	5,803	10,460
Accumulated losses	18	(87,160)	(90,562)
Total equity		**105,462**	**152,817**

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

MA Redcape Hotel Trust I
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	**Issued capital $'000**	**Cash flow hedge reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
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
Transactions with unitholders in their capacity as unitholders:				
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 19)	-	-	(44,051)	(44,051)
Balance at 30 June 2023	**232,919**	**10,460**	**(90,562)**	**152,817**

Consolidated	**Issued capital $'000**	**Cash flow hedge reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2023	232,919	10,460	(90,562)	152,817
Profit for the year	-	-	38,029	38,029
Other comprehensive income for the year	-	(4,657)	-	(4,657)
Total comprehensive income for the year	-	(4,657)	38,029	33,372
Transactions with unitholders in their capacity as unitholders:				
Units issued (note 16)	4,010	-	-	4,010
Units redeemed (note 16)	(110)	-	-	(110)
Distribution reinvestment plans (note 16)	-	-	-	-
Related party equity reallocation (note 16)	(50,000)	-	-	(50,000)
Distributions paid (note 19)	-	-	(34,627)	(34,627)
Balance at 30 June 2024	**186,819**	**5,803**	**(87,160)**	**105,462**

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

MA Redcape Hotel Trust I
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated 2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		61,246	48,187
Payments to suppliers (inclusive of GST)		(13,228)	(27,563)
Interest received		16,391	20,494
Interest and other finance costs paid		(42,382)	(32,308)
Net cash from operating activities	30	22,027	8,810
Cash flows from investing activities			
Net proceeds from disposal of investment properties	28	130,409	31,162
Net cash from investing activities		130,409	31,162
Cash flows from financing activities			
Proceeds from bank loans	30	112,933	103,000
Repayment of bank loans	30	(238,400)	(46,500)
Loans to related and other parties		(73,496)	(118,873)
Loans from related and other parties		116,553	68,794
Proceeds from issue of units	16,26	14	10,212
Payments for redemption of stapled units	16	(110)	(40,508)
Distributions paid	14	(35,462)	(43,207)
Net cash used in financing activities		(117,968)	(67,082)
Net increase/(decrease) in cash and cash equivalents		34,468	(27,110)
Cash and cash equivalents at the beginning of the financial year		1,558	28,668
Cash and cash equivalents at the end of the financial year	7	36,026	1,558

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

Note 1. General information

The financial statements cover MA Redcape Hotel Trust I (ARSN 629 354 614) as a consolidated entity consisting of MA 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 MA Redcape Hotel Fund RE Limited (ABN 87 610 990 004) (the 'Responsible Entity').

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

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

Level 27
Brookfield Place
10 Carrington Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 21 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

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 2021-2 *Amendments to Australian Accounting Standards–Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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.

As at 30 June 2024, the consolidated entity had current assets of $233,234,000 and current liabilities of $19,869,000 leaving a net surplus of working capital of $213,365,000 (or surplus of $39,195,000 if related party receivables are excluded) (30 June 2023: net working capital deficit of $14,882,000). At the reporting date, the Group had access to $39,000,000 of undrawn loan facilities. The Directors of the Responsible Entity believe that the consolidated entity has the ability to meet current and future obligations and is appropriate to prepare the financial statements on a going concern basis.

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').

Note 2. Material accounting policy information (continued)

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

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

Parent entity information
These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27 'Parent entity information'.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MA Redcape Hotel Trust I ('Trust' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. MA Redcape Hotel Trust I and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

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

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

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

Note 2. Material accounting policy information (continued)

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

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

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

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

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

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 2024. The consolidated entity has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

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

New or revised requirement	**When effective**
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	Applicable to annual reporting periods beginning on or after 1 January 2024
AASB 2022-6 Amendments - Non-current liabilities with covenants	Applicable to annual reporting periods beginning on or after 1 January 2024
AASB 18 - Presentation and Disclosure in Financial Statements	Applicable to annual reporting periods beginning on or after 1 January 2027

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

	Consolidated	
	2024 $'000	2023 $'000
Rental income from investment properties*	48,760	43,053
Revenue from outgoings recovered	5,092	4,930
Investment income	53,852	47,983

* Rental income includes both internal rental income and external rental income. Refer to note 26 related party transactions for further information on internal rental income.

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

Accounting policy for revenue recognition
The consolidated entity recognises revenue as follows:

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

Interest
Interest income is recognised using the effective interest method.

Note 5. Operating expenses

	Consolidated	
	2024 $'000	2023 $'000
Investment property outgoings and expenses	5,351	5,225
Other expenses	1,081	854
	6,432	6,079

Note 6. Management fee

	Consolidated	
	2024 $'000	2023 $'000
Asset management fee	1,681	1,800
Performance fee	-	2,127
	1,681	3,927

Refer to note 26 related party transactions for further information on outstanding management fees as at 30 June 2024 and 30 June 2023.

Note 7. Cash and cash equivalents

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current assets		
Cash at bank	36,026	1,558

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current assets		
Trade receivables	2,992	4,893
Interest-bearing related party receivable*	174,170	-
Other receivables	12	20
	177,174	4,913
Non-current assets		
Interest-bearing related party receivable*	-	267,226
Straight-line lease asset	771	921
	771	268,147
	177,945	273,060

* 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 26 related party transactions for more details.

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value, less any allowance for expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Note 9. Other current assets

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current assets		
Prepayments	1,831	1,935

Note 10. Assets classified as held for sale

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current assets		
Investment properties	21,227	-
Less: Impairment	(4,727)	-
	16,500	-

During the financial year, the Group entered into contracts to sell nine of its investment properties for total consideration of $150.9 million. As at 30 June 2024, the sale of eight hotels settled with total proceeds of $134.4 million. The carrying value of the assets of the remaining investment property under contract has been recognised as assets held for sale at the end of the financial year. The settlement of this sale contract is expected to occur in 2025 financial year. As the contracted sales price is $16.5 million, the carrying amount of assets held for sale has been impaired by $4.7 million during the financial year.

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

Note 11. Derivative financial instruments

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Current assets		
Interest rate swap contracts - cash flow hedges	1,703	-
Non-current assets		
Interest rate swap contracts - cash flow hedges	8,136	10,460
	9,839	10,460

Refer to note 20 for further information on financial instruments.

Refer to note 21 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 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.

Note 11. Derivative financial instruments (continued)

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

	Consolidated	
	2024	**2023**
	$'000	**$'000**
Non-current assets		
Investment properties - at cost	460,586	595,375
Less: Accumulated depreciation	(6,904)	(8,025)
	453,682	587,350

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

	2024 $'000	2023 $'000
Opening balance	587,350	588,938
Classified as held for sale (note 10)	(21,227)	-
Disposals (note 28)	(111,245)	-
Depreciation expense	(1,196)	(1,588)
Closing balance	453,682	587,350

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 2024 is $733.1 million (30 June 2023: $968.8 million).

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

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

Note 12. Investment properties (continued)

Estimated future cash flows are based on fixed annual increases in line with rental agreements and range from 0% to 3.75% (30 June 2023: 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 7.88% to 9.65% (30 June 2023: 7.86% to 9.59%).

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 2023: 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

	Consolidated	
	2024 $'000	**2023 $'000**
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	41,085	50,719
One to five years	172,614	209,088
More than five years	343,708	529,553
	557,407	789,360

Note 13. Trade and other payables

	Consolidated	
	2024 $'000	**2023 $'000**
Current liabilities		
Trade payables	30	344
Accrued interest	558	1,374
Other payables*	7,990	9,395
Outgoings recovered received in advance	1,369	1,418
	9,947	12,531
Non-current liabilities		
Other payables and accruals*	11,726	13,837
	21,673	26,368

Note 13. Trade and other payables (continued)

Refer to note 20 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 $6.8 million and non-current performance fee liability is $11.7 million.

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Current liabilities		
Distributions	9,922	10,757

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

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

Consolidated - 2024	**Distributions $'000**
Carrying amount at the start of the year	10,757
Distribution declared during the current period	34,627
Payments relating to prior period	(10,757)
Payments relating to current period	(24,705)
Carrying amount at the end of the year	9,922

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

	Consolidated 2024 $'000	Consolidated 2023 $'000
Non-current liabilities		
Bank loans	561,033	686,500
Capitalised loan establishment costs	(2,267)	(2,079)
	558,766	684,421

Refer to note 20 for further information on financial instruments.

Note 15. Borrowings (continued)

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

	Consolidated	
	2024 $'000	2023 $'000
Bank loans	561,033	686,500

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

- During the year, the Group extended $150.0 million of its $250.0 million debt facilities that were due to expire in September 2024 by approximately three to four years. The balance of $100.0 million was repaid in June 2024.
- In March 2024, the Group increased its Ancillary facility from $4.0 million to $6.0 million.

The total facility amount is $600.0 million (excluding $6.0 million ancillary facility).

Description of the facility	Amount ($ million)	Expiry
Tranche A and Revolver A Facility	250.0	December 2025
Tranche C	100.0	December 2025
Tranche D	25.0	December 2025
Tranche B2	40.0	December 2026
Revolver B Facility	75.0	August 2027
Tranche B2	90.0	September 2027
Tranche B2	20.0	January 2028
	600.0	

The consolidated entity has access to a $6.0 million ancillary facility. As at 30 June 2024, $4.1 million has been utilised on bank guarantees to a supplier and landlords (30 June 2023: $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 2024 and 30 June 2023.

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

	Consolidated	
	2024 $'000	2023 $'000
Total facilities		
Bank loans	600,033	700,000
Used at the reporting date		
Bank loans	561,033	686,500
Unused at the reporting date		
Bank loans	39,000	13,500

Note 15. Borrowings (continued)

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

	Consolidated			
	2024 Units	2023 Units	2024 $'000	2023 $'000
Redeemable units - fully paid	433,549,702	430,273,709	186,819	232,919

Details	2024 No of units '000	2023 No of units '000	2024 $'000	2023 $'000
Balance at beginning of the year	430,274	463,130	232,919	262,794
Units issued	3,397	10,442	4,010	10,212
Units redeemed	(121)	(43,741)	(110)	(40,508)
Unit issued under distribution reinvestment plan	-	443	-	421
Related party equity reallocation	-	-	(50,000)	-
Balance at end of the year	433,550	430,274	186,819	232,919

The Group's quarterly liquidity facility was suspended on 30 June 2023 and reinstated on 2 April 2024.

* During the year the Responsible Entity approved a reallocation of contributed equity between RHT I and RHT II wherein RHT I made a return of capital of $50.0 million, which was then reinvested as a capital contribution to RHT II.

Stapled units
The redeemable units of MA Redcape Hotel Trust I ('RHT I') and MA 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 MA Redcape Hotel Fund ('Redcape') (formerly known as Redcape Hotel Group).

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

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.

Note 16. Issued capital (continued)

A puttable financial instrument that includes a contractual obligation for the consolidated entity 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.

Capital risk management
At 30 June 2024, the Group has 433,549,702 redeemable units (30 June 2023: 430,273,709) 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, the Responsible Entity of Redcape announced the suspension of the quarterly liquidity facility and applications for a period of 180 days until 27 December 2023. During the suspension period, deceased estate redemptions were processed according to the Product disclosure Statement and Redcape’s continuous disclosure notice dated 30 June 2023. The suspension period was subsequently extended to 31 March 2024. The liquidity facility was reinstated on 2 April 2024 with the issue of a revised Product Disclosure Statement (‘PDS’). Per the PDS, the amount of available liquidity in each quarter will be capped at $10.0 million during the 2025 financial year. Redemptions received prior to the notification closing date of 16 May 2023 for the quarter ending 30 June 2023 will be prioritised (‘Priority Requests’). No new redemption requests will be accepted until the Priority Requests have been paid out in full. While the Trust Manager expects redemption of Priority Requests to occur over the next four quarters, it will review progress towards the end of financial year 2025 and provide a further update to investors regarding the satisfaction of the Priority Requests.

The Responsible Entity is required to ensure withdrawals from Redcape are managed in an orderly and sustainable manner and, consistent with the provision of Redcape's PDS, the Responsible Entity will aim to balance satisfying investor liquidity with ongoing working capital requirement of Redcape.

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.

Note 16. Issued capital (continued)

Capital reallocation
In May 2024, the Group completed a capital reallocation transaction whereby capital was reallocated between RHT I and RHT II. A capital return of $50.0 million was made from RHT I and a subsequent capital contribution of $50.0 million to RHT II whereby RHT II had used these proceeds to make a partial repayment of the intragroup loan.

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

	Consolidated	
	2024 **$'000**	**2023** **$'000**
Hedging reserve - cash flow hedges	5,803	10,460

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 20 for further information on financial instruments.

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

Consolidated	**Hedging reserve $'000**
Balance at 1 July 2022	5,304
Revaluation - gross	5,156
Balance at 30 June 2023	10,460
Revaluation - gross	(4,657)
Balance at 30 June 2024	5,803

Note 18. Accumulated losses

	Consolidated	
	2024 **$'000**	**2023** **$'000**
Accumulated losses at the beginning of the financial year	(90,562)	(80,362)
Profit for the year	38,029	33,851
Distributions paid (note 19)	(34,627)	(44,051)
Accumulated losses at the end of the financial year	(87,160)	(90,562)

Note 19. Distributions

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

	Consolidated	
	2024 $'000	2023 $'000
30 September 2023 of 1.70 cents (30 September 2022: 2.50 cents) per unit	7,313	11,348
31 December 2023 of 2.00 cents (31 December 2022: 2.50 cents) per unit	8,671	11,073
31 March 2024 of 2.00 cents (31 March 2023: 2.50 cents) per unit	8,671	10,873
30 June 2024 of 2.30 cents (30 June 2023: 2.50 cents) per unit	9,972	10,757
	34,627	44,051

Accounting policy for distributions
Distributions are recognised when declared during the financial year and no longer at the discretion of the Trust.

Distributions payable comprises 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 20. 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 consolidated entity 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. The Group’s current borrowing facilities are hedged to 94%.

Note 20. Financial instruments (continued)

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

	2024		2023	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	5.34%	561,033	3.87%	686,500
Interest rate swaps (notional principal amount)		(561,200)		(411,200)
Net exposure to interest rate risk		(167)		275,300

The bank loans outstanding, totalling $561.0 million (30 June 2023: $686.5 million), are interest payment loans. Monthly cash outlays of approximately $2.3 million (30 June 2023: $2.0 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 $1,700 (30 June 2023 : $2.8 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 2024 of $561.2 million (30 June 2023: $411.2 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 1.49 years as at 30 June 2024. The fixed rates range from 1.50% to 4.25% per annum (30 June 2023: 1.50% to 3.52% per annum).

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

Liquidity risk
The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated entity has a voluntary working capital deficiency based on its capital management strategy of paying down debt with excess cash.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2024 $'000	2023 $'000
Bank loans	39,000	13,500

Note 20. Financial instruments (continued)

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

Consolidated - 2024	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	30	-	-	-	30
Other payables	-	7,990	11,726	-	-	19,716
Interest-bearing - variable						
Bank loans	5.18%	24,942	310,050	236,140	-	571,132
Total non-derivatives		32,962	321,776	236,140	-	590,878

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

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

Note 21. 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 - 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Interest rate swaps	-	9,839	-	9,839
Total assets	-	9,839	-	9,839

Note 21. Fair value measurement (continued)

Consolidated - 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Interest rate swaps	-	10,460	-	10,460
Total assets	-	10,460	-	10,460

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.

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 22. 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 MA Redcape Hotel Fund RE Limited, the Responsible Entity. Refer note 26 for further details.

Note 23. Remuneration of auditors

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

	Consolidated 2024 $	**Consolidated 2023 $**
Audit services - KPMG		
Audit or review of the financial statements	450,000	431,000

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

Note 23. Remuneration of auditors (continued)

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 24. Contingent liabilities

The consolidated entity has given bank guarantees to a supplier and landlords of a related party as at 30 June 2024 of $4.1 million (2023: $3.0 million).

Note 25. Commitments

The consolidated entity had no commitments as at 30 June 2024 and 30 June 2023.

Note 26. Related party transactions

Parent entity
MA Redcape Hotel Trust I is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Transactions with related parties
(a) Responsible Entity

	Transaction values for the year ended 30 June 2024 $	Balance outstanding as at 30 June 2024 $	Transaction values for the year ended 30 June 2023 $	Balance outstanding as at 30 June 2023 $
MA Redcape Hotel Fund RE Limited (i)				
Asset management fee	1,680,572	-	1,800,428	151,365
Debt arrangement fee (ii)	750,000	-	-	-
Disposal fee (iii)	1,343,750	-	318,000	-
Performance fee (iv)	-	18,542,524	2,126,689	22,538,971
	3,774,322	18,542,524	4,245,117	22,690,336

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

(ii) Debt arrangement fee equates to 0.5% of the debt refinanced amount of $150.0 million (2023: nil).

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

(iv) Performance fees are accrued based on Portfolio Valuations and is expected to crystallise and become payable as Independent Valuations are performed. Accrued fees are split proportionately between MA Redcape Hotel Trust I and MA Redcape Hotel Trust II based on the latest published Net Asset Value (‘NAV’). There is no additional performance fee accrual and $4.0 million of performance fee relating to financial year 2022 and financial year 2023 was settled via issuance of 3.4 million Redcape units during the financial year.

(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:

Note 26. Related party transactions (continued)

Related Entity	Transaction	Transaction values for the year ended 30 June 2024 $	Balance outstanding as at 30 June 2024 $	Transaction values for the year ended 30 June 2023 $	Balance outstanding as at 30 June 2023 $
Redcape Hotel Group Pty Ltd	Rental income	(48,839,801)	(2,943,380)	(43,074,788)	(4,427,765)
Redcape Hotel Group Pty Ltd	Interest income	(15,935,846)	(1,021,497)	(20,247,110)	(1,989,371)
Redcape Hotel Fund Pty Ltd	Loan receivable	(93,056,055)	174,169,507	49,761,243	267,225,561

Related party loan receivable
During the year RHF made a loan repayment of $50.0 million to RHT I on the interest-bearing related party receivable, from the proceeds of the contributed equity reallocation. Refer to note 16 .

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2024 $'000	Parent 2023 $'000
Profit	30,156	23,123
Total comprehensive income	30,156	23,123

Statement of financial position

	Parent 2024 $'000	Parent 2023 $'000
Total current assets	338	124
Total assets	157,018	206,804
Total current liabilities	28,529	33,388
Total liabilities	81,476	80,691
Equity		
Issued capital	186,819	232,919
Accumulated losses	(111,277)	(106,806)
Total equity	75,542	126,113

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 2024 and 30 June 2023.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Note 27. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Distributions received from subsidiaries are recognised as other income by the parent entity.

Note 28. Investment properties disposals

RHTI disposed of eight investment properties during the financial year ended 30 June 2024, resulting in a gain on disposal of $19.2 million. At the dates of disposal, the carrying amount of the investment properties was $111.2 million.

	Investment properties disposal $'000
Consolidated	
Consideration received, satisfied in cash	134,375
Less: Transaction costs	(3,966)
Net consideration	130,409
Investment properties carrying amount	(111,245)
Gain on disposal of investment properties	19,164

Note 29. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2024 %	Ownership interest 2023 %
Redcape Hotel Property Trust	Australia	100%	100%
St George Hotel Trust	Australia	100%	100%
Doonside Hotel Trust	Australia	-	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%
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%

Note 30. Cash flow information

Reconciliation of profit to net cash from operating activities

	Consolidated 2024 $'000	Consolidated 2023 $'000
Profit for the year	38,029	33,851
Adjustments for:		
Depreciation expense	1,196	1,588
Impairment of investments	4,727	-
Gain on disposal of business	(19,164)	(10,179)
Other payables that are equitised	3,996	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	2,059	(4,839)
Decrease/(increase) in prepayments	103	(146)
(Increase)/decrease in capitalised loan establishment costs	(188)	1,039
Decrease in trade and other payables	(4,695)	(12,504)
Increase in derivative financial instruments	(4,036)	-
Net cash from operating activities	22,027	8,810

Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000
Balance at 1 July 2022	630,000
Net cash from financing activities	56,500
Balance at 30 June 2023	686,500
Net cash used in financing activities	(125,467)
Balance at 30 June 2024	561,033

Note 31. Events after the reporting period

In July 2024, the Group entered into contracts to sell two of its New South Wales hotels for total consideration of $60.5 million. The settlement of these transactions are expected to occur in the 2025 financial year. The accounting gain/loss on the sale of the hotels will be included in the 2025 financial year.

Other than the above, no other matter or circumstance has arisen since 30 June 2024 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 the future financial years.

MA Redcape Hotel Trust I
Directors' declaration
30 June 2024

The Directors of MA Redcape Hotel Fund RE Limited, as the Responsible Entity of MA 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 2024 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Nicholas Collishaw
Chairman

Christopher Unger
Managing Director

21 August 2024
Sydney

Independent Auditor's Report

To the security holders of MA Redcape Hotel Trust I

Opinion

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

In our opinion, the accompanying Financial Report of the Trust gives a true and fair view, including of the ***Group***'s financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001,* in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2024
- 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 material accounting policies
- Directors' Declaration.

The ***Group*** consists of the MA 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 MA Redcape Hotel Fund RE Limited (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 MA Redcape Hotel Trust 1's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of MA Redcape Hotel Fund RE Limited (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 MA Redcape Hotel Fund RE Limited (the Responsible Entity) are responsible for:

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

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

21 August 2024