MA Financial Group

We invest. We lend. We advise.

Redcape Hotel Group

Interim report

31 December 2023

ISSUER AND RESPONSIBLE ENTITY

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

MANAGER

MA Hotel Management Pty Ltd ACN 619297228

Redcape Hotel Group

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

Interim Report - 31 December 2023

The Directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the stapled consolidated entity (referred to hereafter as 'Redcape' or 'Group') consisting of Redcape Hotel Trust I ('RHT I') and Redcape Hotel Trust II ('RHT II') and the entities they controlled at the end of, or during, the period ended 31 December 2023. The manager of Redcape is MA Hotel Management Pty Ltd (‘Trust Manager’ or ‘Management’), a wholly owned subsidiary of MA Financial Group Ltd ('MA Financial').

Directors

The following persons were Directors of the Responsible Entity of Redcape during the period ended 31 December 2023 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 an Australian hotel business operating a portfolio of 31 hotels across New South Wales ('NSW') and Queensland ('QLD'). Redcape owns 29 of the 31 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

Distribution paid/ payable during the half-year for the quarters ending:

	Consolidated	
	31 Dec 2023 $’000	**31 Dec 2022 $’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 of 2.50 cents) per stapled unit	8,671	11,073
	15,984	22,421

Review of operations

The statutory profit for Redcape after providing for income tax amounted to $22.7 million (31 December 2022: profit of $31.2 million).

Disposal of hotels
As detailed in notes 7 and 23, the Group completed the sale of four hotels in the reporting period for total consideration of $63.9 million (excluding selling fees of $2.5 million) and exchanged sale contracts for an additional four hotels for a total consideration of $141.1 million. The sale of these hotels is expected to be completed in the second half of the financial year.

Acquisition of business
On 15 December 2023, the Group exchanged a contract to acquire a New South Wales leasehold business for total consideration of $22.4 million.

Bank loan facility
During the reporting period, the Group extended $250 million of debt facilities that were due to expire in September 2024 by approximately three years. The facility limits will reduce from $250 million to $150 million by September 2024. A portion of the net proceeds from the disposal of hotels will be applied to this permanent reduction of debt. As a result, $100 million of the Group’s borrowings have been classified as current in the statement of financial position as at 31 December 2023.

Interest rate hedge
As part of the refinancing process, the Trust Manager extended the amount of Redcape's debt covered by interest rate hedges

to approximately 80% of total debt as at 31 December 2023. Redcape's interest rate hedges will cover approximately 90% of total borrowing facilities from September 2024.

Quarterly liquidity facility
In December 2023, the Responsible Entity of the Group announced that it has extended the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. This will provide time for the asset sales to settle and for the Group to receive the net proceeds.

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

The Directors of the Responsible Entity believe these non-IFRS metrics are useful to users as they:
- reveal the underlying and operating performance of the Group which enhances the reader's understanding of past performance;
- provide insight into Management's decision making as Management uses these measures to run the business, allocate resources and make financial, strategic, and operating decisions; and
- forms the basis of the Group's annual budgeting and internal forecasting processes.

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

The key metrics achieved during the half-year are set out below:
- Underlying earnings of $18.74 million or 4.34 cents per stapled unit (31 December 2022: $25.87 million or 5.78 cents per stapled unit)
- Distributions of $16.0 million or 3.70 cents per stapled unit (31 December 2022: $22.4 million or 5.0 cents per stapled unit)
- Operating EBITDA of $40.7 million (31 December 2022: $42.9 million)
- Cash from operating activities of $28.4 million (31 December 2022: $13.6 million cash used in operating activities)
- Net proceeds from sale of hotels of $61.4 million (31 December 2022: nil)
- Portfolio value decreased to $964.9 million (30 June 2023: $1,193.0 million). The decrease in value reflects the net impact of:
  (i) Revaluation decrease: ($54.0 million) comprising $56.4 million loss recognised in asset revaluation reserve and $2.4 million gain recognised in income statement
  (ii) Reclassification of assets held for sale: ($119.1 million)
  (iii) Disposal of assets: ($53.1 million)
  (iv) Capital spend: $6.2 million
  (v) Depreciation: ($8.1 million)
- Statutory Net Asset Value of $0.9718 per stapled unit (30 June 2023: $1.0924 per stapled unit)
- Total capital expenditure of $6.2 million (31 December 2022: $16.8 million) of which $3.5 million related to capital growth and $2.7 million for capital maintenance

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

	Consolidated	
	31 December 2023 $'000	**31 December 2022 $'000**
Revenue	189,618	200,506
Gross profit	**104,750**	**106,211**
Gross profit (% of Revenue)	**55.2%**	**53.0%**
Operating costs	(23,188)	(21,984)
Employment costs	(30,832)	(31,120)
Management fees (excluding performance fee)	(10,025)	(10,214)
Operating EBITDA	**40,705**	**42,893**
Operating EBITDA (% of Revenue)	**21.5%**	**21.4%**
Performance fee	-	(6,092)
Gain on disposal of non-current assets	8,248	15,313
Gain on asset revaluation	2,423	3,065
EBITDA	**51,376**	**55,179**
Depreciation expense on right-of-use assets	(1,359)	(1,474)
Depreciation expense	(8,121)	(9,019)
EBIT	**41,896**	**44,686**
Interest on lease liabilities	(919)	(702)
Net finance costs	(20,887)	(13,225)
Profit before income tax expense	**20,090**	**30,759**
Income tax benefit	2,613	453
Statutory NPAT	**22,703**	**31,212**

(ii) Reconciliation of Statutory NPAT to Underlying Earnings

	Consolidated	
	31 December 2023 $'000	**31 December 2022 $'000**
Statutory NPAT	**22,703**	**31,212**
Add / (deduct) non-cash & non-operating items		
Performance fees	-	6,092
Gain on disposal of non-current assets	(8,248)	(15,313)
Gain on asset revaluation	(2,423)	(3,065)
Depreciation expense on right-of-use assets	1,359	1,474
Depreciation expense	8,121	9,019
Interest on lease liabilities	919	702
Cash rent adjustment	(1,708)	(1,576)
Amortisation of capitalised loan establishment costs	539	886
Borrowing costs written off	2,817	-
Maintenance capital expenditure	(2,729)	(3,106)
Income tax benefit	(2,613)	(453)
Underlying earnings	**18,737**	**25,872**
Underlying earnings per stapled unit (cents)	**4.34**	**5.78**
Weighted average number of stapled securities	431,507,331	447,928,949

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 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 31 December 2023, the Group had current assets of $168.2 million and current liabilities of $173.9 million leaving a net deficit of working capital of $5.7 million (30 June 2023: net working capital deficit of $38.2 million). Liquidity is being managed by the following:

- Since June 2023, the Trust Manager has successfully contracted to sell $205 million of freehold going concern assets. The Group will apply $100 million of the net proceeds from the disposal of hotels to the permanent reduction of debt, which will result in a reduction in the Group's finance costs. This reduction in debt will occur by September 2024.
- In December 2023, the Responsible Entity of the Group announced that it has extended the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. This will provide time for the asset sales to settle and for the Group to receive the net proceeds.
- The Responsible Entity expects to reinstate the quarterly liquidity facility on 1 April 2024. Future withdrawal requests will be processed in accordance with the Group's Product Disclosure Statement ('PDS') in the relevant quarter. Consistent with the provisions in the PDS, the Responsible Entity will aim to balance satisfying investor liquidity with the ongoing working capital requirements of the Group.
- 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.
  Any fees foregone because of the reduction will be waived and the Trust Manager will review this agreement annually until the Group's underlying earnings exceed 10 cents per unit.

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

Matters subsequent to the end of the financial half-year
Other than the matters noted in the 'Review of Operations', there were no other matters or circumstances that have arisen since 31 December 2023 that have significantly affected, or may significantly affect Redcape's operations, the results of those operations, or Redcape's state of affairs in future financial years.

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

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

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

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

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

On behalf of the Directors

Nicholas Collishaw	Christopher Unger
Chairman	Managing Director

21 February 2024
Sydney

KPMG

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

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

I declare that, to the best of my knowledge and belief, in relation to review of Redcape Hotel Group for the half-year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Paul Thomas

Partner

Sydney

21 February 2024

Redcape Hotel Group
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31 December 2023

Redcape Hotel Group
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	31 Dec 2022 $'000
Revenue	4	**189,618**	**200,506**
Cost of sales		(84,868)	(94,295)
Expenses			
Operating costs		(23,188)	(21,984)
Employment costs		(30,832)	(31,120)
Management fees	5	(10,025)	(16,306)
Net finance costs	6	(21,806)	(13,927)
Depreciation expense on right-of-use assets	12	(1,359)	(1,474)
Depreciation expense	10,8	(8,121)	(9,019)
Gain on disposal of non-current assets	10,23	8,248	15,313
Gain on asset revaluation		2,423	3,065
Profit before income tax benefit		**20,090**	**30,759**
Income tax benefit		2,613	453
Profit after income tax benefit for the half-year		**22,703**	**31,212**
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/ Gain on the revaluation of land		(56,409)	12,521
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		(4,571)	29
Other comprehensive (loss)/income for the half-year, net of tax		(60,980)	12,550
Total comprehensive (loss)/income for the half-year		**(38,277)**	**43,762**
Profit for the half-year is attributable to:			
Stapled unitholders of Redcape Hotel Trust I (non-controlling interest)		29,357	27,238
Stapled unitholders of Redcape Hotel Trust II		(6,654)	3,974
		22,703	**31,212**
Total comprehensive (loss)/income for the half-year is attributable to:			
Stapled unitholders of Redcape Hotel Trust I (non-controlling interest)		(31,623)	39,788
Stapled unitholders of Redcape Hotel Trust II		(6,654)	3,974
		(38,277)	**43,762**

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

Redcape Hotel Group
Condensed consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		38,627	15,889
Trade and other receivables		2,834	3,478
Inventories		6,485	5,906
Other current assets		4,362	4,081
		52,308	29,354
Assets classified as held for sale	7	115,860	-
Total current assets		**168,168**	**29,354**
Non-current assets			
Investment property	8	2,988	2,990
Land	9	321,270	422,651
Property, plant and equipment	10	123,527	161,166
Intangible assets	11	517,130	606,176
Right-of-use assets	12	37,114	38,440
Derivative financial instruments		9,925	10,460
Deferred tax		16,130	13,517
Total non-current assets		**1,028,084**	**1,255,400**
Total assets		**1,196,252**	**1,284,754**
Liabilities			
Current liabilities			
Trade and other payables	13	59,855	51,102
Borrowings	16	100,000	-
Lease liabilities	14	1,635	1,465
Employee benefits		3,749	4,252
Distribution payable	15	8,671	10,757
Total current liabilities		**173,910**	**67,576**
Non-current liabilities			
Trade and other payables	13	17,361	19,053
Borrowings	16	540,894	684,421
Lease liabilities	14	42,315	43,220
Employee benefits		455	441
Total non-current liabilities		**601,025**	**747,135**
Total liabilities		**774,935**	**814,711**
Net assets		**421,317**	**470,043**
Equity			
Contributed equity	17	172,994	171,371
Accumulated losses		(82,870)	(76,216)
Equity attributable to the stapled unitholders of Redcape Hotel Group		90,124	95,155
Non-controlling interest	18	331,193	374,888
Total equity		**421,317**	**470,043**

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

Redcape Hotel Group
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2023

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 half-year	-	3,974	27,238	31,212
Other comprehensive income for the half-year, net of tax	-	-	12,550	12,550
Total comprehensive income for the half-year	-	3,974	39,788	43,762
Transactions with stapled unitholders in their capacity as stapled unitholders:				
Units issued	4,358	-	5,778	10,136
Distribution reinvestment plans	166	-	220	386
Units redeemed	(17,777)	-	(23,565)	(41,342)
Distributions paid/ payable (note 19)	-	-	(22,421)	(22,421)
Balance at 31 December 2022	180,656	(74,130)	421,564	528,090

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/(loss) after income tax benefit for the half-year	-	(6,654)	29,357	22,703
Other comprehensive income for the half-year, net of tax	-	-	(60,980)	(60,980)
Total comprehensive income for the half-year	-	(6,654)	(31,623)	(38,277)
Transactions with stapled unitholders in their capacity as stapled unitholders:				
Units issued (note 17)	1,686	-	3,996	5,682
Units redeemed (note 17)	(63)	-	(84)	(147)
Distributions paid (note 19)	-	-	(7,313)	(7,313)
Distributions payable (note 15)	-	-	(8,671)	(8,671)
Balance at 31 December 2023	**172,994**	**(82,870)**	**331,193**	**421,317**

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

Redcape Hotel Group
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		215,004	221,158
Payments to suppliers (inclusive of GST)		(162,373)	(219,095)
		52,631	2,063
Interest received		420	227
Interest and other finance costs paid		(24,623)	(15,860)
Net cash from/(used in) operating activities	24	**28,428**	**(13,570)**
Cash flows from investing activities			
Payments for property, plant and equipment	10	(6,261)	(16,839)
Net proceeds from disposal of business (including assets classified as held for sale)	7,23	64,563	38,134
Net cash from investing activities		**58,302**	**21,295**
Cash flows from financing activities			
Proceeds from borrowings		13,533	43,000
Repayment of borrowings		(57,600)	(25,000)
Repayment of leases		(1,708)	(897)
Proceeds from issue of stapled units	17	-	10,522
Payments for redemption of stapled units	17	(147)	(41,342)
Distributions paid	15	(18,070)	(22,000)
Net cash used in financing activities		**(63,992)**	**(35,717)**
Net increase/(decrease) in cash and cash equivalents		22,738	(27,992)
Cash and cash equivalents at the beginning of the financial half-year		15,889	47,238
Cash and cash equivalents at the end of the financial half-year		**38,627**	**19,246**

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

Note 1. General Information

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

The interim 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 interim financial statements.

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

Note 2. Material accounting policy information

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

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

Redcape has applied the following standards and amendments for the first time for their reporting period commencing 1 July 2023:

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

Note 2. Material accounting policy information (continued)

Going concern

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

At 31 December 2023, the Group had current assets of $168,168,000 and current liabilities of $173,910,000 leaving a net deficit of working capital of $5,742,000 (30 June 2023: net working capital deficit of $38,222,000). Liquidity is being managed by the following:

- Since June 2023, the Trust Manager has successfully contracted to sell $205 million of freehold going concern assets. The Group will apply $100 million of the net proceeds from the disposal of hotels to the permanent reduction of debt, which will result in a reduction in the Group's finance costs. This reduction in debt will occur by September 2024.
- In December 2023, the Responsible Entity of the Group announced that it has extended the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. This will provide time for the asset sales to settle and for the Group to receive the net proceeds.
- Future redemption requests will be managed per the Product Disclosure Statement ('PDS') which stipulates a maximum cap of 2.5% of the Directors' Net Asset Value at the relevant quarter end, however the Responsible Entity has further discretion to manage this. Consistent with the provisions in the PDS, the Responsible Entity will aim to balance satisfying investor liquidity with the ongoing working capital requirements of the Group. Therefore, and subject to a range of variables including venue performance, agreement with the Group's lenders and the volume of equity inflows received by the Group, the Responsible Entity expects to limit withdrawals during the 2025 financial year to approximately $10 million per quarter. However, this will be reviewed each quarter and the limit will be adjusted, up or down, to a level that the Responsible Entity determines to be in the best interests of the Group and its investors.
- 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.
  Any fees foregone because of the reduction will be waived and the Trust Manager will review this agreement annually until the Group's underlying earnings exceed 10 cents per unit.

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

Basis of preparation

These general purpose interim financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. They also comply with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These general purpose interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023.

Historical cost convention

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

Critical accounting estimates

The preparation of the interim 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 interim financial statements, are disclosed in note 3.

Principles of consolidation

The condensed consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RHT II and RHT I as at 31 December 2023 and the results of all subsidiaries of RHT I for the half year then ended. RHT II and RHT I and its subsidiaries together are referred to in these interim 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

Note 2. Material accounting policy information (continued)

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.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the interim half-year reporting period ended 31 December 2023. The Group has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the interim financial statements.

Note 2. Material accounting policy information (continued)

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

New or revised requirement	**When effective**
AASB 2022-6 *Amendments – Non-current liabilities with covenants*	Applicable to annual reporting periods beginning on or after 1 January 2024
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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the interim 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 11. 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 and growth rates of the estimated future cash flows and terminal growth rates. Note 11 includes further details of key assumptions used in recoverable amount models related to these assets.

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

Refer to the following notes for critical judgements and estimates for other assets:
- Valuation of land - notes 9 and 20
- Fair value measurement - note 20

Note 4. Revenue

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Major revenue streams		
Gaming revenue	117,246	121,338
On-premise revenue	41,161	45,077
Off-premise revenue	30,476	33,388
Other services	735	703
Revenue	189,618	200,506

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:

Note 4. Revenue (continued)

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. Other than gaming revenue, revenue recognition is in accordance with AASB15 *Revenue from contract with Customers*.

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 instore.

Note 5. Management fees

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Hotel operating fee	6,442	6,664
Asset management fee	3,583	3,550
Performance fee *	-	6,092
	10,025	16,306

* Fee payable to the Responsible Entity on the overall performance of Redcape and realised every six months. There is no performance fee accrual for the current reporting period. During the half-year, $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.

Refer to note 22 'Related party transactions' for further information on outstanding management fees as at 31 December 2023 and 30 June 2023.

Note 6. Net finance costs

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Finance income	(420)	(227)
Finance costs	21,307	13,452
Interest on lease liabilities	919	702
	21,806	13,927

Accounting policy for finance income and costs

Note 6. Net finance costs (continued)

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 7. Assets classified as held for sale

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Current assets		
Land	34,016	-
Buildings	7,538	-
Property improvement	6,215	-
Fixtures and fittings	3,712	-
Intangibles	65,560	-
Transaction costs	554	-
Work-in-progress	2,015	-
	119,610	-
Deposits received	(3,750)	-
	115,860	-

During the half-year, the Group entered into contracts to sell eight of its hotels for a total consideration of $205 million. As at 31 December 2023, four sales had settled realising $63.9 million. The carrying value of the assets of the four hotels which are under sale contract but have not settled have been transferred to assets held for sale at the end of the reporting period. The settlements of these sale contracts are expected to occur by the end of 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 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 8. Investment property

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Non-current assets		
Investment Property - at cost	3,000	3,000
Less: Accumulated depreciation	(12)	(10)
	2,988	2,990

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

Opening balance	2,990	2,994
Depreciation expense	(2)	(4)
Closing balance	2,988	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.

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 9. Land

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Non-current assets		
Land – at valuation	321,270	422,651

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

Opening fair value	422,651	434,667
Classified as held for sale (note 7)	(34,016)	-
Disposals - business (note 23)	(13,379)	-
Revaluation decrement *	(53,986)	(12,016)
Closing fair value	321,270	422,651

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

* 31 December 2023 total revaluation decrement of $54.0 million (30 June 2023: decrement of $12.0 million) includes loss of $56.4 million (30 June 2023: loss of $8.5 million) recognised in the asset revaluation reserve and gain of $2.4 million (30 June 2023: loss of $3.5 million) recognised in the profit and loss, which represents a reversal of prior period losses in the profit and loss.

Note 9. Land (continued)

Accounting policy for land
Land is recognised at fair value based on periodic valuations by external independent valuers and/or Directors' valuations made in accordance with the Group's valuation policy. The valuations are undertaken more frequently if there is an indicator of 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 10. Property, plant and equipment

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Non-current assets		
Buildings – at cost	47,056	62,464
Less: Accumulated depreciation	(6,400)	(8,015)
	40,656	54,449
Property improvements – at cost	65,503	77,024
Less: Accumulated depreciation	(14,970)	(15,819)
	50,533	61,205
Furniture, fittings & equipment – at cost	64,954	81,870
Less: Accumulated depreciation	(41,273)	(48,122)
	23,681	33,748
Work-in-progress – at cost	8,657	11,764
	123,527	161,166

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

Consolidated	Building $'000	Property improvements $'000	Furniture, fittings & equipment $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 2023	54,449	61,205	33,748	11,764	161,166
Classified as held for sale (note 7)	(7,538)	(6,215)	(3,712)	(2,015)	(19,480)
Disposals	-	-	(19)	-	(19)
Disposal – business	(5,621)	(5,902)	(4,054)	(639)	(16,216)
Additions	-	-	-	6,195	6,195
Transfers in/(out)	-	3,676	2,972	(6,648)	-
Depreciation expense	(634)	(2,231)	(5,254)	-	(8,119)
Balance at 31 December 2023	40,656	50,533	23,681	8,657	123,527

There has been no impairment recognised in relation to property, plant and equipment ('PPE') at 31 December 2023 (30 June 2023: nil). Refer to note 11 for further details on impairment assessment on CGU assets (including PPE).

Note 10. Property, plant and equipment (continued)

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 – 44 years
Furniture, fittings and equipment	2 – 19 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.

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 11. Intangible assets

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Non-current assets		
Goodwill - at cost	293,823	333,035
Gaming and liquor licences - at cost	223,307	273,141
	517,130	606,176

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

Consolidated	**Goodwill $'000**	**Gaming and liquor licences $'000**	**Total $'000**
Balance at 1 July 2023	333,035	273,141	606,176
Classified as held for sale (note 7)	(32,525)	(33,035)	(65,560)
Disposals	(6,687)	(16,799)	(23,486)
Balance at 31 December 2023	293,823	223,307	517,130

Note 11. Intangible assets (continued)

Impairment testing

(i) Goodwill

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

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

Estimated future cash flows of the first half of Year 1 from January 2024 to June 2024 are based on the FY24 forecast and the second half from July 2024 to December 2024 are based on July 2023 to December 2023 actual results with 3% growth rate applied. 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 8.06% (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 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.

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

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

	Pre-tax discount rate %	**Terminal value %**
Assumptions used in value-in-use calculation	8.06%	2.96%
Rate required for recoverable amount to equal carrying value*	8.60%	2.38%

* Each rate is determined in isolation.

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

There has been no impairment recognised in relation to goodwill at 31 December 2023 (30 June 2023: nil).

Note 11. Intangible assets (continued)

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

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

Gaming and liquor licences of $256 million are allocated across the Group's 31 hotels and no individual hotel holds 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 the higher of its fair value less costs to dispose ('FVLCD') and VIU. The carrying amount of each CGU comprises land at fair value, buildings at cost less accumulated depreciation, plant and equipment at cost less accumulated depreciation, work in progress and intangibles at cost comprising gaming and liquor licences, and right-of-use assets less lease liabilities. At 31 December 2023, 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 20 for details of key assumptions used. Costs of disposal is estimated at 2.0% of the hotel's fair value, which has been determined with reference to recent disposals.

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).

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

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

Gaming 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.

Note 11. Intangible assets (continued)

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 12. Right-of-use assets

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Non-current assets		
Land and buildings - right-of-use assets	48,027	48,247
Less: Accumulated depreciation	(10,913)	(9,807)
	37,114	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.

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

Consolidated	**Land and buildings $'000**
Balance at 1 July 2023	38,440
Additions	279
Disposals	(35)
Classified as held for sale	(211)
Depreciation expense	(1,359)
	37,114
Balance at 31 Dec 2023	37,114

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	1,359	1,474
Interest expense on lease liabilities	919	702
Expense relating to short-term leases	-	83
	2,278	2,259

There has been no impairment recognised in relation to right-of-use assets at 31 December 2023 (30 June 2023: nil). Refer to note 11.

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

- note 6 for details of interest on lease liabilities;
- note 14 for details of lease liabilities at the beginning and end of the reporting period;
- note 14 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 12. Right-of-use assets (continued)

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 13. Trade and other payables

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Trade payables	14,103	3,828
Accrued interest	1,554	1,373
Other payables	23,920	25,798
State Government taxes	20,278	20,103
	59,855	51,102
Non-current liabilities		
Other payables and accruals *	17,361	19,053
	77,216	70,155

* 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. At the end of current reporting period, the current performance fee payable is $8.5 million and non-current performance fee liability is $17.4 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 14. Lease liabilities

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Lease liability	1,635	1,465
Non-current liabilities		
Lease liabilities	42,315	43,220
	43,950	44,685

Note 14. Lease liabilities (continued)

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Undiscounted maturity analysis:		
Within 1 year	3,421	3,266
1 to 2 years	3,336	3,326
3 to 5 years	10,297	10,306
More than 5 years	44,473	46,271
	61,527	63,169

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 15. Distribution payable

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Current liabilities		
Distributions	8,671	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 period but not distributed at the reporting date.

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

	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Carrying amount at the start of the period	10,757	10,652
Distribution declared during the current period	15,984	44,051
Payments relating to prior period	(10,757)	(10,445)
Payments relating to current period	(7,313)	(32,762)
Dividends under reinvestment plan (note 17)	-	(739)
Carrying amount at the end of the period	8,671	10,757

Note 15. Distribution payable (continued)

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 16. Borrowings

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Current liabilities		
Bank loans	100,000	-
Non-current liabilities		
Bank loans	542,433	686,500
Capitalised loan establishment costs	(1,539)	(2,079)
	540,894	684,421
	640,894	684,421

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Bank Loans	642,433	686,500

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

- During the reporting period, the Group extended $250 million of debt facilities that were due to expire in September 2024 by approximately three years. The facility limits will reduce from $250 million to $150 million by September 2024. A portion of the net proceeds from the disposal of hotels will be applied to this permanent reduction of debt. As a result, $100 million of the Group's borrowings have been classified as current in the statement of financial position as at 31 December 2023.

The total current facility amount is $700.0 million (excluding $4.0 million ancillary facility) and will be reduced to $600.0 million (excluding $4.0 million ancillary facility) by September 2024.

Note 16. Borrowings (continued)

Description of the facility	Amount ($ million)	Expiry
Tranche B1	65.0	June 2024
Tranche B1	35.0	September 2024
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
	700.0	

The Group has access to a $4.0 million ancillary facility. At 31 December 2023, $3.0 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 period ended 31 December 2023.

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

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Total facilities		
Bank loans	700,033	700,033
Used at the reporting date		
Bank loans	642,433	686,500
Unused at the reporting date		
Bank loans	57,600	13,533

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 17. Contributed equity

	Consolidated			
	31 Dec 2023 Stapled units	30 Jun 2023 Stapled units	31 Dec 2023 $'000	30 Jun 2023 $'000
Contributed equity	433,560,066	430,273,709	172,994	171,371

Note 17. Contributed equity (continued)

Details	**31 Dec 2023 No of units '000**	**31 Dec 2023 $'000**	**30 June 2023 No of units '000**	**30 June 2023 $'000**
RHT II				
Balance at beginning of the period	430,274	171,371	463,130	193,909
Units issued	3,376	1,686	10,442	7,703
Right issued	-	-	(43,741)	(30,559)
Units issued under distribution reinvestment plan	-	-	443	318
Units redeemed	(90)	(63)	-	-
Balance at end of the period	**433,560**	**172,994**	**430,274**	**171,371**

Details	**31 Dec 2023 No of units '000**	**31 Dec 2023 $'000**	**30 June 2023 No of units '000**	**30 June 2023 $'000**
RHT I (non-controlling interest)				
Balance at beginning of the period	430,274	232,919	463,130	262,794
Units issued	3,376	3,996	10,442	10,212
Units issued under distribution reinvestment plan	-	-	443	421
Units redeemed	(90)	(84)	(43,741)	(40,508)
Balance at end of the period	433,560	236,831	430,274	232,919

The Directors of the Responsible Entity have elected to extend the Group's quarterly liquidity facility as of 28 December 2023 for a period of up to 94 days until 31 March 2024 ('suspension period').

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

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

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

- It entities 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

Note 17. Contributed equity (continued)

- 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 31 December 2023, the Group has 433,560,066 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.

In December 2023, the Responsible Entity announced that it has elected to extend the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. The applications received at that time will be rolled over for consideration when the pause is lifted. 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.

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

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 18. Non-controlling interest

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Contributed equity	236,831	232,919
Reserves	173,761	244,269
Accumulated losses	(79,399)	(102,300)
	331,193	374,888

Note 18. Non-controlling interest (continued)

	Contributed equity $'000	Hedging reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
RHT I					
Balance at 1 July 2023	232,919	10,460	233,809	(102,300)	374,888
Profit for the period	-	-	-	29,357	29,357
Total other comprehensive income	-	(4,571)	(65,937)	9,528	(60,980)
Units issued	3,996	-	-	-	3,996
Units redeemed	(84)	-	-	-	(84)
Distributions paid to stapled unitholders	-	-	-	(7,313)	(7,313)
Distributions payable to stapled unitholders	-	-	-	(8,671)	(8,671)
Balance at 31 December 2023	236,831	5,889	167,872	(79,399)	331,193

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 with the acquisition accounted for as a change in ownership without a loss of control. 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 statements 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 interim financial statements in accordance with accounting standards.

Note 19. Distributions

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

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'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 of 2.50 cents) per stapled unit	8,671	11,073
	15,984	22,421

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 20. Fair value measurement

Fair value hierarchy
The following tables detail Redcape's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Land	-	-	321,270	321,270
Interest rate swaps	-	9,925	-	9,925
Total assets	-	9,925	321,270	331,195

Consolidated - 30 Jun 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 half-year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Land (level 3)
Land is recognised at fair value based on periodic valuations by external independent valuers and/or six-monthly Director valuations. Independent external assessments are conducted by a professionally qualified valuer, having recent experience in the location and category of land being valued. Land is revalued by the Directors each half-year where an independent valuation has not been obtained.

The historical cost of land is $180.4 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.

Directors' valuations were undertaken for all Freehold Going Concern properties at 31 December 2023. In assessing fair value of these properties, the Directors' valuations adopted the same adjustment process as used by external independent valuers. This included changes in assumptions that have been applied to specific properties based on consideration of market indicators. The Group obtained independent valuations for 7 venues from the portfolio during the reporting period.

Note 20. Fair value measurement (continued)

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

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

Unobservable inputs	**Range**	**Inter-relationship between key unobservable inputs and fair value measurement**
		The estimated fair value would increase (decrease) if:
Freehold Going Concern - Capitalisation rates	6.09% - 11%	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	23.33% - 89.33%	Economic life remaining is lower (higher)

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

Derivative financial instruments (level 2)
Derivative financial instruments have been valued using observable market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

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

Consolidated	**Land $'000**
Balance at 1 July 2023	422,651
Gains recognised in profit or loss	2,423
Losses recognised in other comprehensive income	(56,409)
Classified as held for sale	(34,016)
Disposals	(13,379)
Balance at 31 December 2023	321,270

Note 20. Fair value measurement (continued)

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

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

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

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

Note 21. Contingent liabilities

Redcape has provided bank guarantees to a supplier and landlords as at 31 December 2023 of $3.0 million (30 June 2023: $3.0 million).

Note 22. Related party transactions

Parent entity
Redcape Hotel Trust II is the parent entity.

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

Transactions with related parties

Transactions with the Responsible Entity

	Transaction values for the period ended 31 Dec 2023 $	Balance outstanding as at 31 Dec 2023 $	Transaction values for the period ended 31 Dec 2022 $	Balance outstanding as at 30 June 2023 $
Redcape Hotel Group Management Ltd (i)				
Asset management fee	3,583,055	1,785,438	3,550,022	605,459
Debt arrangement fee (ii)	-	-	-	-
Disposal fee (iii)	639,000	569,000	390,000	-
Performance fee (iv)	-	25,864,750	6,091,820	31,547,240
	4,222,055	28,219,188	10,031,842	32,152,699

Note 22. Related party transactions (continued)

(i) Fees paid to the Responsible Entity are subsequently paid to MA Hotel Management Pty Ltd in its capacity as Trust Manager.
(ii) Debt arrangement fee equates to 0.5% of the refinanced facility.
(iii) Disposal fee equates to 1.0% of sales proceeds from the disposal of four hotels.
(iv) Performance fee is accrued based on Directors Valuations and is expected to crystallise and become payable as Independent Valuations are performed. Accrued fee will be split proportionately between Redcape Hotel Trust I and 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 half-year.

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

Related Entity	Transaction	Transaction values for the period ended 31 Dec 2023 $	Balance outstanding as at 31 Dec 2023 $	Transaction values for the period ended 31 Dec 2022 $	Balance outstanding as at 30 June 2023 $
MA Hotel Management Pty Ltd	Hotel operating fee	6,441,651	1,952,760	6,664,423	884,901
MA Hotel Management Pty Ltd	Project development fee	80,432	39,890	590,267	54,163
		6,522,083	1,992,650	7,254,690	939,064

Note 23. Business disposals

Redcape disposed the business and net assets of four hotels during the half year ended 31 December 2023, resulting in a gain on disposal of $8.3 million. At the date of disposal, the carrying amount of tangible and intangible assets are as follows:

	Business disposals $'000
Consolidated	
Consideration received, satisfied in cash	63,900
Less: Selling expenses	(2,543)
Net consideration	61,357
Land	(13,379)
Buildings	(5,621)
Property Improvements	(5,902)
Furniture and fittings	(4,054)
Work-in-progress	(639)
Intangibles	(23,486)
Leases	(9)
Gain on business disposals	8,267

On 15 December 2023, the Group exchanged a contract to acquire a New South Wales leasehold business for total consideration of $22.4 million.

Note 24. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Profit after income tax benefit for the half-year	22,703	31,212
Adjustments for:		
Depreciation and amortisation	10,399	10,493
Net loss on disposal of non-current assets	18	21
Gain on asset revaluation	(2,423)	(3,065)
Gain on disposal of business	(8,267)	(15,334)
Other payables that are equitized	5,682	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	641	603
Increase in inventories	(579)	(789)
Decrease/(increase) in capitalised loan establishment costs	539	(2,097)
Increase in other current assets	(281)	(1,150)
Increase in deferred tax	(2,613)	(453)
Increase in derivative financial instruments	(4,036)	-
Increase/(decrease) in trade and other payables	7,134	(33,051)
(Decrease)/increase in employee benefits	(489)	40
Net cash from/(used in) operating activities	28,428	(13,570)

Note 25. Events after the reporting period

Other than the matters noted in the 'Review of Operations', there were no other matters or circumstances that have arisen since 31 December 2023 that have significantly affected, or may significantly affect Redcape's operations, the results of those operations, or Redcape's state of affairs in future financial years.

Redcape Hotel Group
Directors' declaration
31 December 2023

In the Directors' opinion:

- the attached condensed consolidated financial statements and notes comply with the *Corporations* Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting';
- the attached condensed consolidated financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the period ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Nicholas Collishaw
Chairman

Christopher Unger
Managing Director

21 February 2024
Sydney

Independent Auditor's Review Report

To the stapled security holders of Redcape Hotel Group

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Redcape Hotel Group (the ***Stapled Group)***.

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

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2023 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2023
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 25 comprising material accounting policies and other explanatory information
- The Directors' Declaration.

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

The ***Interim Period*** is the 6 months ended on 31 December 2023.

Basis for Conclusion

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

We are independent of the Stapled Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

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

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

21 February 2024

Redcape Hotel Trust I

ARSN 629 354 614

Interim Report - 31 December 2023

The Directors of Redcape Hotel Group Management Ltd (the 'Responsible Entity') present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Redcape Hotel Trust I (referred to hereafter as the 'Trust' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2023. The manager of Redcape Hotel Group ('Redcape') is MA Hotel Management Pty Ltd ('Trust Manager' or 'Management'), a wholly owned subsidiary of MA Financial Group Ltd ('MA Financial'). Redcape is a stapled Fund consisting of Redcape Hotel Trust I and Redcape Hotel Trust II and the entities they controlled at the end of, or during, the period ended 31 December 2023.

Directors
The following persons were Directors of the Responsible Entity of the Trust for the period ended 31 December 2023 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 hotel freehold (land and building) sector in Australia.

Distributions
Distributions paid/payable during the half-year for the quarters ending:

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
30 September 2023 - 1.70 cents (30 September 2022: 2.50 cents) per unit	7,313	11,348
31 December 2023 - 2.00 cents (31 December 2022: 2.50 cents) per unit	8,671	11,073
	15,984	22,421

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 amounted to $26.9 million (31 December 2022: profit of $24.1 million).

Disposal of investment properties
As detailed in notes 8 and 17, the consolidated entity completed the sale of four investment properties in the reporting period for total consideration of $45.5 million (excluding selling costs of $1.4 million) and exchanged sale contracts for an additional four hotels for a total consideration of $88.9 million. The sale of these investment properties is expected to be completed in the second half of the financial year.

Bank loan facility
During the reporting period, the Group extended $250 million of debt facilities that were due to expire in September 2024 by approximately three years. The facility limits will reduce from $250 million to $150 million by September 2024. A portion of the net proceeds from the disposal of investment properties will be applied to this permanent reduction of debt. As a result, $100 million of the Group's borrowings have been classified as current in the statement of financial position as at 31 December 2023.

Interest rate hedge
As part of the refinancing process, the Trust Manager extended the amount of Group's debt covered by interest rate hedges to approximately 80% of total debt as at 31 December 2023. The Group's interest rate hedges will cover approximately 90% of total borrowing facilities from September 2024.

Quarterly liquidity facility
In December 2023, the Responsible Entity of the Group announced that it has extended the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. This will provide time for the asset sales to settle and for the Group to receive the net proceeds.

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 half-year.

Matters subsequent to the end of the financial half-year
Other than the matters noted in the 'Review of Operations', there were no other matters or circumstances that have arisen since 31 December 2023 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

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

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

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

On behalf of the Directors

Nicholas Collishaw
Chairman

Christopher Unger
Managing Director

21 February 2024
Sydney

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

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

I declare that, to the best of my knowledge and belief, in relation to review of Redcape Hotel Trust I for the half-year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Paul Thomas

Partner

Sydney

21 February 2024

Redcape Hotel Trust I
Contents
31 December 2023

General information

The interim financial statements cover Redcape Hotel Trust I as a consolidated entity consisting of Redcape Hotel Trust I and the entities it controlled at the end of, or during, the half-year. The interim financial statements are presented in Australian dollars, which is Redcape Hotel Trust I's functional and presentation currency.

Redcape Hotel Trust I
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Investment income	4	27,932	27,467
Finance income		12,259	8,975
Total revenue		**40,191**	**36,442**
Expenses			
Operating expenses		(3,524)	(3,240)
Management fee	5	(896)	(4,989)
Finance costs		(21,279)	(13,447)
Depreciation expense		(636)	(802)
Gain on disposal of investment property	17	13,004	10,179
Total expenses		**(13,331)**	**(12,299)**
Profit for the half-year attributable to the unitholders of Redcape Hotel Trust I		**26,860**	**24,143**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		(4,571)	29
Other comprehensive (loss)/income for the half-year		(4,571)	29
Total comprehensive income for the half-year attributable to the unitholders of Redcape Hotel Trust I		**22,289**	**24,172**

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

Redcape Hotel Trust I
Condensed consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		11,937	1,558
Trade and other receivables	6	3,811	4,913
Other current assets	7	1,695	1,935
		17,443	8,406
Assets classified as held for sale	8	80,436	-
Total current assets		**97,879**	**8,406**
Non-current assets			
Trade and other receivables	6	253,234	268,147
Derivative financial instruments		9,925	10,460
Investment properties	9	475,469	587,350
Total non-current assets		**738,628**	**865,957**
Total assets		**836,507**	**874,363**
Liabilities			
Current liabilities			
Trade and other payables		11,240	12,531
Distribution payable	10	8,671	10,757
Borrowings	11	100,000	-
Total current liabilities		**119,911**	**23,288**
Non-current liabilities			
Trade and other payables		12,668	13,837
Borrowings	11	540,894	684,421
Total non-current liabilities		**553,562**	**698,258**
Total liabilities		**673,473**	**721,546**
Net assets		**163,034**	**152,817**
Equity			
Issued capital	12	236,831	232,919
Cash flow hedge reserve		5,889	10,460
Accumulated losses		(79,686)	(90,562)
Total equity		**163,034**	**152,817**

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

Redcape Hotel Trust I
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2023

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 half-year	-	-	24,143	24,143
Other comprehensive income for the half-year	-	29	-	29
Total comprehensive income for the half-year	-	29	24,143	24,172
Transactions with unitholders in their capacity as unitholders:				
Distribution reinvestment plans (note 12)	220	-	-	220
Units issued (note 12)	5,778	-	-	5,778
Units redeemed (note 12)	(23,565)	-	-	(23,565)
Distributions paid/payable (note 13)	-	-	(22,421)	(22,421)
Balance at 31 December 2022	**245,227**	**5,333**	**(78,640)**	**171,920**

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 half-year	-	-	26,860	26,860
Other comprehensive income for the half-year	-	(4,571)	-	(4,571)
Total comprehensive (loss)/income for the half-year	-	(4,571)	26,860	22,289
Transactions with unitholders in their capacity as unitholders:				
Units issued (note 12)	3,996	-	-	3,996
Units redeemed (note 12)	(84)	-	-	(84)
Distributions paid/payable (note 13)	-	-	(15,984)	(15,984)
Balance at 31 December 2023	**236,831**	**5,889**	**(79,686)**	**163,034**

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

Redcape Hotel Trust I
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	31 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		31,605	28,445
Payments to suppliers (inclusive of GST)		(5,319)	(21,583)
Interest received		12,259	8,975
Interest and other finance costs paid		(24,596)	(15,153)
Net cash from operating activities	18	13,949	684
Cash flows from investing activities			
Net proceeds from disposal of investment property (including assets classified as held for sale)	8	43,813	31,162
Net cash from investing activities		43,813	31,162
Cash flows from financing activities			
Proceeds from borrowings		13,533	43,000
Repayment of borrowings		(57,600)	(25,000)
Loans to related and other parties		(32,204)	(63,605)
Loans from related and other parties		47,042	27,580
Proceeds from issue of stapled units	12	-	5,778
Payments for redemption of stapled units	12	(84)	(23,565)
Distribution reinvestment plans	12	-	220
Distributions paid	10	(18,070)	(22,000)
Net cash used in financing activities		(47,383)	(57,592)
Net increase/(decrease) in cash and cash equivalents		10,379	(25,746)
Cash and cash equivalents at the beginning of the financial half-year		1,558	28,668
Cash and cash equivalents at the end of the financial half-year		11,937	2,922

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

Note 1. General Information

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

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

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

Level 27
Brookfield Place
10 Carrington Street
Sydney NSW 2000

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

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

Note 2. Material accounting policy information

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period 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 consolidated entity has applied the following standards and amendments for the first time for the reporting period commencing 1 July 2023:
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

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

At 31 December 2023, the Group had current assets of $97,879,000 and current liabilities of $119,911,000 leaving a net deficit of working capital of $22,033,000 (30 June 2023: net working capital deficit of $14,882,000). Liquidity is being managed by the following:

Note 2. Material accounting policy information (continued)

- Since June 2023, the Trust Manager has successfully contracted to sell $205 million of freehold going concern assets. The Group will apply $100 million of the net proceeds from the disposal of hotels to the permanent reduction of debt, which will result in a reduction in the Group's finance costs. This reduction in debt will occur by September 2024.
- In December 2023, the Responsible Entity of the Group announced that it has extended the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. This will provide time for the asset sales to settle and for the Group to receive the net proceeds.
- Future redemption requests will be managed per the Product Disclosure Statement ('PDS') which stipulates a maximum cap of 2.5% of the Directors' Net Asset Value at the relevant quarter end, however the Responsible Entity has further discretion to manage this. Consistent with the provisions in the PDS, the Responsible Entity will aim to balance satisfying investor liquidity with the ongoing working capital requirements of the Group. Therefore, and subject to a range of variables including venue performance, agreement with the Group's lenders and the volume of equity inflows received by the Group, the Responsible Entity expects to limit withdrawals during the 2025 financial year to approximately $10 million per quarter. However, this will be reviewed each quarter and the limit will be adjusted, up or down, to a level that the Responsible Entity determines to be in the best interests of the Group and its investors.

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

Basis of preparation
These general purpose interim financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. They also comply with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These general purpose interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023.

Historical cost convention
The interim 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 interim 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

Note 2. Material accounting policy information (continued)

involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial statements, are disclosed in note 3.

Principles of consolidation
The consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of Redcape Hotel Trust I ('trust' or 'parent entity') as at 31 December 2023 and the results of all subsidiaries for the half-year then ended. Redcape Hotel Trust I and its subsidiaries together are referred to in these interim 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.

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.

Note 2. Material accounting policy information (continued)

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 interim half-year reporting period ended 31 December 2023. The consolidated entity has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the interim financial statements.

Standards in 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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the interim 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 9

Note 4. Investment income

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Rental income from investment properties *	25,041	24,732
Revenue from outgoings recovered	2,891	2,735
Investment income	27,932	27,467

* Rental income includes both internal rental income and external rental income. Refer to note 16 Related party transactions for further information on internal rental income.

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

Note 4. Investment income (continued)

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

Rent
Rental income 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. Management fee

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Asset management fee	896	888
Performance fee	-	4,101
	896	4,989

Refer to note 16 related party transactions for further information on outstanding management fees as at 31 December 2023 and 30 June 2023.

Note 6. Trade and other receivables

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets		
Trade receivables	3,799	4,893
Other receivables	12	20
	3,811	4,913
Non-current assets		
Interest-bearing related party receivable *	252,388	267,226
Straight-line lease asset	846	921
	253,234	268,147
	257,045	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 16 related party transactions for more details.

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

The consolidated entity has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Note 7. Other current assets

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets		
Prepayments	1,695	1,935

Note 8. Assets classified as held for sale

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets		
Investment properties	80,147	-
Transaction costs	289	-
	80,436	-

During the half-year, the Group entered into contracts to sell eight of its investment properties for a total consideration of $134.4 million. As at 31 December 2023, four sales had settled realising $45.5 million. The carrying value of the assets of the four investment properties which are under sale contract but have not settled have been transferred to assets held for sale at the end of the reporting period. The settlements of these sale contracts are expected to occur by the end of 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 9. Investment properties

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Non-current assets		
Investment property – at cost	481,880	595,375
Less: Accumulated depreciation	(6,411)	(8,025)
	475,469	587,350

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

	31 Dec 2023 $'000	30 Jun 2023 $'000
Opening balance	587,350	588,938
Classified as held for sale (note 8)	(80,147)	-
Disposals	(31,098)	-
Depreciation expense	(636)	(1,588)
Closing balance	475,469	587,350

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

Note 9. Investment properties (continued)

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 31 December 2023 is $961.8 million (30 June 2023: $968.8 million).

Note 10. Distribution payable

	Consolidated	
	31 Dec 2023	**30 June 2023**
	$'000	**$'000**
Current liabilities		
Distribution	8,671	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:

	31 Dec 2023	30 June 2023
	$'000	$'000
Carrying amount at the start of the half-year	10,757	10,652
Distribution declared during the current period	15,984	44,051
Payments relating to prior period	(10,757)	(10,445)
Payments relating to current period	(7,313)	(32,762)
Distributions under reinvestment plans (note 12)	-	(739)
Carrying amount at the end of the half-year	8,671	10,757

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 11. Borrowings

	Consolidated	
	31 Dec 2023	**30 Jun 2023**
	$'000	**$'000**
Current liabilities		
Bank loans	100,000	-
Non-current liabilities		
Bank loans	542,433	686,500
Capitalised loan establishment costs	(1,539)	(2,079)
	540,894	684,421
	640,894	684,421

Note 11. Borrowings (continued)

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

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Bank loans	642,433	686,500

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

- During the reporting period, the Group extended $250 million of debt facilities that were due to expire in September 2024 by approximately three years. The facility limits will reduce from $250 million to $150 million by September 2024. A portion of the net proceeds from the disposal of investment properties will be applied to this permanent reduction of debt. As a result, $100 million of the Group's borrowings have been classified as current in the statement of financial position as at 31 December 2023.

The total current facility amount is $700.0 million (excluding $4.0 million ancillary facility) and will be reduced to $600.0 million (excluding $4.0 million ancillary facility) by September 2024.

Description of the facility	Amount ($ million)	Expiry
Tranche B1	65.0	June 2024
Tranche B1	35.0	September 2024
Tranche A1 and Revolver A1 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
	700.0	

The consolidated entity has access to a $4.0 million ancillary facility. As at 31 December 2023, $3.0 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 period ended 31 December 2023.

Note 11. Borrowings (continued)

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

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Total facilities		
Bank loans	700,033	700,033
Used at the reporting date		
Bank loans	642,433	686,500
Unused at the reporting date		
Bank loans	57,600	13,533

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 12. Issued capital

	Consolidated			
	31 Dec 2023 Units	**30 Jun 2023 Units**	**31 Dec 2023 $'000**	**30 Jun 2023 $'000**
Ordinary units – fully paid	433,560	430,273,709	236,831	232,919

Details	31 Dec 2023 No. of units '000	30 June 2023 No. of units '000	31 Dec 2023 $'000	30 June 2023 $'000
Balance at beginning of the period	430,274	463,130	232,919	262,794
Units issued	3,376	10,442	3,996	10,212
Units redeemed	(90)	(43,741)	(84)	(40,508)
Units issued under distribution reinvestment plan	-	443	-	421
Balance at end of the period	433,560	430,274	236,831	232,919

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

Redeemable 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 ordinary units have no par value and the trust does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each units 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 12. Issued capital (continued)

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

- It entities 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 31 December 2023, the Group has 433,560,066 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.

In December 2023, the Responsible Entity announced that it has elected to extend the suspension of the quarterly liquidity facility for a further 94 days until 31 March 2024. The applications received at that time will be rolled over for consideration when the pause is lifted. 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.

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

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

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

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

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

Accounting policy for issued capital
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 13. Distributions

Distributions paid/payable during the half-year for the quarters ending:

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
30 September 2023 - 1.70 cents (30 September 2022: 2.50 cents) per unit	7,313	11,348
31 December 2023 - 2.00 cents (31 December 2022: 2.50 cents) per unit	8,671	11,073
	15,984	22,421

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 14. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Interest rate swaps	-	9,925	-	9,925
Total assets	-	9,925	-	9,925

Consolidated - 30 Jun 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 half-year.

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

Valuation techniques for fair value measurements categorised within level 2
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.

Note 14. Fair value measurement (continued)

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data 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 15. Contingent liabilities

The consolidated entity has given bank guarantees to a supplier and landlords of a related party as at 31 December 2023 of $3.0 million (30 June 2023: $3.0 million).

Note 16. Related party transactions

Parent entity
Redcape Hotel Trust I is the parent entity.

Transactions with related parties
(a) Responsible Entity

	Transaction values for the year ended 31 December 2023 $	Balance outstanding as at 31 December 2023 $	Transaction values for the year ended 31 December 2022 $	Balance outstanding as at 30 June 2023 $
Redcape Hotel Group Management Ltd (i)				
Asset management fee	895,764	446,360	887,505	151,365
Debt arrangement fee (ii)	-	-	-	-
Disposal fee (iii)	455,250	385,250	318,000	-
Performance fee (iv)	-	18,542,524	4,100,694	22,538,971
	1,351,014	19,374,134	5,306,199	22,690,336

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

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

(iii) Disposal fee equates to 1.0% of the disposal of four hotels.

(iv) Performance fees are accrued based on Directors Valuations and is expected to crystallise and become payable as Independent Valuations are performed. Accrued fees are split proportionately between Redcape Hotel Trust I and Redcape Hotel Trust II based on the latest published Net Asset Value (‘NAV’). There is no additional performance fee accrual and $4.0

Note 16. Related party transactions (continued)

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 half-year.

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

Related Entity	Transaction	Transaction values for the year ended 31 December 2023 $	Balance outstanding as at 31 December 2023 $	Transaction values for the year ended 31 December 2022 $	Balance outstanding as at 30 June 2023 $
Redcape Hotel Group Pty Ltd	Rental income	(25,079,818)	(3,794,875)	(24,738,089)	(4,427,765)
Redcape Hotel Fund Pty Ltd	Interest income	(12,095,482)	(1,972,331)	(8,819,626)	(1,989,371)
Redcape Hotel Fund Pty Ltd	Loan receivable	(14,837,824)	252,387,737	36,024,579	267,225,561

Note 17. Investment properties disposals

RHT I disposed of four investment properties during the half year ended 31 December 2023, resulting in a gain on disposal of $13.0 million. At the date of disposal, the value of the investment properties was $31.1 million.

	Investment properties disposals $'000
Consolidated	
Consideration received, satisfied in cash	45,525
Less: Selling expenses	(1,423)
Net consideration	44,102
Investment properties carrying amount	(31,098)
Gain on disposal of investment properties	13,004

Note 18. Reconciliation of profit to net cash from operating activities

	Consolidated 31 Dec 2023 $'000	31 Dec 2022 $'000
Profit for the half-year	26,860	24,143
Adjustments for:		
Depreciation and amortisation	636	802
Gain on disposal of investment properties	(13,004)	(10,179)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,176	(1,699)
Decrease/(increase) in other current assets	240	(93)
Decrease in capitalised loan establishment costs	(3,496)	(2,097)
Increase in trade and other payables	(2,459)	(10,193)
Decrease in other payables that are equitized	3,996	-
Net cash from operating activities	13,949	684

Note 19. Subsequent Events

Other than the matters noted in the 'Review of Operations', there were no other matters or circumstances that have arisen since 31 December 2023 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Redcape Hotel Trust I
Directors' declaration
31 December 2023

In the Directors' opinion:

- the attached condensed consolidated financial statements and notes comply with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached condensed consolidated financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Nicholas Collishaw	Christopher Unger
Chairman	Managing Director

21 February 2024
Sydney

KPMG

Independent Auditor's Review Report

To the security holders of Redcape Hotel Trust I

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2023
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 19 comprising material accounting policies and other explanatory information
- The Directors' Declaration.

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

The ***Interim Period*** is the 6 months ended on 31 December 2023.

Basis for Conclusion

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

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Responsibilities of the Directors for the Interim Financial Report

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

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

21 February 2024