1. Company details

Name of entity:	Redcape Hotel Group comprising Redcape Hotel Trust I (ARSN 629 354 614) and Redcape Hotel Trust II (ARSN 629 354 696)
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

		%	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenues from ordinary activities	down	9.1%	259,294	285,215
Profit/(loss) after tax for the year attributable to the stapled securityholders	improved by	327.7%	11,227	(4,930)

	2020 Cents	2019 Cents
Basic earnings per stapled security	2.03	(0.93)
Diluted earnings per stapled security	2.03	(0.93)

Distributions

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

Comments

Redcape Hotel Group has adopted AASB 16 *Leases* for the year ended 30 June 2020 using the modified retrospective approach and as such the comparatives have not been restated.

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

3. Net assets and Net tangible assets

	Reporting Period Cents	Previous Period Cents
Net assets per stapled security	109.09	114.09
Net tangible assets per stapled security (a)	8.27	6.96

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

No. of stapled securities on issue at 30 June 2020 is 552,195,195 (30 June 2019: 551,445,932).

4. Loss of control over entities

Not applicable.

5. Distributions

Current period

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

Previous period

	Amount per stapled security Cents	Franked amount per stapled security Cents
Distribution for the quarter ended 30 September 2018 (paid 31 October 2018)	2.205	-
Distribution for the quarter ended 31 December 2018 (paid 31 January 2019)	2.205	-
Distribution for the quarter ended 31 March 2019 (paid 31 May 2019)	2.158	-
Distribution for the quarter ended 30 June 2019 (paid 30 August 2019)	2.182	-

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

6. Distribution reinvestment plans

The Distribution Reinvestment Plan ('DRP') was active for the FY20 September quarter distribution and suspended from the FY20 December quarter distribution.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

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10. Attachments

Details of attachments (if any):

The Annual Report of Redcape Hotel Group for the year ended 30 June 2020 is attached.

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11. Signed

Signed ____________________________ Date: 19 August 2020

Nicholas Collishaw
Chairman
Sydney

Redcape
HOTEL GROUP

FY20

ANNUAL REPORT – 30 JUNE 2020

Redcape Hotel Group (ASX:RDC) is a leading hospitality group of 840+ dedicated people, who passionately serve 32 different communities across Australia's east coast.

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

CONTENTS

Our Promise is *'People First'*

– our staff, our customers, our securityholders.

OUR VISION

Our vision is to enrich communities through our hospitality.

ABOUT REDCAPE

A leading hospitality group with scalable systems and capable people, led by an experienced and proven management team driving growth through active management of a high quality real estate backed portfolio.

Our People

Our Communities

Our Assets

Key Highlights

30 June 2020

Full year Distributable Earnings[1] declined by 20.1% versus growth of 22.1% in the eight months to February 2020

Financial Performance

22.1%

Distributable Earnings growth
(based on first 8 months of each year)

$11.2m

Statutory NPAT in FY20
FY19 statutory NPAT: $(4.9)m
(based on the full 12 months of each year)

Operational Performance

6.1%

LFL Revenue[2] growth
Total Revenue up 11.2%
(based on first 8 months of each year)

17.2%

Operating EBITDA[3] growth
(based on the first 8 months of each year)

Capital Management

36.3%

Gearing[4] at lower end of 35% - 45% target range as at 30 June 2020

Interest Cover Ratio[5] of 4.5x based on the 12 months to 30 June 2020

$1.09

Directors NAV per stapled security at 30 June 2020
The 4.4% decline in NAV[6] highlights the resilience of the businesss

1 Distributable Earnings - Operating EBITDA less cash rent, cash interest and Maintenance capital (excludes other unrealised or non-recurring items such as IPO costs)
2 Like for Like ("LFL") Revenue - Based on venues that traded for the full year FY19 and FY20 and thus excludes any part year acquisitions and divestments
3 Operating EBITDA refers to Underlying Operating EBITDA
4 Gearing - Total borrowings less cash as a percentage of total assets less cash
5 Interest Cover Ratio ("ICR") - Operating EBITDA / Net Finance costs less amortisation of borrowing costs (on a 12 month rolling basis)
6 Directors NAV at 30 June 2019 was $1.14 per stapled security. Statutory NAV at 30 June 2020 was $1.09 vs $1.14 per stapled security at 30 June 2019

30 June 2020

Dear Securityholders,

Redcape Hotel Group ("Redcape" or "the Group") remains well positioned to manage through an uncertain economic environment with substantial liquidity and a highly capable executive team.

Well positioned to deal with uncertainty

COVID-19 has had a significant impact on our business and on the financial results for the year given that most of our operations were closed from 23 March 2020 to 1 June 2020. Our management team did (and continue to do) an outstanding job in managing the impact of the COVID-19 crisis and reinforced the Board's view of their capability across a wide range of operating environments. In difficult circumstances, they successfully reopened the business from 1 June 2020. They have seen good customer loyalty leading to strong revenue performance – albeit with higher costs as they focussed on delivering great customer experiences.

The economic environment over the remainder of FY21 will remain highly uncertain. However, the positioning of Redcape's business together with its capable management team means it is well placed to deliver optimal outcomes for Securityholders across a range of operating conditions.

A year in three parts

This financial year has seen the Group deliver on its strategy for the first eight months, then deal with closure of most of its operations in March, and finally recommence operating in a very different environment from 1 June 2020.

In the first eight months of the year to the end of February 2020, I am pleased to report that the business was performing strongly with like-for-like (LFL) revenue growth of 6.1%, Underlying Operating EBITDA up 17.2% and Distributable Earnings growing 22.1%. The impact of COVID-19 in the last four months of the year meant full year performance was significantly affected. For the full year, Total Revenue fell by 9.1%, Underlying Operating EBITDA declined 14.8% and Distributable Earnings were 20.1% lower.

Redcape was delivering on its strategy through to the end of February 2020 with a focus on growing Distributable Earnings that supported its Distributions, and generating future growth through effective portfolio management. The Group negotiated the sale of two pubs at premiums[1] to book value and acquired another two pubs generating total proceeds of $59.6m[2] from the four transactions.

1 Premiums over their book values as at 30 June 2019
2 Excludes transaction costs

30 June 2020

With the forced closure of all operations except our bottle shops (Off-premise)[3] and accommodation at two Venues, management acted quickly to ensure it retained access to capital, secure the assets and minimise operating losses. They also spent considerable time caring for the welfare of employees and remained engaged with their customers.

New South Wales venues commenced reopening from 1 June 2020. Queensland venues commenced reopening from 10 June 2020 with gaming operational from 3 July 2020. The operating focus of the business since reopening has been on delivering a high level of customer service to build loyalty ahead of what may be a difficult economic environment. This has been significantly assisted by the digital platform in which the business has invested, giving management the capability to remain engaged with its customers during the shutdown. This assisted the Group to deliver strong revenue performance from 3 July 2020 when all venues and channels had been reopened. The strong return of trade has confirmed our view about the resilience of Redcape's revenue streams when its venues are able to operate and is underpinned by the central role played by our community focussed pubs.

Optimal performance in an uncertain environment

There remains significant uncertainty about the operating environment over the next 12 months. The spread of COVID-19 is proving to be unpredictable as are Government restrictions in response to increased infection rates, and any further economic stimuli. Finally, the response of our customers to risks posed by COVID-19 and their decisions around spending adds further uncertainty to the economic outlook.

Notwithstanding this uncertainty, Redcape is well positioned to manage and react to the challenges created by a volatile operating environment. It has strong liquidity, a proven ability to manage costs and a management team led by Dan Brady that brings a wealth of experience across a range of operating environments.

I am confident that as the impact of COVID-19 subsides, Redcape's industry leadership will be enhanced and its venues will be even more important community hubs. Its disciplined approach to investment combined with conservation of its capital during the past year has provided the Group with a strong liquidity position that, subject to favourable operating conditions, will allow the Group to continue with its venue improvement programme and target the reinstatement of meaningful distributions.

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

Nicholas Collishaw, Chairman

3 Off-premise at Eastern Creek, Hermit Park and Crescent were closed for part of the shutdown period

30 June 2020

Key Management Metrics

4.1	Staff Satisfaction[1]. Target 4.5 / 5.0 (as at 30 June 2020)
32	Customer NPS[2]. Target 50 (out of a range -100 to +100) (as at 30 June 2020)
22.1%	Distributable Earnings growth in first 8 months of FY20

Financial Highlights

6.1%	LFL Revenue growth in first 8 months of FY20
17.2%	Operating EBITDA growth for first 8 months of FY20 FY20 Operating EBITDA (full 12 months) of $57.1m compared with FY19 Operating EBITDA of $67.1m
4.72	Distribution (cents per stapled security - cps) to stapled securityholders in FY20 (4.41cps in 1H20 and 0.31cps in 2H20)
24.3%	Reduction in cash interest expense reflecting the benefit of a lower cash rate and a new debt facility[3]
$15.6m	Growth capex[4] spend in FY20 compared with $21.6m in FY19
36.3%	Gearing at 30 June 2020 down from 38.0% in FY19 and at the lower end of 35 – 45% target range
4.52x	Interest cover ratio for FY20 compared to 3.95x in FY19
$1.09	Directors and Statutory NAV[5] per stapled security at 30 June 2020 compared with $1.14 at 30 June 2019

1 Staff Satisfaction - Internal tool used to measure and manage current and future performance with a rating of 0 to 5
2 Customer NPS - Net promotor score (NPS) is used as a tool to measure customer advocacy and loyalty with a rating scale between -100 and +100
3 Established 2 September 2019 and excludes hedge break costs of $3.8m
4 Growth Capex - Major refurbishments, one off acquisition costs and tactical capital expenditure on existing and acquired Venues
5 Non-IFRS decrement to Directors NAV was $16.2m; Statutory decrement to book value was $13.9m

30 June 2020

While the volatility of regulatory restrictions exists, we remain focussed on optimising our property and operating businesses and prioritising our strategy to return to paying sustainable distributions to Securityholders. Redcape's performance was tracking ahead of guidance prior to March 2020 this year.

COVID-19

As the COVID-19 industry wide shutdown commenced, Management moved into crisis management mode; we secured our cash reserves, ensured ongoing banking support, worked to provide meaningful work to as many of our people as possible and developed programs to ensure our teams remained connected. We enhanced communication and engagement, keeping connected with our customers through our digital platform.

On the full reopening of all operations on 3 July 2020, we focussed on delivering a seamless end-to-end experience for our customers that allows them to reconnect to their community in a safe manner, approaching health standards with genuine care, and allowing for a fulsome hospitality experience as we once again look to fulfill our role as community hubs.

Operating Performance

In the first eight months of this financial year, LFL Revenue growth was up 6.1% and Distributable Earnings were up 22.1% against the same period last year. All trading departments delivered LFL Revenue growth for this eight month period, consistent with the update in February 2020. Food and Beverage (On-premise) was up 20.8% reflecting changes to the hotel portfolio and the positive effect of prior refurbishment programmes.

Underpinning this financial performance was the continued improvement in underlying operating metrics of Staff Satisfaction (4.1 out of a maximum of 5.0) and Customer NPS[6] (32 out of a range of -100 to +100). Targets of 4.5 and 50 respectively ensure there is continued focus on these key metrics that are an invaluable tool for managing present and future financial performance.

Upon shutdown in March 2020 when all operations except some bottle shops were closed, Redcape went into crisis management, focussing on securing the business. This started with securing cash and working with our lenders to gain variations to the loan agreements, ensuring our work force was well informed and kept highly connected, securing the properties in shut down and the continued engagement with our customers.

6 Customer Net Promoter Score (NPS) measures customer experience and advocacy

30 June 2020

The Group established a new debt facility in September 2019 with Australia's four largest banks. Working with these banks immediately following shutdown, we agreed to a number of variations that ensured debt financing certainty through the shutdown. It also included temporary amendments to financial covenants that were negatively impacted by the closure of our venues. These will revert to their original levels once the venues have reopened and the business has had time to return to more normalised trading conditions.

Simultaneously, management focussed on supporting staff, keeping as many in meaningful employment as possible whilst establishing programs and crisis performance metrics which aimed to ensure that the ongoing mental health, wellbeing and connection of teams remained high.

Our established technology platform enabled our continued high engagement with customers and the development of a research panel of known customers to work with us on strategies to optimise the customer experience and understand community attitudes in a post COVID-19 world.

The financial performance focus also shifted to cash burn as management worked to minimise operating costs during shutdown. Our initial estimates during shutdown forecast operating costs of $3.3m per month, however successful cost reduction initiatives and receipt of JobKeeper resulted in operating costs prior to reopening on 1 June 2020 tracking at $2.4m per month[7].

Portfolio management

We continued active portfolio management in the first eight months of the year with four transactions representing a total of $136.6m[8]. Consistent with our prudent management of capital, we divested two venues representing $98.1m at premiums[9] to their book values compared with the acquisition of two smaller venues for which we paid $38.5m.

Eden Brewhouse in Redbank Plains (QLD) is a leasehold going concern pub and was acquired for $11.5m in December 2019. Kings Head Tavern in South Hurstville (NSW) is a freehold going concern pub and was acquired for $27.0m in March 2020. Both acquisitions will benefit from our platform expertise and refurbishment capability.

Refurbishments continued up until shutdown at a similar pace to last year. Since March 2020, projects have been re-prioritised so that in the future, there will be fewer larger projects and an increased focus on smaller projects.

We continue to assess alternate use optionality and asset optimisation opportunities across the portfolio with a focus on high priority projects. Development planning continues at Cabramatta and Keighery Hotel in Auburn.

Vauxhall Inn

7 Includes JobKeeper of $0.7m per month while in shutdown. This increased to $1.2m in June.
8 Excluding transaction costs
9 Premiums over their book values as at 30 June 2019

30 June 2020

Capital Management

Gearing has decreased to 36.3% from 38.0% at the end of last year reflecting a deliberate approach and purposeful decision to reduce gearing through portfolio management.

The value of strong relationships with Australia's four largest banks, established as part of the $500m[10] facility in September last year, has proven invaluable as we have worked through arrangements to provide certainty through shutdown and reopening. This facility is repayable in equal tranches on 1 September 2022 and 1 September 2024. As at 30 June 2020, we had $101.4m of cash and cash equivalents as well as $10m of undrawn facilities.

Directors and Statutory NAV was $1.09 per stapled security as at 30 June 2020 ($1.14 at 30 June 2019) reflective of Directors decrement of $16.2m and Statutory decline in book value of $13.9m.

Summary and Outlook

The performance of the Group in the first eight months of this financial year reflected the Group's continuing strong underlying operating performance since listing. When the shutdown occurred in March 2020, the depth of experience within the management team, with support from an experienced Board, enabled the Group to respond effectively - securing assets and finance, and staying connected and engaged with staff and customers. This positioned the Group for an effective staggered reopening from 1 June 2020 which saw strong community support and profitable operations in June.

Notwithstanding the strong community support and resulting revenue recovery in the early stages of re-opening, there remains significant regulatory uncertainty about the outlook for the next 12 months. We will remain focussed on what we can control and that is the strong leadership of our people and communities guided by our key operating metrics of Staff Satisfaction and Customer NPS. A continued supportive operating environment will allow us to focus once again on returning sustainable distributions to Securityholders.

Daniel Brady, Chief Executive Officer

The Eastwood Hotel

10 Excludes $3m ancillary facility

The directors of the Responsible Entity present their report, together with the financial statements, of the consolidated entity (referred to hereafter as 'Redcape' or 'Group') consisting of Redcape Hotel Trust I ('RHT I') and Redcape Hotel Trust II ('RHT II') and the entities they controlled at the end of, or during, the year ended 30 June 2020. The manager of Redcape (‘Trust Manager’ or ‘Management’) is MA Hotel Management Pty Ltd, a wholly owned subsidiary of Moelis Australia Ltd.

Directors

The following persons were directors of the Responsible Entity of Redcape for the year ended 30 June 2020 and up to the date of this report, unless otherwise stated:

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

Non-IFRS Disclosures

The Group utilises non-IFRS financial metrics such as Distributable Earnings in its assessment and presentation of Group performance. In particular, the Group references Underlying Operating Earnings Before Interest, Tax, Depreciation and Amortisation (‘Underlying Operating EBITDA‘), Distributable Earnings per Stapled Security and Underlying Net Profit After Tax (‘Underlying NPAT’).

The directors believe the underlying financial and distributable earnings information is useful to users as it:

- reveals the underlying run rate business economics of the Group which enhances the reader’s understanding of past performance;
- provides 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.

Underlying NPAT and other financial metrics, such as Distributable Earnings are not prepared in accordance with International Financial Reporting Standards and are not audited. A reconciliation of non-IFRS financial metrics to statutory results is provided in the “Review of Operations”.

Principal activities

Redcape is an ASX listed, leading Australian hotel business operating a portfolio of 32 hotels across New South Wales ('NSW') and Queensland ('QLD'). Redcape owns 30 of the 32 hotels it operates. The hotels offer patrons:
- Gaming
- On-premise food and beverage
- Off-premise packaged liquor through retail bottle shops
- Other services

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
30 September 2019 - 2.199 cents (30 September 2018: 2.205 cents) per stapled security	12,137	10,795
31 December 2019 - 2.211 cents (31 December 2018: 2.205 cents) per stapled security	12,211	11,548
31 March 2020 - zero cents (31 March 2019: 2.158 cents) per stapled security	-	11,898
30 June 2020 - 0.310 cents (30 June 2019: 2.182 cents) per stapled security	1,712	12,030
	26,060	46,271

Review of operations
The statutory profit for Redcape after providing for income tax amounted to $11.2 million (30 June 2019: loss of $4.9 million).

During the financial year, the Coronavirus (COVID-19) pandemic had a material impact on the Group’s operating performance due to the trading restrictions imposed by the Government.

On 19 March 2020, the Group announced that given the uncertainty in relation to the COVID-19 pandemic, it was appropriate to withdraw its guidance for the financial year 2020 and reassess quarterly distributions based on trading conditions.

As a result, the Group did not pay a distribution for the quarter ended 31 March 2020 and as part of closing out the financial year ended 30 June 2020, announced a small fourth quarter distribution of 0.31 cents per stapled security taking its financial year 2020 distributions to 4.72 cents per stapled security.

On 22 March 2020, the Federal and State Governments announced new Stage 1 restrictions on social gatherings with all pubs closed from midday Monday 23 March 2020.

Accordingly, Redcape closed its 32 hotels, located in NSW and QLD. Most of the Group’s off-premise retail bottle shop outlets, and accommodation at two of its hotels remained open, consistent with regulations in place at the time. As a result of the closure of the hotels, the Group stood down most of its employees. Many of these stood down employees were subsequently eligible for JobKeeper subsidy. During the stand down period, permanent staff were able to draw upon accrued leave entitlements.

On 25 March 2020, the Group advised the market that it was in compliance with its loan facility terms except for those clauses relating to “suspension of business”. On 1 May 2020, the Group announced that it had agreed with its lenders requisite waivers the temporary amendment of a number of terms contained within the Group’s loan agreements which ensured that it had financial certainty through the Government imposed temporary shutdown of its venues.

All hotels were re-opened throughout June and as at the date of the Directors report remain open albeit with government-imposed restrictions. Of note:

- 26 NSW hotels commenced re-opening from 1 June 2020.
- The remaining 6 QLD hotels commenced re-opening from 10 June 2020 (Gaming re-commenced from 3 July 2020).
- All off-premise bottle shops (except Eastern Creek, Hermit Park and Crescent) and accommodation at two of its hotels traded throughout the forced closure period.

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

- Distributable earnings of $37.2 million or 6.73 cents per stapled security (30 June 2019: $46.5 million or 8.80 cents per stapled security)
- Distributions of $26.1 million or 4.72 cents per stapled security (30 June 2019: $46.3 million or 8.75 cents per stapled security)
- Underlying Operating EBITDA of $57.1 million (30 June 2019: $67.1 million)
- Operating cash flows of $32.9 million (30 June 2019: $36.0 million) includes one-off refinancing establishment costs of $4.5 million, hedge break costs of $3.8 million and deferred State and Federal taxes of $15.4 million, resulting in adjusted operating cash flows of $25.8 million.
- Portfolio value decreased to $1,012.5 million (30 June 2019: $1,077.4 million). The decline in value reflects the net impact of revaluation ($13.9 million) comprising $10.2 million loss recognised in asset revaluation reserve and $3.7 million loss recognised in income statement; acquisition of 2 hotels $38.5 million; divestment of 2 hotels ($95.4 million); capital spend $20.8 million less depreciation ($14.2 million) and assets disposal ($0.7 million)
- Statutory and Directors Net Asset Value of $1.09 per stapled security (30 June 2019: $1.14 per stapled security)
- Total capital expenditure of $20.8 million (30 June 2019: $25.2 million) of which $15.6 million related to capital growth and $5.2 million for capital maintenance
- Cash and cash equivalents at year-end of $101.4 million (30 June 2019: $17.0 million) and net debt $388.6 million (30 June 2019: $419.7 million)

Assistance and support by governments and others
During the financial year, the Group received government support through the JobKeeper Payment Scheme (‘JobKeeper’). JobKeeper is a temporary subsidy for businesses significantly affected by COVID-19, where eligible employers are entitled to receive a JobKeeper payment to support the business in ongoing payments to employees. The Group was eligible to receive JobKeeper from 30 March 2020. Total JobKeeper subsidy received/receivable from the ATO as at 30 June 2020 was $4.6 million, with an impact to current year earnings of $2.7 million. The Group is expected to continue receiving JobKeeper subsidy payments up to the fortnight ended 27 September 2020.

In addition to JobKeeper, the Group received payment deferrals of State and other taxes amounting to $15.4 million. These amounts are expected to be repaid in full in financial year 2021.

Reconciliation of non-IFRS financial metrics to statutory results

(i) Reconciliation of Underlying Operating EBITDA to Statutory NPAT

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Revenue	259,294	285,215
Gross profit	**137,609**	**152,194**
Gross profit (% of Revenue)	**53.1%**	**53.4%**
Operating costs	(29,755)	(32,162)
Employment costs	(35,992)	(38,522)
Management fees	(14,731)	(14,421)
Underlying Operating EBITDA (a)	**57,131**	**67,089**
Underlying Operating EBITDA (% of Revenue)	**22.0%**	**23.5%**
Business acquisition costs	(1,687)	(7,631)
(Loss)/gain on disposal of non-current assets	(110)	502
Loss on asset revaluation	(3,669)	(17,998)
Underlying EBITDA	**51,665**	**41,962**
Depreciation expense on right-of-use assets	(1,991)	-
Depreciation expense	(14,180)	(11,360)
Underlying EBIT	**35,494**	**30,602**
Interest on lease liabilities	(843)	-
Net finance costs	(13,932)	(17,324)
Underlying profit before income tax expense	**20,719**	**13,278**
Income tax expense	(5,500)	(1,328)
Underlying NPAT	**15,219**	**11,950**
Swaps and borrowing costs write off	(3,992)	-
One-off employee share grants	-	(199)
Restatement of management fees pre-IPO	-	254
Listing costs and performance fee	-	(20,562)
Tax effect of underlying adjustments	-	3,625
Statutory NPAT	**11,227**	**(4,930)**

(a) Underlying Operating EBITDA in FY20 includes the impact of AASB16 adoption which resulted in a shift of $2.0 million lease expense classification from operating costs to depreciation expense on right-of-use assets and finance costs. The underlying comparative results have not been restated on adoption of AASB16.

(ii) Reconciliation of Underlying Operating EBITDA to Distributable Earnings

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Underlying Operating EBITDA (a)	**57,131**	**67,089**
Cash rent adjustment (b)	(2,034)	(45)
Cash interest expense (c)	(12,750)	(16,839)
Maintenance capital expenditure	(5,175)	(3,683)
Distributable Earnings	**37,172**	**46,522**
Distributable Earnings per Stapled Security (cents)	**6.73**	**8.80**
Distribution to Stapled Securityholders	**26,060**	**46,271**
Distribution per Stapled Security (cents)	**4.72**	**8.75**

(a) Refer to (i) for reconciliation of Underlying Operating EBITDA to Statutory NPAT.
(b) Cash rent adjustment in FY20 reflects rent payments not included in Underlying Operating EBITDA due to AASB16. FY19 comprises non-cash straight-line lease expense adjustments.
(c) Cash interest expense reflects net finance costs less amortisation of capitalised borrowing costs and one-off costs such as hedge break costs.

Management strategies and future prospects
Continuing the strategy to optimise sustainable distributions

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

Since the return to full operations on 3 July 2020, Redcape has experienced strong revenue performance. Underlying Operating EBITDA in July 2020[1] was above July 2019.

The Group is looking to improve the performance-based metrics of Staff Satisfaction and Customer Net Promoter Score ('NPS') and is targeting the reinstatement of meaningful Distributions in financial year 2021.

Material business risks
Redcape is subject to a range of 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, prevent and respond to and recover from events which have the potential to prevent the continued operation of the Group's venues for a sustained period of time. The Group's business continuity framework enables identification of material risks and outlines the response and recovery of the business to minimise the impact of a major disruption on the business.

Regulatory risk
The Group operates in a highly regulated industry, where changes to liquor or gaming licences could significantly impact the trading performance and therefore impact EBITDA and long-term profitability of the Group. The Group is unable to control regulatory changes that may impact on the Group's venues however this is closely monitored to ensure that any potential impacts are mitigated as much as possible.

[1] Excludes JobKeeper.

Financial management
The ability to maintain financial performance and a strong balance sheet enables the Group to fund future growth opportunities on commercially acceptable terms. The Group annually establishes a financial budget which underpin the setting of performance targets incorporated in management incentive plans. Financial performance is continuously monitored for any variations from annual financial budgets and forecast.

Significant changes in the state of affairs
Other than the matters noted in the “Review of Operations”, there was no significant change in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had a material impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by both Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the lack of market transactions which are ordinarily a strong source of evidence for valuations of Freehold Going Concern properties and resultant land valuations. Actual economic events and conditions in future may be materially different from those estimated by the Group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Group’s land and Directors valuation. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Group’s land and Directors valuations cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

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

Other than the above matters, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would not be practicable to estimate the potential impact, positive or negative, after the reporting date.

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

Information on directors of the Responsible Entity

Name:	Nicholas Collishaw
Title:	Independent Non-Executive Director and Chairman
Experience and expertise:	Nicholas was appointed to the Board on 27 September 2018. Nicholas has over 35 years' experience in Australian and Global real estate and funds management markets. He has considerable experience in the development and management of residential, hotel, commercial, retail, industrial and retirement assets. Nicholas is a Fellow of Australian Institute of Valuers, a Fellow of Royal Institute of Chartered Surveyors, a Graduate Member of FINSIA and the Institute of Company Directors. Nicholas is currently a Non-Executive Director of Centuria Capital Group ('Centuria') and was previously Chief Executive Officer ('CEO') - Listed Property Funds at Centuria. Prior to his time at Centuria, Nicholas held the position of CEO and Managing Director of Mirvac Group and successfully guided the business through the global financial crisis and implemented a strategy of sustained growth for the Real Estate and Investment Company.
Other current directorships:	Centuria Capital Group (ASX: CNI)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Board and Member of the Audit, Risk & Compliance Committee
Interests in stapled securities:	Ordinary stapled securities – 100,000

Name:	Daniel Brady
Title:	Non-Executive Director[2]
Experience and expertise:	Daniel was appointed to the Board on 29 October 2018. Daniel is currently CEO of MA Hotel Management Pty Ltd ('MAHM'), the manager and hotel operator of Redcape. An accomplished Senior Executive with over 10 years' experience, including 10 years' board experience on various boards; Daniel is a proven leader of large teams and businesses with diverse capital and ownership structures. Daniel's disciplined approach to strategy development, execution and the management of capital has seen him consistently deliver financial returns, ensuring prosperity for all stakeholders. Daniel values the power that capable people and systems can add to an organisation and is acutely focused on performance with a foundation of strong ethical governance and risk management. Daniel is widely regarded as an industry specialist with over 25 years' experience from proprietary ownership of a single hotel operation to director and board member of large hotel groups. Daniel is an active member of the Australian Hotels Association and has contributed to the development of key policy decisions that continue to positively impact the success and prosperity of communities and the Hotels industry. Graduated from the Advanced Management Program, Harvard Business School 2016.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in stapled securities:	Ordinary stapled securities – 576,991

[2] Daniel Brady is a Non-Executive Director of the Responsible Entity as he is not employed by the Group, however, is responsible for managing the day to day affairs of the Group in his capacity as CEO of MAHM.

Name:	Andrew Ireland
Title:	Independent Non-Executive Director
Experience and expertise:	Andrew was appointed to the Board on 29 October 2018. Andrew is currently Chairman of VIVID MLC, Director of Sports Australia and Director of the Sydney Swans. Prior to this, Andrew was Managing Director and CEO of Sydney Swans having been appointed as CEO in September 2009 after joining the club in 2002 as General Manager of Football. Since 1990, Andrew has been involved in the management of leading Australian sporting teams including a successful tenure as CEO of Brisbane Bears and Brisbane Lions (1990 – 2001). He led the Brisbane Lions to their first premiership in 2001 as CEO and has overseen a strong and successful football program and growth in commercial areas during his time at Sydney Swans. During both tenures as CEO, Andrew had ultimate responsibility for the AFL clubs' substantial social clubs, which included bars, restaurants and EGMs[3]. During his tenure at the Brisbane Lions, Andrew was appointed by the QLD Treasurer as a Director of The Golden Casket Corporation, overseeing a gaming entity in a highly regulated market. Andrew holds a Bachelor of Science from La Trobe University, is a Graduate Member of the Australian Institute of Company Directors and is a Life Member of the Australian Football League.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit, Risk & Compliance Committee
Interests in stapled securities:	Ordinary stapled securities – 50,000

Name:	David Groves
Title:	Independent Non-Executive Director
Experience and expertise:	David was appointed to the Board on 27 September 2018. David has over 25 years' experience as a company director. David is a Non-Executive Director of Pengana Capital Group Limited, Pengana International Equities Limited and Pipers Brook Vineyard Pty Ltd. He is a former director of EQT Holdings Limited, Tassal Group Limited and GrainCorp Limited and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. David is a member of the Council of Wollongong University. David is a member of the Australian Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Commerce from the University of Wollongong and a Master of Commerce from the University of NSW.
Other current directorships:	Pengana Capital Group Limited (ASX: PCG), Pengana International Equities Limited (ASX: PIA)
Former directorships (last 3 years):	Pyrolyx AG (ASX: PLX)
Special responsibilities:	Chairman of the Audit, Risk & Compliance Committee
Interests in stapled securities:	Ordinary stapled securities – 200,000

[3] Electronic Gaming Machines ('EGMs').

Name:	Hugh Thomson
Title:	Non-Executive Director
Experience and expertise:	Hugh was appointed to the Board on 26 February 2016. Hugh is a Managing Director at Moelis Australia Limited ('Moelis Australia') within its Advisory businesses. Prior to this, he was COO of Moelis Australia. Hugh has over 24 years' experience in Investment Management, with a particular emphasis on the acquisition of alternative assets, finance and operations in Australia across a range of industry sectors. Hugh's previous roles include Chief Financial Officer ('CFO') and CEO of ING Real Estate Investment Management, COO of HiLife Health & Beauty and CFO of Industrie Clothing. Hugh has considerable expertise in managing ASX listed funds, including as an executive Board member and Chairman of investment committees and operational risk management committees. Hugh is a qualified chartered accountant and holds a Bachelor of Arts (Honours) from the University of East Anglia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in stapled securities:	Ordinary stapled securities – 50,000

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

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

Company Secretary

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

Rebecca is General Counsel of Moelis Australia Limited ('Moelis Australia'). She has over 15 years of experience in areas of corporate, regulatory and funds management.

Prior to joining Moelis Australia in 2018, Rebecca was Regional Counsel with UBS, with primary responsibilities for advising its Asset Management businesses across Asia Pacific both from Sydney and Hong Kong.

Rebecca holds a Bachelor of Commerce (Finance Major) / Bachelor of Laws from the University of New South Wales and is a Fellow with the Governance Institute of Australia.

Meetings of Directors

The number of meetings of the Responsible Entity's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each Director were

	Full Board		Sub-Committee of Board		Audit, Risk & Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Nicholas Collishaw	13	14	1	1	6	7
Mr Daniel Brady (a)	14	14	1	1	-	-
Mr Andrew Ireland	14	14	-	-	7	7
Mr David Groves	14	14	-	-	7	7
Mr Hugh Thomson (a)	14	14	-	-	-	-

Held: represents the number of meetings held during the time the Director held office.
(a) Not a member of the Audit, Risk & Compliance Committee.

Remuneration report

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

Corporate Governance Statement

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

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

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

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

Indemnity and insurance of officers

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

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Trusts

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

Non-audit services
There were no amounts paid or payable to the auditor for non-audit services providing during the current financial year. Details of the amounts paid or payable to the auditor for non-audit services provided during the prior financial year by the auditor are outlined in note 34 to the financial statements.

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

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

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

Auditor
KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the Directors

Nicholas Collishaw
Chairman

Daniel Brady
Non-Executive Director

19 August 2020
Sydney

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Redcape Hotel Group for the financial year ended 30 June 2020 there have been:

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

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

KPMG

KPMG

Paul Thomas
Partner

Sydney

19 August 2020

Redcape Hotel Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue	6	259,294	285,215
Cost of sales		(121,685)	(133,021)
Expenses			
Operating costs	7	(29,755)	(32,162)
Employment costs	8	(35,992)	(38,720)
Management fees	9	(14,731)	(14,166)
Net finance costs	10	(18,767)	(17,324)
Depreciation expense on right-of-use assets	19	(1,991)	-
Depreciation expense	17	(14,180)	(11,360)
(Loss)/gain on disposal of non-current assets		(110)	502
Loss on asset revaluation	16	(3,669)	(17,998)
Business acquisition costs	39	(1,687)	(7,631)
Operating profit		16,727	13,335
Listing costs and performance fee	11	-	(20,562)
Profit/(loss) before income tax (expense)/benefit		16,727	(7,227)
Income tax (expense)/benefit	12	(5,500)	2,297
Profit/(loss) after income tax (expense)/benefit for the year		11,227	(4,930)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on the revaluation of land		(10,251)	37,573
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		2,404	(3,216)
Other comprehensive income for the year, net of tax		(7,847)	34,357
Total comprehensive income for the year		3,380	29,427
Profit/(loss) for the year is attributable to:			
Unitholders of Redcape Hotel Trust I		31,327	10,691
Unitholders of Redcape Hotel Trust II		(20,100)	(15,621)
		11,227	(4,930)
Total comprehensive income for the year is attributable to:			
Unitholders of Redcape Hotel Trust I		23,480	45,048
Unitholders of Redcape Hotel Trust II		(20,100)	(15,621)
		3,380	29,427
		Cents	**Cents**
Basic earnings per stapled security	43	2.03	(0.93)
Diluted earnings per stapled security	43	2.03	(0.93)

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

Redcape Hotel Group
Consolidated statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	13	101,433	16,981
Trade and other receivables	14	3,109	3,936
Inventories		4,708	5,130
Other current assets	15	2,417	2,760
Total current assets		111,667	28,807
Non-current assets			
Land	16	313,835	351,648
Property, plant and equipment	17	139,302	134,953
Intangible assets	18	559,370	590,757
Right-of-use assets	19	42,241	-
Deferred tax	20	6,692	15,645
Total non-current assets		1,061,440	1,093,003
Total assets		1,173,107	1,121,810
Liabilities			
Current liabilities			
Trade and other payables	21	34,446	38,749
Lease liabilities	22	1,039	-
Employee benefits	23	2,106	1,708
Distribution payable	24	1,712	12,030
Total current liabilities		39,303	52,487
Non-current liabilities			
Other payables		-	430
Borrowings	25	486,253	436,002
Lease liabilities	26	43,885	-
Derivative financial instruments	27	1,084	3,489
Employee benefits	28	205	255
Total non-current liabilities		531,427	440,176
Total liabilities		570,730	492,663
Net assets		602,377	629,147
Equity			
Contributed equity	29	235,897	235,545
Accumulated losses		(68,302)	(43,293)
Equity attributable to the stapled securityholders of RHT II		167,595	192,252
Non-controlling interest	30	434,782	436,895
Total equity		602,377	629,147

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

Redcape Hotel Group
Consolidated statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Equity attributable to RHT I (non-controlling interest)			
Contributed equity	29	318,936	318,469
Reserves	30	130,128	161,923
Accumulated losses	30	(14,282)	(43,497)
Total equity attributable to securityholders of RHT I (non-controlling interest)		434,782	436,895

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

Redcape Hotel Group
Consolidated statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	199,549	(1,156)	-	198,393
Arising due to stapling arrangement	-	(26,516)	387,410	360,894
Profit/(loss) after income tax benefit for the year	-	(15,621)	10,691	(4,930)
Other comprehensive income for the year, net of tax	-	-	34,357	34,357
Total comprehensive income for the year	-	(15,621)	45,048	29,427
Transactions with stapled securityholders in their capacity as stapled securityholders:				
Contributions of equity, net of transaction costs (note 29)	35,996	-	50,708	86,704
Distribution payable (note 31)	-	-	(12,030)	(12,030)
Distributions paid (note 31)	-	-	(34,241)	(34,241)
Balance at 30 June 2019	235,545	(43,293)	436,895	629,147

Consolidated	Issued capital $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	235,545	(43,293)	436,895	629,147
Adjustment to opening retained earnings on transition to AASB 16, net of tax	-	(4,909)	-	(4,909)
Balance at 1 July 2019 - restated	235,545	(48,202)	436,895	624,238
Profit/(loss) after income tax expense for the year	-	(20,100)	31,327	11,227
Other comprehensive income for the year, net of tax	-	-	(7,847)	(7,847)
Total comprehensive income for the year	-	(20,100)	23,480	3,380
Transactions with stapled securityholders in their capacity as stapled securityholders:				
Distribution reinvestment plans	352	-	467	819
Distribution payable (note 31)	-	-	(1,712)	(1,712)
Distributions paid (note 31)	-	-	(24,348)	(24,348)
Balance at 30 June 2020	235,897	(68,302)	434,782	602,377

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

Redcape Hotel Group
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		286,080	311,559
Payments to suppliers and employees (inclusive of GST)		(229,990)	(257,638)
		56,090	53,921
Interest received		162	259
Interest and other finance costs paid (a)		(23,348)	(18,183)
Net cash from operating activities	42	32,904	35,997
Cash flows from investing activities			
Payment for business acquisition, net of cash acquired	39	(38,426)	(153,349)
Business acquisition transaction costs		(1,687)	(7,631)
Payments for property, plant and equipment	17	(19,943)	(25,182)
Payments for intangibles	18	(880)	-
Proceeds from disposal of business		95,682	20,430
Proceeds from disposal of property, plant and equipment		253	112
Net cash from/(used in) investing activities		34,999	(165,620)
Cash flows from financing activities			
Proceeds from issue of stapled securities	29	819	89,757
Transaction costs from issue of stapled securities		-	(3,724)
Proceeds from borrowings		152,650	119,000
Repayment of borrowings		(99,350)	(49,000)
Repayment of leases		(1,192)	-
Distributions paid	31	(36,378)	(44,484)
Net cash from financing activities		16,549	111,549
Net increase/(decrease) in cash and cash equivalents		84,452	(18,074)
Cash and cash equivalents at the beginning of the financial year		16,981	35,055
Cash and cash equivalents at the end of the financial year	13	101,433	16,981

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

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

Note 1. General Information

Reporting Entity

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

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

Responsible Entity

Redcape Hotel Group Management Ltd ('RHGM') is the Responsible Entity of RHT I and RHT II effective 24 October 2018.

Scheme Registration

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

Note 2. Basis of preparation

The Responsible Entity has prepared General Purpose consolidated financial statements for the year ended 30 June 2020 for the purpose of meeting the listing requirements of the Australian Securities Exchange ('ASX').

Compliance Statement

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report has been prepared on a going concern basis. Notwithstanding the ongoing COVID-19 pandemic, the Group is well placed to manage the volatility around COVID-19. It has strong liquidity, demonstrated cost management capability, a motivated workforce and supportive customers. It is well positioned should regulatory restrictions be eased and conversely, to withstand a more difficult environment where restrictions are tightened. Since the return to full operations on 3 July 2020, the Group has experienced strong revenue performance. Underlying Operating EBITDA in July 2020[4] was above July 2019.

The consolidated financial report as at and for the year ended 30 June 2020 was approved by the directors of the Responsible Entity on 19 August 2020.

Comparative figures

During financial year 2020, Redcape modified the classification of certain line items. In the consolidated statement of financial position, capitalised borrowing costs have been reclassified from other current assets to non-current liabilities - borrowings. As a result, the financial statements have been corrected by reclassifying each of the affected financial statement line items for the prior period.

Basis of measurement

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

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

[4] Excludes JobKeeper.

Note 2. Basis of preparation (continued)

Functional and presentation currency

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

Use of estimates and judgements

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

The significant judgements made by management in applying Redcape's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under AASB 16, which are described in note 3.

Note 3. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

Redcape has adopted all 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to Redcape:

AASB 16 Leases

Redcape has adopted AASB 16 from 1 July 2019. AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, Redcape, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Redcape has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, Redcape determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining Whether an Arrangement contains a Lease. Redcape now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to AASB 16, Redcape elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or exchanged on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, Redcape allocates the consideration in the contract to each lease and non-lease component based of their relative stand-alone prices.

Note 3. Significant accounting policies (continued)

(b) As a lessee

Redcape leases many assets, including properties and equipment. As a lessee, Redcape previously classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, Redcape recognises right-of-use assets and lease liabilities for most leases i.e. these leases are on balance sheet.

However, Redcape has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. equipment). Redcape recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets relate to land and building are $23.8 million at 1 July 2019 and $42.2 million at 30 June 2020.

(i) Changes in significant accounting policies

Redcape recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Redcape's incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under the residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Redcape has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether Redcape is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, Redcape classified property leases as operating leases under AASB 117. The leases typically run for a period of 15 to 20 years. Some leases include an option to renew the lease for an additional 10 to 15 years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at Redcape's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

Redcape used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) Impacts on financial statements

(i) Impacts on transition

On transition to AASB 16, Redcape recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Note 3. Significant accounting policies (continued)

	As reported 30 June 2019 $'000	AASB 16 transition adjustments	Adjusted opening balance 1 July 2019 $'000
Right-of-use assets	-	23,753	23,753
Deferred tax	15,645	(3,456)	12,189
Total assets impact	**15,645**	**20,297**	**35,942**
Current lease liabilities	-	(867)	(867)
Non-current lease liabilities	-	(24,769)	(24,769)
Non-current other payables	(430)	430	-
Total liabilities impact	**(430)**	**(25,206)**	**(25,636)**
Accumulated losses	(43,293)	(4,909)	(48,202)
Total equity impact	**(43,293)**	**(4,909)**	**(48,202)**

When measuring lease liabilities for leases that were classified as operating leases, Redcape discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.92%.

	1 July 2019 $'000
Operating lease commitment at 30 June 2019 as disclosed in Redcape's consolidated financial statements	33,118
Discounted using the incremental borrowing rate at 1 July 2019	(7,482)
Lease liabilities recognised at 1 July 2019	25,636

(ii) Impact for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, Redcape recognised $42.2 million right-of-use assets and $44.9 million of lease liabilities as at 30 June 2020.

Also in relation to those leases under AASB 16, Redcape has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 30 June 2020, Redcape recognised $2.0 million of depreciation charges and $0.8 million of interest costs from these leases.

Cash paid in relation to the leases under AASB16 are separated into a principal portion (presented within the financing activities) and interest presented within operating activities). Redcape recognised $1.2 million repayment of leases and $0.8 million lease interest paid during the year ended 30 June 2020.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RHT II as at 30 June 2020 and the results of all subsidiaries for the year then ended. RHT II and its subsidiaries together are referred to in these financial statements as 'Redcape'.

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

Note 3. Significant accounting policies (continued)

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.

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

Revenue recognition
Redcape recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which Redcape is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, Redcape identifies the contract with a customer, identifies the performance obligations in the contract, determines the transaction price which takes into account estimates of variable consideration and the time value of money, allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

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

Food and beverage revenue (On-premise and Off-premise)
Food and beverage revenue is recognised at the point in time the goods are provided and payment is collected.

Accommodation and other services
Revenue from accommodation and other services are recognised as services are performed.

Interest
Interest income is recognised using the effective interest method.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

Note 3. Significant accounting policies (continued)

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

RHT II and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime, effective July 2017 and are taxed as a single entity from that date. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

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

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

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

Redcape has tested the recoverability of tax losses in light of recent events and derecognised $1.1 million tax benefit for carried forward tax losses as the forecast recoverability period is beyond five years.

Note 3. Significant accounting policies (continued)

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

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

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

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

Inventories
Inventories include food and beverages, these are costed on a weighted average basis and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

Cash flow hedges
Cash flow hedges are used to hedge Redcape's interest rate risk exposures. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

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

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

Property, plant and equipment
Recognition and measurement
With the exception of land, all other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

Note 3. Significant accounting policies (continued)

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Redcape, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Redcape will obtain ownership by the end of the lease term.

The estimated useful lives are as follow:

Freehold buildings	40 - 150 years
Property improvements	7 - 40 years
Furniture, fittings and equipment	7 - 15 years
Software	4 - 7 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to Redcape. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Revaluation
Land is recognised at fair value based on periodic valuations by external independent valuers and/or six month director valuations.

The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount.

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

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 3. Significant accounting policies (continued)

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

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

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

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

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

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

Impairment
Non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Financial assets
Redcape recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost. Redcape has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables. These provisions are considered representative across all customers of Redcape based on recent sales experience, historical collection rates and forward-looking information that is available.

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

Note 3. Significant accounting policies (continued)

Loans and 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.

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.

Finance costs
Finance costs are expensed in the period in which they are incurred. Finance costs comprise interest expense on borrowings, using the effective interest rate method, and unwinding of the discount on provisions.

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.

Employee benefits

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

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

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

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

Note 3. Significant accounting policies (continued)

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

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

Issued capital
Ordinary stapled securities are classified as equity.

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

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

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

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

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

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 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. These judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Valuation of land

The fair value of land is reviewed regularly by management with reference to external independent valuations, recent offers and market conditions existing at reporting date, using generally accepted market practices. The critical assumptions underlying management's estimates of fair value are those relating to the capitalisation rate, adopted earnings, market rent assessment and notional fair value of licences and buildings. If there is any change in these assumptions or economic conditions, the fair value of the land may differ. Refer to note 33 for additional information about the valuation approach, inputs and sensitivities.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the lack of market transactions which are ordinarily a strong source of evidence for valuations of Freehold Going Concern properties and resultant land valuations. In the absence of more fulsome market data at 30 June 2020, management have considered the impact that COVID-19 may have on estimated yields. Management believe that transaction data may show an expansion in capitalisation rates reflective of the impact that shutdown risk may have on future earnings.

Actual economic events and conditions in future may be materially different from those estimated by the Group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Group's land valuation.

Fair value measurement hierarchy

Redcape is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Goodwill and other indefinite life intangible assets
Redcape tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less costs of disposal and value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, growth rates of the estimated future cash flows and terminal growth rates. Note 18 includes further details of key assumptions used in recoverable amount models related to these assets.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
Redcape assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to Redcape and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Notes 18 and 33 include further details of key assumptions used in recoverable amount models related to these assets.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to Redcape's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. Redcape reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what Redcape estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 5. Operating segments

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

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

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

Note 6. Revenue

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

Note 6. Revenue (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Major revenue streams		
Gaming revenue	157,131	179,099
On-premise revenue	50,977	56,877
Off-premise revenue	50,051	48,022
Other services	1,135	1,217
Revenue	259,294	285,215

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

Note 7. Operating costs

	Consolidated 2020 $'000	Consolidated 2019 $'000
Administrative expenses	3,812	3,287
Advertising and marketing expenses	4,701	5,082
Operating expenses	10,121	11,771
Repairs and maintenance expenses	2,376	2,161
Property outgoing expenses	8,592	8,613
Rental expenses relating to operating leases	-	1,248
Short-term lease payments	153	-
	29,755	32,162

Note 8. Employment costs

	Consolidated 2020 $'000	Consolidated 2019 $'000
Employment costs	35,992	38,720

Employment costs include defined contribution superannuation expense amounting to $3.0 million (30 June 2019: $3.1 million) and JobKeeper benefit of $2.7 million (30 June 2019: nil).

Note 9. Management fees

	Consolidated 2020 $'000	Consolidated 2019 $'000
Hotel operating fee (a)	9,449	9,138
Asset management fee	5,282	5,028
	14,731	14,166

(a) Prior period includes $1.45 million waiver of the hotel operating fee.

Note 10. Net finance costs

	Consolidated 2020 $'000	2019 $'000
Finance income	(162)	(259)
Finance costs	14,094	17,583
Interest on lease liabilities	843	-
Hedge break costs	3,821	-
Capitalised loan establishment costs written off	171	-
	18,767	17,324

Note 11. Listing costs and performance fee

	Consolidated 2020 $'000	2019 $'000
Listing costs (a)	-	6,762
Performance fee (b)	-	13,800
Total listing costs and performance fee	-	20,562

(a) Prior period expensed costs associated with listing Redcape on the ASX.
(b) Prior period fee payable to the Responsible Entity, in its personal capacity, on the overall performance of Redcape and realised upon IPO event. Comprises fee of $13.5 million plus non-claimable GST of $0.3 million.

Note 12. Income tax expense/(benefit)

	Consolidated 2020 $'000	2019 $'000
Income tax expense/(benefit)		
Deferred tax - origination and reversal of temporary differences	5,500	(2,297)
Aggregate income tax expense/(benefit)	5,500	(2,297)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 20)	5,500	(2,297)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	16,727	(7,227)
Tax at the statutory tax rate of 30%	5,018	(2,168)
Prior year tax losses derecognised (a)	1,105	-
Trust profit not subject to tax and transactions between group entities	(2,576)	(787)
Non-deductible expenses	307	658
Gain on disposal of business	1,625	-
Prior year adjustment	21	-
Income tax expense/(benefit)	5,500	(2,297)

Note 12. Income tax expense/(benefit) (continued)

	Consolidated	
	2020	2019
	$'000	$'000
Amounts credited directly to equity		
Deferred tax assets (note 20)	-	(674)

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

While the Group expects to be able to utilise these tax losses in the future, the forecast period of recoverability is in excess of five years. This has been driven by deduction of prior period IPO and equity raising costs. As such, a deferred tax benefit has not been recognised on the carried forward tax losses.

Note 13. Current assets - cash and cash equivalents

	Consolidated	
	2020	2019
	$'000	$'000
Cash and cash equivalents	101,433	16,981

Note 14. Current assets - trade and other receivables

	Consolidated	
	2020	2019
	$'000	$'000
Trade receivables	117	514
Other receivables (a)	2,992	3,422
	3,109	3,936

(a) Includes receivables from supplier rebates and government subsidy relating to JobKeeper.

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

Note 15. Current assets - other current assets

	Consolidated	
	2020	2019
	$'000	$'000
Prepayments	2,417	2,760

Note 16. Non-current assets - Land

	Consolidated 2020 $'000	2019 $'000
Land - at valuation	313,835	351,648

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

	2020 $'000	2019 $'000
Opening fair value	351,648	-
Disposals - business (a)	(31,239)	(1,821)
Additions - business acquisitions (a)	7,346	40,756
Revaluation (decrements)/increments (b)	(13,920)	20,453
Adjustment arising from stapling arrangement	-	292,260
Closing fair value	313,835	351,648

Refer to note 33 for further information on fair value measurement.

(a) Note 39 details the treatment for business combinations and disposals.
(b) Total revaluation decrement of $13.9 million includes loss of $10.2 million recognised in the asset revaluation reserve and loss of $3.7 million recognised in the income statement.

Note 17. Non-current assets - property, plant and equipment

	Consolidated 2020 $'000	2019 $'000
Buildings - at cost	59,349	59,505
Less: Accumulated depreciation	(3,435)	(2,033)
	55,914	57,472
Property improvements - at cost	52,205	37,189
Less: Accumulated depreciation	(5,368)	(2,615)
	46,837	34,574
Furniture, fittings & equipment - at cost	49,620	41,869
Less: Accumulated depreciation	(15,891)	(9,691)
	33,729	32,178
Work in progress - at cost	2,822	10,729
	139,302	134,953

Note 17. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Building $'000	Property improve- ments $'000	Furniture, fittings & equipment $'000	Work in progress $'000	Total $'000
Balance at 1 July 2018	-	23,537	25,416	8,549	57,502
Disposals	-	(839)	(133)	-	(972)
Disposals - business (a)	(4,841)	(264)	(710)	(114)	(5,929)
Additions	86	3,518	6,513	15,065	25,182
Additions - business acquisitions (a)	16,751	-	6,975	-	23,726
Adjustment arising from stapling arrangement	46,804	-	-	-	46,804
Transfers in/(out)	-	10,634	2,137	(12,771)	-
Depreciation expense	(1,328)	(2,012)	(8,020)	-	(11,360)
Balance at 30 June 2019	57,472	34,574	32,178	10,729	134,953
Disposals	-	(322)	(343)	(56)	(721)
Disposals - business (a)	(675)	(2,101)	(1,279)	(75)	(4,130)
Additions	-	-	-	19,943	19,943
Additions - business acquisitions (a)	564	534	2,339	-	3,437
Transfers in/(out)	-	17,677	10,042	(27,719)	-
Depreciation expense	(1,447)	(3,525)	(9,208)	-	(14,180)
Balance at 30 June 2020	55,914	46,837	33,729	2,822	139,302

(a) Note 39 details the treatment for business combinations and disposals.

There has been no impairment recognised in relation to property, plant and equipment ('PPE') at 30 June 2020 (30 June 2019: nil). Refer to note 18.

Note 18. Non-current assets - intangible assets

	Consolidated 2020 $'000	Consolidated 2019 $'000
Goodwill - at cost	303,106	327,714
Gaming and liquor licences - at cost	256,264	263,043
	559,370	590,757

Note 18. Non-current assets - intangible assets (continued)

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

Consolidated	Goodwill $'000	Gaming and liquor licences $'000	Total $'000
Balance at 1 July 2018	278,461	-	278,461
Additions - business acquisitions	56,275	37,423	93,698
Disposals - business (a)	(7,022)	(5,509)	(12,531)
Adjustment arising from stapling arrangement	-	231,129	231,129
Balance at 30 June 2019	327,714	263,043	590,757
Additions - business acquisitions (note 39)	7,576	20,141	27,717
Additions	-	880	880
Disposals - business (a)	(32,184)	(27,800)	(59,984)
Balance at 30 June 2020	303,106	256,264	559,370

(a) Note 39 details the treatment for business combinations and disposals.

Impairment testing
(i) Goodwill

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

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

Estimated future cash flows in Year 1 are based on a budget that has been approved by the Board. The budget reflects forecasted trading performance considering current trading restrictions. The Group is expected to return to trading performance pre-COVID restrictions in Year 2. These cash flows are projected for a further three years (i.e. Years 3 to 5) based on an annualised growth rate of 3.0% (30 June 2019: 3.0%). The growth rate has been determined with reference to historical performance of the Group.

The discount rates used in the VIU calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the Group. The discount rates have been determined using the weighted average cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year value-in-use model: 7.69% (30 June 2019: 8.10%).

A terminal growth rate of 2.96% (30 June 2019: 3.0%) has been assumed in the VIU calculation and reflects the long-term growth expectations beyond the five-year forecast horizon, considering both industry comparatives and Redcape's consistent outperformance. In light of COVID-19, management have also modelled the impact of a six-month business shutdown once every hundred years in the derived outcome of terminal growth rate.

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

Note 18. Non-current assets - intangible assets (continued)

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

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

	Pre-tax discount rate %	Terminal value %
Assumptions used in value in use calculation	7.69%	2.96%
Rate required for recoverable amount to equal carrying value (a)	8.69%	1.82%

(a) Each rate is determined in isolation.

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

There has been no impairment recognised in relation to goodwill at 30 June 2020 (30 June 2019: nil).

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

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

Gaming and liquor licences of $256.3m are allocated across the Group's 32 hotels, which equates to an average intangible asset value of $8.0m per hotel.

Other non-financial assets
Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Due to the ongoing COVID-19 pandemic, these assets have been assessed for impairment as outlined below.

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

Redcape assesses the recoverable amount of each CGU based on the higher of its fair value less costs to dispose ('FVLCD') and VIU. The carrying amount of each CGU comprises land at fair value, buildings at cost less accumulated depreciation, plant and equipment at cost less accumulated depreciation, work in progress and intangibles at cost comprising gaming and liquor licences, and right-of-use assets less lease liabilities. At 30 June 2020, FVLCD methodology was adopted for 29 hotels and VIU methodology adopted for the remaining 3 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 33 for details of key assumptions used. Costs of disposal is estimated at 2.0% of the hotel's fair value, which has been determined with reference to recent disposals.

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

Note 18. Non-current assets - intangible assets (continued)

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

As the recoverable amount from the FVLCD and/or VIU assessments exceeded the carrying amount for each CGU, no impairment loss was recorded (30 June 2019: nil).

Note 19. Non-current assets - right-of-use assets

	Consolidated	
	2020 $'000	2019 $'000
Land and buildings - right-of-use assets	44,232	-
Less: Accumulated depreciation	(1,991)	-
	42,241	-

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

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

Consolidated	Land & buildings $'000
Balance at 1 July 2018	-
Balance at 30 June 2019	-
Adjustment to opening balance on transition to AASB 16	23,753
Additions	20,479
Depreciation expense	(1,991)
Balance at 30 June 2020	42,241

There has been no impairment recognised in relation to right-of-use assets at 30 June 2020 (30 June 2019: nil). Refer to note 18.

Note 20. Non-current assets - deferred tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	4,975
Property, plant and equipment	1,574	1,249
Employee benefits	688	589
Leases	805	-
Accrued expenses	308	163
Straight-line lease liability	-	1,659
Over market rent (Onerous rent) liability	-	2,360
Transaction costs	3,317	4,636
Other items	-	14
Deferred tax asset	6,692	15,645
Movements:		
Opening balance	15,645	12,674
Credited/(charged) to profit or loss (note 12)	(5,500)	2,297
Credited to equity (note 12)	-	674
Charged to retained earnings - AASB 16	(3,453)	-
Closing balance	6,692	15,645

Note 21. Current liabilities - trade and other payables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade payables	4,873	3,972
Accrued interest	574	1,944
Performance fee	-	6,400
Other payables	10,276	8,125
State Government taxes	18,723	18,308
	34,446	38,749

Refer to note 32 for further information on financial instruments.

Note 22. Current liabilities - lease liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease liabilities	1,039	-

Refer to note 32 for further information on financial instruments.

Note 23. Current liabilities - employee benefits

	Consolidated 2020 $'000	Consolidated 2019 $'000
Annual leave	1,687	1,453
Long service leave	419	255
	2,106	1,708

Note 24. Current liabilities - distribution payable

	Consolidated 2020 $'000	Consolidated 2019 $'000
Distributions	1,712	12,030

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Carrying amount at the start of the year	12,030	10,243
Distribution declared during the year	26,060	46,271
Payments relating to prior period	(12,030)	(10,243)
Payments relating to current period	(24,348)	(34,241)
Carrying amount at the end of the year	1,712	12,030

Note 25. Non-current liabilities - borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000
Bank loans	490,000	436,700
Capitalised loan establishment costs	(3,747)	(698)
	486,253	436,002

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Bank loans	490,000	436,700

Note 25. Non-current liabilities - borrowings (continued)

Syndicated Bank Facility
In the prior year, Redcape had a syndicated bank facility which was due to expire on 23 September 2020. The total facility amount was $477.0 million (excluding $3.0 million ancillary facility). On 2 September 2019, Redcape refinanced its debt facility which resulted in hedge break costs of $3.8 million and capitalised loan establishment costs of $0.2 million being written off.

Common Terms Deed
On 2 September 2019, Redcape refinanced its existing debt arrangements with a Common Terms Deed. The total facility amount is $500.0 million (excluding $3.0 million ancillary facility) comprising Tranche A facility $150.0 million, Tranche B facility $250.0 million and Revolving facility $100.0 million. The Tranche A and the Revolving facilities expire on 1 September 2022. The Tranche B facility expires on 1 September 2024.

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

Defaults and breaches
On 25 March 2020, the Group advised the market that it was in compliance with its loan facility terms with the exception of clauses relating to a “suspension of business” caused by the forced shutdown of its venues. A formal waiver was agreed and formally documented with the Group’s lending syndicate, ensuring that the Group remained in full compliance with its loan agreement. In addition, the lender group has also agreed to temporarily amend financial covenants that are negatively impacted due to the shutdown of the Group’s trading business. Once the venues have reopened and have had time to return to more normalised trading conditions, the amended covenants will revert to their original levels.

Restrictions on distributions
As part of the waiver, an amendment pertaining to the restrictions on distributions was obtained. There have been no breaches of the restrictions on distributions as described in the waiver for the year ended 30 June 2020.

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

	Consolidated	
	2020 $'000	2019 $'000
Total facilities		
Bank loans	500,000	477,000
Used at the reporting date		
Bank loans	490,000	436,700
Unused at the reporting date		
Bank loans	10,000	40,300

Note 26. Non-current liabilities - lease liabilities

	Consolidated	
	2020 $'000	2019 $'000
Lease liabilities	43,885	-

Refer to note 32 for further information on financial instruments.

Note 27. Non-current liabilities - derivative financial instruments

	Consolidated 2020 $'000	Consolidated 2019 $'000
Interest rate swap contracts - cash flow hedges	1,084	3,489

Refer to note 32 for further information on financial instruments.

Note 28. Non-current liabilities - employee benefits

	Consolidated 2020 $'000	Consolidated 2019 $'000
Long service leave	205	255

Note 29. Equity - contributed equity

	Consolidated			
	2020 Stapled Securities	2019 Stapled Securities	2020 $'000	2019 $'000
Contributed equity	552,195,195	551,445,932	235,897	235,545

Details	June 2020 No of units '000	June 2020 $'000	June 2019 No of units '000	June 2019 $'000
RHT II				
Balance at beginning of the period	551,446	235,545	470,312	199,549
Units issued	749	352	81,134	37,569
Equity raising costs	-	-	-	(2,247)
Deferred tax asset	-	-	-	674
Balance at end of the period	552,195	235,897	551,446	235,545

Details	June 2020 No of units '000	June 2020 $'000	June 2019 No of units '000	June 2019 $'000
RHT I (non-controlling interest)				
Balance at beginning of the period	551,446	318,469	470,312	267,758
Units issued	749	467	81,134	52,188
Equity raising costs	-	-	-	(1,477)
Balance at end of the period	552,195	318,936	551,446	318,469

Ordinary stapled securities
Each ordinary unit of RHT II is stapled to a unit of RHT I to form a stapled security. Each stapled security entitles the holder to participate in distributions and the proceeds on the winding up of the Trusts in proportion to the number of and amounts paid on the securities held. The fully paid stapled securities have no par value and each trust does not have a limited amount of authorised capital.

Note 29. Equity - contributed equity (continued)

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

Capital risk management
Redcape's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for stapled securityholders 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 securityholders, return capital to stapled securityholders, issue new stapled securities or sell assets to reduce debt.

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

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

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

Note 30. Equity - non-controlling interest

	Consolidated	
	2020 $'000	2019 $'000
Contributed equity	318,936	318,469
Reserves	130,128	161,923
Accumulated losses	(14,282)	(43,497)
	434,782	436,895

	Contributed equity $'000	Hedging reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
RHT I					
Balance at 1 July 2019	318,469	(3,488)	165,411	(43,497)	436,895
Profit for the year	-	-	-	31,327	31,327
Total other comprehensive income	-	2,404	(34,199)	23,948	(7,847)
Issue of securities	467	-	-	-	467
Interim distributions paid to unitholders	-	-	-	(24,348)	(24,348)
Provisions for distribution to unitholders	-	-	-	(1,712)	(1,712)
Balance at 30 June 2020	318,936	(1,084)	131,212	(14,282)	434,782

Hedging reserve – cash flow hedges
The reserve is used to recognise the effective portion on the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Note 30. Equity - non-controlling interest (continued)

Revaluation reserve – land revaluation
The reserve is used to recognise increases in the carrying amount arising on revaluation of land, to the extent that the increase is not reversing a decrease previously recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in the revaluation reserve to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Note 31. Equity - distributions

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
30 September 2019 - 2.199 cents (30 September 2018: 2.205 cents) per stapled security	12,137	10,795
31 December 2019 - 2.211 cents (31 December 2018: 2.205 cents) per stapled security	12,211	11,548
31 March 2020 - zero cents (31 March 2019: 2.158 cents) per stapled security	-	11,898
30 June 2020 - 0.310 cents (30 June 2019: 2.182 cents) per stapled security	1,712	12,030
	26,060	46,271

Note 32. Financial instruments

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

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

Market risk

Foreign currency risk
Redcape is not exposed to any foreign currency risk.

Price risk
Redcape is not exposed to any significant price risk.

Interest rate risk
Redcape's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose Redcape to interest rate risk. Borrowings obtained at fixed rates expose Redcape to fair value interest rate risk. The policy is to maintain at least 30% of the current borrowing facilities at fixed rates using interest rate swaps with Cap and Floor rates.

Note 32. Financial instruments (continued)

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

Consolidated	2020 Weighted average interest rate %	2020 Balance $'000	2019 Weighted average interest rate %	2019 Balance $'000
Bank loans	1.81%	490,000	2.98%	436,700
Interest rate swaps (notional principal amount)	-	(150,000)	-	(238,500)
Net exposure to interest rate risk		340,000		198,200

The bank loans outstanding, totalling $490.0 million (30 June 2019: $436.7 million), are interest payment loans. Monthly cash outlays of approximately $0.7 million (30 June 2019: $1.1 million) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of $4.9 million (30 June 2019: $4.4 million) per annum.

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

Liquidity risk
Redcape manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Redcape has a voluntary working capital deficiency based on its capital management strategy of paying down debt with excess cash. Due to the uncertainties associated with the ongoing COVID-19 pandemic, it was deemed prudent to maintain cash reserves at 30 June 2020 to meet the ongoing working capital requirements of the Group.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Bank loans	10,000	40,300

Note 32. Financial instruments (continued)

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

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	4,873	-	-	-	4,873
Other payables	-	29,573	-	-	-	29,573
Interest-bearing - variable						
Bank loans	1.49%	6,760	96,125	408,914	-	511,799
Lease liability	2.92%	2,336	2,385	7,127	50,846	62,694
Total non-derivatives		43,542	98,510	416,041	50,846	608,939
Derivatives						
Interest rate swaps outflow	0.25%	67	-	-	-	67
Total derivatives		67	-	-	-	67

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,972	-	-	-	3,972
Other payables	-	34,777	-	-	-	34,777
Interest-bearing - variable						
Bank loans	2.98%	17,386	468,102	-	-	485,488
Total non-derivatives		56,135	468,102	-	-	524,237
Derivatives						
Interest rate swaps outflow	1.02%	611	-	-	-	611
Total derivatives		611	-	-	-	611

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. Redcape refinanced its bank loans in September 2019 and have extended the repayments by another four years. The extension of the bank loans is not reflected in the June 2019 contractual maturities.

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

Note 33. 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 - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	-	313,835	313,835
Total assets	-	-	313,835	313,835
Liabilities				
Interest rate swaps	-	1,084	-	1,084
Total liabilities	-	1,084	-	1,084

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	-	351,648	351,648
Total assets	-	-	351,648	351,648
Liabilities				
Interest rate swaps	-	-	3,489	3,489
Total liabilities	-	-	3,489	3,489

Derivative instruments comprising interest rate swaps were reclassified from level 3 in prior year to level 2 in the current year. There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
(i) Land
Land is recognised at fair value based on periodic valuations by external independent valuers and/or six-monthly Director valuations. Independent external assessments are conducted by a professionally qualified valuer, having recent experience in the location and category of land being valued. Land is revalued by the Directors each half-year where an independent valuation has not been sought. The Group last obtained independent land valuations for a portion of the land on 31 May 2019.

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

Valuation process
Directors' valuations were undertaken for all Freehold Going Concern properties at 30 June 2020. In assessing fair value of these properties, the Directors' valuations adopted the same adjustment process as used by external independent valuers in prior period. This included changes in assumptions that have been applied to specific properties based on the outcome of a risk assessment of each property, as well as consideration of market indicators.

Note 33. Fair value measurement (continued)

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

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the lack of market transactions which are ordinarily a strong source of evidence for valuations of Freehold Going Concern properties and resultant land valuations. In the absence of more fulsome market data at 30 June 2020, management have considered the impact that COVID-19 may have on estimated yields. Management believe that transaction data may show an expansion in capitalisation rates reflective of the impact that shutdown risk may have on future earnings.

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

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

Description	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
		The estimated fair value would increase (decrease) if:
Freehold Going Concern	- Capitalisation rates (7.75% - 13.0%) - Weighted average adopted earnings ($3.4m)	- Capitalisation rates were lower (higher) - Adopted earnings were higher (lower)
Licences	- FY20 Weighted average gaming growth rate (5.66%)	- Gaming growth rates were higher (lower)
Buildings	- Building replacement costs ($2,000 - $3,750 per sqm) - Economic life remaining (25% - 85%)	- Building replacement costs are higher (lower) - Economic life remaining is higher (lower)

Sensitivity analysis
Due to the uncertainty the COVID-19 pandemic is currently having on property values, sensitivity analysis has been undertaken to understand the impact of changes in key unobservable inputs on the Group's valuation of land at 30 June 2020.

Assuming all other factors remained constant, an expansion of capitalisation rates by an additional 25 bps in the valuation model resulted in a $17.7 million decrease in land value. Assuming all other factors remained constant, a 20% decrease in adopted earnings for the next 12 months, with a subsequent return to stabilised earnings would result in a $10.8 million decrease in land value.

(ii) Derivative financial instruments
Derivative financial instruments comprise interest rate swaps and have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available.

Note 33. Fair value measurement (continued)

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

Consolidated	Land $'000
Balance at 1 July 2018	-
Gains recognised in other comprehensive income	38,451
Loss recognised in profit or loss	(17,998)
Disposals - business	(1,821)
Additions - business acquisition	40,756
Adjustment arising from stapling arrangement	292,260
Balance at 30 June 2019	351,648
Loss recognised in profit or loss	(3,669)
Loss recognised in other comprehensive income	(10,251)
Disposals - business	(31,239)
Additions - business acquisition	7,346
Balance at 30 June 2020	313,835
Total gains for the previous year included in other comprehensive income that relate to level 3 assets held at the end of the previous year	38,451

Note 34. Remuneration of auditors

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

	Consolidated 2020 $	Consolidated 2019 $
Audit services - KPMG		
Audit or review of the financial statements	384,000	349,075
Other services - KPMG		
IPO related services including due diligence	-	799,914
	-	799,914
	384,000	1,148,989

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

Note 35. Contingent liabilities

Redcape has provided bank guarantees to a supplier and landlord as at 30 June 2020 of $2.6 million (30 June 2019: $1.8 million).

Note 36. Commitments

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	1,322
One to five years	-	5,803
More than five years	-	25,993
	-	33,118

The Group adopted AASB 16 from 1 July 2019 and recognised right-of-use assets and lease liabilities for leases previously classified as operating leases under AASB 117.

Note 37. Related party transactions

Parent entity
Redcape Hotel Trust II is the parent entity.

Transactions with related parties

(a) Responsible Entity

	Transaction values for the year ended 30 June 2020 $	Balance outstanding as at 30 June 2020 $	Transaction values for the year ended 30 June 2019 $	Balance outstanding as at 30 June 2019 $
MA Asset Management Ltd (i)				
Asset management fee	-	-	1,466,532	-
Debt arrangement fee	-	-	250,000	-
Acquisition fee	-	-	1,080,000	-
Disposal fee	-	-	210,000	-
	-	-	3,006,532	-
Redcape Hotel Group Management Ltd (ii)				
Asset management fee	5,281,673	432,811	3,561,614	435,667
Debt arrangement fee (iii)	2,500,000	-	-	-
Acquisition fee	385,000	-	500,000	-
Disposal fee	981,250	-	-	-
Performance fee (iv)	-	-	14,400,000	6,400,000
	9,147,923	432,811	18,461,614	6,835,667

(i) MA Asset Management Ltd (formerly known as Moelis Australia Asset Management Ltd) ceased to be the Responsible Entity on 24 October 2018.

(ii) Redcape Hotel Group Management Ltd was appointed the Responsible Entity of the Trusts from 24 October 2018. Fees paid to the Responsible Entity are subsequently paid to MA Hotel Management Pty Ltd in its capacity as Trust Manager.

(iii) Debt arrangement fee equates to 0.5% of the $500.0 million debt refinanced in September 2019.

Note 37. Related party transactions (continued)

(iv) Performance fee of $0.9 million was capitalised to equity and $13.5 million was expensed in FY19.

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

Related Entity	Transaction	Transaction values for the year ended 30 June 2020 $	Balance outstanding as at 30 June 2020 $	Transaction values for the year ended 30 June 2019 $	Balance outstanding as at 30 June 2019 $
Moelis Australia Advisory Pty Limited	Underwriting fee	-	-	2,375,000	-
Moelis Australia Advisory Pty Limited	Transaction fee	-	-	3,115,670	-
MA Hotel Management Pty Ltd	Hotel operating fee (a)	9,449,372	1,254,639	9,137,915	(409,473)
MA Hotel Management Pty Ltd	Project development fee	399,723	16,115	743,851	73,822
		9,849,095	1,270,754	15,372,436	(335,651)

(a) Includes the $1.45 million waiver of the hotel operating fee by the Trust Manager in the prior year.

Note 38. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020 $'000	Parent 2019 $'000
Loss after income tax	(3,305)	(12,815)
Total comprehensive income	(3,305)	(12,815)

Note 38. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	**2019**
	$'000	**$'000**
Total current assets	191,516	191,798
Total assets	218,870	232,443
Total current liabilities	163	3,559
Total liabilities	163	3,559
Equity		
Contributed equity	235,897	235,545
Accumulated losses	(17,190)	(6,661)
Total equity	218,707	228,884

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The subsidiaries of RHT II are the original guarantors under the Common Terms Deed of Redcape Hotel Property Trust's bank facility, a subsidiary of RHT I. Redcape Hotel Fund Pty Ltd, a subsidiary of RHT II also has in place a Deed of Cross Guarantee in relation to the debts of certain subsidiaries.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of Redcape, as disclosed in note 3, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 39. Business combinations and disposals

Business acquisitions
Redcape acquired the business and net assets of Eden Brewhouse (Leasehold Going Concern) in December 2019 and Kings Head Tavern (Freehold Going Concern) in March 2020 for total cash consideration of $38.6 million.

The consideration transferred, major classes of assets acquired, and liabilities assumed at the acquisition dates are final as at 30 June 2020 and are detailed as follows:

	Fair value $'000
Cash and cash equivalents	140
Other current assets	166
Land (note 16)	7,346
Property, plant and equipment (note 17)	3,437
Gaming and liquor licences (note 18)	20,141
Trade and other payables	(209)
Employee benefits	(31)
Net assets acquired	30,990
Goodwill	7,576
Acquisition-date fair value of the total consideration transferred	38,566
Representing:	
Cash paid or payable to vendor	38,566
Acquisition costs expensed to profit or loss	1,687
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	38,566
Less: cash and cash equivalents	(140)
Net cash used	38,426

Acquisition related costs
Business acquisition costs of $1.7 million comprising stamp duty, legal fees and due diligence costs were included in Redcape's consolidated statement of profit or loss and other comprehensive income.

Contribution to the Group's results
From each hotel's date of acquisition to 30 June 2020, both hotels contributed $2.6 million to consolidated Group revenue. The aggregate of these venues' Underlying Operating EBITDA was immaterial to the Group's results.
Business disposals
Redcape disposed of the business and net assets of two hotels during the year ended 30 June 2020, resulting in a gain on disposal of $0.3 million. At the date of disposal, the carrying amount of land amounted to $31.2 million, property, plant and equipment $4.1 million and intangibles $60.0 million.

Note 40. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3:

Note 40. Interests in subsidiaries (continued)

	Consolidated 2020 %	Consolidated 2019 %
Subsidiaries of RHT II		
(All incorporated in Australia)		
Redcape Hotel Fund Pty Ltd	100.00%	100.00%
MAHF Custodian Pty Ltd	100.00%	100.00%
MAHPT TT Pty Ltd	100.00%	100.00%
Redcape Group Limited	100.00%	100.00%
Redcape Hotel Group Pty Ltd	100.00%	100.00%
RHG Operations Pty Ltd	100.00%	100.00%
Redcape Services Pty Ltd	100.00%	100.00%
RGM TT Pty Ltd	100.00%	100.00%

	Consolidated 2020 %	Consolidated 2019 %
Subsidiaries of RHT I		
(All incorporated in Australia)		
Redcape Hotel Property Trust	100.00%	100.00%
St George Hotel Trust	100.00%	100.00%
Doonside Hotel Trust	100.00%	100.00%
El Cortez Hotel Trust	100.00%	100.00%
Keighery Hotel Trust	100.00%	100.00%
Lakeview Hotel Motel Trust	100.00%	100.00%
Prospect Hotel Trust	100.00%	100.00%
Royal Hotel Trust	100.00%	100.00%
St Marys Hotel Trust	100.00%	100.00%
Belrose Hotel Trust	100.00%	100.00%
Red Lantern Hotel Trust	100.00%	100.00%
Campbelltown Hotel Trust	100.00%	100.00%
Eastwood Hotel Trust	100.00%	100.00%
Leumeah Hotel Trust	100.00%	100.00%
Mount Annan Hotel Trust	100.00%	100.00%
Revesby Pacific Hotel Trust	100.00%	100.00%
Willoughby Hotel Trust	100.00%	100.00%
Eastern Creek Tavern Hotel Trust	100.00%	100.00%
Landmark Hotel Trust	100.00%	100.00%
Crown Revesby Hotel Trust	100.00%	100.00%
Minskys Hotel Trust	100.00%	100.00%
Shamrock Hotel Trust	100.00%	100.00%
Hermit Park Hotel Trust	100.00%	100.00%
Wattle Hotel Trust	100.00%	100.00%
Carrington Hotel Trust	100.00%	100.00%
Andergrove Tavern Hotel Trust	100.00%	100.00%
Cabramatta Hotel Trust	100.00%	100.00%
Crescent Hotel Trust	100.00%	100.00%
Wattle Grove Hotel Trust	100.00%	100.00%
Sun Hotel Trust	100.00%	100.00%
Vauxhall Hotel Trust	100.00%	100.00%
Australian Hotel & Brewery Trust	100.00%	100.00%
Central Hotel Trust	100.00%	100.00%
Unanderra Hotel Trust	100.00%	100.00%
Figtree Hotel Trust	100.00%	100.00%
Kings Head Hotel Trust (incorporated on 13 December 2019)	100.00%	-

Note 41. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had a material impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular the lack of market transactions which are ordinarily a strong source of evidence for valuations of Freehold Going Concern properties and resultant land valuations. Actual economic events and conditions in future may be materially different from those estimated by the Group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fair value of the Group’s land and Directors valuation. At the date of the annual report, an estimate of the future effects of the COVID-19 pandemic on the Group’s land and Directors valuations cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

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

Other than the above matters, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 42. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2020 $'000	2019 $'000
Profit/(loss) after income tax (expense)/benefit for the year	11,227	(4,930)
Adjustments for:		
Depreciation expense on right-of-use assets	1,991	-
Depreciation expense	14,180	11,360
Loss on asset revaluation	3,669	17,998
Net loss/(gain) on disposal of non-current assets	110	(502)
Business acquisition costs	1,687	7,631
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	827	(2,520)
Decrease in inventories	484	237
Decrease/(increase) in deferred tax assets	5,500	(2,297)
Increase in capitalised loan establishment costs	(3,049)	-
Decrease/(increase) in prepayments	446	(2)
Increase/(decrease) in trade and other payables	(4,485)	8,880
Increase in employee benefits	317	142
Net cash from operating activities	32,904	35,997

Note 43. Earnings per stapled securities

	Consolidated	
	2020	2019
	$'000	$'000
Profit/(loss) after income tax	11,227	(4,930)
Weighted average number of ordinary stapled securities used in calculating basic and diluted earnings per stapled security	551,981,676	528,811,312
Basic and diluted earnings per stapled security (cents)	2.03	(0.93)

Redcape Hotel Group
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;

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

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

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

On behalf of the directors

Nicholas Collishaw Chairman	Daniel Brady Non-Executive Director

19 August 2020
Sydney

Independent Auditor's Report

To the stapled security holders of Redcape Hotel Group

Opinion

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

In our opinion, the accompanying Stapled Group's Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Responsible Entity's Directors' Declaration.

The ***Stapled Group*** consists of Redcape Hotel Trust II and the entities it controlled at the year-end or from time to time during the financial year and Redcape Hotel Trust I and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group and Redcape Hotel Group Management Ltd (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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

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

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

Valuation of land ($313.8m)

Refer to Note 16 to the Financial Report

The key audit matter	How the matter was addressed in our audit
It is the Stapled Group's policy that land is recognised at fair value based on valuations that are conducted by the Directors of Redcape Hotel Group Management Ltd (the Responsible Entity) of the Stapled Group and its external valuation experts. As at 30 June 2020, the valuation of land is based on Directors' of the Responsible Entity valuations on a residual valuation methodology. We considered valuation of land as a key audit matter, given the: • inherently subjective nature of property valuations due to the use of assumptions containing estimation uncertainty and increased complexity of the valuation methodology. These estimates lead to additional audit effort due to differing assumptions such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property. This was further heightened with the existence of the COVID-19 pandemic, decreasing the volume of market transactions which are ordinarily strong sources of evidence regarding fair value; • relative size of land in the statement of financial position (being 27% of total assets); and	Working with our real-estate valuation specialists, our procedures included: • understanding the Stapled Group's process regarding the valuation of land including specific considerations for the impact of COVID-19; • we assessed the appropriateness of the accounting policies applied by the Stapled Group, against the requirements of the accounting standards; • we assessed the scope, competence and objectivity of Stapled Group's Directors to fair value the individual developed properties and its components; • we assessed the valuation methodology used by the Directors of the Stapled Group for consistency with the Stapled Group's valuation policy, and compliance with accounting standards and industry practice; • we assessed the specific valuation assumptions (including the capitalisation rate and market rental income) for a sample of property valuations, through comparison to market data published by commercial real estate agents, and our knowledge of historical performance of the properties held by the Stapled Group and their condition and location;

• quantum of the revaluation gains/losses that directly impact the Statement of profit or loss and other comprehensive income through the fair value fluctuations. We focused on the significant forward looking assumptions and estimations contained in the valuation methodology used by the Stapled Group with particular consideration given to the impact of COVID-19: • Capitalisation rate: reflects the yield that an investor would look to recover on an investment. COVID-19 has resulted in a lack of transactional evidence and other market data points being difficult to obtain; • Forecast cash flows: this includes stabilised net operating profit (EBITDA) and market rental income. These assumptions are more judgemental because the extent of the uncertainty of how COVID-19 may impact on future cash flows; and • Component fair values: these are the notional fair values ascribed to buildings and licenses which are subsequently removed from the property valuation to derive a land residual value. We involved real-estate valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• we compared the stabilised net operating profit (EBITDA) used in the valuations to historical results of the Stapled Group's operations including specific considerations for the impact of COVID-19. We adjusted for expected changes such as the annualisation of results of properties acquired by the Stapled Group during the year. We used our knowledge of the Group, its past performance, business and customers, and our industry experience; • we assessed the methodology and specific valuation assumptions for a sample of individual components including building and license valuations. We used our knowledge of the Stapled Group, its past performance, business and customers, condition of the buildings and our industry experience; • we visited a sample of properties to observe the condition and location of the land. • we checked amounts recorded in the statement of profit or loss and other comprehensive income, to movements in the fair value of the land for the year from the Stapled Group's Statement of financial position; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

<table>
<tr><th colspan="2">Valuation of goodwill ($303.1m)</th></tr>
<tr><td colspan="2">Refer to Note 18 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Annual testing of goodwill impairment is a key audit matter, given the size of the balance (being 26% of total assets) and the significantly higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. We focussed on the significant forward-looking assumptions the Stapled Group applied in its value in use model for the group of cash generating units ("CGUs"), including:

forecast cash flows, growth rates and terminal growth rates – the Stapled Group has experienced significant business disruption, as a result of the trading restrictions imposed by the government due to COVID-19. These conditions increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider. We focused on the expected rate of recovery for the Stapled Group, what the Stapled Group considers as its future business model when assessing the feasibility of the Group's revised COVID-19 forecast cash flows; and
discount rates - these are complex in nature and vary according to the conditions and environment in which the group of CGUs operate.

The Stapled Group uses a complex model to perform its annual testing of goodwill for impairment. The model is largely manually developed, uses adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing highly judgemental forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</td>
<td>Working with our valuation specialists, our procedures included:

we considered the appropriateness of the value in use method applied by the Stapled Group to perform the annual test of goodwill for impairment, for the group of CGUs, against the requirements of the accounting standards;
we assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas;
we considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rate and discount rate, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures;
we compared the forecast cash flows contained in the value in use model to revised forecasts approved by the Board, reflecting the Stapled Group's COVID-19 adjusted model;
we assessed the accuracy of previous Stapled Group forecasts to inform our evaluation of forecasts incorporated in the model;
we challenged the Stapled Group's significant forecast cash flow including specific considerations of the impact of COVID-19 such as expected rate of recovery and growth assumptions by comparing the forecast to historical results of the Stapled Group's operations and applied increased scepticism to areas where previous forecasts were not achieved. We compared forecast growth rates, including terminal growth rate to published studies of industry trends and expectations. We used our knowledge of the Stapled Group, its past performance, business and customers, and our industry experience;
</td></tr>
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The Stapled Group has a large number of individual developed properties, necessitating our consideration of the Stapled Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows. We considered the Stapled Group's allocation of goodwill to the group of CGUs to which they belong based on the management and monitoring of the business. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Stapled Group and the industry it operates in; • we considered the Stapled Group's determination of its CGUs based on our understanding of the operations of the Stapled Group's business, and how independent cash inflows were generated, against the requirements of the accounting standards; • we analysed the Stapled Group's internal reporting to assess the Stapled Group's monitoring and management of activities, and the consistency of the allocation of goodwill to the group of CGUs; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Valuation of gaming and liquor licenses ($256.2m) and other non-financial assets ($181.5m)

Refer to Note 18 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Stapled Group is required to perform an annual impairment assessment for gaming and liquor license which are intangible assets with indefinite useful lives. Other non-financial assets comprising of property, plant and equipment and right-of-use assets are assessed for impairment when there is an indicator of impairment such as the business disruption impact of the COVID-19 global pandemic. As part of the Staple Group's impairment assessment for gaming and liquor licenses and other non-financial assets, the Stapled Group estimated its recoverable amount and compared it to its carrying value for each of the Stapled Group's cash generating units ("CGUs"). The Stapled Group uses the higher of the fair value less cost of disposal and value in use models to perform its impairment assessment for the CGUs. This further increased our audit effort in this key audit area.	Working with our valuation specialists, our procedures included: • we considered the appropriateness of the fair value less cost of disposal and value in use models applied by the Stapled Group to perform the impairment test for the CGUs, against the requirements of the accounting standards; • we assessed the integrity of the fair value less cost of disposal and value in use models used, including the accuracy of the underlying calculation formulas; • we assessed the capitalisation rate for a sample of fair value less cost of disposal models, through comparison to market data published by commercial real estate agents, and our knowledge of historical performance of the properties held by the Stapled Group and their condition and location;

We focussed on the significant forward-looking assumptions the Stapled Group applied in its fair value less cost of disposal and value in use models for the CGUs, including: • capitalisation rates which reflects the yield that an investor would look to recover on an investment in the fair value less cost of disposal models. COVID-19 has resulted in a lack of transactional evidence and other market data points being difficult to obtain. • forecast cash flows including stabilised net operating profit (EBITDA), growth rates and terminal growth rates – the Stapled Group has experienced significant business disruption, as a result of the trading restrictions imposed by the government due to COVID-19. These conditions increase the possibility of a CGU being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider. We focused on the expected rate of recovery for each CGU, what the Stapled Group considers as their future business model when assessing the feasibility of the CGU's revised COVID-19 forecast cash flows; and • discount rates – these are complex in nature and vary according to the conditions and environment the specific CGUs is subject to from time to time. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing highly judgemental forward-looking assumptions, tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• we compared the stabilised net operating profit (EBITDA) used in the fair value less cost of disposal model to historical results of the Stapled Group's operations including specific considerations for the impact of COVID-19. We adjusted for expected changes such as the annualisation of results of properties acquired by the Stapled Group during the year. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; • we considered the sensitivity of the value in use models by varying key assumptions, such as forecast growth rates, terminal growth rate and discount rate, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; • we compared the forecast cash flows contained in the value in use model to revised forecasts approved by the Board, reflecting the Stapled Group's COVID-19 adjusted model; • we assessed the accuracy of previous Stapled Group forecasts to inform our evaluation of forecasts incorporated in the models; • we challenged the Stapled Group's significant forecast cash flow including specific considerations of the impact of COVID-19 such as expected rate of recovery and growth assumptions by comparing the forecast to historical results of the Stapled Group's operations and applied increased scepticism to areas where previous forecasts were not achieved. We compared forecast growth rates, including terminal growth rate to published studies of industry trends and expectations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; • we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGU and the industry it operates in;

	• we considered the Stapled Group's determination of their CGUs based on our understanding of the operations of the Stapled Group's business, and how independent cash inflows were generated, against the requirements of the accounting standards; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Thomas
Partner

Sydney

19 August 2020

Redcape Hotel Group
Stapled Securityholders information
30 June 2020

The stapled securityholder's information set out below was applicable as at 17 August 2020.

Distribution of equitable securities

Analysis of number of equitable securityholders by size of holding:

	Number of holders of ordinary stapled securities	Number of ordinary stapled securities
1 to 1,000	439	313,947
1,001 to 5,000	332	965,819
5,001 to 10,000	534	4,352,208
10,001 to 100,000	1,945	81,549,552
100,001 and over	497	465,013,669
	3,747	552,195,195
Holding less than a marketable parcel	-	-

Equity securityholders

Twenty largest quoted equity securityholders

The names of the twenty largest securityholders of quoted equity securities are listed below:

	Ordinary stapled securities	
	Number held	% of total stapled securities issued
The Trust Company (Australia) Limited	118,881,938	21.53
Western Funds Management Pty Ltd	51,541,700	9.33
Moelis Australia Asset Management Ltd	43,624,355	7.90
HSBC Custody Nominees (Australia) Limited	30,060,412	5.44
J P Morgan Nominees Australia Pty Limited	29,223,748	5.29
Citicorp Nominees Pty Limited	11,879,566	2.15
Carpe Diem Asset Management Pty Ltd	10,000,000	1.81
National Nominees Limited	5,567,069	1.01
Rhino Trade Pty Ltd	5,000,000	0.91
TPIC Pty Ltd	5,000,000	0.91
Peters Meats (Export) Pty Ltd	4,629,630	0.84
Top 4 Pty Ltd	4,522,192	0.82
Netwealth Investments Limited	3,182,229	0.58
Mr Duan Chao	3,120,000	0.57
Australian Brands Pty Ltd	3,000,000	0.54
BNP Paribas Nominees Pty Ltd	2,629,789	0.48
Liangrove Media Pty Limited	1,991,360	0.36
Chalt Pty Limited	1,653,982	0.30
AJA Investments Pty Ltd	1,568,243	0.28
J B Holdings Pty Ltd	1,552,900	0.28
	338,629,113	61.32

Unquoted equity securities

There are no unquoted equity securities.

Redcape Hotel Group
Stapled Securityholders information
30 June 2020

Substantial holders

Substantial holders in Redcape are set out below:

Substantial Holders	Securities held at date of notice	Percentage of securities held at date of notice %	Date of notice
Moelis Australia Limited (including its related bodies corporate)	213,953,331	38.80%	4 December 2018

Voting rights

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

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

There are no other classes of equity securities.

CORPORATE DIRECTORY

30 June 2020

Responsible Entity	Redcape Hotel Group Management Ltd - ABN: 87 610 990 004 ('Responsible Entity')
Directors of the Responsible Entity	Mr Nicholas Collishaw
	Mr Daniel Brady
	Mr Andrew Ireland
	Mr David Groves
	Mr Hugh Thomson
Company Secretary of the Responsible Entity	Ms Rebecca Ong
Entity Information	Redcape Hotel Trust II - ARSN: 629 354 696 ('RHT II' or 'Parent Entity') Redcape Hotel Trust I - ARSN: 629 354 614 ('RHT I') together form the stapled entity; Redcape Hotel Group ('Redcape' or 'Redcape Hotel Group')
Registered office	Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 (02) 8288 5555
Principal place of business	Level 1 Minskys Hotel 287 Military Road Cremorne NSW 2090 (02) 9719 4000
Share register	Boardroom Pty Ltd Level 12 Grosvenor Place 225 George Street Sydney NSW 2000 1300 737 760
Auditor	KPMG Level 38 International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000
Stock exchange listing	Redcape Hotel Group stapled securities are listed on the Australian Securities Exchange (ASX code: RDC)
Website	www.redcape.com.au

Redcape
HOTEL GROUP