The Regatta No. 2 Trust (ARSN 157 793 452)

and Consolidated Entities

"Redcape Group"

ANNUAL REPORT 2017

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Report for the year ended 30 June 2017
Directors' Report
Perpetual Trust Services Limited as Responsible Entity for The Regatta No. 2 Trust

The Trust is a registered managed investment scheme under the *Corporations Act 2001*. The consolidated financial statements of the Trust for the financial year ended 30 June 2017 comprise the Trust, The Regatta 3 Company Pte. Ltd. (the "Company") and their controlled entities, and are referred to as the "Redcape Group" or the "Group" and individually as the "Group entities". The units of the Trust and the shares of the Company are stapled such that the units and shares are effectively dealt with as a single interest.

The directors of Perpetual Trust Services Limited (the "Responsible Entity") for The Regatta No. 2 Trust present their report together with the consolidated financial statements of the Group for the year ended 30 June 2017 and the auditor's report thereon.

The parent entity of the Group for the purpose of the financial report is The Regatta No. 2 Trust (the "Trust").

1. Directors and officers

The Responsible Entity entered into a services agreement with Redcape Services Pty Limited to provide investment, asset management and general administrative services to the Group (other than certain compliance and supervisory services which are provided by the Responsible Entity).

Perpetual Trust Services Limited is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 18, 123 Pitt Street, Sydney, NSW 2000.

The following persons were directors of Perpetual Trust Services Limited during the period from 1 July 2016 to the date of this report unless otherwise stated:

Andrew Cannane	
Christopher Green	
Michael Vainauskas	
Glenn Foster	
Rodney Garth Ellwood	Alternate Director for Christopher Green
Vikki Riggio	Appointed 1 November 2016 as an Alternate Director for Andrew Cannane
Neil Wesley	Appointed 13 January 2017 as an Alternate Director for Glenn Foster, resigned as Alternative Director 14 July 2017
Andrew McIver	Appointed 13 January 2017 as an Alternate Director for Michael Vainauskas
Gillian Larkins	Appointed 14 July 2017 as an Alternate Director for Glenn Foster

2. Principal activities

The principal activity of the Group during the year is the ownership and operation of pubs. There has been no significant change in the nature of the principal activity during the year.

3. Operating and financial review

For the year ended 30 June 2017, the Group recorded a profit of $33,672,000. .

During the year, the Trust paid a distribution of $21,875,000 (2016: $21,329,000) to unitholders in relation to 30 June 2016 and paid an interim distribution of $6,256,000. The Trust has also distributed a return on capital of $69,941,000 and further provided for a final distribution of $17,966,000 (2016: $21,875,000) in respect of the year ended 30 June 2017.

4. Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the year under review.

5. Events subsequent to reporting date

Subsequent to balance date all freehold properties were settled and The Regatta 3 Company Pte. Ltd. has sold all of it's interest in Redcape Group Limited. The total consideration received from the transaction exceeds the carrying value of the related assets and liabilities as at 30 June 2017. As a consequence, the syndicated facility has also been repaid. As such, it is intended that the remaining Group entities will be wound up. Therefore, non-current assets and non-current liabilities are all reclassified to current as they will either be recovered or settled no more than 12 months after reporting date.

The services agreement between the Responsible Entity and Redcape Services Pty Limited was novated to ACN 165 988 296 Pty Ltd (formerly RHG Properties Pty Ltd) on 6 July 2017.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

6. Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

7. Interests of the Responsible Entity

The Responsible Entity held no securities or options in the Trust during or since the end of the financial year.

The Responsible Entity of the Trust is entitled to a fee of $100,000 per annum in relation to its services. In addition the Responsible Entity is entitled to receive 0.025% per annum of the aggregate value of Trust assets in excess of $350m. The Responsible Entity is also entitled to a custody fee of $15,000 per annum.

Fees paid to the Responsible Entity for the year ended 30 June 2017 amounted to $115,000 (2016: $115,000).

8. Environmental regulation

Whilst the Group is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements.

9. Indemnities and insurance premiums for officers or auditors

Indemnification

Under the Trust's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

Under the services agreements, the Trust indemnifies Redcape Services Pty Limited (the "Manager") for any liabilities, direct losses and other amounts suffered or incurred by the Manager, its related bodies corporate or any of their respective officers, employees or agents or any other person engaged or appointed by the Manager in exercising the Manager's powers or performing the Manager's duties under the services agreements.

The auditors are in no way indemnified out of the Trust's assets.

Insurance premiums

No insurance premiums are paid out of the Trust's assets in relation to insurance cover for the Responsible Entity, its officers and employees, or auditors of the Group.

10. Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' Report for the year ended 30 June 2017.

11. Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding instrument) and in accordance with that instrument, amounts in the director's report and financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

12. Units on issue

As at 30 June 2017 the Trust had 250,194,563 (2016: 250,194,563) units on issue. Further details are provided in Note 21 to the financial statements.

This report is made in accordance with a resolution of the directors of Perpetual Trust Services Limited:

Director Perpetual Trust Services Limited

Dated this 30th day of August 2017

Sydney

KPMG

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

To the Directors of Perpetual Trust Services Limited as Responsible Entity for The Regatta No. 2 Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of The Regatta No. 2 Trust for the financial year ended 30 June 2017 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

Cameron Roan
Partner

Sydney
21 September 2017

Redcape Group
Report for the year ended 30 June 2017

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Redcape Group
Report for the year ended 30 June 2017
Consolidated statement of profit or loss and other comprehensive income

	Note	2017 $'000	2016 $'000
REVENUE			
Revenue from pub operations		233,901	220,151
Rent from investment properties		2,134	2,152
Fees for administration services		-	1,495
Total revenue		236,035	223,798
Cost of goods sold		(112,106)	(104,429)
Employee expenses		(37,733)	(42,318)
Rental expense		(3,379)	(3,421)
Operating costs		(23,394)	(23,076)
Loss on sale of investment properties		(1,361)	(56)
Gain on sale of business	6	2,413	-
Gain/(loss) on sale of assets		208	(109)
Impairment of goodwill	14	-	(1,914)
Impairment reversal/(loss) on property, plant and equipment	13	3,753	(5,187)
Impairment reversal/(loss) on licences	14	468	(670)
Fair value movement to derivatives		1,449	(541)
Fair value movement to investment properties	12	5,033	119
Other expenses	8	(11,655)	(4,623)
Earnings before financing costs, depreciation and income tax		59,731	37,573
Finance income		163	165
Finance costs	7	(15,223)	(12,863)
Net finance costs		(15,060)	(12,698)
Depreciation expense	13	(9,462)	(8,089)
Profit before income tax		35,209	16,786
Tax expense	15	(1,537)	(1,796)
Profit after income tax		33,672	14,990
Profit for the year attributable to:			
Unit holders of the Trust		30,399	15,164
Non-controlling interest (shareholders of the Company)		3,273	(174)
		33,672	14,990
Other comprehensive income		-	-
Total comprehensive income		33,672	14,990
Total comprehensive income for the year attributable to:			
Unit holders of the Trust		30,399	15,164
Non-controlling interest (shareholders of the Company)		3,273	(174)
		33,672	14,990

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

Redcape Group
Report for the year ended 30 June 2017
Consolidated statement of financial position

	Note	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	11,392	10,661
Inventories	10	4,555	4,680
Trade and other receivables	11	1,219	1,355
Other current assets		2,833	2,099
Investment property	12	25,295	-
Property, plant and equipment	13	261,725	-
Intangible assets and goodwill	14	147,936	-
Deferred tax assets	15	10,648	-
Total current assets		465,603	18,795
Non-current assets			
Investment property	12	-	22,950
Property, plant and equipment	13	-	259,451
Intangible assets and goodwill	14	-	148,908
Deferred tax assets	15	-	9,875
Total non-current assets		-	441,184
TOTAL ASSETS		465,603	459,979
LIABILITIES			
Current liabilities			
Trade and other payables	16	36,068	26,063
Loans and borrowings	17	322,390	27,762
Derivative financial instruments	18	720	-
Employee benefits	19	15,275	14,428
Distribution payable	20	17,966	21,875
Current tax liabilities	15	1,632	679
Total current liabilities		394,051	90,807
Non-current liabilities			
Trade and other payables	16	-	1,697
Loans and borrowings	17	-	232,827
Derivative financial instruments	18	-	2,169
Employee benefits	19	-	436
Total non-current liabilities		-	237,129
TOTAL LIABILITIES		394,051	327,936
NET ASSETS		71,552	132,043
EQUITY			
Contributed equity	21	80,256	150,197
Non-controlling interest (shareholders of the Company)		(13,389)	(16,662)
Retained earnings/(Accumulated losses)		4,685	(1,492)
TOTAL EQUITY		71,552	132,043

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

Consolidated statement of changes in equity

	Note	Contributed equity	(Accumulated losses)/ Retained earnings	Non-controlling interest	Total
		$'000	$'000	$'000	$'000
Attributable to owners of the Trust					
Balance at 1 July 2016		150,197	(1,492)	(16,662)	132,043
Total comprehensive income for the year					
Profit for the year		-	30,399	3,273	33,672
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	30,399	3,273	33,672
Transactions with owners in their capacity as owners, recognised directly in equity					
Return of capital		(69,941)	-	-	(69,941)
Payment of interim distribution to unitholders		-	(6,256)	-	(6,256)
Provision for distribution to unitholders	20	-	(17,966)	-	(17,966)
Total transactions with owners in their capacity as owners, recognised directly in equity		(69,941)	(24,222)	-	(94,163)
Balance at 30 June 2017		**80,256**	**4,685**	**(13,389)**	**71,552**
Balance at 1 July 2015		150,197	5,219	(16,488)	138,928
Total comprehensive income for the year					
Profit/(loss) for the year		-	15,164	(174)	14,990
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	15,164	(174)	14,990
Transactions with owners in their capacity as owners, recognised directly in equity					
Provision for distribution to unitholders	20	-	(21,875)	-	(21,875)
Total transactions with owners in their capacity as owners, recognised directly in equity		-	(21,875)	-	(21,875)
Balance at 30 June 2016		**150,197**	**(1,492)**	**(16,662)**	**132,043**

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

Redcape Group
Report for the year ended 30 June 2017
Consolidated statement of cash flows

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from pub operations		257,282	242,384
Rent from investment properties		2,492	2,383
Fees for administration services		-	1,645
Interest receipts		163	165
Payments to suppliers and employees		(205,044)	(193,132)
Net cash from operating activities	27	54,893	53,445
Cash flows from investing activities			
Payment for plant and equipment/refurbishments	13	(10,514)	(10,011)
Capital additions for investment properties	12	(13)	(96)
Proceeds from sale of business net of selling expenses	6	6,572	-
Proceeds from sale of investment properties		1,340	1,524
Proceeds from disposal of property plant and equipment		97	749
Net cash used in investing activities		(2,518)	(7,834)
Cash flows from financing activities			
Proceeds from borrowings		147,935	24,000
Repayment of borrowings		(85,480)	(49,000)
Payment of distribution		(28,131)	(21,329)
Return of capital		(69,941)	-
Payment of interest		(14,036)	(10,773)
Payment of transaction costs related to loans and borrowings		(1,991)	(60)
Net cash used in financing activities		(51,644)	(57,162)
Net increase/(decrease) in cash held		731	(11,551)
Cash and cash equivalents at the beginning of the year		10,661	22,212
Cash and cash equivalents at the end of the year	9	11,392	10,661

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

Notes

Note 1 Reporting entity

The Regatta No.2 Trust (the "Trust") is a registered managed investment scheme under the Corporations Act 2001 domiciled in Australia. The consolidated financial statements for the Trust are presented for the year ended 30 June 2017. Due to management's reporting framework, the year represents a period of 52 weeks or 53 weeks every 7th year. The year ended 30 June 2017 represents a 53 week period and is therefore not entirely comparable to the 52 week comparative period. The consolidated financial statements of the Trust as at and for the financial year ended 30 June 2017 comprise of the Trust, The Regatta 3 Company Pte. Ltd. (the "Company") and their controlled entities, and collectively are referred to as the "Group" and individually as the "Group entities". The Responsible Entity of the Trust is Perpetual Trust Services Limited (the "Responsible Entity"). The parent entity for the purpose of these financial statements is the Trust. The units of the Trust and the shares of the Company are stapled such that the units and shares are effectively dealt with as a single interest.

The consolidated financial statements were approved by the directors of the Responsible Entity on 21 September 2017.

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

Note 2 Basis of preparation

(a) Compliance statement
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and derivatives which are measured at fair value.

(c) Functional and presentation currency
The financial statements are presented in Australian dollars, which is the Trust's and the Group's functional currency.
The Trust is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding instrument) and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) 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. 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Investment properties - assumptions underlying fair value. See note 12.

Goodwill – assumptions underlying recoverable value. See note 14.

Employee benefits - assumptions underlying executive incentive scheme. See note 19.

(e) Basis of preparation other than going concern
The financial statements are not prepared on a going concern basis because the Trust has disposed of all its operations (refer to Note 31) and ceased to trade subsequent to year end. As such, it is intended that the remaining Group entities will be wound up.
In preparing the financial statements on an alternate basis, the Group has continued to apply the requirements of Australian Accounting Standards taking into account that the Trust is not expected to continue as a going concern in the foreseeable future. All assets are measured at the lower of their cost or net realisable value except for investment properties which are held at fair value, in accordance with Australian Accounting standards. Liabilities are measured at their anticipated settlement amounts based on relevant Australian Accounting Standard requirements. Non-current assets and non-current liabilities are all reclassified to current as they will either be recovered or settled no more than 12 months after reporting date. There has been no significant remeasurement of any amounts in the financial statements.
As at 30 June 2017, no additional provisions or liabilities have been recognised as a result of the intended wind up of the Trust as the Group has not currently incurred any legal or contractual obligations which will crystallise as a result of the wind-up.

Note 3 Summary of significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(ii) Acquisitions of non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. The adjustments to non-controlling interest arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries and associated entities

Subsidiaries of the Group are entities controlled by the Trust or the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Stapling

The stapling of the units of the Trust and the shares of the Company occurred on 30 April 2012. The acquirer and the parent entity for the purpose of these financial statements is the Trust.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental from investment properties

Rental income from operating leases is recognised on a straight line basis over the lease term. Fixed rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight line basis over the term of the lease or over the period until the next market review date. An asset is recognised to represent the portion of operating lease revenue in a reporting period relating to fixed increases in operating lease rentals in future periods. This receivable is considered to be a component part of the relevant property investment carrying value.

Revenue from pub operations

Revenue from pub operations is comprised predominantly of food and beverage sales and gaming revenue.

Revenue from food and beverage sales is recognised (net of discounts and other allowances) at the point of sale to the customer.
Gaming revenue is recognised as received net of payouts to patrons.

Interest revenue

Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

Note 3 Summary of significant accounting policies (continued)

(c) Income tax

Trust

Under current Australian income tax legislation, the Trust is not liable to income tax provided unit holders are presently entitled to all the Trust's income at 30 June each year.

Company

Tax expense or benefit comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

(iii) Tax exposures

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 the Company 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.

(iv) Tax consolidation

The Company's wholly-owned Australian resident entities have formed a tax consolidated group with effect from July 2009 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Redcape Group Limited.

Current tax expense or income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand-alone taxpayer' method consistent with UIG 1052 *Tax Consolidation Accounting*.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable to or receivable from other entities in the tax consolidated group in conjunction with any tax funding arrangement amount (refer below).

(v) Nature of tax funding arrangement and tax sharing agreement

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.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Note 3 Summary of significant accounting policies (continued)

(e) Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Issued units

Issued units in the Trust are classified as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. To date derivative financial instruments have not been designated in hedge relationships, and the gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Note 3 Summary of significant accounting policies (continued)

(f) Investment property

Investment property is property held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the fair value model. Under the fair value model, investment properties are measured initially at cost. Transaction costs are included in the initial measurement. Subsequent to initial recognition, investment properties are stated at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise.

(g) Property, plant and equipment

(i) Recognition and measurement

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.

(ii) 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 the Group, 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.

(iii) 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 the Group will obtain ownership by the end of the lease term.

The estimated useful lives at the currrent and prior period are:

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

Residual values and useful lives are reviewed and adjusted if appropriate, at each financial year end. Any gain or loss on disposal of an item of property, plant and equipment are recognised in profit or loss.

Note 3 Summary of significant accounting policies (continued)

(h) Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Gaming licences

Gaming licences are valued on the basis of their realisable value to the holder. Gaming licences are considered to have an indefinite useful life. As a consequence, no amortisation is charged. They are tested for impairment annually and whenever an indication of impairment exists, impairment losses are recognised immediately in profit or loss.

(iii) Liquor licences

Liquor licences are valued at cost of application. Liquor licences are considered to have an indefinite useful life. As a consequence, no amortisation is charged. They are tested for impairment annually and whenever an indication of impairment exists. Any impairment is recognised immediately in profit or loss.

(i) Inventories

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

(j) Impairment

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimate future cashflows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to first reduce the carrying amount of any goodwill allocated the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note 3 Summary of significant accounting policies (continued)

(k) Non current assets held for sale

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

(l) Finance income and finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions.

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(m) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Other long-term employee benefits

The Group’s net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group’s obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Note 3 Summary of significant accounting policies (continued)

(o) New standards and interpretations not yet adopted (continued)

AASB 9 Financial Instruments (2014)

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.
AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Group has performed an initial assessment of the potential impact of adopting AASB 9 and believes the impact will be minimal.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.
AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group has performed an initial assessment of the potential impact of adopting AASB 9 and believes the impact will be minimal.

AASB 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard — i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.
The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of its pub venues. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

Note 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(b) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(c) Trade and other receivables

The fair values of trade and other receivables, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

Note 4 Determination of fair values (continued)

(d) Investment property

Independent valuations of investment properties which the Group intends to hold continuously are obtained from suitably qualified independent valuers.

If an independent valuation has not been obtained at reporting date for an investment property the investment property is stated at the value of the last valuation plus any capital additions made to the investment property since the date of the last valuation. Notwithstanding this, the carrying value of each investment property at each reporting date is assessed by management to ensure that its carrying value does not significantly differ from its fair value at reporting date. Where the Group is of the opinion that the carrying value differs significantly from fair value, that asset is adjusted to its fair value.

The valuations of individual properties are prepared inclusive of liquor and gaming licences. The fair value of investment properties is based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Valuations for properties are determined by reference to the net rent for each property, and an applicable capitalisation ("cap") rate. Selection of an appropriate cap rate is based on multiple criteria, including risk associated with achieving the net rent cashflows into the future, and observed market based cap rates for similar properties where they are available. Valuations reflect the creditworthiness of the tenant including market perceptions of the tenant's creditworthiness, the responsibility and division of property holding costs between the lessor and the lessee and the remaining economic life of the property. Where properties are held for sale and contracts have been exchanged, the property is valued at its contracted sale price.

(e) Interest rate swaps

The fair value of interest rate swaps is based on mark-to-market valuations from the bank. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date and represent the estimated amount that the Group would receive or pay to terminate the swaps at the reporting date.

Note 5 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Responsible Entity and the Manager have overall responsibility for the establishment and oversight of the risk management framework. The Manager is Redcape Services Pty Limited.

Under the service agreements between the Responsible Entity and the Manager, the Manager is required to establish and maintain risk management policies and procedures to identify and analyse the risks faced by the Group, to set appropriate risk limits, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Responsible Entity oversees how the Manager monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Responsible Entity has established a Compliance Committee pursuant to part 5(c) of the *Corporations Act 2001* , to assist the Responsible Entity Board to discharge certain of its risk management and compliance responsibilities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses 12 month cash flow forecasts, which assists it in monitoring cash flow requirements. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including servicing of financial obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Note 5 Financial risk management (continued)

Interest rate risk

Interest rate risk for the Group arises from borrowings on which the banking syndicate charges interest on a variable rate basis. This risk is mitigated by the interest rate hedging the group has in place as described in note 3 (e) (iv).

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. Capital consists of issued units and retained earnings of the Group. The Group monitors the return on capital as well as yields on the property portfolio.

The loan contracts entered into contain financial covenants within which the Group must always operate, and include a Loan to Value Ratio covenant and an Interest Cover Ratio covenant. Compliance with the financial covenants through forward projections to ensure that the Group is unlikely to breach the covenants into the future is an ongoing responsibility of the manager. The Group complied with the covenants for the year ended 30 June 2017.

Note 6 Disposal of businesses

The Group has disposed of 1 pub during the financial year ended 30 June 2017. The following summarises the major classes of consideration received and recognises the amounts of assets disposed and liabilities transferred at the date of disposal:

	2017 $'000	2016 $'000
Consideration received, satisfied in cash	6,734	-
Selling expenses	(162)	-
Net consideration after selling expenses	6,572	-
Property, plant and equipment	2,653	-
Trade and other receivables	22	-
Other current assets	52	-
Intangible assets and goodwill	1,440	-
Trade and other payables	(8)	-
Net assets	4,159	-
Net gain on disposal	2,413	-

There was one disposal of investment property during the year. Refer to note 12.

Note 7 Finance costs

(a) Finance costs — cash

		2017	2016
Syndicated Facility Agreement ("SFA") interest expense	(i)	11,757	9,458
Related party interest expense	(ii)	396	-
Other finance costs		1,523	918
		13,676	10,376

		2017	2016
		$'000	$'000
Note 7 Finance costs (continued)			
(b) Finance costs — non-cash/deferred			
Syndicated Facility Agreement ("SFA") interest expense	(i)	606	456
Related party interest expense	(ii)	-	1,665
Amortisation of capitalised facility fee	(iii)	941	366
		1,547	2,487
		15,223	12,863
Total finance costs			

(i) The SFA interest rate is the average BBSY (Bank Bill Swap Bid Rate) for the funding period plus margin and line fee of 1.95% (2016: 1.8% for Tranche 1 and 1.5% for Tranche 2).

(ii) The related party interest rate is the 6 month average BBSY (Bank Bill Swap Bid Rate) plus 4.8%.

(iii) Costs of establishing the SFA were capitalised and are being amortised over the term of the facilities.

	2017	2016
Note 8 Other expenses		
Professional services fees	1,281	1,110
Administration and office costs	1,276	1,403
Transaction costs	8,979	1,692
All other expenses	119	418
	11,655	4,623

Auditor's remuneration	$	$
KPMG Australia		
- Audit and review of financial reports	265,647	278,200
- Due diligence work	296,690	130,472
	562,337	408,672
Network firms of KPMG Australia		
- Audit and review of financial reports	22,000	25,000
Total auditors' remuneration	584,337	433,672

	$'000	$'000
Note 9 Cash and cash equivalents		
Cash at bank and on hand	11,392	10,661
	11,392	10,661
Note 10 Inventories		
Food and beverage	4,555	4,680
	4,555	4,680
Note 11 Trade and other receivables		
Trade receivables	70	215
Other receivables	1,149	1,140
	1,219	1,355

	2017	2016
	$'000	$'000
Note 12 Investment property		
Investment property	25,295	22,950
	25,295	22,950
Movements		
Carrying amount at the beginning of the year	22,950	24,300
Capital additions on investment properties	13	96
Disposals	(2,701)	(1,565)
Fair value adjustments	5,033	119
Carrying amount at the end of the year	25,295	22,950

Investment property

All investment properties are freehold and 100% owned by the Group and are comprised of land, buildings, fixed improvements and liquor and gaming licences. Plant and equipment is held by the tenant.

Those pub freeholds which are leased to third parties and any undeveloped land are included as investment properties. The Group also owns freeholds that are operated by controlled entities. Those freeholds are accounted for as property, plant and equipment (note 13) with their respective gaming and liquor licences and goodwill (note 13).

The Group has 1 (2016: 2) investment property in Queensland and 1 (2016: 1) in Victoria.

Leasing arrangements

The investment properties are each leased inclusive of liquor and gaming licences attached to these properties to their respective tenants under long-term operating leases with rentals payable monthly. The Group has incurred no lease incentive costs to date.

Remaining lease terms for all properties are on average 9.85 years (2016: 10.12 years), excluding options for lease extensions upon completion of the lease term.

Fair value adjustments

Recoverable amount was determined in the current year with reference to the assets fair value less cost to sell, the basis of which was determined through the ultimate sale of the group (refer to Note 31 subsequent events).

Recoverable amount was assessed in the prior year with reference to the assets fair value less cost to sell. At 30 June 2017 the investment property was transferred from a level 3 to a level 1 fair value due to the observable market inputs obtained from the sale. The remainder of this note refers to the valuation technique and inputs used in the prior year.

Yields in prior year applied in the valuations fall in the following ranges for the Group's tenants:

	2016 Yields
Other	8.27% - 9.39%

Fair value hierarchy

The fair value measurement for investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation of rent allowing for the following adjustments:		The estimated fair value would increase (decrease) if:
- Additional land	Net rent (2016: $1,436,000)	Net rent was higher (lower)
- Capital allowance	Capitalisation rates (2016: 8%)	Capitalisation rates were (lower) higher
	Additional land	Additional land was higher (lower) in value
	Capital allowance	Capital allowance was (smaller) larger

	Note	Land and buildings $'000	Property Improvements $'000	Furniture, fittings & equipment $'000	Work in progress $'000	Total $'000
Note 13 Property, plant and equipment						
Cost						
Balance at 1 July 2016		220,322	23,309	40,345	1,392	285,368
Additions		388	1,180	6,035	3,623	11,226
Transfers from work in progress		-	2,527	1,174	(3,701)	-
Disposals		(2,467)	(98)	(1,821)	(113)	(4,499)
Balance at 30 June 2017		218,243	26,918	45,733	1,201	292,095
Depreciation and impairment losses						
Balance at 1 July 2016		(6,855)	(3,673)	(15,386)	(3)	(25,917)
Depreciation for the year		(777)	(1,432)	(7,253)	-	(9,462)
Disposals		59	24	1,095	78	1,256
Reversal of impairment		2,828	717	205	3	3,753
Balance at 30 June 2017		(4,745)	(4,364)	(21,339)	78	(30,370)
Carrying amounts						
at 1 July 2016		213,467	19,636	24,959	1,389	259,451
at 30 June 2017		213,498	22,554	24,394	1,279	261,725
Cost						
Balance at 1 July 2015		219,970	20,226	35,649	1,739	277,584
Additions		418	926	4,866	3,801	10,011
Transfers from work in progress		-	2,493	1,425	(3,918)	-
Disposals		-	(2)	(1,929)	(230)	(2,161)
Reclassification		(66)	(334)	334	-	(66)
Balance at 30 June 2016		220,322	23,309	40,345	1,392	285,368
Depreciation and impairment losses						
Balance at 1 July 2015		(2,067)	(1,814)	(9,859)	-	(13,740)
Depreciation for the year		(789)	(879)	(6,421)	-	(8,089)
Disposals		-	-	1,033	-	1,033
Impairment		(4,065)	(718)	(401)	(3)	(5,187)
Reclassification		66	(262)	262	-	66
Balance at 30 June 2016		(6,855)	(3,673)	(15,386)	(3)	(25,917)
Carrying amounts						
at 1 July 2015		217,903	18,412	25,790	1,739	263,844
at 30 June 2016		213,467	19,636	24,959	1,389	259,451

As a consequence of the impairment testing carried out at year end, $3,753,000 impairment loss has been reversed in respect of property, plant and equipment (2016 reversal of impairment: nil).

	Note	Goodwill $'000	Gaming and Liquor Licences $'000	Total $'000
Note 14 Intangible assets and goodwill				
Cost				
Balance at 1 July 2016		124,383	62,408	186,791
Disposals	6	(1,424)	(1,430)	(2,854)
Balance at 30 June 2017		122,959	60,978	183,937
Accumulated impairment losses				
Balance at 1 July 2016		(37,213)	(670)	(37,883)
Disposals	6	1,414	-	1,414
Reversal of impairment		-	468	468
Balance at 30 June 2017		(35,799)	(202)	(36,001)
Carrying amounts				
at 1 July 2016		87,170	61,738	148,908
at 30 June 2017		87,160	60,776	147,936
Cost				
Balance at 1 July 2015		121,574	62,408	183,982
Reclassification		2,809	-	2,809
Balance at 30 June 2016		124,383	62,408	186,791
Accumulated impairment losses				
Balance at 1 July 2015		(35,299)	-	(35,299)
Impairment loss		(1,914)	(670)	(2,584)
Balance at 30 June 2016		(37,213)	(670)	(37,883)
Carrying amounts				
at 1 July 2015		86,275	62,408	148,683
at 30 June 2016		87,170	61,738	148,908

Goodwill and intangible assets are considered to have an indefinite lives and are tested for impairment annually. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount is assessed at the cash generating unit ("CGU") level, which is the smallest group of assets generating cash inflows independent of other CGUs that benefit from the use of the respective intangible asset.

Note 14 Intangible assets and goodwill (continued)

(a) Freehold going concern cash generating units

The Group owns and operates pubs. Those pubs which it both owns and operates are referred to as "freehold going concerns". Each freehold going concern pub is considered a separate CGU.

The carrying amount of goodwill and gaming and liquor licences with indefinite useful lives is allocated across multiple CGUs, the amount allocated to each CGU is not considered significant in comparison to the total carrying amount of goodwill or gaming and liquor licences with indefinite useful lives.

(b) Gaming and liquor licences

Gaming and liquor licences have been assessed as having indefinite lives on the basis that the licences are expected to be renewed in line with business continuity requirements. Gaming and liquor licences are stated at cost less any impairment losses.

(c) Impairment testing

An impairment loss is recognised whenever the carrying amount of goodwill, gaming and liquor licences or property, plant and equipment exceed their recoverable amount. Recoverable amount was determined in the current year with reference to the assets fair value less cost to sell, the basis of which was determined through the ultimate sale of the group (refer to Note 32 subsequent events). There was no impairment recognised in the current year.

Recoverable amount was assessed in the prior year with reference to the assets fair value less cost to sell, the basis of which was determined through advice from suitably qualified independent valuers. These independent valuations were based on the freehold going concern value for each pub. The fair values of the pub freehold going concerns were based on the amounts for which the pubs could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

	2017 $'000	2016 $'000
Note 15 Taxes		
Tax expense		
(a) Tax expense recognised in profit or loss		
Current tax expense		
Current year	2,277	661
Adjustments for prior year	33	-
	2,310	661
Deferred tax expense		
Origination and reversal of temporary differences	(744)	635
Adjustments for prior year	(29)	500
	(773)	1,135
Tax expense attributable to profit from continuing operations	1,537	1,796
(b) Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit before tax	35,209	16,786
Income tax expense calculated at 30%	10,563	5,036
Trust income not subject to tax	(9,112)	(4,540)
Non deductible expenses	82	800
Adjustments for prior year	4	500
Tax expense on profit before tax	1,537	1,796

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Employee benefits	688	699	-	-	688	699
Accrued expenses	1,014	936	-	-	1,014	936
Other liabilities	1,933	1,867	-	-	1,933	1,867
Over market rent liability	3,717	4,410	-	-	3,717	4,410
Property, plant and equipment	761	1,313	-	-	761	1,313
Transaction costs	2,535	650	-	-	2,535	650
	10,648	9,875	-	-	10,648	9,875

	2017 $'000	2016 $'000
(d) Movements in deferred tax balances during the year		
Balance at the beginning of the period	9,875	13,848
Goodwill reclassification	-	(2,838)
Recognised in profit and loss	773	(1,135)
Balance 30 June	10,648	9,875

(e) Current tax liabilities

On 30 June 2017, the current tax liabilities are $1,632,000 (2016: $679,000).

	2017	2016
	$'000	$'000
Note 16 Trade and other payables		
Current		
Trade payables	3,480	5,541
Accrued interest	606	456
Over market rent	1,249	294
Gaming tax payable	15,267	13,000
Straightlining lease liability	494	15
Other payables	14,972	6,757
	36,068	26,063
Non current		
Over market rent	-	1,249
Straightlining lease liability	-	448
	-	1,697

Some of the pub operations have leases to external parties which are "over market", meaning that the rent was above market rates at acquisition by the Group. As a result a liability has been raised reflecting the rent that is over market. This liability will reduce over the remaining lives of the respective leases.

Note 17 Loans and borrowings

	2017	2016
Current		
Related party loan	-	28,149
Syndicated Facility Agreement (SFA)	324,000	-
Unamortised borrowing costs (SFA)	(1,610)	(387)
	322,390	27,762
Non-current		
Syndicated Facility Agreement (SFA)	-	233,000
Unamortised borrowing costs (SFA)	-	(173)
	-	232,827
Total loans	322,390	260,589
SFA	324,000	233,000
Borrowing costs capitalised (SFA)	(3,363)	(1,372)
Accumulated amortisation of borrowing costs capitalised	1,753	812
	322,390	232,440
Related party loan	-	28,149
Total loans	322,390	260,589

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 the Group, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Defaults and breaches

There have been no breaches of bank covenants in the year ended 30 June 2017.

Restrictions on distributions

Under the terms of the SFA there are certain restrictions on the timing and quantum of distributions, and in particular cash distributions, which can be declared and/or paid to unit holders in order to ensure that the Group is able to continue to meet its repayment obligations under the agreement. The Group has not breached any of the agreement during the current and prior years.

Note 17 Loans and borrowings (continued)

Related party loan

In September 2016, the related party loan has been fully repaid.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Date of maturity	30 June 2017 Face value $'000	30 June 2017 Carrying amount $'000	30 June 2016 Face value $'000	30 June 2016 Carrying amount $'000
SFA	AUD	average BBSY for the funding period + 1.95%	September 2020	324,000	322,390	233,000	232,440
Related party	AUD	6 month average BBSY + 4.8%	June 2021	-	-	23,212	28,149
				324,000	322,390	256,212	260,589

The syndicated facility has been fully repaid in July 2017.

	2017 $'000	2016 $'000
Note 18 Derivative financial instruments liability		
Derivative financial instrument	720	2,169
	720	2,169
Movements		
Fair value at the beginning of the year	2,169	1,628
Fair value loss for the year	(1,449)	541
Fair value at the end of the year	720	2,169
Note 19 Employee benefits		
Current		
Long service leave	784	283
Annual leave	1,491	1,611
Executive incentive scheme	13,000	12,534
	15,275	14,428
Non current		
Long service leave	-	436
	-	436

The provision for long service leave represents the Group's best estimate of the future benefit that employees have earned. The amount and timing of the associated outflows is uncertain and dependant on employees attaining the required years of services. Where the Group no longer has the ability to defer settlement of the obligation beyond 12 months from the reporting date, liabilities are presented as current. This would usually occur when employees are expected to reach the required years of service in the 12 months from reporting date. The discount rate used to determine the present value of future benefits at 30 June 2017 was 2.75% (2016: 2%).

The executive incentive scheme relates to 5 members of key management personnel disclosed in note 26 and is payable in the event of a liquidity event (defined under the agreement as a security sale or trade sale in which at least 95% of stapled units or 95% of assets are disposed).

Under the terms of the executive incentive scheme, the shareholders may in their absolute discretion decide to award the whole or part of the executive incentive scheme.

The value of the Executive Incentive Scheme at 30 June 2017 has been determined with reference to contractually agreed amounts formalised subsequent to year end following the liquidity event.

Employee expenses in the statement of profit or loss and other comprehensive income include contributions to defined contribution plans amounting to $2,733,135 (2016: $2,725,519).

	2017	2016
	$'000	$'000
Note 20 Distribution Payable		
Current		
Distribution payable	17,966	21,875
	17,966	21,875
Balance at the beginning of the year	21,875	21,329
Distribution paid during the year	(21,875)	(21,329)
Interim distribution paid during the year	(6,256)	-
Provisions made during the year	24,222	21,875
Balance at the end of the year	17,966	21,875

The provision for distribution relates to a distribution payable to the owners of the Trust.

	2017	2017	2016	2016
	No of securities	$'000	No of securities	$'000
Note 21 Contributed equity				
Units in the Trust				
On issue at 1 July	250,194,563	150,197	250,194,563	150,197
Return of capital	-	(69,941)	-	-
On issue at 30 June	250,194,563	80,256	250,194,563	150,197
Shares in the Company (non-controlling interest)				
On issue at 1 July	250,194,563	17,322	250,194,563	17,322
On issue at 30 June	250,194,563	17,322	250,194,563	17,322

A unit confers on its holder an undivided absolute, vested and indefeasible beneficial interest in the Trust as a whole, subject to its liabilities, not in parts or single assets. All units confer identical interests and rights. Each member registered at the record date has a vested and indefeasible interest in a share of the distribution in proportion to the number of units held by them. All issued units are fully paid.

The units of the Trust and the shares of the Company are stapled such that the units and shares are effectively dealt with as a single interest.

Note 22 Operating leases

The operating leases of the entity have been transferred to the acquirer as part of the transaction detailed in Note 31 Subsequent events. As a result the Trust does not have any future lease obligations.

Note 23 Group entities

The parent entity for the purpose of the financial statements is The Regatta No. 2 Trust. The Regatta 3 Company Pte. Ltd. is stapled to the Trust and is therefore treated as a notional subsidiary of the Trust, the equity of which is accounted for as a non-controlling interest in the consolidated financial statements. The Regatta 3 Company Pte. Ltd. is a company incorporated in Singapore.

		2017	2016
Subsidiaries	Country of incorporation	Ownership interest	
Subsidiaries of The Regatta No. 2 Trust			
Redcape Group Trust	Australia	100%	100%
Subsidiaries of The Regatta 3 Company Pte. Ltd.			
Redcape Group Limited	Australia	100%	100%
Redcape Hotel Group Pty Limited	Australia	100%	100%
RHG Operations Pty Limited	Australia	100%	100%
Redcape Services Pty Limited	Australia	100%	100%
RHG Properties Pty Limited	Australia	100%	100%
RHG Custodian Pty Limited	Australia	100%	100%

Note 24 Parent entity

As at and throughout the financial year ended 30 June 2017 the parent entity of the Group was The Regatta No. 2 Trust.

	2017 $'000	2016 $'000
Result of the parent entity		
Profit for the year	55,422	23,548
Total comprehensive income	55,422	23,548
Financial position of the parent entity at year end		
Current assets	17,997	-
Total assets	17,997	67,750
Current liabilities	(18,004)	(29,016)
Total liabilities	(18,004)	(29,016)
Net (liabilities)/assets	(7)	38,734
Total equity of the parent entity comprising of:		
Contributed equity	80,256	150,197
Retained losses	(80,263)	(111,463)
Total (deficiency in equity)/equity	(7)	38,734

Note 25 Related party disclosures

(a) Responsible Entity

	Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
	2017	2016	2017	2016
	$	$	$	$
Responsible entity fee (The Regatta No. 2 Trust)	100,000	100,000	33,333	16,667
Custody fee (The Regatta No. 2 Trust)	15,000	15,000	5,000	2,500
Responsible entity fee (Redcape Group Trust)	102,056	109,704	10,389	18,333
Establishment fee (Redcape Group Trust)	-	50,000	-	-

The Trust does not employ personnel in its own right. However, the Trust is required to have an incorporated responsible entity to manage its activities. No fees or benefits are payable to the directors or company secretary of the Responsible Entity out of the assets of the Trust. Those directors are employees of Perpetual Trust Services Limited whose ultimate parent entity is Perpetual Limited.

The Responsible Entity is entitled to receive a fee each financial year while it is the responsible entity of the Trust. The fees will be paid from the income or assets of the Trust monthly in arrears.

The Base fee is equal to:

i) The Regatta No. 2 Trust - $100,000 per annum plus 0.025% per annum of the aggregate value of the Trust's assets in excess of $350,000,000.

ii) Redcape Group Trust - before the units of the Trust are quoted on the ASX, a fee equal to half of the quoted annual fee will be charged. When the units of the Trust are quoted on the ASX, $220,000 per annum plus 0.03% per annum of the value of the Trust's Portfolio in excess of $500,000,000.

iii) Redcape Group Trust - the responsible entity was The Trust Company (RE services) Limited whose ultimate parent entity is Perpetual Limited and was retired as at 5 June 2017.

(b) Key management personnel

The key management personnel compensation included in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2017	2016
	$	$
Short term employee benefits	1,584,063	1,569,062
Other long term benefits	478,103	5,292,321
Post employment benefits	78,052	74,011
Termination benefit	465,900	-
	2,606,118	6,935,394

Other long term benefits includes a provision for the executive incentive scheme as disclosed in note 18.

(c) Non-key management personnel disclosures

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

Related Entity	Transaction	Note	Transaction value year ended 30 June 2017 $	Balance outstanding as at 30 June 2017 $	Transaction value year ended 30 June 2016 $	Balance outstanding as at 30 June 2016 $
Consortium	Related party loan repayment	(i)	(28,544,943)	-	-	28,149,439
Consortium	Interest expense	(ii)	395,504	-	1,664,957	-
Consortium	Distribution	(iii)	(28,131,025)	17,965,555	(21,328,689)	21,874,814
Consortium	Return of capital	(iv)	(69,940,636)	-	-	-

(i) The Consortium of unit holders in the Trust and shareholders of the Company (the "Consortium") lent funds to the Group which were fully repaid.

(ii) The Consortium charged interest expense to the Trust for funds lent.

(iii) The Consortium received $21,874,814 distribution from the Trust, that was provided at 30 June 2016 and an interim distribution of $6,256,211. A distribution payable of $17,965,555 is outstanding at 30 June 2017.

(iv) Refer to note 21 and consolidated statement of changes in equity.

Note 26 Financial Instruments

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2017

$'000	Note	Carrying amount: Fair value hedging instruments	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial assets not measured at fair value									
Trade and other receivables	11	-	1,219	-	1,219				
Cash and cash equivalents	9	-	11,392	-	11,392				
		-	12,611	-	12,611				
Financial liabilities measured at fair value									
Interest rate derivatives	18	(720)	-	-	(720)	-	(720)	-	(720)
		(720)	-	-	(720)	-	(720)	-	(720)
Financial liabilities not measured at fair value									
Loans and borrowings	17	-	-	(322,390)	(322,390)				
Trade and other payables	16	-	-	(36,068)	(36,068)				
		-	-	(358,458)	(358,458)				

30 June 2016

$'000	Note	Carrying amount: Fair value hedging instruments	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial assets not measured at fair value									
Trade and other receivables	11	-	1,355	-	1,355				
Cash and cash equivalents	9	-	10,661	-	10,661				
		-	12,016	-	12,016				
Financial liabilities measured at fair value									
Interest rate derivatives	18	(2,169)	-	-	(2,169)	-	(2,169)	-	(2,169)
		(2,169)	-	-	(2,169)	-	(2,169)	-	(2,169)
Financial liabilities not measured at fair value									
Loans and borrowings	17	-	-	(260,589)	(260,589)				
Trade and other payables	16	-	-	(27,760)	(27,760)				
		-	-	(288,349)	(288,349)				

	2017 $'000	2016 $'000

Note 26 Financial instruments (continued)

(b) Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit risk exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2017 $'000	2016 $'000
Cash and cash equivalents	11,392	10,661
Trade receivables	70	215
Other receivables	1,149	1,140
	12,611	12,016

There was no credit risk exposure to regions other than Australia.

The cash and cash equivalent are held with bank and financial institution counterparts, which are rated AA, based on Standard & Poor's ratings.

Concentrations of credit risk

The Group's maximum exposure to credit risk for trade receivables aged as at the reporting date by type of customer was as follows:

		Gross 2017 $'000	Impairment 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000
Trade debtors	Not past due	44	-	130	-
	Past due 0- 30 days	8	-	69	-
	Past due 31-120 days	18	-	16	-
		70	-	215	-

Impairment losses

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable based on historic payment behaviour. Based on historical default rates, the Group believes that, no impairment allowance is necessary in respect of trade receivables past due.

(c) Liquidity risk

Given the transaction detailed in Note 31 Subsequent events including the full repayment of the syndicate facility, the Trust no longer has exposure to liquidity risk on the basis that it has no financial liabilities after the transaction date, 10 July 2017.

	2017	2016
	$'000	$'000

Note 26 Financial instruments (continued)

(d) Market risk

Interest rate risk

Interest rate profile of the Group's interest-bearing financial instruments:

	2017	2016
Variable rate instruments		
Financial assets	11,392	10,661
Financial liabilities	(323,110)	(262,758)
	(311,718)	(252,097)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Carrying amount	+ 100 bps of AUD IR Profit/(Loss)	+ 100 bps of AUD IR Equity	- 100 bps of AUD IR Profit/(Loss)	- 100 bps of AUD IR Equity
	$'000	$'000	$'000	$'000	$'000
2017					
Cash at bank	11,392	114	114	(114)	(114)
Bank loans	(322,390)	(3,224)	(3,224)	3,224	3,224
Interest rate swap: liabilities	(720)	77	77	(77)	(77)
	(311,718)	(3,033)	(3,033)	3,033	3,033
2016					
Cash at bank	10,661	107	107	(107)	(107)
Bank loans	(260,589)	(2,606)	(2,606)	2,606	2,606
Interest rate swap: liabilities	(2,169)	2,296	2,296	(2,296)	(2,296)
	(252,097)	(203)	(203)	203	203

(e) Fair values

The fair values of financial assets and liabilities are the same as their carrying values.

Interest rate swaps are derivative financial instruments carried at fair value (note 18). Under the Fair value hierarchy, the valuation method relevant to interest rate collars is Level 2, defined as: inputs, other than quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Note	2017 $'000	2016 $'000
Note 27 Statement of cash flows - additional information			
Reconciliation of cash flows from operating activities			
Reconciliation of cash flows from operating activities with profit attributable to unit holders			
Profit for the year		33,672	14,990
Fair value adjustment to investment property		(5,033)	(119)
(Gain)/loss on sale of assets		(208)	109
Depreciation		9,462	8,089
Impairment of goodwill		-	1,914
Impairment (reversal)/loss on property, plant and equipment		(3,753)	5,187
Impairment (reversal)/loss on licences		(468)	670
Loss on sale of investment properties		1,361	-
Gain on sale of business		(2,413)	-
Change in fair value of derivative financial instruments		(1,449)	541
Amortisation of borrowing costs		941	366
Finance costs		14,282	12,497
Tax expense		1,537	1,796
Change in operating assets and liabilities			
Change in inventory		125	(50)
Change in trade and other receivables		136	234
Change in prepayments		(734)	387
Change in trade and other payables		7,025	1,326
Change in employee benefits provisions		411	5,509
Net cash from operating activities		54,893	53,445

Note 28 Contingent assets

The Group is not aware of any contingent assets at 30 June 2017 (2016: nil) which may materially affect the operation of the business.

Note 29 Contingent liabilities

The Group is not aware of any contingent liabilities at 30 June 2017 (2016: nil) which may materially affect the operation of the business.

Note 30 Commitments

The Group is not aware of any other commitments at 30 June 2017 (2016: $959,000) which may materially affect the operation of the business.

Note 31 Subsequent events

Subsequent to balance date all freehold properties were sold and The Regatta 3 Company Pte. Ltd. has sold all of it's interest in Redcape Group Limited. The total consideration received from the transaction exceeds the carrying value of the related assets and liabilities as at 30 June 2017. As a consequence, the syndicated facility has also been repaid. As such, it is intended that the remaining Group entities will be wound up. Therefore, non-current assets and non-current liabilities are all reclassified to current as they will either be recovered or settled no more than 12 months after reporting date.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Note 32 Trust information

Registered office of the Responsible Entity

Perpetual Trust Services Limited, Level 18, 123 Pitt Street, Sydney, NSW 2000.

Directors' declaration

In the opinion of the directors of Perpetual Trust Services Limited, the Responsible Entity of The Regatta No. 2 Trust (the "Trust"):

a) The consolidated financial statements and notes set out on pages 7 to 36, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b) With reference to going concern note 2(e), there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors draw attention to note 2(a) to the consolidated financial statements, which includes the statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Perpetual Trust Services Limited.

Director Perpetual Trust Services Limited

Dated this 21st day of September 2017

Sydney

Independent Auditor's Report

To the stapled security holders of The Regatta No. 2 Trust

Opinion

We have audited the ***Financial Report*** of The Regatta No.2 Trust (the Trust).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a)

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of The Regatta No. 2 Trust and The Regatta No. 3 Company Pte. Ltd and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Group 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* (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.

Emphasis of matter – Basis of preparation

We draw attention to Note 2(e) in the financial report, which indicate that the financial statements have not been prepared on a going concern basis and an alternative basis is used. The Trust has disposed of all its operations, ceased to trade and is in the process of being wound up. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in The Regatta No2 Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report.

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 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 Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Cameron Roan

Partner

Sydney

21 September 2017