Redcape
HOTEL GROUP

Product Disclosure Statement

Financial Adviser
and Joint Lead Manager

MOELIS
AUSTRALIA

Joint Lead Manager

ORD MINNETT

Important notice

This Information Is Important and Requires Your Attention	It is important that you read this document carefully and in its entirety prior to making your investment decision with respect to the Offer. In particular you should pay careful consideration to the risk factors outlined in Section 8 and the tax implications in Section 11 of this document as they relate to your personal investment objectives, financial circumstances and needs. The potential tax effects of the Offer will vary between investors. Other risk factors may exist in addition to those identified in this document which should also be considered in light of your personal circumstances.
The Issuer	This document is a product disclosure statement (the "PDS") for the purposes of Part 7.9 of the Corporations Act and has been issued by Redcape Hotel Group Management Ltd ("Responsible Entity") as Responsible Entity of the Redcape Hotel Trust I and Redcape Hotel Trust II, (each a "Trust" and together "Redcape") and RHGM SaleCo Pty Ltd, a special purpose vehicle established to enable certain Existing Securityholders to sell part of their investment in Redcape on Completion of the Offer. The offer contained in this PDS is an offer of units in each of the Trusts, which are stapled together and trade as stapled securities ("Stapled Securities") (the "Offer").
Lodgement and Listing	This PDS is dated 1 November 2018 and was lodged with the Australian Securities and Investments Commission ("ASIC") in accordance with Section 1013B of the Corporations Act on that date. The Responsible Entity will apply for the admission of the Fund to the official list of ASX and the quotation of the Securities on ASX within seven days of the date of this PDS. Neither ASIC nor ASX takes any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates. ASX reserves the right (but without limiting its absolute discretion) to remove one or more entities with Securities from ASX's Official List if any of their securities cease to be stapled together, or any equity securities are issued by one entity which are not stapled to equivalent securities in the other entity.
Not Investment Advice	The information contained in this PDS should not be taken as financial product advice and has been prepared as general information only without consideration for your particular investment objectives, financial circumstances or particular needs. In particular you should pay careful consideration to the risk factors outlined in Section 8 in light of your personal circumstances, recognising that other risk factors may exist in addition to those identified and should also be considered before deciding whether to invest. If you have any queries or uncertainties relating to aspects of this PDS or the Offer please consult your stockbroker, accountant or other independent financial adviser before deciding whether to invest. Similarly, the tax implications of your investment will vary depending on your personal financial circumstances and investment objectives. You should consider the tax implications outlined in Section 11 of this PDS and obtain your own professional taxation advice prior to deciding whether to invest in this Offer.
Exposure Period	The Corporations Act prohibits the Responsible Entity from processing Applications in the seven-day period after the date of lodgement of the PDS ("Exposure Period"). This period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this PDS to be examined by market participants before the sale of the Securities. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.
No Cooling Off Rights	Cooling-off rights do not apply to an investment in the Stapled Securities pursuant to the Offer.
Rights and Liabilities Attached to the Securities	From the date the Securities under the Offer are issued, all Stapled Securities will rank equally in all respects to the Securities on issue. Details of the rights and liabilities attached to each Stapled Security are set out in Section 7 and in the Constitutions of the Trusts, copies of which are available for inspection at the registered office of the Responsible Entity within normal trading hours.
Electronic PDS	An electronic copy of this PDS may be viewed online by Australian investors at www.redcape.com.au. If you access the PDS electronically please ensure that you download and read the PDS in its entirety. The Offer to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia only. It is not available to persons in other jurisdictions other than under the Institutional Offer. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is accompanied by this PDS in its paper form or the complete and unaltered electronic form.

Important notice (cont.)

Overseas Investors

This PDS has been prepared to comply with the requirements of Australian law and is only being made to Australian resident Retail Investors and Institutional Investors in Australia, New Zealand, Hong Kong and Singapore and any other jurisdictions as determined by the Responsible Entity and Joint Lead Managers. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Distribution of this PDS outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws.

No action has been taken to register or qualify the Stapled Securities or the Offer, or to otherwise permit a public offering of Securities in any jurisdiction outside Australia. The Stapled Securities have not been, and will not be registered under the US Securities Act and may not be offered or sold in the United States or except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. This PDS may not be distributed in the United States or to any person in the United States.

Any person subscribing for Stapled Securities in the Offer shall by virtue of such subscription be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this PDS and are not acting for the account or benefit of a person within such jurisdiction.

None of the Responsible Entity, the Joint Lead Managers, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

See Section 7 for further details.

Updated Information

Information regarding the Offer may need to be updated from time to time. Any updated information about the Offer that is considered not materially adverse to investors will be made available on Redcape's website at www.redcape.com.au.

The Responsible Entity will provide a copy of the updated information free of charge to any eligible investor who requests a copy by contacting Redcape's Offer Information Line on (02) 9719-4088 between 9:00am and 5:00pm (Sydney time) Monday to Friday.

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction to this PDS prior to making any investment decision.

Variation of the Offer

At any time prior to the allocation of the Stapled Securities contemplated in this PDS, the Responsible Entity reserves the right in its absolute discretion, without advance notice and without liability, to vary the Offer or its procedures or to postpone or cancel the Offer.

Financial Information

Section 6 of this PDS sets out in detail the financial information referred to in this PDS and the basis of preparation of that information.

The Forecast Financial Information included in this PDS comprises the pro forma forecast income statement and the pro forma forecast cash flow statement for the year ending 30 June 2019.

The pro forma forecast for the year ending 30 June 2019 comprises the actual but unaudited financial results of Redcape Hotel Trust I and Redcape Hotel Trust II for the period from 1 July 2018 to 31 July 2018 and the forecast financial results from 1 August 2018 to Allotment Date, together with the forecast financial results of Redcape Hotel Trust I and Redcape Hotel Trust II, including the forecast results related to the Hotel Acquisitions contemplated under this Offer, for the period from Allotment Date to 30 June 2019, based on the best estimate assumptions of the Directors. The Forecast Financial Information is prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, except where otherwise stated.

The Financial Information in this PDS should be read in conjunction with, and is qualified by reference to, the information contained in Sections 6 and 8.

Non-IFRS Financial Information

Investors should be aware that certain financial data included in this PDS is 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Directors believe this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Fund. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this PDS.

Unless otherwise stated or implied, all pro forma data in this PDS gives effect to the pro forma adjustments referred to in Section 6.

Important notice (cont.)

Forward-Looking Statements

Certain "forward-looking statements" have been provided in this PDS. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken with due care and attention; however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Responsible Entity and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of the Fund such that actual performance differs materially to any performance indicated in the forward-looking statements. Some of the risk factors that impact on forward looking statements in this PDS are set out in Section 8. No assurance can be provided that actual performance will mirror the guidance provided.

Other than as required by law, none of the Responsible Entity, its directors, officers, employees or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this PDS will actually occur. You are cautioned not to place undue reliance on those statements.

The forward-looking statements in this PDS reflect the views held only immediately before the date of this PDS, unless otherwise stated. Subject to the Corporations Act and any other applicable law, each of the Responsible Entity, its directors, officers, employees and advisers disclaim any duty to disseminate after the date of this PDS any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Photographs, Diagrams and Artist's Renderings

Photographs, diagrams and artists' renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted to mean an endorsement of this PDS or its contents by any person shown in these images. Furthermore, assets not accompanied by a description should not be interpreted as being owned by the Fund.

Diagrams used in this PDS are also intended for illustrative purposes only and may not be drawn to scale.

Definitions, Abbreviations, and Other Information

Explanations of defined terms and abbreviations used throughout this PDS can be found in the PDS Glossary (Appendix B).

Unless otherwise stated or implied, references to times in this PDS are Sydney, Australia time. Similarly, references to dates or years in this PDS are financial years unless otherwise stated or implied.

Privacy

By filling out an Application Form to apply for Stapled Securities, you are providing personal information to the Responsible Entity through the Registry that may be personal information for the purposes of the Privacy Act 1988 (as amended). The Responsible Entity and the Registry on its behalf, collect, hold and use that personal information in order to process your Application. The Responsible Entity may also collect, hold and use that personal information in order to service your needs as a Security Holder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Responsible Entity and/or the Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Responsible Entity, or entities within the Fund which it considers may be of interest to you.

Your personal information may also be provided to the Responsible Entity's agents and service providers on the basis that they deal with such information in accordance with their respective privacy policies. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Joint Lead Managers in order to assess your application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Fund's Securityholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Securities and for associated actions.

Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) the Responsible Entity. You may be required to pay a reasonable charge to the Registry in order to access your personal information. You can request access to your personal information by telephoning the Registry on 1800 634 850. If any of your information is not correct or has changed, you may request it to be corrected.

By submitting an Application, you agree that the Responsible Entity and the Registry may communicate with you in an electronic form or contact you by telephone in relation to the Offer.

Important notice (cont.)

Disclaimer	No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this PDS. Any information or representation that is not in this PDS may not be relied on as having been authorised by the Responsible Entity in connection with the Offer. Except as required by law, and only to the extent so required, neither the Responsible Entity, nor any other person, warrants or guarantees the future performance of the Fund or the repayment of capital, or any return on any investment made pursuant to this information. The Joint Lead Managers have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this PDS and does not make or purport to make any statement in this PDS and there is no statement in this PDS which is based on any statement by the Joint Lead Managers. The Joint Lead Managers and its affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this PDS and make no representation or warranty as to the currency, accuracy, reliability or completeness of this PDS.
Further Questions	If you have any queries relating to aspects of this PDS please call Redcape's Offer Information Line on (02) 9719-4088 between 9:00am and 5:00pm (Sydney time) Monday to Friday.

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Key Offer dates

PDS lodgement date	Thursday, 1 November 2018
Broker Firm Offer, Priority Offer and Employee Gift Offer open	Monday, 12 November 2018
Broker Firm Offer, Priority Offer and Employee Gift Offer close (Closing Date)	Thursday, 22 November 2018
Settlement Date	Thursday, 29 November 2018
Expected issue and transfer of Stapled Securities (Completion Date)	Friday, 30 November 2018
Commencement of trading on an unconditional and deferred settlement basis	Friday, 30 November 2018
Expected dispatch of holding statements	Monday, 3 December 2018
Expected commencement of trading on ASX on a normal settlement basis	Tuesday, 4 December 2018

Dates may change

The dates above are indicative only and may change without notice. The Responsible Entity, in conjunction with the Joint Lead Managers, reserves the right to amend or vary any or all of the dates and times of the Offer (subject to ASX Listing Rules, the Corporations Act and other applicable laws) without prior notice, including closing the Offer early, extending the date the Offer closes, deferring the Completion Date, accepting late Applications either generally or in particular cases, or to withdraw the Offer. If the Offer is withdrawn before the issue and transfer of Stapled Securities, then all Application Payments will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. The quotation and commencement of trading of the Stapled Securities is subject to confirmation from ASX.

How to invest

Applications for Stapled Securities can be made in accordance with the procedures described in the PDS. Instructions on how to apply for Stapled Securities are set out in Sections 1 and 7.

Key Offer statistics

Offer Price per Stapled Security	$1.13
Stapled Securities available under the Offer (excluding the Employee Gift Offer)	44.2 million – 53.1 million
Number of New Stapled Securities to be issued under the Offer	35.4 million
Number of Existing Stapled Securities to be sold by SaleCo under the Offer	8.8 million – 17.7 million
Number of New Stapled Securities to be issued under the Employee Gift Offer	0.3 million
Total number of Stapled Securities on issue at Completion of the Offer	551.5 million
Gross proceeds of the Offer	$50 million – $60 million
Gross proceeds of the Offer to Redcape	$40.0 million
Gross proceeds of the Offer to SaleCo	$10 million - $20 million
Market capitalisation at the Offer Price	$623.2 million
Pro Forma Net Debt (as at 30 June 2018)	$400.2 million
Enterprise Value at the Offer Price	$1,023.4 million

Key investment metrics

Pro Forma Forecast FY19 Distributable Earnings per Stapled Security[1]	8.8-9.0 cents
Pro Forma Forecast FY19 Distributable Earnings Yield[2]	7.8-8.0%
Offer Price to Pro Forma Forecast FY19 Distributable Earnings per Stapled Security	12.6x-12.8x
Pro Forma Forecast FY19 Distribution Yield[3]	7.7%
Offer Price to Pro Forma Forecast FY19 NPAT per Stapled Security[4]	20.5x
Pro Forma net assets per Stapled Security (as at 30 June 2018)	$1.13
Pro Forma Gearing (as at 30 June 2018)[5]	37.4%

1. Pro Forma Forecast FY19 Distributable Earnings is defined as Pro Forma Forecast FY19 NPAT adjusted for non-cash items such as fair value adjustments, depreciation and amortisation and other unrealised and non-recurring items less maintenance capex. Redcape's Pro Forma Forecast FY19 Distribution is expected to be between 97.2 – 99.4% of Pro Forma Forecast FY19 Distributable Earnings. Refer to Section 6 for further details.
2. Pro Forma Forecast FY19 Distributable Earnings Yield is the rate of return derived by dividing the Pro Forma Forecast FY19 Distributable Earnings per Stapled Security by the Offer Price of $1.13. Refer to Section 6 for further details.
3. Pro Forma Forecast FY19 Distribution Yield is the rate of return derived by dividing the Pro Forma Forecast FY19 Distribution per Stapled Security by the Offer Price of $1.13. Refer to Section 6 for further details.
4. Refer to Section 6 for further details.
5. Gearing defined as the ratio of Net Debt to total assets, less cash. Refer to Section 6 for further details.
6. Interest Cover Ratio is defined as Pro Forma Forecast FY19 Operating EBITDA divided by Pro Forma Forecast FY19 net finance costs less amortisation of borrowing costs.

Chairman's letter

1 November 2018

On behalf of the Board of Directors, it is my great pleasure to invite you to become a Securityholder in the Redcape Hotel Group ("Redcape" or "the Group").

Redcape is a provider of pubs and hotels in New South Wales ("NSW") and Queensland ("QLD") where local communities can socialise and enjoy quality entertainment in a friendly and safe environment.

Redcape has a clear focus on delivering excellent and responsible service, maintaining high quality facilities, and contributing positively to the communities in which it operates. The Group employ more than 700 mostly local employees and is committed to the training and development of its people throughout their careers, ensuring the continued connection of these local venues to their local communities and their long term growth.

The Redcape portfolio comprises 32[1] high quality hotels (31 freehold and one leasehold) strategically located across NSW and QLD. Freehold ownership of the vast majority of its hotels provides Redcape with a valuable land bank as well as the flexibility to consider alternative uses for these hotel sites.

As a Securityholder of Redcape you will have a direct interest in a business that will have:

- a quarterly distribution covered by free cash flow plus targeted core operations growth of 3-5% per annum at the Operating EBITDA level;
- additional potential growth from refurbishment capital expenditure, portfolio recycling and alternative use opportunities from its real estate land bank;
- a strong balance sheet with headroom to fund growth capex and future acquisitions;
- an experienced management team with a successful track record in operating and investing in pubs;
- a resolute commitment to improving and maintaining standards in areas of social corporate responsibility, governance and regulatory compliance;
- an alignment of interest with Moelis Australia and associated managed funds ("Moelis Australia Securityholders"); and
- a well located freehold real estate portfolio which includes a substantial land bank.

In July 2017, a fund established and managed by Moelis Australia acquired the Redcape business and Moelis Australia Hotel Management ("MAHM"), a business division of Moelis Australia, was appointed to manage and operate Redcape. At the time of acquisition, Redcape held 25 operating assets (23 freehold and two leasehold) and one non-operating asset. Since acquisition, Redcape has made a number of strategic acquisitions and disposals, accelerated its refurbishment program, and expanded its capabilities through the acquisition of a brewery.

The Board has made the decision to list Redcape on ASX for a number of important reasons. The Listing will diversify Redcape's register through the introduction of new retail and institutional investors and provide a liquid market for trading of Redcape's Stapled Securities. Proceeds of the Offer will be used, among other things, to fund the acquisition of a portfolio of three hotels in South Coast NSW ("Acquisition Portfolio")[2]. In addition, being listed on ASX provides Redcape with enhanced access to capital markets to assist with capital management and provide additional flexibility in respect of the funding of future growth initiatives.

As part of the Offer, Moelis Australia Securityholders have agreed to sell down a minimum of $10 million and a maximum of $20.0 million of Existing Stapled Securities to facilitate an increase in the free float of the Group on Listing. Importantly, Moelis Australia Securityholders will retain at least 204.2 million Stapled Securities which equates to at least 37.0% of Redcape's Stapled Securities on Completion of the Offer.

Detailed information about the Offer and the financial and operating performance of the Group are set out in this Product Disclosure Statement ("PDS"). Like any business, Redcape faces a number of risks which are set out in Section 8 and include: changes to the regulatory regimes that affect many aspects of Redcape's business, which differ on a state-by-state basis; risks associated with the geographic concentration of Redcape's portfolio in NSW and QLD; and general economic and financial market conditions risks. I encourage you to read this PDS carefully and in its entirety before making your investment decision.

On behalf of the Board of Directors, I thank our Existing Securityholders for their support in recent years, and I look forward to welcoming our New Securityholders.

Yours sincerely

Nicholas Collishaw

Independent Chairman

1. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire.
2. Settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

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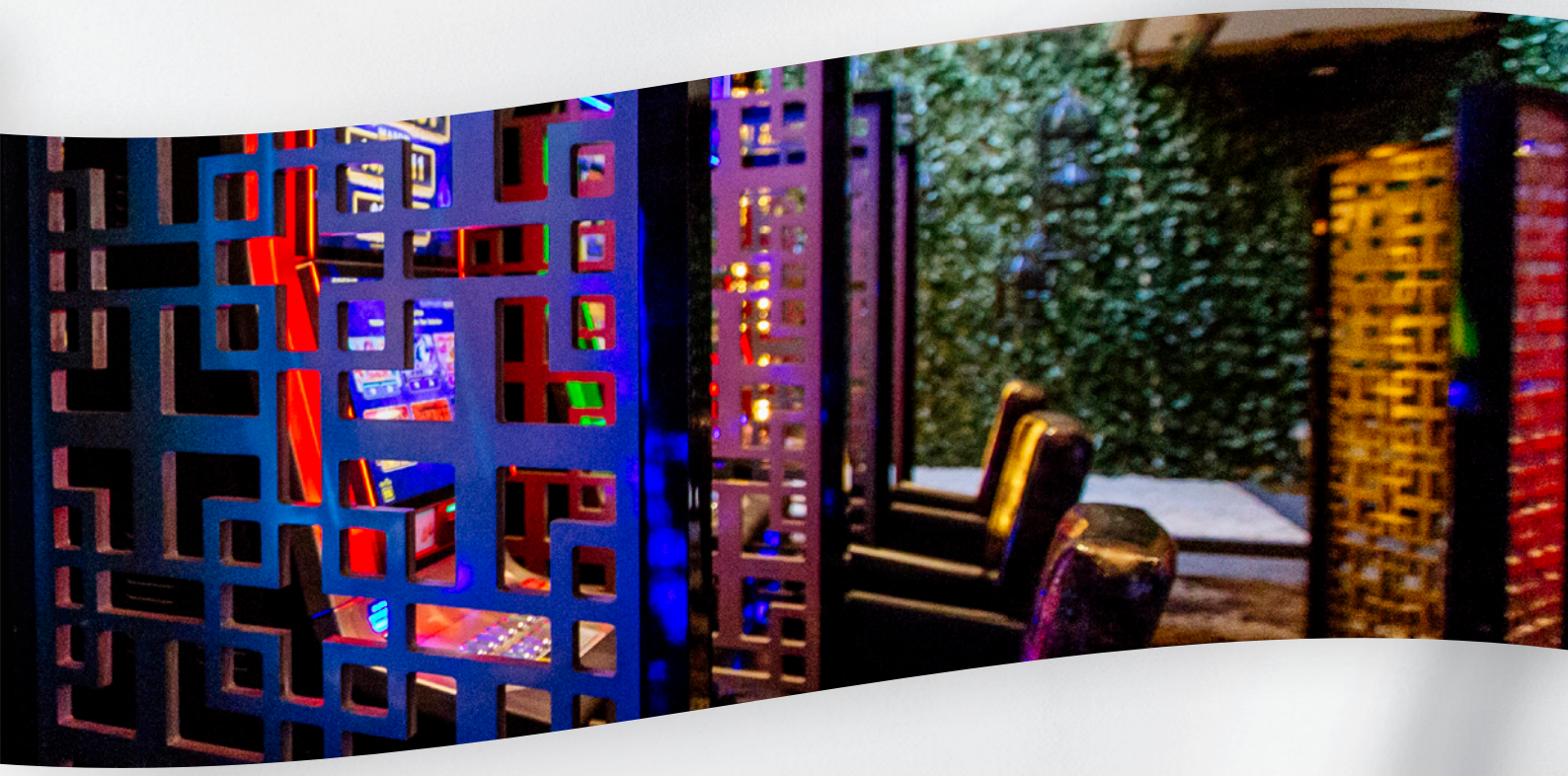
Redcape
HOTEL GROUP

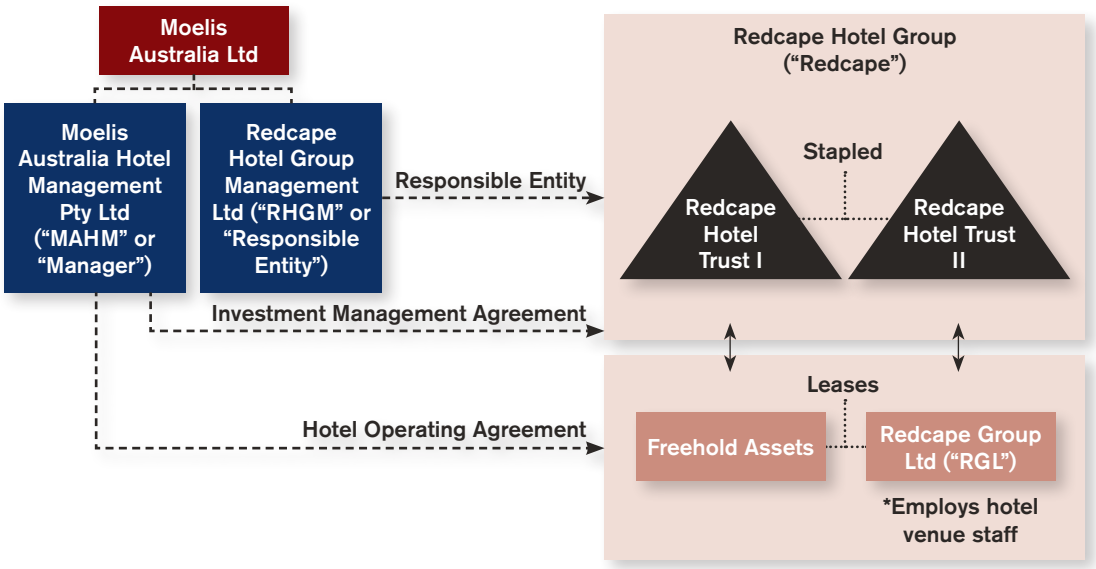


Section 1

Investment overview

1. Investment overview

1.1 Introduction

Topic	Summary	Further information
What is Redcape?	Redcape is a leading Australian hotel business operating a portfolio of 32[1] hotels located across NSW and QLD. Redcape owns 31 of the 32 hotels it operates as a freehold going concern (meaning Redcape owns the land, building, works-in-progress ("WIP") and operational entitlements of each hotel). Many of Redcape's hotels are located within the heart of local communities. Freehold ownership improves Redcape's ability to invest in refurbishment opportunities as well as provides the potential to generate future value from the real estate on which the hotels are situated.	3
What industry does Redcape operate in?	Redcape operates within the Australian hotel (commonly referred to as 'pub') industry which primarily comprises licensed hotels and taverns. Venues which operate within this industry offer patrons on-premise food and beverage options, and gaming ("On-Premise"). In addition, some hotels sell packaged liquor to customers to be consumed off-premise ("Off-Premise").	2
How is Redcape structured?	A Stapled Security in Redcape comprises a unit in Redcape Hotel Trust I (which owns the freehold properties) stapled to a unit in Redcape Hotel Trust II (which owns the operating entities). **Diagram 1: Redcape Corporate Structure**  	5

1. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

1. Investment overview (cont.)

Topic	Summary	Further information
How is Redcape managed?	Redcape Hotel Group Management Limited ("RHGM" or "Responsible Entity") (ACN: 610 990 004) (AFSL: 505932) is the Responsible Entity of Redcape. RHGM is a wholly-owned subsidiary of Moelis Australia. The Responsible Entity has appointed Moelis Australia Hotel Management Pty Ltd ("MAHM" or "Manager") as manager of Redcape to provide certain investment management and administration services pursuant to an Investment Management Agreement which has been entered into between the Responsible Entity and MAHM on arms-length terms. MAHM is a business division of Moelis Australia. Refer to Section 13.1.1 for a summary of the terms of the Investment Management Agreement. In addition, the Responsible Entity has appointed MAHM to manage and operate all the Redcape assets under a Hotel Operating Agreement. Refer to Section 13.1.2 for a summary of the terms of the Hotel Operating Agreement.	5
What is the purpose of the Offer?	The Offer is being conducted to: > provide funding for the acquisition of the Acquisition Portfolio; > provide a liquid market for the Stapled Securities; > provide Redcape with ongoing access to capital markets to assist with capital management and provide additional flexibility with respect to the funding of growth initiatives; > diversify Redcape's register through the introduction of new retail and institutional investors; > provide Redcape with the benefits of an increased profile and transparency that arises from being a listed entity; and > provide Moelis Australia Securityholders an opportunity to partially realise their investment in Redcape.	7

1.2 Key features of Redcape's business model

Topic	Summary	Further information
How does Redcape generate income?	Redcape generates its revenue by offering customers on-premise food and beverage options, gaming (electronic gaming machine ("EGM") and wagering), and accommodation services. In addition, Redcape operates a retail liquor business, operating under the Liquor Stax banner, which sells packaged alcoholic goods to customers for off-premise or take away consumption.	3

1. Investment overview (cont.)

Topic	Summary	Further information
What is Redcape's growth strategy?	Redcape targets growth of 3-5% per annum at the Operating EBITDA level underpinned by an ongoing focus on operational performance and population growth in the catchments in which its pubs are located, plus additional potential growth from refurbishment capital expenditure, portfolio recycling and alternative use opportunities from its real estate land bank. Redcape, through MAHM, has a number of well-developed strategies and initiatives including: > leveraging its management and operating platform and expertise to improve Redcape's venue performance; > a strategic and disciplined approach to capital deployment in technology and venue refurbishment projects designed to optimise the performance of Redcape's portfolio; > actively pursuing acquisition investment opportunities where MAHM believes it can add value to the assets and the portfolio; > assessing divestment opportunities within the existing portfolio to allow the recycling of capital and management effort into higher growth and value accretive opportunities; and > provide Moelis Australia Securityholders an opportunity to partially realise their investment in Redcape.	3

1. Investment overview (cont.)

Topic	Summary	Further information
What is Redcape's pro forma historical and forecast financial performance?	The following table contains selected pro forma financial information for Redcape for the period indicated.	6

Table 1: Selected pro forma financial information (refer to Section 6 for additional information).[2]

($ million)	Pro forma historical			Pro forma forecast
30-June	FY16	FY17	FY18	FY19
Revenue	222.3	236.0	243.1	**298.1**
Revenue growth (%)	–	6.2%	3.0%	22.6%
Gross profit (GP)	117.9	123.9	125.4	**157.3**
GP margin (%)	53.0%	52.5%	51.6%	52.8%
Operating EBITDA	52.7	55.1	55.3	**68.8**
Operating EBITDA growth (%)	–	4.4%	0.5%	24.5%
Operating EBITDA margin (%)	23.7%	23.3%	22.8%	23.1%
EBITDA	52.6	56.3	51.5	61.9
EBIT	36.8	56.1	42.4	50.4
Profit before tax	24.1	41.0	27.5	32.7
NPAT	20.2	37.6	26.8	30.4
Pro Forma Distributable Earnings per Stapled Security (cents)[3]			8.5	8.8-9.0
Pro Forma Distributable Earnings growth (%)				3.5-5.8%

Rounding of numbers to one decimal place for presentation purposes may result in slight discrepancies in growth and margin metrics displayed above.

The full details of the Financial Information are set out in Section 6. The Financial Information presented above should be read in conjunction with the more detailed discussions of the Financial Information disclosed in Section 6 and the risk factors described in Section 8.

2. Refer to Section 6.3.4 for a reconciliation between statutory historical revenue and statutory net profit after tax derived from the Historical Financial Reports and pro forma historical revenue and net profit after tax as well as statutory forecast revenue and statutory forecast net profit after tax and pro forma forecast revenue and net profit after tax.

3. Refer to Section 6.9.1 for a detailed breakdown of Redcape's Pro Forma Historical FY18 and Pro Forma Forecast FY19 Distributable Earnings. Pro Forma Forecast FY19 Distributable Earnings is defined as Pro Forma Forecast FY19 NPAT adjusted for non-cash items such as fair value adjustments, depreciation and amortisation and other unrealised and non-recurring items less maintenance capex.

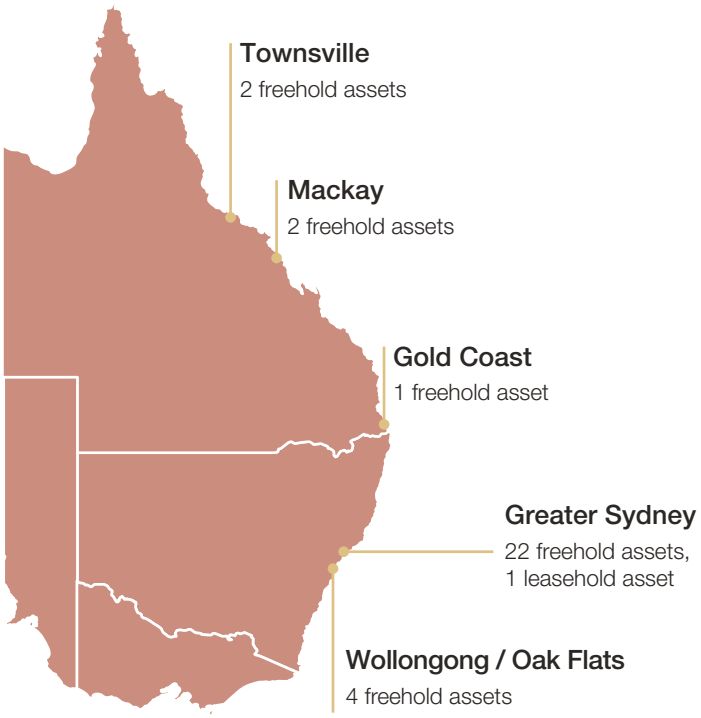
1. Investment overview (cont.)

Topic	Summary	Further information
How does Redcape expect to fund its operations?	Redcape's operations (and past acquisitions of properties in its portfolio) have historically been funded through cash flow generated by operations as well as debt and equity capital. The Board expects to continue to fund Redcape's future operations and new growth projects through cash flow generated by operations and through the use of new debt and equity capital. Redcape is expected to have approximately $42.1 million of headroom within its Syndicated Debt Facility as well as $35.1 million of cash and cash equivalents to pursue growth capital initiatives on Completion of the Offer and following settlement of the acquisition of the Acquisition Portfolio. Redcape's Pro Forma Gearing is forecast to be 37.4% on Completion of the Offer. Redcape will target Gearing in the range of 35% to 45% in the normal course of business. Gearing is calculated as the ratio of Net Debt to total assets, less cash.	6
What are the reasons for the Buyback?	Following Listing, if Redcape determines (in its sole discretion) that there is unsatisfied demand for liquidity, Redcape may expend up to $29.1 million buying-back Stapled Securities by way of an on-market Buyback (of up to 5% of Redcape's Stapled Securities on issue prior to the Offer). Redcape will only purchase Stapled Securities under the Buyback if: > The trading price of Stapled Securities on ASX is $1.13 or less; and > Redcape is permitted to do so under the Constitution, Corporations Act, Listing Rules and securities trading policy of Redcape. The price paid by Redcape under the Buyback may be less than $1.13 per Stapled Security and is not permitted to be more than the 5-day volume weighted average price of Stapled Securities on ASX. Whether the Buyback proceeds (in whole or part) will be determined by Redcape at its sole discretion at the relevant time, based on its assessment of market conditions and the best interests of Securityholders. The timing of commencement and conduct of the Buyback will be in accordance with the Constitution, Listing Rules and all applicable laws. The earliest date on which the Buyback may commence (without regulatory relief) is 14 days after notice is given to the ASX that Redcape intends to proceed with the Buyback (assuming trading in Stapled Securities are recorded on ASX on at least 5 days in that period). No assurance is given that the Buyback (in whole or part) will proceed.	7.16

1. Investment overview (cont.)

Topic	Summary	Further information
Will Redcape have any debt facilities?	Redcape has a Syndicated Debt Facility which provides a revolving facility limit of $477 million. Pursuant to the terms of the Syndicated Debt Facility, interest and line fees are payable, the rates of which vary depending on the LVR of the Group. Redcape's forecast average cost of debt in FY19 is 4.3% (inclusive of margin, line fees and interest rate hedging arrangements). The financial convenants within the Syndicated Debt Facility require Redcape to maintain an interest cover ratio of not less than 2.0x and an LVR below 55% at all times. Refer to Section 13.6 for more details.	6
What is Redcape's distribution policy?	Depending on available profits and the financial position of Redcape, the Board intends for Redcape to pay any Distributions on a quarterly basis with distribution periods ending 30 September, 31 December, 31 March and 30 June each year. Redcape's forecast total Distribution for the period from Completion of the Offer to the end of FY19 is 5.11 cents per Stapled Security. This forecast is based on the assumptions set out in Section 6.7 and subject to the risks set out in Section 8. The forecast distribution represents an annualised Pro Forma FY19 Distribution Yield of 7.7% (equivalent to 8.75 cents per Stapled Security) and an annualised payout ratio of 97.2-99.4% based on Redcape's Pro Forma Forecast FY19 Distributable Earnings. Future Distributions declared are expected to represent at least 100% of taxable earnings of Redcape Hotel Trust I (being a pass-through entity for tax purposes). For further information in relation to taxation refer to Section 11. The Board has adopted a policy of paying out between 90% and 100% of Redcape's Pro Forma Forecast Distributable Earnings having regard to a range of factors which are set out in Section 6. The Board has approved a Distribution Reinvestment Plan (DRP) under which Securityholders may elect that Distributions payable by Redcape be reinvested in whole or in part by a subscription of Stapled Securities. As at the PDS Date, the DRP is not activated. Refer to Section 14.3 for further details.	6

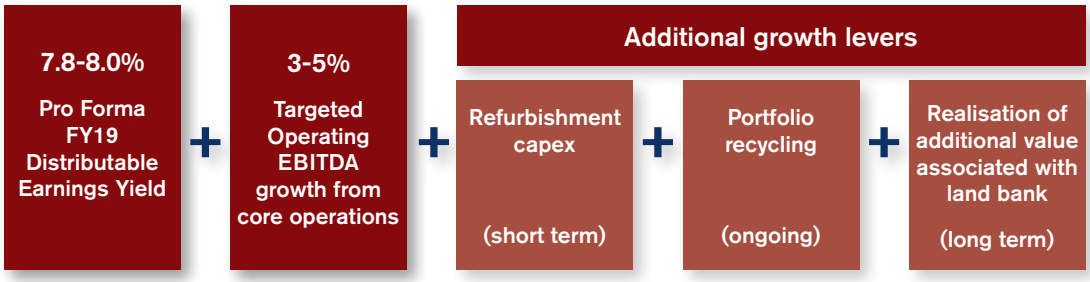
1.3 Summary of Redcape's pub and property portfolio

Topic	Summary	Further information
What is the breakdown of Redcape's pub and property portfolio?	Redcape's operating portfolio consists of 32[4] venues located across NSW and QLD. 31 of these venues are owned as freehold going concern which improves Redcape's ability to invest in appropriate capital expenditure initiatives to maximise value across the portfolio. **Diagram 2: Portfolio summary**  	4

4. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

1. Investment overview (cont.)

1.4 Key strengths

Topic	Summary	Further information
Yield plus industry growth	Redcape is forecasting to deliver a Pro Forma Forecast FY19 Distributable Earnings Yield of 7.8-8.0%. In addition, Redcape targets growth of 3-5% per annum at the Operating EBITDA level, plus potential growth from refurbishment capital expenditure, portfolio recycling and alternative use opportunities from its real estate land bank. **Diagram 3: Growth Strategy Flow Chart**  	3 & 6
Valuable real estate land bank	Redcape owns 31 of the 32[5] hotels it operates as a freehold going concern (meaning Redcape owns the land, building, WIP and operational entitlements of each hotel). Freehold ownership helps provide the following: > Autonomy over the capital allocation process and therefore the ability to quickly respond to changes in customer preferences and/or regulatory changes; > Cost effective debt funding (secured against Redcape's underlying asset values); and > The ability for Securityholders to retain the benefits associated with both property ownership and hotel operator growth. The majority of Redcape's hotels are located in growth suburban infill markets across Sydney and major regional QLD cities. Ownership of this underlying real estate land bank provides Redcape with the potential to realise additional value over time through the subdivision and/or redevelopment of properties to increase land utilisation and convert surplus land holdings into higher and better use alternatives. This additional value potential is not captured in the independent valuations which underpin the balance sheet carrying value ascribed to the hotels.	3 & 4

5. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

1. Investment overview (cont.)

Topic	Summary	Further information
Scalable management and operational platform	MAHM's management and operating platform comprises industry expertise and a management team with a successful track record. MAHM will seek to leverage its active portfolio management and asset optimisation capabilities to acquire select additional properties and divest non-strategic properties to recycle capital into higher growth opportunities. MAHM's portfolio management and asset optimisation capabilities are supported by Redcape's freehold ownership of 31 of the 32[6] hotels it operates and a strong balance sheet. Redcape has a focus on people management and development and aims to hire venue staff who are aligned with Redcape's strategy.	3 & 5
Corporate social responsibility and compliance	Redcape is committed to improving and maintaining high standards in areas of social corporate responsibility, governance and regulatory compliance. Redcape employs over 700 local employees from the communities in which it operates. Redcape seeks to be a strong, viable business that cares for its customers, nurtures and develops its staff and contributes positively to the communities in which it operates. Redcape has responsible service policies that enhance its responsible service practices across the areas of both gambling and alcohol service. These policies enable Redcape to provide greater harm minimisation tools to customers and enhanced responsible practices. Redcape contributes to the communities in which it operates through direct support to local community groups, the provision of local jobs and indirectly through taxes and levies.	3 & 5
Strong balance sheet with headroom to fund growth capex and future acquisitions	Redcape's balance sheet has been actively managed to provide funding reserves to pursue growth initiatives as they arise: > Pro Forma Gearing of 37.4% on Listing versus gearing policy of 35% - 45%; > Headroom of $41.1m within committed debt facilities; and > LVR covenant of 55%.	6
Strategic relationship with Moelis Australia	Moelis Australia is an Australian financial services group with real estate, investment banking, asset management and capital raising capabilities. Moelis Australia Asset Management, a wholly owned subsidiary of Moelis Australia, is a specialist asset manager with approximately $3.4 billion in assets under management of which approximately 75.8% is held in real estate and real estate backed investment opportunities (including Redcape). As such, Moelis Australia is well placed to assist Redcape to deliver on its return and growth ambitions by assisting with future debt and equity capital raisings, real estate value add strategies and through the origination and execution of value accretive corporate opportunities.	5

6. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

1. Investment overview (cont.)

Topic	Summary	Further information
Alignment of interest	The Moelis Australia Securityholders and Moelis Australia executives (including MAHM executives) have made a significant investment and commitment to Redcape. The Moelis Australia Securityholders will own at least 37.0% of Redcape's Stapled Securities post Listing. MAHM management are incentivised through a performance framework designed to ensure alignment of interest and maximisation of Redcape's performance. The Stapled Securities held by Moelis Australia on Completion, which will represent at least 8.9% of all Stapled Securities on issue on Completion, will be subject to voluntary escrow restrictions until Redcape's half year results for the period ending 31 December 2019 are released to ASX. Refer to Section 1.7, 7.6 and 7.15 for further details.	5 & 7.6 & 7.15

1.5 Key risks

Topic	Summary	Further information
Regulatory risk	There are regulatory regimes that affect many aspects of Redcape's business, which differ on a state-by-state basis. **Gaming regulation** Changes in gaming regulation, such as the imposition of additional gaming restrictions; changes in gaming taxation rates; reductions in the number of approved EGMs or the hours of operating venues; a tightening of the restrictions on the transfer; or classification of authorities to operate EGMs in NSW and QLD may detrimentally affect Redcape's profitability. **Liquor regulation** Changes to the existing liquor regulations, as well as the introduction of additional regulation, may have a detrimental impact on Redcape's financial performance. Further, if regulators modify the terms of Redcape's liquor licences, for example by changing trading hours, this may impact Redcape's profitability. **Local government and planning** Changes to NSW and QLD legislation affecting local government planning laws may detrimentally impact Redcape's ability to undertake refurbishments and renovations, which may in turn have a negative impact on Redcape's financial performance. **Other regulation** Changes to NSW and QLD smoking restrictions in pubs, or other regulations such as anti-money laundering, food safety and health regulations, may affect Redcape's profitability.	8

1. Investment overview (cont.)

Topic	Summary	Further information
Demographics and changes in consumer preferences and tastes risk	Consumers' spend on entertainment and alcoholic beverages is discretionary in nature, and as such, Redcape's offering of products and services in its pubs, and its financial performance, may be affected by changes in consumers' disposable income, or their spending preferences. Changes in Australian attitudes towards gambling and alcohol consumption, as well as changes in demographics in the local communities in which Redcape's pubs operate, may also affect Redcape's financial performance.	8
Rate of technology change	There is a risk that changes in technology, such as new product development within the EGM industry and/or across various offerings of online and mobile gaming, could drive a change in the level of demand for EGMs, which may lead to lower demand for Redcape's existing EGMs. There is a risk that rapid changes in technology may lead to Redcape's competitors introducing technologies that provide them with a competitive advantage relative to Redcape and/or may lead to an increased risk of asset obsolescence.	8
Compliance risk	There is a risk that if Redcape does not comply with any of the conditions included in any of its liquor or gaming licences, the various regulators may vary, suspend or terminate these licences, which may significantly affect Redcape's operations and financial performance.	8
Competition risk	Redcape's pubs compete for customers with a wide variety of other pubs and entertainment venues. Redcape's competitors may be better equipped and could have access to greater financial resources than Redcape. There is a risk that increased competition in the gaming markets, through online and mobile gaming offerings, and in the liquor market, such as supermarkets selling alcohol at cheaper prices, may adversely affect Redcape's operations and profitability.	8
Sector and geographic concentration risk	Redcape's property portfolio predominantly comprises freehold pubs which are located in NSW and QLD. This geographic concentration of Redcape's portfolio may expose investors to risks associated with those markets.	8
Acquisition and disposal risk	There is a risk that Redcape may be unable to source and acquire properties or pubs in accordance with its acquisition strategy set out in Section 3, or dispose of any of its existing pubs or properties, on commercially appropriate terms, which may in turn limit Redcape's growth. Further, there is a risk that Redcape may be unable to successfully integrate any future acquisitions into its business model, or deliver anticipated returns from those acquisitions. There is also a risk that future acquisitions or disposals will not enhance the investment returns of Securityholders.	8

1. Investment overview (cont.)

Topic	Summary	Further information
Refurbishment and development risk (business disruptions)	There is a risk that future refurbishments of the Redcape portfolio may be delayed, take longer or cost more than anticipated, which may detrimentally affect Redcape's profitability and future returns. Furthermore, there is a risk that the implementation of Redcape's operational improvement and refurbishment of facilities on certain premises will not add value to, or improve the profitability of, Redcape's portfolio or its operations. There is also a risk that delays in obtaining relevant development approvals, or failure to complete renovations according to timelines, may detrimentally affect Redcape's profitability.	8
Risks inherent in using debt	Redcape's Syndicated Debt Facility includes LVR, interest cover ratio and other covenants. An adverse movement in the underlying value of the property assets or a downturn in the hotel portfolio's earnings, alone or in combination with an increase in interest rates, could result in a breach of the financial covenants, requiring further equity injection, or force the sale of hotels at a time when the market for such sales could be depressed, and/or an increase in the margin charged by the lender. At expiration of the bank loan's term, conditions may be such that any new loan facility may be on less favourable terms, or potentially unavailable resulting in the need for fire sale of assets.	8
Reliance on MAHM and MAHM's senior management and ability to attract and retain key staff risk	Redcape relies on the expertise and experience of the strategic direction provided by MAHM through MAHM's key executive directors and management. If Redcape's management agreements with MAHM were terminated or if MAHM were to lose key personnel and senior management it could have an adverse impact on the management and financial performance of Redcape, and returns to Securityholders.	8
General economic and financial market conditions risk	Redcape's financial performance is influenced by general economic conditions in Australia. Consequently, a prolonged downturn in general economic conditions may adversely affect Redcape's performance.	8
Other key risks	A number of other specific and general key risks relating to an investment in Redcape are outlined in Section 8, including GST risk, litigation, property liquidity, interest rate, general economic and financial markets, reputational and operational risks (such as IT risks).	8

1. Investment overview (cont.)

Topic	Summary	Further information
Taxation	Tax laws in Australia and are subject to change periodically, as is their interpretation by the courts and the tax revenue authorities. Significant reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Changes to taxation may adversely impact on Securityholder returns, as may a change to the tax payable by Securityholders in general. Any other changes to Australian tax law and practice that impact Redcape, or Redcape's industry generally, could also have an adverse effect on Securityholder returns. An interpretation of the taxation laws by Redcape which is contrary to that of a revenue authority in Australia may give rise to additional tax payable. In order to minimise this risk, in areas of uncertainty, Redcape obtains external expert advice on the application of the tax laws to its operations (as applicable).	8

1.6 Directors, management & governance

Topic	Summary	Further Information
Who are the directors of the Responsible Entity?	The Board comprises of the following personnel: > Nicholas Collishaw (Independent Non-Executive Chairman); > David Groves (Independent Non-Executive Director); > Andrew Ireland (Independent Non-Executive Director); > Hugh Thomson (Non-Executive Director); and > Dan Brady (Executive Director). As the Responsible Entity is a subsidiary of Moelis Australia, MAHM's senior management are ultimately appointed and remunerated by Moelis Australia.	5
Who are the senior management of MAHM?	MAHM's senior management comprises the following personnel: > Dan Brady (Chief Executive Officer); > Sunil Patel (Chief Financial Officer); > Chris Unger (Chief Operating Officer); > Mark Crick (General Manager, Asset Management) > Joel Cronan (General Manager, Operations); and > Bianca Vlasic (General Manager, Corporate Affairs and Marketing Strategy). As MAHM is a subsidiary of Moelis Australia, MAHM's senior management are ultimately appointed and remunerated by Moelis Australia. Refer to Section 5 for additional detail on MAHM's management team.	5

1.7 Significant interests of key people and related party transactions

<table>
<tr><th>Topic</th><th>Summary</th><th>Further information</th></tr>
<tr><td>What is the ownership structure of Redcape immediately prior to, and on Completion of the Offer?</td><td>The ownership structure of Redcape immediately prior to, and on Completion of the Offer are set out below:
<table>
<tr><th>Securityholder</th><th>Stapled Securities held pre-listing (million)</th><th>Stapled Securities to be acquired / (sold) under the Offer (million)</th><th>Pro forma Stapled Securities held on completion (million)</th><th>% of Stapled Securities on issue on Completion of the Offer (%)</th></tr>
<tr><td>Moelis Australia Funds</td><td>168.2</td><td>(6.6) – (13.3)</td><td>161.5 – 154.9</td><td>29.3 – 28.1</td></tr>
<tr><td>Moelis Australia</td><td>53.7</td><td>(2.2) – (4.4)</td><td>51.5 – 49.3</td><td>9.3 – 8.9</td></tr>
<tr><td>Other Securityholders</td><td>294.0</td><td>44.5 – 53.4</td><td>338.5 – 347.3</td><td>61.4 – 63.0</td></tr>
<tr><td>TOTAL</td><td>515.9</td><td>35.7</td><td>551.5</td><td>100.0</td></tr>
</table>
In the event the gross proceeds raised by SaleCo under the Offer are less than $20.0 million, the actual proceeds raised will be distributed by SaleCo and the Sale Securities sold down on a pro rata basis of 75.0% by Moelis Australia Funds and 25.0% by Moelis Australia.</td><td>7</td></tr>
<tr><td>What significant benefits and interests are payable to Responsible Entity Directors and other persons connected with Redcape or the Offer and what significant interests do they hold?</td><td>The following Responsible Entity Directors hold Stapled Securities in Redcape (either directly or indirectly). These Responsible Entity Directors may participate in the Offer if desired.
<table>
<tr><th>Responsible Entity Director</th><th>Stapled Securities held pre-Listing (million)</th><th>Stapled Securities to be acquired / (sold) under the Offer (million)</th><th>Pro forma Stapled Securities held on completion (million)</th><th>% of Stapled Securities on issue on Completion of the Offer (%)</th></tr>
<tr><td>Nicholas Collishaw</td><td>-</td><td>0.10</td><td>0.10</td><td>0.02</td></tr>
<tr><td>David Groves</td><td>0.20</td><td>-</td><td>0.20</td><td>0.04</td></tr>
<tr><td>Andrew Ireland</td><td>-</td><td>0.05</td><td>0.05</td><td>0.01</td></tr>
<tr><td>Hugh Thomson</td><td>0.05</td><td>-</td><td>0.05</td><td>0.01</td></tr>
<tr><td>Dan Brady</td><td>1.30</td><td>0.18</td><td>1.48</td><td>0.27</td></tr>
</table></td><td>5</td></tr>
</table>

1. Investment overview (cont.)

Topic	Summary	Further information
Will any Stapled Securities be subject to restrictions on disposal following Completion of the Offer?	The Stapled Securities held by Moelis Australia, which will represent at least 8.9% of all Stapled Securities on issue on Completion, will be subject to voluntary escrow restrictions. The escrow restrictions will apply until the date on which Redcape's half year results for the period ending 31 December 2019 are released to ASX. Based on the minimum raising amount, 51.5 million Stapled Securities in aggregate (9.3% of Stapled Securities on issue on Completion) will be the subject of these escrow restrictions, whilst based on the maximum raising amount, 49.3 million Stapled Securities in aggregate (8.9% of Stapled Securities on issue on Completion) will be the subject of these escrow restrictions. Subject to certain exceptions, Moelis Australia may not dispose of their escrowed Stapled Securities whilst those escrowed Stapled Securities are subject to voluntary escrow arrangements. Refer to Section 7.15 for more details.	7.15

1.8 Overview of the Offer

Topic	Summary	Further information
What is the Offer?	This PDS relates to an initial public offering of a minimum of 44.2 million and a maximum of 53.1 million Stapled Securities at the Offer Price of $1.13 per Stapled Security, Comprising: > 35.4 million New Stapled Securities offered by Redcape; and > Between 8.8 million – 17.7 million Sale Securities offered by SaleCo together with approximately 0.3 million New Stapled Securities to be issued under the Employee Gift Offer at no cost. At Completion, the total number of Stapled Securities on issue will be 551.5 million. All Stapled Securities will rank equally with each other. The Stapled Securities offered under this PDS will represent a minimum of 8.0% and a maximum of 9.6% of the Stapled Securities on issue at Completion. The Offer is expected to raise a minimum of $50.0 million and a maximum of $60 million, comprising $40 million from the issue of New Stapled Securities and a minimum of $10.0 million and a maximum of $20 million from the sale of Sale Securities. The Offer is made on the terms, and is subject to the conditions, set out in this PDS	7.1
Who are the issuers of this Product Disclosure Statement?	The Responsible Entity of Redcape and SaleCo.	
What is SaleCo?	RHGM SaleCo Pty Ltd (ABN: 22 625 109 211) is a special purpose vehicle established to enable certain Existing Securityholders to sell part of their investment in Redcape on Completion of the Offer.	

1. Investment overview (cont.)

<table>
<tr><th>Topic</th><th>Summary</th><th>Further information</th></tr>
<tr><td>What will happen on Completion of the Offer?</td><td>On Completion of the Offer:
> Redcape will issue 35.4 million New Stapled Securities to successful Applicants under the Offer at the Offer Price and approximately 0.3 million New Stapled Securities to successful Applicants under the Employee Gift Offer for no cash payment; and
> SaleCo will acquire a minimum of 8.8 million and a maximum of 17.7 million Stapled Securities from certain Existing Securityholders which will be transferred to successful Applicants under the Offer at the Offer Price.</td><td>7</td></tr>
<tr><td>What is the Offer Price and what is the size of the Offer?</td><td><table><tr><td>Offer Price per Stapled Security</td><td>$1.13</td></tr><tr><td>Stapled Securities available under the Offer (excluding the Employee Gift Offer)</td><td>44.2 million – 53.1 million</td></tr><tr><td>Total proceeds to be raised under the Offer</td><td>$50 million - $60 million</td></tr></table></td><td>7</td></tr>
<tr><td>What is a Stapled Security?</td><td>Each Stapled Security will comprise:
One ordinary unit in Redcape Hotel Trust I (which owns the freehold properties) stapled to a unit in Redcape Hotel Trust II (which owns the operating entities).
The units are stapled together under the terms of the Constitutions and the Stapling Deed such that they cannot be traded separately.</td><td></td></tr>
<tr><td>How is the Offer structured?</td><td>The Offer comprises:
> The Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Stapled Securities; and
> The Retail Offer, which consists of the:
– Broker Firm Offer, which is open to persons who receive an allocation of Stapled Securities from their Broker and who have a registered address in Australia;
– Employee Gift Offer, which is open to Eligible Employees in Australia who have received an invitation to participate; and
– Priority Offer, which is open to selected investors in Australia who have received an invitation to participate.
There is no general public offer of Stapled Securities.</td><td>7</td></tr>
<tr><td>Is the Offer underwritten?</td><td>The Responsible Entity, SaleCo and the Joint Lead Managers have entered into an Underwriting Agreement pursuant to which the Joint Lead Managers have agreed to to fully underwrite the Offer of New Stapled Securities by Redcape (excluding the Employee Gift Offer). In addition, $10 million of the Offer of Sale Securities by SaleCo has been underwritten by the Joint Lead Managers under the Underwriting Agreement. Under certain circumstances, the Joint Lead Managers may terminate the Underwriting Agreement, and these are set out in Section 13.3.</td><td>7.7 & 13.3</td></tr>
</table>

1. Investment overview (cont.)

Topic	Summary	Further information
What is the proposed use of the proceeds pursuant to the Offer?	The proceeds of the Offer will be applied to: > partially fund the acquisition of the Acquisition Portfolio. The proceeds of the issue of New Stapled Securities, being $40.0 million less Acquisition Portfolio costs of $2.5 million and Offer costs of $7.8 million, will be applied towards the settlement of the Acquisition Portfolio together with amounts from Redcape's existing cash and debt reserves; and. > Fund the purchase of Sale Securities from Existing Securityholders and will be paid to a trust account operated by SaleCo. A minimum of $10 million and a maximum of $20 million, less costs of a minimum of $0.3 million and a maximum of $0.5 million, will be passed on to each of the Existing Securityholders in proportion to the number of Stapled Securities they have sold.	7.5

Table 2: Sources and uses of funds (minimum raising)

Sources of funds	$ million
Gross proceeds received from the issue of New Stapled Securities by Redcape	40.0
Cash proceeds received from the sale of Existing Stapled Securities by SaleCo	10.0
Debt and cash reserves	20.3
Total sources	**70.3**

Uses of funds	$ million
Acquisition of Acquisition Portfolio[7]	52.5
Purchase of Sale Securities from Existing Securityholders[8]	10.0
Payment of the costs of the Offer by Redcape	7.8
Total uses	**70.3**

Notes: Any discreprencies between totals and sums of components in this table are as a result of rounding.

Table 3: Sources and uses of funds (maximum raising)

Sources of funds	$ million
Gross proceeds received from the issue of New Stapled Securities by Redcape	40.0
Cash proceeds received from the sale of Existing Stapled Securities by SaleCo	20.0
Debt and cash reserves	20.3
Total sources	**80.3**

Uses of funds	$ million
Acquisition of Acquisition Portfolio[7]	52.5
Purchase of Sale Securities from Existing Securityholders[9]	20.0
Payment of the costs of the Offer by Redcape	7.8
Total uses	**80.3**

When will I know if my Application has been accepted?	For Applicants under the Priority Offer and Employee Gift Offer, holding statements confirming allocations under the Offer are expected to be dispatched on or about 3 December 2018. If you are an Applicant under the Broker Firm Offer, you should contact your Broker to confirm your allocation.	7

7. Gross costs of $2.5 million incurred in relation to the Acquisition Portfolio.
8. Gross costs of $0.3 million borne by certain Existing Securityholders.
9. Gross costs of $0.5 million borne by certain Existing Securityholders.

1. Investment overview (cont.)

Topic	Summary	Further information
Is there a cooling-off period?	No. Cooling-off rights do not apply to an investment in Stapled Securities pursuant to this Offer. However, you can offer your Stapled Securities for sale on ASX once they begin trading. It is expected that trading of Stapled Securities on ASX will commence on a deferred settlement basis on 30 November 2018 and on a normal settlement basis on 4 December 2018.	7
What is the minimum and maximum Application amount under the Offer?	For eligible Applicants under the Priority Offer the minimum Application amount is $2,000, and in multiples of $500 thereafter. For Applicants under the Broker Firm Offer the minimum application amounts will be as per the Priority Offer although your Broker may impose higher limits and/or a maximum application amount. Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for up to $1,000 worth of Stapled Securities at no cost.	7
What is the allocation policy?	The allocation of Stapled Securities between the Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer will be determined by the Responsible Entity, in consultation with the Joint Lead Managers. For Broker Firm Offer Applicants, Brokers will decide as to how they allocate Stapled Securities among their retail and sophisticated clients. However, Redcape and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer. Priority Offer and Employee Gift Offer allocations will be at the absolute discretion of the Responsible Entity, subject to the guaranteed minimum allocation for Applicants under both the Priority Offer and Employee Gift Offer. Participants in the Institutional Offer have been advised of their allocations of Stapled Securities, if any, by the Joint Lead Managers.	7
When will Redcape list on ASX and when will the Stapled Securities be quoted on ASX?	The Responsible Entity has applied to ASX for Redcape to be admitted to the official list of ASX and for the quotation of Stapled Securities on ASX under the code RDC. It is expected that quotation will initially be on a deferred settlement basis. If ASX Listing approval is granted, trading of the Stapled Securities is expected to commence on a deferred settlement basis on 30 November 2018 and on a normal settlement basis on 4 December 2018. It is the responsibility of each Applicant to confirm their holding before trading Stapled Securities. Applicants who sell Stapled Securities prior to receiving their initial holding statement do so at their own risk.	7
Can the Offer be withdrawn?	Yes. The Responsible Entity and SaleCo may withdraw the Offer or the Employee Gift Offer at any time before the issue of New Stapled Securities or transfer of Existing Stapled Securities to successful Applicants. Completion of the Offer is also conditional on ASX approving the application for Redcape to be admitted to the official list of ASX and for quotation of Stapled Securities on ASX. If the Offer is withdrawn, all Application Payments received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	7

1. Investment overview (cont.)

1.9 Other information

Topic	Summary	Further information
When can I obtain further information about the Offer?	If you have further enquiries regarding the Offer, please contact the Redcape IPO Information Line on (02) 9719-4088 between 8:30am and 5:30pm (AEST) Monday to Friday (excluding public holidays) during the Offer Period.	7

Redcape
HOTEL GROUP

Section 2

The Australian pub industry

2. The Australian pub industry

2.1 Industry Overview

2.1.1 Introduction

Contribution to the Australian economy

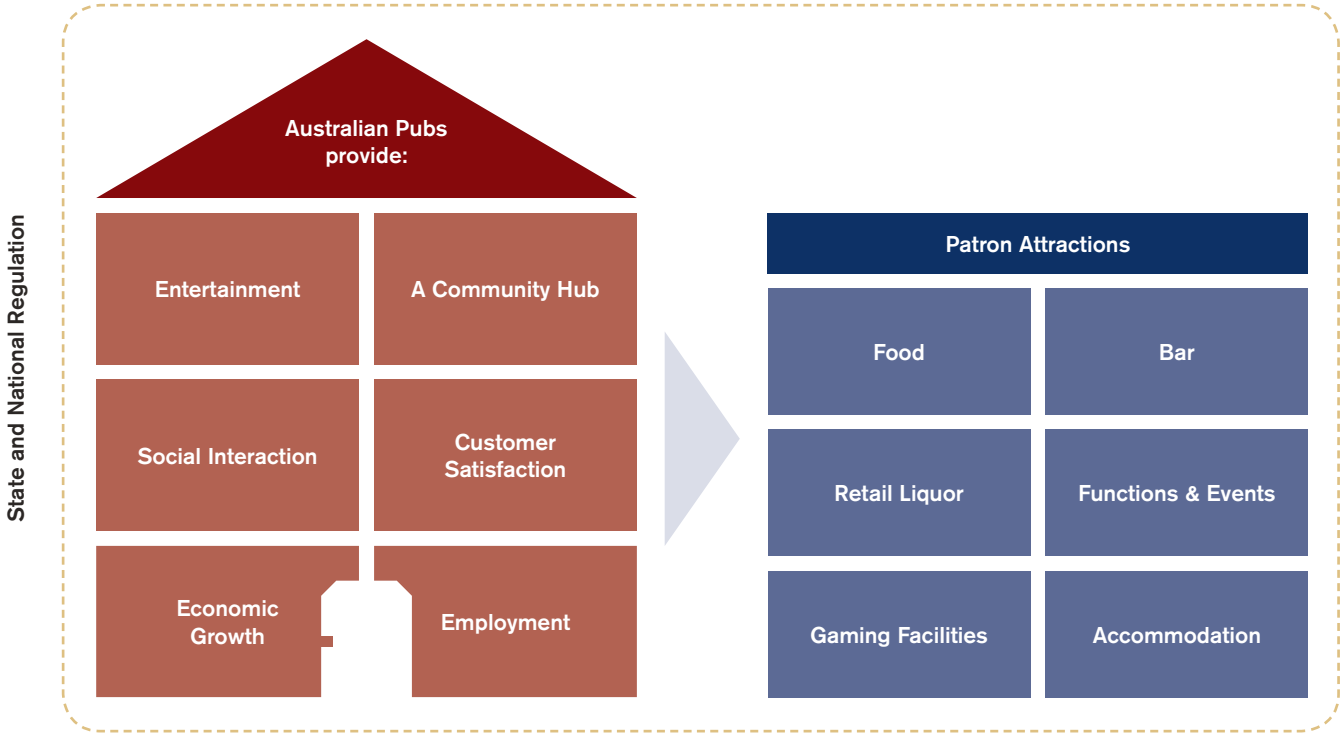
The hotel industry (commonly referred to as "pub" industry) is a significant contributor to the Australian economy and engages multiple stakeholders including venue employees, local food and beverage suppliers, distribution networks, packaged goods suppliers and service industries. Alongside the significant employment opportunities created by the hotel industry (over 188,000 jobs directly associated with the industry), hotels provide a number of broader benefits including:

> Total industry revenue of over $17.3 billion across approximately 5,000 venues;
> Small business ownership opportunities (with approximately 88% of hotels being independently owned);
> Community and economic expenditure with over $70 million being spent on staff training and development and $75 million in support of sporting and community organisations annually;
> Wages expenditure amounting to 21.9% of total hotel expenses; and
> Community interaction and cultural development through the organisation of an estimated 250,000 live music performances per year.

Core elements of the pub industry

Pub venues include licensed bars, hotels and taverns, and offer patrons a diverse source of entertainment comprised of food services, beverage services, accommodation, gaming and function and event services. The local pub is therefore a significant attraction in each community and acts as a central hub for patrons to meet, socialise and enjoy a variety of entertainment options.

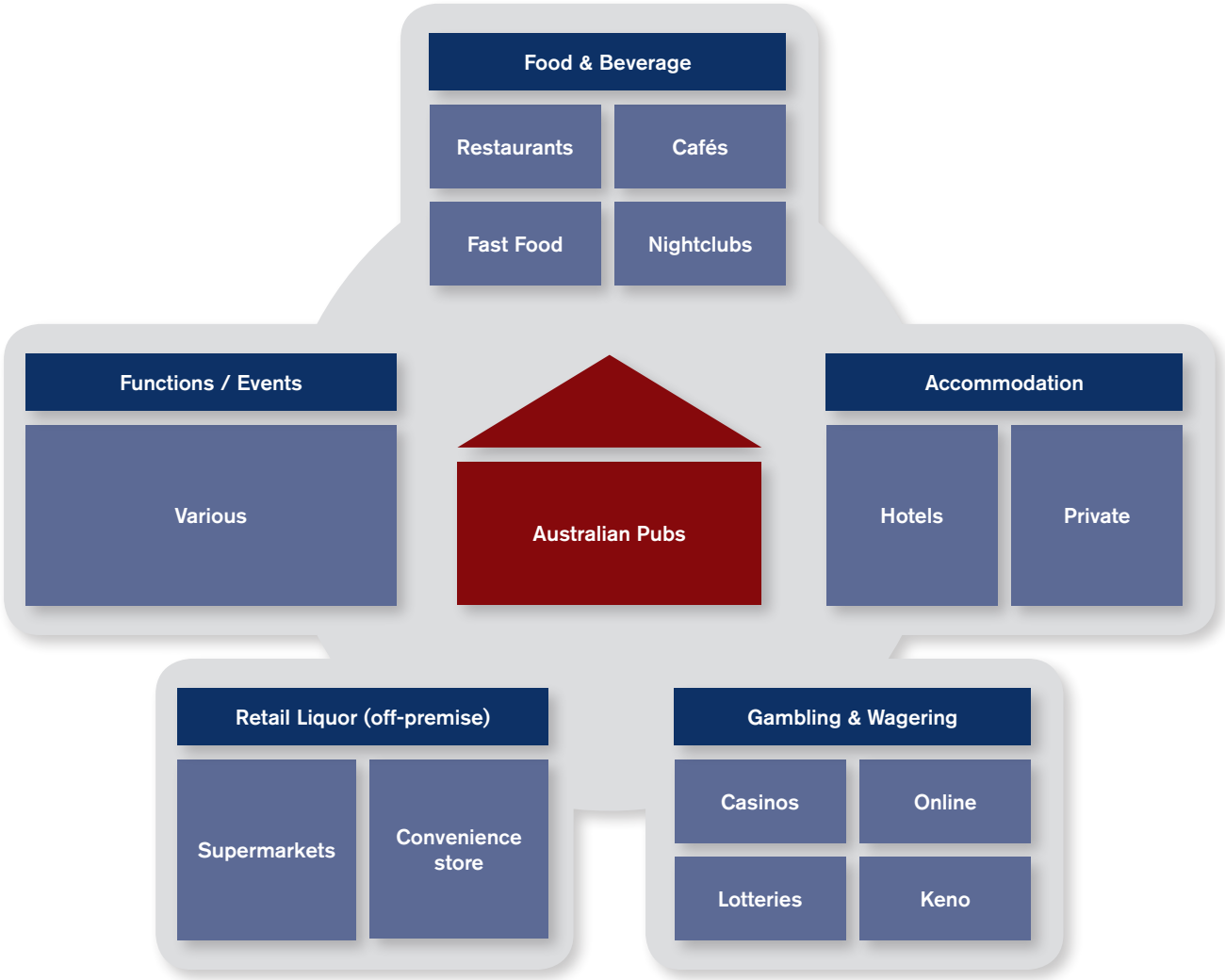
Diagram 4: Core elements of the pub industry



Various factors including price, quality, location and offering often result in pubs operating within a bespoke asset class amongst the broader hospitality and entertainment industries (which include high-end restaurants, fast food operators, bars, nightclubs, casinos etc.).

2. The Australian pub industry (cont.)

Diagram 5: Positioning of pubs within the competitive landscape



2.1.2 Industry size

There are approximately 5,000 licensed pubs in Australia. The number of pubs across Australia is largely concentrated in proportion to population, with approximately 69.6% of pubs located in the three most populous states of New South Wales ("NSW"), Victoria ("VIC") and Queensland ("QLD").

Table 4: Estimated distribution of pubs in Australia

State	Number of pubs (#)
New South Wales	1,826
Victoria	814
Queensland	815
Western Australia	525
South Australia	504
Tasmania	246
Northern Territory	145
Australian Capital Territory	86
Australia	***4,961***

Source: AHA, IBISWorld and EatingOut In Australia (as at 30 June 2018, latest available data)

2.1.3 Industry participants

The Australian pub industry has fragmented ownership concentration and is characterised by two large groups and a significant number of small, independently owned businesses.

Australian Leisure and Hospitality Group Limited ("ALH"), controlled by Woolworths Group Limited ("Woolworths"), is the largest operator of pubs in Australia with a portfolio of over 320 pubs. Coles Supermarkets Australia Pty Ltd ("Coles"), owned by Wesfarmers Group Limited ("Wesfarmers"), is the second largest operator with a portfolio of over 80 pubs.

Major industry participants, including ALH and Coles, predominantly operate pub assets let from pub landlords. Major pub landlords include the listed ALE Property Group (ASX:LEP) and Hotel Property Investments (ASX:HPI).

A large portion of the industry is made up of independent operators or privately held pub groups, accordingly the industry remains highly fragmented, with the three largest operators accounting for approximately 9% of Australian pubs.

Table 5: Major Australian pub operators

Operator	Number of pubs	% of total Australia	Locations
ALH (Woolworths)	320	6.5%	NSW, QLD, VIC, SA, WA, NT & TAS
Coles (Wesfarmers)	80	1.6%	NSW, QLD, SA & WA
Redcape	32[1]	0.6%	NSW & QLD
Sub-total	432	8.7%	NSW, QLD, VIC, SA, WA, NT & TAS
Total Australia	***4,961***	***100.0%***	

Source: AHA, IBISWorld and EatingOut In Australia (as at 30 June 2018, latest available data)

2.1.4 Industry revenue

The vast majority of total industry revenue is derived from the sale of liquor (for on-premise or off-premise consumption) and gaming revenue. The remainder is derived from meals and other services.

Diagram 6: Industry revenue breakdown (%)

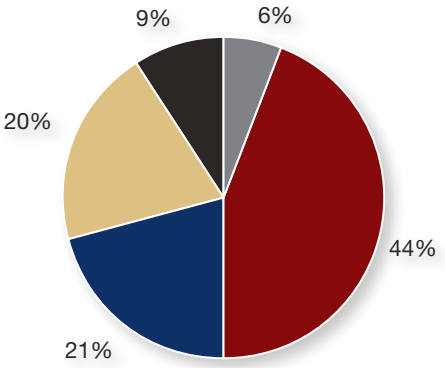
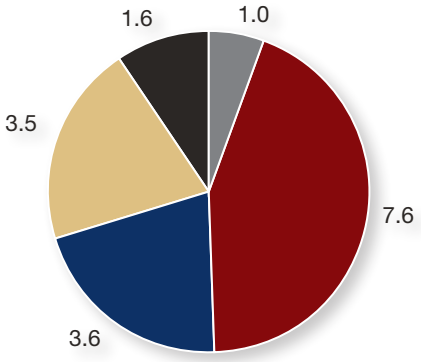
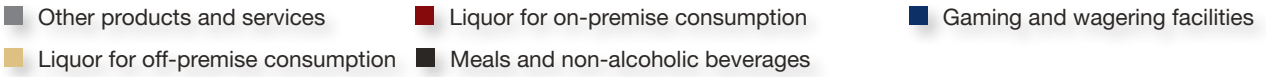


Diagram 7: Industry revenue breakdown ($ billion)





Source: IBISWorld (as at 30 June 2018, latest available data). Includes indicative industry revenue breakdown for the total of pubs, bars and nightclubs.

1. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

2.2 Food, beverage and liquor

2.2.1 Introduction

Australian pubs offer patrons a number of hospitality products and services, including:

> Food and beverage ("F&B") for consumption on-premise at restaurants, bistros, and bars; and

> Liquor for consumption off-premise which is sold via bottle shops attached to pubs.

Pub industry food, beverage, and liquor revenues are generated from discretionary spending by patrons looking to eat and drink in a social venue, or purchase liquor for consumption away from licensed venues. Consumers include various parts of the community – ranging from families sharing a meal in a restaurant, to adult individuals meeting to enjoy alcoholic beverages in a bar.

Operators within the hospitality industry are bound by various F&B regulations, including but not limited to the responsible service of alcohol, food preparation laws, and labour laws.

2.2.2 F&B

F&B in the Australian economy

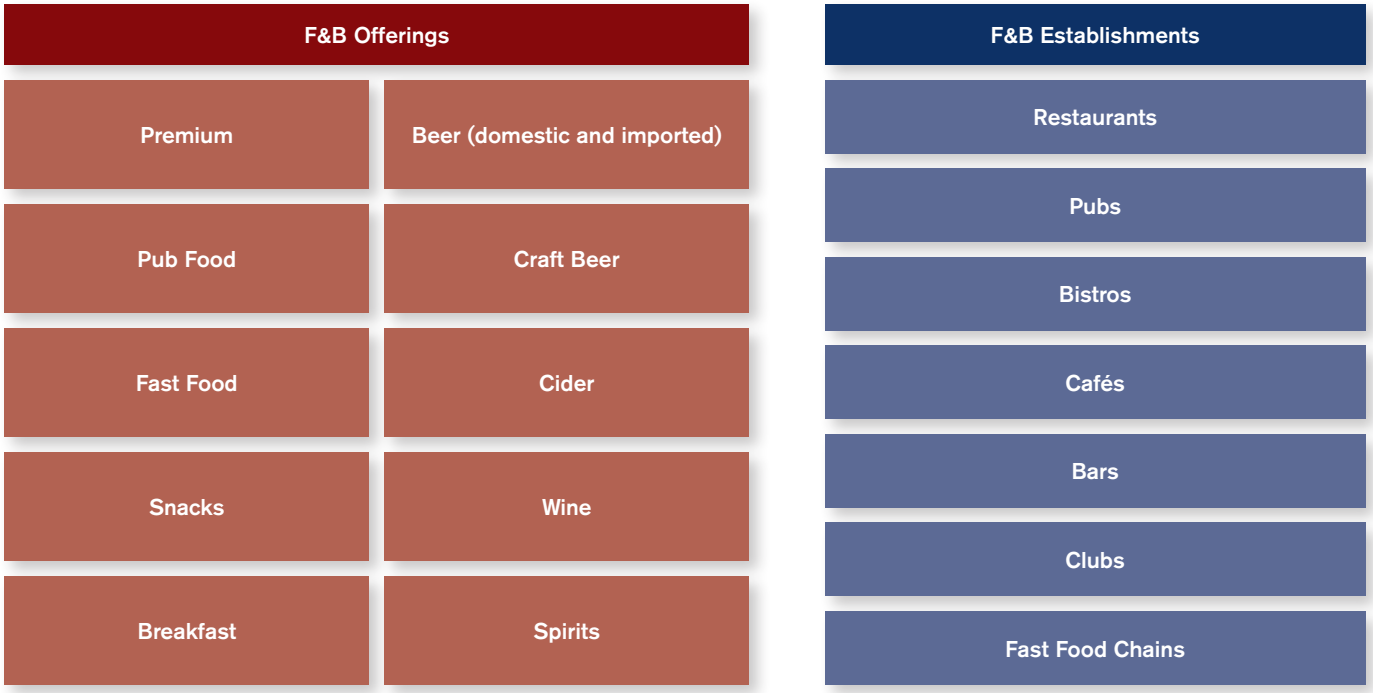
The F&B industry includes businesses which deliver customers an "eating and drinking out" experience, which can include restaurants, cafes, takeaway food, pubs, bars, and clubs.

Of F&B service providers, pubs have the most similar offerings to restaurants and clubs, which are typically licensed venues where food and alcohol are served as complementary goods. A typical pub may include:

> Bistros/Restaurants – which vary in size and offering, from Australian "pub"-style food to regional cuisines, and are generally tailored so as to complement the service of alcohol, being smaller and more moderately priced than full-scale restaurants; and

> Bars – traditional and sports bars characterised by offering other entertainment and gambling facilities as part of the service of alcohol and light foods.

Diagram 8: Food and beverage services and the Australian economy

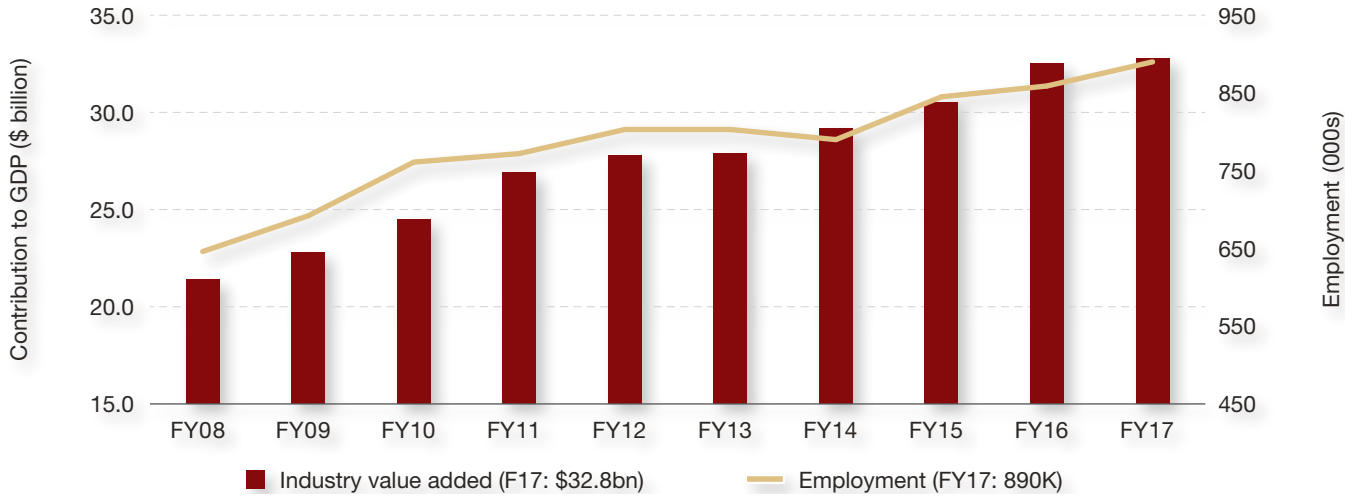


Source: AHA, IBISWorld and EatingOut In Australia (as at 30 June 2018)

2. The Australian pub industry (cont.)

The F&B industry is an active and growing part of the Australian economy, delivering $32.8 billion in end value in FY17, growing above the rate of gross domestic product between FY10 and FY17, and providing over 890,000 Australians with full and part time employment. The broad customer base of F&B services means that establishments have a substantial impact on the economy and community. Notable stakeholders include owners and operators, employees, suppliers Local, State and Federal Governments, and patrons (being the ultimate end consumers).

Diagram 9: F&B contribution to the Australian economy



Source: ABS (as at 30 June 2017, latest available data)

Consuming a meal and a drink out of home at establishments such as a pub is becoming an increasingly popular form of entertainment for Australians. Combined household expenditure on meals (including revenue from restaurants, pubs, clubs and related venues) and beverage services outpaced growth in household disposable income by 1.1% per annum from FY10 to FY16.

Diagram 10: Expenditure on eating out (excluding fast foods and take away)

	$ per household per week	Growth (FY10 – FY16)	Description
Household disposable income	$1,706 / week	3.1%	An indicator of the ability of households to afford discretionary spending
Expenditure on eating out	$45 / week	5.8%	Spending on food at restaurants, pubs, clubs, and related venues
On-premise liquor	$11 / week	(0.8%)	Spending on alcohol at licenced venues
+	$56 / week	4.2%	Net spending on F&B conceptualised as a "package" form of entertainment

Source: ABS (as at 30 June 2016, latest available data)

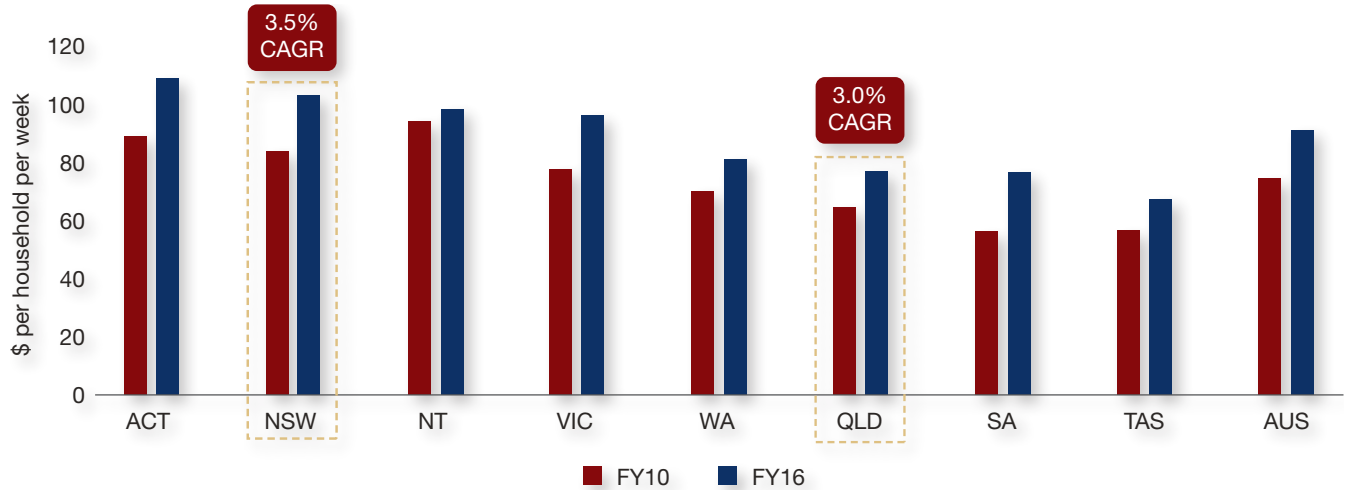
Growth in industry revenue has been driven by customers' expenditure on food, which has increased at 5.8% per annum between FY10 and FY16. On-premise alcohol consumption has softened, following a decline in Australian alcohol consumption per capita.

2. The Australian pub industry (cont.)

F&B in NSW & QLD

NSW households spent approximately $104 per week on eating and drinking outside the home in FY16, which has grown by 3.5% since FY10. QLD households spent approximately $77 per week on eating and drinking outside the home, which has grown by 3.0% since FY10.

Diagram 11: Growth in F&B household expenditure per state



Source: ABS (as at 30 June 2016, latest available data)

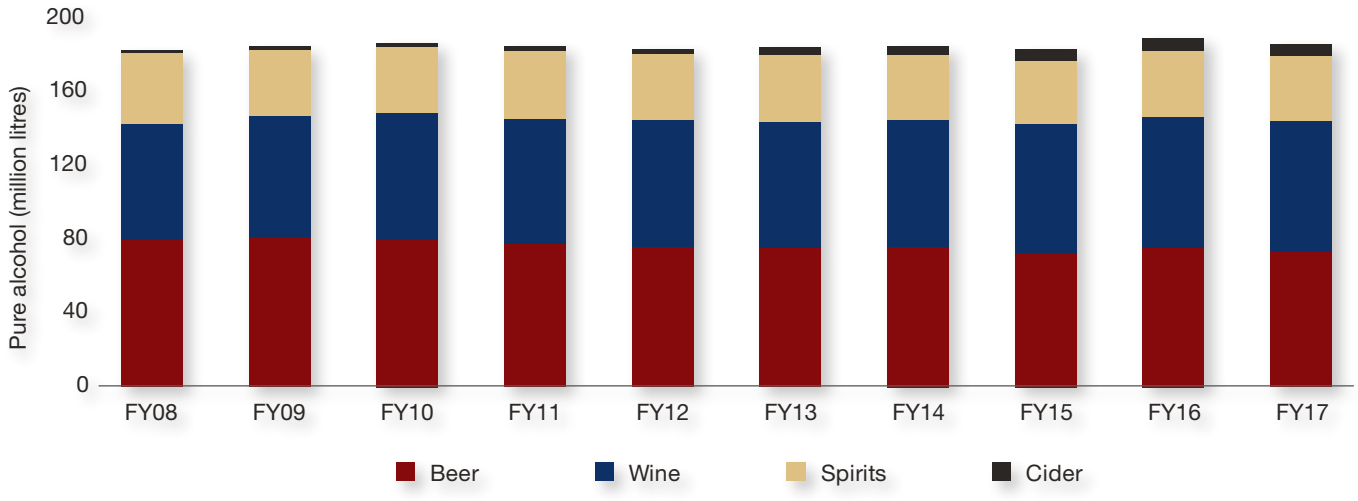
2.2.3 Australian liquor industry

Liquor in the Australian economy

Australian pubs serve liquor for responsible consumption on-premise (as discussed in Section 2.2.2) and off-premise, through retail bottle shops. Alcohol available for purchase off-premise includes pre-packaged beer, wine, cider, and spirits. Alcohol and its related industry, including production, retailing, and distribution, contribute an estimated $19.6 billion to GDP, and employs over 400,000 Australians.

Australians have been on average reducing their liquor intake. In FY17, alcohol-consuming Australians consumed an average of 2.6 standard drinks per day (the lowest level since the 1960s). Within the various alcoholic beverage categories, beer consumption has been steadily decreasing over the past ten years, while wine and cider consumption has increased. There has also been a shift toward more premium and expensive products including craft beers and premium spirits. Alcohol consumption shows a strong seasonal pattern, with peaks in sales around the Christmas and New Year period.

Diagram 12: Alcohol consumption in Australia: FY08-FY17

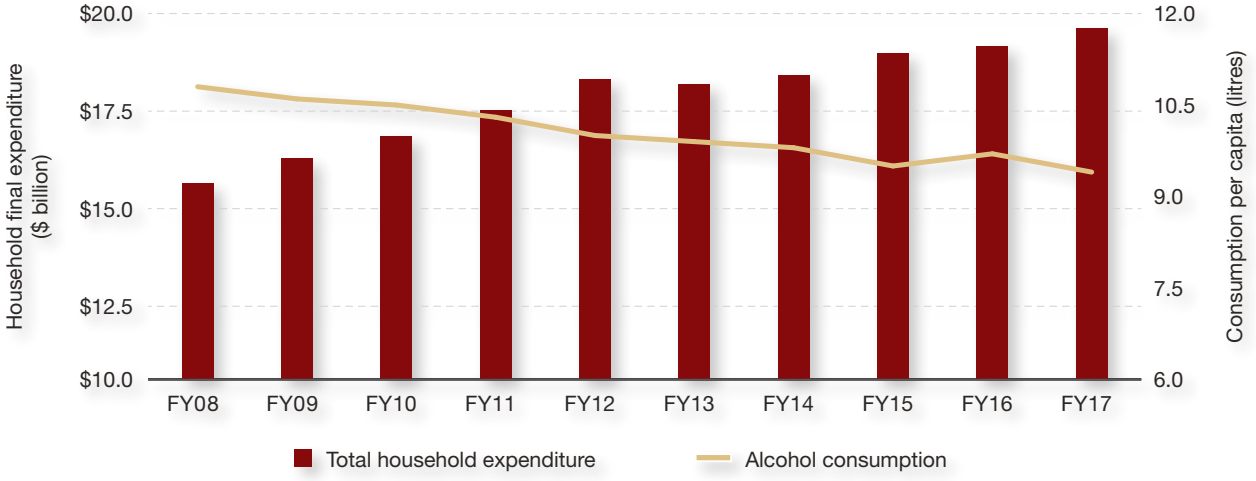


Source: ABS (as at 30 June 2017, latest available data)

2. The Australian pub industry (cont.)

A reduction in the quantum of alcohol consumed has been offset by increases in total expenditure. Household final consumption expenditure on alcoholic drinks in Australia was approximately $19.6 billion in FY17. Despite the drop in volumes, household final consumption expenditure on alcoholic drinks has grown at a compound annual growth rate of 1.5% per annum over the last five years reflecting the shift in volume to more premium and expensive products.

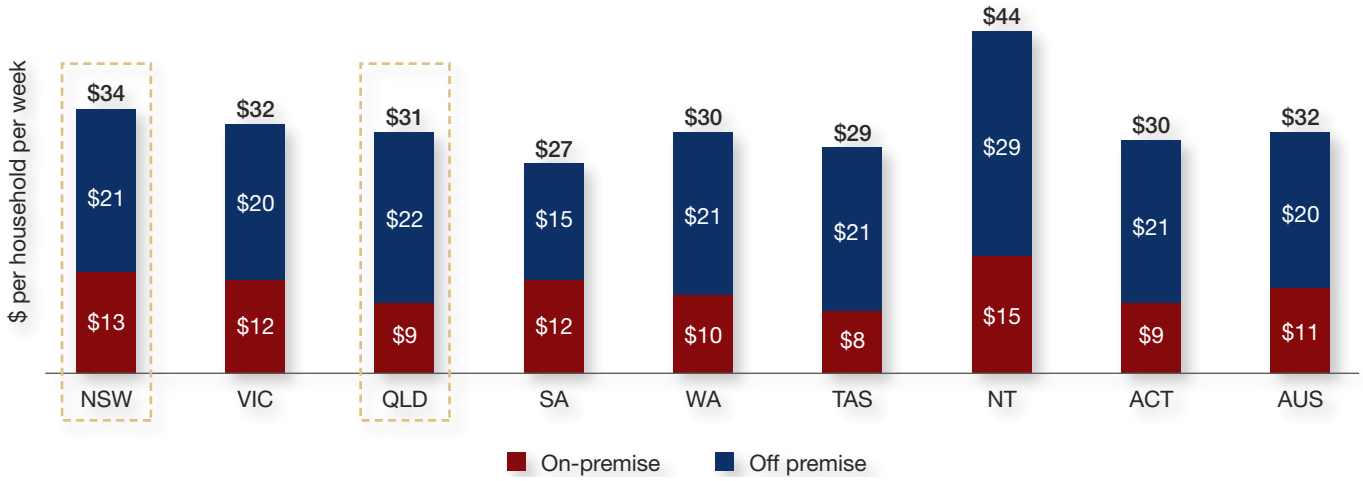
Diagram 13: Alcohol consumption and expenditure between FY08-FY17



Source: ABS (as at 30 June 2017, latest available data)

Australian households spent approximately $32 per week on alcohol in FY16, including $11 on-premise (36%) and $20 off premise (64%). The distribution of off-premise liquor is dominated by the supermarket groups, Coles and Woolworths, through their retail liquor store networks. Sales of off-premise liquor have been impacted by competition between and the growth of those networks.

Diagram 14: Alcohol consumption in Australia



Source: ABS (as at 30 June 2016, latest available data)

2. The Australian pub industry (cont.)

2.3 Gambling industry

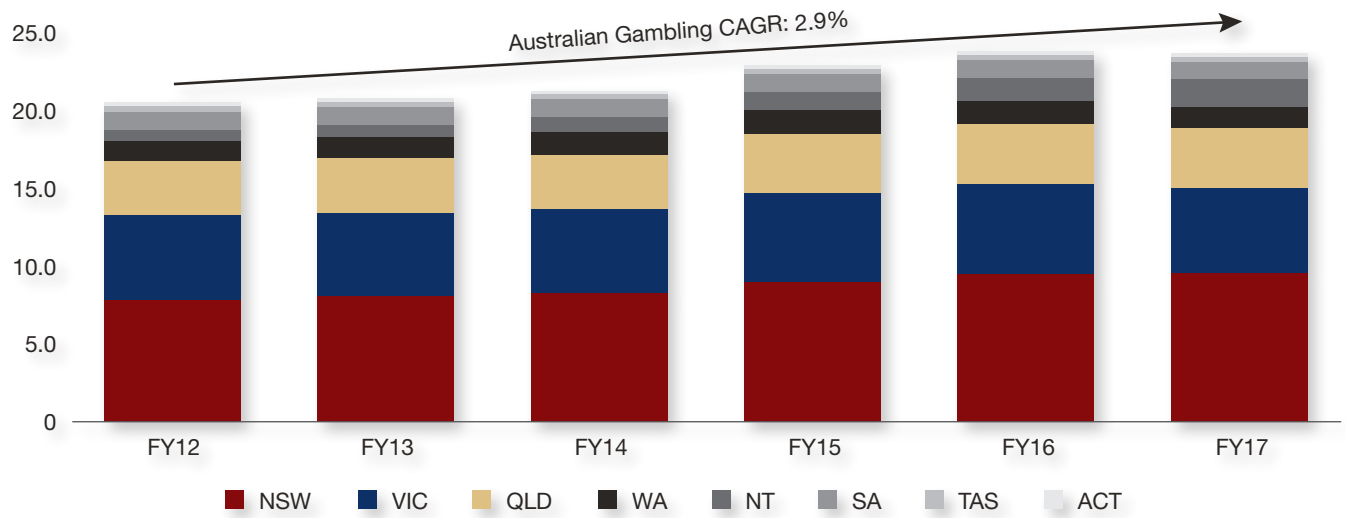
2.3.1 Overview of the Australian gambling industry

Gambling is common in Australia, with an estimated 39% of Australian adults – 6.8 million people – participating in a form of gambling in a month and just under two-thirds of Australians (64%) gambling each year. The gambling industry employed approximately 35,000 full and part time Australians in FY16 and contributed over $4.9 billion to Australia's gross domestic product. Gambling can be viewed as a form of entertainment when participation is motivated by "fun and entertainment".

The major forms of gambling in Australia include lotteries, scratchies, EGMs, wagering on racing and sports betting. A number of lottery providers, licensed wagering providers and bookmakers now offer access to their products via the internet. However, interactive gambling remains tightly regulated with the provision of internet casino gaming (such as poker, blackjack and roulette) and online EGM gaming for real money to Australians strictly prohibited.

Total Australian gambling expenditure in FY17 was $23.7 billion and has grown at a compound annual growth rate of 2.9% per annum over the 5 years to FY17.

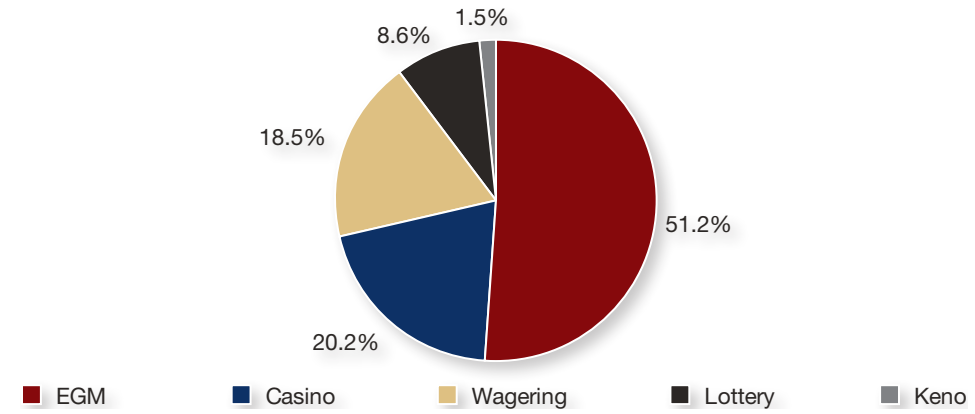
Diagram 15: Total Australian gambling expenditure ($ billion)



Source: QLD Government, Australian Gambling Statistics, 34th Edition

EGMs are a major component of the Australian gambling industry, representing 51.2% of total gambling expenditure in FY16.

Diagram 16: Australian gambling expenditure by type



Source: QLD Government, Australian Gambling Statistics, 34th Edition

Total expenditure on EGMs in Australia was $12.1 billion in FY17. NSW and QLD combined, the two states in which Redcape operates, represented 69.8% of Australian EGM expenditure in FY17.

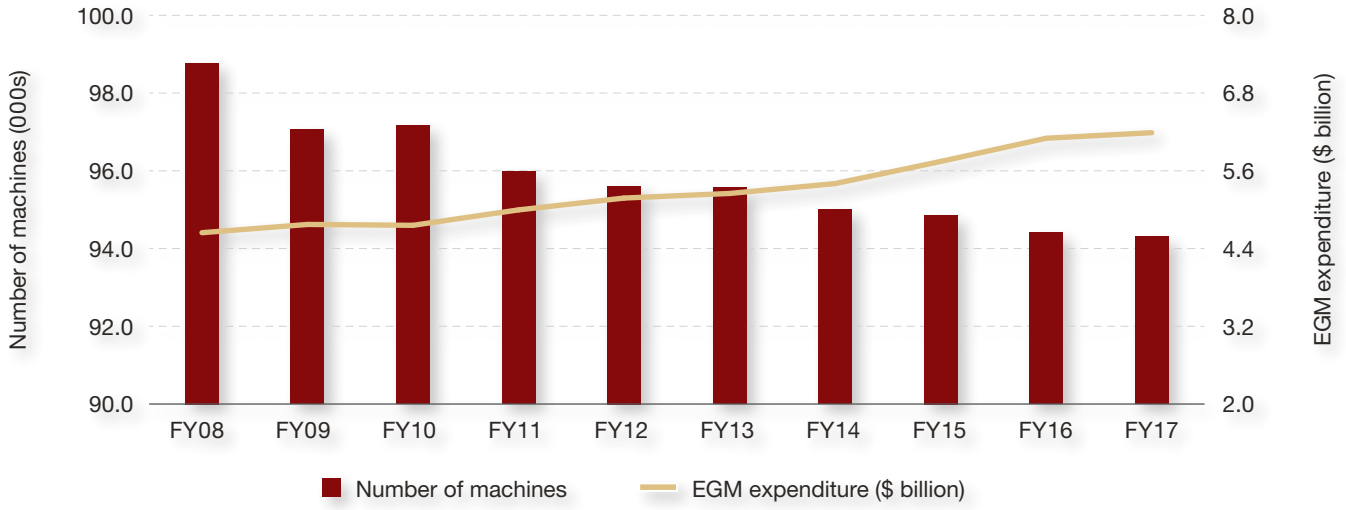
2. The Australian pub industry (cont.)

2.3.2 NSW gaming market

NSW is the largest gaming market in Australia, with total expenditure of $9.5 billion in FY17. EGM expenditure represents 64.9% of total gambling expenditure in the state.

There are currently approximately 94,303 EGMs across NSW, with approximately 22,918 located in hotels, 69,885 located in clubs and 1,500 in The Star casino in Sydney. The number of EGMs in NSW hotels and clubs is steadily declining as a result of the forfeiture regime as described in Section 2.5.3. Notwithstanding the decline in EGM numbers, EGM expenditure has increased at a compound annual growth rate of 3.2% per annum since FY08.

Diagram 17: NSW EGMs and EGM expenditure



Source: QLD Government, Australian Gambling Statistics, 34th Edition

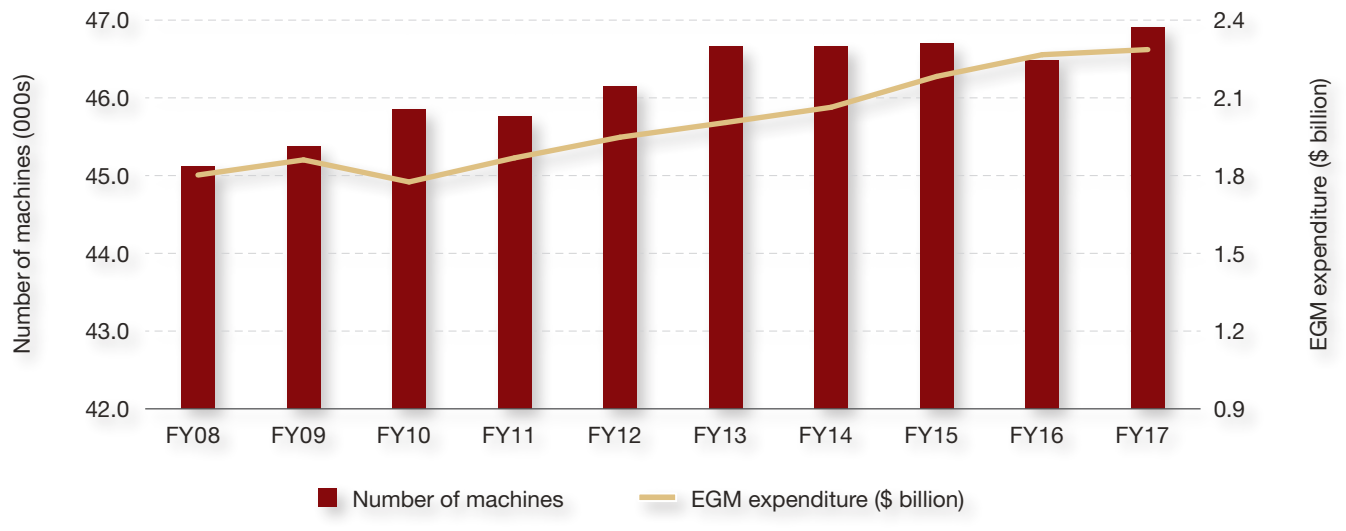
2.3.3 QLD gaming market

QLD is the third largest gaming market in Australia, with total expenditure of $2.3 billion in FY17. EGM expenditure represents 59.3% of total gambling expenditure in the state.

There are currently approximately 46,911 EGMs across QLD, with approximately 19,250 located in hotels, 23,637 located in clubs and 4,024 located in casinos. The number of EGMs in QLD has grown since 2003 but is now plateauing as it approaches the cap on the total number of EGMs permitted in hotels and clubs across the State.

EGM expenditure has increased at a compound annual growth rate of 2.7% per annum since FY08.

Diagram 18: QLD EGMs and EGM expenditure



Source: QLD Government, Australian Gambling Statistics, 34th Edition

2.4 Key industry drivers

2.4.1 Economic drivers

Overview

Demand for and consumption of the goods and services offered by the Australian pub industry is driven by a range of economic and demographic factors that influence household consumption patterns. Disposable income is an important growth driver as expenditure on products and services offered by pubs is discretionary in nature. Patronage within Australian pubs is impacted by population growth and changes in population density and growth.

Robust macroeconomic environment

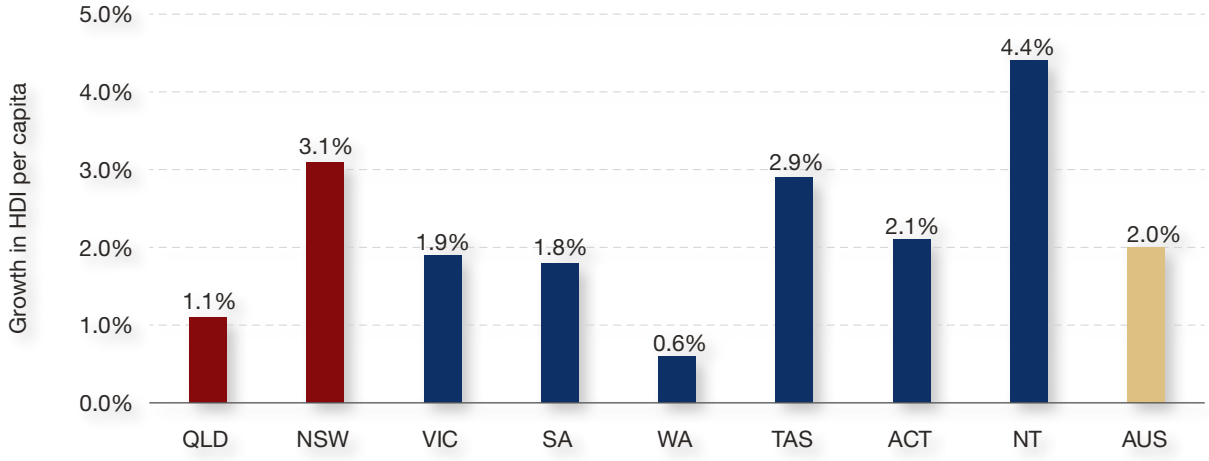
At a macroeconomic level the Australian pub industry exists in a relatively steady environment. Australia has not experienced a recession since 1991, with steady economic growth achieved over the past decade. This trend is expected to continue, with an OECD economic forecast estimating GDP growth of 3% during 2018 and 2019.

Disposable income

Expenditure on items such as alcoholic beverages and entertainment is discretionary in nature. Disposable income is impacted by a range of factors including general economic conditions, the unemployment rate, the housing market, interest rates, tax rates and savings levels.

Since 2012/2013, disposable income per capita increased at a compound average growth rate of approximately 3.1% for NSW and 1.1% for QLD. Over the same period, the disposable income per capita for all of Australia increased at a rate of 2.0% per annum.

Diagram 19: Growth in household disposable income per capita between 2012/2013 – 2016/2017



Source: ABS (as at 30 June 2017, latest available data)

2.4.2 Population density, growth and demographics

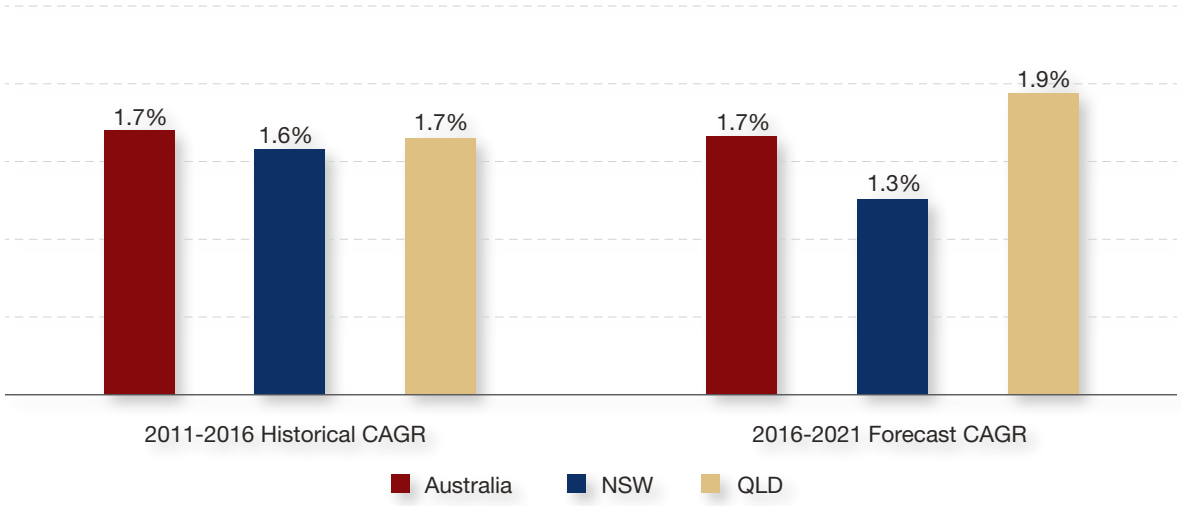
Overview

Growth in the population aged 18 years or older plays a big role in determining the available customer base for pubs, as the industry's major products are only available to consumers over 18 years of age. Changes in population density are also a key driver of growth.

Population demographics are also a key growth factor impacting on the pub industry. The demographic composition of an area's population in terms of age, gender, income and debt levels, particularly around high density residential and retail developments, influences the spending patterns and the types of expenditure. When combined with consumer preferences, this can influence the demand for a pub's goods and services in a region.

The population has grown over the past five years and is expected to continue to grow over the period between 2016 – 2026, driven by a steady birth rate and positive net migration.

Diagram 20: Australian historical and forecast population growth



Source: ABS (2016 Census data collected 9 August 2016, latest available data, year end June 30)

NSW

Since 2011, Greater Sydney's population has increased by a CAGR of 1.9%, with total population now estimated to exceed 5 million. Sydney's strong population growth is expected to continue, with a forward 5-year CAGR of 1.6% to FY21. The population growth is supported and encouraged by NSW Government policy and ongoing government investment in infrastructure, health and social services.

2.4.3 Infrastructure spending

Overview

Sydney's south and west corridors are one of the core development focuses for infrastructure investment and intensive growth over the next 20 years. According to Greater Sydney Region Plan: A Metropolis of Three Cities, one of the key city planning priorities is to continue to grow Greater Parramatta as Sydney's second CBD. This involves integrating and growing neighbouring regions and ensuring there is sufficient housing and infrastructure development to support this growth. Accordingly, any assets that are located within the key priority growth areas within the Sydney's south and west corridors may potentially benefit from increased population growth and stronger employment conditions.

Example core Government infrastructure spending initiatives

Spending category	Commentary
Roads	> $3.6 billion programmed expenditure as part of the NSW Government's Western Sydney Infrastructure Plan: – The Northern Road Upgrade ($1.6 billion project cost) – Bringelly Road Upgrade ($509 million project cost) – M12 Motorway construction (planning) – M4 Smart Motorway construction ($470 million project cost) > Regional growth also stands to benefit from the WestConnex project ($16.8 billion project cost), which links the CBD to Parramatta
Health	> $14.4 billion programmed NSW State Government expenditure on health infrastructure: – Westmead Hospital/SCHN Westmead Redevelopment ($1.0 billion project cost) – Campbelltown Hospital Redevelopment ($632 million project cost)
Social Infrastructure	> Social Infrastructure expenditure includes: – Western Sydney Stadium ($360 million project cost) – Parramatta Powerhouse Museum ($1.1 billion project cost)

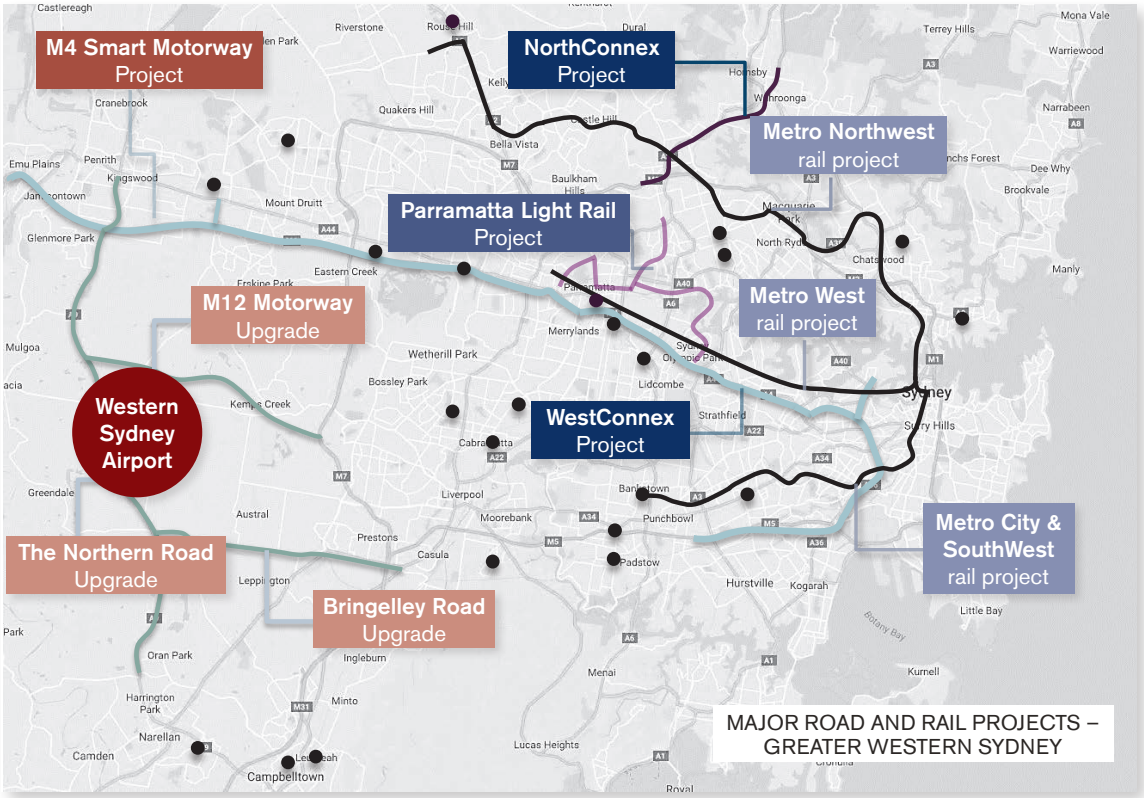
2. The Australian pub industry (cont.)

Spending category	Commentary
Transport	> Improved rail access through 31 additional stations and 66km of additional line, including: – Sydney Metro Northwest, linking North West Sydney and Chatswood ($8.3 billion project cost) – Sydney Metro City & Southwest, linking Chatswood to Bankstown ($11.5 to $12.5 billion estimated project cost) – Sydney Metro West, linking Parramatta to the CBD (under planning) > Expansion towards Sydney's South West corner through the planned international and domestic Western Sydney Airport

Source: NSW State Government Budget 2018 – 2019, NSW State Government project documents

Diagram 21: Major road and rail projects – Greater Western Sydney

Greater Western Sydney infrastructure spending is centred around improved infrastructure in existing centres (Parramatta, the "Central City") and growth regions in Sydney's Northwest and Southwest (around the proposed Western Sydney Airport)



● **Redcape Hotels (Sydney Portfolio)**

"Central City" & Northwest Infrastructure Projects	Western Sydney Airport Growth Region
NorthConnex Tunnel ($3 billion cost, 2019 completion) **WestConnex Tunnel** ($16.8 billion cost, 2023 completion)	**Western Sydney Airport** (Under planning, 2026 completion) Expected to generate substantial follow on population growth and Govt. spending
Parramatta Light Rail (Stage 1: $258 million cost, 2023 completion)	**M4 Smart Motorway** ($470 million cost, 2020 completion)
Metro Northwest Rail ($8.3 billion cost, 2019 completion) **Metro West Rail** (Under planning potential link to WSA) **Metro City & Southwest Rail** ($11.5–12.5 billion cost, under planning)	**M12 Motorway** (Under planning, early 2020s completion **Bringelley Road** ($509 million cost, 2020 completion **The Northern Road** ($1.6 billion cost, early 2020s completion)

Source: NSW State Government Budget 2018 - 2019

2.4.4 Sustainable industry practices

Pubs are required to have controls and processes in place which ensure compliance with various laws designed to protect people from problems associated with excess alcohol consumption and problem gambling. Pub operators operate within a compliance framework to ensure their patrons enjoy entertainment options in a safe and controlled environment. Examples of these controls and processes include:

- Staff are trained in responsible service principles of both gaming and liquor;
- Restrictions on the provision of and alcohol content of alcoholic drinks designed to minimise intoxication;
- Self-exclusion schemes which allow patrons to voluntarily exclude themselves from nominated areas of a gaming venue or the entire venue, or multiple venues;
- Advertising material and notices being displayed in the venue which include information regarding counselling services, the chances of winning and notices which outline gambling warnings and available helplines;
- Restrictions on cash dispensing and ATM machines not being in an area where gaming machines are located and not being capable of providing cash from a credit card account; and
- Hotels participate in local liquor accords which invite industry, community, police, authorities and local bodies to participate in improved licensed venue and community outcomes.

2.5 Regulatory framework

2.5.1 Introduction

The Australian pub industry operates in a regulated environment. The regulation of the pub industry, including both liquor supply and gaming activities, is the responsibility of individual state and territory governments.

2.5.2 Licensing arrangements

Licensing arrangements and categories of licences vary between Australian jurisdictions. Licences differ based on the type of business being operated, and usually specify opening hours and more specific conditions which apply to the operations of the hotel.

NSW liquor licensing laws

In NSW, a hotel licence enables the sale of alcohol for both on-premise and off-premise consumption. A limited type of hotel licence, known as a general bar licence, is also available which allows alcohol to be sold for on-premise consumption only. A general bar licence does not allow sales for off-premise consumption or the operation of EGMs.

The ability to introduce a new hotel licence is restricted, with any new application for a hotel licence requiring a Community Impact Statement ("CIS") to be prepared and lodged. New hotels are also required to obtain development approval from local council prior to applying for a new licence with the regulator.

Liquor licences have prescribed limits on trading hours with standard trading hours 5am to midnight (11pm for retail sales) on Monday to Saturday and 10am to 10pm on Sunday, with additional restrictions imposed on Good Friday and Christmas Day.

QLD liquor licensing laws

In QLD, a commercial hotel licence allows a business to engage in the principal activity of selling liquor for consumption on-premise and off-premise. Applications for new liquor licences may require a risk-assessed management plan and a CIS. Standard trading hours are 10am to midnight (10pm for retail sales), with additional restrictions imposed on Easter, New Year's Day, Christmas Day and Anzac Day.

Businesses which hold a commercial hotel licence can apply to operate up to three detached bottleshops away from the main premises, but within 10km. The detached bottleshop must not have a drive-through facility.

2.5.3 Gaming regulation

Gaming in Australia is regulated on a state and territory basis. In both QLD and NSW, independent regulators have been established to license and control gaming operations.

The basic elements of the current regulatory regimes for the operation of EGMs in the hotel industry are as follows:

> premises must first be a hotel and be licensed for the supply of liquor;
> premises must then be licensed to own or operate EGMs;
> the operator must be approved by the regulator as a fit and proper person to operate EGMs;
> EGMs and games played on EGMs must meet design specifications and standards and be approved by the respective jurisdiction regulator;
> EGMs must be connected to an electronic monitoring system and operated independently of the venue on behalf of the regulator;
> progressive tax rates apply to net machine revenue, which varies across all Australian states and territories; and
> all Australian states and territories incorporate harm minimisation measures.

Venue, regional and state caps generally apply across each jurisdiction. There are also restrictions on the transfer or sale of gaming authorities (also known as entitlements and permits in NSW) for EGMs within each state or territory. Regional and state-wide caps present a barrier to entry for potential new EGM operators.

Table 6: Venue and state caps on EGMs

Location	By Venue Type		By Establishment Type		By State
	Clubs	Hotels	Clubs/Hotels	Casinos	
New South Wales	**N/A**	**30**	**97,500**	**1,500**	**99,000**
Victoria	105	105	27,372	2,628	30,000
Queensland	**300**	**45**	**44,205**	**Ratio**	**N/A**
South Australia	40	40	12,086	995	13,081
Western Australia	N/A	N/A	–	2,300	2,300
Tasmania	40	30	2,500	No cap	3,680
Australian Capital Territory	N/A	10	4,000	200	4,200
Northern Territory	55	20	1,734	No cap	N/A

Source: Liquor & Gaming NSW, Victorian Commission for Gambling and Liquor Regulation, Office of Liquor and Gaming Regulation QLD, Independent Gambling Authority South Australia, West Australia Racing, Gaming and Liquor, Tasmanian Liquor and Gaming Commission, ACT Gambling and Racing Commission, Northern Territory State Government

Over many years, Governments have been focused on working with community groups and the gaming industry to develop effective strategies for the provision of responsible gaming. Various initiatives have been established as described in Section 2.4.4.

2. The Australian pub industry (cont.)

Regulation in NSW

Hotels and clubs in NSW are governed by the Gaming Machines Act 2001 and Gaming Machines Regulations which require that a hotel or club licence must be held in order to operate EGMs. The act and regulations also specify a range of harm minimisation measures to which operators must adhere.

The regulatory body overseeing the NSW industry is the Independent Liquor and Gaming Authority ("ILGA") which is responsible for the conduct of licensing, compliance and enforcement functions relating to the gaming industry and is accountable for the overall gaming regulatory framework.

All EGMs operating in NSW clubs and hotels must be electronically connected to the Centralised Monitoring System ("CMS"). The CMS is used to report the dutiable revenue of all EGMs in NSW and to monitor the integrity of EGMs in NSW.

Gaming Machine Threshold

Each hotel licence has a Gaming Machine Threshold which specifies the maximum number of EGMs the hotel is authorised to operate. The maximum in NSW for the Gaming Machine Threshold is 30 EGMs per hotel.

If a venue is under the maximum threshold it may apply to increase the number of EGMs to ILGA, however, complexity in planning and approval will vary depending on the classification of the Statistical Area 2 ("SA2") in which the hotel is located. SA2s are classified as either Band 1, 2 or 3 areas, depending on the gaming machine density, gaming machine expenditure and the relative socio-economic disadvantage, with Band 3 areas more restrictive than Band 2 which are more restrictive than Band 1 areas.

Gaming Machine Entitlements / Poker Machine Permits

Within the Gaming Machine Threshold, hotels may not operate EGMs unless they hold the appropriate number of Gaming Machine Entitlements ("GMEs") or Poker Machine Permits ("PMPs"). Each GME and PMP allows the operation of one machine. There is no policy or current process by which the regulator can issue new GMEs or PMPs, they can only be acquired via the purchase of existing GMEs or PMPs.

GMEs can be sold and transferred from one hotel to another in blocks on the open market. A block consists of either two or three GMEs. Within each block being transferred, one GME is forfeited to the regulator, including when transferred between hotels owned by the same corporate group. This mechanism is intended to reduce the number of gaming machines in NSW over time.

In March 2018, the NSW Government introduced mechanisms for hotels with less than 10 EGMs to lease their EGMs to other hotels, with the same Gaming Machine Threshold and related restrictions applying.

PMPs are not subject to forfeiture where transferred between hotels, nor are they required to be traded in blocks.

GMEs and PMPs can be traded between licensees at their discretion.

Taxation

Tax on EGMs is calculated based on the annual metered profit of the machines and is collected quarterly. Hotels are taxed on a sliding scale tax rate up to 50%.

Table 7: Current NSW annual tax rates on EGM profits

	Tax Rate
< $200,000	–
$200,000 - $1,000,000	33.0%
$1,000,000 - $5,000,000	36.0%
> $5,000,000	50.0%

Source: Liquor & Gaming NSW

2. The Australian pub industry (cont.)

Regulation in QLD

The QLD Office of Liquor and Gaming Regulation ("OLGR") is responsible for regulating QLD's liquor and gaming industries. The QLD OLGR regulates EGM gaming under the Gaming Machine Act 1991, including the issuance of licences to those involved in the gaming industry in QLD.

All EGMs operating in QLD hotels must be electronically connected to a Monitoring System, similar to that of NSW as described above.

Gaming Machine Licences

Commercial hotels and community clubs must obtain a gaming machine licence from QLD OLGR specifying the permitted number of EGMs at a certain premise. The number of EGMs is restricted to 45 in any hotel. Commercial hotels must then purchase an 'operating authority' for each EGM it is approved to operate. There is a state-wide cap on the total number of EGMs that can operate in QLD's hotels and clubs, with a cap on operating authorities of 19,500 applying across the State.

Operating authorities

EGM operating authorities may only be obtained by participating in a tender process conducted by the Public Trustee of QLD. Operating authorities may become available as a result of a hotel closing and the consequent surrender of its gaming machine licence and associated operating authorities, an increase in the number of approved EGMs and associated operating authorities or a hotel electing to sell back to the trustee the gaming machine licence and its associated operating authorities. Sales are conducted by competitive tender in each of the three authority regions (South East including Brisbane, Coastal and Western QLD) and authorities are only able to be sold to a venue in the region from which they originated.

Taxation

Profits from EGMs at hotels are taxed at a flat rate of 35% plus a Health Services Levy which varies with monthly profit.

Table 8: Current QLD monthly tax rates on EGM profits in hotels

Monthly Profit	Tax Rate	Health Services Levy
< $100,000	35%	–
$100,000 - $140,000	35%	3.5%
$140,000 - $180,000	35%	5.5%
$180,000 - $220,000	35%	7.5%
$220,000 - $260,000	35%	13.5%
> $260,000	35%	20.0%

Source: Office of Liquor and Gaming Regulation QLD

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Redcape
HOTEL GROUP

Section 3

Business overview

3. Business overview

3.1 Overview of Redcape

3.1.1 Introduction

Redcape is an Australian hotel business with a portfolio of 32[1] hotels (31 freehold and one leasehold) located across NSW and QLD.

Redcape's pubs can be characterised by their hospitality offering whereby patrons can enjoy entertainment and social interaction in a friendly and secure environment. Redcape has a clear focus on its customers, delivering hospitality experiences, developing the capability of its people, maintaining quality facilities, and contributing to the communities in which its pubs operate in a responsible and sustainable manner.

Redcape is managed and operated by MAHM, a wholly owned subsidiary of Moelis Australia. MAHM's scalable management and operating platform comprises industry expertise which in addition to operational and financial management of the venues, facilitates active portfolio management enabling additional properties to be incorporated into the existing portfolio and divestment of non-strategic properties to recycle capital into higher growth opportunities.

Freehold ownership improves Redcape's ability to actively invest in refurbishment opportunities as well as provides the potential to generate future value from the real estate on which the hotels are situated.

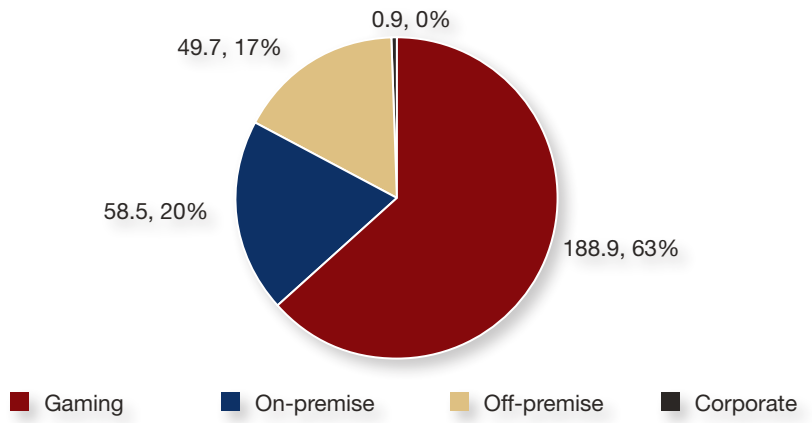
Redcape employs over 700 venue staff, largely from the communities in which it operates. Redcape's focus on people management and development aims to align staff with Redcape's values, strategy, risk management processes and focus on corporate governance.

Redcape seeks to be a strong, viable business that cares for its customers, nurtures and develops its staff and contributes positively to the communities in which it operates.

3.1.2 Redcape's business model

Redcape generates its earnings from the hospitality offering of its pubs business. This offering comprises an on-premise business, which consists of offering customers food and beverage options, mixed entertainment, gaming (EGMs, Keno and wagering) and accommodation. In addition, Redcape operates an off-premise retail liquor business which sells packed alcoholic goods to customers for off-premise consumption. The remainder of earnings is generated through the provision of other services including rebates, commissions and sundry revenue. The chart below illustrates the breakdown of revenue by segment in FY19.

Diagram 22: FY19 revenue by segment ($million, %)



Redcape's customer offering is tailored to meet the demand from local communities in which its pubs are located. Most pubs are located in high density and high population growth residential communities and each of these pubs include some, or all, of the following facilities:

> Restaurants and bistros – these vary between large 400 seat dining areas and small café-style areas that Redcape either operates or leases out to specialty food providers;

1. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

- Bars – Redcape predominantly operates traditional public bars and sports bars which are intended to suit each venue's local market. These bars are characterised by offering other entertainment facilities with a focus on providing safe, low risk entertainment;
- Gaming rooms – these are also designed to suit the hotel's local market and vary in size. Redcape's gaming areas contain up to 30 EGMs in NSW and 45 in QLD;
- Brewery – Redcape has expanded its capabilities through the acquisition of a brewery attached to the Australian Hotel and Brewery. The brewery is capable of producing in excess of 1.5 million litres of craft beer per annum which can be distributed through the Redcape network;
- Retail liquor (off-premise) – consists of drive-through or convenience bottleshop outlets attached to the hotel premises, walk-in bottleshops and two detached retail liquor outlets. Redcape's retail liquor operates under the Liquor Stax banner group.

3.1.3 Redcape's competitive advantages

Redcape's business model and operating platform positions it to compete in the fragmented pub sector. Redcape has a number of competitive advantages, including:

(1) **Freehold ownership:** Redcape owns 31 of the 32[2] hotels it operates as a freehold going concern (meaning Redcape owns the land, building, WIP and operational entitlements of each Hotel). Freehold ownership enables the following:

- Management retains autonomy over the capital allocation process and is therefore able to quickly respond to changes in customer preferences and/or regulatory changes;
- Redcape has access to cost effective funding (secured against Redcape's underlying asset values);
- Securityholders retain the benefits associated with both property and hotel operator growth;
- In some cases, alternate use opportunities whilst augmenting underlying hotel profitability.

The portfolio consists of a land bank located in growth suburban infill markets across Sydney and major regional QLD cities. Many of Redcape's hotels are located near transport nodes or on sites with carparks and low site coverage ratios.

The portfolio facilitates potential to realise additional value over time through the subdivision and/or redevelopment of properties to increase land utilisation and convert surplus land holdings into higher and better use alternatives.

(2) **Management and operating platform:** MAHM's scalable management and operating platform comprises industry expertise a management team with collective industry experience of 115 years. MAHM employs experienced industry and subject matter expert professionals for a range of venue support roles and disciplines including Risk & Compliance, Finance, Human Resources, Talent Development, Property, Marketing, Operations, Gaming, Food & Beverage, Retail and IT.

(3) **Gaming operations:** Redcape's management believes its electronic gaming offering creates a stable and resilient earnings base. Redcape has experience in operating gaming businesses and growing earnings across a portfolio of pubs utilising the following key tools:

- Hospitality model – Redcape prioritises a superior level of service and hospitality in its hotels that aims to provide customers with a differentiated experience from competitor venues;
- Customer focused refurbishments – investment in capital expenditure works to bring the facilities up to a standard that appeals to the customer base and positions Redcape venues as preferred venues within their local markets; and
- Responsible practices – Redcape has invested in and continues to pursue harm minimisation tools and education for its customers and staff.

(4) **Venue refurbishment program:** Redcape has a successful track record of investment in in its hotels, completing 20 venue refurbishments in the past 3 years. The refurbishments typically focus on creating attractive, safe and locally relevant hotel environments for customers and involve the refurbishment of bars, TABs, bistros and gaming rooms. Investments have delivered improvements in customer satisfaction, revenue and profitability. Redcape has a future pipeline of refurbishment opportunities which are expected to continue to deliver future revenue and earnings growth.

2. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

(5) **Brewery:** through the acquisition of an existing brewery, Redcape can add value to the organic growth beer segment by reducing input costs and boosting margins. Redcape's ability to vertically integrate its beer supply provides leverage and product development advantages across its network.

(6) **Technology:** Redcape has invested in its technology and systems across both its venues and venue support services areas. Various systems have been implemented or are being developed with the aim of improving the customer and staff experience as well as efficiency and scale. Some of these include:

- financial management and reporting tools;
- risk management and incident reporting platform;
- transactional information including point of sale ("POS") system for on-premise and off-premise, gaming and accommodation;
- time and attendance, human resources and training platforms;
- customer engagement, lifecycle and communication management systems; and
- enterprise data warehouse.

(7) **Membership program:** Redcape believes a key driver of success is increasing customer advocacy. Accordingly, Redcape has implemented a membership program, incorporating its food and on-premise beverage, gaming and its off-premise retail business. This will assist management with the delivery and management of:

- an improved customer value proposition;
- a scalable marketing capability whilst retaining the localised venue positioning;
- an enhanced service and customer experience in Redcape venues.

3.1.4 Redcape history

Redcape was previously known as Hedley Leisure & Gaming Property Partners Ltd (HLG) which listed on ASX in August 2007. At the time of listing, the HLG portfolio comprised 52 freehold pubs, 15 bottleshop freeholds and ancillary retail, as well as a 21.3% stake in ASX-listed ALE Property Group which owned 99 freehold pubs. HLG pubs were leased to two major tenants, Coles and National Leisure & Gaming (HLG changed its name to Redcape Property Fund Limited in December 2009, at which point it owned, but did not operate, 91 pub freeholds and 13 other properties).

In May 2012, Redcape was delisted from ASX following a recapitalisation. Between October 2012 and May 2013, Redcape then acquired the management rights and operations of 24 properties, including 22 it already owned but which it leased to NLG. In December 2013, Redcape spun out and listed Hotel Property Investments Limited (HPI) on the ASX, a Real Estate Investment Trust (REIT) owning a portfolio of 41 pubs and 7 other properties including detached bottleshops at the time of listing.

In July 2017, Redcape was acquired by Moelis Australia and associated managed funds. At the time of acquisition, Redcape held 25 operating assets (including 23 freehold and 2 leasehold) and 1 non-operating asset. Since acquisition, Redcape accelerated its refurbishment and asset recycling program, as well as expanded its capabilities through the acquisition of a brewery attached to the Australian Hotel and Brewery.

3.2 Key business activities

3.2.1 On-premise – food, beverage, and gaming

Redcape's food, beverage and gaming offering is positioned to create positive hospitality experiences across its pub portfolio.

Food

Redcape's food offering is typically designed to appeal to its local community and market. In some instances, this requires the food operation to be outsourced whereas in 14 of Redcape's venues, it operates the food business directly.

In the venues where Redcape operates the food business directly, the food style is characterised by mostly traditional mainstream pub meals and cuisine. This food style appeals generally to the suburban pub going market.

3. Business overview (cont.)

Redcape's bistro formats are tailored to suit the local market through menu offerings and pricing. There is a structured process in the development of menus and all Redcape operated kitchens are linked to a centralised food management system. This system assists in controlling menu design, costing and ordering; therefore allowing Redcape to capitalise on economies of scale benefits with suppliers. Food outlets are complex to manage but can be valuable to the overall business mix and appeal to local markets. The relevance of the menu to the local market is important, and as such, in 13 of Redcape's NSW venues, food operations are outsourced to local operators that provide specialised cuisine. This reduces operational complexity while aligning the food offer with local preferences.

Beverage

Bars in Australian pubs have a long history as destinations for friends to meet, enjoy a meal, watch sport and have a bet. Redcape's beverage offering talks to diverse markets, however it is mostly characterised by traditional 'public' bar offerings dominated by the sale of tap beer to local customers.

Wagering facilities in bars have progressively become more sophisticated through improved design and fit-out. More recently new technologies have facilitated access to sports betting on a wider range of events and through diverse channels including static betting terminals and smartphones.

Redcape considers its public bar, sports entertainment and betting and wagering businesses to be complementary and typically seeks to grow them as a "paired" offer. Redcape's entertainment business comprises wagering (TAB), Keno and sports betting operations.

Within the beverage business, there is a focus on creating and maintaining a culture of safety. Accordingly, all beverage service staff and security contractors are required to hold RSA (Responsible Service of Alcohol) certification and venues receive ongoing security improvements including closed-circuit television (CCTV) monitoring, security guard presence and facility design intended to aid staff and patron safety.

Gaming

MAHM utilises the industry expertise of its management and operating platform to optimise the gaming business in a responsible manner. This is achieved through gaming product management, refurbishment of gaming facilities, customer service excellence, and additional harm minimisation initiatives adopted by MAHM.

Data analytics software allows for a detailed analysis of EGM performance, including on an individual machine, pub and portfolio basis. EGM performance data includes information on game popularity which provides Management with the ability to respond to customer preferences. In addition, Redcape is able to assess EGM performance against relevant benchmarks such as state and regional averages.

Investing in new gaming technology is an important factor in enhancing the customer experience. A well-managed EGM capital investment program ensures optimal life of gaming cabinets, assists in satisfying customer demand for the latest products and ensures availability of a range of popular game titles released by EGM manufacturers.

Approximately $3.15 million has been invested per annum over the past three years on EGM acquisitions. As a result, Redcape is well positioned to respond to evolving customer trends and new game titles as they become available.

MAHM continues to implement new initiatives to assist its customers to gamble responsibly including voluntary pre-commitment, spend limit alerts and player activity statements for members. MAHM believes that problem gamblers are best helped by existing exclusion programs, and to that regard partners with the Australian Hotels Association ("AHA"), Gambling Help Queensland and Game Care counselling service to facilitate multi venue self-exclusion programs and counselling services.

3. Business overview (cont.)

3.2.2 Off-premise – retail liquor

Redcape's off-premise liquor outlets are predominantly attached to the licensed premises and offer a convenient retailing experience for both the local market and the less frequent transient customer. The stores are either in a drive-through format or one that offers a walk-in shopping experience.

Redcape has been in partnership with the Liquor Stax retailing banner group since 2012. As part of this wholly independent collection of retailers, Redcape seeks to be competitive against the strength of the large supermarket chains through enhancing buying power, attractive pricing and greal local shopping experiences. Redcape currently have 20 retail stores across its portfolio of venues.

Retail liquor is high volume, but offers lower margins relative to other revenue streams. Redcape's retail liquor success relies on strong category management principles, an ability to attract the support of its suppliers and the efficient use of branding, combined with effective in-store product presentation and promotion.

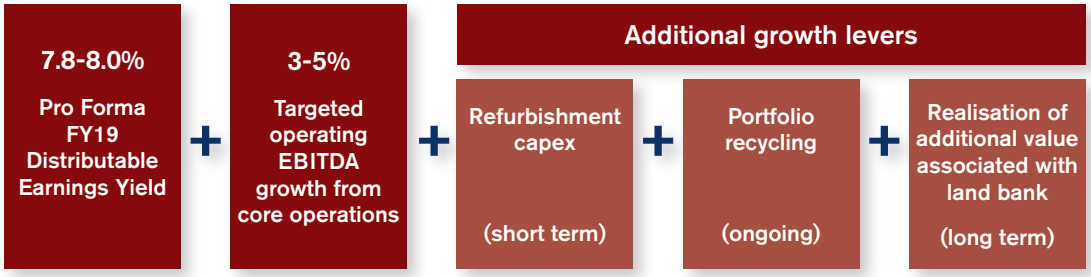
Redcape utilises transactional data and information systems which facilitate centralised decision-making to drive further improvements to in-store product offerings, pricing and promotional activities.

MAHM expects that it can further leverage its expertise in retail liquor across a larger portfolio of retail liquor outlets as Redcape's portfolio of hotels expands. In addition, MAHM plans to distribute packaged beer produced at the recently acquired Australian Hotel & Brewery across Redcape's off-premise network.

3.3 Growth strategy

Redcape is forecasting to deliver a Pro Forma Forecast FY19 Distributable Earnings Yield of 7.8 – 8.0%. In addition, Redcape targets growth of 3 – 5% per annum at the Operating EBITDA level, plus potential growth from refurbishment capital expenditure, portfolio recycling and alternative use opportunities from its real estate land bank.

Diagram 23: Growth strategy flow chart



Redcape has a number of well-developed strategies and initiatives including:

- **Leveraging MAHM's platform and expertise:** MAHM's scalable management and operating platform comprises industry expertise, including a management team with collective industry experience of 115 years. MAHM's platform capabilities facilitate execution of Redcape's refurbishment and portfolio management strategies.
- **Portfolio management:** Australia's fragmented pub industry provides an opportunity for growth through acquisitions. Additionally, it provides scale players such as Redcape with an opportunity to leverage their size. MAHM management has a disciplined approach to acquisitions and regularly assesses the portfolio with a view to determining whether capital can be recycled toward higher growth opportunities. MAHM management have a history of executing and integrating earnings accretive acquisitions, having acquired nine pubs in the past year. Redcape focuses on acquiring pubs with manageable compliance risk and what it considers to be value uplift potential. As part of the recycling of capital, non-strategic assets are also divested when management determines that capital can be better applied towards higher growth opportunities.
- **Refurbishment and optimisation strategies:** a key growth strategy for Redcape is the refurbishment of portfolio pubs as a means of creating more attractive environments for patrons, improving customer experience and ultimately, generating high returns. Management have a refurbishment track record, having undertaken 20 in the past 3 years, ranging from minor cosmetic improvement to more substantial business model optimisations and venue overhauls. MAHM expects continued earnings growth through the forecast period as a result of refurbishment investments made prior to the Listing, with a further 8 refurbishments planned for FY19.

3.4 Management and operating platform

Moelis Australia Hotel Management

In July 2017, a fund established by Moelis Australia acquired the Redcape business and established MAHM to manage Redcape which employed Redcape's experienced management team. MAHM's management team have many years of experience in the hotel industry and in particular have knowledge in food and beverage, off-premise sales, gaming management and operations, venue refurbishment and portfolio management. The core leadership of MAHM's management team have been involved with Redcape for an extended period of time, with Dan Brady, CEO, joining the portfolio 12 years ago.

The Responsible Entity and MAHM, a wholly owned subsidiary of Moelis Australia, have entered into the Investment Management Agreement pursuant to which MAHM has agreed to provide certain investment management and administration services to Redcape. Refer to Section 13.1.1 for a summary of the terms of the Investment Management Agreement.

Redcape and MAHM have entered into the Hotel Operating Agreement under which MAHM has agreed to manage and operate all the Redcape assets. Refer to Section 13.1.2 for a summary of the terms of the Hotel Operating Agreement.

MAHM's objective is to maximise Redcape's long-term return on capital and to achieve this it has maintained a disciplined approach to deploying capital for pub acquisitions and operational initiatives. MAHM has well established refurbishment capabilities as evidenced by the successful acquisitions and refurbishments undertaken over the past year. A range of future capital deployment opportunities has been developed, which will be prioritised in order to maximise returns over the longer term.

Redcape pays fees to MAHM under the Investment Management Agreement and Hotel Operating Agreement but does not pay the remuneration or resourcing costs of MAHM's employees which are paid for by Moelis Australia.

Further details of MAHM's management are provided in Section 5.

Venue employees

Redcape employs an experienced team of venue managers who are responsible for the day-to-day operations of the pubs, and who are incentivised based on venue performance.

Redcape has over 700 venue employees nationally, including full-time, part-time and casual employees. Each hotel is operated by a venue manager who is supported by assistant managers and venue staff. Venue managers are selected for their talent, local knowledge and know-how and are then aligned to the size and complexity of the business, so they can rotate through venues as their skills develop.

Redcape ensures that its staff hold the necessary Responsible Service of Gaming and Alcohol accreditations.

Redcape staff are trained comprehensively in customer service, mandatory and enhanced compliance, safety disciplines and management skills. These training programs are delivered by both third-party providers and through Redcape's own management platform, embedding a culture of safety and quality hospitality experiences.

Redcape pays for all of the remuneration and resourcing costs for the venue staff.

3.5 Portfolio management

Market opportunity

The Australian pub industry is highly fragmented with the three largest players accounting for approximately 8.7% of pubs in Australia. Accordingly, the benefits of scale are not available to a large proportion of industry participants, providing Redcape with an opportunity to leverage its size.

In the past year Redcape has undertaken nine[3] acquisitions. The entry yields on these acquisitions, using each venue's existing run-rate revenue base and applying Redcape's cost structure, has ranged between 7% and 11%, before reflecting any operational or refurbishment initiatives that Redcape generally implements following acquisition

3. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

completion. Redcape expects to increase the earnings of acquired pubs through implementing operational and refurbishment initiatives as described in Section 3.6.

With an addressable market of over 300 independent pubs within Greater Sydney alone, Redcape believes there continues to be opportunities available for portfolio expansion if the target meets Redcape's stringent acquisition criteria.

Acquisition criteria

Redcape adopts a disciplined approach to the assessment of pub acquisitions and disposals, preferring to own freehold interests rather than leasehold interests to minimise operational complexities arising between landlords and tenants. Redcape has a clear acquisition criterion, targeting pubs which:

> offer acquisition yields that are accretive to Redcape's Distributable Earnings;
> have manageable risk associated with the on-premise business;
> are located in strategically favourable locations;
> have businesses which could benefit from the underlying Redcape operating model; and
> are expected to respond positively to Redcape's operating model and/or deliver expected returns on refurbishment capital.

Redcape's assessment of the potential to grow pub turnover through enhancement of the operating model and/or capital investment is informed by its analysis of the hotel market across target geographies.

Acquisition and disposal process

In undertaking acquisitions, Redcape prefers to avoid public sale and tender processes and instead seeks to negotiate directly with vendors or purchasers – typically private operators – on an exclusive, bilateral basis and typically through a broker. All recent acquisitions listed below have been undertaken on this basis.

Redcape management conducts detailed due diligence, typically ranging from three to five weeks. As part of the due diligence process, Redcape conducts a detailed bottom up analysis of the potential profitability of the pub should it come under Redcape management, taking into account synergies from improved supplier terms and additional costs such as increased security and safety measures where required.

Table 9: Recent acquisitions and divestments undertaken by Redcape

Transaction	Location	Date
Acquisition of Cabramatta Inn F/H	Cabramatta West, NSW	December 2017
Acquisition of Crescent Hotel	Fairfield, NSW	December 2017
Acquisition of Wattle Grove Hotel	Wattle Grove, NSW	February 2018
Divestment of Carrington Hotel	Atherton, QLD	March 2018
Acquisition of Andergrove Tavern	Mackay, QLD	April 2018
Divestment of Doonside Hotel	Doonside, NSW	June 2018
Acquisition of Sun Hotel	Townsville, QLD	July 2018
Acquisition of Vauxhall Inn	Granville, NSW	August 2018
Acquisition of Australian Hotel & Brewery	Rouse Hill, NSW	August 2018
Divestment of Belrose Hotel	Belrose, NSW	August 2018
Acquisition of Acquisition Portfolio[4]	South Coast, NSW	December 2018

Acquisition Portfolio

On 15 October 2018, Redcape entered into a binding agreement to acquire the Acquisition Portfolio for a total consideration of $50.0 million. Settlement is expected to occur on or shortly prior to 18 December 2018.

The three hotels which comprise the Acquisition Portfolio include Figtree Hotel in Figtree, Unanderra Hotel in Unanderra, and Central Hotel in Shellharbour City Central.

4. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

3. Business overview (cont.)

The acquisition of the Acquisition Portfolio is in line with Redcape's acquisition criterion and presented an opportunity to acquire hotels which could benefit from the underlying Redcape operating model and are expected to deliver an attractive total return.

Refer to Section 4.3 for additional detail on the Acquisition Portfolio.

Divestments

Redcape continually assesses its portfolio to determine whether capital can be recycled towards higher growth or return opportunities. The management team has been active in disposing of non-strategic assets, most recently settling the disposals of Doonside Hotel in May 2018 and Belrose Hotel in August 2018 (both being divested at a premium to book value).

Australian Hotel & Brewery, Rouse Hill NSW

3.6 Refurbishment and optimisation strategies

Through the refurbishment of its properties, Redcape seeks to develop a more attractive environment for customers, earn loyalty and deliver revenue uplift. Management have a track record of delivering refurbishments, having undertaken 20 venue refurbishments over the past 3 years. Across these refurbishments, where a minimum of 12 months of trade has occurred post project completion, the average 12 Month Return on Capital[5] has been approximately 27%.

The optimal market positioning of the venue is ascertained taking in to account the unmet needs of the market and the target customer. Desired competitive advantages are then determined before the planning process commences.

Financial returns analysis is conducted on the portfolio regularly which is aimed at prioritizing the project opportunities so as to ensure the most accretive projects for longer term value are progressed in ranked order. This analysis is a 5-year ungeared IRR model which includes all costs of the project, incremental ongoing expenses and revenue.

5. Defined as the growth in venue EBITDA in the 12 months post completion of the refurbishment divided by total capital expenditure on refurbishment as well as the cost of acquiring incremental operating authorities, entitlements and EGMs.

3. Business overview (cont.)

MAHM actively acquires development approvals well in advance of undertaking any project, which provides refurbishment optionality. Refurbishments can be applied to an acquisition business case, where the analysis typically includes consideration of what works can be undertaken efficiently in the period immediately after taking ownership and what latent potential can be extracted from the venue over future years through more extensive refurbishment works.

3.6.1 Growth capex

MAHM follows a disciplined approach to capital expenditure with a strong focus on delivering accretive investment returns based on well considered criteria and analytics. Since its appointment in July 2017, MAHM has re-initiated the growth capex program following a reduced focus from the previous owners during their sale process.

In previous years, growth capex was characterised as high-volume, low cost refurbishments which were primarly gaming focused. The pipeline of opportunities for such capex works is now mostly exhausted and more comprehensive "all of venue" refurbishments are being progressed. These more material refurbishments typically take longer, have substantial trade disruption, cost more money and are more complex, increasing execution risk. They do however provide longer term growth, are more effective at attracting new customers and are ultimately more accretive to Redcape

Experience has shown that more substantial capex works provide a life of capital around 7 years, where after that time the venue's growth slows, the competitive set increases and the opportunity to reinvest for growth repeats.

FY18 growth capex was $10.8 million including venue refurbishment, additional EGM permit acquisitions and development application planning. FY19 growth capex is forecast to be $22.8 million, covering a number of significant refurbishments including the Cabramatta Inn.

MAHM expects continued earnings growth through the forecast period as a result of refurbishment investments made in FY18, plus further earnings growth in FY20 as a result of the FY19 growth capex.

Management intends to continue supporting accretive growth capex and has identified multiple medium/long term initiatives which are forecast to drive future performance.

Diagram 24: Historical and forecast growth capex spend

	FY14	FY15	FY16	FY17	FY18	FY19F
Growth capex	$9.6m	$7.1m	$4.0m	$5.1m	$10.8m	$22.8m

Diagram 25: FY18 and forecast FY19 growth capex spend

FY18 Growth Capex		FY19 Growth Capex	
Landmark	$10.8 million	Cabramatta	$22.8 million[6]
Mt Druitt		Eastwood	
Leumeah		Minsky's Hotel	
Eastwood Beer Garden		Andergrove	
El Cortez		Australian Hotel & Brewery	
Crescent		Prospect	

6. Includes growth capex spent on the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire. Settlement contracted to occur on or shortly prior to 18 December 2018. See Section 6.4.6 for more detail on the Acquisition Contracts.

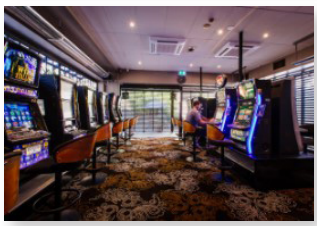
3. Business overview (cont.)

Case Study – Red Lantern (Bankstown)

The Red Lantern Hotel case study is an example of the value that can be created through the effective implementation of Redcape's accretive refurbishment program. Redcape's Red Lantern Hotel refurbishment generated a significant return on capital and has underpinned sustained future growth.

✓	Prime location	Hotel was unappealing and continued to underperform despite being in a prime market
✓	Minor refusbishment (2014)	Management initiated improvements through minor works which provided short term improvements to the venue's performance
✓	Business optmisation (2018)	Management supported a 16 week business optimisation refurbishment program costing $1.7m, designed to improve venue standards
✓	Significant scope of works	Incorporated works to the external building, public bar and associated wagering offering and upgrade to the gaming room
✓	Effective rebranding	Rebranding of the venue from Oasis Hotel to current Red Lantern Hotel
✓	Substantial return on capital	Business optimisation project delivered a 12 month ROC to October 17 of approximately 23% (inclusive of initial disruption and ramp up period)
✓	Future upside	ROC is expected to continue improving as a result of EBITDA trending upwards

BEFORE



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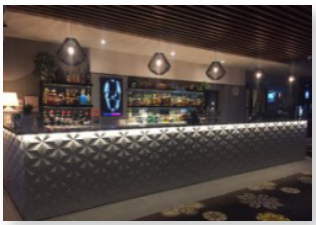
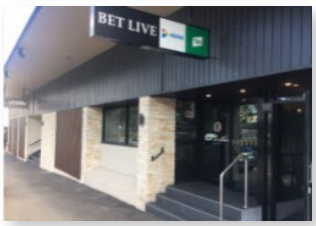




Case Study – Revesby Pacific (Revesby)

In July 2017 MAHM commissioned a review of the portfolio to identify sites that might offer a higher and better use. The initial review identified venues that, based on current or proposed planning guidelines, warranted further analysis.

Revesby Pacific opportunity:

The initial review identified Revesby Pacific as an opportunity where a draft concept prepared that would see a seven storey 88 unit apartment complex. The site is located within approximately 100 metres of Revesby train station and within the local business precinct.

The site configuration is considered conducive to a development as it is an island site with the existing hotel located against one perimeter of the site allowing for development on the remainder of the site.

3. Business overview (cont.)

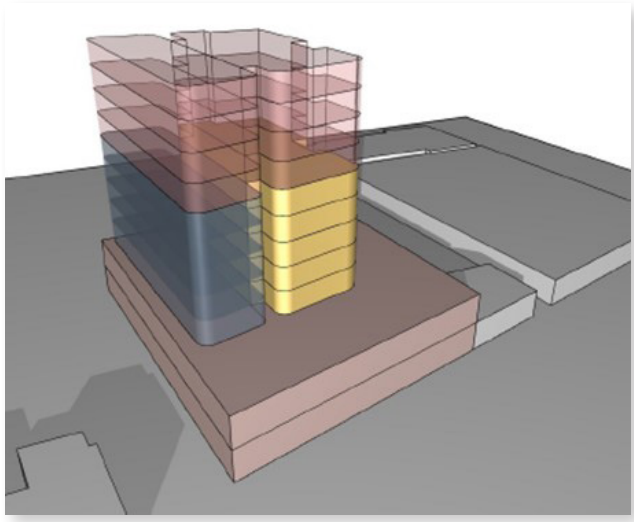
Diagram 26: Revesby Pacific development concept design

Case Study - Red Lantern (Bankstown):

MAHM identified the Red Lantern Hotel in Bankstown as a potential site for redevelopment of a mixed commercial / residential apartment complex. The site is located in the centre of Bankstown, within approximately100 metres of Bankstown train station.

Management has further progressed the design work for the Red Lantern redevelopment. Current LEP controls permit 3,200m^2 of commercial including the Hotel and 40 apartments on the Hotel site only.

Diagram 27: Red Lantern development concept design



Portfolio opportunity:

Of the identified sites, the Revesby Pacific and Red Lantern provide a relatively simple example of what might be possible and there are numerous other opportunities within the portfolio of varying complexity.

MAHM is obviously mindful of market conditions needing to be conducive to undertake such a development and current residential markets are generally challenging.

Notwithstanding this, lead times are significant on development approvals and therefore MAHM intends to continue to invest in assessing the opportunities and building up a pipeline to take advantage of in supportive market conditions.

3.6.2 Potential upside from major Sydney regional developments

Sydney's South and West corridors are amongst of the core development focuses for government infrastructure investment and intensive growth over the next 20 years. According to *Greater Sydney Region Plan: A Metropolis of Three Cities*, one of the key city planning priorities is to continue to grow Greater Parramatta as Sydney's second CBD. This involves integrating and growing neighbouring regions and ensuring there is sufficient housing and infrastructure development to support this growth. Accordingly, any assets that are located within the key priority growth areas within Sydney's South and West corridors may potentially benefit from increased population growth in response to favourable employment conditions. Refer to Section 2.4.3 for further details of Greater Sydney investment spending.

3.7 Property portfolio

3.7.1 Introduction

Redcape owns 31 of the 32[7] hotels it operates as a freehold going concern (meaning Redcape owns the land, building, WIP and operational entitlements of each hotel). The portfolio consists of a substantial land bank located in high growth suburbs in Sydney and major regional QLD cities. Numerous hotels within the Redcape portfolio are located near transport nodes or on large sites with carparks and low site coverage ratios.

Freehold ownership of the majority of its hotels provides Redcape with a strong asset backing and assists management in retaining autonomy over the capital allocation process and therefore in responding quickly to changes in customer preferences and/or regulations. In addition, the strong asset backing provides significant collateral that supports Redcape's access to debt finance as well as providing security of tenure and refurbishment flexibility.

3.7.2 Geographic presence

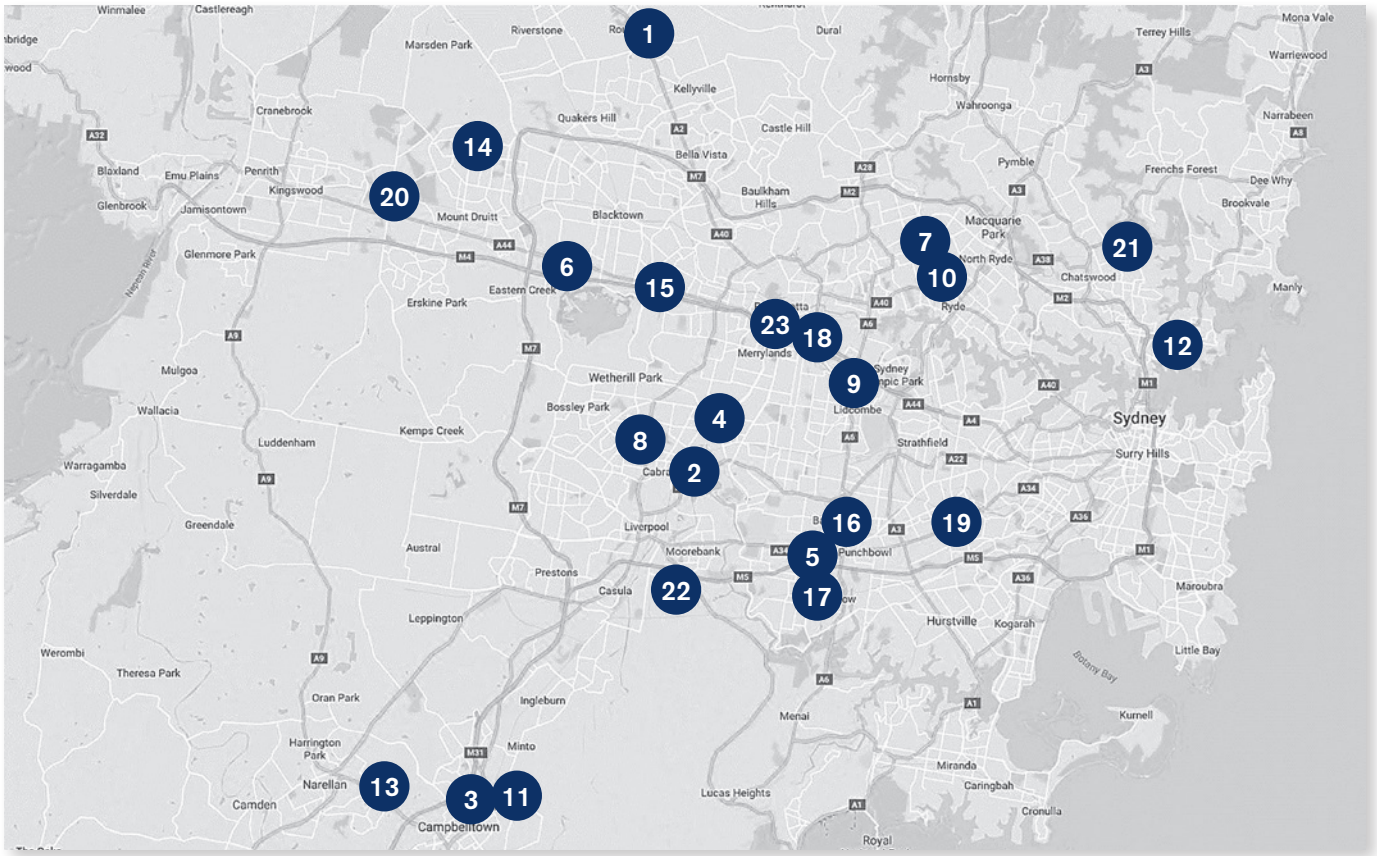
Redcape's operating portfolio consists of 32[7] venues located across NSW and QLD. The majority of Redcape's pubs are located in suburban Sydney, complemented by a small number of venues in Regional NSW and QLD. The portfolio's geographic concentration in suburban Sydney reflects management's view of the relative attractiveness of the region and broader NSW market.

Within NSW, Redcape pubs often possess market position, identity and history. In addition, assets are typically in close proximity to rail or main roads and highways, which increases exposure and ease of access for patrons. Redcape's assets are predominantly located in LGAs with amenable demographics for growing the customer base of complete service pubs, including population growth and density.

7. IIncludes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

3. Business overview (cont.)

Diagram 29: NSW hotel portfolio



Greater Sydney			
1. Australian Hotel and Brewery	2. Cabramatta Inn	3. Campbelltown Hotel	4. The Crescent Hotel
5. The Crown Hotel	6. Eastern Creek Tavern	7. Eastwood Hotel	8. El Cortez
9. Keighery Hotel	10. Landmark Hotel	11. Leumeah Club Hotel	12. Minsky's Hotel
13. Mt Annan Hotel	14. Mt Druitt Cedars Tavern[8]	15. Prospect Hotel	16. Red Lantern Hotel
17. Revesby Pacific Hotel	18. Royal Hotel Granville	19. St George Hotel Belmore	20. St Marys Hotel
21. Willoughby Hotel	22. Wattle Grove Hotel	23. Vauxhall Inn	
South Coast[9]			
24. Lakeview Hotel Motel[9]	25. Central Hotel[10]	26. Figtree Hotel[10]	27. Unanderra Hotel[10]

Redcape also operates five pubs in QLD. Management intends to opportunistically increase its QLD asset base over time and believes its presence in the market allows it to better assess growth opportunities available in the State and provides valuable insights into local market dynamics.

8. Leasehold only interest.
9. Acquisition Portfolio assets and Lakeview are outside the scope of the map.
10. Part of the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

3. Business overview (cont.)

Table 10: Property portfolio schedule

Venue	Type	Suburb	Address
NSW			
Australian Hotel and Brewery	Freehold	Rouse Hill	350 Annangrove Rd, Rouse Hill NSW 2155
Cabramatta Inn	Freehold	Cabramatta	170 Cabramatta W Road, Cabramatta NSW 2166
Campbelltown Hotel	Freehold	Campbelltown	32 Blaxland Road, Campbelltown NSW 2560
Central Hotel[12]	Freehold	Shellharbour City Central	3 Memorial Drive, Shellharbour City Centre NSW 2529
The Crescent Hotel Fairfield	Freehold	Fairfield	81 The Crescent, Fairfield NSW 2165
The Crown Hotel, Revesby	Freehold	Revesby	4 The River Road, Revesby NSW 2212
Eastern Creek Tavern	Freehold	Huntingwood	64 Huntingwood Drive, Huntingwood NSW 2148
Eastwood Hotel	Freehold	Eastwood	115 Rowe Street, Eastwood NSW 2122
El Cortez Hotel	Freehold	Canley Heights	337 Canley Vale Road, Canley Heights NSW 2166
Figtree Hotel[12]	Freehold	Figtree	47 Princes Highway, Figtree NSW 2525
Keighery Hotel	Freehold	Auburn	51 Rawson Street, Auburn NSW 2144
Lakeview Hotel Motel	Freehold	Oak Flats	Corner of Government & Lake Entrance Roads, Oak Flats NSW 2529
Landmark Hotel	Freehold	Eastwood	20 West Parade, Eastwood NSW 2122
Leumeah Club Hotel	Freehold	Leumeah	Corner, O'Sullivan Road & Pembroke Roads, Leumeah NSW 2560
Minskys Hotel	Freehold	Cremorne	287 Military Rd, Cremorne NSW 2090
Mt Annan Hotel	Freehold	Mount Annan	12 Main Street, Mount Annan NSW 2567
Mt Druitt Cedars Tavern[11]	Leasehold	Emerton	139-151 Popondetta Road, Emerton NSW 2770
Prospect Hotel	Freehold	Prospect	3 Great Western Highway, Prospect NSW 2148
Red Lantern Hotel	Freehold	Bankstown	280 South Terrace, Bankstown NSW 2200
Revesby Pacific Hotel	Freehold	Revesby	178 The River Road, Revesby NSW 2212
Royal Hotel Granville	Freehold	Granville	24 South Street, Granville NSW 2142
St George Hotel Belmore	Freehold	Belmore	618 Canterbury Road Belmore NSW 2192
St Marys Hotel	Freehold	St Mary's	37 Queen Street, St Mary's NSW 2760
Unanderra Hotel[12]	Freehold	Unanderra	27 Central Road, Unanderra NSW 2526
Vauxhall Inn	Freehold	Granville	284-286 Parramatta Rd, Granville NSW 2142
Wattle Grove Hotel	Freehold	Wattle Grove	Cnr Australis Ave & Village Way, Wattle Grove NSW 2173
Willoughby Hotel	Freehold	Willoughby	315 Penshurst Street, North Willoughby NSW 2068

11. Leasehold only interest.

12 Part of the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

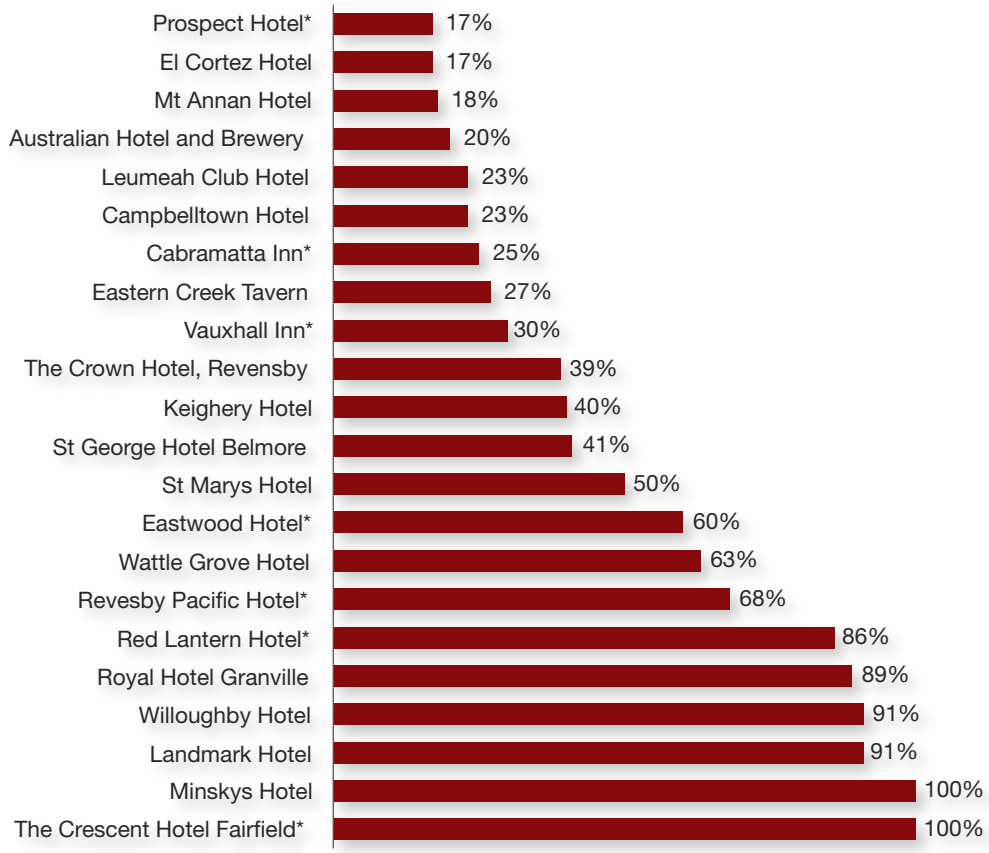
3. Business overview (cont.)

Venue	Type	Suburb	Address
QLD			
Wattle Hotel	Freehold	Gold Coast	1 Brygon Creek Drive, Upper Coomera QLD 4209
Hermit Park	Freehold	Townsville	100 Charters Towers Road, Hermit Park QLD 4812
Andergrove Tavern	Freehold	Mackay	64 Andergrove Rd, Mackay QLD 4740
Shamrock Hotel	Freehold	Mackay	165-175 Nebo Road, West Mackay, QLD 4740
The Sun Hotel	Freehold	Townsville	6 Ross River Rd, Mundingburra QLD 4812

3.7.3 Land potential / utilisation

A number of sites have low land utilisation, potentially providing opportunities to unlock value through property subdivision / redevelopment. Across the portfolio, 27% of total site area is covered by building, and in particular, 10 of the 22 Sydney sites operated by Redcape (excluding the 1 site under leasehold) have land utilisation rates of below 40%.

Diagram 30: Site utilisation (building footprint / site area)



Note: *excludes air rights.

3.8 Vision, strategy and values

Redcape's vision is to create community venues that provide outstanding hospitality experiences and enhance positive social interactions locally.

Redcape seeks to achieve this vision through leveraging its strong capital structure, industry leading systems and processes, underpinned by a well-located freehold real estate portfolio.

3. Business overview (cont.)

Redcape is focused on maximising long-term securityholder value by utilising the Redcape's competitive advantages. Key levers of securityholder value include:

> An integrated, pubs network which includes assets in core geographies and defensible markets;
> A well-established stakeholder network, including relationships with suppliers, customers, and real estate services providers;
> An experienced, connected, and responsible management team which leads a performance culture focus across the organisation;
> Investment in the training and careers of Redcape's employees, including over 700 local employees, who provide the front-end of Redcape's customer focus; and
> Freehold ownership of 31 out of 32[11] assets, allowing Redcape to seamlessly roll-out its refurbishment program and drive growth in asset performance.

Redcape's strategy and vision is guided by organisational values that include:

> Fostering a culture that seeks to improve the lives of our people;
> Create positive social interactions and entertainment experiences for our customers;
> We value our social responsibility and look to positively contribute to the local communities in which we operate; and
> Seek to create value for our Securityholders.

3.9 Corporate social responsibility, harm minimisation and compliance

Corporate social responsibility

Redcape has commitment to, maintaining high standards in areas of social corporate responsibility, governance and regulatory compliance.

> Redcape employs over 700 local employees from the communities in which it operates, providing training and development for people in the early careers.
> Redcape seeks to be a viable business that cares for its customers, nurtures and develops its staff and contributes positively to the communities in which it operates.
> Redcape strives to enhance its responsible service practices across both the areas of gambling and alcohol service. This has enabled Redcape to provide harm minimisation tools.
> Redcape contributes positively to the communities in which it operates through direct financial and inkind support to local community groups, through local jobs and indirectly through taxes and levies.

Harm minimisation

For many Australians and our customers, gaming is an entertainment experience enjoyed responsibly. We are however mindful of our social responsibility and are committed to the conversation around the challenges of problem gambling and continue our focus on harm minimisation initiatives to assist those who may need it.

The strong regulatory framework and direct frontline contact allows for good management of harm minimisation within the industry.

Redcape venues provide responsible gambling tools to our customers and staff which include:

> Multi-venue self-exclusion scheme and support and counselling services offered by industry partners such as Game Care and Gambling Help.
> Player Activity Statements – these provide customers with a monthly record of their gambling activity to help them manage how much they spend on gaming;
> Voluntary Pre-Commitment – this allows customers to set limits on how much time and money they spend on gaming; and
> Redcape funded responsible gaming training to all staff.

11. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

3. Business overview (cont.)

Compliance

Redcape invests in a culture of regulatory compliance, with an experienced management team and a centralised administrative structure.

Through its Responsible Service Policy, Redcape has established a framework by which it seeks to ensure compliance. All beverage service staff and security contractors are required to hold responsible alcohol service certification and all staff whose duties relate to the conduct of gaming have completed an accredited responsible gaming course. There is also an ongoing commitment to training which is conducted periodically.

With a key focus on developing a culture of safety all new employees complete mandatory training programs relating to:

> Anti Money Laundering and Counter Terrorism Financing policies and procedures;

> Privacy;

> Workplace safety, Harrasment, Bullying and Armed Robbery.

Redcape is committed to acting responsibly in its service of both gaming and alcohol and aims to provide customers with information and tools to help them to make informed choices.

Redcape's compliance strategy includes engaging effectively with regulatory bodies. Management also maintains association with a number of industry groups, including the AHA NSW, Queensland Hotels Association ("QHA"), and the Australasian Gaming Council. This provides a number of benefits, including insights into emerging regulatory issues and concerns and access to information and research.

At Redcape, business fundamentals are underpinned by a risk management and corporate governance framework.

A systematic approach is adopted through an online risk management platform to identifying risks and incidents within our venues and to document the corrective measures to mitigate risks and close out incidents effectively. A body of defined policies and procedures is delivered to all Redcape staff through a mandatory induction training program.

Redcape
HOTEL GROUP

Section 4

Property portfolio

4. Property portfolio[1]

4.1 NSW

4.1.1 Australian Hotel and Brewery

350 Annangrove Rd, Rouse Hill NSW 2155

> A two storey hotel constructed in 2006.

> The hotel includes a public bar, TAB, bistro, lounge bar, children's play area, function rooms, brewery and offers on-site parking for 357 vehicles.

> The hotel is located in the suburb of Rouse Hill which is part of Sydney's north west growth corridor and is approximately 35 kilometres from the CBD.

Property profile	
Site area	16,400 m^2
Building size	4,348 m^2
Building footprint	3,340 m^2
Site utilisation (footprint/site)	20.4%
Building age (since construction year)	12 years
Year of last major refurbishment / expansion	2018
Car park spaces	357
Hotel profile	
Approximate distance to CBD	35 km
Suburb	Rouse Hill
Current no. of EGMs	30
Regional statistics	
LGA population	157,243
LGA area	386.2 km^2
Population density (persons/km^2)	407.2
Population growth forecast (2016 – 2026)	36.0%

1. LGA population statistics throughout Section 4 sourced from the 2016 Census published by the ABS (latest available data)

4. Property portfolio (cont.)

4.1.2 Cabramatta Inn

170 Cabramatta W Road, Cabramatta NSW 2166

> A two storey hotel reportedly constructed in or around 1930.

> The hotel includes a public bar, lounge bar, gaming room, TAB, and pool room. A separate site adjacent to the hotel but separated by a flyover provides a drive through bottle shop and parking for 130 vehicles.

> The hotel is located in the main commercial area of Cabramatta which is approximately 25 kilometres south west of Sydney's CBD.

Property profile	
Site area	5,638 m^2
Building size	1,973 m^2
Building footprint	1,410 m^2
Site utilisation (footprint/site)	25.0%
Building age (since construction year)	88 years
Year of last major refurbishment / expansion	2014
Car park spaces	130

Hotel profile	
Approximate distance to CBD	25 km
Suburb	Cabramatta
Current no. of EGMs	30

Regional statistics	
LGA population	198,817
LGA area	101.5 km^2
Population density (persons/km^2)	1,958.8
Population growth forecast (2016 – 2026)	5.1%

4. Property portfolio (cont.)

4.1.3 Campbelltown Hotel

32 Blaxland Road, Campbelltown NSW 2560

> A single level hotel with a rooftop car park constructed in 1999.

> The hotel includes a public bar, TAB, gaming room, drive through bottle shop and on-site parking for 88 vehicles.

> The hotel is located in an industrial estate consisting of factory/warehouse buildings and bulky goods showrooms and is approximately 42 kilometres south west of Sydney's CBD.

Property profile	
Site area	3,512 m^2
Building size	804 m^2
Building footprint	804 m^2
Site utilisation (footprint/site)	22.9%
Building age (since construction year)	19 years
Year of last major refurbishment / expansion	2014
Car park spaces	88
Hotel profile	
Approximate distance to CBD	42 km
Suburb	Campbelltown
Current no. of EGMs	28
Regional statistics	
LGA population	157,006
LGA area	311.9 km^2
Population density (persons/km^2)	503.4
Population growth forecast (2016 – 2026)	19.8%

4. Property portfolio (cont.)

4.1.4 The Crescent Hotel Fairfield

81 The Crescent, Fairfield NSW 2165

> A two storey strata titled development constructed in or around 1960.

> The hotel includes a public bar, TAB, gaming room, and retail liquor store.

> The hotel is situated within the Fairfield CBD which is 31 kilometres south west of Sydney's CBD.

Property profile	
Site area	Strata title
Building size	1,222 m^2
Building footprint	NA
Site utilisation (footprint/site)	100.0%
Building age (since construction year)	58 years
Year of last major refurbishment / expansion	2018
Car park spaces	0
Hotel profile	
Approximate distance to CBD	31 km
Suburb	Fairfield
Current no. of EGMs	30
Regional statistics	
LGA population	198,817
LGA area	101.5 km^2
Population density (persons/km^2)	1,958.8
Population growth forecast (2016 – 2026)	5.1%

4. Property portfolio (cont.)

4.1.5 The Crown Hotel Revesby

4 The River Road, Revesby NSW 2212

- A single level hotel built in or around 2000.
- The hotel is located on a parcel of land consisting of three lots, one belonging to a 24 hour BP service station, another to a 24 hour McDonald's restaurant and a strata plan that includes the hotel and two attached shops.
- The hotel includes a public bar, TAB, gaming room, third party operated bistro, and parking within the immediate strata lot for 25 vehicles.
- The hotel is approximately 19 kilometres south west of Sydney's CBD.

Property profile	
Site area	2,891 m^2
Building size	1,132 m^2
Building footprint	1,132 m^2
Site utilisation (footprint/site)	39.2%
Building age (since construction year)	18 years
Year of last major refurbishment / expansion	2015
Car park spaces	25
Hotel profile	
Approximate distance to CBD	19 km
Suburb	Revesby
Current no. of EGMs	30
Regional statistics	
LGA population	346,302
LGA area	110.3 km^2
Population density (persons/km^2)	3,139.6
Population growth forecast (2016 – 2026)	18.5%

4. Property portfolio (cont.)

4.1.6 Eastern Creek Hotel

64 Huntingwood Drive, Huntingwood NSW 2148

- A two storey structure that was built in two stages. The first stage consisted of a takeaway food shop and was built in 1995 and the second stage was built in 2002 and included the addition of a hotel license.
- The hotel includes a drive through bottle shop, TAB, public bar, gaming room, outdoor terrace and bistro. The on-site car park accommodates approximately 70 vehicles.
- The surrounding development is industrial in nature and includes the Eastern Creek Raceway which is situated 700m to the south of the hotel.

Property profile	
Site area	3,880 m^2
Building size	1,287 m^2
Building footprint	1,047 m^2
Site utilisation (footprint/site)	27.0%
Building age (since construction year)	23 years
Year of last major refurbishment / expansion	2017
Car park spaces	70

Hotel profile	
Approximate distance to CBD	33 km
Suburb	Huntingwood
Current no. of EGMs	25

Regional statistics	
LGA population	336,962
LGA area	240.0 km^2
Population density (persons/km^2)	1,404.0
Population growth forecast (2016 – 2026)	24.2%

4. Property portfolio (cont.)

4.1.7 Eastwood Hotel

115 Rowe Street, Eastwood NSW 2122

- An older style two level hotel constructed in or around 1930 with ground floor additions completed in 1960.
- The hotel includes a lounge bar, TAB/sports bar, gaming room, third party operated bistro, and beer garden. The adjoining site provides 27 car parks with boom gate-controlled ingress and egress.
- The hotel is located in a retail strip opposite the Eastwood railway station and is approximately 15 kilometres north west of Sydney's CBD.

Property profile	
Site area	2,598 m^2
Building size	2,397 m^2
Building footprint	1,547 m^2
Site utilisation (footprint/site)	59.5%
Building age (since construction year)	88 years
Year of last major refurbishment / expansion	2018
Car park spaces	27
Hotel profile	
Approximate distance to CBD	15 km
Suburb	Eastwood
Current no. of EGMs	30
Regional statistics	
LGA population	116,302
LGA area	40.5 km^2
Population density (persons/km^2)	2,871.7
Population growth forecast (2016 – 2026)	24.0%

4. Property portfolio (cont.)

4.1.8 El Cortez Hotel

337 Canley Vale Road, Canley Heights NSW 2166

- A single level tavern constructed in or around 1980.
- The tavern includes a public bar with TAB, gaming room, third party operated bistro, drive through bottle shop and parking for over 100 vehicles.
- The tavern is located in a residential area and is approximately 27 kilometres south west of Sydney's CBD.

Property profile	
Site area	9,683 m^2
Building size	1,685 m^2
Building footprint	1,685 m^2
Site utilisation (footprint/site)	17.4%
Building age (since construction year)	38 years
Year of last major refurbishment / expansion	2017
Car park spaces	110
Hotel profile	
Approx. distance to CBD (km)	27 km
Suburb	Canley Heights
Current EGMs	30
Regional statistics	
LGA population	198,817
LGA area	101.5 km^2
Population density (persons/km^2)	1,958.8
Population growth forecast (2016 – 2026)	5.1%

4. Property portfolio (cont.)

4.1.9 Keighery Hotel

51 Rawson Street, Auburn NSW 2144

> A heritage listed two storey hotel constructed in or around 1930.

> The hotel provides a public / sports bar with TAB, gaming room and 30 on site car parks.

> The hotel is located in the Auburn CBD opposite the Auburn railway station and is approximately 16 kilometres west of Sydney's CBD.

Property profile	
Site area	2,189 m^2
Building size	1,675 m^2
Building footprint	881 m^2
Site utilisation (footprint/site)	40.2%
Building age (since construction year)	88 years
Year of last major refurbishment / expansion	2016
Car park spaces	30
Hotel profile	
Approximate distance to CBD	16 km
Suburb	Auburn
Current no. of EGMs	30
Regional statistics	
LGA population	216,079
LGA area	71.6 km^2
Population density (persons/km^2)	3,017.9
Population growth forecast (2016 – 2026)	17.0%

4. Property portfolio (cont.)

4.1.10 Lakeview Hotel Motel

Corner of Government & Lake Entrance Roads, Oak Flats NSW 2529

- A single level hotel reportedly constructed in or around 1980.
- The hotel includes a public bar with TAB, gaming room, third party leased bistro, function room, beer garden, drive-through bottle shop and 25 motel rooms.
- The hotel is located in a residential area within the Illawarra region of NSW which is approximately 85 kilometres south of Sydney

Property profile	
Site area	11,680 m^2
Building size	1,750 m^2
Building footprint	2,483 m^2
Site utilisation (footprint/site)	21.3%
Building age (since construction year)	38 years
Year of last major refurbishment / expansion	2017
Car park spaces	110

Hotel profile	
Approx. distance to CBD (km)	85 km
Suburb	Oak Flats
Current EGMs	19

Regional statistics	
LGA population	68,460
LGA area	147.4 km^2
Population density (persons/km^2)	464.5
Population growth forecast (2016 – 2026)	14.0%

4. Property portfolio (cont.)

4.1.11 Landmark Hotel

20 West Parade, Eastwood NSW 2122

- A modern tri-level hotel constructed in 2012.
- The hotel includes a public bar with TAB, third party operated bistro, and gaming room.
- The hotel is located adjacent to the Eastwood railway station and is approximately 15 kilometres north west of Sydney's CBD.

Property profile	
Site area	575 m^2
Building size	725 m^2
Building footprint	524 m^2
Site utilisation (footprint/site)	91.1%
Building age (since construction year)	6 years
Year of last major refurbishment / expansion	2018
Car park spaces	0

Hotel profile	
Approximate distance to CBD	15 km
Suburb	Eastwood
Current no. of EGMs	30

Regional statistics	
LGA population	116,302
LGA area	40.5 km^2
Population density (persons/km^2)	2,871.7
Population growth forecast (2016 – 2026)	24.0%

4. Property portfolio (cont.)

4.1.12 Leumeah Club Hotel

Corner, O'Sullivan Road & Pembroke Roads, Leumeah NSW 2560

- A split-level structure with a detached liquor barn built circa 1980.
- The hotel includes a public bar with TAB, gaming room, bistro, function room and liquor barn. The car park includes 113 bays.
- The hotel is located in a commercial development next to the Leumeah railway station and is approximately 40 kilometres south west of Sydney's CBD.

Property profile	
Site area	8,117 m^2
Building size	2,147 m^2
Building footprint	1,829 m^2
Site utilisation (footprint/site)	22.5%
Building age (since construction year)	38 years
Year of last major refurbishment / expansion	2018
Car park spaces	113

Hotel profile	
Approximate distance to CBD	40 km
Suburb	Leumeah
Current no. of EGMs	30

Regional statistics	
LGA population	157,006
LGA area	311.9 km^2
Population density (persons/km^2)	503.4
Population growth forecast (2016 – 2026)	19.8%

4. Property portfolio (cont.)

4.1.13 Minsky's Hotel

287 Military Rd, Cremorne NSW 2090

- A two -level hotel located within a multi-level mixed use strata building built in 1970.
- The ground floor provides a public bar with TAB, gaming room, bistro and a detached drive-through bottle shop is located on the opposite side of the strata.
- The first floor provides office space for MAHM personnel.
- The site is approximately 5 kilometres north of Sydney's CBD.

Property profile	
Site area	Strata title
Building size	3,344 m^2
Building footprint	NA
Site utilisation (footprint/site)	100.0%
Building age (since construction year)	48 years
Year of last major refurbishment / expansion	2014
Car park spaces	4
Hotel profile	
Approximate distance to CBD	5 km
Suburb	Cremorne
Current no. of EGMs	25
Regional statistics	
LGA population	67,658
LGA area	10.5 km^2
Population density (persons/km^2)	6,443.6
Population growth forecast (2016 – 2026)	13.1%

4. Property portfolio (cont.)

4.1.14 Mount Annan Hotel

12 Main Street, Mount Annan NSW 2567

- A single level freestanding building constructed in 1996.
- The hotel includes a public bar with TAB, gaming room, bistro, beer garden, and drive through bottle shop, and on-site parking for 120 vehicles.
- The hotel is located within the Mount Annan town centre which is approximately 46 kilometres south west of Sydney's CBD.

Property profile	
Site area	7,200 m^2
Building size	1,307 m^2
Building footprint	1,307 m^2
Site utilisation (footprint/site)	18.2%
Building age (since construction year)	22 years
Year of last major refurbishment / expansion	2013
Car park spaces	120

Hotel profile	
Approximate distance to CBD	46 km
Suburb	Mount Annan
Current no. of EGMs	30

Regional statistics	
LGA population	78,218
LGA area	201.0 km^2
Population density (persons/km^2)	389.1
Population growth forecast (2016 – 2026)	82.8%

4. Property portfolio (cont.)

4.1.15 Mt Druitt Cedars Tavern

139-151 Popendetta Road, Emerton NSW 2770

- A single level tavern constructed in or around 1970.
- The hotel includes a public bar, gaming room, lounge bar, TAB, beer garden, and drive through bottle shop and on-site parking for 150 vehicles.
- The tavern is situated on a large site adjacent to the Emerton shopping village which is approximately 40 kilometres west of Sydney's CBD.

Property profile	
Site area	12,010 m^2
Building size	2,165 m^2
Building footprint	2,165 m^2
Site utilisation (footprint/site)	18.0%
Building age (since construction year)	48 years
Year of last major refurbishment / expansion	2018
Car park spaces	150
Hotel profile	
Approximate distance to CBD	40 km
Suburb	Emerton
Current no. of EGMs	30
Regional statistics	
LGA population	336,962
LGA area	240.0 km^2
Population density (persons/km^2)	1,404.0
Population growth forecast (2016 – 2026)	24.2%

4. Property portfolio (cont.)

4.1.16 Prospect Hotel

3 Great Western Highway, Prospect NSW 2148

- A two level hotel constructed in or around 1960 and extended in 2006.
- The hotel includes a public bar with TAB, gaming room, drive through bottle shop, function rooms, bistro, beer garden, motel reception area, 20 motel rooms and on-site parking for 90 vehicles with truck parking available at the rear of the site.
- Surrounding development is a mix of industrial and residential and the site is located 27 kilometres west from Sydney's CBD.

Property profile	
Site area	14,690 m^2
Building size	2,960 m^2
Building footprint	2,454 m^2
Site utilisation (footprint/site)	16.7%
Building age (since construction year)	58 years
Year of last major refurbishment / expansion	2014
Car park spaces	90

Hotel profile	
Approximate distance to CBD	27 km
Suburb	Prospect
Current no. of EGMs	26

Regional statistics	
LGA population	336,962
LGA area	240.0 km^2
Population density (persons/km^2)	1,404.0
Population growth forecast (2016 – 2026)	24.2%

4. Property portfolio (cont.)

4.1.17 Red Lantern Hotel

280 South Terrace, Bankstown NSW 2200

- A two level building constructed in or around 1960.
- The hotel provides a public/sports bar with TAB and gaming room.
- The hotel is located on the fringe of the Bankstown CBD and opposite the Bankstown railway station and bus interchange.
- The site is 17 kilometres south west from Sydney's CBD.

Property profile	
Site area	2,074 m^2
Building size	2,672 m^2
Building footprint	1,790 m^2
Site utilisation (footprint/site)	86.3%
Building age (since construction year)	68 years
Year of last major refurbishment / expansion	2016
Car park spaces	0
Hotel profile	
Approximate distance to CBD	17 km
Suburb	Bankstown
Current no. of EGMs	28
Regional statistics	
LGA population	346,302
LGA area	110.3 km^2
Population density (persons/km^2)	3,139.6
Population growth forecast (2016 – 2026)	18.5%

4. Property portfolio (cont.)

4.1.18 Revesby Pacific Hotel

178 The River Road, Revesby NSW 2212

> A two storey hotel constructed in or around 1950.

> The hotel includes a public bar with TAB, gaming room, large function room and drive-through bottle shop. Adjacent and roof top parking provides 60 car parks.

> Surrounding development is a mix of industrial and residential and the site is located 19 kilometres south west from Sydney's CBD.

Property profile	
Site area	3,805 m^2
Building size	3,200 m^2
Building footprint	2,590 m^2
Site utilisation (footprint/site)	68.1%
Building age (since construction year)	68 years
Year of last major refurbishment / expansion	2013
Car park spaces	60

Hotel profile	
Approximate distance to CBD	19 km
Suburb	Revesby
Current no. of EGMs	25

Regional statistics	
LGA population	346,302
LGA area	110.3 km^2
Population density (persons/km^2)	3,139.6
Population growth forecast (2016 – 2026)	18.5%

4. Property portfolio (cont.)

4.1.19 Royal Hotel Granville

24 South Street, Granville NSW 2142

> A three storey heritage listed hotel that was reportedly constructed in or around 1880.

> The hotel provides a public bar, gaming room and beer garden.

> The site is located within the Granville CBD which is 19 kilometres south west of Sydney's CBD.

Property profile	
Site area	730 m^2
Building size	1,005 m^2
Building footprint	651 m^2
Site utilisation (footprint/site)	89.2%
Building age (since construction year)	138 years
Year of last major refurbishment / expansion	2016
Car park spaces	0

Hotel profile	
Approximate distance to CBD	19 km
Suburb	Granville
Current no. of EGMs	30

Regional statistics	
LGA population	216,079
LGA area	71.6 km^2
Population density (persons/km^2)	3,017.9
Population growth forecast (2016 – 2026)	17.0%

4. Property portfolio (cont.)

4.1.20 St George Hotel, Belmore

618 Canterbury Road Belmore, NSW 2192

> A two storey hotel constructed in or around 1904.
> The hotel includes a public bar, TAB, gaming room, courtyard and parking for 27 cars.
> Surrounding development is a mix of industrial and residential and the site is located 12 kilometres south west from Sydney's CBD.

Property profile	
Site area	1,752 m^2
Building size	1,341 m^2
Building footprint	727 m^2
Site utilisation (footprint/site)	41.5%
Building age (since construction year)	114 years
Year of last major refurbishment / expansion	2015
Car park spaces	27

Hotel profile	
Approximate distance to CBD	12 km
Suburb	Belmore
Current no. of EGMs	30

Regional statistics	
LGA population	346,302
LGA area	110.3 km^2
Population density (persons/km^2)	3,139.6
Population growth forecast (2016 – 2026)	18.5%

4. Property portfolio (cont.)

4.1.21 St Marys Hotel

37 Queen Street, St Mary's NSW 2760

> A two storey hotel constructed in or around 1950.

> The hotel incorporates a public bar with TAB, saloon bar, gaming room, four accommodation rooms and drive-through bottle shop. On-site parking consists of 15 bays.

> The site is located in the main commercial area of St Mary's near the local train station. St Mary's is 42 kilometres west from Sydney's CBD.

Property profile	
Site area	2,222 m^2
Building size	2,075 m^2
Building footprint	1,118 m^2
Site utilisation (footprint/site)	50.3%
Building age (since construction year)	68 years
Year of last major refurbishment / expansion	2014
Car park spaces	15

Hotel profile	
Approximate distance to CBD	42 km
Suburb	St Mary's
Current no. of EGMs	30

Regional statistics	
LGA population	196,066
LGA area	404.7 km^2
Population density (persons/km^2)	484.5
Population growth forecast (2016 – 2026)	15.8%

4. Property portfolio (cont.)

4.1.22 Vauxhall Inn

284-286 Parramatta Rd, Granville NSW 2142

> A two storey hotel established in the 1850s and rebuilt in the 1930s.

> The site includes a public bar with TAB, beer garden and gaming room.

> The site is located adjacent to the M4 arterial in a commercial area, 19 kilometres west from Sydney's CBD.

Property profile	
Site area	3,504 m^2
Building size	1,062 m^2
Building footprint	1,574 m^2
Site utilisation (footprint/site)	30.3%
Building age (since construction year)	88 years
Year of last major refurbishment / expansion	2015
Car park spaces	60

Hotel profile	
Approximate distance to CBD	19 km
Suburb	Granville
Current no. of EGMs	30

Regional statistics	
LGA population	226,149
LGA area	83.8 km^2
Population density (persons/km^2)	2,698.7
Population growth forecast (2016 – 2026)	41.5%

4. Property portfolio (cont.)

4.1.23 Wattle Grove Hotel

Cnr Australis Ave & Village Way, Wattle Grove NSW 2173

- A single storey hotel constructed in or around 1997.
- The hotel incorporates a public bar, TAB, bistro, gaming room and detached retail liquor store in an adjacent shopping centre.
- The site is located within the Wattle Grove shopping village which is approximately 26 kilometres south west of Sydney's CBD.

Property profile	
Site area	1,062 m^2
Building size	570 m^2
Building footprint	665 m^2
Site utilisation (footprint/site)	62.6%
Building age (since construction year)	21 years
Year of last major refurbishment / expansion	2016
Car park spaces	160 (shared)

Hotel profile	
Approximate distance to CBD	26 km
Suburb	Wattle Grove
Current no. of EGMs	25

Regional statistics	
LGA population	204,326
LGA area	305.7 km^2
Population density (persons/km^2)	668.4
Population growth forecast (2016 – 2026)	28.4%

4. Property portfolio (cont.)

4.1.24 Willoughby Hotel

315 Penshurst Street, North Willoughby NSW 2068

- A heritage listed three storey hotel constructed in or around 1900.
- The hotel includes a public bar, TAB, bistro, gaming room and upstairs lounge bar.
- Surrounding development is a mix of residential and commercial and the site is located 9 kilometres north of Sydney's CBD.

Property profile	
Site area	790 m^2
Building size	1,990 m^2
Building footprint	719 m^2
Site utilisation (footprint/site)	91.0%
Building age (since construction year)	118 years
Year of last major refurbishment / expansion	2016
Car park spaces	0
Hotel profile	
Approximate distance to CBD	9 km
Suburb	Willoughby
Current no. of EGMs	27
Regional statistics	
LGA population	74,302
LGA area	22.4 km^2
Population density (persons/km^2)	3,317.1
Population growth forecast (2016 – 2026)	7.0%

4. Property portfolio (cont.)

4.2 QLD

4.2.1 Andergrove Tavern

64 Andergrove Rd, Mackay QLD 4740

- A single storey building originally developed in or around 1990.
- The hotel offers a public bar, TAB, bistro, gaming room and drive-through bottle shop.
- The hotel is located within a residential area in the suburb of Andergrove which is approximately 5 kilometres north of Mackay CBD.

Property profile	
Site area	19,620 m^2
Building size	2,478 m^2
Building footprint	2,478 m^2
Site utilisation (footprint/site)	12.6%
Building age (since construction year)	28 years
Year of last major refurbishment / expansion	2013
Car park spaces	150

Hotel profile	
Approximate distance to CBD	5 km (Mackay)
Suburb	Mackay
Current no. of EGMs	45

Regional statistics	
LGA population	114,969
LGA area	7,613.3 km^2
Population density (persons/km^2)	15.1
Population growth forecast (2016 – 2026)	15.7%

4. Property portfolio (cont.)

4.2.2 Hermit Park

100 Charters Towers Road, Hermit Park QLD 4812

- A two storey building that was originally constructed in or around 1975.
- The hotel includes a public bar with TAB, gaming room, function room and drive-through bottle shop. The adjacent car park accommodates 70 vehicles.
- The hotel is located approximately 3 kilometres south west of Townsville's main commercial centre within the suburb of Hermit Park.

Property profile	
Site area	3,413 m^2
Building size	1,600 m^2
Building footprint	1,112 m^2
Site utilisation (footprint/site)	32.6%
Building age (since construction year)	43 years
Year of last major refurbishment / expansion	2013 / 2014
Car park spaces	70

Hotel profile	
Approximate distance to CBD	3 km (Townsville)
Suburb	Hermit Park
Current no. of EGMs	40

Regional statistics	
LGA population	186,757
LGA area	3,730.8 km^2
Population density (persons/km^2)	50.1
Population growth forecast (2016 – 2026)	21.3%

4. Property portfolio (cont.)

4.2.3 Shamrock Hotel

165-175 Nebo Road, West Mackay, QLD 4740

- Consists of three main buildings including a two storey hotel constructed in or around 1950, an adjacent two storey motel built in 1990, and an adjacent older style one storey motel.
- The hotel includes a public bar with TAB, bistro, gaming room, covered terrace area, drive-through bottle shop, function rooms, and a total of 36 motel rooms.
- The site is located approximately 3 kilometres south west of Mackay CBD in a mixed residential and commercial area.

Property profile	
Site area	11,395 m^2
Building size	5,585 m^2
Building footprint	3,509 m^2
Site utilisation (footprint/site)	30.8%
Building age (since construction year)	68 years
Year of last major refurbishment / expansion	2014
Car park spaces	100

Hotel profile	
Approximate distance to CBD	3 km (Mackay)
Suburb	West Mackay
Current no. of EGMs	40

Regional statistics	
LGA population	114,969
LGA area	7,613.3 km^2
Population density (persons/km^2)	15.1
Population growth forecast (2016 – 2026)	15.7%

4. Property portfolio (cont.)

4.2.4 The Sun Hotel

6 Ross River Rd, Mundingburra QLD 4812

- A single storey building constructed approximately 50 years ago.
- The hotel comprises a public bar, TAB, bistro, gaming room, function room and drive through bottle shop.
- The hotel is located within a commercial development approximately 5 kilometres south west of Townsville's CBD.

Property profile	
Site area	1,580 m^2
Building size	1,323 m^2
Building footprint	1,323 m^2
Site utilisation (footprint/site)	83.7%
Building age (since construction year)	50 years
Year of last major refurbishment / expansion	2015
Car park spaces	180 (shared)

Hotel profile	
Approximate distance to CBD	5 km (Townsville)
Suburb	Mundingburra
Current no. of EGMs	45

Regional statistics	
LGA population	186,757
LGA area	3,730.8 km^2
Population density (persons/km^2)	50.1
Population growth forecast (2016 – 2026)	21.3%

4. Property portfolio (cont.)

4.2.5 Wattle Hotel

1 Brygon Creek Drive, Upper Coomera QLD 4209

- A single level hotel with detached drive through liquor barn constructed in or around 2005. Two detached bottle shops attached to the Wattle Hotel license are located in nearby small shopping strips.
- The hotel includes a central bar with multiple service points, gaming room, sports bar, bistro, outdoor terrace, children's play area, and retail liquor.
- The site is located in a commercial development bordered by residential. The suburb of Upper Coomera is located on the Gold Coast fringe, 20 kilometres north west of Surfers Paradise and 50 kilometres south of Brisbane.

Property profile	
Site area	3,472 m^2
Building size	1,724 m^2
Building footprint	1,724 m^2
Site utilisation (footprint/site)	49.7%
Building age (since construction year)	13 years
Year of last major refurbishment / expansion	2014
Car park spaces	100 (shared)

Hotel profile	
Approximate distance to CBD	20 km (Gold Coast)
Suburb	Upper Coomera
Current no. of EGMs	40

Regional statistics	
LGA population	555,721
LGA area	1,333.7 km^2
Population density (persons/km^2)	416.7
Population growth forecast (2016 – 2026)	24.1%

4. Property portfolio (cont.)

4.3 Acquisition Portfolio

4.3.1 Central Hotel

3 Memorial Drive Shellharbour City Centre NSW 2529

- A two storey hotel constructed in 2013 with additions completed in 2015.
- The hotel comprises a public bar, TAB, lounge bar, gaming room, beer garden, outdoor dining, children's play area, bistro and function rooms.
- The hotel is located in the main commercial area of Shellharbour which is 16 kilometres south of the regional city of Wollongong and approximately 85 kilometres south of Sydney's CBD.

Property profile	
Site area	1,585 m^2
Building size	2,960 m^2
Building footprint	1,585 m^2
Site utilisation (footprint/site)	100%
Building age (since construction year)	5 years
Year of last major refurbishment / expansion	2015
Car park spaces	140 (shared)
Hotel profile	
Approximate distance to CBD	85 km
Suburb	Shellharbour City Centre
Current no. of EGMs	28
Regional statistics	
LGA population	68,460
LGA area	147.4 km^2
Population density (persons/km^2)	464.5
Population growth forecast (2016 – 2026)	14.0%

4. Property portfolio (cont.)

4.3.2 Figtree Hotel

47 Princes Highway Figtree NSW 2525

> A two storey hotel constructed in or around 1960.
> The hotel includes a public bar, TAB, gaming room, beer garden, bistro, and accommodation.
> The hotel is located in a low density mixed commercial and residential area with sporting grounds located to the rear of the site.

Property profile	
Site area	9,346 m^2
Building size	1,395 m^2
Building footprint	915 m^2
Site utilisation (footprint/site)	9.8%
Building age (since construction year)	58 years
Year of last major refurbishment / expansion	2018
Car park spaces	50

Hotel profile	
Approximate distance to CBD	70 km
Suburb	Figtree
Current no. of EGMs	25

Regional statistics	
LGA population	203,630
LGA area	684.0 km^2
Population density (persons/km^2)	297.7
Population growth forecast (2016 – 2026)	8.3%

4. Property portfolio (cont.)

4.3.3 Unanderra Hotel

65 Kembla Street, Wollongong NSW 2500

> A two storey hotel constructed in or around 1974.

> The hotel comprises a public bar, gaming room, beer garden and accommodation.

> The hotel is located in a commercial area on the fringe of the Unanderra's CBD.

Property profile	
Site area	3,554 m^2
Building size	2,169 m^2
Building footprint	1,560 m^2
Site utilisation (footprint/site)	43.9%
Building age (since construction year)	44 years
Year of last major refurbishment / expansion	2007
Car park spaces	62

Hotel profile	
Approximate distance to CBD	73 km
Suburb	Unanderra
Current no. of EGMs	29

Regional statistics	
LGA population	203,630
LGA area	684.0 km^2
Population density (persons/km^2)	297.7
Population growth forecast (2016 – 2026)	8.3%

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Redcape
HOTEL GROUP

Section 5

Directors, management and governance

5. Directors, management and governance

Redcape Hotel Group Management Limited ("RHGM") (ACN: 610 990 004) (AFSL: 505932) is Responsible Entity of Redcape.

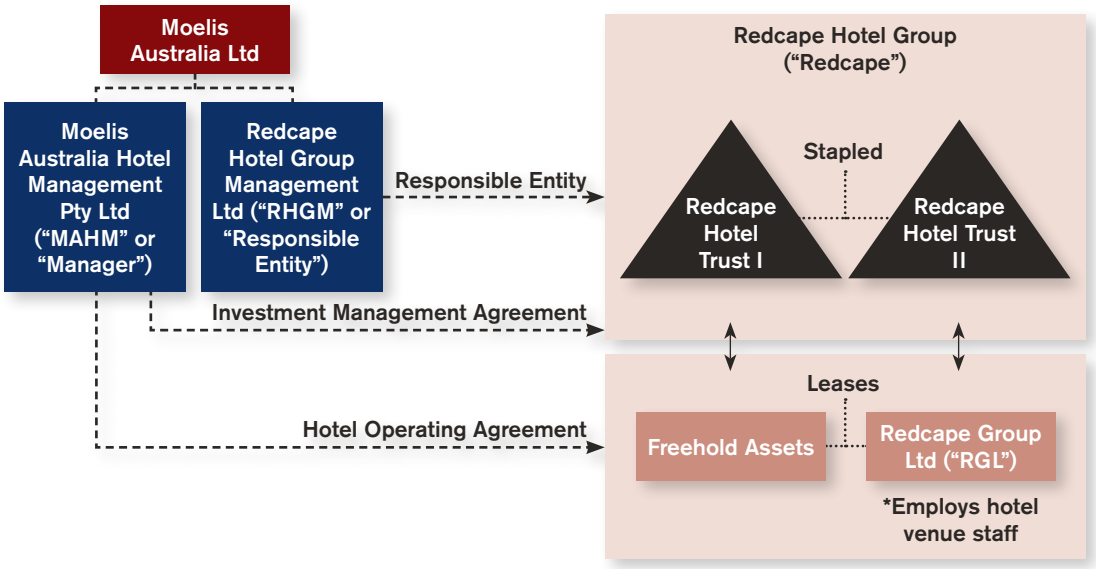
Redcape comprises a unit in Redcape Hotel Trust I (which owns the freehold properties) stapled to a unit in Redcape Hotel Trust II (which owns the operating entities).

The Responsible Entity and MAHM, a wholly-owned subsidiary of Moelis Australia, have entered into the Investment Management Agreement pursuant to which MAHM has agreed to provide certain investment management and administration services to the Trusts.

Redcape and MAHM have entered into the Hotel Operating Agreement under which MAHM has agreed to manage and operate all the Redcape assets.

A fund established and managed by Moelis Australia acquired Redcape in July 2017 and established MAHM, a wholly-owned subsidiary of Moelis Australia, to manage Redcape and employ Redcape's experienced management team. MAHM's management team have many years of experience in the hotel industry and in particular have specialist knowledge in gaming, bar, off-premise sales and food and beverage operations.

Diagram 31: Redcape Management Structure



5.1 Investment Management Agreement

The Responsible Entity has appointed MAHM as investment manager of the Trusts to provide certain investment management and administration services pursuant to an Investment Management Agreement entered into between the Responsible Entity and MAHM on arms-length terms.

Under the Investment Management Agreement, MAHM provides Redcape with the following services:

(a) assisting with capital management activities;

(b) assisting with the preparation of financial reports and accounts;

(c) arranging for valuations of Redcape's assets and investments to be carried out;

(d) calculating and arranging for the payment of distributions to Stapled Securityholders;

(e) assisting with Redcape's compliance requirements;

(f) assisting with the maintenance of Redcape's records;

(g) assisting with communications with Stapled Securityholders;

(h) assisting with the preparation of PDSs and promotional material for Redcape; and

(i) providing anti-money laundering and counter-terrorism financing services for Redcape.

Refer to Section 13.1.1 for a summary of the terms of the Investment Management Agreement.

5. Directors, management and governance (cont.)

5.2 Hotel Operating Agreement

Redcape and MAHM have entered into the Hotel Operating Agreement under which MAHM has agreed to manage and operate all the Redcape assets. Under the Hotel Operating Agreement, MAHM provides Redcape with the following services:

(a) the efficient operation, management, marketing and conduct of the business of each asset in the Redcape portfolio;

(b) the hiring and discharge of all employees and the determination of labour policies;

(c) the determination of all credit and credit card policies;

(d) the determination of the terms of admittance, charges for rooms and entertainment and amusement policies of each hotel;

(e) all matters relating to food and beverages (including the right to conduct catering operations outside of the hotel);

(f) all matters relating to gaming and poker machines;

(g) the management of any legal proceedings in the name of Redcape;

(h) all promotion and publicity relating to the hotels;

(i) negotiation and execution of agreements on behalf of Redcape to effect any of these services;

(j) the obtaining and holding of any licences and permits issued by public authorities and necessary for operation of the hotel either by its own name or in Redcape's name;

(k) development management services in respect of each asset. The development management services are all services required to develop or redevelop any asset in the Redcape portfolio.

Refer to Section 13.1.2 for a summary of the terms of the Hotel Operating Agreement.

5.3 Moelis Australia

Moelis Australia is an ASX listed diversified financial services group. Moelis Australia was founded in 2009 and operates two business segments: Corporate Advisory & Equities and Asset Management.

Moelis Australia employs more than 150 staff in Australia[1] and operates offices in Sydney and Melbourne.

Moelis Australia was established with a philosophy to offer unbiased advice of the highest quality to its clients. This philosophy is fostered throughout the global strategic alliance between Moelis Australia and Moelis & Company.

Moelis Australia creates lasting client relationships by providing strategic and innovative advice through a highly collaborative and global approach not limited to specific products or particular regions. Moelis Australia believes in a partnership-style culture, where momentum and commitment to excellence create an environment that attracts and retains high-quality talent.

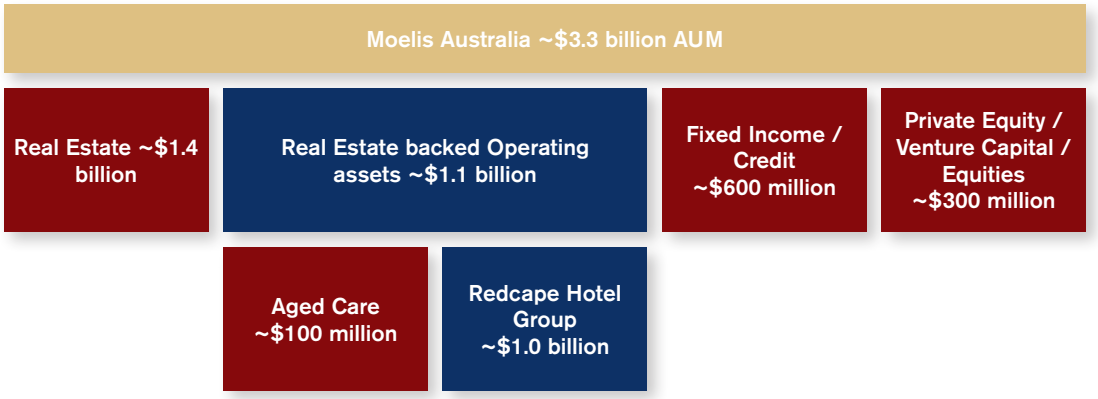
Moelis Australia's vision, as embodied by the global 'Moelis Standard', nurtures a culture of partnership, passion, innovation, optimism and hard work, which inspires the highest level of quality and integrity in every interaction with clients and each other.

Moelis Australia provides investment management services to domestic and international high net worth and institutional investors. As at August 2018, Moelis Australia is responsible for the stewardship of approximately $3.3 billion of AUM across more than 30 funds. These funds are invested in both traditional and alternative asset classes.

1. As at 12 February 2018 and includes Redcape Hotel Group head office management who are employees of MAHM.

5. Directors, management and governance (cont.)

Diagram 32: Moelis Australia Assets Under Management



Moelis Australia has an established investment and distribution platform that is capitalising on the broader global trend of increasing asset allocation into alternative asset classes. Within this trend, Moelis Australia is particularly well placed to capture equity inflows from the large and growing market of high net worth individuals, both domestically and abroad.

The investment management philosophy of Moelis Australia is based on developing focused and bespoke investment strategies primarily outside of traditional asset classes. This is a key differentiator for the business, as it is able to provide investors with exposure to alternative asset classes across a range of industry sectors not generally accessible to individual investors.

Moelis Australia manages funds that invest in the following alternative asset classes:

> Real estate assets (commercial, retail, hotels, gaming hotels and industrial);
> Private equity and venture capital (in a range of sectors, including agriculture and technology); and
> Credit, hybrid securities and structured investments.

Asset Management also manages traditional asset classes, including cash, bonds and listed equities.

5.4 Board of the Responsible Entity

Redcape Hotel Group Management Limited (RHGM) is the Responsible Entity of Redcape. The Responsible Entity has three independent Directors including an independent Chairman. As at the date of this PDS, the Directors are as follows:

Nicholas Collishaw: Independent Non-Executive Chairman

Nicholas has over 35 years' experience in Australian and Global real estate and funds management markets. He has considerable experience in the development and management of residential, hotel, commercial, retail, industrial and retirement assets. Nicholas is a Fellow of Australian Institute of Valuers, a Fellow of Royal Institute of Chartered Surveyors, a Graduate Member of FINSIA and the Institute of Company Directors.

Nicholas is currently a Non-Executive Director of Centuria Capital Group (Centuria) and was previously CEO – Listed Property Funds at Centuria.

Prior to his time at Centuria, Nicholas held the position of CEO and Managing Director of Mirvac Group and successfully guided the business through the GFC and implemented a strategy of sustained growth for the Real Estate and Investment Company.

5. Directors, management and governance (cont.)

David Groves: Independent Non-Executive Director

David has over 25 years' experience as a company director and is currently Chairman of Pyrolyx AG, a German listed company, and Tasman Sea Salt Pty Ltd.

He is a non-executive director of Pengana Capital Group Limited, Pengana International Equities Limited and Pipers Brook Vineyard Pty Ltd. He is a former director of EQT Holdings Limited, Tassal Group Limited and GrainCorp Limited and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. Mr Groves is an advisory board member of the Australian Rugby Foundation and a member of the Council of Wollongong University. Mr Groves is a member of the Australian Institute of Chartered Accountants and a fellow of the Australian Institute of Company Directors.

Andrew Ireland: Independent Non-Executive Director

Andrew is Managing Director and Chief Executive Officer (CEO) of Sydney Swans. Andrew was appointed as CEO in September 2009 after joining the club in 2002 as General Manager of Football.

Since 1990, Andrew has been involved in the management of leading Australian sporting teams including a successful tenure as CEO of Brisbane Bears and Brisbane Lions (1990 – 2001). He led the Brisbane Lions to their first premiership in 2001 as CEO and has overseen a strong and successful football program and growth in commercial areas during his time at Sydney Swans. During both tenures as CEO, Andrew had ultimate responsibility for the AFL clubs' substantial social clubs, which included bars, retaurauants and EGMs.

During his tenure at the Brisbane Lions, Andrew was appointed by the QLD Treasurer as a Director of The Golden Casket Corporation, overseeing a gaming entity in a highly regulated market.

Andrew holds a Bachelor of Science from La Trobe University, is a Fellow of the Australian Institute of Company Directors and is a Life Member of the Australian Football League.

In addition to holding his Board seat with the Sydney Swans, Andrew will take up a consultancy position with the club post-retirement at the end of 2018.

Dan Brady: Executive Director

Dan was Chief Operating Officer at Redcape since October 2012 prior to his position as Chief Executive Officer. He has extensive operational experience and has held senior positions within listed, privately owned pub organisations and was the owner operator of a pub.

Prior to joining Redcape, Dan was National Operations Manager at National Leisure and Gaming Limited (NLG), a position he held for five years before being made Chief Executive Officer at NLG in January 2011.

Dan has previously held key industry positions as well currently being a Director of the Liquor Stax Retail Group.

Dan completed an Advanced Management Program at Harvard Business School in 2016.

5. Directors, management and governance (cont.)

Hugh Thomson: Non-Executive Director

Hugh is currently Chief Operating Officer of Moelis Australia with a particular emphasis on the acquisition of alternative assets.

Hugh has over 24 years' experience in investment management, finance and operations in Australia across a range of industry sectors. Hugh's previous roles include CFO and CEO of ING Real Estate Investment Management, COO of HiLife Health & Beauty and CFO of Industrie Clothing.

Hugh has considerable expertise in managing ASX listed funds, including as an executive Board member and Chairman of investment committees and operational risk management committees.

Hugh is a qualified chartered accountant and member of the Institute of Chartered Accountants in England and Wales.

5.5 MAHM management team

Dan Brady: Chief Executive Officer

An accomplished Senior Executive with over 10 years' experience, including 7 years board experience on various boards; Dan is proven leader of large teams and businesses with diverse capital and ownership structures.

Dan's disciplined approach to strategy development, execution and the management of capital has seen him consistently deliver financial returns, ensuring prosperity for all stakeholders. He has a high work effort and a hands-on approach to problem solving with a strong ability to draw out solutions from various circumstances.

Dan values the power that capable people and systems can add to an organisation and is acutely focussed on performance with a foundation of strong ethical governance and risk management.

Dan has been successful in leading large teams of people to achieve objectives. He is focussed on talent development and acquisition and takes a strategic approach to the application of the talent pool across an organisation.

Dan's effective hands on approach to both the development of leadership capability and understanding an organisations customers ensures the continued alignment of resources.

Dan is widely regarded as an industry specialist with over 25 years' experience from proprietary ownership of a single hotel operation to director and board member of large hotel groups. Dan is an active member of the Australian Hotels Association and has contributed to the development of key policy decisions that continue to positively impact the success and prosperity of communities and the Hotels industry.

Dan recently graduated from the Advanced Management Program, Harvard Business School in 2016.

5. Directors, management and governance (cont.)

Sunil Patel: Chief Financial Officer

Sunil assumed the role of Chief Financial Officer in February 2018 and is responsible for providing strategic financial leadership for Redcape, including ensuring the strategy creates Securityholder value, communicating performance and implementing a capital structure to support the Group's growth and return on investment goals.

Sunil joined Redcape in 2013, as General Manager Finance & Commercial.

Sunil has a strong background in financial management gained within ASX listed and private equity settings. Prior to joining Redcape Sunil served as General Manager Finance for ASX listed REIT Thakral Holdings Group where he was responsible for all facets of the organisation's financial strategy. Before Thakral, Sunil held multiple senior roles at Australand Property Group, overseeing accounting and group reporting as well as financial planning.

Sunil's professional qualifications include a Bachelor of Business in Accounting, membership of CPA Australia, membership of Australian Institute of Company Directors and an MBA from the Australian Graduate School of Management.

Chris Unger: Chief Operating Officer

First being involved with the bulk of the Redcape portfolio of Hotels more than 10 years ago, Chris is an experienced Senior Executive with deep industry and business knowledge.

Chris has a strong ability to identify opportunities for improved customer and staff outcomes and apply leadership and technology to stimulate long term sustainable growth across a portfolio of geographically dispersed businesses. He applies a customer first approach with a mindset founded upon ensuring guests have great hospitality experiences in venues.

Chris values a collaborative team and the impact that has on an organisation, drawing on collective strengths to successfully drive change and improve business performance. With a deep passion to see the Redcape team develop and grow as individuals, Chris leads a team who aspire to learn an achieve more.

Chris is responsible for the leadership of Redcape's Hotels and operating performance. Chris has been successful at identifying and creating value at both and individual asset and portfolio level through innovation in the customer and staff experience in Redcape hotels.

He has a depth of understanding of business systems and data and how these can inform decision making and drive improved business performance.

Chris is a highly regarded industry specialist with over 20 years' experience across Pubs, Clubs and Casino operations in both private and public ownership structures.

Chris studied Commerce – Business Law at Curtin University.

5. Directors, management and governance (cont.)

Mark Crick: General Manager, Asset Management

Mark has extensive property and operational leadership experience in the leisure and hospitality industry, having worked with Australia's largest public and privately held hospitality groups for over 30 years, including 7 with the Redcape assets.

Mark's dedicated focus to the organisation's success is displayed through a diligent approach to capital management. This is supported by his strong financial acumen and leadership. His depth of experience in hotels across Australia gives him an advantage when evaluating opportunities and managing a property portfolio.

Mark values a culture of continuous learning and improvement. He has led several change management projects which have been successful due to his demonstrated capability in leading people through transformations. He is a respected and strategic leader who is collaborative and has a strong ability to take both staff and external stakeholders on the journey.

Mark's eye for detail ensures that the governance, regulatory and legal requirements are effectively managed across the Redcape assets. He is solutions driven, working from a strong ethical foundation that allows him to manage the governance levels required to meet regulatory and due diligence requirements across a geographically diverse portfolio of sites.

Mark is responsible for property and facility management, strategic property direction and refurbishment programs, asset optimisation and the application of capital across the portfolio.

Mark holds a Master of Business Management from Monash University.

Joel Cronan: General Manager, Operations

An accomplished industry specialist with over 20 years' experience in the hospitality industry across a broad range of hotels with diverse revenue streams and complex risk profiles.

Guided by his deep industry experience, Joel takes a hands-on approach to the management of people across the organisation. He is process driven and continuously looking for efficiencies to optimise the operations of a business and the effective application of its resources.

Joel is acutely focussed on performance and values the impact that strong leadership and the development of an organisations people can have on the experience of its customers, staff and ultimately, a successful business.

Joel has achieved results through building teams in diverse businesses and by creatively delivering key talent attraction and retention initiatives. Joel and his team effectively execute strategic operational plans to a wide spectrum of business models from those in a turnaround phase to those experiencing long periods of sustained success.

Joel's strong work ethic and clear leadership principles ensures the continual alignment of key resources to the needs of both customers and staff alike.

With his family having heritage owning and operating licensed premises, Joel is widely regarded as an industry specialist with a comprehensive knowledge of a hotels importance to the social fabric of their local communities.

Joel has an Advanced Diploma in Hospitality Management and recently completed the Company Directors Course with the Australian Institute for Company Directors.

5. Directors, management and governance (cont.)

Bianca Vlasic: General Manager, Corporate Affairs and Marketing Strategy

Bianca is an experienced industry, marketing and communications professional with over 15 years' experience across a diverse range of hospitality businesses, including 11 years with the Redcape portfolio of hotels.

Bianca is responsible for the organisations internal and external communication, stakeholder engagement, corporate social responsibility, media and issues management and marketing strategy.

Bianca values the importance of a strong social license for the industry and the positive impact that has on enhancing both staff and customer experience within a hospitality business, ultimately driving improved customer and staff satisfaction, business performance and sustainability.

Taking a research, data and insights driven approach to developing and executing the Redcape Hotels' communication and marketing strategy, Bianca is instrumental to the innovation in Redcape's customer centric communications and strategic direction. She is focused on driving Redcape's leadership role in the long-term sustainability of the industry and the growth of the Redcape portfolio of Hotels through enhanced customer insights and community engagement.

Experienced in customer and community relations, marketing strategy, business data and systems, Bianca has been successful in advancing Redcape's leading corporate social responsibility initiatives and business data and insights capability.

Bianca studied Marketing and Public Relations at Macleay Business College.

5.6 Interests of Responsible Entity Directors

Responsible Entity Director	Stapled Securities held pre-Listing (million)	Stapled Securities to be acquired / (sold) under the Offer (million)	Pro forma Stapled Securities held on completion (million)	% of Stapled Securities on issue on Completion of the Offer (%)
Nicholas Collishaw	-	0.10	0.10	0.02
David Groves	0.20	-	0.20	0.04
Andrew Ireland	-	0.05	0.05	0.01
Hugh Thomson	0.05	-	0.05	0.01
Dan Brady	1.30	0.18	1.48	0.27

5.7 Corporate governance

The Responsible Entity recognises the importance of strong corporate governance and is committed to a high standard of compliance. This will be achieved through the Responsible Entity determining appropriate governance arrangements for Redcape and continually monitoring those arrangements.

Listed entities are required to disclose in their annual reports the extent of their compliance with the Corporate Governance Principles and Recommendations (3rd Edition) (the "ASX Guidelines"), released by the ASX Corporate Governance Council. They must also explain why they have not adopted a particular standard, if they consider it inappropriate in their particular circumstances. ASX Guidelines encompass matters such as Board composition, committees and compliance procedures and are designed to maximise corporate performance and accountability in the interests of investors and the broader economy. This Section identifies those ASX Guidelines that are not appropriate for Redcape given its externally managed structure. The Responsible Entity has five Board members, the majority of whom are independent, including an Independent Chairman.

The key elements of the Redcape's governance framework are set out below.

5. Directors, management and governance (cont.)

5.7.1 Board roles and responsibilities

Under the Board charter, it is the function of the Responsible Entity to ensure that Redcape is managed in a manner which protects and enhances the interests of its Securityholders.

The Board monitors the operational and financial position and performance of Redcape and oversee its business strategy, including approving the strategic objectives, plans and budgets of Redcape. The Board is committed to maximising performance, generating appropriate levels of Securityholder value and financial return, and sustaining the growth and success of Redcape. In conducting business with these objectives, the Board seeks to ensure that Redcape is properly managed to protect and enhance Securityholder interests, and that Redcape, the Responsible Entity Directors, officers and personnel operate in an appropriate environment of corporate governance.

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

5.7.2 Board committees

The Responsible Entity will establish formally constituted committees and may delegate any of its powers to a committee or committees.

Audit, Risk and Compliance Committee

The Responsible Entity has established an Audit, Risk and Compliance Committee to assist the Responsible Entity in overseeing the integrity of Redcape's financial reporting, accounting, auditing and compliance responsibilities and the external audit function including the independence of external auditors. The Audit, Risk and Compliance Committee will comply with ASX Guidelines in relation to composition and operation of the Audit Committee (including that it will comprise of 3 directors, all of whom are non-executive directors and a majority of whom are independent directors), and will monitor compliance with the Corporations Act, the AFSL of the Responsible Entity, and the compliance plans of each the Trusts. The Audit, Risk and Compliance Committee will report to the Responsible Entity on all matters relevant to the Audit, Risk and Compliance Committee's role and responsibilities.

The key roles and responsibilities of the Audit, Risk and Compliance Committee include oversight of:

> the preparation of Redcape's financial statements and reports;
> the relationship with Redcape's external auditor and the external audit function generally;
> the effectiveness of Redcape's financial controls and systems; and
> the process of identification and management of risk.

The Audit, Risk and Compliance Committee provides a link between the Redcape's external auditor, the Board and management. It also has the responsibility (subject to Corporations Act requirements) for the appointment, terms of engagement and compensation for the external auditor. The Committee will also evaluate the effectiveness of the annual audit and the independence of the external auditor.

Nomination Committee

Whilst ASX Guidelines recommend the establishment of a nomination committee, the Board does not consider it necessary or appropriate to constitute a nomination committee for the Responsible Entity, given that the Responsible Entity is a subsidiary of Moelis Australia.

The Board of Moelis Australia is responsible for overseeing the appointment of Directors to the Responsible Entity of Redcape. Moelis Australia will set the composition and membership criteria as well as the guidelines for director selection and nominates candidates to the Board of Responsible Entity for approval.

The following Board composition and membership criteria have been adopted by the Board of the Responsible Entity:

> the Board is to comprise a minimum of three and a maximum of ten directors;
> directors nominated for election require approval by the Moelis Australia Board;
> a majority of the directors must be independent;
> the Board is to comprise directors with an appropriate range of qualifications and expertise;
> the Chairman of the Board will be appointed by the Moelis Australia Board; and

- Directors will be required to submit for re-appointment by Moelis Australia every three years. Any Stapled Securityholder feedback or recommendations on director re-appointment are not binding on the Responsible Entity or Moelis Australia, but any such feedback is a matter to which Moelis Australia will have regard in considering the continuation of a director appointment.

In addition, the following guidelines apply to director selection and nomination by the Board:

- integrity;
- particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members;
- reputation and standing in the market; and
- in the case of prospective independent directors, actual and perceived independence from Moelis Australia.

5.7.3 Corporate governance policies

ASX Guidelines recommend the establishment of a remuneration committee and board nomination committee.

However, as the Responsible Entity is a member of Moelis Australia, and as Redcape will be managed externally by Moelis Australia, the appointment and remuneration of the Directors of the Responsible Entity and senior management will be the responsibility of Moelis Australia. Directors of the Responsible Entity will be appointed in accordance with the Responsible Entity's Constitution and the Corporations Act 2001 (Cth), and senior executives will be appointed in accordance with Moelis Australia's employment policies. The Responsible Entity does not intend to establish a remuneration committee. Accordingly, ASX Guidelines relating to remuneration are not relevant for Redcape.

Conflicts of Interest and Related Party Transactions Policy

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. All transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest, including all transactions with members of the Moelis Australia group, will be conducted in accordance with the Responsible Entity's Conflicts of Interest and Related Party Transactions Policy.

Under this policy, potential conflict situations will be monitored, assessed and evaluated by the Responsible Entity's Compliance Officer and, if considered necessary, the matter will be referred to the Responsible Entity's Board and/or Audit, Risk and Compliance Committee and steps taken to ensure that the conflict is managed in an appropriate manner. For more detail on the Responsible Entity's policy and procedures for related party transactions, please contact the Responsible Entity.

Diversity and Inclusion Policy

The Responsible Entity has developed and adopted a Diversity Policy which sets out Redcape's commitment to diversity and inclusion in the workplace. The Diversity Policy provides a framework to achieve Redcape's diversity goals and underpins its commitment to creating a diverse work environment.

Securities Dealing Policy

The Responsible Entity has developed and adopted a Securities Dealing Policy to regulate dealings in Securities by Redcape's employees and directors and the employees of the Manager that are involved in the management of Redcape. The policy aims to assist in maintaining market confidence in the integrity of dealings in Redcape's Stapled Securities.

Disclosure Policy

The Responsible Entity has developed and adopted a Disclosure Policy to assist the Responsible Entity in fulfilling Redcape's continuous disclosure obligations in a timely, efficient and user friendly manner.

The policy requires that the Board:

- consider information that potentially requires disclosure and determine what information needs to be disclosed;
- approve the form of the information to be disclosed; and
- oversee the distribution of continuous disclosure notices to the ASX and the publishing of announcements on Redcape's Website.

In addition to ASX'S market's announcements platform, the Responsible Entity will use Redcape's website to assist it in keeping Securityholders fully informed on important matters concerning Redcape.

The Disclosure Policy is available on Redcape's Website at https://www.redcape.com.au.

5.7.4 Employee incentive plans

Redcape has established two incentive arrangements to assist in the attraction, retention and motivation of its employees:

> an Employee Plan under which certain Redcape employees can receive Stapled Securities on a tax-free basis, each year. The Employee Gift Offer described in Section 7.10 is offered under the terms of the Employee Plan. A summary of the terms of the Employee Plan is set out in Section 14.4.1; and

> a Rights and Securities Plan under which Stapled Securities and Rights may be offered to eligible employees. A summary of the terms of the Rights and Securities Plan is set out in Section 14.4.2.

Participation in both the Employee Plan and the Rights and Securities Plan is only open to employees and contractors of a Redcape Group entity (and not to members of Redcape's senior management team as they are employees of the Manager and their remuneration is ultimately a matter for Moelis Australia).

Redcape
HOTEL GROUP

Section 6

Financial information

6. Financial information

6.1 Introduction

The financial information contained in this Section includes:

> pro forma historical financial information of Redcape, being the:
  - pro forma historical consolidated income statements for the years ending 30 June 2016 ("FY16"), 30 June 2017 ("FY17") and 30 June 2018 ("FY18") ("Pro Forma Historical Income Statements") as set out in Section 6.3;
  - pro forma historical consolidated balance sheet as at 30 June 2018 ("Pro Forma Historical Balance Sheet") as set out in Section 6.4; and
  - pro forma historical consolidated cash flow statements for FY16, FY17 and FY18 ("Pro Forma Historical Cash Flow Statements") as set out in Section 6.5,

  (together the "Pro Forma Historical Financial Information"), and
> forecast financial information of Redcape, being the:
  - pro forma forecast consolidated income statement for the year ending 30 June 2019 ("FY19") ("Pro Forma Forecast Income Statement") as set out in Section 6.3; and
  - pro forma forecast consolidated cash flow statement for FY19 ("Pro Forma Forecast Cash Flow Statement") as set out in Section 6.5;

  (together the "Forecast Financial Information").

The Pro Forma Historical Financial Information and Forecast Financial Information together form the "Financial Information".

The Financial Information has been reviewed by KPMG Financial Advisory Services (Australia) Pty Ltd ("KPMG Transaction Services"). KPMG Transaction Services' Investigating Accountant's Report on the Financial Information is provided in Section 9. Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 9).

Also, summarised in this Section are:

> the basis of preparation and presentation of the Financial Information (Refer to Section 6.2);
> management discussion and analysis of the Financial Information (Refer to Section 6.6);
> the Responsible Entity Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (Refer to Section 6.7);
> an analysis of the key sensitivities in respect of the Forecast Financial Information (Refer to Section 6.8);
> a summary of Redcape's debt finance facilities (Refer to Section 6.4.3);
> a summary of Redcape's proposed distribution policy (Refer to Section 6.9.2);
> pro forma historical consolidated distribution statement for FY18 as set out in Section 6.9.1; and
> pro forma forecast consolidated distribution statement for FY19 ("Pro Forma Forecast Distribution Statement") as set out in Section 6.9.1.

The information in this Section should also be read in conjunction with the risk factors as set out in Section 8 and other information contained in this PDS.

Redcape operates on a financial year ending 30 June, and all amounts within this Section are for periods ending 30 June unless otherwise noted. All amounts disclosed in Section 6 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $100,000. Rounding of the figures provided in the Financial Information may result in some discrepancies between the sum of components and the totals outlined with tables and percentage calculations.

6.2 Basis of preparation and presentation of the Financial Information

6.2.1 Overview

The Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board ("AASB"), which are consistent with International Financial Reporting Standards ("IFRS") and interpretations

issued by the International Accounting Standards Board, and Redcape's accounting policies, which have been consistently applied throughout the periods presented, unless otherwise stated. Redcape's significant accounting policies relevant to the Financial Information are included in Annexure A.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AAS and other mandatory professional reporting requirements applicable to annual financial reports prepared in accordance with the Corporations Act.

The Responsible Entity Directors are responsible for the preparation and presentation of the Financial Information.

In accordance with AASB 8: Operating Segments, Redcape has four reportable segments as outlined in Section 6.3.3.

6.2.2 Preparation of the Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the following audited financial statements:

> consolidated financial statements of The Regatta No.2 Trust for FY16 and FY17; and

> special purpose aggregated financial statements of Redcape Hotel Trust I and Redcape Hotel Trust II and their consolidated entities for FY18 ("FY18 Special Purpose Financial Statements"),

(together the "Historical Financial Reports").

The Historical Financial Reports were audited by KPMG, which has issued unqualified audit opinions in respect of the FY16, FY17 and FY18 Historical Financial Reports.

The Regatta No.2 Trust was the parent entity of the group prior to the acquisition of the operations and properties by Redcape Hotel Trust I and Redcape Hotel Trust II on 10 July 2017. Financial statements for the period from 10 July 2017 to 30 June 2018 were prepared by Redcape as part of its normal year end statutory financial reporting process and comprise of Redcape Hotel Trust I, Redcape Hotel Trust II and their respective controlled entities. In addition, for the purposes of the Offer, the FY18 Special Purpose Financial Statements were also prepared to show the trading results of Redcape for the full financial year of FY18 as if Redcape Hotel Trust I and Redcape Hotel Trust II had acquired the operations and properties of the group on 1 July 2017.

On 2 July 2018 the Redcape Hotel Trust I and Redcape Trust II securities were stapled. Under the stapling arrangements Redcape Hotel Trust II is recognised as the accounting parent of the existing Pre-Offer group which comprises Redcape Hotel Trust I, Redcape Hotel Trust II and their respective subsidiaries.

The Redcape Hotel Trust I operates as the freehold property owning trust of Redcape holding the beneficial interests in the property portfolio. The Redcape Hotel Trust II is the operating entity of Redcape operating and managing the property portfolio and Redcape's venues. A Stapled Security in Redcape comprises a Unit in Redcape Hotel Trust I stapled to a Unit in Redcape Hotel Trust II. In accordance with AAS, consolidated financial statements will be prepared for the stapled Redcape group, with the Redcape Hotel Trust II as the parent entity.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in the PDS. Pro forma adjustments have been made to the statutory historical financial information to reflect the impact of:

> a change in head office management structure;

> a change in accounting policy;

> transaction costs;

> additional costs associated with being a public entity; and

> the tax effect of the above pro forma adjustments.

Refer to Section 6.3.4 for a reconciliation between statutory historical revenue and net profit after tax derived from the Historical Financial Reports and pro forma historical revenue and net profit after tax and refer to Section 6.5.2 for a reconciliation between statutory historical cash flows derived from the Historical Financial Reports and pro forma historical cash flows.

Refer to Section 6.4.1 for a reconciliation between the statutory historical balance sheet as at 30 June 2018 derived from the Historical Financial Reports ("Statutory Historical Balance Sheet") and the Pro Forma Historical Balance Sheet.

Investors should note that past results do not guarantee future performance.

6. Financial information (cont.)

6.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared by the Responsible Entity Directors with due care and attention, having regard to an assessment of present economic and operating conditions, and based on a number of best estimate general and specific assumptions regarding future events and actions. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Responsible Entity Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this PDS. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative effect on Redcape's actual financial performance or financial position. Accordingly, the Responsible Entity Directors, MAHM, or any other person cannot give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

Investors are advised to review the Forecast Financial Information in conjunction with the Responsible Entity Directors' best estimate general and specific assumptions set out in Sections 6.7.1 and 6.7.2, respectively, the sensitivity analysis set out in Section 6.8, the risk factors set out in Section 8 and other information set out in this PDS.

The Responsible Entity Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements following the issue of this PDS, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this PDS, except where required by law or by ASX Listing Rules.

The Forecast Financial Information is presented on a pro forma basis and reconciled to statutory revenue, statutory net profit after tax and statutory cash flows in Section 6.3.4 and Section 6.5, respectively. Statutory revenue, statutory net profit after tax and statutory cash flows are the best estimates of the financial performance and cash flows that the Responsible Entity Directors expect to report in Redcape's general purpose audited statutory consolidated financial statement for FY19 ("FY19 Annual Report").

On 26 October 2018, Redcape Hotel Trust I and Redcape Hotel Trust II were registered as registered schemes. In accordance with the Corporations Act, for financial reporting purposes, the first financial year for newly registered schemes commences on the day of registration. Accordingly, the financial performance and cash flows to be included in the FY19 Financial Report will reflect the actual results of Redcape for the period 26 October 2018 to 30 June 2019. Forecast statutory income and cash flow statements for this part year period have therefore not been presented in this PDS as the Responsible Entity Directors do not consider such information to be meaningful.

The Pro Forma Forecast Income Statement and the Pro Forma Forecast Cash Flow Statement differ from statutory revenue, statutory net profit after tax and statutory cash flows, as the pro forma forecast financial information reflects:

- the forecast results of Redcape for the period from 1 July 2018 to 26 October 2018, being the date of registration of the schemes, as if the registrations had occurred on 1 July 2018;
- additional costs associated with a change in management fees payable to MAHM pursuant to the Hotel Operating Agreement and the Investment Management Agreement upon Completion of the Offer, for the period of FY19 prior to Completion of the Offer;
- additional costs associated with being a public entity for the period of FY19 prior to Completion of the Offer;
- the removal of transaction costs and a performance fee associated with the Offer; and
- the tax impact of the above adjustments.

The Forecast Financial Information includes the actual unaudited results of Redcape for the one month to 31 July 2018 and forecast results for the eleven months to 30 June 2019.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

6. Financial information (cont.)

6.2.4 Explanation of certain non-IFRS financial measures

Redcape uses certain measures to manage and report on its business that are not recognised under AAS. These are known as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with AAS and not as a substitute for those measures. As these non-IFRS financial measures are not based on AAS, they do not have standard definitions, and the way Redcape calculates these measures may differ from similarly titled measures used by other companies.

In this PDS, Redcape uses the following non-IFRS measures to assist prospective investors with understanding the trends in financial performance and profitability:

> Gross profit which is calculated as the revenue earned less direct costs associated with the delivery of the revenue including the purchase cost of food and beverages and gaming taxes but excludes employment and other venue operating costs and corporate costs;

> Operating EBITDA being earnings before interest, taxation, depreciation, amortisation, impairment charges, fair value adjustments, venue acquisition costs, the gain or loss on sale of venues and transaction costs and a performance fee associated with the Offer;

> EBITDA being earnings before interest, taxation, depreciation, amortisation, impairment charges and fair value adjustments;

> EBIT being earnings before interest and taxation; and

> Pro Forma Distributable Earnings which is defined as forecast Pro Forma NPAT adjusted for non-cash items such as fair value adjustments, depreciation and amortisation and other unrealised and non-recurring items less maintenance capex;

> Pro Forma Distributable Earnings Yield being the rate of return derived by dividing the Pro Forma Distributable Earnings per Stapled Security by the Offer Price of $1.13; and

> Pro Forma Distribution Yield being the rate of return derived by dividing the Pro Forma Distribution per Stapled Security by the Offer Price of $1.13.

Although the Responsible Entity Directors believe that these measures provide useful information about the financial performance and profitability of Redcape, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with AAS and not as a replacement for them. Investors should therefore not place undue reliance on these non-IFRS financial measures.

6. Financial information (cont.)

6.3 Pro forma historical and forecast income statements

6.3.1 Overview

Table 11 sets out the Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement.

The Pro Forma Historical Income Statements and the Pro Forma Forecast Income Statement are reconciled to statutory historical and forecast revenue and net profit after tax in Section 6.3.4.

Table 11: Summary Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement

		Pro Forma Historical			Pro Forma Forecast
$ million		FY16	FY17[1]	FY18	FY19
Weeks in year	**Note**	**52**	**53**	**52**	**52**
Revenue		222.3	236.0	243.1	298.1
Cost of sales		(104.4)	(112.1)	(117.7)	(140.8)
Gross profit		**117.9**	**123.9**	**125.4**	**157.3**
Employment costs		(26.7)	(28.0)	(29.5)	(39.6)
Management fees	2	(12.0)	(13.3)	(13.5)	(16.1)
Other operating costs	3	(26.4)	(27.6)	(27.1)	(32.7)
Operating EBITDA		**52.7**	**55.1**	**55.3**	**68.8**
Venue acquisition costs	4	–	–	(5.2)	(7.3)
Gain/(loss) on the sale of venues	5	(0.2)	1.3	1.3	0.3
EBITDA		**52.6**	**56.3**	**51.5**	**61.9**
Depreciation		(8.1)	(9.5)	(9.0)	(11.4)
Impairment charge	6	(7.8)	4.2	–	–
Fair value adjustments	7	0.1	5.0	–	–
EBIT		**36.8**	**56.1**	**42.4**	**50.4**
Net finance costs		(12.7)	(15.1)	(14.9)	(17.7)
Profit before tax		**24.1**	**41.0**	**27.5**	**32.7**
Tax expense		(4.0)	(3.5)	(0.8)	(2.3)
NPAT		**20.2**	**37.6**	**26.8**	**30.4**

Notes:

1. Redcape's FY17 financial reporting year had 53 weeks. Dividing the hospitality calendar into 52 weeks of seven days each, or 364 days, leaves an extra day each year to be accounted for. As a result, every five to six years a week is added to the financial year. The indicative financial impact of the extra week of trading is estimated to have contributed an additional $4.4 million of pro forma revenue and $1.2 million of pro forma Operating EBITDA to the FY17 results presented above which have not been adjusted for this additional week of trading.
2. Management fees reflect fees payable to MAHM under the Hotel Operating Agreement (Refer to Section 12.6.2) and the Investment Management Agreement (Refer to Section 12.3).
3. Other operating costs include non-employment related head-office costs not covered under the Hotel Operating Agreement and venue operating costs such as advertising and marketing, repairs and maintenance, occupancy and administrative costs, but excludes cost of sales.
4. Venue acquisition costs are stamp duty and other costs incurred in the acquisition of venues.
5. Gain/(loss) on sale predominately relates to the net accounting gain/(loss) recognised on the disposal of venues.
6. An impairment loss is recognised whenever the carrying amount of goodwill, gaming and liquor licences or property, plant and equipment exceed their recoverable amount. No impairment charges were recognised in FY18 and none are forecast in FY19 on the basis that any such adjustments cannot be reliably forecast. Impairment is a non-deductible item for income tax purposes.
7. Fair value adjustments relate to the movements in fair value of four investment properties historically owned by Redcape which have subsequently been disposed of. No investment property acquisitions are forecast in FY19. Movements in the fair value of venue assets (primarily property) are recognised through the asset revaluation reserve ($127.8 million upward revaluation in FY18).

6. Financial information (cont.)

6.3.2 Key financial metrics

Table 12 below sets out a summary of Redcape's key historical financial metrics for FY16, FY17 and FY18 derived from the Pro Forma Historical Income Statements, and the key forecast financial metrics for FY19 derived from the Pro Forma Forecast Income Statement.

Table 12: Key pro forma historical and forecast financial metrics

	Pro Forma Historical			Pro Forma Forecast
	FY16	FY17	FY18	FY19
Weeks in year	**52**	**53**	**52**	**52**
Growth rates				
Revenue growth		6.2%	3.0%	22.6%
Operating EBITDA growth		4.4%	0.5%	24.5%
EBITDA growth		7.1%	(8.6%)	20.2%
Margins				
Gross profit margin	53.0%	52.5%	51.6%	52.8%
Operating EBITDA margin	23.7%	23.3%	22.8%	23.1%
EBITDA margin	23.6%	23.9%	21.2%	20.8%
NPAT margin	9.1%	15.9%	11.0%	10.2%

Refer to Section 6.6.1 for commentary on the key drivers of annual movements in pro forma revenue, pro forma Operating EBITDA and pro forma EBITDA.

6.3.3 Breakdown of historical and forecast segments

Redcape groups its various business activities into four reporting segments:

> Gaming – specifically earnings generated from EGMs;

> On-premise – predominantly food and beverage sales. Other on-premise earnings are derived from sports betting, TAB and KENO commissions and accommodation services at particular Redcape venues;

> Off-premise – earnings from retail liquor sales and brewery sales; and

> Corporate – other income derived from venue space leased to corporate offices, retail outlets, car park revenue and telephone towers (including rental income from investment properties and head office rent received from MAHM). Redcape's investment properties were disposed in FY17 and FY18.

6. Financial information (cont.)

Table 13 below sets out a summary of Redcape's pro forma historical and pro forma forecast revenue and gross profit by segment.

Table 13: Pro forma historical and forecast financial information by segment

$ million	Note	Pro Forma Historical FY16	Pro Forma Historical FY17	Pro Forma Historical FY18	Pro Forma Forecast FY19	CAGR FY16-FY19
Weeks in year		**52**	**53**	**52**	**52**	
Revenue						
Gaming		135.3	147.5	153.8	188.9	11.8%
On-Premise		39.9	40.8	40.9	58.5	13.6%
Off-Premise		44.2	45.3	48.2	49.7	4.0%
Corporate		2.9	2.5	0.2	0.9	(32.3%)
Total Revenue		**222.3**	**236.0**	**243.1**	**298.1**	**10.3%**
Gross Profit						
Gaming	1	77.6	83.4	86.4	104.8	10.5%
On-Premise	2	27.3	28.0	28.0	39.8	13.4%
Off-Premise	3	10.1	10.1	10.7	11.7	5.2%
Corporate	4	2.9	2.5	0.2	0.9	(32.3%)
Total Gross Profit		**117.9**	**123.9**	**125.4**	**157.3**	**10.1%**

Notes:

1. Gaming – segment revenue less the costs associated with gaming, representing gaming taxes as described in Section 2.5.
2. On-premise – segment revenue less on-premise costs which are principally associated with the purchase of food and beverages.
3. Off-premise – segment revenue less off-premise costs which are the costs associated with the purchase of beverages and costs associated with brewery production and distribution.
4. Corporate – no direct costs are recorded in gross profit in this segment. Any indirect costs associated with this segment are recorded in operating costs.

Refer to Section 6.6.1 for commentary on the key drivers of annual movements in pro forma revenue and pro forma gross profit by reporting segment.

6.3.4 Pro forma adjustments to statutory historical and statutory forecast revenue and net profit after tax

Table 14 below sets out the pro forma adjustments made to statutory historical revenue and statutory forecast revenue to derive pro forma historical revenue and pro forma forecast revenue, respectively.

Table 14: Pro forma adjustments to statutory historical revenue and statutory forecast revenue

$ million	Note	Historical FY16	Historical FY17	Historical FY18	Forecast FY19
Weeks in year		**52**	**53**	**52**	**52**
Statutory revenue	**1,2**	**223.8**	**236.0**	**243.1**	**199.2**
Period pre-scheme registration	3	–	–	–	98.9
Change in management structure	4	(1.5)	–	–	–
Pro forma revenue		**222.3**	**236.0**	**243.1**	**298.1**

Notes:

1. Statutory historical revenue has been derived from the audited Historical Financial Reports for FY16, FY17 and FY18.
2. Statutory forecast revenue reflects the best estimate results Redcape expects to report in its FY19 Annual Report for the period 26 October 2018, being the date of registration of Redcape Hotel Trust I and Redcape Hotel Trust II as registered schemes, to 30 June 2019. For the purpose of preparing the statutory forecast revenue, Completion of the Offer is assumed to occur on 30 November 2018.

6. Financial information (cont.)

3. Reflects the statutory forecast revenue for the period from 1 July 2018 to 26 October 2018, as if the registration of the Trusts as registered schemes had occurred on 1 July 2018.
4. Relates to the removal of a management fee received from HPI in FY16 relating to certain central support functions provided by Redcape to HPI following the spin out of HPI from Redcape in December 2013. Redcape ceased providing these services on 1 July 2016.

Table 15 below sets out the pro forma adjustments made to statutory historical net profit after tax and statutory forecast net profit after tax to derive pro forma historical net profit after tax and pro forma forecast net profit after tax, respectively.

Table 15: Pro forma adjustments to statutory historical net profit after tax and statutory forecast net profit after tax

		Historical			Forecast
$ million	Note	FY16	FY17	FY18	FY19
Weeks in year		**52**	**53**	**52**	**52**
Statutory NPAT	1,2	**15.0**	**33.7**	**2.0**	**5.1**
Period pre-scheme registration NPAT	3	–	–	–	8.6
Change in management structure	4	5.3	(1.5)	(0.4)	(0.2)
Transaction costs	5	1.7	9.0	26.3	5.5
Performance Fee (gross of unrecoverable GST)	6	–	–	–	15.0
Accounting policies	7	0.5	(1.4)	–	–
Public entity costs	8	(0.2)	(0.2)	(0.2)	–
Employee bonus on Listing	9	–	–	–	0.3
Tax effect of pro forma adjustments	10	(2.2)	(1.9)	(1.0)	(4.0)
Pro forma NPAT		**20.2**	**37.6**	**26.8**	**30.4**

Notes:

1. Statutory historical NPAT has been derived from the audited Historical Financial Reports for FY16, FY17 and FY18.
2. Statutory forecast NPAT reflects the best estimate results Redcape expects to report in its FY19 Annual Report for the period 26 October 2018, being the date of registration of Redcape Hotel Trust I and Redcape Hotel Trust II as registered schemes, to 30 June 2019. For the purpose of preparing the statutory forecast NPAT, Completion of the Offer is assumed to occur on 30 November 2018.
3. Reflects the statutory forecast NPAT for the period from 1 July 2018 to 26 October 2018, as if the registration of the Trusts as registered schemes had occurred on 1 July 2018.
4. Change in management structure – subsequent to the acquisition of Redcape by Moelis Australia, the head office operations and other central operations were transferred to MAHM pursuant to a Hotel Operating Agreement and Investment Management Agreement entered into with MAHM for the provision of these services. The agreements will be amended at Listing to reflect the additional costs that will be incurred in relation to a listed entity. Details of the Hotel Operating Agreement and the Investment Management Agreement are in Sections 13.1.2 and 13.1.1, respectively. The adjustment results in the pro forma income statement reflecting an expense measured in accordance with the amended agreements, as if they had been in place since 1 July 2015. In addition, this adjustment includes amounts to remove expenses associated with a historical executive incentive scheme linked to the previous owners of Redcape which do not reflect ongoing executive remuneration arrangements and are therefore considered to be over and above normal executive compensation arrangements ($5.3 million in FY16 and $0.5 million in FY17) as well as the removal of historical management fees received from HPI relating to certain central support functions provided by Redcape to HPI following its spin out, which ceased on 1 July 2016 ($1.5 million in FY16 only).
5. Transaction costs reflect costs incurred in relation to previous corporate transactions contemplated in FY16 and FY17 and the acquisition of Redcape by Moelis Australia in FY18. Transaction costs in FY19 are in respect of the Offer. Total transaction costs associated with the Offer are forecast to be $7.8 million. A total of $5.5 million is forecast to be expensed in the statutory income statements with the remaining $2.3 million capitalised in equity.
6. The Responsible Entity is entitled to a performance fee as a result of meeting certain performance targets leading up to the Offer. The performance fee is calculated as 20% of outperformance above a 10% IRR hurdle. A performance fee of $15.0 million, which equals $14.4 million plus unrecoverable GST of $0.6 million, is recognised as an expense within the statutory forecast income statement. Of the $15.0 million performance fee, $8.0 million will be paid to MAHM on Completion of the Offer and prior to Listing (plus $0.4 million of unrecoverable GST) and $6.7 million will be accrued as a current liability. Redcape's obligation to pay the performance fee of $8.0 million on Completion of the Offer will be offset against MAHM's obligation to subscribe for $8.0 million worth of new Stapled Securities. The Stapled Securities will be issued to MAHM at the IPO Offer Price.
7. Accounting policies – in FY18 Redcape changed its accounting policy in relation to the treatment of interest rate swaps to recognise them as a cash flow hedging instrument. As a result, movements in the fair value of the derivative are no longer recognised through the profit and loss account and are recognised as other comprehensive income.
8. Public entity costs – reflects additional costs associated with being a listed entity which are not captured by MAHM under the Hotel Operating Agreement and Investment Management Agreement.
9. Employee bonus on Listing – on Completion of the Offer, certain employees of Redcape will each be issued a $1,000 Stapled Security grant. This does not apply to management employed by MAHM. An adjustment has been made to remove the impact of this one-off cost associated with the Offer.
10. The tax impact of the above adjustments has been reflected as part of this adjustment. The statutory income tax rate applicable to Redcape Hotel Trust II is 30% in respect of the operations and activities of this entity and nil in respect of the income of Redcape Hotel Trust I (as it is a flow through trust subject to the AMIT regime). As such, the effective tax rate of Redcape (as the stapled group) is significantly lower than 30%. The statutory income tax rate of 30% has only been applied to those adjustments above relate to the Redcape Hotel Trust II.

6.4 Pro Forma Historical Balance Sheet

6.4.1 Overview

Table 16 below sets out the adjustments that have been made to the audited Statutory Historical Balance Sheet of Redcape as at 30 June 2018 to prepare the Pro Forma Historical Balance Sheet of Redcape. The pro forma adjustments reflect the impact of the Offer, pre-IPO fundraising, and venue acquisitions and disposals completed post 30 June 2018 as if they had occurred as at 30 June 2018.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being indicative of Redcape's view of its financial position upon Listing or at a future date.

Table 16: Summary Pro Forma Historical Balance Sheet as at 30 June 2018

$ million	Notes	30 June 2018 Audited[1]	Pre-Offer[2]	Offer[3]	30 June 2018 Pro Forma
Assets					
Current assets					
Cash and cash equivalents		35.1	–	–	35.1
Inventories		5.1	(0.5)	–	4.6
Trade and other receivables		1.4	–	–	1.4
Other current assets		7.3	(4.3)	2.7	5.6
Total current assets	4	**48.9**	**(4.9)**	**2.7**	**46.6**
Non-current assets					
Property, plant and equipment		396.6	34.9	22.6	454.1
Intangible assets and goodwill		509.6	52.8	27.4	589.8
Deferred tax asset	5	12.7	0.3	1.7	14.7
Total non-current assets		**918.8**	**88.1**	**51.7**	**1,058.5**
Total assets		**967.7**	**83.2**	**54.3**	**1,105.2**
Liabilities					
Current liabilities					
Trade and other payables		29.5	0.3	6.7	36.5
Employee benefits		1.4	0.1	–	1.6
Distribution payable		10.2	–	–	10.2
Total current liabilities	4	**41.1**	**0.5**	**6.7**	**48.3**
Non-current liabilities					
Trade and other payables		0.5	–	–	0.5
Loans and borrowings		366.3	48.0	20.6	434.9
Derivative financial instruments		0.3	–	–	0.3
Employee benefits		0.2	–	–	0.2
Total non-current liabilities		**367.3**	**48.0**	**20.6**	**435.9**
Total liabilities		**408.4**	**48.5**	**27.3**	**484.2**
Net assets		**559.3**	**34.7**	**27.0**	**620.9**
Equity					
Contributed equity	6	467.3	39.0	46.1	552.4
Reserves		127.6	(0.9)	–	126.7
Accumulated losses		(35.6)	(3.5)	(19.1)	(58.1)
Total equity		**559.3**	**34.7**	**27.0**	**620.9**

6. Financial information (cont.)

Notes:

1. Reflects the summarised balance sheet of Redcape as at 30 June 2018 per its audited financial report for the year ended 30 June 2018.
2. Pre-Offer – subsequent to 30 June 2018, Redcape disposed of one venue (Belrose) on 27 August 2018 for a total consideration of $20.4 million. Redcape also acquired three venues for a total consideration of $108.0 million (two in August 2018 and one in September 2018). The acquisition of the venues was funded through debt and equity. Debt of $48.0 million (net of repayment of debt from the proceeds of the sale of Belrose) was drawn from existing debt facilities and $39.0 million in equity was raised ($40.0 million gross proceeds less expenses of $1.0 million) through the issue of 37.0 million units in Redcape Hotel Trust I and 37.0 million units in Redcape Hotel Trust II at $1.08 per unit. Transaction costs and stamp duty totaling $4.8 million were incurred in respect of the acquisitions. The impact of these subsequent events has been reflected in the Pro Forma Historical Balance Sheet as if the transactions had occurred as at 30 June 2018.
3. Offer – as set out in Section 7, under the Offer, 35.7 million new Stapled Securities will be issued (including 0.3 million employee bonus on Listing). Gross proceeds raised will be $40.0 million. Total costs recognised in Redcape's statement of equity comprise $15.0 million related to performance fees (recognised as an expense gross of unrecoverable GST), Offer related transaction costs of $7.8 million and $2.5 million of venue acquisition costs associated with the acquisition of Acquisition Portfolio expensed to the income statement. Of the Offer related transaction costs, $5.5 million will be expensed to the income statement and $2.3 million will be capitalised against equity resulting in a deferred tax asset of $1.7 million (refer to point 5 below). Gross Offer proceeds of $40.0 million and debt of $20.6 million from the Syndicated Debt Facility will be used to fund the acquisition of the Acquisition Portfolio for total consideration of $50.0 million (recorded in the pro forma balance sheet as $22.6 million of property, plant and equipment, and $27.4 million as goodwill and intangibles) and also fund transaction costs in respect of the Offer of $7.8 million, $2.5 million in relation to the acquisition of the Acquisition Portfolio and performance fee related unrecoverable GST of $0.4 million. Redcape's obligation to pay a performance fee of $8.0 million on Completion of the Offer will be offset against MAHM's obligation to subscribe for $8.0 million worth of new Stapled Securities (the Stapled Securities will be issued to MAHM at the IPO Offer Price).
4. Redcape had pro forma net current liabilities of $1.7 million as at 30 June 2018. The net pro forma liability position principally reflects payment of the transaction costs associated with the Offer. As Redcape's revenues are predominantly received in cash, working capital is funded through ongoing trading activity as well as the utilisation of revolving debt facilities.
5. Deferred tax asset of $1.7 million relating to the transaction costs of the Offer and $0.3 million relating to pre-Offer (related to transaction costs associated with assets acquired prior to the Offer – see Sections 3.5 and 6.6.1 for further details on the acquisitions).
6. Contributed equity represents the aggregate of the contributed equity in both the Redcape Hotel Trust I and Redcape Hotel Trust II. As discussed in Section 6.2.2, on 2 July 2018 the units of Redcape Hotel Trust I and Redcape Hotel Trust II were stapled. As a result of the stapling, Redcape Hotel Trust II is deemed to be the parent for accounting purposes of the pre-Offer group which comprises Redcape Hotel Trust I, Redcape Hotel Trust II and their respective subsidiaries.

6.4.2 Indebtedness and capitalisation

Table 17 below presents the pro forma consolidated net indebtedness of Redcape as at 30 June 2018. The reported consolidated net indebtedness of Redcape as at 30 June 2018 has been adjusted for the impact of the pre-Offer transactions and the Offer to derive the pro forma consolidated net indebtedness of Redcape.

Table 17: Pro Forma Net Indebtedness

$ million	Note	30 June 2018 Audited[1]	30 June 2018 Pro Forma
Cash and cash equivalents		35.1	35.1
Loans and borrowings	2	(366.3)	(434.9)
Derivative liabilities	3	(0.3)	(0.3)
Net total indebtedness		**(331.5)**	**(400.2)**
FY19 Pro Forma Forecast Operating EBITDA / FY19 Pro Forma Forecast net finance cost less amortisation of borrowing costs			4.0x
Gross Hotel Portfolio Value	4		1,037.2
Total Assets			1,105.2
Pro Forma LVR	5		42.1%
Pro Forma Gearing	6		37.4%

Notes:

1. Extracted from the audited balance sheet of Redcape as at 30 June 2018.
2. Details of the facilities that will be in place on Completion of the Offer are set out in Section 6.4.3. None of the proceeds from the Offer will be used to repay debt.
3. Derivative liabilities relate to the fair value of the interest rate swap cash flow hedge as at 30 June 2018.
4. Gross Hotel Portfolio Value is the most recent freehold going concern or leasehold going concern valuation of all of Redcape's pubs, including land and buildings and excluding any value associated with Redcape's brewery. Gross Hotel Portfolio Value is calculated as the aggregate value of all Real Property held as an asset by the Redcape Group based on the most current independent valuation or valuation by the Responsible Entity of each Real Property asset.
5. Pro Forma LVR is calculated as total pro forma loans and borrowings plus bank guarantees of $1.9 million divided by Gross Hotel Portfolio Value as at 30 June 2018.
6. Pro Forma Gearing is calculated as the ratio of Net Debt (non-current loans and borrowings, less cash) to total assets, less cash.

6.4.3 Description of Syndicated Debt Facility

The Syndicated Debt Facility provides a revolving facility limit of $477 million. Pursuant to the terms of the Syndicated Debt Facility, interest and line fees are payable, the rates of which vary depending on the LVR of the Group. Redcape's forecast average cost of debt in FY19 is 4.3% (inclusive of margin, line fees and interest rate hedging arrangements). The financial covenants within the Syndicated Debt Facility require Redcape to maintain an interest cover of 2.0x and an LVR below 55.0% at all times. The Board expects that Redcape will be able to comply with the covenants. Refer to Section 13.6 for more details.

6.4.4 Gearing policy

Redcape will target Gearing in the range of 35% to 45% in the normal course of business. However, Gearing may be higher if the Board considers that circumstances warrant a short-term increase beyond the target Gearing range and it is prudent to do so.

Gearing is calculated as the ratio of Net Debt (non-current borrowings, less cash) to total assets, less cash.

6.4.5 Liquidity and capital resources

Following Completion of the Offer, Redcape's principal sources of funds are expected to be cash flow from operations, undrawn commitments under the Syndicated Debt Facility and cash.

Redcape had pro forma cash and cash equivalents of $35.1 million as at 30 June 2018, reflecting the balance of expected cash and cash equivalents had the Offer occurred as at 30 June 2018. Following completion of the Offer and settlement of the Acquisition Portfolio, Redcape will have approximately $42.1 million undrawn under the Syndicated Debt Facility for the purpose of funding working capital.

6.4.6 Acquisition Portfolio acquisition

On 15 October 2018, Redcape entered into the Acquisition Contracts to acquire the Acquisition Portfolio for a total consideration of $50.0 million. Settlement of the Acquisition Contracts is to occur on a date elected by Redcape that is before 18 December 2018 (with scope to delay settlement until 4 February 2019). Refer to Section 4.3 for additional detail on the Acquisition Portfolio.

The Acquisition Contracts include customary terms including for stocktake, payment of gaming duties, transfer of title and risk and trading up in the period up to and following settlement. The vendor of the Acquisition Portfolio may terminate the Acquisition Contracts if Redcape does not comply with the Acquisition Contracts in an essential respect in which case Redcape may forfeit the deposit paid under the Acquisition Contracts.

As set out in Section 7.5, the proceeds of the Offer are proposed to be used to fund, in part, Redcape's obligation to pay the settlement payment under the Acquisition Contracts. In the event that Completion of the Offer does not occur, Redcape will still be required to settle under the Acquisition Contracts.

To address the risk that Completion of the Offer does not occur and as a result Redcape does not have sufficient funds to make the settlement payment, Redcape has entered into an underwriting agreement with Moelis Australia Advisory Pty Ltd. Under that agreement Moelis Australia Advisory Pty Ltd will undertake to provide access to funding for Redcape in order to meet its settlement obligations under the Acquisition Contracts in the event the Offer does not proceed. The underwriting agreement is subject to a limited number of termination events in favour of Moelis Australia Advisory Pty Ltd.

Moelis Australia Advisory Pty Ltd's underwriting obligation is only required in the event that Completion of the Offer does not occur. Accordingly, the underwriting is of limited relevance to participants in the Offer.

6.4.7 Potential investment after the end of the Forecast Period

MAHM has entered into a heads of agreement and is currently undertaking due diligence in relation to the potential acquisition of a portfolio of pubs located in Victoria.

RHGM, in its capacity as the Responsible Entity of Redcape, has held preliminary discussions with MAHM and its current intention is to subscribe for a 25% interest in the portfolio should the acquisition by MAHM proceed.

The acquisition by MAHM is still subject to the completion of due diligence to MAHM's satisfaction and the negotiation and exchange of binding contracts on terms acceptable to MAHM and the vendor. In addition, any investment by Redcape will be subject to the Responsible Entity being satisfied with its own due diligence on the portfolio and investment opportunity offered by MAHM, if any, and the Responsible Entity being comfortable with the structure and

terms of Redcape's investment in the portfolio. The terms on which Redcape would invest into the portfolio, if at all, have not been determined but may involve an investment by Redcape into a new fund established by MAHM for the purposes of acquiring and holding the portfolio.

There is no guarantee that the acquisition by MAHM or an investment by Redcape will proceed. If the acquisition by MAHM does proceed it will be subject to the completion of probity investigations into MAHM and potentially other key stakeholders involved in the acquisition by the Victorian gaming regulator. The time period required to complete these probity investigations means that any investment by Redcape into the portfolio is not anticipated to occur until after 30 June 2019, after the expiry of the forecast period. Given no binding contract has currently been entered into and the acquisition is not expected to settle until post 30 June 2019, the impact of this acquisition has not been included in the Forecast Financial Information.

Should an investment by Redcape proceed, the Responsible Entity Directors' best estimate of Redcape's funding commitment for a 25% investment in the portfolio is approximately $40.0-50.0 million. This estimate is based on the information available to the Responsible Entity Directors at the date of this PDS and is subject to a number of variables and assumptions which may not occur. The actual terms of Redcape's investment into the portfolio, if any, and its impact on Redcape will be disclosed to investors as required by the Corporations Act and the ASX Listing Rules at the appropriate time.

6.5 Historical and forecast cash flow statements

6.5.1 Overview

Table 18 below sets out the Pro Forma Historical Cash Flow Statements and the Pro Forma Forecast Cash Flow Statement.

The Pro Forma Historical Cash Flow Statements and Pro Forma Forecast Cash Flow Statement are reconciled to statutory historical and statutory forecast cash flows in Section 6.5.2. The Pro Forma Historical Cash Flow Statements have been presented before financing and taxation as Redcape's historical financing cash payments and receipts were materially different during the period prior to and post the acquisition of Redcape by Moelis Australia.

Table 18: Summary Pro Forma Historical Cash Flow Statements and Pro Forma Forecast Cash Flow Statement

		Pro forma historical			Pro forma forecast
$ million		FY16	FY17	FY18	FY19
Weeks in year		**52**	**53**	**52**	**52**
Operating EBITDA	1	52.7	55.1	55.3	68.8
Changes in working capital	2	2.2	(1.1)	(2.7)	0.9
Operating cash flow		**54.9**	**54.0**	**52.6**	**69.8**
Acquisition of venues	3	–	–	(134.1)	(160.9)
Proceeds from sale of venues	4	–	6.6	20.4	20.4
Proceeds from sale of investment properties	5	1.5	1.3	2.6	–
Capital expenditure	6	(10.1)	(10.5)	(16.1)	(27.8)
Proceeds from disposal of PP&E		0.7	0.1	0.3	–
Cash flow from investing activities		**(7.8)**	**(2.5)**	**(126.9)**	**(168.3)**
Net cash flow before financing and taxation	**12**	**47.1**	**51.5**	**(74.2)**	**(98.6)**
Tax paid	7				–
Interest and other costs paid on borrowings	8				(17.6)
Proceeds from drawdown of borrowings	9				56.0
Proceeds from issue of Stapled Securities	10				80.0
Net cash flow before distributions					**19.8**
Payment of distributions	11				(42.9)
Net cash flow					**(23.1)**

6. Financial information (cont.)

Notes:

1. Operating EBITDA has been adjusted to reflect the pro forma adjustments in Table 15 except for adjustments 7 and 10 relating to the change in accounting policies and the income tax effect of the pro forma adjustments which do not impact pro forma Operating EBITDA. The impact of other pro forma adjustments to reported NPAT that relate to Redcape's cash flows are summarised in Table 19 and Table 20 below.
2. Changes in working capital – primarily comprise movements in inventories, trade and other receivables, prepayments and trade and other payables.
3. Acquisition of venues – represents cash paid for venues acquired, including associated costs. Details of these acquisitions are set out in Section 6.6.1
4. Proceeds from the sale of venues – represents the proceeds from the sale of venues net of associated costs.
5. Proceeds from sale of investment properties – represents the proceeds from the sale of investment properties net of associated costs.
6. Payments of capital expenditure. Note capital expenditure is outlined in Section 6.6.1 on an accruals basis whereas capital expenditure is outlined on a cash basis in the above table.
7. Tax paid – relates to income tax instalments paid during the income year, less estimated final tax payments/refunds upon lodgement of the income tax returns during the year. The pro forma and statutory income tax paid during the forecast period is expected to be nil due to the utilisation of historical tax losses and the tax deductibility of the costs of the Offer.
8. Interest and other costs paid on borrowings – pro forma interest costs are based on the terms of the Syndicated Debt Facility. Details of the Syndicated Debt Facility are set out in Section 6.4.3.
9. Proceeds from the drawdown of existing bank facilities reflect the amount drawn down to partially fund the acquisition of three venues that completed prior to Listing ($48.0 million), amounts to be drawn to partially fund the acquisition of the Acquisition Portfolio and associated transaction costs ($10.0 million and $2.5 million respectively) and where excess cash is available (and not required for working capital) this is utilised to pay down debt periodically throughout the year ($4.5 million net repayment). Proceeds from the drawdown of existing bank facilities to fund transaction costs which are not directly related to the Offer (and not related to the acquisition of venues) are excluded from the pro forma net cash flows ($9.2 million in FY19) (refer to reconciliation in Table 19 below).
10. Proceeds from the issue of Stapled Securities represent funds received from the issue of units to partially fund the acquisition of three venues ($40.0 million gross proceeds) prior to the Offer and proceeds from the Offer to partially fund the Acquisition Portfolio ($40.0 million gross proceeds).
11. Payment of distributions - the Pro Forma Distribution for FY19 represents the distributions paid assuming the Offer had completed on 1 July 2018. Of the $42.9 million pro forma distribution, $26.8 million relates to the period prior to Completion of the Offer (including $10.2 million recorded as part of distribution payable in the 30 June 2018 balance sheet, of which $8.7 million was paid in cash) and these amounts will have been paid prior to Listing, and $16.1 million relates to forecast distributions to be paid for the period from Completion of the Offer to the 30 June 2019. A summary of Redcape's proposed distribution policy is set out in Section 6.9.2.

6. Financial information (cont.)

6.5.2 Pro forma adjustments to the statutory historical cash flows and statutory forecast cash flow

Tables 19 and 20 below set out the adjustments to statutory historical cash flows and statutory forecast cash flows to derive the pro forma historical cash flows and the pro forma forecast cash flows, respectively.

Table 19: Pro forma adjustments to the FY16, FY17 and FY18 statutory historical cash flows

		Historical		
$ million	Note	FY16	FY17	FY18
Weeks in year		**52**	**53**	**52**
Statutory net cash flow before financing and taxation (net of Moelis Australia acquisition)	**1**	**45.5**	**52.2**	**(100.0)**
Change in management structure	2	0.0	(1.9)	(0.4)
Transaction costs	3	1.7	1.4	26.3
Public company costs	4	(0.2)	(0.2)	(0.2)
Pro forma net cash flow before financing and taxation		**47.1**	**51.5**	**(74.2)**

Notes:

1. FY18 statutory net cash flow before financing and taxation was an outflow of $765.4 million. For presentation purposes, this has been adjusted to exclude $665.4 million comprising $661.1 million relating to Moelis Australia's acquisition and $4.3 million related to prepayments of investment properties. As a result, statutory net cash flow before financing and taxation (net of Moelis Australia acquisition) for the FY18 period equals an outflow of $100.0 million. On 10 July 2017 Redcape Hotel Trust I and Redcape Hotel Trust II acquired the operations and properties of Redcape. Acquisition of businesses/investment properties as per Redcape's FY18 historical financial report was a cash outflow of $821.5 million in FY18 comprising the acquisition of Redcape by Moelis Australia (total acquisition of businesses, freehold going concern assets of $661.1 million and $26.3 million of acquisition costs), $4.3 million related to prepayments of investment properties and $129.8 million on the acquisition of new venues (representing a combined cash outflow of $134.1 million). This was partially funded by proceeds from the issue of units in Redcape Hotel Trust I and Redcape Hotel Trust II ($474.1 million) and the proceeds from borrowings ($390.1 million).
2. Change in management structure – subsequent to the acquisition of Redcape on 10 July 2017, the head office operations and other central operations were transferred to MAHM. At this time a Hotel Operating Agreement and Investment Management Agreement were entered into with MAHM for the provision of these services. The agreement has been amended to reflect the additional costs that will be incurred in relation to a listed entity. Details of the Hotel Operating Agreement and Investment Management Agreement are in Sections 13.1.2 and 13.1.1, respectively. The adjustment result in the pro forma cash flow statements reflecting a cash expense measured in accordance with the amended agreements, as if they had been in place since 1 July 2015.
3. Transaction costs reflect costs incurred in relation to previous corporate transactions contemplated in FY16 and FY17 and the acquisition of Redcape by a fund established and managed by Moelis Australia on 10 July 2017.
4. Pro forma historical adjustment to recognise forecast ongoing public company costs incurred as a result of listing.

Table 20: Pro forma adjustments to FY19 statutory forecast cash flows

		Forecast
$ million	Note	FY19
Statutory net cash flow	1	**5.0**
Period pre-scheme registration	2	(28.2)
Change in management structure	3	(0.2)
Borrowings drawn		(9.2)
Cash paid transaction costs	4	9.2
Employee bonus on Listing		0.3
Pro forma net cash flow		**(23.1)**

Notes:

1. Statutory net cash flow – statutory forecast net cash reflects the best estimate results Redcape expects to report in its FY19 Annual Report for the period 26 October 2018, being the date of registration of Redcape Hotel Trust I and Redcape Hotel Trust II as registered schemes, to 30 June 2019. For the purpose of preparing the statutory forecast cash flow, Completion of the Offer is assumed to occur on 30 November 2018.
2. Period pre-scheme registration – reflects the statutory forecast net cash flow for the period from 1 July 2018 to 26 October 2018, as if registration of the Trusts as registered schemes had occurred on 1 July 2018.

3. Change in management structure – subsequent to the acquisition of Redcape on 10 July 2017, the head office operations and other central operations were transferred to MAHM. At this time a Hotel Operating Agreement and Investment Management Agreement were entered into with MAHM for the provision of these services. The Investment Management Agreement was subsequently amended to reflect the additional costs and services appropriate in relation to a listed entity. Details of the Hotel Operating Agreement and Investment Management Agreement are in Sections 13.1.2 and 13.1.1, respectively. The adjustment results in the pro forma cash flow statements reflecting a cash expense measured in accordance with the amended agreements, as if they had been in place since 1 July 2015.
4. Cash paid transaction costs – transaction costs of $9.2 million include $1.0 million related to pre-Offer transactions, $7.8 million related to costs to be paid in respect of the Offer, and performance fee related unrecoverable GST of $0.4 million funded via the drawdown of borrowings.

6.6 Management discussion and analysis of the Financial Information

6.6.1 Overview

Below is a brief discussion of the main general factors that the Responsible Entity believes affected Redcape's operating and financial performance in FY16, FY17 and FY18 and the Responsible Entity expects may affect Redcape's operating and financial performance in FY19. Comments relating to the FY19 forecast should be read in conjunction with the key forecast assumptions used to prepare the Forecast Financial Information set out in Section 6.7.

The discussion of those general factors is intended to provide a brief summary only and does not detail all factors that affected Redcape's historical operating and financial performance, nor all aspects which may affect Redcape's operations and financial performance in the future. The information in this Section 6 should also be read in conjunction with the risk factors set out in Section 8 and other information contained in this PDS.

Revenue

Revenue is generated by Redcape from a diversified range of pub-related services and offerings. These include:

> On-premise – predominantly food and beverage sales. Other on-premise revenue is derived from sports betting, TAB and Keno commissions and accommodation services at select Redcape venues;
> Gaming – specifically revenue derived from EGMs;
> Off-premise – retail liquor sales and brewery sales; and
> Corporate – other income derived from venue spaces leased to corporate offices, retail outlets, car park revenue and telephone towers (including rental income from investment properties and head office rent received from MAHM). Redcape's investment properties were disposed in FY17 and FY18.

Household disposable income is an important growth driver as expenditure on products and services offered by pubs is discretionary in nature. Patronage within Australian pubs is impacted by population growth and changes in population density. The future performance of the pub industry may also be impacted by evolving consumer preferences. Legislative or regulatory changes, particularly to gaming or liquor regulation, also have the potential to impact on the growth outlook of the Australian pub industry.

The key drivers of Redcape's revenue growth include:

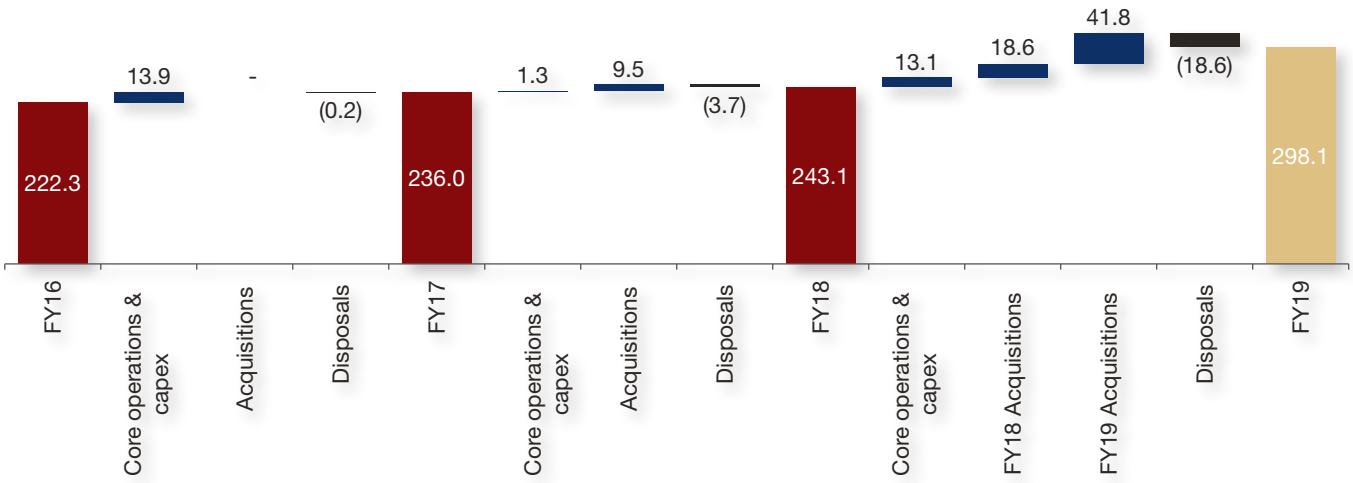
> core operations growth – driven by a combination of underlying market fundamentals (described in Section 2) and by Redcape's people, systems and processes, which deliver a high level of service at the venue and result in performance enhancing operational and corporate decisions;
> venue presentation - the ongoing maintenance of venues and the application of maintenance capital expenditure to ensure optimal venue presentation and customer standards;
> growth capital expenditure – driven by the application of capital through strategic refurbishments and providing customers with the best hospitality and entertainment experience; and
> acquisitions – driven by identifying and acquiring venues that will benefit from the application of MAHM's expertise, operating model and capital improvements to drive growth.

Due to the revenue segment mix and underlying market and demand characteristics, Redcape does not experience material seasonal fluctuations in its revenues.

6. Financial information (cont.)

The diagram below highlights the key drivers of Redcape's pro forma revenue growth between FY16 and FY19.

Diagram 33: Key drivers of pro forma revenue growth from FY16 to FY19 ($ million)



Notes:

1. Core operations and capex – core operations and capex led growth from venues excluding the impact of acquisitions and disposals.
2. Acquisitions – venue acquisitions in the financial year and the incremental impact of prior year venue acquisitions.
3. Disposals – venues disposed of during the financial year and the incremental impact of prior year venue disposals.

Diagram 33 above highlights that Redcape's pro forma revenue growth from FY16 to FY19 is driven by a combination of the net impact of venue acquisitions and disposals and core operations and capex growth.

In FY17, revenue increased by 6.2% to $236.0 million with 6.3% or $13.9 million from core operations and capex led growth, offset by -0.1% or -$0.2 million from venue disposals. Growth in FY17 was positively influenced by an additional week in FY17 relative to FY16 (FY17 consisted of a 53 week year, relative to a 52 week year in FY16). The extra week of trading is estimated to have contributed an additional $4.4 million of pro forma revenue in FY17.

FY18 revenue increased by 3.0% to $243.1 million with 0.5% or $1.3 million from core operations and capex led growth, and 2.5% or $5.8 million from venue acquisitions, net of venue disposals. Growth in FY18 was negatively influenced by an additional week in FY17 relative to FY18 (FY17 consisted of a 53 week year, relative to a 52 week year in FY18). The ramping up of growth capex spend in FY18 had a negative impact on revenue in FY18. FY18 growth capex was $10.8 million including venue refurbishment, additional EGM permit acquisitions and development application planning.

FY19 revenue is forecast to grow by 22.6% to $298.1 million with 5.4% or $13.1 million from core operations and capex led growth, and 17.2% or $41.8 million from venue acquisitions, net of venue disposals ($18.6 million from the full year impact of FY18 acquisitions, $41.8 million from FY19 acquisitions and -$18.6 million from FY19 disposals).

The drivers of FY19 revenue growth include the positive impact of $10.8 million of growth capex in FY18 and $22.8 million growth capex forecast in FY19, the acquisition of a venue freehold driving a reduction in operating costs (removal of rental costs), as well as the acquisition of venues in FY18 and FY19.

6. Financial information (cont.)

Table 21 below provides a breakdown of Redcape's historical and forecast pro forma revenue by reporting segment.

Table 21: Pro forma historical and forecast revenue by segment (FY16 to FY19)

$ million	Pro Forma Historical FY16	FY17	FY18	Pro Forma Forecast FY19	CAGR FY16-FY19
Weeks in year	**52**	**52**	**53**	**52**	
Revenue					
Gaming	135.3	147.5	153.8	188.9	11.8%
On-Premise	39.9	40.8	40.9	58.5	13.6%
Off-Premise	44.2	45.3	48.2	49.7	4.0%
Corporate	2.9	2.5	0.2	0.9	(32.3%)
Total Revenue	**222.3**	**236.0**	**243.1**	**298.1**	**10.3%**

The key drivers of pro forma revenue by reporting segment are:

> Gaming – the major drivers of pro forma gaming across FY16 to FY19 from $135.3 million to $188.9 million (CAGR 11.8%) reflect a combination of:
  - core operations and capex led growth driven by:
    - underlying gaming market fundamentals (described in more detail in Section 2.3);
    - gaming focused operational improvement initiatives;
    - gaming focused capital investment in the venues to enhance venue performance; and
  - venue acquisitions through FY18 and FY19, which are the principal driver of growth in EGM numbers.

> On-premise – the increased sale of beverage and food is the key driver of on-premise revenue growth. On-premise revenue is forecast to grow from $39.9 million in FY16 to $58.5 million in FY19 (CAGR 13.6%) primarily as a result of acquisitions including the Australian Hotel & Brewery, which has a large on-premise revenue contribution.

> Off-premise – Redcape's off-premise liquor sales are forecast to grow from $44.2 million in FY16 to $49.7 million in FY19 (CAGR 4.0%). Off-premise revenue growth has been broadly in line with the retail liquor sector. FY19 growth is impacted by the divestment of Belrose in August 2018 which featured a large format retail operation that made a significant contribution to off-premise revenue partially offset by the acquisition of Australian Hotel & Brewery which features an onsite brewery including distribution of product to external venues.

> Corporate – historically primarily relates to other income derived from venue spaces leased as corporate offices, retail outlets, car park revenue and telephone towers (including rental income from investment properties). Redcape's investment properties were disposed in FY17 and FY18 driving the decrease in corporate revenue in FY18 compared to FY17 and FY16. FY19 includes rent received from MAHM related to head office leased from Redcape which commenced in September 2018.

Diagrams 34 and 35 below shows Redcape's pro forma revenue mix in FY16 versus FY19.

Diagram 34: Revenue by segment (FY16)

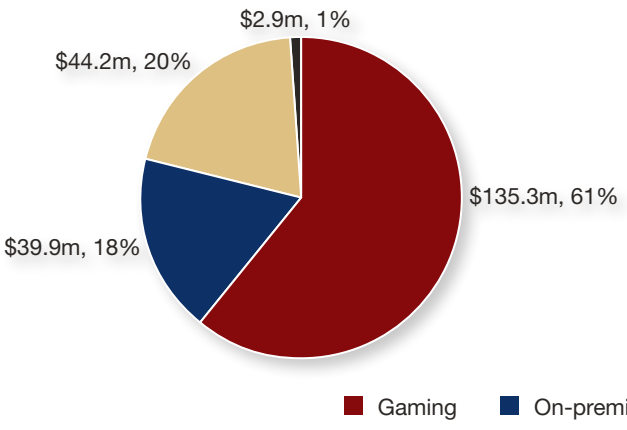
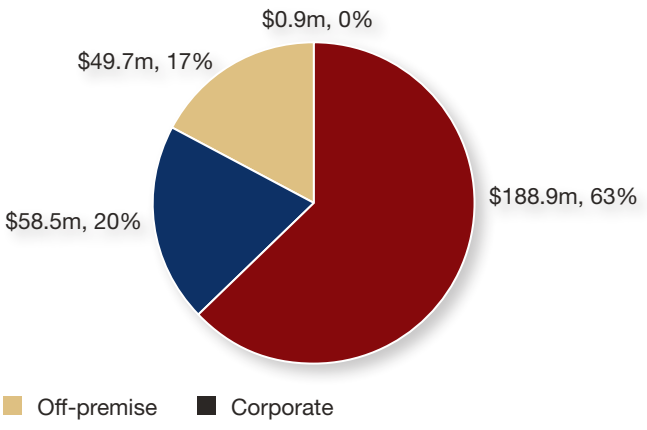


Diagram 35: Revenue by segment (FY19)



Gaming On-premise Off-premise Corporate

6. Financial information (cont.)

Venue acquisitions and disposals

MAHM adopts a disciplined approach to the assessment of venue acquisitions, preferring to acquire freehold going concern interests rather than leasehold only interests. This strategy aims to minimise operational complexities arising between landlords and tenants. Redcape has clear acquisition criteria, targeting pubs which:

> have low risk associated with the on-premise business;
> are located in strategically favourable locations; and
> are expected to respond positively to Redcape's operating model and refurbishment capabilities.

The table below summarises the acquisitions and disposals of venues from FY16 to FY19.

Table 22: Venue acquisitions and disposals

	FY16	FY17	FY18	FY19
Venues – start of the period	26	26	25	27
Acquisitions	0	0	3[1]	6[2]
Disposals	0	1	1	1
Venues – end of period	**26**	**25**	**27**	**32**

1. FY18 excludes the acquisition of Cabramatta Hotel freehold property, which Redcape already operated on a leasehold basis.
2. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

In FY17 Redcape disposed of a venue in Livingstone. There were three acquisitions in FY18 (Crescent, Andergrove and Wattle Grove) as well as the disposal of Doonside. While excluded from the table above, in FY18 Redcape also acquired the Cabramatta freehold (prior to which Cabramatta was operated by Redcape as a leasehold) which resulted in a reduction in operating costs (rent).

The six venues acquired in FY19 include Australian Hotel and Brewery, The Sun Hotel and Vauxhall Inn as well as the acquisition of the Acquisition Portfolio (three venues) on the South Coast of NSW.

Gross profit

Table 23 below provides a breakdown of Redcape's pro forma historical and forecast gross profit and gross profit margin by reporting segment.

Table 23: Pro forma historical and forecast gross profit and gross profit margin (FY16 – FY19)

	Pro Forma Historical			Pro Forma Forecast	CAGR
$ million	FY16	FY17	FY18	FY19	FY16-FY19
Weeks in year	**52**	**52**	**53**	**52**	
Gross Profit					
Gaming	77.6	83.4	86.4	104.8	10.5%
On-Premise	27.3	28.0	28.0	39.8	13.4%
Off-Premise	10.1	10.1	10.7	11.7	5.2%
Corporate	2.9	2.5	0.2	0.9	(32.3%)
Total Gross Profit	**117.9**	**123.9**	**125.4**	**157.3**	**10.1%**
Gross Profit margin					
Gaming	57.4%	56.5%	56.2%	55.5%	
On-premises	68.4%	68.6%	68.6%	68.0%	
Off-premises	22.8%	22.4%	22.3%	23.5%	
Corporate	100.0%	100.0%	100.0%	100.0%	
Total Gross Profit margin	**53.0%**	**52.5%**	**51.6%**	**52.8%**	

The factors affecting segment revenues, as described above, are the key determinants of changes in Redcape's segment gross profits.

The key drivers of pro forma gross profit margin by reporting segment are:

> Gaming – gaming tax is the main determinant of gaming gross profit margin and is described in more detail in Section 2.5. The gaming gross profit margin has declined year on year as growth in gaming revenue has resulted in a higher marginal tax rate being applicable.
> On-premise – the input cost of food and beverage is the key driver of on-premise gross profit margins. Redcape manages these margins through:
  – centralising purchasing to improve buying power;
  – maintaining strong supplier relationships; and
  – operating strong food management systems and processes to reduce wastage and standardising the Redcape food offering to gain purchasing efficiencies.

These initiatives have enabled Redcape to maintain stable gross profit margins in its on-premise business.

> Off-premise – liquor sales is a highly competitive market dominated by Coles and Woolworths with the input cost of packaged liquor being a key driver of off-premise gross profit margins. Redcape manages the off-premise gross profit margins through supplier relationships, product mix and utilisation of the Liquor Stax banner buying group. Additionally, the off-premise segment includes operations associated with the brewery function with beer sales and reduced input costs expected to boost margins.
> Corporate – no direct costs are recorded in gross profit in this segment and as a result, changes in gross profit are influenced by movements in corporate revenues described above.

Overall gross profit margins have remained relatively constant even as Redcape's product mix has changed (refer to Section 6.3.2). The reduction of gross profit margins between FY17 and FY18 was a result of a shift towards gaming due to disposals. The subsequent increase in gross profit margin in FY19 is driven by F&B focused acquisitions.

Operating costs

Redcape's operating costs include employment costs, management fees and other operating costs.

Employment costs – comprise salaries and wages, principally at the venue level, and are driven by the number of venues in the portfolio, licensing requirements, operating hours, revenue mix, product mix and the number of people employed in the venues and in the central support function (excluding MAHM employees).

Management fees – comprise fees payable by Redcape to MAHM under the Hotel Operating Agreement and Investment Management Agreement. Details of the Hotel Operating Agreement and Investment Management Agreement are in Sections 13.1.2 and 13.1.1, respectively.

Other operating costs – typically increase in line with inflation and are driven by the number of venues in the portfolio and product mix. Other operating costs include:

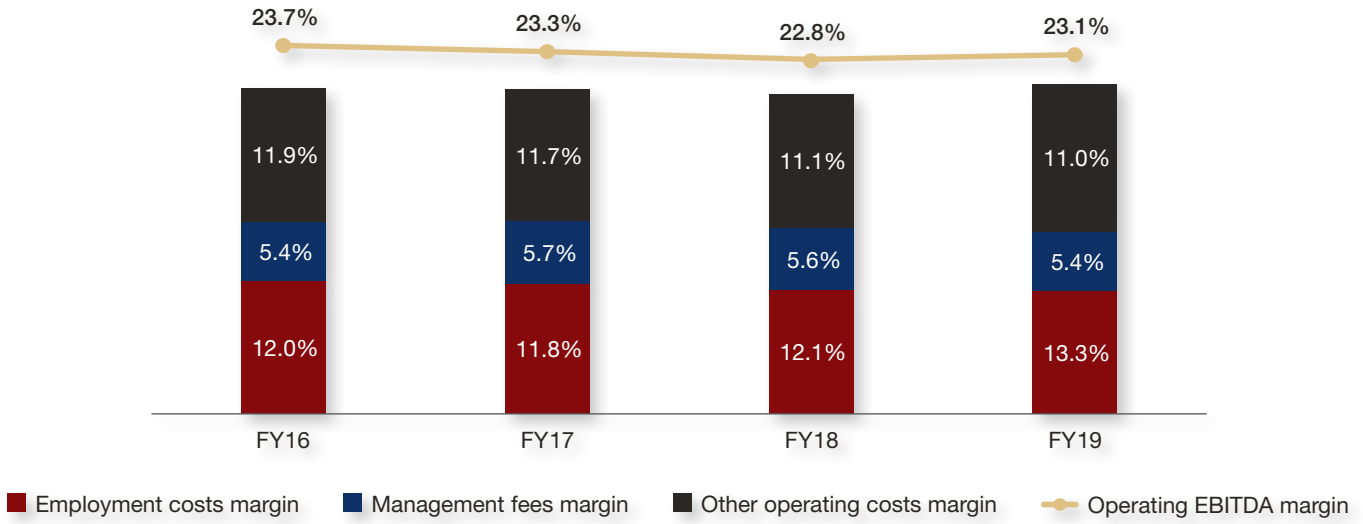
> advertising and marketing;
> venue and central administration – relating to charges such as IT, audit and professional fees (excluding management fees);
> operations – venue-based charges incorporating cleaning services, security and subscription TV;
> repairs and maintenance of venues; and
> occupancy – external leasehold rents as well as venue specific electricity, gas and rates charges.

As other operating costs are relatively fixed at the venue and corporate level, the business has significant operating leverage to grow revenue and expand margins at the Operating EBITDA level.

The diagram below highlights the relationship between pro forma operating costs, revenue and Operating EBITDA margins.

6. Financial information (cont.)

Diagram 36: FY16 to FY19 pro forma operating costs as a % of revenue and Operating EBITDA margin %



The diagram above shows that Redcape's pro forma operating costs as a percentage of revenue remained broadly stable in FY16, FY17 and FY18 (23.7%, 23.3% and 22.8% respectively), and are forecast to remain broadly in line with the historical average (23.1% in FY19 relative to a historical average of 23.3% from FY16 to FY18).

Employment costs as a percentage of revenue are forecast to increase from 12.0% of revenue in FY16 to 13.3% in FY19, with absolute employment costs increasing from $26.7 million to $39.6 million between FY16 and FY19. The absolute increase is due to additional staff associated with the expansion of the portfolio in FY18 and further in FY19 and the investment in high caliber venue management and staff is also driving the % increase in employment costs.

Other operating costs are forecast to decrease as a percentage of revenue between FY16 and FY19, from 11.9% to 11.0%, and to increase from $26.4 million to $32.7 million in absolute terms. The absolute increase is due to the expansion of the portfolio in FY18 and further in FY19, whilst the % decrease is due to rent savings from acquisition of the Cabramatta venue freehold.

Working capital

Redcape is predominantly a cash-based business with fairly static levels of debtors and inventory. As such, key working capital changes are generally driven by movements in creditors, with the timing of gaming tax payments the most significant.

Capital expenditure on venues

A key factor in growing and maintaining the operational performance of the Redcape venues is the application of capital expenditure. Redcape classifies its capital expenditure into two main categories:

> Growth – this is sub-divided into the following categories:
  - Refurbishment capex – as described in Section 3.6, refurbishments are a key driver of venue performance. Major refurbishments are classified in this category and generally involve optimising existing business models or repositioning venues.
  - Tactical spend – these are minor refurbishments.
  - DA planning – capital spent on obtaining planning approval for refurbishment opportunities.
  - Permits and entitlements – in order to maximise the venue EGM thresholds, Redcape occasionally acquires EGM permits and entitlements. This spend occurs on an ad hoc basis as a result of the irregular nature in which these opportunities come to market.
  - Acquisition venue capex – this is initial capital spent on acquisition venues, including EGMs and IT systems.
> Maintenance Capex – this is sub-divided into the following categories:

6. Financial information (cont.)

- Stay In Business ("SIB") – this expenditure aims to ensure the ongoing operational and presentational standards of the venues are maintained.
- Gaming capex – investments in gaming technology are a key driver of improved user engagement and resultant profitability.
- Platform and IT Systems – this is capital spent on maintaining Redcape's platform and IT systems to a high standard to support venue operations and decision making.

The table below summaries capital expenditure by classification from FY16 to FY19.

Table 24: Capital expenditure summary

$ million	Note	Pro forma historical FY16	Pro forma historical FY17	Pro forma historical FY18	Pro forma forecast FY19
Weeks in year		**52**	**53**	**52**	**52**
Growth capex					
Refurbishment capex		2.8	3.4	7.3	16.2
Tactical spend		1.1	1.3	0.6	1.7
DA planning		0.1	0.5	0.5	1.5
Permits and entitlements		–	–	1.2	0.8
Acquisition venues		–	–	1.2	2.5
Total growth capex		**4.0**	**5.1**	**10.8**	**22.8**
Maintenance capex					
SIB capex		2.4	2.1	1.8	2.4
Gaming capex		2.4	2.5	2.5	2.1
Platform and IT systems		0.6	0.7	0.4	0.5
Total maintenance capex		**5.5**	**5.2**	**4.6**	**5.0**
Total capital expenditure		**9.5**	**10.4**	**15.4**	**27.8**

MAHM follows a disciplined approach to capital expenditure with a strong focus on delivering accretive investment returns based on well considered criteria and analytics. Since acquisition by a fund established and managed by Moelis Australia in July 2017, MAHM has re-initiated the growth capex program following a reduced focus from the previous owners during their sale process.

In previous years, growth capex was characterised as high-volume low-cost refurbishments which were primarily gaming focused. The pipeline of opportunities for such capex works is now mostly exhausted and more comprehensive all of venue refurbishments are being progressed. These more material refurbishments typically take longer, have substantial trade disruption, cost more money and are more complex, increasing execution risk. They do however provide longer term growth, are more effective at attracting new customers and are ultimately more accretive to Redcape.

Experience has shown that more substantial capex works provide a life of capital around 7 years, where after that time the venue's growth slows, the competitive set increases and the opportunity to reinvest for growth repeats.

FY18 growth capex was $10.8 million including venue refurbishment, additional EGM permit acquisitions and development application planning. FY19 growth capex is forecast to be $22.8 million, covering a number of significant refurbishments including the Cabramatta Inn.

MAHM expects continued earnings growth through the forecast period as a result of refurbishment investments made in FY18, plus further earnings growth in FY20 as a result of the FY19 growth capex.

Management intends to continue supporting accretive growth capex and has identified multiple medium/long term initiatives which are forecast to drive future performance. Refer to Table 18 for the impact on cash flow related to capital expenditure.

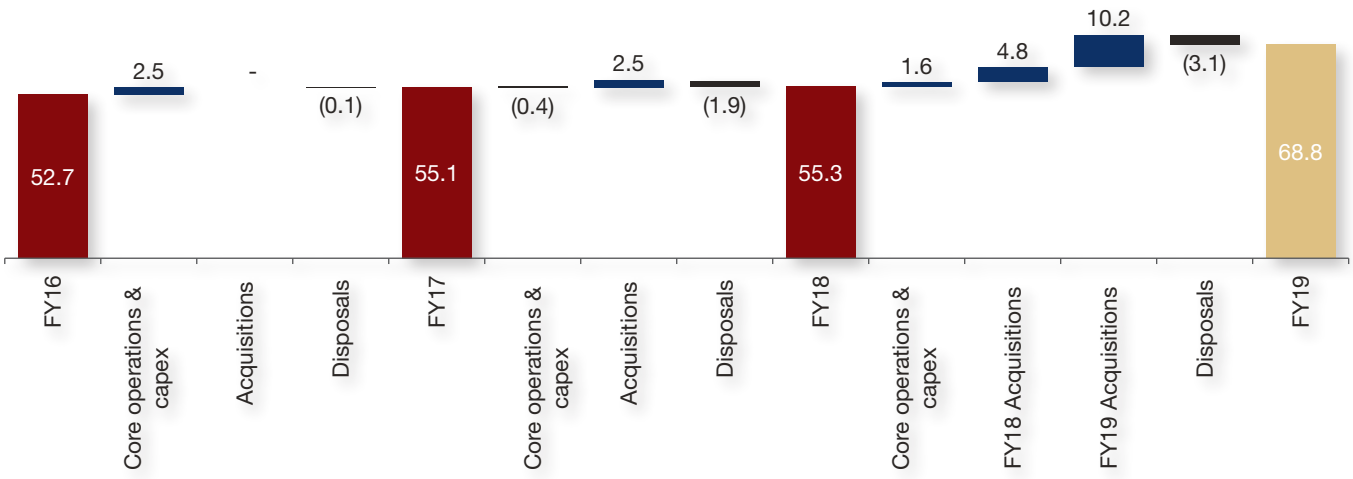
6. Financial information (cont.)

Operating EBITDA

Redcape's target Operating EBITDA growth of 3-5% per annum is underpinned by an ongoing focus on operational performance and population growth in the catchments in which its pubs are located, plus additional potential growth from refurbishment capital expenditure, portfolio recycling alternative use opportunities from its real estate land bank.

The diagram below shows the key drivers of Operating EBITDA growth from FY16 to FY19.

Diagram 37: Operating EBITDA bridge from FY16 to FY19 ($ million)



Notes:

1. Core operations and capex – core operations and refurbishment capex led growth excluding the impact of acquisitions and disposals.
2. Acquisitions – venue acquisitions in the financial year and the full-year impact of prior year venue acquisitions.
3. Disposals – venues disposed of during the financial year and the full-year impact of prior year venue disposals.

Diagram 37 above shows that Redcape's growth is being driven by a combination of the net impact of venue acquisitions and disposals, and core operations and capex growth.

In FY17, Operating EBITDA grew by 4.4% or $2.3 million to $55.1 million with 4.7% or $2.5 million generated by core operations and capex led growth, offset by -$0.1 million from venue disposals. Operating EBITDA in FY17 was positively influenced by an additional week in FY17 relative to FY16 (FY17 consisted of a 53 week year, relative to 52 week year in FY16). The extra week of trading is estimated to have contributed an additional $1.2 million of pro forma Operating EBITDA in FY17.

FY18 Operating EBITDA grew by 0.5% to $55.3 million, with -0.7% or -$0.4 million generated by core operations and capex led growth, and 1.1% or $0.6 million from venue acquisitions (Andergrove, Crescent and Wattle Grove), net of venue disposals. Operating EBITDA in FY18 was negatively influenced by an additional week in FY17 relative to FY18 (FY17 consisted of a 53 week year, relative to 52 week year in FY18).

FY19 Operating EBITDA is forecast to grow by 24.3% to $68.8 million, with 2.9% or $1.6 million generated by core operations and capex led growth, and 21.5% or $11.9 million from venue acquisitions, net of venue disposals. FY19 acquisitions include The Sun, Vauxhall Inn and Australian Hotel and Brewery settled in early FY19 and the Acquisition Portfolio which exchanged in October 2018 and is expected to settle on or shortly prior to 18 December 2018. Venues acquired in FY18 (Andergrove, Crescent and Wattle Grove) are also a significant contributor to FY19 forecast Operating EBITDA growth.

Venue acquisition costs

Venue acquisition costs represent stamp duty and other costs associated with the acquisition of new venues. In FY18, $5.2 million in acquisition costs were incurred in relation to the purchase of Andergrove, Crescent, Wattle Grove and Cabramattta Freehold. In FY19, $4.8 million in acquisition costs were incurred in relation to the purchase of The Sun, Vauxhall, Australian Hotel & Brewery and $2.5 million in relation to the Acquisition Portfolio.

6. Financial information (cont.)

Gain/(loss) on the sale

The net gain or loss on the sale of venues relates predominantly to the disposal of venues in line with Redcape's strategy to divest non-core venues. In FY17, a gain of $1.3 million was realised in relation to the disposal of Livingstone and three investment properties (Bendigo, Bays Water and Fairfield Waters). In FY18, a gain of $0.3 million was realised in relation to the disposal of Doonside and one investment property (Carrington).

Property

Redcape owns 31 of the 32[1] hotels it operates as a freehold going concern (meaning Redcape owns the land, building, WIP and operational entitlements of each hotel). Based on independent valuations of each individual hotel which have been undertaken within the last 6 months, Redcape's Gross Hotel Portfolio Value is $1,037.2 million.

Redcape's Gross Hotel Portfolio Value is defined as the freehold going concern or leasehold going concern fair market valuation of all of Redcape's hotels.

Depreciation

Depreciation primarily relates to Redcape's property (excluding land), plant and equipment. The depreciation rates used across Redcape's asset categories are outlined in Annexure A.

The annual depreciation charge is impacted by the amount, nature and timing of capital expenditure in a financial year as well as venue acquisitions and disposals.

In FY17, depreciation expense increased by $1.4 million to $9.5 million due to venue capital expenditure in the prior year. In FY18, depreciation expense decreased $0.4 million to $9.0 million due to disposal of venues and relatively flat capital expenditure. FY19 Depreciation is forecast to increase by $2.4 million to $11.4 million reflecting acquisition of new venues and increased capital expenditure.

Impairment charge

An impairment loss is recognised whenever the carrying amount of goodwill, gaming and liquor licences or property, plant and equipment exceed their recoverable amount. No impairment charges are forecast in FY19 on the basis that any such adjustments cannot be reliably forecast. An Impairment is a non-deductible item for income tax purposes.

Net finance costs

Net finance costs presented in the Pro Forma Historical Income Statements represent actual net cost incurred by Redcape based on the actual amount of net debt drawn and the terms of the facilities that were in place during the historical period. The Pro Forma Forecast Income Statement reflects the expected net finance costs based on forecast debt drawn during FY19 under the Syndicated Debt Facility.

Taxation

Income tax expense has been calculated based on the applicable statutory income tax rates for Australia, which are 30% in respect of the operations and activities of the Redcape Hotel Trust II and nil in respect of the income of the Redcape Hotel Trust I (as it is a flow through trust subject to the Attribution Managed Investment Trust regime). The freehold real estate is held by the Redcape Hotel Trust I and the rental income in the Redcape Hotel Trust I (representing a material proportion of Redcape's taxable profits) is not taxed in the Redcape Hotel Trust I, but is subject to tax in the hands of Securityholders pursuant to the operation of the Attribution Managed Investment Trust regime. Historical Redcape Hotel Trust II tax losses, which as at 30 June 2018 totalled approximately $1.8 million. These tax losses should continue to be available post Completion of the Offer provided that the loss recoupment rules are satisfied.

1. Includes the Acquisition Portfolio (three hotels) that Redcape has exchanged contracts to acquire with settlement contracted to occur on or shortly prior to 18 December 2018. Refer to Section 6.4.6 for more detail on the Acquisition Contracts.

6.7 Assumptions to be used to prepare the Forecast Financial Information

In preparing the Forecast Financial Information, the Responsible Entity Directors have applied assumptions relating to the key factors influencing the financial performance of Redcape. These assumptions are set out below as general and further specific best estimate assumptions. The assumptions below are a summary only and do not represent all factors that will affect Redcape's Forecast Financial Information. The assumptions below are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and the Responsible Entity Directors make no representation that the assumptions will occur, or that the assumptions below are exhaustive.

The Forecast Financial Information is based on the actual unaudited results of Redcape for the one month to 31 July 2018 and forecast results for the eleven months to 30 June 2019, having regard to the trading performance of Redcape up to the lodgement of the PDS.

The assumptions set out below should be read in conjunction with the management discussion and analysis of the Financial Information set out in Section 6.7, the sensitivity analysis set out in Section 6.8, the risk factors set out in Section 8, the Investigating Accountant's Report set out in Section 9 and other information in this PDS.

6.7.1 General assumptions

In preparing the Forecast Financial Information, the following best estimate general assumptions in relation to FY19 have been adopted by the Responsible Entity Directors:

- no material change in the competitive and operating environments in which Redcape operates, including the behaviour and number of customers and competitors;
- no significant deviation from current market expectations of Australian economic conditions (including financial market stability) relevant to Redcape;
- no material changes in Australian Commonwealth, state or local government legislation (including tax legislation), regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Redcape;
- no material changes in applicable AAS or other mandatory professional reporting requirements or the Corporations Act, which have a material impact on Redcape's financial performance, financial position, accounting policies, financial reporting or disclosure;
- other than as disclosed, no business or venue acquisitions or disposals by Redcape;
- no material industrial or employee relations disputes, acts of terrorism or other disturbances, environmental costs, contingent liabilities or legal claims which have a material impact on Redcape;
- key personnel, particularly the senior management team, are retained by MAHM and MAHM maintains its ability to recruit and retain required personnel;
- no change in Redcape's capital structure other than as set out in, or contemplated by, this PDS;
- no material amendment to any material agreement or arrangement relating to Redcape's businesses other than as set out in, or contemplated by, this PDS;
- none of the risks listed in Section 8 eventuates, or if they do, none of them have a material adverse impact on the operations of Redcape; and
- Completion of the Offer occurs in accordance with the timetable set out on page 8 of this PDS.

6.7.2 Specific assumptions

In preparing the Forecast Financial Information, the following best estimate specific assumptions in relation to FY19 have been adopted by the Responsible Entity Directors:

Revenue

The Forecast Financial Information is based on the following key revenue assumptions:

- On-premise, gaming and off-premise revenue is forecast on a venue by venue basis taking into account recent and anticipated changes in a number of factors including:
  - centralising purchasing to improve buying power;
  - LGA and overall market conditions;

  - current trading performance;
  - capital expenditure and improvements to individual venues;
  - incremental growth in customer patronage and expenditure;
  - incremental growth in gaming turnover per EGM across the pub portfolio;
  - after tax returns per EGM;
  - EGM numbers (no increase forecast in FY19 beyond acquisitions noted in this PDS) and EGM mix; and
  - food and beverage pricing (CPI increases assumed).

> Corporate revenue primarily consists other income derived from venue spaces leased to corporate offices, retail outlets, car park revenue and telephone towers. Redcape has no investment properties providing rental income in FY19.

FY19 revenue is forecast to grow by 22.6% or $55.0 million to $298.1 million with 17.2% or $41.8 million from venue acquisitions, net of venue disposals (comprising $18.6 million uplift from the full year impact of FY18 acquisitions and $41.8 contribution from FY19 acquisitions) and 5.4% or $13.1 million from core operations and capex led growth.

The drivers of FY19 revenue growth include the positive impact of the $10.8 million growth capex in FY18 and $22.8 million growth capex in FY19, as well as the acquisition of venues in FY18 and FY19 that benefit from the application of MAHM's expertise, operating model and capital improvements to drive growth. This is discussed in more detail in Section 6.7.1.

Gross margins

The Forecast Financial Information is based on gross margins consistent with current trading levels and the forecast revenue mix. Gaming cost of sales is based on the marginal gaming tax rates applied to each venue's gaming revenue as described in Section 2.5.

Like the revenue forecasts, Redcape's gross profit margin is determined on a venue by venue basis and is forecast to remain relatively stable over the forecast period, increasing to 52.8% in FY19 from 51.6% in FY18 predominantly driven by the relative mix of segments (increase in on-premise contribution from acquisitions). Gross margins are discussed in more detail in Section 6.6.

Operating costs

The Forecast Financial Information is based on the following operating costs assumptions:

> Employment costs – represent salaries, wages and other employment related expenses. Employment costs are forecast based on current central and venue headcount, allowing for annual increases in wages and new positions during the year.

> Employment expenses are forecast to increase by 34.3% to $39.6 million in FY19. This forecast increase in employment expenses relates to the investment in central venue support staff to drive improved operational performance at the venue level, the impact of venue acquisitions and disposals and inflationary adjustments.

> Management fees – comprise fees payable by Redcape to MAHM under the Hotel Operating Agreement and Investment Management Agreement. Details of the Hotel Operating Agreement and Investment Management Agreement are in Sections 13.1.2 and 13.1.1, respectively.

> Other operating costs – are forecast to increase in line with inflation and are driven by the number of venues in the portfolio and product mix. Other operating costs include:
  - advertising and marketing;
  - venue and central administration – relating to charges such as IT, audit and professional fees (excluding Management fees);
  - operations – venue-based charges incorporating cleaning services, security and subscription TV;
  - repairs and maintenance of venues; and
  - occupancy – external leasehold rents as well as venue specific electricity, gas and rates charges.

6. Financial information (cont.)

Venue acquisitions

The Forecast Financial Information includes the impact of the Acquisition Portfolio, which consists of three venues located on the South Coast of NSW for which Redcape entered into a binding agreement to acquire on 15 October for a total consideration of $50 million. This Acquisition Contracts are subject to customary conditions precedent and settlement is expected to occur on or shortly prior to 18 December 2018. The Forecast Financial Information includes forecast trading from these venues from 18 December 2018 to 30 June 2019. Refer to Section 6.4.6 for further details on the Acquisition Contracts and Acquisition Portfolio.

Venue acquisition costs

Of the $7.3 million of acquisition costs forecast to be incurred in FY19 $4.8 million relate to the purchase of The Sun, Vauxhall and Australian Hotel & Brewery, which settled prior to the PDS Date and the remaining $2.5 million relates to the purchase of Acquisition Portfolio.

Gain on sale of venues

No venue sales and related gains or losses are forecast for FY19.

Depreciation

Forecast depreciation is based on current depreciation rates and forecast capital expenditure. Depreciation is forecast to increase by 26.7% to $11.4 million in FY19. This increase is reflective of the significant investment made in IT systems, refurbishments, maintenance capex and venue acquisitions and is discussed further in Section 6.6.

Net finance costs

The forecast net finance costs reflect the Syndicated Debt Facility as set out in Section 6.3.1 and are based on:

> the current BBSW rate;
> line fees; and
> a blended margin taking into account 50.0% of the facility being hedged.

The assumed all-in rate for the Syndicated Debt Facility in FY19 is 4.3% following Listing. Sensitivity analysis on the impact of a 100 basis point movement has been provided in Section 6.8 below.

Impairment charges

No impairment charge is forecast for FY19. Impairment charges are discussed above.

Income tax expense

As discussed in Section 6.6, the effective tax rate of Redcape (the stapled group) is significantly lower than 30% because the freehold real estate is held by Redcape Hotel Trust I and the rental income in Redcape Hotel Trust I (representing a material proportion of Redcape's taxable profits) is not taxed in Redcape Hotel Trust I (but is instead subject to tax in the hands of the Securityholders as it is a pass through entity for tax purposes).

Tax paid

As discussed in Section 6.6, tax paid relates to income tax instalments paid during the income year, less estimated final tax payments/refunds upon lodgement of the income tax returns during the year. Income tax paid was nil for historical periods due to the utilisation of carried forward tax losses and the flow through nature of the Redcape Hotel Trust I. The pro forma and statutory income tax paid is forecast to be nil for FY19 due to the availability of prior year tax losses and costs of the Offer.

Working capital

The Forecast Financial Information is based on the following working capital assumptions:

> trading terms in line with historical trading; and
> MAHM's expectations on the timing of payments.

Relatively minor movements are expected over the forecast period and as discussed further in Section 6.5. The investment in working capital is forecast to decrease by $0.9 million in FY19 predominantly driven by the forecast timing of gaming tax payments and other trade creditors.

Capital expenditure

The Forecast Financial Information is based on the following FY19 capital expenditure assumptions:

> planned refurbishments of venues totalling $16.2 million;
> tactical spend of $1.7 million;
> DA planning of $1.5 million;
> permits and entitlements of $0.8 million;
> acquisition venues of $2.5 million; and
> general maintenance expenditure of $0.2 million per venue.

Further details of the FY19 capital expenditure assumptions are included above.

6.8 Sensitivity analysis

6.8.1 General sensitivities

The Forecast Financial Information included in Section 6.3 and Section 6.5 is based on a number of estimates and assumptions as described in Section 6.7. These assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Responsible Entity, the Responsible Entity Directors and MAHM, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this PDS should be expected.

To assist investors in assessing the impact of these assumptions on the forecasts, set out below in Table 25 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purpose of the analysis below, the impact of the changes in key assumptions is expressed relative to the FY19 pro forma forecast Operating EBITDA of $68.8 million and on the FY19 pro forma forecast NPAT of $30.4 million. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that Redcape would respond to any adverse change in one variable by seeking to minimise the net effect on Redcape's Operating EBITDA and NPAT.

Table 25: Sensitivity analysis on pro forma forecast Operating EBITDA and NPAT

Assumption	Variance	FY19 Pro Forma Operating EBITDA impact ($ million)	FY19 Pro Forma NPAT impact ($ million)	FY19 Pro Forma Distributable Earnings per Stapled Security impact (cps)
Total revenue	+/- 5%	3.2	2.2	9.2 cps / 8.4 cps
Gross profit	+/- 200 bps	5.5	3.8	9.5 cps / 8.1 cps
Overheads[1]	+/- 5%	(3.3)	(2.3)	8.2 cps / 9.5 cps
Interest rate[2]	+/- 100 bps	n.a.	(0.9)	8.7 cps / 9.0 cps

Notes:

1. Overheads includes venue staff employment costs and other operating costs and excludes management fees.
2. The impact of changes in interest rates shown above assumes that Redcape has hedged 50% of its interest rate exposure.

6. Financial information (cont.)

6.8.2 Buyback sensitivity

The Responsible Entity may (in its sole discretion) decide to expend up to $29.1 million following the completion of the Offer in buying back (and redeeming) Stapled Securities by way of an on-market Buyback (of up to 5% of the Redcape's Stapled Securities on issue prior to the Offer). The Financial Information assumes that no Stapled Securities are cancelled through the Buyback as no assurance is given that the Buyback will proceed. For further information see Section 7.16.

The following table illustrates the sensitivity of the FY19 Pro Forma Operating EBITDA, FY19 Pro Forma Forecast NPAT, FY19 Pro Forma Distributable Earnings, and Pro Forma Gearing as at 30 June 2018 from the Buyback. It is assumed for the purposes of the sensitivity that the Buyback is entirely funded with debt, occurs with effect on 30 June 2018, and is priced at $1.13 per Stapled Security, being the Pro Forma net assets per Stapled Security of the Group following the Offer.

Table 26: Sensitivity analysis on the Buyback

	Cumulative expenditure ($ million)	FY19 Pro Forma Operating EBITDA ($ million)	FY19 Pro Forma NPAT ($ million)	FY19 Pro Forma Forecast Distributable Earnings per Stapled Security (cps)	Pro Forma Gearing (%)
Base case: No buyback	–	68.8	30.4	8.8-9.0	37.4%

	($ million)	Change in FY19 Pro Forma Operating EBITDA ($ million)	Cumulative change in FY19 Pro Forma NPAT ($ million)	Cumulative change in FY19 Pro Forma Forecast Distributable Earnings per Stapled Security (cps)	Cumulative change in Pro Forma Gearing (%)
2.5% buyback	14.6	-	(0.4)	0.007	1.4%
5% buyback	29.1	-	(0.8)	0.014	2.7%

6.9 Distributions

6.9.1 Pro forma forecast distribution statement

The Pro Forma Forecast Distribution Statement has been derived by adjusting Pro Forma NPAT from the Pro Forma Forecast Income Statement for:

> Non-cash items: comprises depreciation and amortisation, fair value adjustments, or other unrealised items; and

> Other items: venue acquisition and disposal costs not funded by operating cash flows, and other non-recurring items.

The resulting measure is termed Distributable Earnings which represents the Responsible Entity Directors' measure of performance and providing investors with the same basis that is used internally for evaluating performance, making strategic decisions and determining distributions to Stapled Securityholders during the year.

It is expected that distributions are paid quarterly. The first distribution is for the period from Allotment until 31 December 2018, and is expected to be paid within two months from 31 December 2018. Redcape will target to distribute 90-100% of Pro Forma Distributable Earnings. The Responsible Entity Directors retain the discretion to amend the Distribution Policy.

6. Financial information (cont.)

The Responsible Entity Directors will have regard to the amount of cash available in determining Redcape's distribution payout ratio and may change the distribution payout ratio in the future.

Table 27: Pro forma forecast consolidated distribution statement for FY18 and FY19

$ million	Note	Pro Forma FY18	Pro Forma Forecast FY19
Pro Forma NPAT	1	**26.8**	**30.4**
Add/(deduct): non-cash/non-operating items			
Venue acquisition costs	2	5.2	7.3
Gain/(loss) on the sale of venues	3	(1.3)	(0.3)
Depreciation	3	9.0	11.4
Tax expense	5	0.8	2.3
Amortisation of borrowing costs	3	0.7	0.5
Maintenance capital expenditure	4	(4.6)	(5.0)
Other non-cash items	6	0.4	–
Distributable earnings		**36.8**	**46.6**
Payout ratio	7	102.9%	99.2%
Distribution		**37.9**	**46.3**
Pro Forma Distributable Earnings per Stapled Security		8.5	8.8
Pro Forma Distribution per Stapled Security		8.8	8.8
Pro Forma Distributable Earnings Yield	8	n.a.	7.8%
Pro Forma Distribution Yield	9	n.a.	7.7%
Weighted average number of Stapled Securities		432.9	528.6

Notes: The pro forma historical FY18 distribution statement is only presented to illustrate the level of Distributable Earnings that would have been available in respect of FY18 based on the application of Redcape's intended distribution policy as stated at Section 6.9.2. The pro forma FY18 distribution presented does not represent the actual distribution for the period. Refer Table 15 for pro forma adjustments to statutory NPAT to derive Pro Forma NPAT.

1. Pro Forma NPAT has been derived from the Pro forma Forecast Income Statement.
2. Venue acquisition costs – funded via non-operating cashflows.
3. Non-cash items – as per the distribution policy non-cash items that are recognised in NPAT are adjusted for in the determination of Distributable Earnings.
4. Maintenance capex – is funded via operating cash flows and includes recurring Stay In Business ("SIB") expenditure which aims to ensure the ongoing operational standards of the venues are maintained and expenditure on gaming technology as described in Section 6.6.
5. Reversal of tax expense recognised for accounting purposes in recognition of nil tax payable in FY19 as described in Sections 6.6 and 6.7.2.
6. Other non-cash items include sundry non-operating expenses and fair value adjustments related to derivatives which relate specifically to FY18 and therefore added back to compare Pro Forma Forecast FY19 Distributable Earnings on a like for like basis
7. Future distributions declared will represent approximately 100% of taxable earnings of Redcape Hotel Trust I being a pass-through entity for tax purposes.

8. Pro Forma Distributable Earnings Yield is the rate of return derived by dividing the Pro Forma Distributable Earnings per Stapled Security by the Offer Price of $1.13.
9. Distribution Yield is the rate of return derived by dividing the Distribution per Stapled Security by the Offer Price of $1.13

6.9.2 Distribution policy

Depending on available profits and the financial position of Redcape, the Board intends for Redcape to pay any Distributions on a quarter year basis with distribution periods ending on 31 March, 30 June, 30 September and 31 December each year. Distributions will generally be paid within three months of the end of each quarter year.

The forecast Distribution for the period from Completion of the Offer to the end of FY19 is $28.2 million or 5.11 cents per Stapled Security which represents an annualised Pro Forma FY19 Distribution Yield of 7.7% (equivalent to 8.75 cents per Stapled Security) and an annualised payout ratio of 97.2-99.4% based on Redcape's Pro Forma Forecast FY19 Distributable Earnings per Stapled Security.

The Distribution payable to the Securityholders in respect of FY19 is subject to the forecasts in the Forecast Financial Information being achieved and the assumptions set out in Section 6.7 and a number of other factors the Board may consider relevant.

Future distributions declared will represent at least 100% of taxable earnings of Redcape Hotel Trust I being a passthrough entity for tax purposes.

The Board has adopted a policy of paying out between 90% and 100% of Redcape's Pro Forma Distributable Earnings per Stapled Security having regard to a range of factors including:

> general business environment, operating results and financial conditions;
> maintenance capital expenditure requirements;
> covenants and undertakings under Redcape's Syndicated Debt Facility;
> taxation considerations (in particular in relation to the Trust);
> contractual, legal or regulatory restrictions on the payment of Distributions;
> working capital requirements; and
> other factors that the Board consider relevant.

No assurance can be given by any person, including the Board, about the payment of any Distribution or the level of franking.

The Board has approved a group Distribution Reinvestment Plan (DRP) for Redcape. As at the PDS Date the DRP is not active. The DRP, if activated, allows Securityholders to reinvest Distributions from all or part of their holdings in new Stapled Securities at a discount to the prevailing market price. The operation of the DRP is at the discretion of the Board and may be varied, modified, suspended or terminated by the Board at any time by giving at least one month's notice to all Securityholders. Further information on the DRP is included in Section 14.3.

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Redcape
HOTEL GROUP

Section 7

Details of the Offer and how to apply

7. Details of the Offer and how to apply

7.1 The Offer

This PDS relates to an initial public offering of a minimum of 44.2 million and a maximum of 53.1 million Stapled Securities at the Offer Price of $1.13 per Stapled Security, comprising:

> 35.4 million New Stapled Securities offered by Redcape; and

> Between 8.8 million – 17.7 million Sale Securities offered by SaleCo,

together with approximately 0.3 million New Stapled Securities to be issued under the Employee Gift Offer at no cost.

At Completion, the total number of Stapled Securities on issue will be 551.5 million. All Stapled Securities will rank equally with each other.

The Stapled Securities offered under this PDS will represent a minimum of 8.0% and a maximum of 9.6% of the Stapled Securities on issue at Completion.

The Offer is expected to raise a minimum of $50.0 million and a maximum of $60 million, comprising $40 million from the issue of New Stapled Securities and a minimum of $10 million and a maximum of $20 million from the sale of Sale Securities.

The Offer is made on the terms, and is subject to the conditions, set out in this PDS.

7.2 SaleCo structure

Certain Existing Securityholders have irrevocably agreed to sell a portion of their Stapled Securities to SaleCo free from encumberances and third-party rights and undertaken to deliver those Sale Securities to or as directed by SaleCo on Completion of the Offer subject only to:

> payment of the consideration due to them; and

> the receipt by SaleCo of proper instruments of transfer of any documents of title to, the Sale Securities.

7.3 Offer structure

The Offer comprises:

> The Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and other eligible jurisdictions to apply for Stapled Securities;

> The Retail Offer, which consists of the:

- Broker Firm Offer, which is open to persons who receive an allocation of Stapled Securities from their Broker and who have a registered address in Australia;
- Employee Gift Offer, which is open to Eligible Employees in Australia who have received an offer invitation to participate;
- Priority Offer, which is open to persons in Australia who have received an invitation to participate in the Priority Offer by Redcape or the Joint Lead Managers.

There is no general public offer of Stapled Securities. Members of the public wishing to apply for Stapled Securities under the Offer must do so through a Broker with a firm allocation of Stapled Securities. The allocation of Stapled Securities between the Broker Firm Offer, the Employee Gift Offer, the Priority Offer and the Institutional Offer will be determined by the Responsible Entity in consultation with the Joint Lead Managers.

The Responsible Entity, SaleCo and the Joint Lead Managers have entered into an Underwriting Agreement pursuant to which the Joint Lead Managers have agreed to fully underwrite the Offer of New Stapled Securities by Redcape (excluding the Employee Gift Offer). In addition, $10 million of the Offer of Sale Securities by SaleCo has been underwritten by the Joint Lead Managers under the Underwriting Agreement. Under certain circumstances, the Joint Lead Managers may terminate the Underwriting Agreement, and these are set out in Section 13.3.

7. Details of the Offer and how to apply (cont.)

7.4 Purpose of the Offer

The Purpose of the Offer is to:

> provide funding for the acquisition of the Acquisition Portfolio;
> provide a liquid market for Stapled Securities;
> provide Redcape with ongoing access to capital markets to assist with capital management and provide additional flexibility with respect to the funding of growth initiatives;
> diversify Redcape's register through the introduction of new retail and institutional investors;
> provide Redcape with the benefits of an increased profile and transparency that arises from being a listed entity; and
> provide Moelis Australia Securityholders an opportunity to partially realise their investment in Redcape.

7.5 Use of proceeds

The proceeds of the Offer will be applied to:

> partially fund the acquisition of the Acquisition Portfolio. The proceeds of the issue of New Stapled Securities, being $40.0 million less Acquisition Portfolio costs of $2.5 million and Offer costs of $7.8 million, will be applied towards the settlement of the Acquisition Portfolio together with amounts from Redcape's existing cash and debt reserves; and
> fund the purchase of Sale Securities from Existing Securityholders and will be paid to a trust account operated by SaleCo. A minimum of $10 million and a maximum of $20 million, less costs of a minimum of $0.3 million and a maximum of $0.5 million, will be passed on to each of the Existing Securityholders in proportion to the number of Stapled Securities they have sold.

Table 28: Sources and uses of funds (minimum raising)

Sources of funds	$ million
Gross proceeds received from the issue of New Stapled Securities by Redcape	40.0
Cash proceeds received from the sale of Existing Stapled Securities by SaleCo	10.0
Debt and cash reserves	20.3
Total sources	**70.3**

Uses of funds	$ million
Acquisition of Acquisition Portfolio[1]	52.5
Purchase of Sale Securities from Existing Securityholders[2]	10.0
Payment of the costs of the Offer by Redcape	7.8
Total uses	**70.3**

Notes: Any discreprencies between totals and sums of components in this table are as a result of rounding.

Table 29: Sources and uses of funds (maximum raising)

Sources of funds	$ million
Gross proceeds received from the issue of New Stapled Securities by Redcape	40.0
Cash proceeds received from the sale of Existing Stapled Securities by SaleCo	20.0
Debt and cash reserves	20.3
Total sources	**80.3**

Uses of funds	$ million
Acquisition of Acquisition Portfolio[1]	52.5
Purchase of Sale Securities from Existing Securityholders[3]	20.0
Payment of the costs of the Offer by Redcape	7.8
Total uses	**80.3**

1. Gross costs of $2.5 million incurred in relation to the Acquisition Portfolio.
2. Gross costs of $0.3 million borne by certain Existing Securityholders.
3. Gross costs of $0.5 million borne by certain Existing Securityholders.

7. Details of the Offer and how to apply (cont.)

7.6 Securityholder structure

Details of the ownership of Stapled Securities immediately prior to, and on Completion of the Offer are set out below:

Table 30: Securityholder structure

Securityholder	Stapled Securities held pre-listing (million)	Stapled Securities to be acquired / (sold) under the Offer (million)	Pro forma Stapled Securities held on completion (million)	% of Stapled Securities on issue on Completion of the Offer (%)
Moelis Australia Funds	168.2	(6.6) – (13.3)	161.5 – 154.9	29.3 – 28.1
Moelis Australia	53.7	(2.2) – (4.4)	51.5 – 49.3	9.3 – 8.9
Other Securityholders	294.0	44.5 – 53.4	338.5 – 347.3	61.4 – 63.0
TOTAL	515.9	35.7	551.5	100.0

In the event the gross proceeds raised by SaleCo under the Offer are less than $20.0 million, the actual proceeds raised will be distributed by SaleCo and the Sale Securities sold down on a pro rata basis of 75.0% by Moelis Australia Funds and 25.0% by Moelis Australia.

7.7 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Fully paid Stapled Securities, each comprising of a unit in Redcape Hotel Trust I (which own the freehold properties) stapled to a unit in Redcape Hotel Trust II.
What is the consideration payable for each Stapled Security?	The Offer Price is $1.13 per Stapled Security.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in 'Key Offer Dates' on page 5. No Stapled Securities will be issued on the basis of this PDS later than the Expiry Date.
What are the cash proceeds to be raised under the Offer?	A minimum of $50.0 million and a maximum of $60 million will be raised from successful Applicants under the Offer. $40 million of the proceeds will be paid to Redcape for the issuance of the New Stapled Securities and a minimum of $10 million and a maximum of $20 million of the proceeds will be paid to the Existing Securityholders for the transfer of the Existing Stapled Securities to successful Applicants.
Is the Offer underwritten?	The Responsible Entity, SaleCo and the Joint Lead Managers have entered into an Underwriting Agreement pursuant to which the Joint Lead Managers have agreed to to fully underwrite the Offer of New Stapled Securities by Redcape (excluding the Employee Gift Offer). In addition, $10 million of the Offer of Sale Securities by SaleCo has been underwritten by the Joint Lead Managers under the Underwriting Agreement. Under certain circumstances, the Joint Lead Managers may terminate the Underwriting Agreement, and these are set out in Section 13.3.

7. Details of the Offer and how to apply (cont.)

Topic	Summary
What is the minimum and maximum Application size under the Retail Offer?	For eligible Applicants under the Priority Offer the minimum Application amount is $2,000, and in multiples of $500 thereafter. For Applicants under the Broker Firm Offer the minimum application amounts will be as per the Priority Offer although your Broker may impose higher limits and/or a maximum application amount. Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for up to $1,000 worth of Stapled Securities at no cost. Participants in the Institutional Offer have been advised of their allocations of Stapled Securities, if any, by the Joint Lead Managers.
What is the guaranteed, minimum and maximum Application size under the Employee Gift Offer?	Employee Gift Offer Applicants who are Successful Applicants will receive a guaranteed allocation of $1,000 worth of Stapled Securities (rounded down to the nearest whole Stapled Security based on the Offer Price) or such lesser amount applied for at no cost.
What is the allocation policy?	The allocation of Stapled Securities between the Broker Firm Offer, the Priority Offer, the Employee Gift Offer and the Institutional Offer will be determined by the Responsible Entity and the Joint Lead Managers, in their absolute discretion, having regard to the allocation policy outlined in Section 7.8.4, Section 7.9.5, Section 7.10.4 and Section 7.11.2. With respect to the Broker Firm Offer, it will be a matter for Brokers as to who they allocate Stapled Securities among their retail clients. The final allocation of Stapled Securities under the Priority Offer and the Employee Gift Offer will be at the discretion of the Responsible Entity, subject to the guaranteed minimum allocation for Applicants under the Priority Offer and Employee Gift Offer.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or around 3 December 2018. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Units having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.
Will the Units be quoted on ASX?	The Responsible Entity, on behalf of Redcape, has applied for Redcape to be admitted to the official list of ASX and quotation of Stapled Securities on ASX under the code "RDC". Completion of the Offer is conditional upon ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Payments received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. ASX takes no responsibility for this PDS or the investment in Redcape. The fact that ASX may admit Redcape to the official list is not to be taken as an indication of the merits of Redcape or the Stapled Securities offered for sale by the Existing Securityholders.

7. Details of the Offer and how to apply (cont.)

Topic	Summary
When are the Stapled Securities expected to commence trading?	It is expected that trading of the Stapled Securities on ASX will commence on or about 30 November 2018, initially on a deferred settlement basis. Stapled Securities are expected to commence trading on ASX on a normal settlement basis on or around 4 December 2018. It is the responsibility of each Applicant to confirm their holding before trading in Stapled Securities. Applicants who sell Stapled Securities before they receive an initial statement of holding do so at their own risk. The Responsible Entity and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Stapled Securities before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Redcape IPO Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Refer to Section 7.15.
Has ASIC relief or an ASX waiver been obtained or been relied on?	Yes. Refer to Section 14.8 and Section 14.9.
Are there any tax considerations?	Yes. Refer to Section 11.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by applications on acquisition of Stapled Securities Stapled Securities under the Offer. Refer to Section 12.5 for details of various fees payable by Redcape to the Joint Lead Managers.
What should I do with any enquiries?	All enquiries in relation to this PDS should be directed to the Redcape IPO Information Line on (02) 9719-4088 between 8.30am to 5.30pm (AEST), Monday to Friday (excluding public holidays) during the Offer Period. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Redcape is a suitable investment for you, you should consult with your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.8 Broker Firm Offer

7.8.1 Who may apply under the Broker Firm Offer?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia and are not located in the United States. If you have been offered a firm allocation by a Broker, you will be treated as an applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Stapled Securities to you under the Broker Firm Offer.

Moelis Australia Advisory Pty Ltd and Ord Minnett Limited have been appointed as Joint Lead Managers to the Broker Firm Offer.

7. Details of the Offer and how to apply (cont.)

7.8.2 How to apply under the Broker Firm Offer

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Payment with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Registry.

Applications for Stapled Securities under the Broker Firm Offer may only be made on a Broker Firm Offer Application Form attached to or accompanying this PDS, or in its electronic copy form which may be downloaded in its entirety from www.redcapeipo.com.au. If you are an Investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received an invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this PDS (or any replacement PDS), together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this PDS or the complete and unaltered electronic version of this PDS.

The minimum Application under the Broker Firm Offer is $2,000, and in multiples of $500 thereafter worth of Stapled Securities. There is no maximum value of Stapled Securities that may be applied for under the Broker Firm Offer. However, the Responsible Entity and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. The Responsible Entity may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens on 12 November 2018 and is expected to close on 22 November 2018. The Responsible Entity and the Joint Lead Managers may elect to extend the Offer or any part of it or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

The Applicant's Broker will act as the Applicant's agent in processing the Application Form and providing Application details and Application Payments to the Registry.

7.8.3 How to pay under the Broker Firm Offer

Applicants under the Broker Firm Offer must pay their Application Payments in accordance with instructions received from their Broker.

7.8.4 Allocation policy under the Broker Firm Offer

The allocation of Stapled Securities to Brokers under the Broker Firm Offer has been determined by the Responsible Entity in consultation with the Joint Lead Managers.

Stapled Securities which have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants who have received a valid allocation of Stapled Securities from those Brokers (subject to the right of the Responsible Entity and the Joint Lead Managers to reject or scale back Applications). It will be a matter for those Brokers how they allocate Stapled Securities among their clients, and they (and not the Responsible Entity or the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Stapled Securities.

Applicants under the Broker Firm Offer will be able to confirm their firm allocation through the Broker from whom they received their allocation.

Holding statements are expected to be dispatched on or around 3 December 2018. If you sell Stapled Securities before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Redcape IPO Information Line or confirmed your allocation through a Broker.

7.9 Priority Offer

7.9.1 Who can apply under the Priority Offer?

The Priority Offer is open to Investors who:

> have received a personalised invitation to participate in the Offer by the Responsible Entity or the Joint Lead Managers; and

> who have a registered address in Australia.

If you have been invited by the Responsible Entity to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Stapled Securities that are allocated to you.

7.9.2 How to apply under the Priority Offer

If you have received a personalised invitation to apply for Stapled Securities under the Priority Offer and you wish to apply for Stapled Securities, you should follow the instructions on your personalised invitation to complete and lodge your Application.

By making an Application under the Priority Offer, you declare that you were invited to participate in the Priority Offer and were given access to this PDS (and any supplementary or replacement PDS).

Applicants under the Priority Offer will receive a guaranteed minimum allocation of $2,000 worth of Stapled Securities subject to the minimum Application size of $2,000 worth of Stapled Securities at the Offer Price.

The Responsible Entity and the Joint Lead Managers reserves the right to scale back or reject Applications in whole or part, without giving any reason, subject to the terms of the guaranteed minimum allocation described above. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Stapled Securities than the amount applied for (subject to the guaranteed minimum allocation) will receive a refund of all or part of their Application Payments, as applicable. Interest will not be paid on any monies refunded. The Responsible Entity may amend or waive the Priority Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Responsible Entity and the Joint Lead Managers may elect to extend the Offer or any part of it or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to ASX Listing Rules and the Corporations Act). Applicants are therefore encouraged to submit their Applications as early as possible.

7.9.3 How to pay under the Priority Offer

Applicants under the Priority Offer must apply online and can pay by BPAY® following the instructions outlined in your personalised invitation.

When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) provided to you on your personalised invitation.

It is the responsibility of the Applicant to ensure payments are received by the Closing Date, being 5.00pm (AEST) on 22 November 2018. If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions, which may vary between bank, credit union or building society. Neither the Responsible Entity nor the Joint Lead Managers take any responsibility for any failure to receive Application Payments by BPAY® before the Closing Date arising as a result of, among other things, delays processing of payments by financial institutions.

If the amount of your BPAY® payment for Application Payments (or the amount for which those BPAY® payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your personalised invitation, you may be taken to have applied for such lower amount as your cleared Application Payments will pay for (and to have specified that amount in your personalised invitation) or your Application may be rejected.

For more details, you should contact the Redcape IPO Information Line on (02) 9719-4088 between 8.30am to 5.30pm (AEST), Monday to Friday (excluding public holidays).

7.9.4 Acceptance of Applications under the Priority Offer

An Application in the Priority Offer is an offer by an Applicant to Redcape to subscribe for New Stapled Securities or to acquire Existing Stapled Securities from the Existing Securityholders in the amount specified the personalised invitation at the Offer Price on the terms and conditions set out in this PDS (including any supplementary or replacement PDS) and the personalised invitation. To the extent permitted by law, an Application is irrevocable.

An Application may be accepted by the Responsible Entity and the Joint Lead Managers in respect of the full number of Stapled Securities specified in the personalised invitation or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.9.5 Priority Offer allocation policy

Allocations under the Priority Offer will be at the absolute discretion of the Responsible Entity and the Joint Lead Managers.

7.10 Employee Gift Offer

7.10.1 Who can apply under the Employee Gift Offer?

All Eligible Employees are entitled to participate in the Employee Gift Offer. An Eligible Employee is defined in the Glossary and may include some individuals who are not currently employees. If you an Eligible Employee, you should have received a letter of offer detailing the terms of the Employee Gift Offer, together with this PDS.

7.10.2 How to apply under the Employee Gift Offer

Eligible Employees who are entitled to participate in the Employee Gift Offer are required to follow instructions made available to them by Redcape.

7.10.3 How to pay under the Employee Gift Offer

No payment is required for the Employee Gift Offer.

7.10.4 Employee Gift Offer allocation policy

Employee Gift Offer Applicants who are Successful Applicants will receive a guaranteed allocation of $1,000 worth of Stapled Securities (rounded down to the nearest whole Stapled Security based on the Offer Price) or such lesser amount applied for.

7.10.5 Further information about the Employee Gift Offer

A participant in the Employee Gift Offer must not sell, assign, transfer or otherwise deal with, or grant a security interest over, a Stapled Security acquired under the Employee Gift Offer before the earlier of:

> the end of the period three years after the issue of the Stapled Securities to the participant; and
> the time when the participant is not or no longer employed by Redcape, subject to a minimum holding period in this instance of 18 months from the date of issue of the Stapled Securities.

Stapled Securities acquired by a participant in the Employee Gift Offer will be held under a trading lock until the end of the disposal period referred to above.

Stapled Securities issued under the Employee Gift Offer otherwise carry the same rights and entitlements of Stapled Securities, including distribution and voting rights.

Redcape may issue Stapled Securities, or acquire Stapled Securities on or off market, to allocate to a participant in the Employee Gift Offer.

Not all participants in the Employee Gift Offer will be able to take advantage of the taxation concession under the Australian tax legislation to acquire the Stapled Securities income tax-free. Refer to Section 11 for an overview of the potential taxation implications of participating in the Employee Gift Offer.

7.11 Institutional Offer

7.11.1 Invitations to bid

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Stapled Securities. The Joint Lead Managers have separately advised Institutional Investors of the application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made with disclosure and under this PDS and are at the Offer Price.

7.11.2 Allocation policy

The allocation of Stapled Securities among Applicants in the Institutional Offer was determined by the Joint Lead Managers and the Responsible Entity. The Joint Lead Managers and the Responsible Entity have absolute discretion regarding the basis of allocation of Stapled Securities among other Institutional Investors.

The allocation policy for the Institutional Offer was determined with reference to a number of factors including:

- the number of Stapled Securities bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Board's desire for an informed and active trading market following Completion of the Offer;
- the Board's desire to establish a wide spread of institutional Securityholders;
- the overall level of demand under the Institutional Offer and from Brokers under the Broker Firm Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Securityholders; and
- other factors that the Responsible Entity and the Joint Lead Managers considered appropriate.

7.12 Restrictions on distribution

No action has been taken to register or qualify the Stapled Securities that are the subject of the Offer, or otherwise to permit a public offering of the Stapled Securities, in any jurisdiction outside Australia. The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This PDS does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Stapled Securities have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws. Offers to any persons in the United States are only being made pursuant to, and in accordance with the terms described in, the relevant Institutional Offering Circular.

This PDS may not be released or distributed in the United States or elsewhere outside Australia or New Zealand, unless it is attached to, or constitutes part of, an Institutional Offering Circular that describes selling restrictions applicable in the United States and other selected jurisdictions, and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. Each person in Australia and New Zealand to whom the Institutional Offer is made under this PDS, will be taken to have represented, warranted and agreed as follows:

- it understands that the Stapled Securities have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Stapled Securities in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, the registration requirements of the U.S.

Securities Act and in compliance with all applicable laws in the jurisdiction in which Stapled Securities are offered and sold.

Each bidder under the Institutional Offer will be required to make certain representations, warranties and undertakings set out in the confirmation of allocation letter distributed to it.

7.13 Discretion regarding the Offer and Offer Timetable

The Responsible Entity may withdraw the Offer at any time before the successful completion of the Offer. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest).

The Responsible Entity and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate a lesser number of Stapled Securities than that applied or bid for.

7.14 ASX Listing, registers and holding statements, and deferred settlement trading

7.14.1 Application to ASX for Listing of Redcape and quotation of Stapled Securities

The Responsible Entity and SaleCo will apply for the admission of Redcape to the official list of ASX and the official quotation of the Stapled Securities on ASX within seven days of the PDS Date. Redcape's ASX code is expected to be "RDC".

It is expected that the Existing Stapled Securities will be transferred from the Existing Securityholders, and that Redcape will issue the New Stapled Securities to successful Applicants under the Offer on Completion of the Offer, being 30 November 2018.

ASX takes no responsibility for this PDS or the investment to which it relates. The fact that ASX may admit Redcape to the official list is not to be taken as an indication of the merits of Redcape or the Stapled Securities offered for sale.

If the Responsible Entity does not make such an application within seven days after the PDS Date, or permission is not granted for the official quotation of the Stapled Securities on ASX within three months after the PDS Date (or any later date permitted by law), all Application Payments received by Redcape will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

7.14.2 ASX and its right to remove the Stapled Securities from ASX's official list

Redcape will be required to comply with ASX Listing Rules, subject to any waivers obtained by Redcape from time to time.

In addition to its general rights to remove Redcape from the official list, ASX reserves the right to remove Redcape from the official list if any of the units of Redcape Hotel Trust I or the units of Redcape Hotel Trust II cease to be stapled together or any equity securities are issued by the Responsible Entity of Redcape Hotel Trust I and Redcape Hotel Trust II which are not stapled to equivalent securities in the other entity comprising Redcape.

7.14.3 CHESS and issuer sponsored holdings

The Responsible Entity will apply for Redcape to participate in ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Stapled Securities become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all successful Applicants, the Stapled Securities of a Securityholder who is a participant in CHESS or a Securityholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Stapled Securities will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Securityholders will be sent a holding statement that sets out the number of Stapled Securities that have been allocated to them under the Offer. This statement will also provide details of a Securityholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Securityholders will subsequently receive statements showing any changes to their securityholding. Certificates will not be issued. Securityholders will receive subsequent statements showing any changes to their holding of Stapled Securities. Additional statements may be requested at any other time either directly through the Securityholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Registry in the case of a holding on the issuer sponsored sub-register. Redcape and the Registry may charge a fee for these additional issuer sponsored statements.

7.14.4 Deferred settlement trading and selling Stapled Securities on market

It is expected that trading of the Stapled Securities on ASX, on a deferred settlement basis, will commence on or about 30 November 2018.

Trading will be on a deferred settlement basis until the Responsible Entity has advised ASX that holding statements have been dispatched to Securityholders. Normal settlement trading is expected to commence on or about 4 December 2018.

If settlement has not occurred within 14 days (or such longer period as ASX allows) after the day securities are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all application monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades Stapled Securities to confirm their own holding before trading in Stapled Securities. If you sell Stapled Securities before receiving a holding statement, you do so at your own risk.

Applicants can confirm their allocation of Stapled Securities by contacting their Broker or calling the Redcape IPO Information Line on (02) 9719-4088 between 8.30 am to 5.30 pm (AEST) Monday to Friday (excluding public holidays) following the Closing Date.

The Responsible Entity, the Registry, the Joint Lead Managers and the Existing Securityholders disclaim all liability, whether in negligence or otherwise, if you sell Stapled Securities before receiving your holding statement, even if you obtained details of your holding statement from the Redcape IPO Information Line or confirmed your firm allocation through a Broker.

7.15 Escrow arrangements

The Stapled Securities held at Completion by Moelis Australia as at the date of this PDS (less any Stapled Securities transferred to SaleCo in connection with the Offer of Sale Securities) will be subject to voluntary escrow arrangements and, subject to the exceptions outlined below, will be escrowed until the date on which Redcape's half year results for the period ending 31 December 2019 are released to ASX. It is intended that a holding lock be applied to the Existing Stapled Securities subject to the voluntary escrow.

Moelis Australia and the Responsible Entity have entered into an escrow deed in respect of their escrowed Stapled Securities. This deed will prevent Moelis Australia from disposing of its escrowed Stapled Securities for the applicable escrow period, subject to a limited number of exceptions. The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the escrowed Stapled Securities, encumbering or granting a security interest over the escrowed Stapled Securities, granting or exercising an option over the escrowed Stapled Securities, doing, or omitting to, any act if the act or omission would have the effect of transferring effective ownership or control of any of the escrowed Stapled Securities, or agreeing to do any of those things.

The escrow restrictions will apply until the date on which Redcape's half year results for the period ending 31 December 2019 are released to ASX. Moelis Australia may be released early from these obligations to enable:

- Moelis Australia to accept an offer under a takeover bid in relation to their escrowed Stapled Securities if holders of at least half of the Stapled Securities the subject of the bid that are not escrowed Stapled Securities have accepted the takeover bid;
- Moelis Australia to tender any of their escrowed Stapled Securities into a bid acceptance facility established in connection with a takeover bid if holders of at least half of the Stapled Securities are subject to a bid that are not escrowed Stapled Securities have accepted the bid or tendered their Stapled Securities into the bid acceptance facility; and

> the escrowed Stapled Securities to be transferred or cancelled as part of an acquisition or merger by scheme which has received all necessary approvals, including all such necessary approvals by Securityholders.

In addition to the exceptions to escrow described above, Moelis Australia may encumber any or all of their Stapled Securities to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that Moelis Australia has in any of its escrowed Stapled Securities and no escrowed Stapled Securities may be transferred or delivered to the financial institution or any other person in connection with the encumbrance (with the documentation for such encumbrance making it clear that the escrowed Stapled Securities remain in escrow and subject to the terms of the voluntary escrow arrangements for the term of those arrangements).

During the escrow period, Moelis Australia may dispose of any of their Stapled Securities to the extent the disposal is required by applicable law (including an order of a court of competent jurisdiction) and notwithstanding any of the exceptions to escrow, during the escrow period Moelis Australia may transfer (in one or more transactions) any or all escrowed Stapled Securities to an affiliate provided such affiliate transferee agrees to be bound by the terms and conditions of the escrow arrangements by entering into such further agreements as the Responsible Entity may reasonably require.

Based on the minimum raising amount, 51.5 million Stapled Securities (in aggregate 9.3% of Stapled Securities on issue on Completion) will be the subject of these escrow restrictions, whilst based on the maximum raising amount, 49.3 million Stapled Securities in aggregate (8.9% of Stapled Securities on issue on Completion) will be the subject of these escrow restrictions.

7.16 Buyback

Following Listing, the Responsible Entity may (in its sole discretion) decide to proceed with an on-market Buyback. The Buyback is intended to provide liquidity support to Existing Securityholders who may wish to exit their investment in Redcape, following Listing.

Under the Buyback, Redcape may acquire up to 25.8 million Stapled Securities (equivalent to 5% of the Redcape's Stapled Securities on issue prior to the Offer) at a price up to $1.13 per Stapled Security which represents the Offer Price and Pro Forma net assets per Stapled Security of the Group following the Offer. Redcape will only purchase Stapled Securities under the Buyback if:

(a) The trading price of Stapled Securities on ASX is $1.13 or less;

(b) Redcape is able to fund the Buyback from cash flow or as otherwise permitted; and

(c) Redcape is permitted to do so under the Constitution, Corporations Act, Listing Rules, the Syndicated Debt Facility and securities trading policy of Redcape.

The price paid by Redcape under the Buyback may be less than $1.13 per Stapled Security and is not permitted to be more than the 5-day volume weighted average price of Stapled Securities on ASX.

The earliest date on which Stapled Securities may be purchased under the Buyback (without regulatory relief) is 14 days after notice is given to ASX that Redcape intends to proceed with the Buyback (assuming trading in Stapled Securities are recorded on the ASX on at least 5 days in that period).

Securityholders may participate in the Buyback (if undertaken) via selling their Units on ASX.

Whether Redcape decides to proceed with the Buyback (in whole or part) will depend on its assessment, in its sole discretion, of market conditions and the best interests of Securityholders at the relevant time. No assurance is given that the Buyback will proceed.

7.17 Potential Effect of the Underwriting Agreement on the voting power in Redcape

The Joint Lead Managers have agreed to fully underwrite the Offer of New Stapled Securities (with the exception of the Employee Gift Offer) and part of the Offer of Existing Stapled Securities by SaleCo pursuant to an Underwriting Agreement as described in Section 13.3.

Moelis Australia, the parent company of Moelis Australia Advisory Pty Ltd, has a relevant interest in 221.9 million Stapled Securities immediately prior to the Offer (including Stapled Securities held by Moelis Australia and other Moelis Australia Securityholders). In the event that none of the Stapled Securities offered under this PDS are settled by valid applicants, the Joint Lead Managers are required to take up the entire underwritten balance of the Offer (being approximately 44.25 million Stapled Securities of which Moelis Australia Advisory Pty Ltd would be required to take up half) and the relevant interest in Redcape of Moelis Australia Securityholders would increase from 38.6% to 42.6%.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in voting securities if, because of that transaction, a person's voting power in the entity:

- increases from under 20% to over 20% or
- increases from a starting point that is above 20% and below 90%.

However, section 606 of the Corporations Act does not apply to registered managed investments schemes such as Redcape unless and until after they are listed. In any event, there are a number of exceptions to the prohibition in Section 606 including acquisitions resulting from an issue under a disclosure document if the issue is to a person as underwriter and the disclosure document disclosed the effect that the acquisition would have on the person's voting power in the entity (Section 611 (Item 13)).

Further details of the ownership of Stapled Securities immediately prior to, and on Completion of the Offer are set out are set out in Section 7.6.

Redcape
HOTEL GROUP

Section 8

Risks

8. Risks

8.1 Introduction

This Section 8 describes some of the potential risks associated with an investment in Redcape.

Redcape is subject to a variety of risk factors. Some of these are specific to its business activities, while others are general risks. Individually, or in combination, these risk factors may affect the future operating and financial performance of Redcape, its investment returns and the value of an investment in Redcape.

The risks listed below do not comprise an exhaustive list of risks associated with an investment in Redcape, either now or in the future, and this information should be considered in conjunction with all other information presented in this PDS. Additional risks (including risks of which Redcape and its Directors are currently unaware) also have the potential to have a material adverse effect on Redcape's business, assets, financial position, operating and financial performance and the value of its Stapled Securities.

Many of the risks described below are outside the control of the Responsible Entity, the Responsible Entity Directors, the Existing Securityholders and MAHM. There is no guarantee that Redcape will achieve its stated objectives or that any forward-looking statements or forecasts outlined in the PDS will eventuate.

Before applying for Stapled Securities, you should be satisfied that you have a sufficient understanding of the matters identified in this Section and you should consider whether an investment in Redcape is suitable for you, having regard to your own investment objectives, financial circumstances, and tax arrangements. We recommend you seek professional advice from your stockbroker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

8.2 Risks specific to Redcape's business

8.2.1 Regulatory risk

As outlined in Section 2.5, there is an extensive regulatory regime that affects many aspects of Redcape's business, including restrictions on the number of EGMs permitted in pubs, restrictions on GME entitlements and forfeitures and taxation of gaming machine revenues. It is likely that State and Territory governments will continue addressing issues such as alcohol-based violence, health reforms and problem gambling. The extent and degree of regulation differs on a state-by-state basis. Inconsistencies in the regulatory regimes, as well as potential changes in legislation and government policies, or the interpretation of legislation and policies, may adversely impact on Redcape's profitability. Any legislative or regulatory changes in NSW and/or QLD may have a greater adverse impact on Redcape's profitability given the geographic concentration of Redcape's pubs.

Gaming regulation

Any change in the existing level of gaming regulation is a key business risk which may detrimentally affect Redcape's profitability, and any investment in Redcape, including:

- the imposition of additional gaming restrictions;
- changes in gaming taxation rates or levies imposed on gaming machines, including increases in the minimum payout ratios on EGMs;
- a relaxation of the legislative restrictions in relation to online gaming, which is currently prohibited in Australia;
- reductions in the number of approved EGMs;
- a reduction in the hours of operation of venues;
- a tightening of the restrictions on the transfer, or classification, of GMEs or PMPs within NSW and QLD; and
- the introduction of new measures, such as mandatory pre-commitments; restrictions on note acceptors and cash input limits; restrictions on access to ATMs and EFTPOS facilities at or near gaming venues; and restrictions on aspects of EGM play.

In addition, there is a risk that if there is an increase in GST, Redcape may not be able to recover any such increase and consequently this may detrimentally affect Redcape's profitability, and any investment in Redcape.

Liquor regulation

Any change to the existing liquor regulations, as well as the introduction of additional regulation, may have a detrimental impact on Redcape's financial performance.

Further, there is a risk that if regulators modify the terms of Redcape's liquor licences, whether as a result of industry-wide changes, or changes to individual liquor licences held by Redcape, for example a change to trading hours, then this may impact Redcape's profitability.

Local government planning

Changes to NSW and QLD legislation affecting local government planning laws may detrimentally impact Redcape's ability to undertake refurbishments and renovations, which may in turn have a negative impact on Redcape's financial performance.

Other regulation

In addition to liquor and gaming specific regulations, pub operators are also subject to other regulations such as anti-money laundering, food safety and health regulations. For example, under the health regulations, Redcape is required to comply with various harm minimisation measures, such as restrictions on patrons' ability to smoke in pubs. An increase or tightening of the smoking restrictions may negatively impact the profitability of each pub and Redcape's overall business.

In contrast, any relaxation of the regulatory framework may remove barriers to entry and lead to increased competition in the Australian pub industry, which may adversely affect Redcape's profitability.

8.2.2 Supplier risks

Redcape has a number of agreements with certain suppliers for the supply of key business inputs, such as EGMs, liquor and food. All current supply arrangements are based on commercial supplier/customer terms, and the interruption or termination of these supply agreements may have a material adverse impact on Redcape. Additionally, Redcape cannot guarantee that its existing arrangements with key suppliers will be renewed, or renewed on terms similar to its current supply terms.

Furthermore, there is a risk that change in control provisions in Redcape's supplier agreements may be triggered by the Offer in circumstances where Redcape cannot obtain the relevant supplier's consent. In such a case, this may give the supplier a right to terminate the agreement, which in turn has the potential to affect Redcape's food and/or liquor product offerings.

EGMs

There are a limited number of experienced EGM manufacturers and suppliers in the Australian market, and Redcape currently has relationships with a number of key suppliers of EGMs. Any disruption to product supply from one or more of these manufacturers may have a material adverse impact on Redcape's gaming revenues, and its overall profitability.

Food and liquor

Given Redcape's focus on centralising aspects of its liquor and food operations to enable it to leverage its economies of scale, there is a risk that the termination of any liquor supply contracts or suspension of other key contracts may detrimentally affect Redcape's profitability and any investment in Redcape.

8.2.3 Demographics and changes in consumer preferences and tastes risk

Consumers' spend on entertainment and alcoholic beverages is discretionary in nature, and as such, Redcape's offering of products and services in its pubs, and its financial performance, may be affected by changes in consumers' disposable income, or their preferences as to the utilisation of that disposable income. Any decrease in the real disposable income of Redcape's patrons in NSW and QLD as a result of general economic forces, such as an increase in interest rates, may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of trading activity and Redcape's profitability.

Additionally, any changes in population density, growth and demographics in local communities may adversely affect Redcape's financial performance and the value of an investment in Redcape. Conversely, any increase in the real disposable income of Redcape's patrons may lead to increased competition, from both existing and prospective entrants, in the NSW and QLD pub industry.

Further, any change in Australian attitudes towards, and societal norms concerning, gambling and alcohol consumption and their potential implications may affect Redcape's profitability.

8.2.4 Rate of technology change

Technology changes could drive a change in the level of demand for EGMs, for example new product development within the EGM industry and / or across various offerings of online and mobile gaming. This could lead to lower demand for Redcape's existing EGMs. In addition, rapid changes in technology may lead to Redcape's competitors introducing technologies that provide them with a competitive advantage relative to Redcape and/or may lead to increased risk of asset obsolescence.

8.2.5 Compliance risk

There is a risk that if Redcape does not comply with any of the conditions included in any of its liquor or gaming licences, the various regulators may vary, suspend or terminate these licences, which may significantly affect Redcape's operations and financial performance. Additionally, if there are successive breaches of licence conditions that fall under the existing 'three strikes' disciplinary scheme in relation to any of Redcape's pubs located in NSW, this may negatively impact upon Redcape's profitability and affect an investment in Redcape.

8.2.6 Competition risk

Redcape could be adversely affected by increased competition in the pub, gaming and retail liquor markets in NSW and QLD. Redcape's pubs compete for customers with a wide variety of other pubs and entertainment venues, and Redcape's competitors may be better equipped and could have access to greater financial resources than Redcape. Further, change to the design or application of the classification of LGA gaming 'bands' in NSW may increase competition in the LGAs in which Redcape operates.

Furthermore, the various offerings of online and mobile gaming also pose a risk to Redcape which may detrimentally affect its operations and financial performance. Increased competition in the retail liquor markets and other specialty stores in the regions of Australia in which Redcape operates, including competing with supermarkets where alcoholic and other products could be purchased more cheaply, as well as general competition with alternative entertainment and leisure activities, has the potential to adversely affect Redcape's profitability.

8.2.7 Sector and geographic concentration risk

Redcape's portfolio predominantly comprises freehold pubs located in NSW and QLD, and its portfolio is predominantly focused on pubs in NSW.

Adverse events to the pub market, and the broader Australian pub industry, may impact the value and the future growth prospects of Redcape's business.

Additionally, an investment in NSW and QLD pubs, through an investment in Redcape, may involve a greater geographic concentration risk than an investment in a more geographically diverse group of pubs spread Australia wide. If the property markets in NSW or QLD or their economies experience a downturn in activity, Redcape's value and/or performance may be adversely impacted.

8.2.8 Acquisition and disposal risk

In seeking to maximise returns for Stapled Securityholders, Redcape may acquire further pubs in accordance with its acquisition strategy set out in Section 3.5. Redcape's current intention in relation to acquisitions is set out in Section 3.5. The risks faced by Redcape in relation to a future acquisition will depend on the terms of the transaction at the time. Future acquisitions may affect the value of, and returns from, an investment in Redcape. There is a risk that Redcape may be unable to source and acquire properties or pubs, as well as dispose of any pubs or properties, on commercially appropriate terms, which may in turn limit Redcape's growth. There is also a risk that Redcape may be unable to successfully integrate any future acquisitions into its business model, or deliver the anticipated returns from those acquisitions.

Additionally, Distributions may be adversely affected by future acquisitions or disposals, and there is no guarantee that any future acquisitions or disposals will enhance the investment returns of Securityholders.

8.2.9 Refurbishment and development risk (business disruptions)

There is a risk that future refurbishments of the Redcape portfolio are delayed, take longer or cost more than anticipated to implement or be completed, which may detrimentally affect Redcape's profitability and future returns.

Additionally, there is no guarantee the refurbishment of gaming facilities of certain premises will add value to, or result in improved profitability of, the Redcape portfolio or its operations.

Furthermore, delays in obtaining any relevant development approvals, planning and zoning issues and any failure to complete renovations or developments according to previously agreed timelines may result in a loss of revenue, and may have a material detrimental effect on Redcape's profitability and financial performance.

8.2.10 Leasehold interest risk

Redcape currently operates one pub under lease arrangement with a third party. The lease is subject to termination rights, including a right for a landlord to terminate its lease if Redcape fails to comply with its liquor and gaming licences. Consequently, there is a risk that breach of licenses or regulations may adversely affect Redcape's ability to continue operating at this location, the fair value attributed to this pub and Redcape's overall financial performance.

8.3 Other risks relating to Redcape

8.3.1 Gearing risk

Redcape's expected Gearing is provided in Section 6.4.2.

Gearing exposes Redcape to any changes in interest rates and increases its exposure to movements in the value of its property portfolio or performance measures. If Redcape's level of Gearing increases over the term of its debt financing, this will increase the volatility of earnings and increase the level of financial risk, including the risk of default under the Syndicated Debt Facility. Higher gearing may also affect Redcape's ability to refinance the Syndicated Debt Facility. Should Redcape's Gearing during the Forecast Period differ from the level of Gearing assumed in the Forecast Financial Information, the forecast Distributions may vary.

8.3.2 Interest rate risk

To the extent that interest rates are not hedged, unfavourable movements in interest rates relating to the Syndicated Debt Facility could lead to increased interest expense. Any such movement may have a negative impact on Redcape's financial position and results.

Increased general interest rates may also result in a reduction in consumers' discretionary income (which may affect Redcape's operations), increased capitalisation rates for pub real estate (which may negatively impact the valuation of Redcape's existing owned pubs) and a reduction in the attractiveness of debt funding of Redcape's growth initiatives such as refurbishments and acquisitions.

8.3.3 Derivative positions risk

Redcape intends to enter into hedging arrangements to hedge the risk of interest rates increasing over the term of the Syndicated Debt Facility. Redcape intends to utilise simple hedging instruments such as interest rate swaps or interest rate caps or collars to achieve its interest rate risk hedging.

The market or close-out value of the hedges will change over time. That is, if Redcape were to close or terminate the hedges early (voluntarily or involuntarily), changes in general interest rates as well as the spreads and fees charged would impact the value of the hedge. This may involve a payment by Redcape to the hedge counterparty. Redcape will review its hedging strategy on an ongoing basis to determine the most appropriate ongoing interest rate risk management strategy.

There may be circumstances where Redcape changes its interest rate risk management strategy to protect the interests of Securityholders. The availability and terms of such hedging arrangements, and the level of interest rates at the relevant time, will affect Redcape's interest expense and the value of, and returns from, an investment in Stapled Securities.

8.3.4 Funding and extension and refinancing of debt

Redcape's ability to raise funds from either debt or equity markets in the future, on favourable terms for future activities, depends on a number of factors, including the:

> state of debt and equity markets at the time;
> general economic and political climate;
> the appetite of finance providers to provide debt to pub industry operators;
> performance, reputation and financial strength of Redcape; and
> value of Redcape's business and properties in its portfolio.

There is a risk that Redcape may not be able to refinance its debt before expiry or may not be able to do so on substantially the same terms as the Syndicated Debt Facility or hedge instruments.

8.3.5 Syndicated Debt Facility undertakings and covenants risk

Under the Syndicated Debt Facility, Redcape is subject to a number of undertakings and covenants, including in relation to loan to value levels and interest cover ratios. An event of default would occur if Redcape fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of Redcape's operations or the properties in its portfolio. In the event that an event of default occurs, the lender may require immediate repayment of the Syndicated Debt Facility. Redcape may need to dispose of all or parts of its business or properties in its portfolio for less than their market value, raise additional equity, or reduce or suspend Distributions in order to repay the Syndicated Debt Facility. The financial ratios to be included in the Syndicated Debt Facility are set out in Section 6.4.3.

8.3.6 Reputational risk

Redcape prides itself on operating pubs which comply with their regulatory requirements and Redcape having a strong corporate standing in the industry, which enables it to attract high quality employees. There is a risk that Redcape's reputation may erode if Redcape fails to comply with its licences and regulatory requirements, or if there is any episode of death, armed robbery or violence at any of Redcape's pubs. Further, episodes of death, armed robbery or violence may result in the loss of patronage.

These risks may in turn detrimentally affect Redcape's profitability and financial performance.

8.3.7 Change of Responsible Entity Risk

There is a risk that the Responsible Entity may retire or be removed and replaced by the Securityholders as the responsible entity of the Trust. A change of the Responsible Entity may constitute a default under Redcape's material agreements (including the Syndicated Debt Facility, where such change is without the financiers' consent), which may result in a right for the relevant counterparty to terminate the agreement or declare an event of default which may have a material adverse impact on Redcape.

8.3.8 Reliance on MAHM, key management and ability to attract and retain key staff risk

Redcape relies on the expertise and experience of MAHM and MAHM's key executive directors and management. As a consequence, the breach or termination of the Investment Management Agreement or Hotel Operating Agreement by MAHM or the loss of key personnel and senior management by MAHM could have an adverse impact on the management and financial performance of Redcape, and returns to Securityholders.

Additionally, the operations of Redcape's business depends on its ability to attract and retain quality venue staff. Any changes that adversely impact Redcape's ability to attract and retain key venue staff may adversely impact Redcape's profitability, and Securityholder returns from the Stapled Securities.

8.3.9 Employment costs and disputes risk

Redcape has a range of agreements with various employees and contractors which are on a rolling basis and may be amended, or terminated by complying with the relevant notice periods. In addition, Redcape's ability to appropriately manage its labour needs and requirements while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates and minimum wage requirements imposed at law.

Disputes may arise in the course of such renegotiations that could disrupt Redcape's operations and in times of high employment or a shortage of appropriately skilled employees, there can be upward pressure on wages. If any of these events occur, Redcape's financial performance and position may be affected.

8.3.10 Work health and safety (WH&S) risk

There is a risk that liability arising from WH&S matters at a Redcape pub may be attributable to Redcape. To the extent that Redcape bears any such liability, this may impact its financial performance (to the extent not covered by insurance).

In addition, Redcape may have to pay monetary penalties, which may also adversely affect its financial performance.

8.3.11 IT systems risk

Redcape implements various information technology systems and recently invested in a new electronic point-of-sale information system and a gaming management system which is designed to improve Redcape's capacity to capture data on consumer spending across all of its gaming, on-premise and off-premise activities. Given that Redcape utilises these systems for the efficient operation of its business, there is a risk that any temporary or permanent system failure or malfunction may disrupt or interfere with Redcape's business.

8.3.12 Property liquidity risk

The properties in Redcape's portfolio are, by their nature, illiquid investments. There is a risk that, if required to do so, Redcape may not be able to realise value for the properties within a short period of time or may not be able to realise the full valuation, which may affect an investment in Redcape.

8.3.13 Counterparties risk

There is a risk that parties with whom Redcape has dealings may experience financial or other difficulties which may in turn affect those parties' ability to perform its obligations to Redcape. This may affect the value of, and returns from, an investment in Redcape.

8.3.14 Litigation risk

Redcape may, in the ordinary course of business, be involved in litigation and disputes, such as work health and safety claims and ordinary contractual disputes. While the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect the operational and financial results of Redcape.

8.3.15 Insurance risk

Redcape maintains insurance coverage in relation to many different aspects of its business. However, no assurance can be given that such insurance will be available in the future on a commercially reasonable basis or that Redcape will have adequate insurance cover against claims made.

If Redcape incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected. In particular, there is a risk that Redcape may be subject to claims in respect of both historical and future incidents that have or may occur at Redcape's pubs. If such claims arise, there is a risk that Redcape's insurance cover may not adequately protect Redcape against those claims, which may have a material adverse impact on Redcape.

Further, Redcape may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail.

Additionally, various factors may influence insurance premiums, including for example workers compensation claims, which may, in turn, have a detrimental impact on Redcape's profitability.

Finally, if Redcape does not maintain an appropriate level of insurance coverage, it may be exposed to a wide range of liabilities.

8.3.16 Environmental risk

Unforeseen environmental issues may affect the value of properties in the portfolio and, in particular, on a disposal of a property. These liabilities may be imposed irrespective of whether or not Redcape is responsible for the circumstances to which they relate. Redcape may also be required to remediate sites affected by environmental liabilities. The cost of remediation of the properties could be substantial.

Additionally, if Redcape is unable to remediate the property properly, this may adversely affect its ability to operate the pub on the property or sell the relevant property. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future, for example in relation to climate change.

8.3.17 General economic and financial market conditions risk

Redcape currently only has operations in Australia, and its financial performance is subject to general economic conditions in Australia, as well as general economic conditions globally. Prolonged downturn in general economic conditions may impact the demand for Redcape's services, decreasing consumer demand and lowering sentiment. These events could be expected to have a material impact on Redcape's business and financial performance.

8.4 Specific risks relating to the Offer and Stapled Securities

8.4.1 Financial information and basis of forecasts risk

The forward-looking statements, opinions and estimates provided in this PDS, including the Forecast Financial Information provided, rely on various contingencies and assumptions, some of which are described in Section 6.7. Various factors and risks, both known and unknown, many of which are outside the control of Redcape, may impact upon Redcape's performance and cause actual performance to vary significantly from expected results. While the forecasts have been prepared with due care and attention, and Redcape considers the assumptions to be reasonable, future events and conditions cannot be reliably predicted and the assumptions are subject to significant uncertainties. Actual results are likely to vary from the forecast and any variation may be materially positive or negative. There can be no guarantee Redcape will achieve its stated objectives or that forward looking statements or forecasts will eventuate.

8.4.2 Payment of Distributions risk

Subject to applicable laws, payment of Distributions is at the discretion of the Board. Securityholders should be aware that Redcape will only pay Distributions having regard to the financial circumstances of Redcape and there is no guarantee that any or all Distributions will be paid. Investors should note that the forecast Distributions may not be reflective of Redcape's future Distributions beyond the Forecast Period. Future determinations as to the payment of Distributions will depend upon the availability of cashflow, profits, the operating results and financial conditions of Redcape, future capital requirements, covenants in the Syndicated Debt Facility, general business and financial conditions and other factors considered relevant by the Board.

Refer to Section 6 for further details regarding the forecast Distributions.

8.4.3 Distributions and insolvency risk

In the event of any liquidation or winding up of Redcape, the claims of Redcape's secured and unsecured creditors, including any counterparty under any hedging or other derivative arrangements, will rank ahead of those of its Securityholders. Under such circumstances, Redcape will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to Redcape's Securityholders. All Securityholders will rank equally in their claim and will be entitled to an equal share per Stapled Security.

Further, Distributions from available net cashflows will only be made by Redcape after the payment of interest on the Syndicated Debt Facility and any costs in connection with any interest rate hedging. If Redcape does not generate sufficient cash flow to meet certain interest coverage ratios, gearing requirements and other covenants under the Syndicated Debt Facility, Securityholders may not receive any Distributions. If Redcape defaults on the payment of interest or commits any other event of default under the Syndicated Debt Facility, Securityholders may not receive any Distributions and may suffer loss due to financial institutions or other credit providers exercising their rights. If there is a shortfall of funds on a winding up of Redcape, Securityholders will lose all or some of their investment.

8.5 General risks of an investment in Redcape as a listed security

8.5.1 Prices of Stapled Securities may fluctuate

Once Redcape is admitted to the official list of ASX, it will become subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its Stapled Securities price that are not explained by the fundamental operations and activities of Redcape.

There is no assurance that the price of Redcape's Stapled Securities will increase following their quotation on ASX, even if Redcape's earnings increases.

The price of Redcape's Stapled Securities quoted on ASX may rise or fall and the Stapled Securities may trade above or below the Offer Price due to a number of factors, including:

- general economic conditions, in Australia and globally, including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including S&P/ASX indices);
- the nature of markets in which Redcape operates;
- general and operational business risks; and
- natural disasters, drought, global hostilities, tensions and acts of terrorism.

8.5.2 Volatility of Stapled Securities may fluctuate

Once the Stapled Securities are quoted on ASX, there can be no guarantee that an active trading market for Stapled Securities will develop or that the price of Stapled Securities will increase. There may be relatively few potential buyers or sellers of Stapled Securities on ASX at any time and as such, Securityholders with large holdings of Stapled Securities choosing to trade out of their positions may adversely affect the market. This may increase the volatility of the market price of Stapled Securities. It may also affect the prevailing market price at which Securityholders are able to sell their Stapled Securities. This could result in Securityholders receiving a market price for their Stapled Securities that is less than the price that they paid.

Additionally, following quotation of the Stapled Securities on ASX, a portion of Redcape's Stapled Securities will be subject to escrow which will restrict the Escrowed Securityholders from dealing in their Stapled Securities until they are released from escrow. These disposal restrictions may cause, or at least contribute to, limited liquidity in the market for the Stapled Securities until the Stapled Securities subject to voluntary escrow are released from escrow. This could affect the market price at which Securityholders are able to sell their Stapled Securities. Refer to Section 7.15 for further details regarding the escrow arrangements.

8.5.3 Taxation changes

Tax laws in Australia and are subject to change periodically, as is their interpretation by the courts and the tax revenue authorities. Significant reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Changes to taxation may adversely impact on Securityholder returns, as may a change to the tax payable by Securityholders in general. Any other changes to Australian tax law and practice that impact Redcape, or Redcape's industry generally, could also have an adverse effect on Securityholder returns.

An interpretation of the taxation laws by Redcape which is contrary to that of a revenue authority in Australia may give rise to additional tax payable. In order to minimise this risk, in areas of uncertainty, Redcape obtains external expert advice on the application of the tax laws to its operations (as applicable).

An investment in Stapled Securities involves tax considerations which differ for each Securityholder. Investors are encouraged to seek professional tax advice in connection with any investment in Redcape.

8.5.4 Force majeure events

Events may occur within or outside Australia that may have potential impacts on the Australian economy, Redcape's operations and the price of Stapled Securities. These events include, but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Redcape's products and its ability to conduct its business.

8.5.5 Securityholder dilution

In the future, Redcape may elect to issue new Stapled Securities or engage in capital raisings to fund investments that Redcape may decide to undertake. While Redcape will be subject to the constraints of ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Securityholders may be diluted as a result of such issues of Stapled Securities and capital raisings.

8.5.6 Accounting standards

Australian Accounting Standards are set by the AASB and are outside the control of Redcape, the Responsible Entity Directors and MAHM. The AASB is due to introduce new or refined Australian Accounting Standards in the coming years, which may affect future measurement and recognition of key statement of income and balance sheet items, including sales and receivables.

There is also the risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income and balance sheet items, including sales and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application and interpretation of those standards could materially adversely affect the financial performance and position reported in Redcape's consolidated financial statements.

Redcape
HOTEL GROUP

Section 9

Investigating Accountant's Report

9. Investigating Accountant's Report

KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Level 38 Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

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Sydney NSW 1213
Australia

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Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

The Directors
RHGM SaleCo Pty Ltd
Governor Phillip Tower, Level 27
1 Farrer Place
Sydney NSW 2000

The Directors
Redcape Hotel Group Management Limited
as responsible entity for Redcape Hotel Trust I and
Redcape Hotel Trust II
Governor Phillip Tower, Level 27
1 Farrer Place
Sydney NSW 2000

31 October 2018

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by RHGM SaleCo Pty Ltd (the "Company") and Redcape Hotel Group Management Limited as responsible entity ("Responsible Entity") for Redcape Hotel Trust I (formerly Moelis Australia Hotel Trust I) ("Trust I") and Redcape Hotel Trust II (formerly Moelis Australia Hotel Trust II) ("Trust II") (Trust I and Trust II collectively, "Redcape") to prepare this report for inclusion in the product disclosure statement to be dated on or about 1 November 2018 ("PDS"), and to be issued by the Company and the Responsible Entity, in respect of the proposed IPO of stapled securities in Redcape, and admission of Redcape to the official list of the Australian Securities Exchange ("ASX") ("Offer").

Expressions defined in the PDS have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the PDS.

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

9. Investigating Accountant's Report

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information of Redcape (the responsible party) described below and disclosed in Section 6 of the PDS.

The pro forma historical and forecast financial information is presented in Section 6 of the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

The pro forma historical financial information of Redcape consists of the:

- pro forma historical consolidated income statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, as set out in Table 11 of Section 6.3;
- pro forma historical consolidated cash flow statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, as set out in Table 18 of Section 6.5; and
- pro forma historical consolidated balance sheet as at 30 June 2018, as set out in Table 16 of Section 6.4,

(collectively, the "Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been derived from the audited financial statements of The Regatta No.2 Trust for the year ended 30 June 2016 and the year ended 30 June 2017, and the audited special purpose financial statements of Redcape Hotel Trust I and Redcape Hotel Trust II for the year ended 30 June 2018 (collectively, "Historical Financial Reports"), after adjusting for the effects of pro forma adjustments described in Section 6.3 of the PDS.

The Pro Forma Historical Financial Information has been compiled by the Company and the Responsible Entity to illustrate the impact of the event(s) or transaction(s) described in Section 6.4 of the PDS on Redcape's financial position as at 30 June 2018 and Redcape's financial performance and cash flows for the years ended 30 June 2016, 30 June 2017 and 30 June 2018. As part of this process, information about Redcape's financial position, financial performance and cash flows has been extracted by the Company and the Responsible Entity from the Historical Financial Reports.

The Historical Financial Reports were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the unit holders of Regatta No.2 Trust for the years ended 30 June 2016 and 30 June 2017, and to the unit holders of Redcape Hotel Trust I and Redcape Hotel Trust II for the year ended 30 June 2018, relating to the Historical Financial Reports were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the

9. Investigating Accountant's Report

Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the Directors of the Company and the Responsible Entity (the "Directors") in accordance with the stated basis of preparation as set out in Section 6.2 of the PDS.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the Directors in accordance with the stated basis of preparation.

Forecast Financial Information and Directors' best-estimate assumptions

The forecast financial information of Redcape consists of the:

- pro forma forecast consolidated income statement for the year ending 30 June 2019, as set out in Table 11 of Section 6.3; and
- pro forma forecast consolidated cash flow statement for the year ending 30 June 2019, as set out in Table 18 of Section 6.5,

(collectively, the "Forecast Financial Information").

The Directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 6.7 of the PDS. As stated in Section 6.2 of the PDS, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and Redcape's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Section 6 of the PDS, and the Directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the Directors' best-estimate assumptions as described in the PDS; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and Redcape's accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

9. Investigating Accountant's Report

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The Directors are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information; and
- the Forecast Financial Information, including the Directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The Directors' responsibility includes establishing and maintaining such internal controls as the Directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, comprising the:

- pro forma historical consolidated income statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, as set out in Table 11 of Section 6.3;
- pro forma historical consolidated cash flow statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, as set out in Table 18 of Section 6.5; and
- pro forma historical consolidated balance sheet as at 30 June 2018, as set out in Table 16 of Section 6.4,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 6.3 of the PDS, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Redcape's accounting policies.

Forecast Financial Information and the Directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the:
  - pro forma forecast consolidated income statement for the year ending 30 June 2019, as set out in Table 11 of Section 6.3; and

9. Investigating Accountant's Report

- pro forma forecast consolidated cash flow statement for the year ending 30 June 2019, as set out in Table 18 of Section 6.5,

do not provide reasonable grounds for the Forecast Financial Information; and

- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the Directors' best-estimate assumptions as described in Section 6.7 of the PDS;
  - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and Redcape's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by Redcape management and adopted and disclosed by the Directors in order to provide prospective investors with a guide to the potential financial performance of Redcape for the year ending 30 June 2019.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Redcape. Evidence may be available to support the Directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Redcape, which are detailed in the PDS, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6.8 of the PDS. The sensitivity analysis described in Section 6.8 of the PDS demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of Redcape, that all material information concerning the prospects and proposed operations of Redcape has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

9. Investigating Accountant's Report

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Redcape and from time to time, KPMG also provides Redcape with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the PDS, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 6.2 of the PDS, which describes the purpose of the financial information, being for inclusion in the PDS. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the PDS in the form and context in which it is so included, but has not authorised the issue of the PDS. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the PDS.

Yours faithfully

James Malackey
Authorised Representative

Thomas Eade
Authorised Representative

9. Investigating Accountant's Report

KPMG Transaction Services
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Australian Financial Services Licence No. 246901
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www.kpmg.com.au

Financial Services Guide
Dated 31 October 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**KPMG Transaction Services**) and James Malackey and Thomas Eade as authorised representatives of KPMG Transaction Services (**Authorised Representatives**), authorised representative numbers 404261, and 1261422, respectively.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representatives and how they can be contacted;
- the services KPMG Transaction Services and its Authorised Representatives are authorised to provide;
- how KPMG Transaction Services and its Authorised Representatives are paid;
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representatives;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representatives are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

9. Investigating Accountant's Report

- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representatives' responsibility to you

KPMG Transaction Services has been engaged by RGHM SaleCo Pty Ltd (the Company) and Redcape Hotel Group Management Ltd as responsible entity (Responsible Entity) of Redcape Hotel Trust I (Trust I) and Redcape Hotel Trust II (Trust II) (Trust I and Trust II together referred to as Redcape) to provide general financial product advice in the form of a Report to be included in the PDS prepared by Redcape in relation to the initial public offering of stapled securities and listing of Redcape (the Offer).

You have not engaged KPMG Transaction Services or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the PDS. Neither KPMG Transaction Services nor the Authorised Representatives are acting for any person other than the Redcape.

KPMG Transaction Services and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Company and the Responsible Entity, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the PDS before making any decision in relation to the Offer.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Company and the Responsible Entity has agreed to pay KPMG Transaction Services $495,000 (excluding GST and disbursements) for preparing the Report. In addition, other KPMG entities have performed audit work, due diligence enquiries and work in relation to risk and compliance advice and Redcape has agreed to pay KPMG approximately $145,000 (excluding GST and disbursements) for these services. Further amounts may be paid to KPMG Transaction Services and other KPMG entities in accordance with their normal time based charge out rates.

KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial

9. Investigating Accountant's Report

product advice in the Report is provided by KPMG Transaction Services and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Company, the Responsible Entity or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representatives know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representatives using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory Services (Australia) Pty Ltd

Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
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Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

James Malackey and Thomas Eade
C/O KPMG
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NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Redcape
HOTEL GROUP

Section 10

Summary of Valuations

10. Summary of Valuations

Prepared by Ray White Advisory Pty Ltd
ACN 158 264 503
Our Ref 2018/1043

Ray White.

11 October 2018

The Directors
Redcape Hotel Group Management Limited
Level 1, 287 Military Road
Cremorne NSW 2090

Property Valuation Summary
24 Licensed Hotels (Pubs) Throughout NSW

1. Instructions

In accordance with our formal instructions, Ray White Advisory (RWA) have undertaken market valuations of the Freehold Going Concern (FGC) interests of 23 Licensed Hotels (Pubs) and one (1) Leasehold Going Concern (LGC) Licensed Hotel, located within New South Wales for first mortgage security purposes and financial reporting purposes. We have further been instructed to provide a Summary Letter of our valuations for inclusion in a Product Disclosure Statement (PDS) issued by Redcape Hotel Group Management Limited (ACN: 610 990 004) (AFSL: 505932). We accept no responsibility for reliance upon this letter unless read in conjunction with our full valuation reports.

The following table list the hotels within our valuation reports.

Hotel Name	Property Address	Inspection & Report Date	Title/Tenure
Cabramatta Inn	209 Railway Parade Cabramatta NSW 2166	16th May & 31st May 2018	Freehold Going Concern
Campbelltown Club Hotel	32 Blaxland Road Campbelltown NSW 2560	20th July & 31st August 2018	Freehold Going Concern
Crescent Tavern	81 The Crescent Fairfield NSW 2165	20th July & 31st August 2018	Freehold Going Concern
Crown Hotel	4 The River Road Revesby NSW 2212	20th July & 31st August 2018	Freehold Going Concern
Eastern Creek Tavern	64 Huntingwood Drive Huntingwood NSW 2148	16th May & 31st May 2018	Freehold Going Concern
Eastwood Hotel	115 Rowe Street Eastwood NSW 2122	26th July & 31st August 2018	Freehold Going Concern
El Cortez Hotel	Corner of Avoca & Canley Vale Roads Canley Heights NSW 2166	26th July & 31st August 2018	Freehold Going Concern
Keighery Hotel	Corner of Rawson Street & Station Road Auburn NSW 2144	2nd May & 31st May 2018	Freehold Going Concern
Lakeview Hotel Motel	Corner of Government & Lake Entrance Roads Oak Flats NSW 2529	2nd May & 31st May 2018	Freehold Going Concern
Landmark Hotel	20 West Parade Eastwood NSW 2122	26th July & 31st August 2018	Freehold Going Concern
Leumeah Hotel	Corner of O'Sullivan Road & Pembroke Roads Leumeah NSW 2560	20th July & 31st August 2018	Freehold Going Concern
Minsky's Hotel	287 Military Road Cremorne NSW 2090	16th May & 31st May 2018	Freehold Going Concern

10. Summary of Valuations

Mount Annan Hotel	12 Main Street Mount Annan NSW 2567	20th July & 31st August 2018	Freehold Going Concern
Prospect Hotel	3 Great Western Highway Prospect NSW 2148	20th July & 31st August 2018	Freehold Going Concern
Red Lantern Hotel	280 South Terrace Bankstown NSW 2200	20th July & 31st August 2018	Freehold Going Concern
Revesby Pacific Hotel	178 The River Road Revesby NSW 2212	20th July & 31st August 2018	Freehold Going Concern
Royal Hotel	24 South Street Granville NSW 2142	16th May & 31st May 2018	Freehold Going Concern
St George Hotel	618 Canterbury Road Belmore NSW 2192	16th May & 31st May 2018	Freehold Going Concern
St Marys Hotel	37 Queen Street St Mary's NSW 2760	2nd May & 31st May 2018	Freehold Going Concern
The Australian Hotel & Brewery	350 Annangrove Road Rouse Hill NSW 2155	21st September	Freehold Going Concern
Vauxhall Inn	284 Parramatta Road Granville NSW 2142	7th September	Freehold Going Concern
Wattle Grove	Corner of Australis Avenue & Village Way, Wattle Grove NSW 2173	20th July & 31st August 2018	Freehold Going Concern
Willoughby Hotel	315 Penshurst Street North Willoughby NSW 2068	16th May & 31st May 2018	Freehold Going Concern
Cedars Town	139-151 Popendetta Road Emerton NSW 2770	2nd May & 31st May 2018	Leasehold Going Concern

2. Reliance on this Letter

This letter is a summary of our valuations and does not contain the financial data and supporting information that is included in our valuation of each property, including (but not limited to):

- Trading analysis;
- Lease Terms and Conditions;
- Sales Evidence;
- Market Commentary;
- Risk/SWOT Analysis;
- Critical Assumptions;
- Title Details;
- Description and Condition of the improvements;
- Disclaimers, Limitations and Qualifications; and
- Recommendations.

3. Basis of Valuation & Valuation Rationale

All 23 FHG properties represent commercial licensed hotels inclusive of gaming authorities. The LHG property is subject to a long-term lease (approximately 34 years inclusive of options) with the right to operate the Hotel Licence and attached gaming authorities until the expiry of the lease. Our primary method of valuation for both the FGC and LGC hotels has been undertaken by utilising the Capitalisation Approach – Maintainable Trade EBITDA

10. Summary of Valuations

As both the FGC and LGC interests in each property represent a cash flow business, we have formed our opinion of value primarily by means of the capitalisation approach which is the accepted industry method. This approach involves capitalising the estimated net operating profit (EBITDA) when operated under sound average management achieving a stabilised level of operation at a derived yield to indicate its current market value. Our adopted market yields have been derived through the analysis and reconciliation of recent transactions and market investigations.

We have undertaken a check approach to our assessed values by utilising the capitalisation approach by analysing each of the individual components of the property being the Lessor's and Lessee's interests. This valuation approach considers the combined values of:

- Land & Buildings Value including the hoteliers licence and gaming machine permits/entitlements (Lessor's Interest);
- Business Value which includes the Goodwill, plant, equipment, furniture and furnishings (Lessee's Interest);

We have had reference to the hotel market for yields, rentals and the breakdown of Lessor's and Lessee's interests to establish the underlying principals and yields to be applied to this valuation.

The separation of these two interests is best demonstrated by the existence of a notional lease. The value of the business interest is the right to profitably operate the business for a period of time, whilst the value of the land and buildings is represented by the rental cash flow and the reversion of the business upon expiry of the lease.

This provides an opportunity to apply a check approach to the value assessed in the previous section. It is a most unlikely situation that the property value will rarely ever exceed the going concern value, unless there is some other external influence which would affect the marriage value of these two components.

Our valuations have generally been prepared in accordance with the Australian Property Institute (API) Code of Professional Practice and first tier lending authorities standard guidelines subject to the Critical Assumptions detailed within our reports.

The purpose of the valuations was to assess the Properties' 'market value' as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API):

"Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

The values assessed are on a 'going concern' basis and are exclusive of GST and unless otherwise stated, all financial information and valuation calculations in this report exclude GST.

This valuation is current as at the date of valuation only. The value assessed herein may in the future change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property or particular property sector). Ray White Advisory is released from all liability in relation to provision of the valuation services (excluding negligence or wilful conduct on our part) and does not accept liability for losses arising from subsequent changes in value. Without limiting the generality of the above we do not assume any responsibility or accept any liability and you indemnify us for any loss or damage suffered in relation to the provision of valuation services where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

10. Summary of Valuations

4. Market Commentary

Due to differing markets and locations of the Properties, we refer to the detailed market commentary contained within the valuation reports.

5. Sales Evidence

The inclusion of all the sales evidence considered for each property valued is not practical in a Summary of the Valuations. Sales analysis and market derived evidence considered for each hotel is as documented in our valuation reports.

6. Critical Assumptions

Our Valuations are subject to Critical Assumptions, Conditions and Limitations as detailed within our valuation reports.

7. Valuation Summary

Due to confidential nature of operators finances we have not provided a break up of the revenue, expenses, EBITDA and adopted market yield of each property. The total valuation for this portfolio has been assessed at **$908,175,000**

All the valuations are individual assessments, that is they have been undertaken on a 'standalone basis', and therefore doesn't reflect a sale of one in line.

8. Qualifications

We consent to the inclusion of this summary letter in the PDS on the following conditions:

- The letter is a summary of the valuations only and has not been prepared for the purpose of assessing each Property as an investment opportunity.
- RWA has not been involved in the preparation of the PDS nor have we had regard to any material contained in the PDS. This letter does not take into account any matters concerning the investment opportunity contained in the PDS.
- RWA has not operated under an Australian financial services licence in providing this letter and makes no representation or recommendation to a prospective investor in relation to the valuation of the properties or the investment opportunity contained in the PDS.
- The formal valuations and this letter are strictly limited to the matters contained within them, and are not to be read as extending, by implication or otherwise, to any other matter in the PDS. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- Neither the Summary Letter nor the full valuation reports may be reproduced in whole or in part without the prior written approval of RWA.
- RWA has prepared the Summary Letter solely in reliance upon the financial and other information (including market information and third-party information) provided by the instructing party and has assumed that information is accurate, reliable and complete. We confirm that financial information has not been audited.
- RWA specifically disclaims liability to any potential investor using this valuation summary except to the extent this summary contains a misleading or deceptive statement, or an omission of material required by the Corporations Act.

10. Summary of Valuations

- The Summary Letter is to be read in conjunction with our formal valuation reports and is subject to the assumptions, limitations and disclaimers contained therein.
- RWA specifically disclaims all liability with respect to parts of the PDS or any Offer Documents not prepared by it, including any alleged misleading or deceptive statement in, or omission of material required by the Corporations Act from, any part of the Offer Document not prepared by RWA.
- RWA will receive a fee for the preparation of the valuation reports and the Summary Letter.
- RWA are participants in the Australian Property Institute (API) limited liability scheme. This scheme has been approved under Professional Standards legislation and is compulsory for all API members.
- The valuation reports and Summary Letter have been provided for first mortgage security purposes, financial reporting purposes and note the intention is to create a vehicle to be listed on the Australian Stock Exchange (ASX).
- Reliance by any lender is subject to RWA's written approval (upon issue of separate instruction from the intending lender) and is restricted to Authorised Deposit Taking Institutions regulated by APRA in accordance with the Banking Act 1959. RWA makes no warranty that our valuation will be considered by the lender without specific written instruction from them.
- The reports are not to be published, copied or distributed to additional parties (including any related entity) without our prior written consent.

9. Valuers Qualifications & Experience

The principal valuer is an associated member of the API and has over 20 years' experience in the valuation industry including a significant amount of this time specialising in licensed hotels valuations.

10. Conflict of Interest

Th principal valuer does not have a pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of any of the Property's value or that could conflict with a proper valuation of any of the Properties.

10. Summary of Valuations

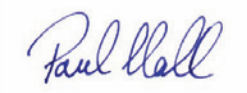
11. Liability Disclaimer

This letter has been prepared subject to the conditions referred to in Section 1, 2 and 3 of the letter. Neither RWA nor any of its directors makes any representation in relation to the PDS nor accepts responsibility for any information or representation made in the PDS, other than this Summary Letter.

RWA was involved only in the preparation of this Summary Letter and the valuation reports referred to herein, and specifically disclaims any liability to any person in the event of any omission from, or false or misleading statement included in, the PDS, other than in respect of the valuation report and this Summary Letter.

Yours faithfully

Ray White Advisory Pty Ltd



Valuer
Paul Hall AAPI CPV (Business)
Certified Practising Valuer
Director – Ray White Advisory

"Liability limited by a scheme approved under Professional Standards Legislation."

10. Summary of Valuations

11th October 2018

The Directors,
Redcape Hotel Group Management Limited (ACN: 610 990 004) (AFSL: 505932)
Level 1, 287 Military Road
Cremorne, NSW 2090

Synopsis of Valuation - Queensland Hotel Portfolio (5 Hotels)

1. Instructions

In accordance with your instructions, Power Jeffrey & Co have prepared valuation reports of the freehold going concern interest in five (5) Queensland Hotels located in south east and north Queensland for bank mortgage security purposes. We have now been instructed to provide a synopsis of our valuations for inclusion in a product disclosure statement (PDS). The information in our synopsis is a summary of our detailed valuation reports, which are listed as follows.

VALUATION SUMMARY

The following is a summary of our individual valuation assessments:

Hotel Name	Address	Inspection Date	Report Date
Wattle Hotel	1 Brygon Rd, Upper Coomera, Qld	27 March 2018	31 May 2018
Andergrove Hotel	64 Andergrove Rd, Mackay, Qld	12 April 2018	31 May 2018
Shamrock Hotel	165 Nebo Rd, Mackay, Qld	12 April 2018	31 May 2018
Hermit Park Hotel	100 Charters Towers Rd, Townsville, Qld	29 March 2018	31 May 2018
Sun Hotel	6 Ross River Rd, Townsville, Qld	3rd July 2018	3 July 2018

2. Basis of Valuation

All 5 properties valued represent commercial licensed hotels with associated gaming licenses. Our primary method of valuation for these hotels has been to assess the unencumbered freehold market value on a going concern basis with budgeted EBITDA capitalised at an assessed market yield, which has been derived through the analysis and reconciliation of recent sales and market evidence. Our secondary method gives consideration to a freehold investments subject to hypothetical, market related lease and leasehold going concern assessments.

Our valuations have been completed in accordance with the following definition of Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Hotel Brokers I Valuers I Auctioneers
371 Queen Street, Brisbane, Queensland 4000
GPO 1045, Brisbane, Queensland 4001
Telephone (07)3832 6000 I Facsimile (07) 3832 6630
mail@powerjeffrey.com.au I www.powerjeffrey.com.au

10. Summary of Valuations

3. Reliance On This Letter

This summary report has been prepared for future **Prospectus and Product Disclosure Statement (PDS)** purposes only. Our advice should not be relied upon for any other purpose or by any other person other than that addressed in each of the valuation reports. Power Jeffrey & Co accepts no responsibility for any statements in this summary other than for the stated purpose. This summary and previous valuation reports are issued on the basis that no liability attaches to Power Jeffrey & Co in relation to any statements contained in the Valuation Report.

4. Valuers Qualifications & Experience

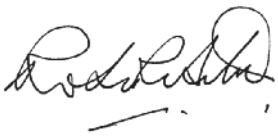
The principal valuer and the company director involved in undertaking these valuation assessments are registered valuers in the State of Qld and associated members of the Australian Property Institute (API) with over 20 years experience in the valuation industry much of which has been spent specialising in hotel valuations. We also confirm that the nominated valuers do not have any pecuniary interest in the properties valued.

5. Valuation Qualifications

- This summary letter provides a brief synopsis of our pervious formal valuation as shown in the table above. Any reliance should therefore only be based upon the actual possession and review of the original valuation reports duly signed and countersigned by a director of the valuation firm.
- Power Jeffrey & Co disclaim all liability to any party using this summary letter without reference to the actual valuation reports.
- Power Jeffrey & Co has prepared this summary for inclusion in the PDS and has only been involved in the preparation of this summary and the valuation referred to therein. Power Jeffrey & Co disclaim any liability to any person in the event of any omission from, or false or misleading statements included in the PDS, that were not prepared by Power Jeffrey & Co.
- This summary letter has not been prepared for the purpose of assessing any of the properties as an investment opportunity and readers should obtain their own professional advice.
- Neither this summary letter nor any part of our valuation reports may be reproduced in whole or in part without the prior written consent of Power Jeffrey & Co.
- All valuation reports are current at the date of valuation only. The value assessed therein may vary significantly and unexpectedly over a relatively short period of time as a result of changing market conditions, micro and macro economic fluctuations and legislative changes. Power Jeffrey & Co do not accept any liability for losses arising from deterioration in market values where the valuations are relied upon after the expiration of 3 months post valuation date
- Power Jeffrey & Co's liability is limited by a scheme approved under Professional Standards Legislation.

Yours faithfully

Bruce Hayman, AAPI
Certified Practising Valuer
Registration No 1723



Robert Hunter, AAPI
Certified Practising Valuer
Director Power Jeffrey & Co
Registration No 2254

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Redcape
HOTEL GROUP

Section 11

Taxation

11. Taxation

11.1 Taxation considerations

This summary does not constitute financial product advice as defined in the Corporations Act 2001 and is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

The following tax comments are based on the Income Tax Assessment Act 1936, Income Tax Assessment Act 1997, New Tax System (Goods and Services Tax) Act 1999, applicable case law and published Australian Taxation Office rulings, determinations and administrative practice in force as at the Offer Document Date.

Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each Securityholder or relied upon as tax advice. During the period of ownership of the Stapled Securities by Securityholders, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each Securityholder's specific circumstances. Securityholders should seek their own professional advice on the taxation implications of holding or disposing of the Stapled Securities, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Securityholders who are Australian resident individuals and complying superannuation entities. Except where expressly stated, these comments do not apply to non-resident Securityholders, Securityholders that hold Stapled Securities on revenue account or as trading stock, Securityholders who are exempt from Australian income tax or Securityholders subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 who have made elections to apply the fair value or reliance on financial reports methodologies.

11.2 Acquisition of Stapled Securities

Upon accepting the Offer and making a valid application, Australian tax resident Securityholders will acquire Stapled Securities consisting of:

> a unit in Redcape Hotel Trust I ("Trust I"); and

> a unit in Redcape Hotel Trust II ("Trust II").

For Australian income tax purposes, Trust I and Trust II are separate and distinct entities. Each unit in Redcape Hotel Trust I ("Trust I Unit") and each unit in Redcape Hotel Trust II ("Trust II Unit") will be considered a separate capital gains tax ("CGT") asset.

The Stapled Securities will be treated for CGT purposes (including the CGT discount rules) as having been acquired when Trust I and Trust II issue or allot the Stapled Securities to the Australian tax resident Securityholder.

Broadly, the cost base of the Trust I Units and Trust II Units acquired by the Australian tax resident Securityholder will comprise the amount paid by the Australian tax resident Securityholder for the relevant units plus certain incidental costs incurred in respect of the acquisition.

Securityholders will pay a single amount for each Stapled Security. The amount taken to be paid by the Australian tax resident Securityholder for each Trust I Unit and each Trust II Unit should be a reasonable apportionment of the amount paid for each Stapled Security.

11.3 Income tax implications of distributions paid on Trust I Units

11.3.1 Attribution Managed Investment Trust status

Broadly, Attribution Managed Investment Trusts ("AMITs") are widely held unit trusts which satisfy certain regulatory requirements and which have elected to apply the AMIT regime. The trustee of Trust I has elected for Trust I to be an AMIT.

Following the issue of the Stapled Securities, it is intended that Trust I will be managed and operated in a manner that enables Trust I to qualify as an AMIT. However, it should be noted that the continuing AMIT status of Trust I will be subject to factors outside the influence of Trust I, for example the nature of the ultimate beneficiaries of Trust I which may impact on Trust I's ability to satisfy the not closely held requirement under the Managed Investment Trust rules (which includes a requirement that no foreign resident individual has a direct or indirect interest of 10% or more).

To the extent that the Trust is not considered to be an AMIT, the tax consequences for Securityholders may be different from those discussed in the comments below.

11. Taxation

11.3.2 Income tax implications of attributions to Securityholders

Pursuant to the AMIT rules, the trustee of Trust I will attribute income to Securityholders on an annual basis in accordance with the constitution of Trust I.

An AMIT member annual statement ("AMMA Statement") will be issued by the trustee of Trust I within three months of the end of the income year (i.e., by 30 September each year).

Taxable component

The taxable components (e.g., the net rental income) attributed to an Australian tax resident Securityholder on an AMMA Statement issued by Trust I should be included in the Securityholder's assessable income in the year to which the AMMA Statement relates.

Capital gains

Where the taxable component attributed to an Australian tax resident Securityholder on an AMMA Statement issued by Trust I represents a capital gain, the Securityholder should be required to include the capital gain in their net capital gain calculation. The amount of any net capital gain should be included in the Securityholder's assessable income. Where a Securityholder is attributed a discount capital gain, the Securityholder should be required to include the grossed up amount of the capital gain (i.e. twice the discount gain) in their net capital gain calculation.

In calculating their net capital gain, a CGT discount may be available on the capital gain for individual Securityholders, trustee Securityholders in certain circumstances and Securityholders that are complying superannuation entities. Any current year or carry forward capital losses of the Securityholder should offset the capital gain first before the CGT discount can be applied.

Under current law, the CGT discount for individuals and trusts (available in certain circumstances) is 50% and for complying superannuation entities is 33.3%.

Cost base adjustments

Securityholders will be required to adjust the cost base in their Trust I Units on an annual basis. Securityholders must compare:

(a) the amount of their entitlements to cash distributions in respect of their Trust I Units; and

(b) the amount of their attribution of assessable income (including grossed-up net capital gains) and non-assessable non-exempt amounts in respect of their Trust I Units

Where (a) is greater than (b), Securityholders should be required to reduce their cost base in the Trust I Units to the extent of the excess or recognise a capital gain to the extent that the excess exceeds the Securityholder's cost base in the Trust I Units.

Where (b) is greater than (a), Securityholders should be required to increase their cost base in the Trust I Units to the extent of the excess.

The AMIT rules also require that Securityholders take into account tax offsets attributed when calculating their cost base adjustment. However, Trust I is not expected to attribute any tax offsets to Securityholders.

The AMMA Statement issued by the trustee of Trust I annually will also include a reasonable estimate of any net cost base increase or decrease the Securityholder is required to make.

11.4 Income tax implications of distributions paid on Trust II Units

11.4.1 Distributions paid on Trust II Units

Trust II should be considered a public trading trust. Accordingly, distributions paid on Trust II Units should be deemed to be dividends for Australian tax purposes.

11.4.2 Australian resident individuals and complying superannuation entities

Distributions paid from a Trust II Unit will constitute a deemed dividend and therefore assessable income of an Australian tax resident Securityholder. Australian tax resident Securityholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such Securityholders should be entitled to a tax offset equal to the franking credit attached to the dividend (if any). The tax offset can be applied to reduce the tax payable on the Securityholder's taxable income. Under current law, where the tax offset exceeds the tax payable on the Securityholder's taxable income, such Securityholders should be entitled to a refund of the excess tax offset.

11.4.3 Availability of franking credits

The benefit of franking credits can be denied where a Securityholder is not a 'qualified person', in which case the Securityholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, a Securityholder is required to hold Trust II Units 'at risk' for more than 45 days continuously (which is measured during the period commencing the day after the Trust II Units were acquired and ending on the 45th day after the Trust II Units become ex-distribution) in order to qualify for the franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payment rule, a different testing period applies where the Securityholder has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the Securityholder to have held the Trust II Units at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the Trust II Units become ex-dividend. Securityholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There is also a specific integrity rule that prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' arrangements. Other general integrity rules may also prevent taxpayers from obtaining a tax benefit from franking credits in certain circumstances.

Securityholders should consider the impact of the above rules in light of their own personal circumstances.

11.5 Disposal of Stapled Securities

Some Securityholders may hold their Stapled Securities on revenue account. Some Securityholders' Stapled Securities may be classified as trading stock or a financial arrangement to which the Taxation of Financial Arrangements regime applies. These Securityholders should seek their own professional advice. The following comments relate to those Australian resident Securityholders that do not hold their Stapled Securities on revenue account, as trading stock or under the Taxation of Financial Arrangements regime.

Trust I Units and Trust II Units should be separate CGT assets. A Securityholder will make a capital gain on the disposal of a particular Trust I Unit or Trust II Unit where the capital proceeds received on disposal exceeds the CGT cost base of the unit. The CGT cost base of a unit is broadly the amount paid to acquire the unit plus any transaction/incidental costs. The cost base of Trust I Units may be adjusted under the AMIT annual increase / decrease rules which are described above.

A CGT discount may be available on the capital gain for individual Securityholders, trustee Securityholders (in certain circumstances) and Securityholders that are complying superannuation entities provided the particular Stapled Securities disposed of are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts (in certain circumstances) is 50% and for complying superannuation entities is 33.3%.

A Securityholder will make a capital loss on the disposal of a particular Trust I Unit or Trust II Unit to the extent that the capital proceeds received on disposal are less than the CGT reduced cost base of the unit. If a Securityholder makes a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years.

11. Taxation

11.6 Tax file numbers

A Securityholder is not required to quote their tax file number ("TFN"). However, if a TFN is not quoted and exemption details are not provided, tax may be required to be deducted by either Trust I or Trust II from distributions at the maximum marginal tax rate plus the Medicare levy.

A Securityholder that holds the Stapled Securities as part of an enterprise may quote its Australian Business Number instead of its TFN.

11.7 Proposed reforms affecting non-resident investors

On 20 September 2018 the Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax in Australia and Other Measures) Bill and the Income Tax (Managed Investment Trust Withholding Tax) Amendment Bill (the Staples Measures) were introduced into Parliament.

If passed into law, the Staples Measures will subject certain cross staple rental payments (broadly rental payments made by an operating entity to a trust where the operating entity and the trust are under common ownership) to a withholding tax equal to the corporate tax rate (currently, 30%) when distributed or attributed to non-residents.

If enacted, the measures are likely to result in a 30% withholding tax on rental income derived by Trust I where it is distributed or attributed to non-residents (directly or indirectly).

The measures are proposed to apply from 1 July 2019. However, there is a proposed transitional period of 7 years for arrangements in existence as at 27 March 2018. Accordingly, rent derived from properties held by Trust I which were acquired on or before 27 March 2018 should generally not be subject to higher rate of withholding applied by the Staples Measures until 1 July 2026 provided that certain integrity rules are satisfied. Rent derived from properties acquired after 27 March 2018 should be subject to the higher rate of withholding from 1 July 2019.

Australian resident Securityholders should not be affected by the Staples Measures except where they are required to withhold on payments they make to non-resident persons.

11.8 Australian goods and services tax (GST)

The acquisition, redemption or disposal of the Stapled Securities by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends and distributions paid to Securityholders.

An Australian resident Securityholder that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Stapled Securities (e.g. lawyers' and accountants' fees).

Securityholders should seek their own advice on the impact of GST in their own particular circumstances.

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Redcape
HOTEL GROUP

Section 12

Fees and other costs

12. Fees and other costs

12.1 Overview

The Corporations Act 2001 (Cth) requires the Responsible Entity to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across product disclosure statements and is not specific to information on fees and costs in Redcape.

All fees quoted in this Section are inclusive of GST (less reduced input tax credits). For additional information in relation to the taxation implications of an investment in Redcape please refer to Section 11.

12.2 Consumer advisory warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, it could reduce from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask MAHM or your financial adviser.

To find out more

If you would like to find out more or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission ("ASIC") website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

12.3 Fees and other costs

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of Redcape as a whole. Taxes and insurance costs are set out in another part of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Table 31: Fees and other costs you may be charged

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of Redcape		
Establishment fee The fee to open your investment	Nil. The Constitutions entitle the Responsible Entity to receive an Establishment Fee equal to 1.0% of the total Application Money received under a capital raising undertaken for the Trusts at any time. However, the Responsible Entity has waived its entitlement to an Establishment Fee for so long as the Trusts are listed on ASX.	Not applicable

12. Fees and other costs (cont.)

Type of fee or cost	Amount	How and when paid
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Management costs		
Management fee The fees and costs for management your investment	The Responsible Entity is entitled to receive a Management Fee for acting as the responsible entity of the Trusts equal to 0.50% of Gross Hotel Portfolio Value of the Trusts (this fee will be paid to the Manager under the Investment Management Agreement).	Payable from the income or assets of the Trusts monthly in arrears.
Other expenses	The Responsible Entity is entitled to be reimbursed for expenses relating to the proper performance of its duty as responsible entity of the Trusts. These costs are estimated to be approximately 0.10% p.a. of Gross Hotel Portfolio Value of the Trusts[1].	Expenses are reimbursable to the Responsible Entity from the income or assets of the Trusts as and when incurred.
Performance fees	The Responsible Entity is entitled to receive a Performance Fee calculated and accrued as set out in Section 12.6.3. The Performance Fee is 20.0% of the outperformance amount above a return hurdle of 10.0% p.a. as determined in accordance with the methods set out in Section 12.6.3 (This fee will be paid to the Manager under the Investment Management Agreement).	Payable from the assets of the Trusts half yearly in arrears.

1. This amount is an estimate only and is calculated based on the forecast unallocated central overheads of approximately $1.1 million and the Gross Hotel Portfolio Value of the Trusts upon completion of the acquisition of the Acquisition Portfolio. The forecast unallocated central overheads amount includes ASX listing fees, audit fees, legal fees and other general and administrative costs of managing Redcape but excludes amounts payable under the Investment Management Agreement and Hotel Operating Agreement.

12. Fees and other costs (cont.)

Type of fee or cost	Amount	How and when paid
Debt arranging fees	The Responsible Entity is entitled to receive a fee equal to 0.50% of the total amount of any third-party debt finance or refinancing obtained for the Redcape Group (this fee will be paid to the Manager under the Investment Management Agreement).	Payable from the assets of the Trusts on the date binding commitment documentation is entered into.
Acquisition fees	The Responsible Entity will be entitled to receive an Acquisition Fee of 1.0% of the total purchase price of any Real Property acquired directly or indirectly by the Trusts (which will include the Redcape Group entering an arrangement which provides the Redcape Group with substantially the same economic return as an interest in Real Property) (this fee will be paid to the Manager under the Investment Management Agreement).	Payable from the assets of the Trusts on completion of an acquisition of Real Property.
Disposal fee	The Responsible Entity is entitled to receive a Disposal Fee equal to 1.0% of the total sale price of any Real Property disposed of by the Redcape Group (which will include the Redcape Group entering into an arrangement which will provide the Redcape Group with substantially the same economic return as an interest in Real Property) (this fee will be paid to the Manager under the Investment Management Agreement).	Payable from the assets of the Trusts on completion of a disposal or Real Property.
Service fees		
Investment switching fee	Nil	Not applicable
The fee for changing investment options		

The Responsible Entity has appointed the Manager to manage the Trusts under the Investment Management Agreement summarised in Section 13.1.1. Under the Investment Management Agreement, the Manager will be entitled to a fee equal to the fees that would otherwise be payable to the Responsible Entity as referred to in the table above. The Manager will receive these fees in consideration for providing the management services and managing the Trusts pursuant to the Management Agreement. The Responsible Entity will waive its entitlement to the fees referred to in the table above for so long as they are paid to the Manager under the Investment Management Agreement. In addition to the fees referred to above, the Manager will be entitled to reimbursement of all costs, charges and expenses properly incurred by the Manager in connection with performing the management services and managing the Trusts pursuant to the Management Agreement.

The total Management Fee and Performance Fee payable to the Manager under the Investment Management Agreement in any financial year is capped at 1.25% of Gross Hotel Portfolio Value. Any excess amount above that cap will be carried over and paid as a catch-up payment in subsequent periods (subject to the application of the cap during that subsequent period) or on termination of the Investment Management Agreement. The performance fee payable to the Responsible Entity upon Completion of the Offer is excluded for the purposes of this cap.

12. Fees and other costs (cont.)

12.4 Example of annual fees and costs

The following table gives an example of how the fees and costs in relation to the Trusts can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products. All fees and costs set out in this Section 12 are inclusive of GST (less reduced input tax credits).

Table 32: Example of annual fees and costs

Example	Amount	Balance of $50,000 with total contributions of $5,000
Establishment/ contribution fees	Not applicable	Not applicable
PLUS Management costs	For every $50,000 you have in the Trusts, you will be charged the following amounts in each year:	
Management fees	0.50% of Gross Hotel Portfolio Value	For every $50,000 you have invested you will be charged $449.1 each year
Operating expenses	0.1% of Gross Hotel Portfolio Value	For every $50,000 you have invested you will be charged $89.8 each year
EQUALS cost of the Trusts		If you had an investment of $50,000, and put in an additional $5,000 at the beginning of the year, then for that year you will be charged fees of $538.9

12.5 Fees and costs associated with the Offer

The description and table below set out the fees and costs expected to be incurred in connection with the Offer. These costs are one-off in nature.

The fees and costs associated with the Offer are expected to total approximately $8.1 million inclusive of non-recoverable GST (which includes all of the fees payable and costs to be reimbursed to the Joint Lead Managers in respect of the Offer under the Underwriting Agreement) It is anticipated that $0.3 million of these costs will be borne by SaleCo, and $7.8 million of these costs will be borne by Redcape and are proposed to be paid out of the proceeds from the issue of the New Stapled Securities. These costs are one-off in nature and have not been included in the forecast management costs of Redcape in subsequent years.

Members of the Moelis Australia group may also earn additional fees in relation to services which the Responsible Entity engages them to undertake on an arm's-length basis.

Table 33: Transaction costs

Type of fee or cost	Expected total ($ million) (rounded to the nearest $0.1 million)
Underwriting and Offer management fees and costs	1.5
Advisers' and consultants' fees	4.6
SaleCo transaction costs related to the Offer	0.3
Other Transaction costs	1.6
Total fees and costs	**8.1**

From the underwriting and Offer management fees, the Joint Lead Managers may pay sub-underwriting fees out of their fee.

If you apply for Securities through an adviser, that adviser may require you to pay a handling fee. You will need to contact your adviser to determine the cost of that handling fee.

12. Fees and other costs (cont.)

12.6 Additional explanation of fees and costs

12.6.1 Operating costs

To the extent permitted by the Corporations Act, the Responsible Entity is entitled to recover all costs and expenses it incurs in the proper performance of its duties as responsible entity of the Trusts, including in relation to:

> the administration of the Trusts and the administration and management of assets of the Trusts (including legal, accounting and valuation fees, expenses and overheads, financial institution fees and expenses and fees and overheads associated with the use of computers for infrastructure for the Trusts);

> appointing or engaging any asset managers, property managers, fund administrators, licensing and compliance support personnel, development managers, project managers, leasing agents, sale agents, valuers, collection agents, contractors and advisers (including legal, financial and accounting advisers) in respect of the Real Property or the Trusts whether or not the person is employed by the Responsible Entity or an Associate of the Responsible Entity;

> any services provided by a Manager to the Trust, including fees and properly incurred expenses payable by the Responsible Entity to the Manager under an Investment Management Agreement or otherwise;

> the appointment, retirement or removal of the Responsible Entity, Redcape auditor or compliance plan auditor or any audit committee for the Trusts appointed in accordance with ASX corporate governance guidelines or otherwise;

> fees and costs of the independent Directors (including directors' fees and professional indemnity insurance premiums); and

> regulatory and legislative compliance in respect of the Trusts (including under the Corporations Act or the Listing Rules and complying with any request or requirement of ASIC or ASX).

12.6.2 Fees to related parties under other arrangements

Certain fees and expenses may be paid from the income or assets of the Trusts to members of the Moelis Australia and its subsidiaries including pursuant to the Hotel Operating Agreement and potential future development management agreements. These amounts are consistent with market rates and are not included in the above tables as management costs. The major categories of these fees are summarised in the table below.

Table 34: Fees and costs related to the Hotel Operating Agreement

Hotel Operating Fee	Under the Hotel Operating Agreement, MAHM is entitled to a Hotel Operating Fee payable from the income or assets of the Trusts on a monthly basis in arrears equal to: > 15.75% of Redcape's Hotel Operating Profit up to the Indexed Threshold; and > 8.0% of Redcape's Hotel Operating Profit exceeding the Indexed Threshold, in each case less: > the Hotel Central Overheads (being the costs in relation to the Hotel Portfolio which are not directly attributable to individual hotels which Redcape and MAHM agree on an annual basis are to be incurred by Redcape); and > the Queensland Management Fee (which is a fixed annual amount per Queensland hotel which will be separately paid to MAHM by Redcape for managing the Queensland Properties - the Queensland Management Fee is currently $1.36 million with this to be reviewed and amended by agreement every two years from 19 July 2017). For the purposes of calculating this fee, the Indexed Threshold is equal to $66.5 million indexed annually at 4% per annum from 1 July 2018. Hotel Operating Profit means the aggregate operating profit of the Hotel Portfolio calculated by deducting the Operating Expense of the Hotel Portfolio from the Revenue of the Hotel Portfolio.

12. Fees and other costs (cont.)

Development Management Fee	Under the Hotel Operating Agreement, MAHM is entitled to a Development Management Fee equal to 5.0% of total costs of developing and constructing the development project (including the construction costs, design, plans, approvals, sales and marketing but does not include the costs of the tenant on fit out) payable from the income or assets of the Trusts on a monthly basis in arrears.

12.6.3 Performance fee

The Responsible Entity is entitled to, and is to be paid out of the assets (which fees may be paid to the Manager in accordance with the Investment Management Agreement), a Performance Fee calculated and accrued as set out below.

Under the terms of the Investment Management Agreement, the Responsible Entity will pay this fee to MAHM.

For each six-month period ending on 30 June and 31 December each year ("Performance Fee Period"), the Performance Fee is the positive amount (if any) that is calculated as follows:

$$P = 20\% \times [(\text{Outperformance}/SNA) - \text{Hurdle Return}] \times ENA$$

where:

P	is the Performance Fee for the Performance Fee Period
Outperformance	is calculated as: ENA – SNA plus any distributions made to Members during the Performance Fee Period
Hurdle Return:	is 10% per annum (adjusted pro rata where the Performance Fee Period is less than 12 months)
SNA:	is the Management NA on the first day of the Performance Fee Period
ENA:	is the Management NA on the last day of the Performance Fee Period
Management NA:	means the net assets of the Redcape Group as reported in the latest audited consolidated balance sheet of the Redcape Group: (i) excluding assets or liabilities of the Redcape Group relating to straight-line leasing, over-market leases and other such non-cash items; (ii) excluding the total of plant, property and equipment, investment properties and goodwill relating to Real Property assets held by the Redcape Group; and (iii) adding back the sum of the most recent independent valuations of each of the Real Property assets held by Redcape (which valuation methods must be consistent with ordinary commercial practice for valuing the type of asset and produce a value that is reasonably current at the time of valuation) plus any capital invested into the Real Property assets by Redcape since the most recent independent property valuation obtained.

The following provisions apply to the calculation, accrual and payment of the Performance Fee:

(i) If the Performance Fee for a Performance Fee Period is a negative amount, no Performance Fee for that Performance Fee Period is payable to the Responsible Entity. Subject to the final bullet point below, the Performance Fee for a Performance Fee Period is the Performance Fee calculated using the above formula plus any negative Performance Fee calculated for the previous Performance Fee Period. Subject to the final bullet point below, a negative Performance Fee amount for the previous Performance Fee Period is to be added to a negative Performance Fee amount for the current Performance Fee Period in determining the Performance Fee for that period.

(ii) If the Performance Fee for a Performance Fee Period is a positive amount and remains a positive amount after deducting any negative amount under the first bullet point above a Performance Fee equal to the positive amount is payable to the Responsible Entity. The Performance Fee is to be paid within 10 Business Days after the end of the relevant Performance Fee Period.

(iii) Where the Performance Fee for six consecutive Performance Fee Periods has been a negative amount, the Performance Fee for the previous Performance Fee Period is reset to zero for the purposes of calculating the Performance Fee for the next Performance Fee Period.

The Responsible Entity may, in respect of any Performance Fee Period, elect to receive the Performance Fee in cash or Stapled Securities.

12. Fees and other costs (cont.)

12.6.4 Adviser remuneration

Redcape does not pay any service fees, upfront or trail commissions or soft dollar benefits to financial advisers or advisory firms. However, you may agree to pay your adviser a fee for financial advice or advice services they may provide you.

12.6.5 Taxes

Information relating to the Australian taxation implications associated with an investment in Redcape has been outlined in Section 11.

12.6.6 How fees and costs may change

The Responsible Entity may not increase the management fees payable to it as set out in the Constitution without a special resolution of Securityholders first having varied the Constitution. A special resolution requires 75% of the votes cast by those Securityholders entitled to vote on the resolution (by value).

The Manager's fees may not be amended without the agreement of the Responsible Entity and the Manager.

Redcape
HOTEL GROUP

Section 13

Summary of important documents

13. Summary of important documents

13.1 Management agreements

Redcape will be externally managed. The Responsible Entity, a wholly owned subsidiary of Moelis Australia, is ultimately responsible for the management of Redcape.

The Responsible Entity has appointed:

> the Manager, pursuant to the Investment Management Agreement, to provide investment management and administration services including, but not limited to capital management activities, acquisitions, disposals and the preparation of financial reports and accounts; and

> the Hotel Operator, pursuant to the Hotel Operating Agreement, to provide operating services including, but not limited to operating each asset in the Redcape portfolio, the hiring and discharge of hotel venue employees and the development management services in respect of each asset.

A general summary of some of the important features of the Investment Management Agreement and the Hotel Operating Agreement is set out below. This is not intended to be an exhaustive summary.

13.1.1 Investment Management Agreement

The Responsible Entity has entered into the Investment Management Agreement under which the Responsible Entity has appointed the Manager to perform or procure the performance of certain investment management and administration services.

The key terms of the Investment Management Agreement are set out below. This is not intended to be an exhaustive summary.

Management services

Under the Investment Management Agreement, the Manager is engaged to perform a number of services including (but not limited to):

> assisting with capital management activities;
> assisting with the preparation of financial reports and accounts;
> arranging for valuations of Redcape's assets and investments to be carried out;
> calculating and arranging for the payment of distributions to Stapled Securityholders;
> assisting with Redcape's compliance requirements;
> assisting with the maintenance of Redcape's records;
> assisting with communications with Stapled Securityholders;
> assisting with the preparation of PDSs and promotional material for Redcape; and
> providing anti-money laundering and counter-terrorism financing services for Redcape.

Fees and expenses

The Manager is entitled to receive the fees and expenses set out in Section 12.3.

Termination

The Investment Management Agreement will continue for a fixed term of 10 years ("**Initial Period**") from the date of Listing. On expiration of the Initial Period, the Investment Management Agreement will be automatically renewed for consecutive five-year terms until terminated.

Termination by the Responsible Entity:

The Responsible Entity will be entitled to terminate the Investment Management Agreement (with such termination to take immediate effect):

(i) if an insolvency event occurs in relation to the Manager;
(ii) if the Manager ceases to carry on business in relation to its activities as an investment manager;
(iii) if the Manager's AFSL is cancelled at any time and the Manager fairs to obtain an AFSL authorisation enabling it to perform its obligations under the Investment Management Agreement; or
(iv) the Manager breaches any provision of the Investment Management Agreement in a material respect or fails to observe any representation, warranty or undertaking given by the Manager which is not remedied by the Manager within 30 days of receiving notice in writing from the Responsible Entity (or such longer time agreed by the Responsible Entity specifying such breach or failure).

13. Summary of important documents (cont.)

In addition to the circumstances listed above, the Responsible Entity will be entitled to terminate the Investment Management Agreement during the Initial Period in the circumstances listed below:

(a) Resolution to terminate the Investment Management Agreement:

At the expiration of the Initial Period, the Investment Management Agreement will also be automatically terminated three months after the Securityholders pass an ordinary resolution directing the Responsible Entity to terminate the Investment Management Agreement.

(b) Resolution for voluntary wind up of a Trust:

The Investment Management Agreement will automatically terminate in respect of a Trust on the passing of a resolution by the Securityholders in accordance with the Constitutions of the Trusts and Corporations Act to voluntarily wind-up the Trust.

(c) Retirement of the Responsible Entity:

The Responsible Entity may at any time retire as Responsible Entity with the consent of the Investment Manager (which must not be unreasonably withheld) and in accordance with the law, provided the Responsible Entity has:

(i) issued the Investment Manager with 60 Business Days' notice of its intention to retire;

(ii) nominated a replacement Responsible Entity that in the reasonable opinion of the Investment Manager is a suitable replacement and who has consented to being appointed as the replacement trustee of the Trusts; and

(iii) such retirement occurs in accordance with the procedures set out in the law.

The Responsible Entity will be required to retire as trustee of the Trusts on 60 days' notice from the Investment Manager (or such longer period as is agreed between the parties), provided that:

(i) the Investment Manager has nominated a replacement trustee for the Trusts;

(ii) the Responsible Entity considers that retirement is appropriate having regard to its duties under the Constitutions of the Trusts;

(iii) and any law; and

(iv) such retirement occurs in accordance with the procedures set out in the law.

Termination by the Manager

The Manager may at any time terminate the Investment Management Agreement by giving the Responsible Entity not less than 3 months' written notice and may terminate the Investment Management Agreement immediately on written notice if:

(i) an insolvency event occurs in relation to the Responsible Entity;

(ii) if the Responsible Entity's AFSL is cancelled at any time; or

(iii) the Responsible Entity breaches any provision of the Investment Management Agreement in a material respect or fails to observe any representation, warranty or undertaking given by the Responsible Entity which is not remedied by the Responsible Entitywithin 30 days of receiving notice in writing from the Manager (or such longer time agreed by the Manager specifying such breach or failure).

Termination payment

In the event that the Investment Management Agreement is terminated by the Responsible Entity pursuant to a vote of Stapled Securityholders to terminate the Investment Management Agreement or to wind up one or more of the Trusts, the Manager will be entitled to a termination payment calculated as follows:

(i) Termination payment (while listed) = $\frac{\text{Remaining Term x 0.01 x Gross Hotel Portfolio Value}}{2}$

(ii) Termination payment (while not listed) = $\frac{\text{3 x 0.01 x Gross Hotel Portfolio Value}}{2}$

For the purposes of calculating the termination payment, **Remaining Term** means the greater of three and:

(iii) the number of years (to two decimal places) remaining under the Initial Period (if the Initial Period has not yet ended); or

(iv) the number of years (to two decimal places) remaining under any 5-year extension under clause 13.3(b), calculated from the date of termination.

Non-Exclusivity

The appointment of the Manager is non-exclusive and the Trustee acknowledges that the Manager may from time to time perform similar investment and management services to those performed under the Investment Management Agreement for itself and other persons.

Indemnity

The Investment Management Agreement contains mutual indemnities, such that:

> the Responsible Entity indemnifies the Manager against all claims and costs suffered or incurred by the Manager as a result of undertaking its obligations under the Investment Management Agreement, except to the extent that such claim or cost is caused by negligence, misconduct or fraud of the Manager (or its employees, officers, agents or delegates); and

> the Manager indemnifies the Responsible Entity against all claims and costs suffered or incurred by the Responsible Entity as a result of a breach by the Manager of any obligations imposed on it under the Investment Management Agreement or through the negligence, misconduct or fraud of the Manager (or its employees, officers, agents or delegates).

13.1.2 Hotel Operating Agreement

MAHM has been appointed to operate and manage the Hotel Portfolio pursuant to the Hotel Operating Agreement entered into with Redcape Group Limited (ACN 124 753 733) and MAHPT TT Pty Ltd (ACN 619 297 657). The key terms of the Hotel Operating Agreement are set out below. This is not intended to be an exhaustive summary.

Management Services

Under the Hotel Operating Agreement, MAHM is engaged to perform the services which include (but are not limited to):

> the efficient operation, management, marketing and conduct of the business of each asset in the Hotel Portfolio;

> the hiring and discharge of all employees and the determination of labour policies;

> the determination of all credit and credit card policies;

> the determination of the terms of admittance, charges for rooms and entertainment and amusement policies of each hotel;

> all matters relating to food and beverages (including the right to conduct catering operations outside of the hotel);

> all matters relating to gaming and poker machines;

> the management of any legal proceedings in the name of Redcape;

> all promotion and publicity relating to the hotels;

> negotiation and execution of agreements on behalf of Redcape to effect any of these services;

> the obtaining and holding of any licences and permits issued by public authorities and necessary for operation of the hotel either by its own name or in Redcape's name;

> development management services in respect of each asset. The development management services are all services required to develop or redevelop any asset in the Hotel Portfolio.

Fees and expenses

MAHM is entitled to receive the fees and expenses set out in Section 12.6.2.

Termination

The Hotel Operating Agreement will continue for a fixed term ("**Term**"). The Term automatically extends for further periods of 5 years unless terminated by written notice by MAHM or upon an event of default by either party.

Termination upon event of default:

The occurrence of an event of default provides the non-defaulting party with the right to terminate the Hotel Operating Agreement on 30 days' notice. Where the non-defaulting party gives the defaulting party notice of its intention to terminate the agreement, the defaulting party has 30 days to remedy the breach or to pay compensation.

The following will constitute an event of default in respect of MAHM:

> an insolvency event in relation to MAHM; or
> a material breach by MAHM of any of its material covenants, undertakings or obligations in the Hotel Operating Agreement.

The following will constitute an event of default in respect of the Redcape Group:

> an insolvency event in relation to any member of the Redcape Group;
> a material breach by the Redcape Group of any of its material covenants, undertakings or obligations under the agreement;
> a failure by the Redcape Group to properly maintain each asset as a hotel;
> the Responsible Entity (or its nominee) ceasing to be the responsible entity of the Redcape Group;
> a change in control in relation to the Redcape Group; or
> a winding up or asset liquidation resolution is passed by the investors in the Redcape Group.

Termination payment

In the event that the Hotel Operating Agreement is terminated by MAHM as a result of an event of default, the Responsible Entity must pay to MAHM on termination a termination payment equal to the greater of:

> three times the management fee which was payable in respect of the most recent financial year ending before termination; and
> the management fee which was payable in respect of the most recent financial year ending before termination multiplied by the remaining Term (expressed inyears to two decimal places) calculated from the date of termination until expiration of the Term.

Non-Exclusivity

The appointment of MAHM is non-exclusive and there is no restriction on MAHM performing similar services to those performed under the Hotel Operating Agreement for itself or other persons from time to time.

13.2 Trust Constitutions

Each Trust has been separately constituted and has adopted a Constitution that sets out the rights of the holders of units in the Trust (in each case, the "**Unitholders**"). Each Constitution binds the trustee of the relevant Trust (in each case, the "**Trustee**") and the Unitholders of the relevant Trust.

The Constitutions are in substantially in the same form.

A summary of the key terms of the Constitutions is set out below. This summary sets out some of the important rights, terms, conditions and obligations attaching to the units issued by each of the Trusts (and collectively comprising Stapled Securities). This is not intended to be an exhaustive summary.

Terms of Units

Subject to the rights, liabilities, obligations and restrictions attaching to Units, each Unit confers on its holder an undivided beneficial interest in the assets of the Trust as a whole, but does not confer on a Unitholder an interest in any particular asset of the Trust. The Trustee also has the power to issue options for Units under the Constitution.

Distributions

Unitholders are generally entitled to a share of distributions from the Trust in proportion to the number of Units they hold in the Trust (or Units they hold in the relevant class). Refer to Section 6.9.2 for further information in relation to the payment of distributions.

Transfers

While the Units are not quoted on the ASX, Units may only be transferred by a written instrument in the form determined by the Trustee. While Units are quoted on the ASX a transfer may be effected in accordance with any method permitted by the Listing Rules.

Subject to the Corporations Act and the Listing Rules, while the Units are quoted on the ASX the Trustee may in its absolute discretion ask the ASX to prevent or refuse to register a transfer.

13. Summary of important documents (cont.)

Subject to the Corporations Act, the Trustee may refuse to register a transfer of Units at any time while the Units are not quoted on the ASX.

While Stapling applies, a transfer of a Unit will only be accepted as a proper transfer in registrable form if the transfer relates to or is accompanied by a transfer of the same number of each Attached Security from the same transferor in favour of the same transferee.

Withdrawal

Unitholders may only withdraw from the Trust at the discretion of the Trustee. Units may not be withdrawn while Units are quoted on the ASX except by way of an on-market buy back or pursuant to a withdrawal offer made by the Trustee. The Trustee may also in certain circumstances compulsorily withdraw Units (which includes for example where the holding of Units contravenes any law).

Small holdings

While the Units are quoted on the ASX, the Trustee may in its discretion sell or withdraw Units without the request of a Unitholder where the Units comprise less than a marketable parcel (as defined in the Listing Rules). The Trustee may only sell or withdraw Units once every 12 months and must give a Unitholder at least six weeks written notice from the date of that notice to notify the Trustee that the Unitholder wishes to retain the Units.

Where a Unit forms part of a Stapled Security, the Trustee may only withdraw Units if there is a corresponding withdrawal or buy back of an identical number of Attached Securities at the same time. The Trustee may only sell Units if the Attached Securities to which the Units are Stapled are sold at the same time to the same person.

Powers of Trustee

The Trustee has all powers in respect of the Trust, and the assets and liabilities of the Trust that it is legally possible for a natural person, trustee or corporation to have including all and any powers it could exercise as if it were the absolute and beneficial owner, including to:

(a) apply for listing of the Trust on any securities exchange (including the ASX), and quotation of the Units, either individually or as part of a Stapled Security, on any securities exchange (including but not limited to the ASX) and for this purpose the Trustee is authorised on its own behalf and on behalf of each Unitholder as the Unitholder's agent or attorney to do all things necessary to effect a listing or quotation; and

(b) enter into a management agreement with a manager of the Trust on terms agreed between the Trustee and the manager.

Amendment

While the Trust is a registered managed investment scheme, subject to the Corporations Act, the Constitution may be amended, deleted, added to or repealed and replaced with a new Constitution by a supplemental deed executed by the Trustee if:

(a) the amendment, deletions or additions have been approved by special resolution of the Securityholders; or

(b) the Responsible Entity reasonably considers that the provisions of the supplemental deed will not adversely affect the Securityholders' rights; or

(c) the amendment is to comply with regulatory requirements.

While the Trust is not a registered scheme, the Constitution may be amended, deleted, added to or repealed and replaced with a new Constitution, by a supplemental deed executed by the Trustee if:

(d) Unitholders have resolved to amend the Constitution by special resolution (other than any change to provisions in relation to compulsory retirement of the Trustee, Trustee fees and expenses and the amendment provisions which resolution must be passed by Unitholders who together hold greater than 90% of the votes attaching to all Units);

(e) the Trustee reasonably considers the change is not materially adverse to Unitholders;

(f) the Trustee has given Unitholders at least 28 days' prior notice of the proposed amendments and less than 25% of those Unitholders have within that period requested a meeting be called to consider and to approve those amendments; or

(g) the amendments are in relation to provisions of the Constitution that must be included or removed to comply with regulatory requirements or are required by ASIC for the Trust to become a registered managed investment scheme or are required by the ASX for the Trust to become listed on the ASX.

13. Summary of important documents (cont.)

Expenses

The Trustee is indemnified and is to be kept indemnified on a full indemnity basis and is entitled to pay and be paid or reimbursed out of the assets of the Trust in respect of all costs and losses incurred by the Trustee in the course of its office or in relation to the administration or management of the Trust and which are incurred by the Trustee in the proper performance of its duties.

Fees

The Trustee is entitled to receive the fees out of the assets of the Trust as described in Section 12 of this PDS.

If the Trustee delegates any of its responsibilities under the Constitution to a third party, including management or administration of the Trust to a manager, the Trustee may pay to the person to whom it has delegated that role all or part of the fees that the Trustee would otherwise have been entitled to receive under the Constitution for undertaking that role.

Where Stapling applies, the Trustee may pay expenses or fees out of the assets of the Trust that are incurred by or in connection with the Stapled Entity or are incurred by the Trustee jointly with a Stapled Entity or in its capacity as trustee or responsible entity of a Stapled Entity.

Meetings

Subject to limited exceptions under the Constitution, the convening and holding of meetings of Unitholders must be in accordance with the Corporations Act (regardless of whether the Trust is a registered scheme).

While Stapling Provisions applies, a meeting of Unitholders may be convened and conducted in conjunction with a meeting of holders of Attached Securities and the Trustee may make such rules for the conduct of these meetings as it determines.

The quorum for a meeting of Unitholders is at least two Unitholders present in person or by proxy holding at least 10% or more of the Units in issue and the quorum must be present at all times during the meeting.

Trustee limitation of liability and indemnity

To the extent legally permitted, the Trustee and each director and officer of the Trustee is not liable to any holder of Units or options, the Trust or any Trust creditors or any other person for any amounts beyond the amount which the Trustee is entitled to recover and is actually indemnified for out of the Trust assets, through its right of indemnity against the Trust. The Trustee is entitled to be indemnified and kept indemnified on a full indemnity basis and is entitled to pay or be reimbursed out of the assets of the Trust, in respect of, or in connection with:

(a) any taxes, costs, and losses which it may pay or incur in exercising any of its powers, rights or obligations, in properly performing its duties in relation to the Trust; and

(b) any tax or other liability or cost which it may pay or incur pursuant to Divisions 275 or 276-G of the Tax Act in exercising any of its powers, rights or obligations in properly performing its duties in connection with the Trust or Unitholders or as a consequence of any act or omission of any Unitholder.

The Trustee is also entitled to be indemnified by a Unitholder or a former Unitholder to the extent that it incurs any liability for tax as a result of the Unitholder's or former Unitholder's action or inaction or as a result of an act or omission requested by the Unitholder or former Unitholder (including in relation to the sale or transfer of a Unit or a Stapled Security).

The Trustee is entitled to indemnify the Manager and pay or reimburse the Manager, out of the assets of the Trust in respect of, or in connection with, all costs and losses incurred by the manager in the course of performing its obligations in accordance with a management agreement.

Termination

The Trust terminates on the earlier of:

(a) the date specified by the Trustee as the date of termination of the Trust in a notice given to Unitholders;

(b) the date determined by the Unitholders by extraordinary resolution;

(c) the date Unitholders pass, in accordance with Section 601FM of the Corporations Act while the Trust is a registered managed investment scheme, an extraordinary resolution to remove the Trustee but do not, at the same meeting, pass an extraordinary resolution choosing a company to be the new trustee that consents to becoming the Trust's trustee or responsible entity; and

(d) the date on which the Trust terminates in accordance with an order of the Court, any other provision of the Constitution or by law.

Stapling Provisions generally

The Constitution provides for the operation of Stapled Securities. While the Trusts will not be stapled on establishment, stapling will occur prior to the planned IPO of the Trust.

Stapling Provisions

Once Units are Stapled the Trustee must use reasonable endeavours to procure that Stapled Securities are dealt with under the Constitution in a manner consistent with the constitution for the other Stapled Entity. From the date Units are Stapled until the date they are no longer Stapled, the Trustee and Unitholders must not do anything nor refrain from doing anything that would result in a Unit no longer comprising a Stapled Security.

Overview of Stapling Provisions

The Trustee may determine when the Units will be Stapled with another security. Broadly, the Stapling Provisions provide for the following while Stapling applies:

(a) no Unit is to be issued unless an identical number of Attached Securities is issued to the same applicant to form a Stapled Security;

(b) the Trustee may, to the extent permitted by law, have regard to the Units of Stapled Security Holders as a whole, and must act in the best interests of the Stapled Security Holders as a whole, rather than only in the interests of the Unitholders of the relevant Trust; and

(c) no transfer of a Unit is to occur without an Attached Security being transferred at the same time from the same transferor to the same transferee.

The Trustee is irrevocably appointed as the agent and attorney of each Unitholder to execute all documents or do all things which it reasonably considers are necessary or desirable to be done on behalf of Unitholders to give effect to Stapling, including:

(a) making distributions to or on behalf of a Unitholder;

(b) applying for or purchasing Attached Securities on behalf of a Unitholder;

(c) agreeing to become a Unitholder of the company, managed investment scheme or other entity issuing the Attached Securities and consenting to the entry of the name of the Unitholder in the register of Unitholders of the entity issuing Attached Securities; and

(d) so far as permitted by law, supplying any such entity (or their advisers or service providers) with information, notices and elections relating to that Unitholder.

Cessation of Stapling Provisions

Units and Attached Securities may be unstapled where:

(a) Stapled Security Holders pass a special resolution providing that the Stapling Provisions will cease to apply or be suspended;

(b) Stapling becomes unlawful;

(c) the Stapled Entity becomes insolvent or commences winding up or terminates and the Trustee determines that Stapling should cease; or

(d) the Trustee and the Stapled Entity determine that Stapling is materially adverse to the holders of Stapled Securities.

While Units are quoted on the ASX, Units and the Attached Securities may only be unstapled if the ASX has indicated in writing that it will grant permission for the unstapling to occur.

Unit pricing election

The Responsible Entity has elected that ASIC Class Order CO 13/655 will apply to pricing of Stapled Securities. The Offer Price is based on net asset value, in accordance with the Constitutions. Details of any discretion which will be applied to the pricing of Stapled Securities in relation to acquisitions or withdrawals following listing will be accessible on Redcape Group's website at www.redcape.com.au free of charge.

13.3 Underwriting Agreement

The Offer of New Stapled Securities (with the exception of the Employee Gift Offer) is fully underwritten by the Joint Lead Managers. In addition, $10 million of the Offer of Sale Securities by SaleCo is underwritten by the Joint Lead Managers pursuant to the Underwriting Agreement. The Responsible Entity and SaleCo have entered into an Underwriting Agreement with the Joint Lead Managers, dated 31 October 2018 in respect of the Offer. Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

For the purpose of this Section 13.3, "**Offer Documents**" includes any of the following documents issued or published by, or on behalf of, and with the authorisation of the Responsible Entity and SaleCo in respect of the Offer, and in the form agreed by the Joint Lead Managers:

(a) this PDS, the Application Form and any supplementary or replacement product disclosure statement;

(b) the pathfinder version of this PDS (including any cover email) that was provided to eligible Institutional Investors and Brokers prior to the lodgement of this PDS with ASIC; and

(c) the marketing, roadshow presentation and/or any ASX announcements used by or on behalf of Responsible Entity and SaleCo to conduct the Offer.

Commissions, fees and expenses

The Responsible Entity and SaleCo have agreed to pay the Joint Lead Managers an underwriting and capital raising fee equal to 2.50% of the total funds raised under the Offer (with SaleCo responsible for the underwriting and capital raising fee payable in respect of the funds raised from the sale of Sale Securities). In addition, the Responsible Entity has agreed to pay the Joint Lead Managers a management fee of $250,000 each. The underwriting and management fees will become payable on settlement of the Offer.

In addition to the fees described above, the Responsible Entity must reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Termination events

A Joint Lead Manager may, at any time before Completion of the Offer (without any cost or liability by notice to the Responsible Entity and SaleCo), terminate the Underwriting Agreement.

The following is a non-exhaustive list of these termination events:

- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (including if a statement in any of the Offer Documents or Publication is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document or the Publication (including, without limitation, having regard to the provisions of Part 7.9, the Listing Rules or any other applicable law));
- in the reasonable opinion of the Joint Lead Managers, there are not, or there ceases to be, reasonable grounds for any statement or estimate by the Responsible Entity in the Offer Documents which relate to a future matter;
- any statement or estimate in the Offer Documents which relate to a future matter is, in the reasonable opinion of the Joint Lead Managers, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- the Responsible Entity is prevented from allotting or issuing the Stapled Securities or SaleCo is prevented from transferring the Sale Securities within the time required by the Timetable, the PDS, the Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, under an order of a court of competent jurisdiction or a requirement of a Governmental Agency;
- the S&P/ASX 300 Index published by ASX falls to a level that is 90% or less of the level as at 5.00pm on the Business Day immediately preceding the date of the Underwriting Agreement and remains at or below that 90% level for three consecutive Business Days prior to the Settlement Date or closes at or below that 90% level on the Business Day prior to the Settlement Date;
- there occurs a new circumstance that arises after the PDS is lodged that would have been required to be included in the PDS if it had arisen before lodgement;
- the Responsible Entity and SaleCo lodge a supplementary product disclosure statement that has not been approved by the Joint Lead Managers in accordance with the Underwriting Agreement or the Joint Lead Managers form the view that a supplementary product disclosure statement must be lodged;

13. Summary of important documents (cont.)

- there is a material adverse change or effect, or any development involving a prospective material adverse change or effect, in or effecting the general affairs, business, operations, assets, liabilities, financial position or performance, profit, losses, earnings position, securityholder's equity, or result of operations of Redcape or otherwise in relation to Redcape (taken as a whole);
- the agreement between SaleCo and those Existing Securityholders who have agreed to sell Stapled Securities to SaleCo in connection with the Offer is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- certain ASIC orders are issued or applied for, or certain investigations commenced under the Corporations Act or by other government agencies in relation to the Offer Documents against the Responsible Entity, SaleCo or MAHM or any of their officers, employees or agents in relation to the Offer or any Offer Documents;
- any person whose consent to the issue of the PDS is required by section 1013K of the Act and who has previously consented to the issue of the PDS withdraws such consent or any person (other than the Joint Lead Managers) who has previously consented to the inclusion of their name or any statement in the PDS withdraws that consent;
- the Responsible Entity withdraws the PDS or the Offer, any invitations to apply for Stapled Securities under the Offer Documents or all or any part of the Offer or indicate that they do not intend to proceed with the Offer or any part of it;
- if a regulatory body withdraws or revokes, or amends, any regulatory approvals required for the Responsible Entity and SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- unconditional approval (or conditional approval subject only to customary pre-quotation listing conditions or other conditions acceptable to the Responsible Entity and the Joint Lead Managers) is refused or not granted for Redcape's admission to ASX's Official List, the official quotation of the Stapled Securities on ASX, or on or before the quotation approval date, or if granted, the approval is subsequently withdrawn (without immediate replacement), qualified (other than by customary pre-quotation listing conditions or other conditions acceptable to the Responsible Entity and the Joint Lead Managers) or withheld, or ASX indicates to the Responsible Entity that approval is likely to be withdrawn, qualified (other than by customary pre-quotation listing conditions or other conditions acceptable to the Responsible Entity and the Joint Lead Managers) or withheld;
- without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld), the Responsible Entity alters the ownership structure of Redcape or the Responsible Entity disposes or attempts to dispose of a substantial part of the business or property of Redcape or either of the Constitutions is amended;
- the Responsible Entity, MAHM or Redcape becomes insolvent, or an act occurs or an omission is made which may result in the Responsible Entity, MAHM or Redcape becoming insolvent;
- the Responsible Entity is removed or replaced as the responsible entity of a Trust;
- any event specified in the Timetable is delayed for more than 2 Business Days without the prior written approval of the Joint Lead Managers;
- the chairman of the Responsible Entity, chief executive officer or chief financial officer of MAHM vacates his or her office of his or her own volition.

13. Summary of important documents (cont.)

Qualified termination events

If any of the following events occurs before Completion of the Offer and in the reasonable opinion of a Joint Lead Manager, that event has had or is likely to have a material adverse effect on the Offer (amongst other impacts), that Joint Lead Manager may at any time by written notice given to the Responsible Entity and SaleCo immediately, without cost or liability to itself, terminate the Underwriting Agreement.

The following is a non-exhaustive list of these termination events:

- the commencement of legal proceedings against the Responsible Entity, SaleCo, MAHM or Redcape or against any director of the Responsible Entity, SaleCo, MAHM or Redcape in that capacity;
- any of the ASIC relief or ASX waivers set out in Section 14.8 or 14.9 of the PDS are withdrawn, revoked or amended without the prior written approval of the Joint Lead Managers (acting reasonably);
- the Responsible Entity, SaleCo, MAHM or Redcape commits, is involved in or acquiesces in any activity which breaches the Corporations Act, the Listing Rules, its constitution or any other law to which the Responsible Entity, SaleCo, MAHM or Redcape is subject or any order of any Government Agency that is binding on it;
- the due diligence report or verification materials prepared in connection with the Offer or any other information supplied by or on behalf of the Responsible Entity and SaleCo to the Joint Lead Managers in relation to Redcape or the Offer is or becomes false or misleading or deceptive or likely to mislead or deceive, including by way of omission;
- a representation or warranty contained in the Underwriting Agreement on the part of the Responsible Entity or SaleCo is breached, becomes not true or correct or is not performed or the Responsible Entity or SaleCo fails to comply with any of its obligations under the Underwriting Agreement, including any representation, warranty, undertaking or obligation;
- if certain material contracts are not capable of being performed in accordance with their terms or if all or any part of any of such contracts is amended, terminated, breached;
- in respect of any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Japan, any member state of the European Union, and the People's Republic of China, North Korea and South Korea:
  - hostilities not presently existing commence (whether or not war has been declared);
  - a major escalation in existing hostilities occurs (whether or not war has been declared);
  - a declaration is made of a national emergency or war; or
  - a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the New Zealand, the United States, the United Kingdom, Hong Kong, any member state of the European Union, Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia, or any State or Territory of Australia, the Reserve Bank of Australia, or any Minister or other Government Agency of Australia or any State or Territory of Australia, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- any of the following occurs:
  - any material adverse change or disruption to the political conditions or financial markets of Australia, Japan, the United Kingdom, the United States of America, any member state of the European Union, and the People's Republic of China, North Korea and South Korea or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions,
  - a general moratorium on commercial banking activities in Australia, Japan, the United Kingdom, the United States of America, any member state of the European Union, and the People's Republic of China, North Korea and South Korea is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day (or a substantial part of one day) on which that exchange is open for trading; or
  - there is an event or occurrence, including any statute, order, rule, regulation, directive, request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any Governmental Agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under this document, or to market, promote or settle the Offer

Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains customary representations, warranties and undertakings by the Responsible Entity and SaleCo to the Joint Lead Managers (as well as common conditions precedent, including ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Responsible Entity and SaleCo relate to matters such as power to enter into the Underwriting Agreement, corporate authority and incorporation status. The Responsible Entity and SaleCo also provide additional representations and warranties including that this PDS complies with the Corporations Act and the Listing Rules and will not contain any misleading or deceptive statements or omissions. Separately, the Responsible Entity has given a number a number of representations and warranties in connection with matters including the financial information of Redcape, as well as its assets, litigation, tax, insurance, material contacts and compliance with occupational health and safety and environmental laws.

The Responsible Entity and SaleCo have given a number of customary undertakings to the Joint Lead Managers, including undertaking to promptly notify them of correspondence with Government Agencies and to not vary terms of their constitutions or alter the capital of Redcape (other than in a manner described in the PDS). The Responsible Entity has further undertaken to not, during the period following the date of the Underwriting Agreement until 180 days after Stapled Securities have been transferred under the Offer:

- issue any securities in Redcape without the consent of the Joint Lead Managers subject to certain exceptions. These exceptions include an issue of securities pursuant to an employee incentive plan or dividend reinvestment plan as described in this PDS or in existence at the time of the Underwriting Agreement; or
- reduce, reorganise or otherwise alter the capital structure of the Responsible Entity, or agree or announce to do any of those things, except as disclosed in this PDS or with the prior written consent of the Joint Lead Managers.

Indemnity

Subject to certain exclusions relating to gross negligence, fraud or wilful misconduct of an indemnified party, the Responsible Entity and SaleCo agree to keep the Joint Lead Managers, each of their related bodies corporate and affiliates indemnified from losses suffered in connection with the Offer and the Offer Documents.

13.4 Deed of First Offer

At the time of the initial acquisition of Redcape Group by Moelis Australia and associated funds, an acquisition right over the Redcape's Real Property was granted to the Moelis Australia SIV Property Fund ("SIV Fund") in connection with the SIV Fund's underwriting commitment to fund the entire acquisition of the Redcape Hotel Group. This right will be terminated in full and of no further force and effect on and from the completion of the Offer.

13.5 Stapling Deed

The Responsible Entity of each of the Trusts has entered into a stapling deed to set out the terms of the relationship between each of the Trusts ("**Stapling Deed**"). The key terms of the Stapling Deed include:

Stapling and Destapling

The Stapled Securities will remain stapled unless the parties agree to destaple one or more components of the Stapled Securities, a special resolution of holders of the relevant Stapled Securities approves destapling, if stapling becomes unlawful or prohibited by the Listing Rules, or a winding up is commenced in respect of any of the respective Trusts. Upon the destapling of the Trusts, the stapling provisions in the Constitutions and the Stapling Deed will cease to apply and the Units will cease to be quoted on ASX as components of Stapled Securities.

Co-operation and consultation

The parties to the stapling deed agree to share accounting and other information, and to co-operate in operating their respective stapled groups, including in relation to providing information to investors, valuing assets, preparing accounts, holding meetings, issuing securities, acquiring investments and making dividends and distributions.

Financial benefits

The parties to the Stapling Deed agree to give financial benefits to the other stapled entities including by lending money and providing guarantees. Any such benefits must only be given if they are in the interests of the Stapled Securityholders as a whole.

Dealings in Stapled Securities

The relevant components of the Stapled Securities may only be issued or transferred as part of Stapled Securities. Each of the parties to the Stapling Deed must not cancel, buy-back, redeem or reorganise Units, unless at the same time there is a corresponding cancellation, buy-back, redemption or reorganisation of the StaplSecurities of each other Stapled Trust. Each of the parties to the stapling deed may maintain or procure the maintenance of a register of Stapled Securities. This includes the appointment of a common registrar. All details of Stapled Securities and dealings in those securities must be entered in the register. Although separate registers may be kept, the registers must be kept entirely consistent with one another.

Duties

When exercising any power or discretion, each of the parties to the Stapling Deed may consider the interests of holders of the Stapled Securities as a whole, not only the interests of members of each Stapled Trust separately.

Dispute resolution

If there are disagreements arising from the Stapling Deed, each of the parties to the Stapling Deed must use their best endeavours to resolve them and negotiate in good faith before instituting proceedings.

Allocation of issue price

Each of the parties to the Stapling Deed must agree from time to time what part of the amount payable for the issue, redemption or buy-back of a Stapled Security is to represent the price of the units in each of the Trusts. The allocation is to be based on the methodology set out in the stapling provisions in the Constitutions (unless agreed otherwise in the case of an issue or redemption) or fair values of the units (in the case of a buy-back). If the parties are unable to agree, an independent accountant must be appointed to determine what part of the amount payable is to represent the price of the constituent securities.

13.6 Syndicated Debt Facility

Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and Commonwealth Bank of Australia are providers of a syndicated debt facility to the Group ("Syndicated Debt Facility"). The Syndicated Debt Facility comprises a $477m revolving cash advance facility provided equally between Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and Commonwealth Bank of Australia (together, the "Lenders") and a $3m bank guarantee facility provided by Westpac Banking Corporation.

Amendment to Syndicated Debt Facility

The terms of the Syndicated Debt Facility are set out in a Syndicated Facility Agreement dated 9 December 2013 ("Syndicated Facility Agreement"). The Syndicated Facility Agreement has been amended from time to time and most recently is proposed to be amended pursuant to a deed of amendment which is dated on or around the PDS Date ("Deed of Amendment"). A summary of the terms of the Syndicated Debt Facility, incorporating the amendments provided for in the Deed of Amendment to the Syndicated Facility Agreement, is set out below. There are a number of conditions precedent which must be satisfied or waived by the Lenders before the amendments provided for in the Deed of Amendment will take effect. These include conditions which are ordinary for an amendment of this nature.

13. Summary of important documents (cont.)

Terms of the Syndicated Debt Facility

A summary of the terms of the Syndicated Debt Facility, incorporating the amendments provided for in the Deed of Amendment to the Syndicated Facility Agreement, is as follows:

1	**Parties**	**Borrower:** MAHPT TT Pty Ltd ACN 619 297 657 in any capacity including as trustee of the Redcape Hotel Property Trust ABN 83 615 183 032 (which is a trust wholly owned by Redcape). **Guarantors:** Redcape Group Ltd, Redcape Services Pty Limited, Redcape Hotel Group Pty Ltd, RHG Operations Pty Ltd, Moelis Australia Hotel Management Pty Ltd, MAHPT TT Pty Ltd ACN 619 297 657 in any capacity including as trustee of the Redcape Hotel Property Trust ABN 83 615 183 032, RGM TT Pty Ltd ACN 619 024 949 in any capacity including as trustee for each Hotel Sub-Trust, Moelis Australia Hotel Fund Pty Ltd and MAHF Custodian Pty Ltd. **Obligors:** The Borrower and each Guarantor. **Lenders:** Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and Commonwealth Bank of Australia. ANZ also acts as facility agent.
2	**Facility Type and Limit**	A revolving cash advance facility up to $477,000,000 (33.33% commitment by each Lender) and an ancillary bank guarantee facility of $3,000,000 (100% commitment by Westpac). Subject to certain exceptions, no drawing may be made under the Syndicated Debt Facility if the LVR is greater than 50% at any time (or following the drawing, the LVR would be greater than 50%).
3	**Purpose**	Revolving Cash Advance Facility available to assist with funding acquisitions (subject to certain pre-acquisition conditions) and general working capital. The Ancillary Facility is available to provide transactional facilities and/or bank guarantees or letters of credit in support of the Group's business and operations.
4	**Termination Date and repayment**	23 September 2020.
5	**Interest rate and fees**	Interest and line fees are payable under the Syndicated Debt Facility, the rates of which vary depending on the LVR of the Group.
6	**Prepayments**	The Borrower must apply certain insurance proceeds as well as all of the net sale proceeds from disposals of properties towards repayment of the Revolving Cash Advance Facility to the extent necessary to ensure the LVR is a percentage no greater than 50%. The Borrower may repay and redraw the Facility at any time up to the Termination Date. Break costs (if any) will be payable to the Participants if the prepayment is made other than on the last day of the period.
7	**Security**	The security package in favour of the Lenders (which is held via a security trustee) comprises: (a) general security interests over all Obligors' assets and undertaking and guarantees from all Obligors' as necessary; (b) a specific security interest over Moelis Australia Limited's shares in, and loans to, the MAHM; (c) a specific security interest over Redcape Hotel Trust I's units in, and loans to, the Borrower; (d) a specific security interest over Redcape Hotel Trust II's shares in, and loans to, Redcape Hotel Fund Pty Ltd; (e) security over liquor and gaming licences attached to each of the hotels; (f) real property mortgages over each property (including any leasehold only properties).

13. Summary of important documents (cont.)

8	**Financial Covenants**	The following financial covenants are contained in the Syndicated Debt Facility: (1) **Loan to valuation ratio:** The aggregate of all senior finance debt (which for the avoidance of doubt excludes hedging) is to be no more than 55% of the aggregate value of all freehold going concern properties (FGC Properties), freehold only properties (Freehold Only Properties) and leasehold only properties (Leasehold Only Properties) (in the case of the Leasehold Only Properties, up to an amount equal to 15% of the aggregate value of the Properties (as determined by the most recent approved valuation for the Properties) and only in respect of those Leasehold Only Properties where a first ranking real property mortgage has been granted over that Leasehold Only Property) as shown in the approved valuations. (2) **Interest cover ratio:** The Borrower must ensure that EBITDA will not at any time be less than 2.00 times Interest Expense. This covenant is to be certified semi-annually based on a rolling twelve month test using the audited annual and the unaudited half-yearly (December) financial accounts of the Group.
9	**Reporting Requirements**	Reporting requirements are standard for a facility of this nature and include the provision of audited financial reports and unaudited half yearly financial reports.
10	**Key undertakings**	In addition to the standard undertakings for a facility of this nature, the Borrower and Guarantors will have the following undertakings: (1) **Disposal:** consent of the Lenders is required to dispose of a property if an Event of Default or Potential Event of Default is subsisting (or would result from that disposal) or in respect of a FGC Property, if both the freehold interest and the leasehold interest will not be disposed of at the same time, or if the net proceeds received are less than 90% of the value of that property (as determined by its most recent approved valuation). (2) **Acquisitions:** Properties may be acquired by an Obligor, and the Borrower may utilise the Facility in order to acquire such properties, at any time where the acquisition meets certain pre-acquisition conditions ("Acquisition Property"). Within 3 months of settlement occurring for any Acquisition Property, the Borrower must satisfy certain post-acquisition conditions. If an Obligor makes an Approved Acquisition that causes the LVR to exceed 50% then the Borrower must, within 15 Business Days of the earlier of: (a) the date that is 3 months after the date of the relevant loan; and (b) the date the Post-Acquisition Conditions are satisfied, repay sufficient amounts outstanding to ensure that the LVR is no more than 50%. The Borrower may at any time acquire any Property that does not meet the Pre-Acquisition Conditions from cash reserves or equity funding. (3) **Distributions:** the Obligors may make Distributionsat any time, provided that no Distributions are permitted (to be declared or paid) if: (a) an Event of Default or Potential Event of Default is subsisting (or would result from that Distribution); and (b) the LVR is not, and immediately following the distribution will not, be greater than 50%; and (c) in respect of a capital reduction (including by way of a redemption or purchase of its shares or units), the distribution is made after 30 June 2017 and the aggregate value of that capital reduction and all other capital reductions which occurred during that financial year is not greater than 10% of the net tangible assets of the Group at the commencement of that financial year.

13. Summary of important documents (cont.)

10 Key undertakings (continued)	(4) **Valuations:** All Properties are to be valued in a form and substance acceptable to the Lenders. (5) All FGC and Freehold Only Properties are to be revalued every 3 years (circa 33.3% each year), in each case except where the Property is subject to a contract of sale. All Leasehold Only Properties are to be revalued every year, except where the Property is subject to a contract of sale. **Leasehold Only Property:** Leasehold Only Properties must represent no more than 15% of the aggregate value of all Properties (as determined by the most recent approved valuation). (6) **Hedging:** The Borrower must enter into and maintain interest rate hedging in respect of not less than 50% of the revolving cash advance facility limit for a term not less than the termination date.
11 Representations and warranties	Representations and warranties given by the Obligors, and in respect of non Obligor subsidiaries and sub-trusts where relevant, are standard for a facility of this nature.
12 Events of Default	Events of Default are standard for a facility of this nature and include the events listed below: (1) **Non-Payment:** Any payment obligation under the Finance Documents is not met at any time; (2) **Finance Documents:** a Security Provider fails to comply with any obligation under a Finance Document. (3) **Financial Covenants:** Any Financial Covenant is not complied with at any time; (4) **Insolvency:** An Insolvency Event occurs in respect of any Security Provider; (5) **Default under Material Documents:** Any Security Provider is in default under a Material Document and such default is not cured within any cure period provided for in that document or a Material Document is terminated. (6) **Material Adverse Effect:** the occurrence of one or more events which constitute a material adverse effect; (7) **Delisting**: The listed units of Redcape Hotel Trust I or Redcape Hotel Trust II cease to be quoted on the official list of the Australian Stock Exchange; (8) **Change in Control:** (a) There is a change in the legal or beneficial ownership of an Obligor from the date of the Deed of Amendment or, in the opinion of the facility agent, there is a change in the Control of an Obligor other than as a result of a change in Control of Redcape Hotel Trust I or Redcape Hotel Trust II; or (b) any of the following occur: (i) the Responsible entity as responsible entity for the Redcape Hotel Trust I ceases to own 100% of the units in the Redcape Hotel Property Trust ABN 83 615 183 032; (ii) the Responsible entity as responsible entity for the Redcape Hotel Trust II ceases to own 100% of the shares in the Redcape Hotel Fund Pty Ltd; (iii) Moelis Australia Limited ceases to own all of the shares in MAHM.

13. Summary of important documents (cont.)

13 Review events

The following will each constitute a Review Event :

(1) Change of Trustee: Any one of the following occurs:

(a) the Borrower ceases to be (or ceases to be the only) trustee or responsible entity of the Redcape Hotel Property Trust ABN 83 615 183 032;

(b) RGM TT ceases to be (or ceases to be the only) trustee of any Hotel Sub-Trust;

(c) The Responsible Entity ceases to be (or ceases to be the only) trustee or responsible entity of Redcape; or

(d) MAHM ceases to be the hotel operator.

(2) Change of control:

(a) One or more persons (who are acting together or are related entities) who are not in Control of Redcape Hotel Trust I or Redcape Hotel Trust II as at the effective date of the Deed of Amendment acquire Control of Redcape Hotel Trust I or Redcape Hotel Trust II; or

(b) Moelis Australia Limited ceases to own all of the shares in the Responsible Entity.

(3) Licence Event: Any of the following occur:

(a) one or more Licence Events occur at or about the same time which have or would be likely to have the effect of reducing the Group's EBITDA by 10% or more; or

(b) there is a breach of one or more of the licence undertakings in a real property mortgage which has or would be likely to have the effect of reducing the Group's EBITDA by 10% or more.

(4) **Change in Law:** Any change in law occurs which relates to the conduct or economics of liquor or gaming businesses of the kind conducted in the Properties in any relevant state or territory which, in the Lenders's opinion, has or is likely to have a material adverse effect.

(5) **Suspension from listing:** The listed units of Redcape Hotel Trust I or Redcape Hotel Trust II are suspended from trading on the Australian Stock Exchange for 5 or more consecutive Business Days.

If, following a Review Event, agreement cannot be reached between the Lenders and the Borrower as to maintenance or restructuring of the Facility within 30 days, the Lenders may give notice to the Borrower in writing requiring repayment or refinance of the Facility within 60 days from the date of that notice.

14 Other Provisions

The Syndicated Facility Agreement includes other provisions which are standard for a facility of this nature including, but not limited to, transfer and assignment, agency, securitisation, cost and yield protection, goods and services tax, taxation and gross up, costs and expenses, indemnities, market disruption, stamp duty, increased costs and illegality, governing law, AML and PPS.

13. Summary of important documents (cont.)

15 Definitions

(1) **Control:**

(a) has the meaning given in section 50AA of the Corporations Act 2001;

(b) in respect of an 'entity' (as defined in the Corporations Act 2001) also includes the direct or indirect power to directly or indirectly direct the management or policies of the entity or control the membership or voting of the board of directors or other governing body of the entity (whether or not the power has statutory, legal or equitable force or arises by means of statutory, legal or equitable rights or trusts, agreements, arrangements, understandings, practices, the ownership of any interest in Marketable Securities, bonds or instruments of the entity or otherwise); and

(c) also includes owning or controlling, directly or indirectly, more than 50% of the shares or units in an entity.

(2) **Distribution:** A distribution of income or capital, dividend, or capital return or buyback (and also includes any payment of interest of principal in respect of subordinated shareholder loans).

(3) **EBITDA:** In respect of any period, the total amount of consolidated operating profit of the Group (after rent paid for Leasehold Only Properties) before tax, depreciation, amortisation and Interest Expense of the Group for that period but excluding any non-cash items and adjustments and any gain or loss on disposal of assets which would otherwise be included in EBITDA.

(4) **Interest Expense:** In respect of a period, all interest and amounts in the nature of interest or finance charges or of similar effect to interest or finance charges (including amounts other than principal) paid or payable by the Group for that period or, if not payable by the Group but relating to that period, then accrued for that period, calculated on a consolidated basis including:

(a) the aggregate face amount of bills of exchange or other financial instruments drawn, issued, endorsed or accepted by a Group member (but not reliquefication bills) less their net proceeds after discount or issue and payment of any acceptance, endorsement, underwriting or similar fee apportioned as appropriate between financial periods;

(b) interest portion of finance lease obligations (excluding any rent paid in respect of the Leasehold Only Properties); and

(c) all line, facility, letter of credit, guarantee and similar fees and all fees and other amounts of a regular or recurring nature relating to Finance Debt,

but excludes any amortisation of establishment fees which are characterised as interest and any interest paid or payable by any Obligor to another Obligor.

(5) **Licence Events:** Any:

(a) cancellation, forfeiture, surrender or transfer of a licence (including a liquor or gaming licence); or

(b) the imposition of any adverse conditions or terms on or in respect of any licence (including a liquor or gaming licence) that has a material effect in relation to a Property.

(6) **Material Document:** Material Documents include (without limitation):

(a) each lease relating to a property;

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Section 14

Additional Information

14. Additional Information

14.1 Registration and history of the Trusts

The Trusts were established on 13 June 2017 and registered with ASIC as managed investment schemes on 26 October 2018. In 2017, the trustee of the Trusts offered units in both of the trusts to investors in Australia who were wholesale clients (as that term is defined in the Corporations Act) and acquired the Redcape Hotel Group business.

Redcape Hotel Trust I is an Attribution Managed Investment Trust, treated as a pass through entity for tax purposes. Redcape Hotel Trust II is a public trading trust, taxed as a company at the corporate tax rate.

14.2 SaleCo

SaleCo, a special purpose company, has been established to facilitate the sale of Stapled Securities under the Offer. If the Offer proceeds, those Existing Securityholders who have irrevocably agreed with SaleCo to sell part of their investment in Redcape on Completion of the Offer will sell the relevant Stapled Securities to SaleCo, free from encumbrance and third-party rights.

The Stapled Securities which SaleCo acquires from the Exiting Securityholders will be transferred to successful Applicants under the Offer. SaleCo is a special purpose vehicle which has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the transfer agreements described above. The directors of SaleCo are Nick Collishaw and Hugh Thomson. The shareholder of SaleCo is Western Funds Management Pty Ltd. The Responsible Entity has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer (other than the underwriting and capital raising fee and any stamp duties payable by SaleCo which will be funded out of the proceeds of the sale of the Sale Securities under the Offer). The Responsible Entity has indemnified SaleCo and the directors of SaleCo for any loss which SaleCo or the directors of SaleCo may incur as a consequence of the Offer.

14.3 Distribution Reinvestment Plan

The Board has approved a DRP for Redcape. As at the PDS Date, the DRP is not activated. The DRP, if activated, allows Securityholders to reinvest Distributions from all or part of their holdings in New Stapled Securities at a discount to the prevailing market price.

The operation of the DRP is at the discretion of the Board and may be varied, modified, suspended or terminated by the Board at any time by giving at least reasonable notice to all Securityholders.

Under the rules of the DRP, participation by Securityholders in the DRP is optional and not transferable. The DRP is open to all Securityholders whose registered address is in Australia or New Zealand. However, the Responsible Entity may in its absolute discretion accept or refuse a Securityholder without giving reason for its decision.

The key terms and conditions of the DRP are as follows:

- the Board may decide for which Distributions the DRP is available;
- for each Distribution payable in respect of a participant's Stapled Securities, the Distribution is automatically reinvested in the acquisition of New Stapled Securities;
- participants in the DRP will pay no brokerage, commission or transaction costs on the issue of Stapled Securities under the DRP;
- Stapled Securities issued under the DRP will rank equally in all respects with existing issued Stapled Securities, including in respect of Distribution entitlements;
- the Responsible Entity will apply for quotation of the newly-issued Stapled Securities on ASX;
- participants may at any time join the DRP or cancel participation in the DRP, or vary the number of Stapled Securities participating in the DRP;
- participants in the DRP will receive a statement after each issue of New Stapled Securities under the DRP, giving details of their participation in the DRP; and
- the Responsible Entity has the power to amend the rules of the DRP.

14.4 Employee incentive plans

As set out in Section 5.7.4, Redcape has adopted two employee incentive plans to assist in the attraction, retention and motivation of its employees. The key terms of these plans are summarised in this Section.

14.4.1 Employee Plan

The key terms of the Employee Plan are set out in the table below.

Eligibility	Participants must be permanent full-time or part-time employees of Redcape, or casual employees or contractors who are or might reasonably be expected to be engaged to work the pro rata equivalent of 40% or more of the hours of a comparable full-time position who is invited by the Responsible Entity's Board to participate. The Employee Plan must be operated on a non-discriminatory basis in relation to at least 75% of the permanent employees of Redcape who have completed at least three years of service and who are Australian residents.
Offers under the Employee Plan	The Responsible Entity's Board may make an offer of Stapled Securities to eligible participants at its discretion. The Responsible Entity's Board has the discretion to set the terms and conditions on which it will offer the Stapled Securities on terms that are fair and reasonable but no inconsistent with the rules.
Stapled Securities	Stapled Securities issued under the Employee Plan will rank equally with all other Existing Stapled Securities.
Allocation of Stapled Securities	The number of Stapled Securities to be allotted to a participant will be set out in the offer letter to be issued by the Responsible Entity's Board.
Disposal Restrictions	A participant may not dispose of a Stapled Security acquired under the Employee Plan before the earlier of: > the third anniversary of the date on which the participant acquired the Stapled Security or such earlier time as the Federal Commissioner of Taxation allows if at that time all Stapled Securities held by the participant were disposed of under a particular scheme or in the event of certain changes of control; and; > the date on which the participant ceases to be employed by Redcape.
No forfeiture	Stapled Securities allocated to a participant under the Employee Plan will not be subject to forfeiture.
Other terms	The Employee Plan also contains customary and usual terms having regard to Australian law for dealing with the administration, variation, suspension and termination of the Employee Plan.
Costs and administration	The Responsible Entity will pay all costs and expenses in relation to the establishment and operation of the Employee Plan.

14.4.2 Rights and Securities Plan

The key terms of the Rights and Securities Plan are set out in the table below.

Eligibility	The eligibility of a participant is determined by the Responsible Entity's Board and may be an employee or a non-executive director of an entity wholly owned by the trustee of the Trusts.
Offers under the Rights and Securities Plan	The Responsible Entity's Board may make offers of Rights and the Participant Securities to eligible participants at their discretion. The Responsible Entity's Board has the discretion to set the terms and conditions on which it will offer the Rights and the Participant Securities under the Rights and Securities Plan.

14. Additional Information (cont.)

Grant of Rights and Securities	Under the Rights and Securities Plan, the Responsible Entity's Board may make offers on the terms set out in the offer letter of: Conditional Rights - being a right to acquire a Stapled Security for nil consideration, subject to the satisfaction of one or more conditions as determined by the Responsible Entity's board (such as performance, service, or time elapsed). Security Rights - being an unconditional right to acquire a Stapled Security that is granted by way of fee or salary sacrifice made by Redcape from a pre-tax remuneration or fees of an eligible participant. Participant Securities - being a Stapled Security granted by way of fee or salary sacrifice made by Redcape from the pre-tax remuneration of an eligible participant.
Conditions	The Responsible Entity's Board may impose one or more conditions on the Conditional Rights. A grant of Conditional Rights does not confer any right or interest, whether legal or equitable, in Stapled Securities until all conditions in respect of such Conditional Rights have been satisfied, or waived by the Responsible Entity's Board in its absolute discretion.
Vesting	A Security Right will be immediately vested in the participant to whom it was granted, subject to any disposal restrictions imposed by the Responsible Entity's Board. A Conditional Right granted under the Rights and Securities Plan will not vest unless the conditions relating to that Conditional Right have been satisfied. The Responsible Entity's Board may, in their discretion, determine that a Conditional Right vests prior to the specified vesting date. Subject to the Responsible Entity's discretion, an unvested Conditional Right will lapse on the earlier of: > the date specified by the Responsible Entity's Board; > the end of the relevant period if the conditions have not been met; and > the date specified by the Responsible Entity's Board in the offer letter; and > any other event described in the Rights and Securities Plan (including cessation of employment, fraud and dishonesty, change of control, and reorganisations). Subject to the Responsible Entity's Board's discretion, a Security Right will lapse upon the earlier of 30 days after the participant ceases to be a director or employee of Redcape, or the date specified by the Responsible Entity's Board in the offer letter.
Exercise	Conditional Rights which have vested and which have not expired or lapsed may be exercised at any time by the participant. Security Rights may be exercised at any time, unless otherwise specified in the terms of a grant or invitation.
Cessation of employment	If a participant holding unvested Conditional Rights ceases to be an employee of Redcape, then their Conditional Rights immediately lapse, unless the Responsible Entity's Board determines otherwise, for example for death or total and permanent disablement. The Responsible Entity's Board may in its discretion determine that a participant will forfeit any of their Stapled Securities allocated on exercise of Conditional Rights in circumstances where those Stapled Securities are subject to disposal restrictions and the participant resigns, is dismissed for cause, or where the Responsible Entity's Board determines that the participant has failed to meet acceptable performance in connection with his or her employment.
Change of control	The Responsible Entity's Board has the discretion to accelerate vesting of the Conditional and Securities Rights in the event of certain changes of control. Unvested Conditional and Security Rights will remain in place unless the Responsible Entity's Board determines to exercise that discretion.

14. Additional Information (cont.)

Rights issues, bonus issues, capital reorganisations and corporate actions	The Rights and Securities Plan includes specific provisions dealing with rights issues, bonus issues, capital reorganisations and corporate actions. These provisions are intended to ensure that there is no material advantage or disadvantage to a participant in respect of their Rights as a result of such actions.
Clawback powers	The Responsible Entity's Board has broad claw back powers if: > the participant has acted fraudulently or dishonestly, or is in breach of his or obligations to Redcape; > the participant is in breach of his or her obligations to Redcape; or > is knowingly involved in a material misstatement of financial statements. If any Conditional Rights have not vested, then the clawback may result in those Conditional Rights lapsing or the conditions being altered or reset. If any Conditional Rights have vested but not been exercised, then the clawback may result in forfeiture, or if the Conditional Rights have been exercised, then the participant may be required to repay all or part of the net proceeds of sale of the underlying Stapled Securities.
Stapled Securities	Stapled Securities issued under the Rights and Securities Plan will rank equally with all other Existing Stapled Securities. The Responsible Entity's Board may in their discretion impose any disposal restrictions on any Stapled Securities issued as Participant Securities or issued or transferred to a participant on the exercise of Rights
Quotation	Rights will not be quoted on the ASX. The Responsible Entity will apply for quotation of Stapled Securities issued under the Rights and Securities Plan on exercise of any Rights in accordance with the ASX Listing Rules.
Disposal restrictions	The Responsible Entity's Board may in its discretion impose any disposal restrictions on any Rights. A participant must not enter into any arrangement for the purposes of hedging the economic benefit to be derived from the Rights and Participant Securities that remain subject to the Rights and Securities Plan, irrespective of future changes in the market price of Stapled Securities. Where a participant enters into, or purports to enter into such arrangement, the Rights will immediately lapse.
Limitation on participation	No Stapled Securities may be allocated to a participant under the Rights and Securities Plan if, immediately after the allocation, the participant would hold a legal or beneficial interest in more than 10% of all Stapled Securities on issue, or would be in a position to cast, or control the casting of, more than 10% of the maximum number of votes at a general meeting of Redcape.
Other terms	The Rights and Securities Plan also contains customary and usual terms having regard to Australian law for dealing with the administration, variation, suspension and termination of the Rights and Securities Plan.
Costs and administration	The Responsible Entity will pay all costs and expenses in relation to the establishment and operation of the Rights and Securities Plan.

14.5 Foreign selling restrictions

This document does not constitute an offer of New Stapled Securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Stapled Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

China

The information in this document does not constitute a public offer of the Stapled Securities, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Stapled Securities may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors", sovereign wealth funds and quasi-government investment funds.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Stapled Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Stapled Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Stapled Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Stapled Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Stapled Securities. The Stapled Securities may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act"). The Stapled Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

14. Additional Information (cont.)

Singapore

This document and any other materials relating to the Stapled Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Stapled Securities, may not be issued, circulated or distributed, nor may the Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Stapled Securities (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Stapled Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Stapled Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

14.6 Consents

14.6.1 Consents to be named and disclaimers of responsibility

Each of the persons referred to below has given, and has not, before the issue of this PDS, withdrawn its written consent to:

> being named in this PDS in the form and context in which they are named; and

> the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this PDS.

Name of Person	Named As	Reports or Statements
Moelis Australia Advisory Pty Ltd	Financial Adviser, Joint Lead Manager and underwriter	Not applicable
Ord Minnett Limited	Joint Lead Manager and underwriter	Not applicable
Arnold Bloch Leibler	Legal adviser in respect of the Offer	Not applicable
KPMG Financial Advisory Services (Australia) Pty Ltd	Investigating Accountant	Investigating Accountants' Report
Ernst & Young Australia	Taxation adviser	Not applicable
Ray White Advisory Pty Ltd	Independent valuer	Valuation Summary (NSW)
Power Jeffrey & Co	Independent valuer	Valuation Summary (QLD)
KPMG	Auditor	Not applicable
Boardroom Pty Limited	Registry	Not applicable

None of the persons named in this Section has made any statement that is included in this PDS or any statement on which this PDS is based, other than any statement or report included in this PDS with the consent of that person as specified above.

Each of the persons referred to above in this Section:

> has not authorised or caused the issue of this PDS, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this PDS; and

- to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any statements in or omissions from this PDS, other than any statement or report attributed to them with the consent of that person as specified above.

Each Responsible Entity Director has given and has not, before lodgement of this PDS with ASIC, withdrawn his or her consent to be named in this PDS as a Responsible Entity Director in the form and context in which they are named and for the statements made by and on behalf of him or her to be included in this PDS.

14.7 Consents to lodgement

The issue of this PDS has been authorised by the Responsible Entity, and each of the Responsible Entity Directors and SaleCo and each of the SaleCo Directors.

Each Responsible Entity Director and each director of SaleCo have consented to the lodgement of this PDS with ASIC and has not withdrawn that consent.

14.8 ASX waivers and confirmations

14.8.1 Waivers

In order to conduct the Offer, the Responsible Entity on behalf of Redcape has sought, and been granted, certain waivers to the Listing Rules by ASX. ASX has granted to Redcape waivers from:

- Listing Rule 1.1, Condition 8 - that the value of the units in Trust I and Trust II that are stapled together to form Stapled Securities are considered as a single security and not considered separately;
- Listing Rule 2.1, Condition 2 - that the issue price of the units that are stapled together to form the Stapled Securities are considered as a single security and not considered separately;
- Listing Rule 8.10 - that Redcape has a right to refuse the transfer of units in one of the Trusts in circumstances where an equal number of units in the other Trust are not transferred at the same time;
- Listing Rule 10.1 - that Redcape be permitted to transfer assets between Trust I and Trust II and their subsidiaries without the need to first obtain securityholder approval.

14.8.2 Confirmations

In order to conduct the Offer, the Responsible Entity on behalf of Redcape has sought certain waivers and confirmations of the ASX Listing Rules from ASX. ASX has provided in principle confirmations in relation to:

- Listing Rule 1.1, Condition 1 - that the structure and operations of Redcape are appropriate for a listed entity.
- Listing Rule 1.1, Condition 2 - that the constitutions of each of Trust I and Trust II are consistent with the Listing Rules.
- Listing Rule 1.2 - confirmation that Redcape will be admitted under the profit test.
- Listing Rule 3.1 - that disclosure by one Redcape stapled entity on behalf of Redcape satisfies the continuous disclosure obligation for each entity on a matter.
- Listing Rule 7.1 - confirmation that for the purpose of calculating how many Stapled Securities the Responsible Entity may issue under Listing Rule 7.1 following allotment under the Offer, Redcape may take the number of Stapled Securities on issue immediately after allotment under the Offer as the number taken to be on issue 12 months prior to those issues.

14.9 ASIC relief

In order to conduct the Offer, the Responsible Entity has sought the following exemptions from, and modifications to, the Corporations Act from ASIC in order to facilitate the Offer:

- customary stapling relief modifying Parts 5C.2, 5C.7 and 5C.10 of the Corporations Act to allow Redcape Group to be treated as a single economic entity; and
- customary modifications of the on-sale disclosure provisions in Part 7.9 in relation to the sale of New Stapled Securities by participants in the Institutional Offer who were offered their New Stapled Securities prior to this PDS being lodged with ASIC.

14. Additional Information (cont.)

14.10 Child entities

Child Entity	Nature of the Child Entity's Business	Redcape Ownership Interest
Redcape Hotel Fund Pty Ltd (ACN 619 509 643)	Holding entity for Redcape's hotel operations business entities.	100%
Redcape Group Limited (ACN 124 753 733)	Holding entity for Redcape's hotel operations business entities.	100%
Redcape Hotel Group Pty Ltd (ACN 139 067 244)	Operating entity involved in carrying out Redcape's hotel operations business.	100%
Redcape Services Pty Ltd (ACN 138 297 775)	Operating entity involved in carrying out Redcape's hotel operations business.	100%
RHG Operations Pty Ltd (ACN 114 400 025)	Operating entity involved in carrying out Redcape's hotel operations business.	100%
MAHF Custodian Pty Ltd (ACN 619 512 060)	Custodian of property level sub-trusts responsible for holding registered title to Redcape's Real Property.	100%
Redcape Hotel Property Trust (the trustee of which is MAHPT TT Pty Ltd (a wholly owned subsidiary of Redcape Hotel Fund Pty Ltd))	Holding trust for Redcape's freehold property assets	100%
Property level sub-trusts Redcape's structure involves a separate wholly-owned sub-trust for each freehold property in Redcape's portfolio. As at the date of this PDS there are 28 such sub-trusts. The trustee of each such trust is RGM TT Pty Ltd (a wholly owned subsidiary of Redcape Group Limited).	Asset level holding trusts for each freehold property in the Hotel Portfolio	100%

14.11 Litigation and claims

As far as the Responsible Entity is aware, except as disclosed in this PDS, there is no current threatened or pending civil litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which Redcape is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Redcape or its assets.

14.12 Privacy and personal information

The Application Form requires you to provide information that may be personal information for the purposes of the Privacy Act. The Responsible Entity, SaleCo on behalf of the Existing Securityholders and the Registry on their behalf collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer Redcape. The Corporations Act requires certain particulars of securityholders to be collected and maintained in a public register.

14. Additional Information (cont.)

Access to information may also be provided to other Redcape group entities and to Redcape's and the Existing Securityholders' agents and service providers on the basis that they deal with such information in accordance with their respective privacy policies. If you do not provide the information requested in the Application Form, Redcape and the Registry may not be able to process or accept your Application.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Redcape or the Existing Securityholders. You can request access to your personal information by telephoning or writing to the Registry. You may be required to pay a reasonable charge to the Registry in order to access your personal information.

14.13 Social, labour, ethical and environmental considerations

Redcape does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising an investment. However, these considerations may be taken into account if they materially affect the value of the investment, though no specific methodology is applied. Environmental factors are addressed as part of normal property due diligence.

14.14 GST

Under current Australian law, GST will not be payable in respect of any transfer of Stapled Securities.

14.15 Complaints

The Responsible Entity has established a procedure for dealing with complaints. If a Securityholder is not satisfied with the conduct of the Responsible Entity in performing its obligations a complaint should be initially addressed to:

Company Secretary

Redcape Hotel Group

C/o: Redcape Hotel Group Management Limited)

LEVEL 27, GOVERNOR PHILLIP TOWER

ONE FARRER PLACE

SYDNEY NSW 2000

The complaints officer of the Responsible Entity will:

> in respect of complaints made by retail clients (as that term is defined in the Corporations Act), comply with the dispute resolution requirements set out in the Corporations Act; or

> in respect of complaints made by a wholesale client (as that term is defined in the Corporations Act), acknowledge the complaint as soon as reasonably practicable and within a further 45 days communicate to the wholesale client its decision in relation to the complaint.

If you are a retail investor (as defined by the Corporations Act) and are not satisfied with the Responsible Entity's response, you can refer the complaint to the Financial Ombudsman Service (FOS), an external complaints handling body that provides an independent assessment of your complaint.

FOS's contact details are:

Financial Ombudsman Service Limited

GPO Box 3
Melbourne VIC 3001
Telephone: 1800 367 287
Email: info@fos.org.au

14. Additional Information (cont.)

14.16 No cooling-off period

Applicants should note there will not be a cooling-off period in relation to Applications, because an application will be made to ASX for Listing of Redcape and quotation of the Stapled Securities.

Once an Application has been lodged, it cannot be withdrawn. Should quotation of the Stapled Securities be granted by ASX, Securityholders will have the opportunity to sell their Stapled Securities at the prevailing market price, which may be different to the Offer Price.

14.17 Access to information

The Responsible Entity will provide regular communication to Securityholders, including publication of:

> audited annual financial reports;
> reviewed half year financial reports;
> annual taxation statements; and
> any continuous disclosure notices given by Redcape.

Redcape will also have a website that will provide up-to-date information on Redcape including current Stapled Security prices, access to half year and annual reports and Distribution information.

Redcape will be a disclosing entity and will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to Redcape may be obtained from, or inspected at, an ASIC office.

You also have the right to obtain a copy of each annual report, half yearly report and any continuous disclosure notice from Redcape free of charge by contacting the Company Secretary of the Responsible Entity on +61 2 8288 5555.

In addition, the Constitutions and compliance plans of each of the Trusts are available for inspection at the offices of the Responsible Entity between 8:30am and 5.00pm (Sydney time) on Business Days in Sydney, New South Wales.

For any additional information in relation to the Stapled Securities on offer under this PDS please contact the Company Secretary of the Responsible Entity using the contact details in Section 14.15.

14.18 Anti-money Laundering / Counter-terrorism Financing Act 2006

The Responsible Entity is bound by laws relating to the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("AML/CTF Laws"). By completing an Application Form, you agree that:

> you are not subscribing under an assumed name;
> any money used by you to invest in Stapled Securities is not derived from or related to any criminal activities;
> any proceeds of your investment will not be used in relation to any criminal activities;
> if we ask, you will provide us with additional information we reasonably require for the purposes of AML/CTF Laws (including information about a holder of a Stapled Security, any beneficial interest in the Stapled Securities, or the source of funds used to invest);
> we may obtain information about you or any beneficial owner of a Stapled Security from third parties if we believe this is necessary to comply with AML/CTF Law; and
> in order to comply with AML/CTF Laws, we may be required to take action, including:
  – delaying or refusing the processing of any application or withdrawal, or
  – disclosing information that we hold about you or any beneficial owner of the Stapled Securities to our related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether in or outside of Australia).

14. Additional Information (cont.)

14.19 FATCA

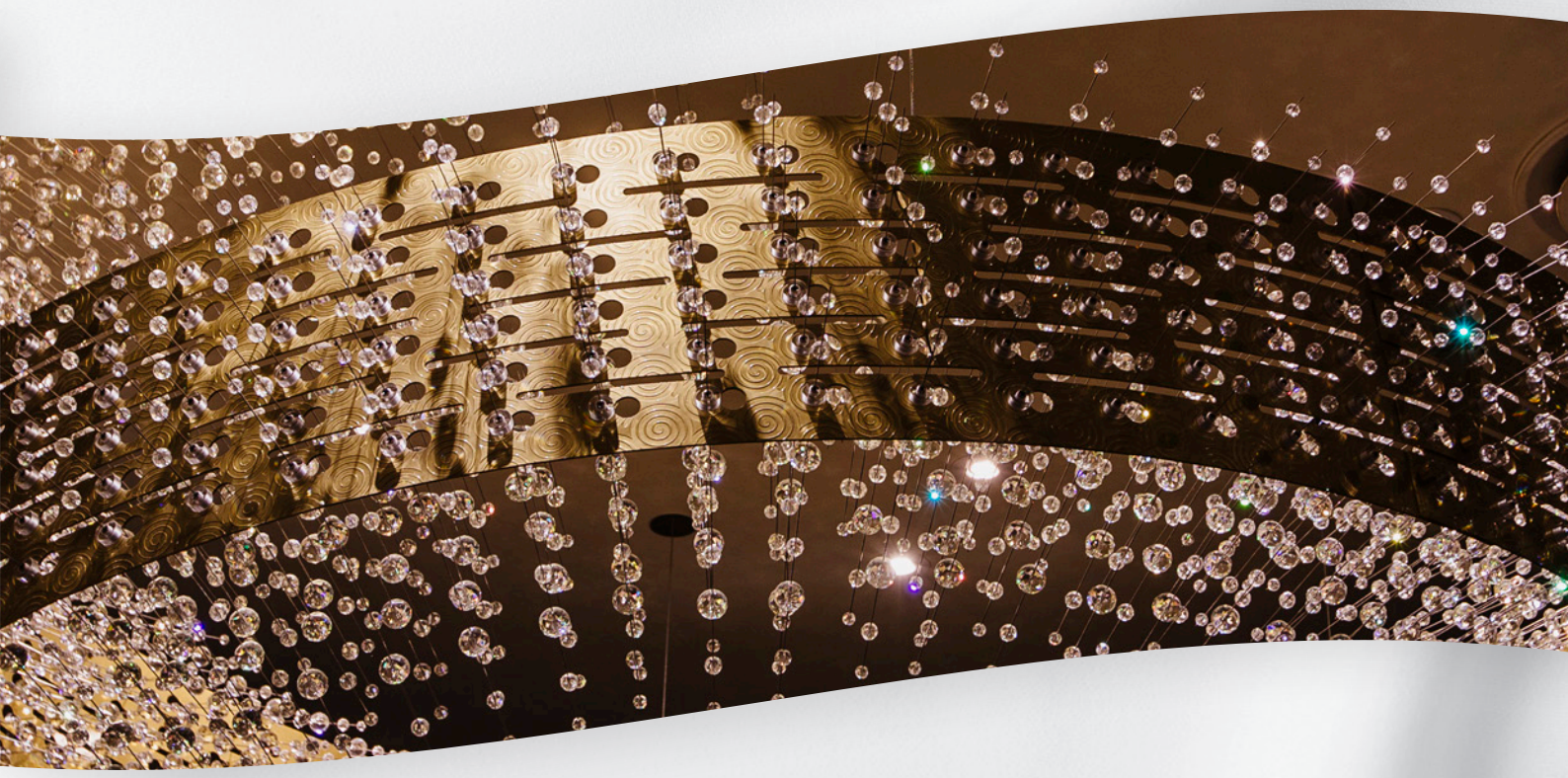
The Foreign Account Tax Compliance Act (FATCA) is US tax legislation that assists the US Internal Revenue Service (IRS) to identify and collect tax from US residents for tax purposes that invest in certain financial accounts through non-US entities. If you are a US resident for tax purposes, you should note that the Trust may be a 'Foreign Financial Institution' under FATCA. In order to comply with FATCA requirements, as determined by either the FATCA regulations or the inter-governmental agreement (IGA) entered into by Australia and the US for the purposes of implementing FATCA and any Australian laws and regulations relating to the IGA, the Responsible Entity may require investors to provide certain information regarding their identification and may undertake certain due diligence procedures with respect to investors of the Trust to determine their status for FATCA reporting purposes. This information may be required at the time an Application is made for Stapled Securities or at any time after the Stapled Securities have been acquired by the Applicant.

Accordingly, by making an application to invest in Redcape, prospective investors agree to provide the Manager and the Responsible Entity with certain identification and related information in order to enable the Responsible Entity it to comply with its obligations in connection with FATCA.

14.20Governing law

This PDS and the contracts that arise from the acceptance of the Applications and bids under this PDS are governed by the law applicable in NSW, Australia and each applicant and bidder submits to the exclusive jurisdiction of the courts of NSW, Australia.

Redcape
HOTEL GROUP



Annexure A

Significant Accounting Policies

Annexure A – Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below.

Basis of preparation

1. Compliance statement

The Financial Information has been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting standards Board (AASB). The Financial Information comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

2. Basis of measurement

The Financial Information is prepared on the historical cost basis, except for land and derivatives which are measured at fair value.

3. Functional and presentation currency

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

All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

4. Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. Estimates and judgements affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Summary of significant accounting policies

1. Basis of consolidation

The consolidated Financial Information incorporates the assets and liabilities of all subsidiaries of Redcape and the results of subsidiaries. Redcape Hotel Trust I and Redcape Hotel Trust II and their subsidiaries together are referred to in this financial report as 'Redcape'.

(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 Redcape. 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, Redcape takes into consideration potential voting rights that currently are exercisable.

Redcape 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.

Annexure A – Significant Accounting Policies (cont.)

Transaction costs, other than those associated with the issue of debt or equity securities, that Redcape 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) Subsidiaries and associated entities

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

(iii) 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.

(iv) Stapling

The stapling of the Units of Redcape Hotel Trust I and Units of Recape Hotel Trust II occurred on 2 July 2018 and will be Stapled Securities on the ASX such that units in each trust cannot be traded separately.

To account for the stapling, Australian Accounting Standards require an acquirer to be identified and an acquisition recognised. On stapling, Recape Hotel Trust II is considered to have acquired Redcape Hotel Trust I for accounting purposes and is therefore the parent entity for the purposes of the Financial Information.

2. 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:

> 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.

3. Income tax

Redcape Hotel Trust I

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

Redcape Hotel Trust II

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

(iv) Tax consolidation

Redcape Hotel Trust II's wholly-owned Australian resident entities have formed a tax consolidated group with effect from 10 July 2017 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Redcape Hotel Hotel Trust II.

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.

(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.

4. 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.

5. Financial Instruments

(i) Non-derivative financial assets

Redcape 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 Redcape becomes a party to the contractual provisions of the instrument.

Redcape 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 Redcape 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, Redcape 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.

Redcape has the following non-derivative financial assets: 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 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 Redcape in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

Redcape 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 Redcape becomes a party to the contractual provisions of the instrument.

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

Redcape 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 Redcape's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Derivative financial instruments

Redcape holds derivative financial instruments to hedge its interest rate risk exposures.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivatives is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit and loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit and loss in the same period or periods during which the hedged items affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

6. Property, plant and equipment

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

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

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

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

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

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

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Annexure A – Significant Accounting Policies (cont.)

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

The estimated useful lives 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.

7. Intangible assets and goodwill

a) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

b) Gaming licences

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

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

c) Liquor licences

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

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

8. 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.

9. Impairment

a) 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.

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.

b) Non-financial assets

The carrying amounts of Redcape'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.

10. 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 Redcape's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

11. Finance income and finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

12. Employee benefits

a) 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.

b) Other long-term employee benefits

Redcape'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 Redcape'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.

c) Termination benefits

Termination benefits are recognised as an expense when Redcape 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 Redcape 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.

d) 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 Redcape 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.

Annexure A – Significant Accounting Policies (cont.)

13. Provisions

A provision is recognised if, as a result of a past event, Redcape 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.

14. Contributed equity

a) Redcape Hotel Trust I

Issued Units in the Trust are classified as equity. Incremental costs directly attributable to the issue of new Units are shown in equity as a deduction, net of tax, from the proceeds.

b) Redcape Hotel Trust II

Issued units in Redcape Hotel Trust II are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

15. New standards and interpretations not yet adopted

AASB 16 Leases

IFRS 16 introduces a single, on-balance sheet lease 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 where the Group does not own the underlying property asset. 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. Where the Group owns the underlying property asset as well as operating the Pub, we would anticipate minimal impact to the consolidated financial statements. The Group has not yet decided whether it will use the optional exemptions.

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. Whilst the Group is still assessing the potential impact on its financial statements resulting from the application of AASB 15, given the nature of the Group's material revenue streams are predominantly cash-based, and recognised at the point of sale, with limited residual performance obligations, the Group does not anticipate a material impact on its financial statements.

Redcape
HOTEL GROUP

Annexure B

Glossary

Annexure B – Glossary

Term	Meaning
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACN	Australian Company Number
Acquisition Contracts	The sale of business agreements and contracts for sale of land for the acquisition of the three South Coast hotels which are part of the Acquisition Portfolio
Acquisition Portfolio	A portfolio of three hotels in South Coast NSW that Redcape has exchanged contracts to acquire (settlement contracted to occur in December 2018)
AEST	Australian Eastern Standard Time
AFSL	An Australian Financial Services Licence issued under the Corporations Act
AGC	Australasian Gaming Council
AHA	Australian Hotels Association
AHA NSW	Australian Hotels Association NSW
ALH	Australian Leisure and Hospitality Group Limited
Allotment Date	The date on which Stapled Securities are issued to successful applicants, expected to be 30 November 2018
AMIT	Attribution MIT
AML/CTF Act	*Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth)
AMMA Statement	AMIT member annual statement
Applicant	A person who makes an Application by submitting a valid Application Form pursuant to this PDS
Application	An application for Stapled Securities offered under this PDS
Application Form	The Application form attached to or accompanying this PDS (including the electronic form provided by an online application facility) which allows Applicants to apply for Stapled Securities under the Broker Firm Offer, Priority Offer or Employee Gift Offer (whichever is relevant to the Applicant)
Application Monies	The money paid by an Applicant in consideration for the Stapled Securities being transferred under this PDS
Application Payment	The amount accompanying an Application Form submitted by an Applicant. This amount is equal to the Offer Price multiplied by the number of Stapled Securities applied for
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement Pty Ltd ABN 49 008 504 532
ASX	ASX Limited or the securities exchange that it operates, as the context requires
ASX Listing Rules	The listing rules of ASX
ASX Guidelines	Corporate Governance Principles and Recommendations (3rd Edition), released by ASX Corporate Governance Council
ASX Recommendations	ASX Corporate Governance Principles and Recommendations (3rd Edition)

Annexure B – Glossary (cont.)

Term	Meaning
ASX Settlement Operating Rules	The settlement operating rules of ASX
ATMs	Automated teller machines
ATO	Australian Tax Office
Australian Accounting Standards or AAS	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Balance Sheet Gearing	The ratio of net drawn debt (non-current loans and borrowings, less cash) to total assets, less cash
Board or Board of Directors	The Board of the Responsible Entity
Board of Moelis Australia	The Board of Directors of Moelis Australia
BPAY®	The payment mechanism used to pay Application Payments online, registered by BPay Pty Ltd ABN 69 079 137 518
Broker	Any ASX participating organisation selected by the Joint Lead Managers and Redcape to act as a broker to the Offer
Broker Firm Offer	The offer of Stapled Securities under this PDS to Australian resident retail clients of Brokers who have received an invitation to participate from their Broker, as described in Section 7.8
Broker Firm Offer Application Form	The form appended to, or accompanying, this PDS (including the electronic form provided by an online application facility) used to apply for Stapled Securities under this PDS in the Broker Firm Offer
Buyback	A potential on-market buy back and cancellation of up to 25.8 million Stapled Securities, as defined in Section 7.16
CAGR	Compound annual growth rate
CFO	Chief Financial Officer
CGT	Capital Gain Tax
CHESS	ASX's Clearing House Electronic Sub-register System, operated under the Corporations Act
CIS	Community impact statement
Closing Date	The date on which the Offer is expected to close, being 22 November 2018
CMS	Centralised monitoring system
Coles	Coles Supermarkets Australia Pty Ltd
Completion Date	The date the Existing Stapled Securities will be transferred and the New Stapled Securities will be issued to successful Applicants, expected to be 30 November 2018
Completion of the Offer	Completion of the transfer and issue of Stapled Securities under this PDS
Conditional Rights	Rights to Stapled Securities (including a fraction of a Stapled Security) that is subject to the conditions determined by the Responsible Entity's Board, calculated on the basis set out in the terms of a grant or invitation, which may include a formula for calculating the relevant number of Stapled Securities
Constitutions	The constitution of Redcape Hotel Trust I and the constitution of Redcape Hotel Trust II
COO	Chief Operating Officer
Corporations Act	Corporations Act 2001 (Cth)

Annexure B – Glossary (cont.)

Term	Meaning
CRN	Customer Reference Number issued to Securityholders by the Registry
Distributions	A distribution paid out of Redcape Hotel Trust I and/or Redcape Hotel Trust II
DRP	Redcape's distribution reinvestment plan
EBIT	For the relevant period, earnings before interest and tax
EBITDA	For the relevant period, earnings before interest, tax, depreciation and amortisation
EFTPOS	Electronic Funds Transfer at Point of Sale
EGM	Electronic Gaming Machine
EPS	Earnings per Stapled Security
ERP	Entity Resource Planning system
Eligible Employees	Certain Redcape employees who have been sent a personalised invitation to participate in the Employee Gift Offer and who have a registered address in Australia.
Employee Gift Offer	The invitation to Eligible Employees as described in Section 7.10
Employee Gift Offer Application Form	The electronic form accompanying this PDS (provided by an online application facility) used to apply for Stapled Securities under this PDS in the Employee Gift Offer
Employee Plan	A plan under which certain Redcape employees can receive Stapled Securities on a tax-free basis, each year. A summary of the terms of the Employee Plan is set out in Section 14.4.1
Enterprise Value	The sum of the market capitalisation of Redcape at the Offer Price and pro forma net debt as at 30 June 2018
Existing Securityholders	The Securityholders of Redcape immediately prior to Completion
Existing Stapled Securities	The Stapled Securities held by the Existing Securityholders as at the PDS Date and which will be sold under the Offer
Expiry Date	The date which is 13 months after PDS Date, being 1 December 2019
Exposure Period	The seven day period after the PDS Date during which no Applications may be processed (which period may be extended by up to a further 7 days)
F&B	Food and beverage
Financial Information	The financial information relating to Redcape as set out in Section 6
Forecast Financial Information	The financial information defined as Forecast Financial Information in Section 6
FY and financial year	The financial year ended or ending 30 June (as the context requires)
FY2016 or FY16	12 months ending 30 June 2016
FY2017 or FY17	12 months ending 30 June 2017
FY2018 or FY18	12 months ending 30 June 2018
FY2019 or FY19	12 months ending 30 June 2019
Gaming Machine Threshold	The maximum number of GMEs and/or PMPs each hotel licence is approved to hold as discussed in Section 2.5.3
GDP	Gross domestic product
Gearing	The ratio of Net Debt to total assets less cash

Annexure B – Glossary (cont.)

Term	Meaning
GMEs	Gaming Machine Entitlements issued by the NSW State Government which allows the operation of one poker machine by the entitlement holder
GMT	A maximum number of EGMs that a hotel is authorised to operated
Greater Sydney	Greater Sydney (Greater Capital City Statistical Area), as classified by the Australian Bureau of Statistics, extends from Wyong and Gosford in the north to the Royal National Park in the south and follows the coastline in between
Gross Hotel Portfolio Value	Gross Hotel Portfolio Value is the most recent freehold going concern or leasehold going concern valuation of all of Redcape's pubs, including land and buildings, as well as non-operating freehold investment properties and excluding any value associated with Redcape's brewery. Gross Hotel Portfolio Value is calculated as the aggregate value of all Real Property held as an asset by the Redcape Group based on the most current independent valuation or valuation by the Responsible Entity of each Real Property asset (which valuation methods in either case must be consistent with ordinary commercial practice for valuing that type of Real Property asset and produce a value that is reasonably current at the time of valuation).
GST	Goods and services tax
Historical Financial Information	The financial information described as Historical Financial Information in Section 6
Historical Financial Reports	The Regatta No.2 Trust for FY16 and FY17 and the special purpose aggregated financial statements of Redcape Hotel Trust I and Redcape Hotel Trust II and their consolidated entities for FY18.
HLG	Hedley Leisure & Gaming Property Fund
HPI	Hotel Property Investments Limited
Hotel / Pub	A licenced social venue which may provide food, alcohol, gaming, and hospitality services
Hotel Operating Agreement	The Hotel Operating Agreement entered into between MAHM and with Redcape Group Limited (ACN 124 753 333) and MAHPT TT Pty Ltd (ACN 619 297 657)
Hotel Operating Profit	The aggregate operating profit of the Hotel Portfolio calculated by deducting the Operating Expenses of the Hotel Portfolio from the Revenue of the Hotel Portfolio
Hotel Portfolio	The hotels owned by Redcape from time to time
HY or half year	The six months ended or ending 31 December (as the context requires)
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ILGA	Independent Liquor and Gaming Authority
Institutional Investor	Investors who are: > persons in Australia who are either "sophisticated investors" or "professional investors" under sections 708(8) or 708(11) of the Corporations Act, or a wholesale client within the meaning of section 761G of the Corporations Act; or > persons in certain other jurisdictions, as agreed by the Responsible Entity and the Joint Lead Managers, to whom offers of Stapled Securities may lawfully be made without the need for a lodged or registered disclosure document or filing with, or approval by, any government agency (except one with which Redcape is willing in its discretion to comply)
Institutional Investors	Certain Institutional Investors in Australia and other eligible jurisdictions who have been invited to participate in the Offer

Annexure B – Glossary (cont.)

Term	Meaning
Interest Cover Ratio or ICR	Interest Cover Ratio calculated as Operating EBITDA / Net finance costs less amortisation of borrowing costs
Investigating Accountant	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Limited
Investment Management Agreement	The Investment Management Agreement entered into between the Responsible Entity and MAHM
Investment Vehicle	Investment Vehicle means a company, trust, joint venture (incorporated or unincorporated) or partnership in which the Responsible Entity (in its capacity as trustee or responsible entity of the Trust) has a direct or indirect interest (through any number of interposed companies, trusts, joint ventures (incorporated or unincorporated) and partnerships)
Investor	A person considering the Offer
IP	Intellectual property
IRR	Internal rate of return
Joint Lead Managers	One or both of Moelis Australia Advisory Pty Ltd ABN 72 142 008 446 and Ord Minnett Limited ABN 86 002 733 048
KPMG Transaction Services	KPMG Financial Advisory Services (Australia) Pty Ltd
KYC	Know-your-customer
LGA	Local Government Area
LIA	Local Impact Assessment
Listing	The admission of Redcape onto the official list of ASX
LVR	Pro forma LVR is calculated as total net indebtedness as a percentage of Gross Hotel Portfolio Value as at 30 June 2018
Manager	MAHM
MIT	Managed Investment Trust
Moelis Australia	Moelis Australia Limited (ABN 68 142 008 428)
MAAM	Moelis Australia Asset Management Ltd (ABN 93 142 008 535)
MAHM	Moelis Australia Hotel Management Pty Ltd (ACN 619 297 228), a business division of Moelis Australia
Moelis Australia Securityholders	Moelis Australia and funds managed by Moelis Australia
Net Debt	Non-current loans and borrowings less cash and cash equivalents
New Stapled Securities	The new Stapled Securities to be issued by the Responsible Entity, as responsible entity of Redcape, under the Offer
NLG	National Leisure & Gaming Limited
NPAT	Net profit after tax
Off-premise	A hotel business segment which comprises earnings from retail liquor sales and brewery sales

Annexure B – Glossary (cont.)

Term	Meaning
Offer	The offer of Stapled Securities under the Broker Firm Offer, Priority Offer, Employee Gift Offer and the Institutional Offer
Offer Information Line	Offer Information Line on (02) 9719-4088 between 9:00am and 5:00pm (Sydney time) Monday to Friday
Offer Period	The period between the Opening Date (12 November 2018) and the Closing Date (22 November 2018)
Offer Price	The price payable for one Stapled Security transferred or issued to Investors under the Offer, being $1.13
Official List	The official list of ASX of entities that ASX has admitted and not removed from listing
OLGR (NSW)	NSW Office of Liquor, Gaming and Racing
OLGR (Qld)	QLD Office of Liquor and Gaming Regulation
On-premise	A hotel business segment which comprises predominantly food and beverage sales. Other on-premise earnings are derived from sports betting, TAB and KENO commissions and accommodation services
Opening Date	The date on which the Offer will open, being 12 November 2018
Operating EBITDA	Earnings before interest, taxation, depreciation, amortisation, impairment charges and fair value adjustments
Participant Securities	Stapled Securities (including a fraction of a Stapled Security) that is granted by way of fee or salary sacrifice from the pre-tax remuneration of an eligible person
PDS	This product disclosure statement
PDS date	The date of this PDS, being 1 November 2018
PMP	Poker Machine Permits issued by the NSW State Government which allows the operation of one poker machine by the entitlement holder
Priority Offer	The offer of Stapled Securities under this PDS to certain persons invited by the Responsible Entity to participate in the Offer on a firm basis as described in Section 7.9
Privacy Act	*Privacy Act 1988* (Cth)
Pro Forma Financial Information	Describes the historical statutory financial information for the years ending 30 June 2016, 30 June 2017 and 30 June 2018 and forecast financial information for the year ending 30 June 2019 adjusted to reflect the impact of: a change in head office management structure; a change in accounting policy; transaction costs including the removal of a performance fee associated with the Offer; additional costs associated with being a public entity; and the tax impact of these adjustments
Pro Forma Distributable Earnings	Pro Forma Distributable Earnings is defined as forecast Pro Forma NPAT adjusted for non-cash items such as fair value adjustments, depreciation and amortisation and other unrealised and non-recurring items less maintenance capex
Pro Forma Distribution	The Pro Forma Distribution for FY19 represents the distributions paid assuming the Offer had completed on 1 July 2018, as defined in Section 6
Pro Forma Forecast FY19 Distributable Earnings Yield	The rate of return derived by dividing the Pro Forma Forecast FY19 Distributable Earnings per Stapled Security by the Offer Price of $1.13
Pro Forma Forecast FY19 Distribution Yield	The rate of return derived by dividing the Distribution per Stapled Security by the Offer Price of $1.13

Annexure B – Glossary (cont.)

Term	Meaning
Pro Forma Forecast Cash Flow Statement	Pro forma consolidated forecast cash flows for FY19, as defined in Section 6.5
Pro Forma Forecast Income Statement	Pro forma consolidated forecast income statement for FY19, as defined in Section 6.3
Pro Forma Gearing	Balance Sheet Gearing as at 30 June 2018
Pro Forma Historical Balance Sheet	Pro forma consolidated historical balance sheet as at 30 June 2018, as defined in Section 6.4
Pro Forma Historical Cash Flow Statements	Pro forma consolidated historical cash flows from continuing operations for FY16, FY17 and FY18, as defined in Section 6.5
Pro Forma Historical Income Statements	Pro forma consolidated historical income statements for FY16, FY17 and FY18, as defined in Section 6.3
QLD OLGR	The QLD Office of Liquor and Gaming Regulation
QHA	Queensland Hotels Association
Real Property	Real Property means real property (including any one or more pieces of real property and any buildings or improvements on that real property) acquired, and held, as an Asset of the Group
Redcape, Redcape Hotel Group or the Group	Redcape Hotel Trust I and Redcape Hotel Trust II, or Redcape Hotel Trust I and Redcape Hotel Trust II and their controlling entities (as the context requires)
Redcape IPO Information Line	Offer Information Line on (02) 9719-4088 between 9:00am and 5:00pm (Sydney time) Monday to Friday
Registry	Boardroom Pty Limited (ABN 14 003 209 836), the Stapled Security registra for Redcape
Responsible Entity	Redcape Hotel Group Management Limited (ACN: 610 990 004) (AFSL: 505932)
Responsible Entity Directors	The Directors of Redcape Hotel Group Management Limited (ACN: 610 990 004) (AFSL: 505932)
Retail Investors	A person who is a resident of Australia and New Zealand and is not otherwise treated as an Institutional Investor
Retail Offer	Consists of the Broker Firm Offer, Employee Gift offer, and the Priority Offer
Board	The board of Responsible Entity Directors
Responsible Service Policy	Redcape policy enunciating responsible service principles with respect to liquor and gaming
REIT	Real Estate Investment Trust
RHGM	Redcape Hotel Group Management Limited (ACN: 610 990 004) (AFSL: 505932)
Rights	Conditional Rights and Security Rights
Rights and Securities Plan	A plan under which Stapled Securities and Rights may be offered to eligible employees. A summary of the Rights and Securities Plan is set out in Section 14.4.2
RSA	Responsible Service of Alcohol
SaleCo	RHGM SaleCo Pty Ltd (ABN: 22 625 109 211) is a special purpose vehicle established to enable certain Existing Securityholders to sell part of their investment in Redcape on Completion of the Offer

Annexure B – Glossary (cont.)

Term	Meaning
Sale Securities	A minimum of 8.8 million and a maximum of 17.7 million Stapled Securities offered by SaleCo as part of the Offer
Securityholder	A registered holder of Stapled Securities from time to time
Security Rights	Rights to Stapled Securities (including a fraction of a Stapled Security) that is granted by way of fee or salary sacrifice from the pre-tax remuneration or fees of an eligible person
Senior Management	The members of MAHM management referred to in Section 5.5 and Senior Manager means any one of them
Settlement Date	The date on which Stapled Securities are issued to successful applicants, expected to be 29 November 2018
Stapled Security	A Stapled Security in Redcape comprising of a unit in Redcape Hotel Trust I (which owns the freehold properties) stapled to a unit in Redcape Hotel Trust II (which owns the operating entities)
Stapling Deed	The deed under which the relationship between Redcape Hotel Trust I and Redcape Hotel Trust II is set out. Refer to Section 13.5 for further detail
Statutory Historical Balance Sheet	Statutory consolidated historical balance sheet as at 30 June 2018, as defined in Section 6.4
Syndicated Debt Facility	The debt facility described in Section 6.4.3
TAB	Totalisator wagering
TFN	Tax file number issued by the ATO
Trust I	Redcape Hotel Trust I (which owns the freehold properties) ARSN 629 354 614
Trust II	Redcape Hotel Trust II (which owns the operating entities) ARSN 629 354 696
Trusts	Together the Redcape Hotel Trust I and Redcape Hotel Trust II
Underwriting Agreement	The agreement in relation to underwriting the Offer between the Responsible Entity, SaleCo and the Joint Lead Managers described in Section 13.3
Unit	A unit in either of the Trusts
Unitholder	A holder of one or more Units
US Securities Act	United States Securities Act of 1933, as amended
Wesfarmers	Wesfarmers Group Limited
WIP	Works-in-progress
Woolworths	Woolworths Group Limited
12 Month Return on Capital	Investment metric measured as venue EBITDA growth in the 12 months post completion of the refurbishment divided by total capital expenditure on refurbishment, as well as the cost of acquiring incremental operating authorities, entitlements and EGMs

Annexure B – Glossary (cont.)

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