Redcape Property Fund
Appendix 4E
For the year ended 30 June 2011

Stapling arrangement

RPF was established to facilitate a joint quotation of:

Redcape Property Trust (ARSN 125 526 016) "The Trust" and
Redcape Property Fund Limited (ABN 44 124 753 733) "The Company"

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the "Responsible Entity" for the Trust.

Details of reporting period

Current:	1 July 2010 to 30 June 2011

Results for announcement to the market

	2011	2010	Variance
	000's	000's	%
Total Revenue	87,927	101,851	-13.7%
Net Loss attributable to ordinary activities	(22,269)	(77,231)	71.2%
Net Loss attributable to stapled security holders	(22,269)	(77,231)	71.2%
Net tangible assets per stapled security (including derivatives)	$0.33	$0.46	-28.3%

• Total Revenue of $87.9 million was less than in 2010 due to the divestment of 8 investment properties during the year, including 1 sold in 2010 but settled in 2011. This rent reduction was offset by fixed rent increases applied to all lease of between 3.75% and 4.00%.

• The net loss for the period of $22.3 million attributed to ordinary activities and to stapled security holders is a 71.2% improvement on last year, and primarily as a result of smaller investment property impairment charges in 2011, and an improvement in the value of interest rate swaps during 2011.

<u>Other Key Financial Impacts in 2011 included:</u>

• Cash Interest Charges of $55 million, Deferred Interest Charges of $23.6 million, and $6.4 million Amortisation of Loan Establishment Fees
• Property valuations were reduced by $0.9 million
• Loss on disposal of investment properties $1.1 million
• Interest Rate Swap valuation improved by $6.4 million
• Restatement of 2010 balances due to a change in accounting policy regarding liquor and gaming licences (Refer to Note 1(f)).

This report is based on the Financial Report which is in the process of being audited

The attached preliminary final report contains further explanations of the results.

Distributions

	Amount per stapled security	Franked amount per stapled security
Total Distribution	Nil	Nil

Directors have declared a nil final distribution for the year ended 30 June 2011

Redcape Property Fund
Appendix 4E
ASX Preliminary Final Report
30 June 2011

Lodged with the ASX under Listing Rule 4.3A

This report is based on the Financial Report which is in the process of being audited

Results for Announcement to the Market	**2**
Consolidated Statement of Comprehensive Income	**3**
Consolidated Statement of Financial Position	**4**
Consolidated Statement of Changes in Equity	**5**
Consolidated Statement of Cash Flows	**6**
Notes to the above statements	**7**

Redcape Property Fund
Full Year Comparison

Full Year Comparison	30-June-2011	30-June-2010	Percentage Variance %
ASX closing price	$0.115	$0.175	-34%
Total stapled securities on issue	162.5 million	162.5 million	n/a
Distributions (cents per stapled security)	nil	nil	n/a
Annualised yield on ASX closing price	n/a	n/a	n/a
Tax deferred percentage	100%	100%	0%
Total value of investment property portfolio [1]	$750.1 million	$813.2 million	-8%
Cash, receivables and other assets	$19.1 million	$20.7 million	-8%
Total assets	$763.4 million	$834.1 million	-8%
Total liabilities to total assets ratio	93.1%	91.0%	-2%
Remaining average lease duration of property portfolio	12.9 years	14.4 years	-10%
Operating cashflow	$4.6 million	$11.9 million	-61%
Net cashflow	($9.5) million	$8.7 million	-209%
Net (loss) from ordinary activities after tax	($22.3) million	($77.2) million	-71%
Net assets per stapled security	$0.33	$0.46	-28%

Significant Dates	Date
Annual General Meeting	24 November 2011

[1] *Includes investment properties held for sale at reporting date.*

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 30 June 2011

	Note	2011	Restated 2010
		$'000	$'000
REVENUE			
Rent from investment properties		66,007	72,995
Revenue from investment properties straight – line lease adjustment		15,371	21,196
Revenue from outgoings recovered		5,749	6,045
Sundry income		112	913
Distributions	2	-	387
Interest from cash deposits		688	315
Total revenue from operating activities		87,927	101,851
OPERATING EXPENSES			
Investment property outgoings and expenses		8,873	8,644
Remuneration of Company's Directors	20	623	499
Finance costs	3	85,519	73,851
Other expenses	4	4,143	4,435
Total expenses from operating activities		99,158	87,429
Profit/(Loss) from operating activities		(11,230)	14,423
Non operating expense / (income)			
Fair value write-down of investment properties	12	901	51,073
Impact of straight-line lease adjustment on fair value of investment properties		15,371	21,196
Change in fair value of derivative financial instruments	16	(6,390)	15,854
Realised loss on swap closeout		-	6,016
(Gain) / loss on sale of investment properties	5	1,157	(2,590)
Loss on sale of ALE securities		-	129
Total non operating expense		11,039	91,677
Loss before income tax		(22,269)	(77,256)
Income tax benefit	6	-	24
Loss for the period		(22,269)	(77,232)
Other comprehensive income		-	-
Total comprehensive (loss)		(22,269)	(77,232)
Loss attributable to:-			
Unit holders of the Trust (parent entity)		(22,262)	(77,353)
Shareholders of the Company (Non-controlling interest)		(7)	122
Loss for the period		(22,269)	(77,231)

		$	$
Basic and diluted loss per security	7	0.14	0.48
Distribution paid or payable per security		0.00	0.00

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	30 June 2011 $'000	Restated* 30 June 2010 $'000	Restated* 1 July 2009 $'000
ASSETS				
Current assets				
Cash and cash equivalents	8	9,456	18,970	10,258
Trade and other receivables	9	9,562	1,575	1,853
Other current assets		44	152	40
Assets held for sale	10	6,750	100,600	-
Total current assets		25,812	121,297	12,151
Non-current assets				
Property, plant and equipment	11	153	137	-
Investment property	12	670,910	658,997	896,957
Other non-current assets	13	66,539	53,652	65,437
Other investments		-	-	7,100
Total non-current assets		737,602	712,786	969,494
TOTAL ASSETS		763,412	834,083	981,645
LIABILITIES				
Current liabilities				
Trade and other payables	14	2,453	4,435	5,609
Current tax payables		-	-	23
Loans and borrowings	15	654,307	92,146	740,752
Derivative financial instruments	16	53,736	12,996	84,395
Total current liabilities		710,496	109,577	830,779
Non-current liabilities				
Loans and borrowings	15	-	602,191	-
Derivative financial instruments	16	-	47,130	-
Total non-current liabilities		-	649,321	-
TOTAL LIABILITIES		710,496	758,899	830,779
NET ASSETS		52,916	75,185	150,866
EQUITY				
Contributed equity	17	461,513	461,513	459,965
Accumulated losses		(408,862)	(386,600)	(309,247)
Reserves	18	62	62	62
Equity attributable to parent entity (Trust)		52,713	74,975	150,780
Non controlling interest (company)		203	210	86
TOTAL EQUITY		52,916	75,185	150,866
		$	$	$
Net assets per stapled security		0.33	0.46	0.96

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

*Further disclosure regarding the Restated balances for the year ended 30 June 2010 and 30 June 2009, refer to Note 1(f).

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 30 June 2011

	Note	Contributed Equity	Accumulated Losses	Reserves	Non Controlling Interest	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010		461,513	(386,600)	62	210	75,185
Loss for the year		-	(22,262)	-	(7)	(22,269)
Other comprehensive income for the year		-	-	-	-	-
Balance at 30 June 2011		461,513	(408,862)	62	203	52,916
Balance at 1 July 2009		459,965	(328,567)	62	86	131,546
Adjustment due to change in accounting policy	1(f)	-	19,320	-	-	19,320
Restated balance at 1 July 2009		459,965	(309,247)	62	86	150,866
Loss for the year		-	(77,353)	-	122	(77,231)
Other comprehensive income for the year		-	-	-	-	-
Stapled securities issued during the year	17	1,554	-	-	2	1,556
Capital raising costs recognised directly against capital raised	17	(6)	-	-	-	(6)
Balance at 30 June 2010		461,513	(386,600)	62	210	75,185

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

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 30 June 2011

	Note	2011 $'000	Restated* 2010 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		76,391	87,555
Payments to suppliers		(18,192)	(23,896)
ALE Property Group distributions		-	315
Interest receipts - bank deposits		688	387
Interest paid		(41,269)	(29,770)
(Paid) / receipts from interest rate swaps		(13,635)	(22,716)
Net cash from operating activities	21	3,983	11,875
Cash flows from investing activities			
Proceeds from disposal of investment properties		62,662	100,664
Payment for property, plant and equipment		578	(160)
Proceeds from disposal of investment in ALE stapled securities		-	6,971
Net cash from investing activities		63,240	107,475
Cash flows from financing activities			
Repayment of borrowings		(76,737)	(110,638)
Net cash from financing activities		(76,737)	(110,638)
Net increase/(decrease) in cash held		(9,514)	8,712
Cash and cash equivalents at the beginning of the year		18,970	10,258
Cash and cash equivalents at the end of the year	8	9,456	18,970

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

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1 Summary of significant accounting policies

(a) Reporting entity

The consolidated information contained herein of Redcape Property Fund **('RPF' or the "Consolidated Entity'**) as at and for the year ended 30 June 2011 comprise Redcape Property Trust (the “Trust”), Redcape Property Fund Limited (the '**Company'**) and their controlled entities. Redcape Property Trust is a registered managed investment scheme under the *Corporations Act 2001* . Redcape Property Fund Limited is a company limited by shares under the *Corporations Act 2001* . The responsible entity of the Trust is The Trust Company (RE Services) Limited (the **'Responsible Entity'**).

The units in the Trust and the shares in the Company are stapled such that the units and shares cannot be traded separately.

The Trust is a limited life trust which terminates on 31 December 2061 unless it has been terminated prior to that date by the trustee under the provisions contained in the trust deed.

RPF is primarily involved in investing in the pub freehold sector.

(b) Basis of final preparation

This preliminary final report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary final report does not include all notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010, the half-year report for the period ended 31 December 2010 and any public announcements made by the Group during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. These policies have been consistently applied to all the years presented except as noted below. The preliminary final report is unaudited and not subject to the normal sign-offs for the full annual financial reports.

The Directors believe that all debts are current as they believe that as at 30 June 2011 RPF did not have an unconditional right to defer payment of all its liabilities. This position gives rise to further discussions with RPF's auditors because at this stage the auditors consider some parts of the debt are non-current.

(i) Going Concern

The ability of RPF to continue as a going concern including the ability of RPF to pay its debts as and when they fall due is dependent upon the continued support from RPF's secured creditors.

As a result of recent activities which culminated in the signing of an Implementation Agreement for Schemes and Recapitalisation dated 18 August 2011 between RPF and entities associated with an investor group comprising York Capital Management, Varde Partners Inc. and Goldman Sachs (Asia) Finance, and the prior process during which RPF almost concluded a transaction with the Laundy Hotel Group, RPF suspended its asset-sale campaign with the bank syndicate's full knowledge, understanding and support for this action.

On 29 August 2011 an ASX announcement was released advising that certain conditions precedent in relation to the Implementation Agreement for Schemes and Recapitalisation were not met. The conditions precedent not satisfied includes the Junior Lenders accepting certain payment as full repayment of their loans to Redcape (Junior Proposal) prior to 1pm on 24 August 2011 and a swap being entered into by 5pm on 24 August 2011. As a result, the Implementation Agreement for Schemes and Recapitalisation was terminated.

RPF has formally requested the senior bank syndicate to waive the requirement in clause 16.9(a) of the Senior Facility Agreement which requires RPF to either sell or have properties subject to sale in order to meet the collective loan amortisation target of $275 million by 30 September 2011. To date, the collective loan amortisation amount achieved by RPF totals $183 million, because RPF suspended its asset-sale campaign in order to facilitate the recent transactions. Consent for this waiver requires a two thirds majority decision of the senior bank syndicate members (Majority Participants), which the Agent is in the process of seeking. If RPF does not receive this waiver then the senior bank syndicate may attempt, if directed by the Majority Participants, to exercise their rights under the Senior Facility Agreement and accelerate the repayment of loan monies under the Senior Facility Agreement.

The junior lenders under RPF's Junior Facility Agreement have advised RPF that they are fully supportive of RPF and are prepared to consider any proposal to standstill or waive rights to support the operations of RPF as a going concern.

However, if the Majority Participants of the senior lenders accelerate the payment of loan monies then it is highly unlikely RPF will be be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should RPF not continue as a going concern.

In these circumstances, the report is prepared on a going concern basis because this is the best estimate of the likely position of RPF given the circumstances prevailing at the time of this report. The directors note RPF's ASX announcement on 29 August 2011 of a proposal by a consortium led by BW + Partners which will include the refinancing of RPF’s debt. The directors will continue to monitor the going concern position of RPF as it prepares its audited financial statements. The status of the BW + Partners proposal and the support of Redcape's secured creditors will be critical to the basis of preparation of those financial statements.

Note 1 - Summary of significant accounting policies (continued)

(c) 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.

(d) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of RPF that engages in business activities whose results are reviewed regularly by the Investment Manager's CEO and for which discrete financial information is available. RPF is currently involved solely in investing in the pub freehold sector in Australia and as a single operating segment that the CEO (CEO is the Chief Operating Decision Maker, acts on behalf of the Responsible Entity of the Trust) reviews regularly to make decisions about resources to be allocated to the segment and to assess its performance.

(e) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 July 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of RPF, except for AASB 9 *Financial Instruments*, which becomes mandatory for RPF's 2014 consolidated financial statements and could change the classification and measurement of financial assets. RPF does not plan to adopt this standard early and the extent of its impact has not been determined.

(f) Change in accounting policy - restatement

Management has re-evaluated and changed the accounting policy for liquor and gaming licences. Liquor and gaming licences integrally linked to hotel/pub leases with indivisible cash flows from the leases are now included in investment properties which are measured using the fair value model (see Note 12), with all gains and losses arising from changes in fair values of the investment property recognised in profit and loss in the period in which they arise.

Previously, liquor and gaming licences were recognised separately from investment properties as intangible assets and measured at cost. Liquor and gaming licences, having been assessed as having indefinite useful lives, were not amortised but were tested for impairment each reporting period.

Note 1 - Summary of significant accounting policies (continued)

(f) Change in accounting policy - restatement

Management has determined that this change in accounting policy provides more relevant information as:

- liquor and gaming licences are integral to hotel/pub operating leases and fundamental to the nature of being able to earn income as a lessor of hotels/pubs; and

- each premise under lease comprises land, buildings, fixed improvements, liquor and gaming licences subject to a single lease to a tenant under which the cash flows associated with each component part of the investment property are indistinguishable.

Furthermore, the classification of the liquor and gaming licences within investment properties better reflects that for the duration of the lease, the Trust does not separately control the individual components underlying the investment properties and that the underlying assets do not derive income for RPF individually.

Classification of the liquor and gaming licences within investment properties provides more reliable information as it enables the Trust to obtain single valuations of the investment properties without the need to make estimates of the values of the individual component parts of the investment properties.

This change in accounting policy is effective from 1 July 2010 and has been recognised retrospectively. Comparatives have been restated as at 30 June 2010 and 1 July 2009 as applicable. The change in accounting policy had the following impact on the financial statements:

	30-June 2011 $'000	30-June 2010 $'000
Consolidated Statement of comprehensive income		
Decrease/(increase) in fair value write down of investment properties	(79)	(8,462)
Decrease/(increase) in impairment of intangible assets	490	4,771
Increase / (decrease) in gain on sale of investment properties	-	(298)
Increase/ (decrease) in total comprehensive income for the period	411	(3,989)

	30-June 2011 $'000	30-June 2010 $'000	1-July 2009 $'000
Consolidated Statement of financial position			
Increase/ (decrease) in assets held for sale	-	942	-
Increase/ (decrease) in investment properties	111,560	106,235	153,463
Increase/ (decrease) in intangible assets	(95,818)	(91,846)	(134,143)
Increase/ (decrease) in net assets/equity	15,742	15,331	19,320

The change in accounting policy increased/(decreased) the basic and dilluted loss per stapled security by 1 cent for 2011 and (2) cents for 2010.

		2011	2010
		$'000	$'000
Note 2 Distributions received or receivable			
Distributions from publicly traded entities		-	387
		-	387

Distributions from publicly traded entities relate to distributions from RPF's investment in ALE Property Group (which was sold prior to 30 June 2010)

		2011	2010
Note 3 Finance costs			
(a) Finance costs — cash			
Senior Syndicated Facility Agreement ("SSFA") interest expense	(i)	41,269	29,770
Other interest expense		100	22
Net payments from interest rate swaps	(ii)	13,635	22,716
		55,004	52,508
The average cash interest rate paid during the year was 8.04%			
(b) Finance costs — non-cas/deferred			
Junior Syndicated Facility Agreement ("JSFA") interest expense	(iii)	9,205	5,529
Senior Syndicated Facility Agreement ("SSFA") interest expense	(i)	15,116	11,083
Amortised costs – SSFA and JSFA	(iv)	6,194	4,731
		30,515	21,343
		85,519	73,851

The average non-cash deferred interest rate paid during the year was 3.56%

Total finance costs

(i) The SSFA interest rate was the monthly BBSY (Bank Bill Swap Bid Rate) plus 2.0% (2010: BBSY plus 0.8%). Deferred interest was charged monthly under the SSFA at a rate of 2.5% per annum on the outstanding principal amount.

(ii) RPF's interest rate exposures from SSFA and JSFA borrowings were on average 90% hedged by fixed interest rate swaps during the year. As the fixed rates payable under the swap agreements were greater than the floating rate throughout the year monthly cash payments were made.

(iii) The JSFA interest rate was the monthly BBSY (Bank Bill Swap Bid Rate) plus 8.4% (2010: BBSY plus 2.5%), all deferred.

(iv) Costs of establishing the SSFA and JSFA were capitalised and are being amortised over the term of the facilities.

	2011	2010
	$'000	$'000
Note 4 Other expenses		
Management expenses		
Personnel expenses	1,645	1,440
Depreciation	51	22
Consultancy	194	323
Other expenses	316	159
	2,206	1,944
Administrative expenses		
Auditor's remuneration	210	403
Legal costs	873	1,068
Travelling expenses	50	67
Consultancy fees	128	746
Responsible Entity fees	405	330
Insurance for Directors of the Company	92	41
ASX listing fees	28	95
(Bad debts recovered) / allowance for doubtful debts	10	(339)
Depreciation	2	1
All other expenses	140	79
	1,938	2,491
	4,144	4,435

RPF makes contributions to defined contribution plans. The amount recognised as an expense was $103,870 for the year ended 30 June 2011 (2010:$80,765)

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 4 Other expenses (continued)

	2011	2010
	$	$
Auditor's remuneration		
KPMG		
- Audit and review of financial reports	193,095	369,996
- Other assurance services	13,000	12,500
- Non audit services	3,876	20,221
	209,971	402,717

	2011	Restated* 2010
	$'000	$'000
Note 5 (Gain) /loss on disposal of investment properties		
Royal (Ryde) Hotel	-	(292)
Canterbury Club Hotel	-	(1,172)
Bridgeview Tavern	-	(2,286)
Heritage Hotel	-	31
Kooringal Hotel	-	147
Cedars Tavern	-	205
Cabramatta Club Hotel	-	344
Lidcombe Hotel	-	169
Plantation Hotel	-	67
Barrier Reef Hotel	-	11
Bushland Beach Hotel	-	26
The Aussie Inn	-	160
Wattle Grove	139	-
Kincumber	328	-
Mountain Creek	119	-
Yorkeys Knob	3	-
Ocean Shores	72	-
Port Macquarie	256	-
Kirra Beach	240	-
	1,157	(2,590)

* Refer to Note 1(f) for details regarding change in accounting policy.

Redcape Property Fund

PRELIMINARY FINAL REPORT(UNAUDITED)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2011

	2011 $'000	Restated 2010 $'000
Note 6 Income tax (benefit) / expense		
(a) The components of income tax expense comprise		
(Over) / under provision of prior year tax expense	-	(24)
	-	22
(b) Prima facie tax benefit on loss from ordinary activities		
Loss from continuing operations before income tax	(22,269)	(77,231)
Tax at the Australian tax rate of 30%	(6,681)	(23,169)
Add tax effect of:		
Non-deductible expenses	331	24,257
Deferred tax (liability) / asset not recognised	6,709	1
Non assessable income	(359)	(1,089)
Overprovision prior year	-	(24)
	-	(24)

	2011	Restated 2010	EARNINGS PER SECURITY 2011 cents	 2010 cents
Note 7 Earnings per stapled security				
Net loss after tax attributable to stapled security holders	$ (22,268,737)	$ (77,231,000)		
Total stapled securities on issue at year end	162,452,601	162,452,601		
Weighted average stapled securities - basic	162,452,601	160,908,059	(13.71)	(48.00)
Weighted average stapled securities - diluted	162,452,601	160,908,059	(13.71)	(48.00)

There have been no dilutive transactions involving stapled securities or potential stapled securities during the year or since the reporting date.

	2011 $'000	2010 $'000
Note 8 Cash and cash equivalents		
Cash at bank and on hand	4,456	13,970
Interest reserve account	5,000	5,000
	9,456	18,970

The Trust is required to maintain a Reserve Account separately from its other bank accounts as a condition of its bank loan facilities. There are certain restrictions regarding the use of this Reserve Account including amounts held in the reserce account are only applied for purposes approved by the agent acting on the instructions of the participants.

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

	Note	2011 $'000	Restated 2010 $'000
Note 9 Trade and other receivables			
Trade receivables		3,529	1,374
Less: Allowance for impairment		(23)	-
Net trade receivables		3,506	22
Proceeds receivable from insurance claims	12	5,900	-
Other receivables		156	201
		9,562	223
Note 10 Assets held for sale			
Investment properties held for sale		6,750	100,600
		6,750	100,600
Movements			
Carrying amount at the beginning of the year		100,600	-
Transfer to investment property	12	(58,750)	-
Disposals		(41,850)	(72,908)
Transfer from investment property	12	6,750	173,508
Carrying amount at the end of the year		6,750	100,600

An impairment of $5.9 million was recorded relating to fire and flood damage at the Waterloo Hotel and the Regatta Hotel respectively included in assets held for sale at year end. This impairment is offset by a corresponding Proceeds receivable from Insurance claims amount shown in Note 9.

During the financial year 8 out of the 11 properties held for sale at 30 June 2010 were sold. The remainder which were not sold are no longer held for sale and consequently were transferred to Investment Properties at 30 June 2011.(Refer to Note 12)

	Plant and equipment $'000	Computer hardware and software $'000	Fixtures and fittings $'000	Total $'000
Note 11 Property, plant and equipment				
Cost				
Balance at 1 July 2010	33	119	8	160
Additions	-	74	1	75
Disposals	-	(11)	-	(11)
Balance at 30 June 2011	33	182	9	225
Depreciation				
Balance at 1 July 2010	3	20	-	23
Depreciation for the year [1]	4	41	4	49
Balance at 30 June 2011	7	61	4	72
Carrying amounts				
At 1 July 2010	30	99	8	137
At 30 June 2011	26	121	6	153
Cost				
Balance at 1 July 2009	-	-	-	-
Additions	328	119	8	455
Transfer to investment property	(295)	-	-	(295)
Balance at 30 June 2010	33	119	8	160
Depreciation				
Balance at 1 July 2009	-	-	-	-
Depreciation for the year [1]	3	20	-	23
Balance at 30 June 2010	3	20	-	23
Carrying amounts				
At 1 July 2009	-	-	-	-
At 30 June 2010	30	99	8	137

[1] $51,262 of depreciation expense is included as other expenses (2010: $22,275)

Redcape Property Fund
PRELIMINARY FINAL REPORT(UNAUDITED)
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

	Note	2011 $'000	Restated 30-Jun-10 $'000
Note 12 Investment property			
Investment property		750,099	813,249
Properties held for sale	10	(6,750)	(100,600)
Proceeds receivable from Insurance claims	9	(5,900)	-
Straight-line lease adjustment	13	(66,539)	(53,652)
		670,910	658,997
Movements			
Carrying amount at the beginning of the year		658,997	896,957
Transfer from non-current assets held for sale	10	58,750	-
Transfer to non-current assets held for sale	10	(6,750)	(173,508)
Capital additions to investment properties		501	295
Disposals		(20,900)	(25,550)
Fair value adjustments		(901)	(51,072)
Proceeds receivable from Insurance claims	9	(5,900)	-
Straight line lease adjustment		(12,887)	11,875
Carrying amount at the end of the year		670,910	658,997

The fair value write down of investment properties charged against profit or loss has been determined as follows:

	2011	2010
Write down of properties due to fire or water damage	5,900	-
Proceeds receivable from insurance claims regarding the above two properties	(5,900)	-
Net write down of remaining properties	901	51,072
	901	51,072

Analysis by portfolio

	No of Properties 2011	No of Properties 2010	Valuation 2011 $'000	Valuation 2010 $'000
Geographical				
Qld	57	61	434,949	462,074
NSW	21	25	254,150	293,900
SA	5	5	45,300	43,125
Vic	1	1	15,700	14,150
	84	92	750,099	813,249
Tenant				
Coles	56	56	445,243	439,820
NLG	21	24	259,550	285,900
Other	7	12	45,306	87,529
	84	92	750,099	813,249

The analysis by portfolio includes 1 property held for sale at 30 June 2011 (2010: 11 properties) (Refer to Note 10)

Note 12 Investment property (continued)

Investment property

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

Leasing arrangements

The investment properties are each leased inclusive of liquor and gaming licences attached to these properties to a single tenant under long-term operating leases with rentals payable monthly, in advance, other than leases to Coles which are payable on the 15th of each month for that month. RPF has incurred no lease incentive costs to date.

Remaining lease terms for all properties are on average 12.9 years, excluding options for lease extensions upon completion of the lease term.

Valuation of properties

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

Previously, liquor and gaming licences were recognised separately from investment properties as intangible assets and measured at cost. Liquor and gaming licences, having been assessed as having indefinite useful lives, were not amortised but were tested for impairment each reporting period (Note 1(f)).

RPF has re-evaluated and changed the policy for accounting for liquor and gaming licences. Liquor and gaming licences integrally linked to a pub lease with indivisible cash flows from the lease are now included in investment properties which are measured using the fair value model, with all gains and losses arising from changes in fair values of the investment property recognised in profit and loss in the period in which they arise.

Fair value adjustments at 30 June 2011

(a) The Trust's policy is to independently value one third of its property portfolio annually. Accordingly, independent valuations were obtained for 25 properties as at 30 June 2011. These valuations were obtained in June 2011. All of these valuations were coducted by Paul Hall (AAPI), Baden Mulcahy (AAPI MRICS) or Kire Georgievski (BBus (Prop) AAPI) of CBRE Hotels Valuation & Advisory Services.

(b) Directors reviewed the carrying values of the remaining properties effective 30 June 2011. The capitalisation rates for each property were determined after consideration of the results of the latest available independent valuations, any recent developments on the property and market evidence available for similar properties.

(c) The Regatta and The Waterloo Hotel have both been affected by flood and fire respectively and are currently under redevelopment. Both properties have been fair valued based on their redevelopment costs.

Yields applied in the valuations at 30 June 2011 fall in the following ranges for the Trust's tenants:

	2011 Yields	2010 Yields
Coles	6.75% - 9.00%	6.75% - 8.80%
NLG	7.72% - 12.89%	7.75% - 13.00%
Other	8.25% - 15.17%	7.11% - 13.00%

	Note	2011 $'000	Restated 2010 $'000
Note 13 Other non-current assets			
Rent receivables		66,539	53,652
		66,539	53,652

Rent receivables represent the non-current portion of straight-line rental income receivable. Refer note 1(e).

		2011 $'000	Restated 2010 $'000
Note 14 Trade and other payables			
Current			
Trade payables		310	241
Other payables		2,143	4,194
		2,453	4,435

	2011 $'000	2010 $'000
Note 15 Loans and borrowings		
Current		
Bank loans	616,108	92,146
Establishment fee deferred	12,000	-
Accrued Interest	26,199	-
	654,307	92,146
Non Current		
Bank loans	-	579,108
Establishment fee deferred	-	12,000
Accrued Interest	-	11,083
	-	602,191
Total bank loans	654,307	694,337
Total Bank loans consist of:		
Junior Syndicated Facility Agreement ("JSFA")	74,886	64,938
Senior Syndicated Facility Agreement ("SSFA")	579,421	629,399
	654,307	694,337
JSFA		
Junior Syndicated Facility Agreement ("JSFA")	74,734	65,529
Prepaid borrowing costs capitalised	(1,738)	(1,738)
Amortisation of prepaid borrowing costs	743	-
Establishment fee deferred	1,147	1,147
	74,886	64,938
SSFA		
Senior Syndicated Facility Agreement ("SSFA")	549,630	620,175
Prepaid borrowing costs capitalised	(12,712)	(12,712)
Amortisation of prepaid borrowing costs	5,451	-
Establishment fee deferred	10,853	10,853
Accrued Interest	26,199	11,083
	579,421	629,399

RPF's loan facilities contain debt amortisation requirements, and a requirement that all proceeds from asset sales are applied to reduce debt. The greater of the amounts of the loans due for repayment in the 12 months after reporting date or the portion of RPF's total loan balance (and associated establishment costs) related to the likely proceeds from the divestment of assets held for sale at reporting date is reflected as a current liability.

Assets pledged as security

The financiers have first security by way of fixed and floating charge over all of the assets of each entity in the group, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Refer to note 3 for further information regarding RPF's finance costs.

Note 15 Loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Date of maturity	30 June 2011 Face value $'000	30 June 2011 Carrying amount $'000	30 June 2010 Face value $'000	30 June 2010 Carrying amount $'000
JSFA	AUD	1 month BBSY + 8.4%	October 2012	75,881	74,886	66,676	64,938
SSFA	AUD	1 month BBSY + 4.5%	October 2012	586,683	579,421	642,111	629,399
				662,564	654,307	708,787	694,337

	2011 $'000	2010 $'000
Note 16 Derivative financial instruments liability		
Derivative financial instruments - current liability	53,736	12,996
Derivative financial instruments - non current liability	-	47,130
	53,736	60,126
Movements		
Interest rate swaps at fair value at the beginning of the year	60,126	84,395
Fair value movement for the year	(6,390)	15,854
Swap cancellation	-	(40,123)
Fair value of interest rate swaps at the end of the year	53,736	60,126

	No of units	$'000
Note 17 Contributed equity		
2011		
Stapled securities on issue at the beginning of the year	162,452,601	461,513
Movements	-	-
Stapled securities on issue at the end of the year	162,452,601	461,513
2010		
Stapled securities on issue at the beginning of the year	157,031,854	459,965
Capital raising costs	-	(6)
Manager's fees [1]	5,420,747	1,554
Stapled securities on issue at the end of the year	162,452,601	461,513

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

[1] Stapled securities issued in settlement of fees owing to the previous Manager in relation to the period 1 January 2009 to 30 June 2009.

	2011 $'000	2010 $'000
Note 18 Reserves		
Capital reserve	62	62

The capital reserve is no longer maintained for a specific purpose.

Note 19 Group entities

The parent entity for the purpose of consolidation in the financial statements is Redcape Property Trust(the "Trust"). Redcape Property Fund Limited(the "Company"), by virtue of the stapling arrangement and the election of the Trust to be the parent entity, is treated as a notional subsidiary of the Trust, the equity of which is accounted for as non - controlling interest in the consolidated financial statements.

Subsidiaries	Country of incorporation	Ownership interest
Subsidiaries of the Trust		
The C.H. Trust	Australia	100%
Subsidiaries of the Company		
Redcape Property Services Limited	Australia	100%
Redcape Services Pty Limited	Australia	100%
Redcape Issuer Finance Pty Ltd	Australia	100%
C.H. Properties Pty Ltd	Australia	100%
HOPS 1 Pty Ltd	Australia	100%

Note 20 Related party disclosures

(a) Key management personnel

The Trust does not employ personnel in its own right. However, the Trust is required to have an incorporated responsible entity to manage its activities. The directors and secretary of the Responsible Entity are considered key management personnel of the Trust. The directors of the Responsible Entity during the reporting period were John Atkin, Michael Britton, Vicki Allen, David Grbin, and Andrew Cannane and the joint company secretaries were Adrian Lucchese and Sally Ascroft.

The directors and the chief financial officer of the Company are also considered key management personnel. During the reporting period, the directors were Colin Henson, Nerolie Withnall, Greg Kern, Adam Thatcher and Richard Barber and Peter Armstrong and the chief financial officer was David Charles.

Responsible Entity

No fees or benefits are payable to the directors of the Responsible Entity. Those directors are employees of The Trust Company Limited.

The Responsible Entity is entitled under the Trust Constitution to a management fee of 2% per annum of the value of the Trust's property for so long as it is the Responsible Entity of the Trust. While certain service agreements remain in place, the Responsible Entity will waive its right to this full fee and instead accept $400,000 per annum effective 1 January 2010, including CPI indexation to occur annually on 1 July. In addition it will receive 0.015% per annum of the value of Trust property between $1.2 billion and $1.5 billion. The fee payable where the value of Trust property exceeds $1.5 billion will be as agreed between the parties. This amount is paid in cash to the Responsible Entity monthly in arrears from the assets of the Trust. Fees paid to the Responsible Entity as shown in the statement of comprehensive income amounted to $405,436 (2010: $330,391).

Note 20 Related party disclosures (continued)

(a) Key management personnel (continued)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors and the Chief Financial Officer of the Company and Responsible Entity of Trust.

Compensation levels for key management personnel are competitvely set to attract and retain appropriately qualified and experienced directors and executives.

The Company's Constitution provides that the non-executive directors of the Company are entitled to remuneration not exceeding an aggregate maximum sum of $600,000 per annum or such other maximum amount determined by the Company in general meeting. The aggregate sum will be divided among the non-executive directors of the Company in such manner and proportion as agreed by the directors of the Company and, in default of agreement, equally.

The Company's Constitution provides that the remuneration of an executive director will be determined by the directors. Remuneration may be by way of salary or fees. The executive directors of the Company will not receive directors' fees from the Company, except the executive chairman whose remuneration is paid by the Company. The CEO and managing director is an employee of the Company's subsidiary, Redcape Services Pty Ltd and is remunerated in that capacity.

Except in circumstances prohibited by the *Corporations Act 2001* , the Company may pay a premium for a contract insuring a director against liability incurred by the person as a director. The directors may also be paid out of pocket expenses properly incurred by them in connection with the Company's business.

In addition to their salaries, the Group also contributes to post-employment defined contribution superannuation plans on behalf of key management personnel.

Short term incentive structure

The remuneration committee considers that the performance compensation structure is generating the desired outcome. Any award under this structure is based on Redcape's operational performance. The evidence for this appears to be appropriate because most of the key management personnel achieved a level of performance which qualifies them for the maximum bonus.

Consequences of performance on shareholder wealth

The overall level of key management personnel compensation takes into account the performance of RPF over the whole financial year.

Performance linked compensation is provided to executives by way of short-term incentives designed to reward them for delivery of a number of target performance objectives. These incentives are establised and agreed between the key management personnel and the Remuneration Committee and approved by the board including:

- Delivery of Redcape operating budget - achievement of operating targets;
- Satisfaction of banking covenants - achievement of banking covenants;
- Effective management of key stakeholders - assessment by board of management's management; and
- Effective management of staff - assessment by board of management's management.

The compensation of the directors and Chief Financial Officer of the Company and the Manager are as follows:

		SHORT TERM EMPLOYEE BENEFITS	SHORT TERM EMPLOYEE BENEFITS	POST EMPLOYMENT BENEFITS		Proportion of remuneration performance related
Name	Role	Salary & fees	Incentives	Superannuation	Total	
		$	$	$	$	%
2011						
Colin Henson	Executive Chairman	271,884	120,000	15,199	407,083	29%
Nerolie Withnall	Non - Executive Director (resigned 25 November 2010)	33,333	-	3,000	36,333	-
Greg Kern	Non - Executive Director	75,000	-	6,750	81,750	-
Adam Thatcher	Non - Executive Director (appointed 25 November 2010)	41,962	-	3,777	45,739	-
Richard Barber	Non - Executive Director (appointed 25 November 2010)	2,320	-	50,000	52,320	-
Peter Armstrong [1]	CEO and Managing Director	324,749	145,000	50,000	519,748	28%
David Charles [1]	Chief Financial Officer	249,750	120,000	20,000	389,750	31%
Russell Daley	Company Secretary (resigned 30 June 2011)	-	-	-	-	-
		998,998	385,000	148,726	1,532,723	
2010						
Colin Henson	Executive Chairman	200,050	100,000	29,884	329,934	30%
Nerolie Withnall	Non - Executive Director	80,000	-	7,200	87,200	-
Greg Kern	Non - Executive Director	75,000	-	6,750	81,750	-
Peter Armstrong [1]	CEO and Managing Director	470,505	-	30,645	501,150	-
David Charles [1]	Chief Financial Officer	362,282	-	22,705	384,987	-
Russell Daley 1	Company Secretary	-	-	-	-	-
		1,187,837	100,000	97,184	1,385,021	

[1] Peter Armstrong and David Charles' salary and wages are included as management expenses in the statement of comprehensive income.

Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified criteria. 100% of all short term incentives are paid in cash and are paid following finalisation of the annual accounts in the following year.

The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

	2011	Restated 2010
	$'000	$'000

Note 21 Reconciliation of cash flows from operating activities

	2011 $'000	Restated 2010 $'000
Reconciliation of cash flows from operating activities with total comprehensive loss.		
Total comprehensive loss	(22,269)	(77,231)
Non-cash amounts included in total comprehensive income		
Amortisation of borrowing costs	6,194	4,731
Fair value adjustments to derivative financial instruments	(6,389)	15,854
Fair value adjustment to investment property	901	51,073
Distributions from ALE securities	-	(387)
(Gain) / loss on sale of investment property	1,157	(2,590)
Loss on sale of investment	-	129
Stapled securities issued for Previous Managers fees	-	1,550
Depreciation	53	23
Income tax benefit	-	(24)
Realised loss on swap closeout	-	6,016
Finance cost	24,321	18,083
Change in operating assets and liabilities		
Decrease / (increase) in trade and other receivables	(7,988)	278
(Increase) / decrease in prepayments	112	(112)
(Increase) / decrease in payables	7,892	(5,517)
	3,983	11,876

Note 22 Contingent liabilities

As at 30 June 2011, RPF had a legal claim of $9.5 million (value of property) against it which relates to a contract for the disposal of a freehold pub, The Bristol Arms. RPF has denied liability and is defending the claim. The directors of the Responsible Entity are of the opinion that no material loss will arise as a result of this action.

Note 23 Subsequent events

(a) Recapitalisation proposals

On 18 August 2011 RPF signed an Implementation Agreement for Schemes and Recapitalisation ("SIA") with an investor group ("Investor Group") comprising York Capital Management, Varde Partners Inc. and Goldman Sachs (Asia) Finance, which was subsequently terminated on 29 August due to the non-completion of a condition precedent to the SIA being met. Members of the Investor Group continue to be Senior lenders to RPF.

During August 2011 RPF received several letters from a consortium led by BW+ Partners which is a property management and property investment subsidiary of Washington H. Soul Pattinson & Co Limited, proposing that it wished to provide to RPF a recapitalisation proposal. RPF is supportive of the proposal being developed by the consortium.

(b) Interest rate swap liabilities

Since 30 June 2011 RPF's interest rate swap valuation has deteriorated significantly, moving from a liability of $53.7 million at 30 June 2011 to a liability of approximately $67.2 million at 31 August 2011. Every 10 basis points movement up or down, the value of the swap moves by $2.2 million.

(c) Tax audit

RPF has been notified by the Australian Taxation Office ("ATO") that it is subjected to audit over treatment of certain transactions in the 2007 to 2010 income tax years.

(d) Operating business

Subsequent to 30 June 2011 RPF has agreed to resume the leasehold businesses of 3 hotels from its tenant Hedz Pty Ltd, under an agreement associated with the Hedz Pty Ltd Deed of Company Arrangement entered into in July 2010. Redcape will pay approximately $0.6 million representing the written down value of plant and equipment.

Note 24 Fund information

Registered office of the Responsible Entity

The Trust Company (RE Services) Limited, Level 15, 20 Bond Street, Sydney, NSW 2000

Registered office of the Company

Redcape Property Fund Limited, Ground Floor, 312 St Kilda Road, Melbourne, VIC 3004

Principal place of business of the Company

Redcape Property Fund Limited, Ground Floor, 312 St Kilda Road, Melbourne, VIC 3004