REDCAPE PROPERTY FUND

STRATEGY : ASSETS : MANAGEMENT

REDCAPE PROPERTY FUND

2011 ANNUAL REPORT

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About RPF

Summary

Redcape Property Fund ("RPF" or "Redcape" or "the Fund") is a property fund listed on the Australian Securities Exchange ("ASX") (ASX code RPF). RPF consists primarily of the Redcape Property Trust (the "Trust"), and Redcape Property Fund Limited (the "Company"). The securities of the Trust and the shares of the Company are stapled together (to ensure that they are traded together as a single interest) and are quoted on the ASX. The Trust Company (RE Services) Limited (the "Responsible Entity") is the responsible entity and trustee of the Trust, and throughout the financial year Redcape Services Pty Limited ("Manager") was the manager of RPF, under services agreements with the Responsible Entity and the Company.

At 30 June 2011 RPF consisted of 72 pub freeholds and 12 other properties for a total of 84 properties, down from 92 at 30 June 2010. RPF's main business is that of a landlord, collecting rent from the tenants of its investment properties. The revenue stream is secured into the future with annual rental increases of between 3.75% and 4% and a weighted average remaining lease term of 12.9 years. RPF's main expenses are interest paid on its borrowings and interest rate hedging instruments, and statutory outgoings relating to the investment properties.

RPF's structure

Redcape Property Trust (ARSN 125 526 016) holds the freehold to all properties except the Crown Hotel, Lutwyche. The C.H. Trust is a 100% subsidiary of the Trust. It holds the freehold of the Crown Hotel, Lutwyche.

Redcape Property Fund Limited (ACN 124 753 733) is the ASX listed company whose shares are stapled to the units in the Redcape Property Trust.

Redcape Property Services Limited (ACN 010 330 515) is a 100% subsidiary of Redcape Property Fund Limited and is the registered owner of the freehold properties held in the Redcape Property Trust (as sub custodian). The Trust Company Limited has been appointed as Custodian by the Responsible Entity.

Redcape Services Pty Limited (ACN 138 297 775) is a 100% subsidiary of Redcape Property Fund Limited and provides day to day management services to the RPF group.

Redcape Issuer Finance Pty Ltd (ACN 126 818 059) was the holder of the loan obligations of the RPF Group until 30 June 2010. It is now an inactive subsidiary of Redcape Property Fund Limited.

Hops1 Pty Ltd (ACN 139 067 244) is an inactive subsidiary of Redcape Property Fund Limited.

Fund management

Day to day management of RPF is provided by Redcape Services Pty Limited, which is a fully owned subsidiary of Redcape Property Fund Limited. The management services provided are governed by service agreements in place between the Manager, the Responsible Entity and the Company. The Manager initiates and develops proposals, and submits proposals to the Investment Committee, comprising the directors of the Company for approval. The Manager then makes recommendations to the Responsible Entity.

Redcape Property Fund
Message from the Executive Chairman and the CEO

On behalf of the Redcape Property Fund ("Redcape") it is our pleasure to provide the following report for the year ended 30 June 2011.

Key Financial Highlights for FY 2011

- Total revenue of $88 million;
- Operating cash flow of $5.1 million;
- Underlying loss from operations of $26.6 million;
- A net loss of $22.3 million, including property write downs of $0.9 million;
- Financing charges of $85.5 million, including cash-interest charges of $54.9 million, deferred interest charges of $24.3 million, loan establishment fee amortisation charges of $6.2 million;
- A gain of $6.4 million on the Interest Rate Swap position in accordance with AASB 139. However it needs to be noted that turmoil on world financial markets in the period subsequent to year end has caused the interest rate swap liability to deteriorate significantly;
- Loans and borrowings of $654 million at 30 June 2011;
- No distribution was paid to stapled security holders during the year and a nil final distribution was declared;
- Net assets per stapled security of $0.33: and
- Senior Lender Loan to Valuation Ratio (LVR) of 76.1% (within bank covenant).

Overview

Throughout the financial year under review, the Australian economy and financial markets were largely stable, interest rates steady, and unemployment low. Despite a number of natural disasters influencing growth, including the Brisbane and Victorian floods, and cyclone Yasi in far north Queensland, Australia's modest economic growth was better than most western markets.

Australian banking confidence was "conservative" on balance, with continuing tightness in credit markets. The conservative approach impacted the market for pubs, both freehold and leasehold, as lenders demanded lower loan-to-value ratios and higher interest-cover ratios than previously.

The decline in pub values triggered in 2007 / 2008 by the Global Financial Crisis has abated somewhat throughout the financial year and it is notable that buyers are returning to the market albeit cautiously. Redcape's investment property impairment for the year was a modest $0.9m, resulting from softness in the far north Queensland market where Redcape has 15 pubs. This compares to write downs of circa $300m over the three years to 2010.

Key business and operational highlights

- Business Operations: Continuation of normal operations as pub owner and lessor;
- Property Valuations: Across the investment property portfolio there was an impairment writedown of $0.9m resulting mainly from falling asset values in far north Queensland where Redcape has 15 pubs; and
- Asset Sales: During the financial year, Redcape reduced its bank loans by $70.5 million as a result of the sale of 8 pubs (and the proceeds of one pub sold in June 2010), however a further $24.3 million of deferred interest charges increased bank debt, with the net movement in bank loans being a reduction of $46.2 million.

Debt Reduction and Recapitalisation Proposals

In refinancing its bank loan facilities in June 2010 Redcape was required to accept highly restrictive and costly terms from its bank syndicate, including interest rate margins that made it very difficult for Redcape to attract new capital investors. Redcape management has explored all avenues to recapitalise Redcape in order to return value to the stapled security holders, including large-scale asset sales and debt or equity capital raising, however the restrictive and costly nature of Redcape's bank loans have limited the number of parties of sufficient size, scale, and appetite to become involved.

To reduce the level of Redcape's bank loans in accordance with commitments within its bank-loan facility agreements, Redcape continued to sell pubs in a measured way as it had in the previous financial year, with 8 pubs divested in the first half-year.

However, commencing February 2011, Redcape held detailed discussions with the Laundy Hotel Group ("LHG") and its advisers, with regard to a possible sale of 20 Redcape pubs that are leased to NLG. LHG required an undertaking from Redcape to suspend Redcape's asset sale program and this was provided with the full knowledge, understanding and support of Redcape's senior and junior secured lenders in March 2011.

The proposed sale transaction with LHG did not proceed because:

- In late May 2011 an investment group comprising York Capital Management, Varde Partners Inc and Goldman Sachs (Asia) Finance (Investor Group) acquired 38.7% of the senior secured debt and advised Redcape that the Investor Group wished to advance a recapitalisation proposal with Redcape; and
- Redcape's senior secured lenders did not consent to the proposed sale transaction with LHG because such consent required two-thirds majority agreement from the senior secured lenders and the Investor Group holds 38.7% of the senior secured debt.

Redcape Property Fund
Message from the Executive Chairman and the CEO (continued)

After detailed negotiations (and continuation of the undertaking to suspend Redcape's asset sale programme), on 18 August 2011 Redcape entered into an Implementation Agreement for Schemes and Recapitalisation with related entities of the Investor Group. This recapitalisation involved:

- acquisition of all of the existing stapled securities of Redcape at a price of $0.08 per stapled security;
- subscription of $278 million for new stapled securities of Redcape (including by converting the Investor Group's 38.7% holding of the senior secured debt into equity);
- a new senior debt facility for Redcape which, together with the equity subscription, would mean that all of Redcape's existing senior secured lenders would be repaid and the junior secured lenders would receive a specified amount in satisfaction of their secured debt.

This Implementation Agreement was terminated on 29 August 2011 by Redcape because a condition precedent, that the junior secured lenders agree by 24 August 2011 to accept on completion of the recapitalisation a certain payment in full satisfaction of their secured debt, was not satisfied.

Although Redcape believes that the secured lenders are not entitled to rely on a breach of the amortisation covenant, Redcape has formally requested that the senior secured lenders confirm their previous support for suspension of Redcape's asset sale programme by amending or waiving the amortisation covenant.

As consent to this waiver or amendment requires two thirds majority agreement from the senior secured lenders, this consent may not be forthcoming because the Investor Group holds 38.7% of the senior secured debt.

Nevertheless, Redcape does not believe that the senior secured lenders will attempt to rely upon a breach of the amortisation covenant and demand repayment of all the senior secured debt after 30 September 2011 because:

- senior secured lenders supported Redcape suspending its asset sale programme (including the undertakings required to be given by Redcape to the LHG and then subsequently to the Investor Group that Redcape would suspend its asset sales); and
- such demand would result in the senior secured lenders not obtaining the benefit of the recapitalisation proposals that are referred to below and will, if agreed and implemented, include full repayment of the senior secured debt or the benefit of a sales transaction with the LHG that will, if agreed and implemented, result in a significant repayment of the senior secured debt;

Outlook

Redcape is negotiating a scheme of arrangement and recapitalisation agreement with a consortium led by BW Partners Pty Limited ("Consortium") that Redcape expects will include the Consortium:

- acquiring all of the existing stapled securities of Redcape at a price of $0.10 per stapled security;
- exercising the option it has to acquire all the debt owed by Redcape to the junior secured lenders;
- subscribing equity, new stapled securities of Redcape ; and
- procuring that Redcape undertakes a new senior debt facility which, together with the Consortium's equity subscription, will mean that all of Redcape's existing senior secured lenders will be repaid.

Redcape has reasonable grounds to believe that negotiations with the Consortium will result in a binding implementation agreement for schemes of arrangement and recapitalisation in the near future. However, Redcape is also holding discussions with other proponents of recapitalisation proposals (including the Investor Group which already holds approximately $222 million of Redcape's senior secured debt that can be converted to equity). These proponents are attracted to making an investment in the Redcape structure rather than acquiring its assets.

Further, if a recapitalisation proposal does not proceed, Redcape understands that the Laundy Hotel Group will be interested in resurrecting the previous sale transaction, subject to consent to that sale transaction from the senior secured lenders. If the Investor Group is no longer interested in recapitalising Redcape then such consent might be forthcoming because the sale transaction will result in a significant repayment to the senior secured lenders.

While Redcape is confident that a recapitalisation or sale transaction will be agreed and that all its existing secured debt will be satisfied well before the due repayment date of 31 October 2012, this cannot be guaranteed because no binding agreement has yet been executed and:

- any recapitalisation agreement will be subject to various conditions precedent including regulatory and Court approvals and
- any sale transaction with the Laundy Hotel Group will be subject to consent from the senior secured lenders and the junior secured lenders.

However, if, after 30 September 2011, the senior secured lenders decide by the necessary two thirds majority to require Redcape to immediately repay the senior secured debt (and to pay additional interest) then, subject to any Court action or other mitigating steps that Redcape might be able to take, it is highly unlikely that Redcape will be able to continue as a going concern.

Annual General Meeting

RPF will hold its Annual General Meeting in Melbourne on 24 November 2011.

Colin Henson

COLIN HENSON
Executive Chairman
Redcape Property Fund Limited

Peter Armstrong

PETER ARMSTRONG
Chief Executive Officer and Managing Director
Redcape Property Fund Limited

Redcape Property Fund
Key Financial Data

	30-June-2011	30-June-2010
ASX closing price	$0.115	$0.175
Total stapled securities on issue	162.5 million	162.5 million
Distributions (cents per stapled security)	nil	nil
Annualised yield on ASX closing price	n/a	n/a
Tax deferred percentage	100%	100%
Total value of investment property portfolio [1]	$750.1 million	$813.2 million
Cash on hand	$9.5 million	$19.0 million
Total assets	$763.4 million	$834.1 million
Total liabilities to total assets ratio	93.1%	91.0%
Remaining average lease duration of property portfolio	12.9 years	14.4 years
Management expense as percentage of total assets	0.24%	0.24%
Underlying (loss) from operations	($26.6) million	($6.8) million
Operating cashflow	$5.1 million	$11.9 million
Net cashflow	($9.5) million	$8.7 million
Net (loss) from ordinary activities after tax	($22.3) million	($77.2) million
Net assets per stapled security	$0.33	$0.46

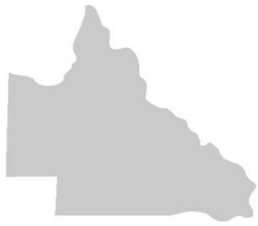
[1] Includes investment properties held for sale at reporting date.

Redcape Property Fund
Property Portfolio

Key statistics	30 June 2011	30 June 2010
Total pub and bottleshop freehold assets	$750 million	$813 million
Number of properties		
- Freehold pubs	72	79
- Freehold bottleshops	11	12
- Pub development sites	1	1
Total	84	92
Primary tenants	Coles, NLG, Other	Coles, NLG, Other
Number of gaming licences	1,960	2,151
Weighted average lease term	12.9 years	14.4 years

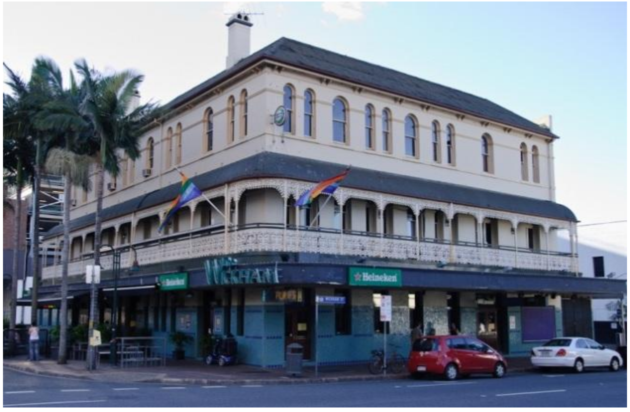
Tenant	Number of pubs and bottleshops	Location	% of rent contribution
Wesfarmers (Coles)	56	QLD, SA	46.0%
National Leisure & Gaming	21	QLD, NSW	47.4%
Other	7	QLD, NSW, SA, Vic	6.6%

Redcape Property Fund Queensland



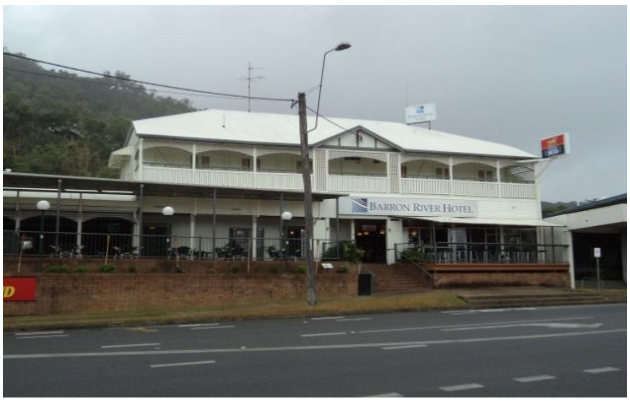
List of Properties
Pub Freeholds
Hotel Allen, North Ward
Anthill Hotel, Mareeba
Barron River Hotel, Stratford
Berserker Hotel, Rockhampton
Bonny View Tavern, Bald Hills
Boomerang Motor Hotel, West Mackay
Bribie Island Hotel, Bellara
Brighton Hotel, Brighton
Cairns Central (Sole), Cairns
Carrington Hotel, Atherton
Chancellors Tavern, Sippy Downs
Cleveland Sands Hotel, Cleveland
Club Hotel, Gladsone
Commonwealth Hotel, Innisfail
Coomera Lodge, Oxenford
Crown Hotel, Lutwyche
Dunwoody's Tavern, Cairns
Everton Park Hotel, Everton Park
Ferry Road Tavern, Southport
Finnigan's Chin, Cleveland
Finnigan's Chin Irish Pub, Kallangur
Fitzy's Hotel and Convention Centre,
Fitzy's Waterford, Waterford
The Glades Tavern, Yamanto
Grafton Hotel, Edmonton
Hermit Park Hotel Motel, Townsville
Inala Hotel, Inala
Kings Beach Tavern
Kooyong Hotel, North Mackay
Leichhardt Hotel, Rockhampton
Lord Stanley Hotel, East Brisbane
Mansfield Hotel, Townsville
Mi Hi Tavern, Brassal
Palm Cove Tavern, Palm Cove
Regatta Hotel, Toowong [1]
Royal Hotel, Townsville
Royal Mail Hotel, Tewantin
Shamrock Hotel, Mackay
Sundowner Hotel Motel, Caboolture
Tom's Tavern, Aitkenvale
Trinity Beach Hotel, Trinity Beach
Westcourt Tavern, Cairns
Wickham Hotel, Fortitude Valley
Woodpecker Bar & Grill, Burpengary
Bottleshops
Bayswater Road DBS, Townsville
Bella Vista DBS, Cairns
Bundock Street DBS, Townsville
Centenary Cellars DBS, Cairns
Coastwatchers DBS, Trinity Beach
Edge Hill DBS, Cairns
English Street DBS, Cairns
Kewarra Beach DBS, Cairns
Railway Estate DBS, Townsville
Southside DBS, Cairns
Woree DBS, Cairns
Pub Development Sites
Fairfield Waters Tavern Site, Idalia

The Wickham Hotel is located on Wickham Street in the heart of Brisbane's core entertainment precinct in the Fortitude Valley. A heritage listed building, the hotel prides itself on its entertainment, bar, gaming (30 machines) and late night venue facilities.



The Chancellor Tavern is a great restaurant with great kids facilities, full TAB and spacious sports bar, exciting gaming room with the latest poker machines and biggest jackpots with the biggest thrill.

Barron River has been a landmark hotel in the Cairns region since 1926 with a great choice of outdoor and verandah dining and a great choice of beer on tap.



[1] The Regatta Hotel, Toowong currently under construction due to damage as a result of the January 2011 floods.

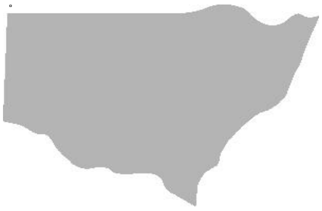
Redcape Property Fund
Victoria & South Australia

The All Seasons Bendigo. Located in Central Victoria known as the Goldfields Region, this multi award winning facility offers a gaming lounge with 100 gaming machines, TAB facilities, restaurant and bar, function rooms and 71 contemporary style motel rooms.

List of Properties
Victoria
All Seasons Bendigo, Bendigo
South Australia
Brighton Metro Hotel
Grand Junction Tavern, Pennington
Payneham Tavern, Royston Park
Waterloo Station Hotel, Paralowie [1]
Western Tavern, West Gambier

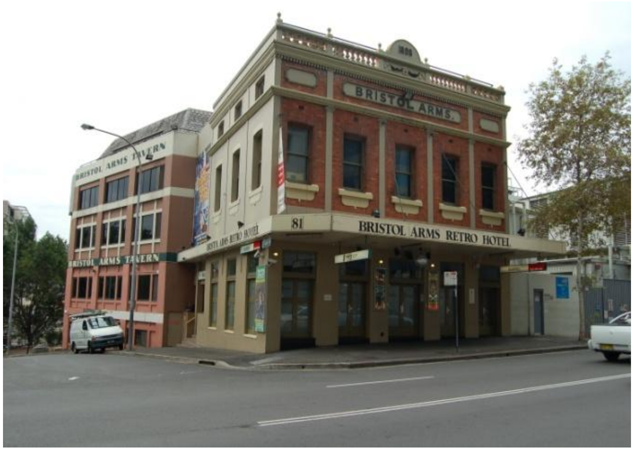
Payneham Tavern is located in Royston Park on Payneham Road, approximately four kilometres north-east of Adelaide's CBD. The venue offers quality bistro, bar and gaming room (33 machines) facilities. In addition, there is a bottle shop with drive-thru and ample car parking.

[1] Waterloo Station Hotel, Paralowie destroyed by fire currently being redeveloped.



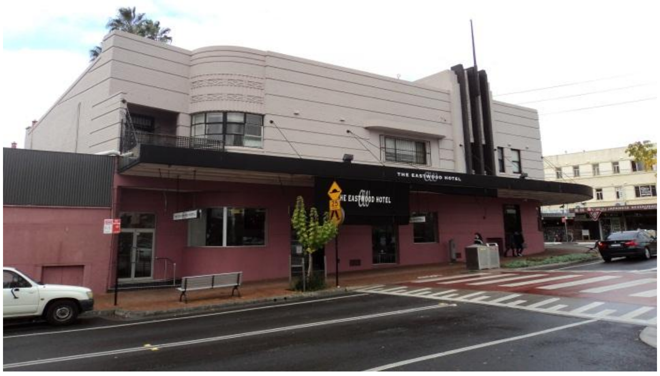
Redcape Property Fund
New South Wales

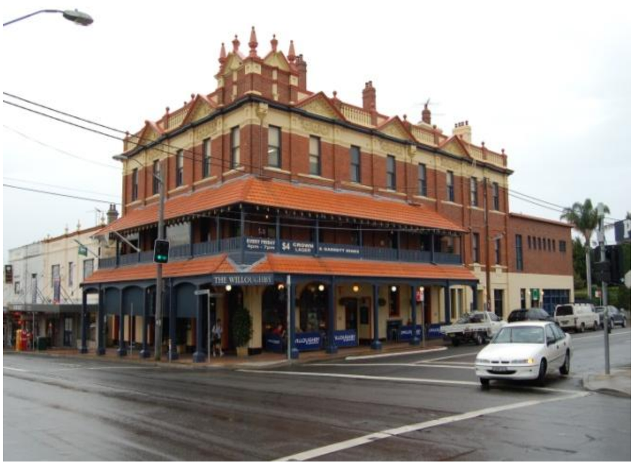
List of Properties
Pub Freeholds
Bankstown Club Hotel, Bankstown
Brewhouse Belmore, Belmore
Brewhouse Doonside, Doonside
Bristol Arms Retro Hotel, Sydney
Campbelltown Club Hotel,
Commercial Hotel, Mullumbimby
Hotel Cremorne, Cremorne
Eastwood Hotel, Eastwood
El Cortez Hotel, Wakely
Keighery Hotel, Auburn
Lakeview Hotel, Oak Flats
Leumeah Club Hotel, Leumeah
Livingstone Hotel, Petersham
Moonee Beach Tavern, Moonee Beach
Mount Annan Club Hotel, Mount Annan
Prospect Hotel, Prospect
Revesby Pacific Hotel, Revesby
Royal Hotel, Granville
St Marys Hotel, St Marys
Tacking Point Tavern, Port Macquarie
Wattle Grove Club Hotel, Wattle Grove
Willoughby Hotel, Willoughby



Bristol Arms Hotel was opened circa 1910. It is located in Sussex Street in Sydney's CBD, within a short distance to Darling Harbour. The venue offers bar (including a rooftop bar and beer garden), bistro, gaming facilities as well as a night club.

Eastwood Hotel has been the centre of the Eastwood community for many years, with something to please everyone. It's the perfect place for a family and a few drinks. It's in the Top 5 of gaming venues in NSW.





The Willoughby Hotel, Willoughby. The pub first opened its doors in 1899 and a major refurbishment was completed in 1999. Today the Willoughby is an iconic North Shore venue with three bars across two levels, state of the art TAB facilities, restaurant and function facilities.

Redcape Property Fund
Corporate Governance

Overview

Redcape Property Fund (RPF) is a 'stapled' vehicle that combines a company, Redcape Property Fund Limited ("the Company") with a trust, Redcape Property Trust (the "Trust").

The Company is managed by a board of directors. The Trust is a managed investment scheme that is registered under the Corporations Act 2001. The Trust Company (RE Services) Limited (the "Responsible Entity") is responsible for the overall corporate governance of the Trust. The directors of the Responsible Entity, together with the board of directors of the Company are accountable to the stapled security holders of RPF.

This section sets out a summary of the corporate governance principles of RPF and the extent to which RPF has followed the Australian Securities Exchange ("ASX") recommendations during this financial year. Some areas of the ASX guidelines are not considered appropriate for RPF given the structure and size of RPF.

General

The Corporations Act 2001, ASX Listing Rules, Company Constitution, Trust Deed, Stapling Deed and general law regulate the operations of RPF, the responsibilities of the Company, the Responsible Entity and their respective officers.

The Company and the Responsible Entity have entered into a Stapling Deed which governs the co-operation between the entities in relation to the stapled securities and to achieve the common parameters of the Company and Trust. The common parameters include RPF's investment strategy, borrowings, distribution policy, financial reporting and compliance with relevant laws. Under the terms of the Stapling Deed, the Company and the Responsible Entity are obliged to notify and co-operate with each other in relation to the exchange of relevant information and coordination of the release of announcements to ASX.

Structure

Day to day management of RPF is provided by Redcape Services Pty Limited ("the Manager"), which is a fully owned subsidiary of the Company. The management services provided by the Manager are governed by a services agreements between the Manager, the Responsible Entity and the Company.

The Manager provides all investment, asset management and general administrative services to RPF, other than certain compliance matters under the control of the Responsible Entity. The Manager also advises the boards of the Company and the Responsible Entity on corporate governance and compliance matters. The Manager initiates and develops proposals, in particular proposals for investments and divestments for RPF, and submits the proposals to the Investment Committee of RPF for approval, and then makes recommendations to the Responsible Entity.

The directors of the Company, namely, Colin Henson (Executive Chairman), Peter Armstrong (Managing Director and CEO), Greg Kern, Richard Barber and Adam Thatcher are the Investment Committee for RPF. The Investment Committee reviews the Manager's proposals for compliance with the law, the Trust Deed of the Trust, the Company's Constitution, RPF's investment criteria, the services agreements and the interests of stapled security holders.

ASX Corporate Governance Principles

Each of the respective boards of the Company and the Responsible Entity consider that good quality corporate governance practices provide the framework for effective systems and business operations to deliver utmost value to RPF's security holders and other stakeholders.

RPF is a 'stapled' vehicle that combines the Trust and the Company which are listed on the ASX. The ASX Listing Rules require the Company and the Responsible Entity to include a statement in RPF's annual report disclosing the extent to which each has followed the ASX Corporate Governance Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles").

Both the Company and the Responsible Entity address each of the ASX Principles below for the period from the beginning of the financial year to balance date. The Company and the Responsible Entity comply with all of the recommendations in the ASX Principles, except as disclosed in this statement. This corporate governance statement is current as at the date of signing of the annual report.

Principle 1 — Lay solid foundations for management and oversight

The Constitutions of the Company and the Responsible Entity set out, among other things, the procedures for the appointment and removal of directors, requirements for board meetings and remuneration policy.

The Company has a formal board charter which sets out the functions and responsibilities reserved to the board and those delegated to the Chief Executive Officer and board committees.

Redcape Property Fund
Corporate Governance (continued)

The Responsible Entity has a formal compliance plan for the Trust which sets out the monitoring and governance requirements. The Trust is audited annually by RPF's auditors for compliance with the plan.

The Responsible Entity is accountable to security holders and is responsible for the Trust's overall operation and administrative functions and through the Manager, regularly reviews performance and generally monitors the Trust's affairs in the best interest of security holders including:

- maintaining high ethical and business standards;
- ensuring the preparation, review and approval of annual and half yearly financial statements, preparation of notices and reports to security holders, ASX and other regulators;
- overseeing the Manager;
- monitoring and responsibility for certain specialist external service providers to assist the Responsible Entity from time to time in the proper, efficient and timely delivery of services;
- having a constitution that sets out amongst other things the appointment and removal procedures for the directors, meeting rules and requirements and disclosure procedure;
- maintaining internal procedures for monitoring business risk and ensuring appropriate oversight of the Trust's compliance plan and constitution;
- Financing charges of $85.5 million, including cash-interest charges of $54.9 million, deferred interest charges of $24.3 million, loan establishment fee amortisation charges of $6.2 million;
- The Trust Company Limited, as the parent of the Responsible Entity, providing executive directors (currently five) for the Responsible Entity. Those directors along with internal management have the ongoing task of ensuring the Responsible Entity complies with its obligations as responsible entity of the Trust;
- ensuring all available relevant information in connection with the Trust is discussed at meetings of the Responsible Entity board.

The management arrangements for RPF involving the Manager have been referred to above.

Principle 2 — Structure the board to add value

The board of the Company consists of five directors, three of whom are independent. The Chairman of the board is an executive director.

The Responsible Entity established the Audit, Risk and Compliance Committee comprising a majority of external, independent members to act as the compliance committee of the Trust for the purposes of Part 5C of the Corporations Act 2001. Each of the members of this committee are external members for the purposes of the Corporations Act 2001.

Having regard to the size of the boards and the delegation of key functions to the Manager, the boards of the Company and the Responsible Entity do not consider there is sufficient value in each board establishing a nomination committee, but will continue to monitor the position and may establish such committees in the future.

Each director has the right, at RPF's expense to seek independent professional advice in relation to the execution of their duties. In the case of the Company, prior approval of the Chairman of the Company is required but will not be unreasonably withheld. Where appropriate, directors share such advice with other directors.

At present, The Trust Company Limited, as the parent of the Responsible Entity, provides executive directors (currently five) and all internal management for the Responsible Entity. The chairman selection procedures, powers of the board, appointment, removal and remuneration of directors, board meeting requirements and other related matters are set out in the Responsible Entity's constitution. New directors are fully briefed on the terms and conditions of their appointment by The Trust Company Limited executives and undertake an induction program to familiarise themselves with the Responsible Entity and its business operations.

The Responsible Entity's board is provided with regular reports on RPF's financial position, financial performance and business to allow the Responsible Entity to effectively fulfil its responsibilities. As each Responsible Entity director is an executive of The Trust Company Limited, the Audit, Risk and Compliance Committee comprising a majority of external members has been established as an external compliance committee of the Trust to meet the requirements of Chapter 5C of the Corporations Act 2001. The independence of the external members meets the requirements of section 601JA(2) of the Corporations Act 2001.

Principle 3 — Promote ethical and responsible decision-making

The boards of the Company and the Responsible Entity have adopted Ethical Framework and Codes of Conduct designed to promote integrity, responsibility and accountability in the conduct of their respective businesses.

There are no common directors and no related party interests between the stapled entities which promotes independent decision making and minimises potential conflicts of interest.

Both boards have adopted various policies of employee and officer conduct including, in relation to related party transactions, compliance arrangements and insider trading.

The Responsible Entity is committed to maintaining the highest standards of integrity and seeks to ensure all its responsible entity activities in regard to RPF are undertaken with efficiency, honesty and fairness. As a wholly owned subsidiary of The Trust Company Limited, the Responsible Entity has adopted from its parent entity various policies and procedures in addition to an over-arching Code of Conduct and Share Trading Policy that applies to all directors and employees without exception. All codes and policies are designed to promote integrity, responsibility and accountability and adherence to relevant legislation and apply to the directors and officers of the Responsible Entity as a member of The Trust Company Group and as responsible entity of the Trust.

Principle 4 — Safeguard integrity in financial reporting

Amongst other things, the Manager is responsible for preparing the half year and annual financial statements for RPF. These financial statements are audited by an appointed external auditor and reports are provided to the board of the Responsible Entity and the Company. The current auditor is KPMG. Internal management regularly meets with the external auditor to discuss the audit plan and the final audit report on the financial statements. The final audit report is tabled for the board's consideration prior to financial statements being approved.

The Manager and internal management review the financial statements and provide formal statements to the board confirming that RPF's financial reports present a true and fair view, in all material aspects, of RPF's financial condition and that operational results are in accordance with RPF's constitutions and relevant accounting standards. In addition, they confirm that the statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

The Company has established an Audit, Risk and Compliance Committee of the board to assist in the execution of its responsibilities and has adopted a formal Audit, Risk and Compliance Committee Charter which is reviewed annually. The majority of members of the Audit, Risk and Compliance Committee are independent directors. The responsible partner of RPF's external auditors attends all meetings of the Audit, Risk and Compliance Committee and receives the committee meeting papers.

The external auditor, KPMG has declared its independence to the boards through the Company's Audit, Risk and Compliance Committee and the provision of its independence declaration to the boards. The Audit, Risk and Compliance Committee has considered the question of auditor independence and is satisfied that there have been no contraventions of auditor independence requirements of the Corporations Act 2001.

Principle 5 — Make timely and balanced disclosure

The Company and the Responsible Entity have each adopted policies and procedures for timely disclosure of material information about RPF, in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company has adopted an external communications policy as recommended by the Manager. In order to give effect to the policy and RPF's disclosure obligations, the Company and the Manager have formal procedures for dealing with potentially price sensitive information and the Responsible Entity also has such procedures in place. All releases to the ASX are posted on the RPF website.

As a wholly owned subsidiary of The Trust Company Limited, the Responsible Entity has adopted from that parent entity continuous disclosure procedures to ensure RPF's compliance with ASX Listing Rules and the Corporations Act 2001. Service providers to RPF under outsourcing arrangements are required to adhere to the ASX Listing Rules in terms of continuous disclosure requirements and must report to the Responsible Entity instances where a disclosure obligation is required. The Responsible Entity has procedures in place to monitor compliance with these requirements by outsourced service providers.

Principle 6 — Respect the rights of security holders

The Company and the Responsible Entity (via the Manager) are committed to providing timely and accurate information to stapled security holders.

RPF's external communication policy is designed to promote effective communication with, and best serve the interests of, investors through market disclosure, direct reporting to stapled security holders, open dialogue at general meetings and prompt responses to direct queries.

The responsible partner of the external auditors will attend the Annual General Meeting and will be available to answer investor questions about the conduct of the audit and the content of the auditor's report. The Chairman will also advise the stapled security holders of this at the start of the meeting.

The Responsible Entity is committed to providing timely and accurate information concerning RPF to its security holders. The Trust's compliance plan and constitution further set out the Responsible Entity's obligations and the rights of security holders in this regard. The Annual Report of RPF together with the external auditor's report/opinion are sent to security holders each year. The Annual Report includes ASX Listing Rule disclosure requirements of the Responsible Entity. Although registered schemes are not required to hold meetings of security holders, the constitution of RPF provides for such meetings if and when required.

Redcape Property Fund
Corporate Governance (continued)

Principle 7 — Recognise and manage risk

The Responsible Entity values the importance of robust risk management systems and established an Audit, Risk and Compliance Committee to support the compliance of the Trust with respect to its corporate governance and risk responsibilities.

The Audit, Risk and Compliance Committee:

- is comprised of a majority of external members skilled in the areas of audit, risk and compliance;
- is responsible for the oversight of risk management and internal control systems for the Responsible Entity;
- reviews internal and external audit processes and monitors the Responsible Entity's compliance with laws and regulations;
- meets regularly with The Trust Company Limited's Executive Team, senior management and external advisers and reports directly to The Trust Company Limited's board.

The Responsible Entity has a formal risk management program in place which has been adopted from its parent entity, The Trust Company Limited. It is based on Standards Australia AS/NZS4360:2004-Risk Management Standard and includes policies and procedures to identify and address material financial and non-financial risks.

The Trust Company Limited also maintains an independent internal audit team who report directly to the Audit, Risk and Compliance Committee and the Responsible Entity board if necessary.

To enhance management accountability, any written recommendation given by the CEO and CFO of the Manager and the Company to the Responsible Entity contains a confirmation that the Company's risk management and external compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 — Remunerate fairly and responsibly

Remuneration policies are in place to maintain and attract talented and motivated directors and employees.

The policies are designed to improve the performance of The Trust Company Limited and its controlled entities. As The Trust Company Limited is the parent of the Responsible Entity it provides executive directors and internal management for the Responsible Entity. Directors and internal management of the Responsible Entity are remunerated by The Trust Company Limited and not by the Trust.

The independent directors of the Company are paid directors' fees as disclosed in the financial reports.

Given that services to RPF are provided by the Manager under the service agreements, RPF has a detailed remuneration policy for the Manager.

The Remuneration Committee for the Company has been established consisting of the three independent directors of the Company and has a formal charter.

The actual costs, expenses and liabilities reasonably and properly incurred by the Manager in accordance with the budget approved by the Company and the Responsible Entity from time to time in relation to the provision of management services by the Manager (including the salaries and costs of the CEO/ Managing Director and CFO of the Manager and the Company) are reimbursed by the Responsible Entity from the Trust assets.

Redcape Property Fund
Directors' Report
The Trust Company (RE Services) Limited as Responsible Entity for Redcape Property Fund

The directors of The Trust Company (RE Services) Limited (the "Responsible Entity") for the Redcape Property Trust (the "Trust") present their report together with the financial report of the Redcape Property Fund ("RPF" or "Redcape" or "the Fund") for the year ended 30 June 2011.

RPF comprises Redcape Property Trust, Redcape Property Fund Limited (the "Company") and their controlled entities. The units in the Trust and the shares in the Company are stapled and cannot be traded or dealt with separately. The stapled securities were first listed on the Australian Securities Exchange ("ASX") on 2 August 2007, under the code HLG which was later changed to RPF.

The Trust Company (RE Services) Limited, the Responsible Entity for Redcape Property Trust, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 15, 20 Bond Street, Sydney , NSW 2000.

1. Directors and officers

The Responsible Entity and the Company each entered into separate service agreements with Redcape Services Pty Limited (a wholly owned subsidiary of the Company) to provide all investment, asset management and general administrative services to RPF (other than certain compliance and supervisory services which are provided by the Responsible Entity). The Manager is also responsible for pursuing all acquisitions and any divestments.

Effective from 1 July 2009 RPF established internal management within the Fund with the creation of the Manager, Redcape Services Pty Limited (a wholly owned subsidiary of the Company). The management of the Fund by Redcape Services Pty Limited is governed by separate services agreements between it, the Company and the Responsible Entity.

RPF and the Manager have appointed an investment committee, which is comprised of the directors of the Company. The Investment Committee is an advisory committee, which liaises between the Responsible Entity, the Company and the Manager. The Investment Committee reviews the Manager's advice for compliance with the law, the Trust Deed, RPF's investment criteria, the services agreements and the interests of the security holders. Assuming compliance, the Responsible Entity and the Company must follow the Manager's advice.

The following persons were directors of the Responsible Entity during the year ended 30 June 2011. Unless otherwise stated the directors have held their position for the whole of this period:

John Atkin	
Michael Britton	
Vicki Allen	Resigned on 18 March 2011
David Grbin	
Andrew Cannane	Appointed on 31 March 2011
Sally Ascroft	Alternate Director for David Grbin (for the period 1 July 2010 to 1 August 2010) & Michael Britton (for the period 1 July 2010 to 24 June 2011)

Redcape Property Fund
Directors' Report
The Trust Company (RE Services) Limited as Responsible Entity for Redcape Property Fund

1. Directors and officers (continued)

The members of the Board of Directors of the Company and Members of the Investment Committee of RPF in office during the year and since the end of the year are:

Colin J Henson FCPA Dip Law (BAB), FCIS, FCIM, FAICD

Executive Chairman

Mr Henson has held senior management and director positions in a range of industries including brewing, hotel, wine, oil and mineral drilling contracting, electronics, food additives, health services, business solutions, technology, bulk handling and complementary medicines.

In addition to his involvement in RPF, Mr Henson is currently the Non-Executive Chairman of Videlli Limited.

Mr Henson was appointed as a director of Redcape Property Fund Limited on 25 June 2007.

Peter Armstrong MBA, Dip. Mgmt. Studies, MAICD

CEO & Managing Director

Mr Armstrong has extensive experience and a successful track record in senior management, hotel management, business acquisitions, property development, supply chain management and general business management.

His most recent position prior to RPF was as General Manager of Hotels in the Coles Liquor Group Division where Peter grew the business from 23 hotels to approximately 100 hotels plus in excess of 225 retail outlets. Mr Armstrong has industry experience in the office supplies, general merchandise & apparel, building & property development, food, hospitality and general retail sectors.

Mr Armstrong was appointed as a managing director of Redcape Property Fund Limited on 5 February 2009.

Greg Kern BCom, CA, IPA, MIIA(Aust), MAICD

Non-Executive Director

Mr Kern is the Managing Director of Kern Consulting Group, a corporate advisory firm based in Queensland.

He is a Chartered Accountant, a registered company auditor, a member of the Institute of Internal Auditors and the Australian Institute of Company Directors.

Mr Kern was appointed as a director of Redcape Property Fund Limited on 3 April 2007.

Adam Thatcher B.Comm LLB (Honours)

Non-Executive Director

Mr Thatcher is a corporate and commercial lawyer with over 25 years experience. He was a partner at one of Australia leading law firms, Allens Arthur Robinson until the end of 2009. During his 20 years as a partner he specialised in finance, infrastructure and corporate recovery as well as general commercial law, and has worked on many matters involving hotels, pubs, resorts and tourist facilities.

Mr Thatcher was on the committee of the Banking and Financial Services Law Association and a director of the Infrastructure Association of Queensland. He is currently a director of Bluewater Property Trust, a syndicated property investment company and Legal counsel for Virgin Australia.

Mr Thatcher was appointed as director of Redcape Property Fund Limited on 25 November 2010.

Richard Barber CA (retired)

Non-Executive Director

Mr Barber's career exceeds 45 years spanning a number of disciplines and industries.

Mr Barber retired as a senior Partner at Price Waterhouse Coopers in 1998 after 38 years in public practice, and from 1987 to 1996 was National Director of Corporate Recovery Price Waterhouse Australasia, specialising in business turnaround and corporate recovery.

Mr Barber was formerly a Director and CEO of Tipperary Oil & Gas (Australia) Pty Ltd which was acquired by Santos in 2005. In addition to his role as Non Executive Director of Redcape, Richard is currently a Director of Queensland Resources Council Ltd, and continues to consult to large private interests servicing the Coal Seam Gas industry in Queensland.

Mr Barber was appointed as a director of Redcape Property Fund Limited on 25 November 2010.

Nerolie Whitnall resigned as a director on 25 November 2010

Redcape Property Fund
Directors' Report
The Trust Company (RE Services) Limited as Responsible Entity for Redcape Property Fund

1. Directors and officers (continued)

Chief Financial Officer & Company Secretary

David Charles, BEc, CA

David Charles is an experienced Chartered Accountant with 20 years experience in the accounting and audit, financial services, aviation and retail sectors. David commenced his career with Touché Ross in 1989 and has held senior positions in a number of large companies including Citibank in London, Ansett Australia, ANZ Bank and the Spotless Group. Immediately prior to joining RPF as Chief Financial Officer David spent 5 years with the Coles Group including 4 years within the Liquor and Hotels division in senior Finance and Business Management roles. Mr Charles was appointed CFO on 1 April 2009 and company secretary of Redcape Property Fund Limited on 30 June 2011.

Russell Daly resigned as company secretary of Redcape Property Fund Limited on 30 June 2011.

Investment Committee meetings

An Investment Committee (comprising the directors of the Company) reviews the Manager's investment proposals and makes recommendations to the Responsible Entity. The number of committee meetings attended by each member of the committee during the financial year were:

	Number of meetings attended	Number of meetings eligible to attend
Colin Henson	12	12
Greg Kern	12	12
Peter Armstrong	12	12
Richard Barber (appointed 25 November 2010)	7	7
Adam Thatcher (appointed 25 November 2010)	7	7
Nerolie Withnall (resigned 25 November 2010)	6	6

Details in respect of the meetings of the directors of the Company and other committees are set out in the Company's directors' report for the year ended 30 June 2011.

2. Principal activities

The principal activity of RPF consists of investment in the pub freehold sector. There has been no significant change in the nature of these activities during the financial year.

3. Significant changes in state of affairs

At 30 June 2011 RPF's property valuations were reduced by $0.9 million due in part to a softening pub market in Regional Queensland where RPF owns 15 pubs. In addition, 8 pubs with a book value of $62.2 million were divested for an aggregate of $62.6 million. At 30 June 2011 the value of RPF's investment portfolio was $750million.

At 30 June 2011 RPF's outstanding loan balances were $654 million including deferred establishment fees (2010: $694 million), representing a reduction of $46.2 million during the year. The reduction from 2010 includes loan repayments of $70.5 million but also "deferred" interest accrued throughout the financial year of $24.3 million.

At 30 June 2011 RPF's Interest Rate Swap liability was $53.7 million (2010: $60.1 million), an improvement of $6.4million during the year resulting from moderately higher variable interest rates during the remaining period of the swap contracts.

During the year ended 30 June 2011, the market for the sale of freehold pubs remained largely flat as banks maintained extremely tight lending criteria for borrowers seeking to finance leasehold and freehold pub properties. This tightness in the pub market made it difficult for RPF to achieve target asset sales.

4. After balance date events

a) Recapitalisation project

Subsequent to balance date RPF negotiated recapitalisation proposals with several parties for the holistic recapitalisation of RPF, including an injection of equity, the refinancing of RPF's loan agreements, and an offer to acquire all of the stapled securities of Redcape. 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 2011 due to a condition precedent to the SIA not being satisfied. Following termination of the SIA with the Investor Group, RPF has been negotiating an Implementation Agreement for Schemes of Arrangement and Recapitalisation with a consortium led by BW + Partners Pty Ltd ("Consortium") which is a property management and property investment subsidiary of Washington H. Soul Pattinson & Co Limited. At the time of this report RPF has been negotiating with the Consortium and RPF has reasonable grounds to believe that these negotiations will result in a binding implementation agreement for schemes of arrangement and recapitalisation of RPF in the near future.

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 $74 million as at 28 September 2011.

c) Total Debt Ratio Review Event

On 9 August 2011 Redcape notified the Banking Syndicate of a Review Event under clause 18.1(f) of the Senior and Junior Syndicated Facility Agreements because its Debt Ratio (the ratio of Total Liabilities to Total Assets) would likely exceed 95% as at 31 August 2011. The Debt Ratio will likely exceed 95% as a result of adverse movements in Redcape's Interest Rate Swap Liability during July and August 2011, and provides the Senior and Junior lenders with the right to request information from Redcape and a plan to resolve the effects of the Review Event. If the Agent does not accept Redcape's plan or the effects of the Review Event are not resolved, then the lenders may review whether and on what terms, they are prepared to continue to participate in the loan facility agreements having regard to the Review Event. They may require the repayment of some or all of the loans outstanding and cancel some of their commitments under the loan facility agreements or require the injection of further equity, increase fees or remedy the Review Event, but shall allow Redcape 60 days within which to do so. A Review Event only becomes an event of default under clause 17.1(w) if Redcape has not complied with or remedied the Review Event within the required period.

d) Tax audit

RPF has been notified by the Australian Taxation Office ("ATO") that it will be subjected to a tax audit over the tax treatment of certain transactions in the 2007 to 2010 income tax years. RPF and its tax advisers will continue to assist the ATO with its enquiries.

e) Operating business

Subsequent to balance date 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 ("DOCA") entered into in July 2010. Redcape will pay approximately $0.6 million to acquire the leasehold assets of the 3 hotels, representing the written down value of plant and equipment.

5. Likely developments

Regardless of the completion of a Recapitalisation proposal as detailed previously, RPF will continue its business as a pub landlord, managing its freehold pub assets, collecting rent from its tenants, paying interest on its bank loans, and endeavouring to ensure it continues to meet the obligations under its loan facility agreements.

In accordance with the lease agreements for its investment properties, RPF will continue to receive fixed rate rent increases from its tenants.

6. Distributions

For the year ended 30 June 2011, RPF made the following distributions:

	Cents per security	$'000
Full year distribution declared	Nil	Nil
Total distribution for the year ended 30 June 2011	Nil	Nil

7. Review and results of operations

Throughout the year ended 30 June 2011 RPF continued its usual business of collecting rent from its tenants, and paying interest on its bank loans.

The terms of RPF's loan facilities agreed on 30 June 2010 include RPF paying significant interest margins on its Senior and Junior loans, with a significant portion of monthly interest payments being capitalised. RPF incurred a total of $79.2 million in total interest charges during the financial year, with $41.2 million being cash interest and $24.3 million being deferred interest. Deferred interest accrued throughout the financial year was added to outstanding loan balances.

7. Review and results of operations (continued)

RPF met the loan reduction requirements pursuant to the loan agreements. In order to meet the loan reduction targets RPF continued to sell pub assets, and in the first half of the year successfully negotiated the sale of 8 pubs for an aggregate of $62.6 million, with the net proceeds of $61.7m used to reduce outstanding loans. In addition, $8.9 million in proceeds from a pub sold in June 2010 was also applied to reduce bank loans in the year ended 30 June 2011, for a total loan reduction during the year of $70.6 million.

Throughout the financial year RPF carried out necessary capital maintenance and repairs on its pub assets expending approximately $0.75 million in aggregate on major and minor works.

The underlying profit from operations for RPF for the year is shown below.

	2011 $'000	Restated 2010 $'000
Rent and outgoings from investment property	71,756	79,040
Other income (including straight-line lease adjustment)	16,171	22,811
Total income	87,927	101,851
Finance costs	85,518	73,851
Management expenses	2,206	1,944
Fair value write-down of investment properties	901	51,072
Realised loss on swap closeout	-	6,016
Change in fair value of derivative financial instruments	(6,389)	15,854
(Gain) / loss on sale of investment properties and licences	1,157	(2,590)
Loss on sale of ALE securities	-	129
Other costs (including outgoings and straight-line lease adjustment)	26,803	32,806
Total costs/expenses	110,196	179,082
Net (loss)	(22,269)	(77,232)
Add back		
Fair value write-down of investment properties	901	51,072
Change in fair value of derivative financial instruments	(6,390)	15,854
Realised loss on swap closeout	-	6,016
Gain / (loss) on sale of investment properties and licences	1,157	(2,590)
Loss on sale of ALE securities	-	129
Underlying (loss) from operations	(26,601)	(6,751)
Value of assets		
Total assets at the end of the year [1]	763,412	834,083

	No of units	No of units
Issued units		
2011		
On issue at the beginning of the year	162,452,601	157,031,854
Movements	-	5,420,747
On issue at the end of the year	162,452,601	162,452,601

[1] Refer to Note 1 to the financial statements for details of how RPF's asset values have been determined.

Redcape Property Fund
Directors' Report
The Trust Company (RE Services) Limited as Responsible Entity for Redcape Property Fund

8. Interests of the Responsible Entity

The Trust Company (RE Services) Limited (the "Responsible Entity"), held no stapled securities or options in the Redcape Property Fund during or since the end of the financial year.

9. Remuneration report

The remuneration report includes the following details:

9.1 Principles of remuneration

9.2 Manager's fees

9.3 Trustee's fees

9.1 Principles of remuneration

No fees or benefits are payable to the directors of the Responsible Entity. Those directors are employees of The Trust Company Limited. The structure of Responsible Entity fees and fees paid during the year are set out below.

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 a 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 executive directors shall be determined by the directors. Remuneration may be by way of salary or fees. The executive directors of the Company do not receive directors' fees from the Company however the executive chairman's remuneration is paid by the Company. The CEO and managing director is an employee of the Manager 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.

9.2 Management expenses

Management services are provided by Redcape Services Pty Limited, a wholly owned subsidiary of Redcape Property Fund Limited. The management services provided are governed by service agreements in place between the Manager, the Responsible Entity and the Company. The costs incurred by the Manager are reimbursed by the Responsible Entity from the assets of the Trust.

9.3 Trustee's fees

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 $405,436 per annum (2010: $330,000), 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 are shown as other expenses in the consolidated statement of comprehensive income.

	$
Responsible Entity fees	405,436

Redcape Property Fund
Directors' Report
The Trust Company (RE Services) Limited as Responsible Entity for Redcape Property Fund

10. Environmental issues

RPF's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

11. Insurance of officers

Indemnification

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

Under the Company's Constitution, current and former directors and secretaries are indemnified to the extent permitted by law and subject to restrictions in section 199A of the *Corporations Act 2001* for any liability incurred by that person as an officer of the Company and any reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

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

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

Insurance premiums

During the financial year the Company paid a premium of $92,256 (2010: $40,586) in respect of directors' and officers' liability for current and former directors, including senior executives of the of the Company and directors, senior executives of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

12. Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

13. Rounding of amounts

The Trust is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors of The Trust Company (RE Services) Limited.

David Grbin

Director (The Trust Company (RE Services) Limited)

Dated this the 28th day of September 2011

Sydney

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the Corporations Act 2001 to the directors of The Trust Company (RE Services) Limited, the Responsible Entity for the Redcape Property Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

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

KPMG

Graham Coonan
Partner

Cairns
28 September 2011

Redcape Property Fund
Financial Statements

Redcape Property Fund
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 30 June 2011

	Note	2011 $'000	Restated 2010 $'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	3	-	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	24	623	499
Finance costs	4	85,519	73,851
Other expenses	5	4,143	4,435
Total expenses from operating activities		99,158	87,429
Profit/(Loss) from operating activities		(11,231)	14,422
Non operating expense / (income)			
Fair value write-down of investment properties	13	901	51,072
Impact of straight-line lease adjustment on fair value of investment properties		15,371	21,196
Change in fair value of derivative financial instruments	17	(6,390)	15,854
Realised loss on swap closeout		-	6,016
(Gain) / loss on sale of investment properties	6	1,157	(2,590)
Loss on sale of ALE securities		-	129
Total non operating expense / (income)		11,039	91,677
Loss before income tax		(22,269)	(77,256)
Income tax benefit / (expense)	7	-	24
Loss for the period		(22,269)	(77,232)
Other comprehensive income		-	-
Total comprehensive (loss) / income		(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	8	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
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	9	9,456	18,970	10,258
Trade and other receivables	10	9,562	1,575	1,853
Other current assets		42	152	40
Assets held for sale	11	6,750	100,600	-
Total current assets		25,810	121,297	12,151
Non-current assets				
Property, plant and equipment	12	153	137	-
Investment property		670,910	658,997	896,957
Other non-current assets	14	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	15	2,453	4,435	5,609
Current tax payables		-	-	23
Loans and borrowings	16	654,307	92,146	740,752
Derivative financial instruments	17	53,736	12,996	84,395
Total current liabilities		710,496	109,577	830,779
Non-current liabilities				
Loans and borrowings	16	-	602,191	-
Derivative financial instruments	17	-	47,130	-
Total non-current liabilities		-	649,321	-
TOTAL LIABILITIES		710,496	758,898	830,779
NET ASSETS		52,916	75,185	150,866
EQUITY				
Contributed equity	18	461,513	461,513	459,965
Accumulated losses		(408,862)	(386,600)	(309,247)
Reserves	19	62	62	62
Equity attributable to parent		52,713	74,975	150,780
Non controlling interest		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.

Redcape Property Fund
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 30 June 2011

	Note	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Non Controlling Interest $'000	Total $'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(r)	-	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	18	1,554	-	-	2	1,556
Capital raising costs recognised directly against capital raised	18	(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.

For further disclosure regarding the restated balances for the year ended 30 June 2010 and 30 June 2009, refer to Note 1(r).

Redcape Property Fund
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		(17,044)	(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	26	5,131	11,875
Cash flows from investing activities			
Proceeds from disposal of investment properties		62,662	100,664
Payment for property, plant and equipment		(570)	(160)
Proceeds from disposal of investment in ALE stapled securities		-	6,971
Net cash from investing activities		62,092	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	9	9,456	18,970

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

Note 1 Summary of significant accounting policies

(a) Reporting entity

The consolidated financial statements of Redcape Property Fund ("RPF") 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 of the Trust and the shares of 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) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the directors of the Responsible Entity on 28 September 2011.

(c) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to all controlled entities.

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- investment property, including investment property held for sale at reporting date, is measured at fair value

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

(ii) Going concern

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

RPF incurred a net loss of $22.3 million during the year ended 30 June 2011 and, as of that date, RPF's current liabilities exceeded its current assets by $684.7 million.

During the year ended 30 June 2011 and until the date of this report, RPF was and is paying its debts as and when they become due and payable and has sufficient cash reserves and expected cash flows for this to continue. However, the ability of RPF to continue as a going concern, including the ability of RPF to pay its debts as and when they become due and payable, is dependent upon the continued support from RPF's senior and junior secured lenders, who are due to be repaid on 31 October 2012 pursuant to the senior and junior syndicated facility agreements. In this regard it is noted that:

- The junior secured lenders have advised RPF that they are fully supportive of RPF and are prepared to consider any proposal to standstill or waive rights in order to allow RPF to continue as a going concern.
- With the full knowledge, understanding and support of its senior and junior secured lenders, in March 2011 RPF suspended its previous asset sale programme to facilitate initially a proposed sale transaction with the Laundy Hotel Group ("Laundy Transaction"), and later a proposed recapitalisation of RPF by an investor group comprising York Capital Management, Varde Partners Inc and Goldman Sachs (Asia) Finance ("Investor Group").
- This suspension of RPF's asset sale programme means that RPF will not be able to comply with an amortisation covenant i its Senior Syndicated Facility Agreement which requires that a sales target of $275 million be achieved by 30 September 2011 ("September Target"). Instead, RPF will have received sale proceeds of $183 million from its suspended asset sale programme.
- The Laundy Transaction was not consented to by the senior secured lenders because such consent required two-thirds majority agreement from the senior secured lenders and the Investor Group held 38.7% of the senior secured debt.

Note 1 Summary of significant accounting policies

(c) Basis of preparation (continued)

(ii) Going concern (continued)

• On 18 August 2011 RPF entered into an Implementation Agreement for Schemes and Recapitalisation with related entities of the Investor Group. This recapitalisation involved:

 • acquisition of all of the existing stapled securities of RPF at a price of $0.08 per stapled security;

 • subscription of $278 million for new stapled securities of RPF (including by converting the Investor Group's 38.7% holding of the senior secured debt into equity);

 • a new senior debt facility for RPF which, together with the equity subscription, would mean that all of RPF's existing senior secured lenders would be repaid and the junior secured lenders would receive a specified amount in satisfaction of their secured debt.

• The Implementation Agreement was terminated by RPF on 29 August 2011 because a condition precedent, that the junior secured lenders agree by 24 August 2011 to accept on completion of the recapitalisation a certain payment in full satisfaction of their junior secured debt, was not satisfied.

• Although the Boards of RPF believe that the secured lenders are not entitled to rely on a breach of the September Target under the amortisation covenant, RPF has formally requested that the senior secured lenders confirm their previous support for suspension of RPF's asset sale programme by amending or waiving the September Target under the amortisation covenant.

• As consent to this amendment or waiver requires two thirds majority agreement from the senior secured lenders, such consent may not be forthcoming because the Investor Group holds 38.7% of the senior secured debt.

• Nevertheless, the Boards of RPF believe that it is unlikely the senior secured lenders will attempt to rely upon a breach of the September Target under the amortisation covenant and demand repayment of all of the senior secured debt after 30 September 2011 because:

 • the senior secured lenders supported RPF suspending its asset sale programme (including the undertakings required to be given by RPF to the Laundy Hotel Group, and subsequently to the Investor Group, that RPF would suspend its asset sales); and

 • such demand would result in the senior secured lenders not obtaining the benefit of either:

  - the recapitalisation proposals that are referred to below that would, if agreed and implemented, include full repayment of the senior secured debt, or

  - a Laundy Transaction that would, if agreed and implemented, result in a significant repayment of the senior secured debt.

• RPF is negotiating an implementation agreement for schemes of arrangement and recapitalisation (“Agreement”) with a consortium led by BW Partners Pty Limited (“Consortium”) which will involve the Consortium:

 • acquiring all of the existing stapled securities in RPF at a price of $0.10 per stapled security;

 • acquiring all of the debt owed by RPF to the junior secured lenders;

 • subscribing equity, namely new stapled securities in RPF; and

 • procuring that RPF undertakes a new senior debt facility which, together with the Consortium's equity subscription, would mean that all of RPF's existing senior secured lenders would be repaid.

• The Boards of RPF have reasonable grounds to believe that negotiations with the Consortium will result in a binding Agreement. However, RPF is also holding discussions with other proponents of recapitalisation proposals (including the Investor Group which already holds approximately $224 million of RPF's senior secured debt that could potentially be converted into equity). These proponents have indicated that they remain interested in making an investment in the existing RPF structure rather than acquiring its assets.

• Further, if a recapitalisation proposal does not proceed, the Boards of RPF understand that the Laundy Hotel Group may be interested in re-establishing the Laundy Transaction, subject to consent to that sale transaction from the senior secured lenders. If the Investor Group is no longer interested in recapitalising RPF, then such consent might be forthcoming because a sale transaction such as the Laundy Transaction would result in a significant repayment to the senior secured lenders.

• Whilst the Boards of RPF are confident that a recapitalisation or sale transaction will be agreed and that all of RPF’s existing secured debt will be satisfied well before the repayment date of 31 October 2012, this cannot be guaranteed because no binding agreement has yet been executed and:

 • any agreement to recapitalise RPF would be subject to various conditions precedent, including regulatory and Court approvals and approval from RPF's stapled security holders; and

 • any sale transaction with the Laundy Hotel Group would be subject to consent from the senior secured lenders and the junior secured lenders.

Note 1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

(ii) Going concern (continued)

However, if, after 30 September 2011, the senior secured lenders decide by the necessary two thirds majority to require RPF to immediately repay the senior secured debt (and to pay additional interest) then, subject to any Court action or other mitigating steps that RPF might be able to take, it is highly unlikely that RPF would be able to continue as a going concern. As the financial statements have been prepared on a going concern basis, no adjustments have been made in the financial statements relating to the recoverability and classification of recorded asset amounts and recognition of other liabilities that might be necessary should RPF not be able to continue as a going concern.

(iii) Functional and presentation currency

The financial report is presented in Australian dollars, which is RPF's functional currency.

(iv) Rounding of amounts

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(v) Critical accounting estimates

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 RPF's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 13 - investment property, note 16 - loans and borrowings and note 25 - financial instruments.

(d) Basis of consolidation

(i) Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the acquirer.

For every business combination, RPF identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. 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, RPF takes into consideration potential voting rights that currently are exercisable. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

(ii) Stapling

The Redcape Property Fund comprises Redcape Property Trust and Redcape Property Fund Limited and their controlled entities. The units of the Trust and the shares of the Company are stapled such that the units and shares cannot be traded separately. The stapling occurred on 2 August 2007 just prior to the listing of RPF. Australian Accounting Standards Board Interpretation 1002 – Post-Date-of-Transition Stapling Arrangements requires an acquirer and parent be identified. The acquirer and parent entity for the purpose of these financial statements is the Trust. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the Trust, no goodwill is recognised in relation to the stapling arrangement. The net assets and net profit of the Company and its controlled entities are recognised as non-controlling interest as they are not owned by the Trust in the stapling arrangement.

(iii) Subsidiaries

Subsidiaries of RPF are entities controlled by the Trust or the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by RPF.

(iv) Transactions eliminated on consolidation

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

Note 1 Summary of significant accounting policies (continued)

(e) Revenue recognition

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

Rental income

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

Interest revenue

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

Dividends and distributions

Dividend income relating to exchange-traded equity investments is recognised in the statement of comprehensive income on the ex-dividend date.

Income distributions from private equity investments and other managed investment schemes are recognised in the statement of comprehensive income as income when declared.

Outgoings and other revenue

Outgoings recoverable from tenants and other revenue is recognised when the right to receive the revenue has been established.

(f) Income tax

Trust

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

Company

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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.

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. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Note 1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(g) Financial Instruments

(i) Non-derivative financial assets

RPF 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 RPF becomes a party to the contractual provisions of the instrument.

RPF 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 RPF 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, RPF 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.

RPF has the following non-derivative financial assets: loans and receivables and available-for-sale 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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of RPF's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. RPF's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

RPF initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which RPF becomes a party to the contractual provisions of the instrument. RPF derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, RPF 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.

RPF has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

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.

(iii) Issued units

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

Note 1 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(iv) Derivative financial instruments

RPF uses derivative financial instruments, such as interest rate swaps, to hedge its exposure to interest rate risks arising from financing and investment activities. RPF does not hold or issue derivative financial instruments for trading purposes. When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in fair value are recognised immediately in profit or loss.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date and represent the estimated amount that RPF would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment 5 - 12 years
- fixtures and fittings 2 - 5 years
- computer and software 2 - 3 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Note 1 Summary of significant accounting policies (continued)

(i) Investment property

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

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

Independent valuations of investment properties which RPF intends to hold continuously are obtained from suitably qualified valuers as discussed in note 13 and appropriately reflected in the financial statements.

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

(j) Impairment

Non derivative financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to RPF on terms that RPF would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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 estimated future cashflows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the profit or loss.

Non-financial assets

The carrying amounts of RPF's non-financial assets, other than investment property, 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

Note 1 Summary of significant accounting policies (continued)

(k) Non current assets held for sale

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

(l) Finance income and finance costs

Finance costs comprise interest expense on borrowings, 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, gains on the disposal of available-for-sale financial assets, 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.

(m) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

RPF’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 AA credit-rated or government bonds that have maturity dates approximating the terms of RPF’s obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised as an expense when RPF 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 RPF has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term benefits

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

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

(n) Earnings per stapled security

Basic earnings per security

Basic earnings per security are calculated by dividing the profit attributable to security holders by the weighted average number of securities outstanding during the financial year.

Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the effect of potentially dilutive securities.

Note 1 - Summary of significant accounting policies (continued)

(o) 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.

(p) 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 RPF'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 reviews regularly to make decisions about resources to be allocated to the segment and to assess its performance.

(q) 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 the impact has not been determined.

Note 1 - Summary of significant accounting policies (continued)

(r) 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 13), 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.

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, RPF 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 RPF 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 diluted loss per stapled security by 1 cent for 2011 and (2) cents for 2010.

Note 2 Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

The Responsible Entity and the Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. Under the service agreements RPF and Redcape Services Pty Limited ("the Manager") appointed an Investment Committee comprising the directors of the Company. The Investment Committee is an advisory committee, which liaises between the Manager and the Responsible Entity (and its Audit, Risk and Compliance Committee - Managed Investment Scheme for the Trust), and the Company and the Manager. The Investment Committee receives all reports and recommendations of the Manager, and makes recommendations to the Responsible Entity and the Company.

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

The Investment Committee and the Audit, Risk and Compliance Committee oversee how the Manager monitors compliance with the RPF's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by RPF.

Credit risk

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

Rental and outgoing receivables

RPF's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. RPF has sought to reduce this tenancy risk by establishing leases with reputable tenants of multiple properties. These are considered to be experienced operators in the pub industry with a strong financial position. Approximately 93.4% of RPF's rental revenue is attributable to two tenants, Coles (46%) and NLG (47.4%).

In the event of rental defaults by any of RPF's tenants or if a lease comes to an end the liquor and gaming licences will revert to RPF which will therefore have a business capable of immediate sale. Should there be any intervening period of time between surrender and sale of the new lease, then the lease can be operated on behalf of RPF by another operator. The Trust and RPF have established an allowance for impairment that represents an estimate of incurred losses in respect of trade and other receivables. This allowance takes into consideration each tenant's individual circumstances.

Liquidity risk

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

RPF is reliant on its debt facilities which are due to expire in October 2012.

Note 2 Financial risk management (continued)

Liquidity risk (continued)

RPF uses 12 month cash flow forecasts, which assists it in monitoring cash flow requirements. Typically RPF ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including servicing of financial obligations. In addition, RPF maintains $5 million in a separate interest reserve account. The bank account is maintained as a requirement of the Senior Syndicated Facility Agreement (“SSFA”) and Junior Syndicated Facility Agreement (“JSFA”) (see note 16).

Market risk

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

Interest rate risk

Interest rate risk for RPF arises from JSFA and SSFA borrowings on which the ANZ banking syndicate charges interest on a variable rate basis.

When an entity is subject to externally imposed capital requirements , the nature of those requirements and how those requirements are incorporated into the disclosures on the management of the capital.

When applicable, an entity describes changes in quantitative and qualitative data about its objectives, policies and processes for managing capital as compared to the prior period, a statement of whether it has complied with externally imposed capital requirements and any instances of non-compliance therewith, see Note 16.

RPF adopts a policy of ensuring that on average for the year 90 percent of its exposure to changes in interest rates and borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. The notional amount, being the hedged amount, of RPF’s interest rate swaps is $485 million (2010: $680 million) while interest bearing liabilities amounted to $654 million as at 30 June 2011 (2010: $697 million). RPF uses layered fixed interest rate swaps to hedge its exposure. RPF does not apply hedge accounting and any fair value changes in RPF’s derivative financial instruments are recognised in profit or loss.

Capital management

RPF regards its financial liabilities with its bank syndicate as capital and monitors these to add value and address risks where appropriate. RPF's loan facilities include the requirement to amortise the loan balances over the term of the facilities, and to remain within certain covenants. RPF manages its capital by monitoring its requirements under the loan facilities and acting to meet all of those requirements. There were no changes to RPF’s approach to capital management during the year.

On 30 June 2010 the Group's outstanding loan facilities were refinanced until October 2012.

The Manager monitors the yield on an individual property basis to ensure each property in RPF’s portfolio returns a target yield of at least 6% on a going forward basis. Additionally, the Manager monitors the return on capital, which RPF defines as net operating income divided by total security holders equity as well as net tangible assets per security and distribution levels to ensure the value provided to stapled security holders is maintained.

The SSFA and JSFA contracts entered into upon refinancing in June 2010 contain financial covenants within which RPF must always operate, and include a Loan to Value Ratio (LVR) covenant and a Debt Service Cover Ratio (DSCR) covenant.

		2011 $'000	2010 $'000
Note 3 Distributions received or receivable			
Distributions from publicly traded entities		-	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)

Note 4 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-cash/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 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 1.5%), all deferred.

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

	2011 $'000	2010 $'000
Note 5 Other expenses		
Management expenses		
Personnel expenses	1,645	1,440
Depreciation	47	22
Consultancy	194	323
Other expenses	320	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	139	79
	1,937	2,491
	4,143	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)

Note 5 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 6 (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	138	-
Kincumber	328	-
Mountain Creek	119	-
Yorkeys Knob	3	-
Ocean Shores	73	-
Port Macquarie Hotel & Town Green Inn [1]	256	-
Kirra Beach	240	-
	1,157	(2,590)

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

[1] Two separate hotels sold in single transaction

	2011 $'000	Restated 2010 $'000
Note 7 Income tax (benefit) / expense		
(a) The components of income tax expense comprise		
(Over) / under provision of prior year tax expense	-	(24)
	-	(24)
(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	EARNINGS PER SECURITY 2010 cents
Note 8 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 9 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 reserve account are only applied for purposes approved by the agent acting on the instructions of RPF's financiers.

	Note	2011 $'000	Restated 2010 $'000
Note 10 Trade and other receivables			
Trade receivables		3,529	1,374
Less: Allowance for impairment		(23)	-
Net trade receivables		3,506	1,374
Proceeds receivable from insurance claims	13	5,900	-
Other receivables		156	201
		9,562	1,575
Note 11 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	13	(58,750)	-
Disposals		(41,850)	(72,908)
Transfer from investment property	13	6,750	173,508
Carrying amount at the end of the year		6,750	100,600

During the financial year 8 out of 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.

	Plant and equipment $'000	Computer hardware and software $'000	Fixtures and fittings $'000	Total $'000
Note 12 Property, plant and equipment				
Cost				
Balance at 1 July 2010	33	119	8	160
Additions	-	75	1	76
Disposals	-	(11)	-	(11)
Balance at 30 June 2011	33	183	9	225
Depreciation and impairment losses				
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	5	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 and impairment losses				
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
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

	Note	2011 $'000	Restated 30-Jun-10 $'000
Note 13 Investment property			
Investment property		750,099	813,249
Properties held for sale	11	(6,750)	(100,600)
Proceeds receivable from insurance claims	10	(5,900)	-
Straight-line lease adjustment	14	(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	11	58,750	-
Transfer to non-current assets held for sale	11	(6,750)	(173,508)
Capital additions on investment properties		501	295
Disposals		(20,900)	(25,550)
Fair value adjustments		(901)	(51,072)
Proceeds receivable from insurance claims	10	(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	-
Insurance proceeds receivable regarding the above two properties	(5,900)	-
Net write down of remaining properties	901	51,072
	901	51,072

An impairment of $5.9 million was recorded relating to fire and flood damage at the Waterloo Hotel and the Regatta Hotel respectively. This impairment is offset by a corresponding Insurance Proceeds receivable amount shown in Note 10.

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)

Note 13 Investment property (continued)

Investment property

All investment properties are freehold and 100% owned by RPF and are comprised of land, buildings and fixed improvements. 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 an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Valuations for properties are determined by reference to the net rent for each property, and an applicable capitalisation ("cap") rate. Selection of an appropriate cap rate is based on multiple criteria, including risk associated with achieving the net rent cashflows into the future, and observed market based cap rates for similar properties where they are available. Valuations reflect the creditworthiness of the tenant including market perceptions of the tenant's creditworthiness, the responsibility and division of property holding costs between the lessor and the lessee and the remaining economic life of the property. Where properties are held for sale and contracts have been exchanged, the property is valued at its contracted sale price.

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(r)).

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) RPF'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 completed 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 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 RPF'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%

	2011 $'000	Restated 2010 $'000
Note 14 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 15 Trade and other payables		
Current		
Trade payables	310	241
Other payables	2,143	4,194
	2,453	4,435

	2011 $'000	2010 $'000
Note 16 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
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
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
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

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 4 for further information in regard to RPF's finance costs.

Reclassification of debt as current

RPF's senior and junior loan facilities are subject to numerous undertakings, financial covenants and other requirements (together, the "Requirements"), pursuant to the Senior Syndicated Facility Agreement and Junior Syndicated Facility Agreement (together, the "Facility Agreements"). Some of the Requirements are determined on a look-forward basis and/or may be subject to interpretation. Any failure by RPF to comply with any of the Requirements gives the senior and junior lenders the right to require the repayment of some or all of RPF's outstanding loan facilities.

RPF has submitted the requisite compliance certificates as at, and for the year ended, 30 June 2011. Notwithstanding that at the date of this report neither the senior nor the junior lenders have advised RPF of any non-compliance, given the significant uncertainties in relation to RPF's financial position and circumstances as at 30 June 2011 (refer note 1(c)(ii) Going concern), the Boards of RPF cannot be certain that the senior and/or junior lenders will not determine that RPF may not have been in strict compliance with the Facility Agreements at that date.

In these circumstances, given the uncertainties as to whether RPF had as at 30 June 2011 an unconditional right to defer settlement of its liabilities for at least twelve months, the Boards of RPF consider it is appropriate that 100% of RPF's liabilities (including the senior and junior loan facilities and the interest rate swap liabilities) be reclassified as current as at 30 June 2011 as shown on the Consolidated Statement of Financial Position.

Note 16 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 17 Derivative financial instruments liability		
Derivative financial instrument - current liability	53,736	12,996
Derivative financial instrument - 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 18 Contributed equity		
2011		
On issue at the beginning of the year	162,452,601	461,513
Movements	-	-
On issue at the end of the year	162,452,601	461,513
2010		
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
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] Shares 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 19 Reserves		
Capital reserve	62	62

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

Note 20 Operating leases — leases as lessor

RPF leases out its investment properties under operating leases (see note 13). The future minimum lease payments under non-cancellable leases are as follows:

	2011 $'000	2010 $'000
Less than one year	66,030	65,398
Between one and five years	281,318	280,837
More than five years	724,113	847,919
	1,071,461	1,194,154

Note 21 Share-based payments

Effective 1 July 2009, RPF terminated the management services agreement with HLG Management Pty Ltd ("Previous Manager"). However, the fees for the six months ended 30 June 2009 were paid in stapled securities in July 2009.

The following number of stapled securities were issued to the Previous Manager as the manager's fee consideration:

Previous Manager's fees	Fee $ 2011	No. of stapled securities issued 2011	Issue price $ 2011	Fee $ 2010	No. of stapled securities issued 2010	Issue price $ 2010
Base fee	-	-	-	1,556,839	5,420,747	0.2872

Note 22 Group entities

The parent entity for the purpose of the financial statements is Redcape Property Trust. Redcape Property Fund Limited, 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%

	2011 $'000	Restated 2010 $'000	
Note 23 Parent entity			

Note 23 Parent entity

As at, and throughout, the financial year ended 30 June 2011 the parent entity of the Group was Redcape Property Trust.

Result of the parent entity	2011 $'000	Restated 2010 $'000
Loss for the period	(24,254)	(76,602)
Other comprehensive income	-	-
Total comprehensive loss for the period	(24,254)	(76,602)

	30 June 2011	Restated 30 June 2010	Restated 1 July 2009
Financial position of the parent entity at year end			
Current assets	24,254	117,121	35,628
Total assets	744,778	817,393	980,724
Current liabilities	710,299	127,438	830,722
Total liabilities	710,299	758,660	830,722
Net assets	34,479	58,733	150,002
Total equity of the parent entity comprising of:			
Contributed equity	461,513	461,513	459,965
Reserve	62	62	62
Retained losses	(427,096)	(402,842)	(310,025)
Total equity	34,479	58,733	150,002

Parent entity contingencies

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 are of the opinion that no material loss will arise as a result of this action.

Note 24 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 Alex Carrodus and Sally Ascroft. As at 30 June 2011, no amounts were owing.

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 24 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.

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 Nov 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 Nov 2010)	41,962	-	3,777	45,739	-
Richard Barber	Non - Executive Director (appointed 25 Nov 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 Jun 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

Note 24 Related party disclosures (continued)

(b) Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with RPF in the reporting period.

Mr Kern is the managing director of Kern Consulting Group which provided company secretarial services and other ancillary services during the course of the financial year to RPF amounting to $150,269 (2010: $109,016). The balance outstanding to Kern Consulting Group at 30 June 2011 was $4,362 (2010: nil).

Ms Withnall is a non executive director of Computershare Limited which provided share registry services during the course of the financial year to RPF amounting to $21,755 (2010: $59,540). The balance outstanding to Computershare Limited at 30 June 2011 was $2,128 (2010: nil)

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

(c) Options and rights over equity instruments

RPF did not issue any options during the year.

(d) Movements in securities

The movements during the reporting period in the number of stapled securities in RPF held, directly or indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Role	Held on 1 July 2010	Additions	Held at 30 June 2011
Colin Henson	Executive Chairman	1,250,000	-	1,250,000
Greg Kern	Non - Executive Director	1,214,660	-	1,214,660
Peter Armstrong	CEO and Managing Director	2,000,000	-	2,000,000
David Charles	Chief Financial Officer	640,000	-	640,000
		5,104,660	-	5,104,660

Name	Role	Held on 1 July 2009	Additions	Held at 30 June 2010
Colin Henson	Executive Chairman	1,250,000	-	1,250,000
Greg Kern	Non - Executive Director	514,660	700,000	1,214,660
Peter Armstrong	CEO and Managing Director	2,000,000	-	2,000,000
David Charles	Chief Financial Officer	-	640,000	640,000
		3,764,660	1,340,000	5,104,660

Note 24 Related party disclosures (continued)

(f) Other related party transactions

TWH (Qld) Pty Ltd (Receivers and Administrators appointed) and related entities hold greater than 50% of RPF's issued securities. During the year, RPF received rent and outgoings amounting to $6,290,068 (2010: $10,662,776) from Hedz Pty Ltd, a company related to TWH (Qld) Pty Ltd (Receivers and Administrators appointed) in respect of pubs where Hedz Pty Ltd was a tenant. Amounts received are in accordance with lease agreements entered into in previous years with terms and rates based on normal market rates. On 1 July 2009, Hedz Pty Ltd was placed into administration. In July 2010, RPF agreed to enter into a Deed of Company Arrangement proposed by the Receivers for Hedz Pty Ltd. This agreement will improve the ability of RPF to deal with the Hedz properties and ensure the continuity of cash flows from the Hedz pubs involved.

Note 25 Financial instruments

a) Credit risk

Exposure to credit risk

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

	2011 $'000	2010 $'000
Cash and cash equivalents	9,456	18,970
Trade receivables	3,506	1,374
Other receivables (includes Insurance receivable proceeds)	6,056	201
	19,018	20,545

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

Concentrations of credit risk

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

		Gross 2011 $'000	Impairment 2011 $'000	Gross 2010 $'000	Impairment 2010 $'000
Main tenant - rental receivables	Not past due	455	-	310	-
	Past due 0- 30 days	180	-	123	-
	Past due 31-120 days	1,286	-	875	-
	More than one year	-	-	-	-
		1,921	-	1,308	-
Other tenants - rental receivables	Not past due	651	-	-	-
	Past due 0- 30 days	500	-	-	-
	Past due 31-120 days	457	23	66	-
	More than one year	-	-	-	-
		1,608	23	66	-
		3,529	23	1,374	-

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows

	Note	2011 $'000	2010 $'000
Balance at 1 July		-	-
Impairment loss recognised - receivables	10	23	-
Balance at 30 June		23	-

Impairment losses

There was an allowance of $23,382 (2010: nil) for impairment in respect of trade receivables as at the end of the year in relation to an independent shopkeeper. RPF believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of the underlying customer's credit rating. Based on historic default rates, RPF believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due by up to 30 days.

Note 25 Financial instruments (continued)

b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Secured bank loans	654,307	718,003	23,791	190,598	503,614	-	-
Trade and other payables	2,453	2,453	2,453	-	-	-	-
	656,760	720,456	26,244	190,598	503,614	-	-
2010							
Secured bank loans	694,337	805,337	23,835	115,615	47,445	618,442	-
Trade and other payables	4,435	4,435	4,435	-	-	-	-
	698,772	809,772	28,270	115,615	47,445	618,442	-

The table above excludes interest rate swaps which are shown separately below.

The following table indicates the periods in which the cash flows associated with derivatives are expected to impact profit or loss:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest rate swaps: liability	53,736	57,939	5,691	5,126	8,798	27,452	10,872
2010							
Interest rate swaps: liability	60,126	71,252	6,771	6,543	10,817	26,340	20,781

Notwithstanding the contractual maturities of RPF's senior and junior loan facilities and the periods the cash flows associated with the derivatives are expected to impact profit or loss as set out in the tables above, refer to note 16 where debt has been reclassified as 100% current at 30 June 2011 for disclosure in the statement of financial position.

c) Market risk

Interest rate risk

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

	2011	2010
	$'000	$'000
Variable rate instruments		
Financial assets	9,456	18,970
Financial liabilities	(708,043)	(743,379)
	(698,587)	(724,409)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as for the 2010 financial year.

2011	Carrying amount	+ 100 bps of AUD IR Profit/(Loss)	+ 100 bps of AUD IR Equity	- 100 bps of AUD IR Profit/(Loss)	- 100 bps of AUD IR Equity
	$'000	$'000	$'000	$'000	$'000
Cash at bank	9,456	94	-	(94)	-
Bank loans	(654,307)	(6,543)	-	6,543	-
Interest rate swaps: liabilities	(53,736)	21,629	-	(22,952)	-
	(698,587)	15,180	-	(16,503)	-

Note 25 Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

2010	Carrying amount $'000	+ 100 bps of AUD IR Profit/(Loss) $'000	+ 100 bps of AUD IR Equity $'000	- 100 bps of AUD IR Profit/(Loss) $'000	- 100 bps of AUD IR Equity $'000
Cash at bank	18,970	102		(102)	-
Bank loans	(694,337)	(7,425)		7,425	-
Interest rate swaps: liabilities	(60,126)	51,849	-	(30,087)	-
	(735,493)	44,526	-	(22,764)	-

The fair values of loans and borrowings are disclosed in note 19. The fair values of other financial assets and liabilities are the same as the carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie., as prices) or indirectly (i.e., derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	$'000 Level 1	$'000 Level 2	$'000 Level 3	$'000 Total
2011				
Derivative financial liability	-	(53,736)	-	(53,736)
	-	(53,736)	-	(53,736)
2010				
Derivative financial liability	-	(60,126)	-	(60,126)
	-	(60,126)	-	(60,126)

	2011 $'000	Restated 2010 $'000
Note 26 Reconciliation of cash flows from operating activities		
Reconciliation of cash flows from operating activities with loss attributable to stapled security holders		
Loss attributable to stapled security holders	(22,269)	(77,231)
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	49	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	9,043	(5,518)
	5,131	11,875

Note 27 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 are of the opinion that no material loss will arise as a result of this action.

Note 28 Contingent asset

RPF is not aware of any claims subsequent to 30 June 2011 which may materially affect the operation of the business.

Note 29 Segment Information

The results and financial position of RPF's single operating segment are prepared for the CEO on a basis consistent with Australian Accounting Standards, and thus no additional disclosures in relation to the segment's operating performance have been made.

Geographical areas

RPF's operations are located solely in Australia.

Note 30 Subsequent events

(a) Recapitalisation proposals

Subsequent to balance date RPF negotiated recapitalisation proposals with several parties for the holistic recapitalisation of RPF, including an injection of equity, the refinancing of RPF's loan agreements, and an offer to acquire all of the stapled securities of Redcape. 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 2011 due to a condition precedent to the SIA not being satisfied. Following termination of the SIA with the Investor Group, RPF has been negotiating an Implementation Agreement for Schemes of Arrangement and Recapitalisation with a consortium led by BW + Partners Pty Ltd ("Consortium") which is a property management and property investment subsidiary of Washington H. Soul Pattinson & Co Limited. At the time of this report RPF has been negotiating with the Consortium and RPF has reasonable grounds to believe that these negotiations will result in a binding implementation agreement for schemes of arrangement and recapitalisation of RPF in the near future.

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 $74 million as at 28 September 2011.

c) Total Debt Ratio Review Event

On 9 August 2011 Redcape notified the Banking Syndicate of a Review Event under clause 18.1(f) of the Senior and Junior Syndicated Facility Agreements because its Debt Ratio (the ratio of Total Liabilities to Total Assets) would likely exceed 95% as at 31 August 2011. The Debt Ratio will likely exceed 95% as a result of adverse movements in Redcape's Interest Rate Swap Liability during July and August 2011, and provides the Senior and Junior lenders with the right to request information from Redcape and a plan to resolve the effects of the Review Event. If the Agent does not accept Redcape's plan or the effects of the Review Event are not resolved, then the lenders may review whether and on what terms, they are prepared to continue to participate in the loan facility agreements having regard to the Review Event. They may require the repayment of some or all of the loans outstanding and cancel some of their commitments under the loan facility agreements or require the injection of further equity, increase fees or remedy the Review Event, but shall allow Redcape 60 days within which to do so. A Review Event only becomes an event of default under clause 17.1(w) if Redcape has not complied with or remedied the Review Event within the required period.

d) Tax audit

RPF has been notified by the Australian Taxation Office ("ATO") that it will be subjected to a tax audit over the tax treatment of certain transactions in the 2007 to 2010 income tax years. RPF and its tax advisers will continue to assist the ATO with its enquiries.

e) Operating business

Subsequent to balance date 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 ("DOCA") entered into in July 2010. Redcape will pay approximately $0.6 million to acquire the leasehold assets of the 3 hotels, representing the written down value of plant and equipment.

Note 31 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

Redcape Property Fund
DIRECTORS' DECLARATION
For The Year Ended 30 June 2011

In the opinion of the directors of The Trust Company (RE Services) Limited, the Responsible Entity of Redcape Property Trust (the "Trust"):

a) The financial statements and notes set out on pages 24 to 57, are in accordance with the *Corporations Act 2001* , including:

   (i) giving a true and fair view of RPF's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

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

b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; we draw your attention to note 1(c)(ii) (Going Concern) to the financial statements.

The directors draw attention to note 1(b) to the financial statements, which includes the statement of compliance with International Financial Reporting Standards.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from persons performing the chief executive function and chief financial officer function for the year ended 30 June 2011.

Signed in accordance with a resolution of the directors of The Trust Company (RE Services) Limited.

David Grbin

Director

Dated the 28th day of September 2011

Sydney

INDEPENDENT AUDITOR'S REPORT

To the security holders of the Redcape Property Fund

We have audited the accompanying financial report of Redcape Property Fund ("the Fund"), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration. The Fund comprises Redcape Property Trust and Redcape Property Fund Limited and the entities each controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of The Trust Company (RE Services) Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *the Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the consolidated entity's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

INDEPENDENT AUDITOR'S REPORT

To the security holders of the Redcape Property Fund (continued)

Auditor's opinion

In our opinion:

(a) the financial report of the Fund is in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1(c)(ii) Going concern in the financial report which indicates that the Fund incurred a net loss of $22.3 million during the year ended 30 June 2011 and, as of that date, the Fund's current liabilities exceeded its current assets by $684.7 million. The ability of the Fund to continue as a going concern is dependent on the Fund's financiers continuing to support the Fund and/or whether a proposed recapitalisation of the Fund will be successful. These conditions, along with other related matters as set forth in Note 1(c)(ii), indicate the existence of a material uncertainty that may cast significant doubt about the Fund's ability to continue as a going concern and therefore, the Fund may be unable to realise its assets and discharge its liabilities in the normal course of business

KPMG

Graham Coonan
Partner

Cairns
28 September 2011

Redcape Property Fund Limited
Annual Report
For The Year Ended 30 June 2011

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Redcape Property Fund Limited
DIRECTORS' REPORT
For The Year Ended 30 June 2011

The directors of Redcape Property Fund Limited (the "Company') present their report together with the financial report of the Company for the year ended 30 June 2011.

1 Directors and officers

The directors of Redcape Property Fund Limited at any time during or since the end of the financial year are:

Name and position	Experience
Colin J Henson FCPA Dip Law (BAB), FCIS, FCIM, FAICD *Executive chairman*	*Appointed 25 June 2007* Mr Henson has held senior management and director positions in a range of industries including brewing, hotel, wine, oil and mineral drilling contracting, electronics, food additives, health services, business solutions, technology, bulk handling and complementary medicines. In addition to his involvement in RPF, Mr Henson is currently the Non-Executive Chairman of Videlli Limited.
Peter Armstrong MBA, Dip. Mgmt Studies , MAICD *CEO and Managing director*	*Appointed 5 February 2009* Mr Armstrong has extensive experience and a successful track record in senior management, hotel management, business acquisitions, property development, supply chain management and general business management. His most recent position prior to RPF was as General Manager of Hotels in the Coles Liquor Group Division where Peter grew the business from 23 hotels to approximately 100 hotels plus in excess of 225 retail outlets. Mr Armstrong has industry experience in the office supplies, general merchandise & apparel, building & property development, food, hospitality and general retail sectors.
Greg Kern BCom, CA, IPA, MIIA(Aust), MAICD *Non-executive director*	*Appointed 3 April 2007* Mr Kern is the Managing Director of Kern Consulting Group, a corporate advisory firm based in Queensland. He is a Chartered Accountant, a registered company auditor, a member of the Institute of Internal Auditors and the Australian Institute of Company Directors.
Adam Thatcher B.Comm LLB (Honours) *Non-executive director*	*Appointed 25 November 2010* Mr Thatcher is a corporate and commercial lawyer with over 25 years experience. He was a partner at one of Australia leading law firms, Allens Arthur Robinson until the end of 2009. During his 20 years as a partner he specialised in finance, infrastructure and corporate recovery as well as general commercial law, and has worked on many matters involving hotels, pubs, resorts and tourist facilities. Mr Thatcher was on the committee of the Banking and Financial Services Law Association and a director of the Infrastructure Association of Queensland. He is currently a director of Bluewater Property Trust, a syndicated property investment company and Legal counsel for Virgin Australia.
Richard A Barber CA retired *Non-executive director*	*Appointed 25 November 2010* Mr Barber retired as a senior Partner at Price Waterhouse Coopers in 1998 after 38 years in public practice, and from 1987 to 1996 was National Director of Corporate Recovery Price Waterhouse Australasia, specialising in business turnaround and corporate recovery. Richard was formerly a Director and CEO of Tipperary Oil & Gas (Australia) Pty Ltd which was acquired by Santos in 2005. In addition to his role as Non Executive Director of Redcape, Richard is currently a Director of Queensland Resources Council Ltd, and continues to consult to large private interests servicing the Coal Seam Gas industry in Queensland.
David Charles B.Ec., CA *Chief financial officer and Company secretary*	*Appointed CFO 1 April 2009 and Company secretary on 30 June 2011.* Mr Charles is an experienced Chartered Accountant with 21 years experience in the accounting and audit, financial services, aviation and retail sectors. David commenced his career with Touche Ross in 1989 and has held senior positions in a number of large companies including Citibank in London, Ansett Australia, ANZ Bank and the Spotless Group. Immediately prior to joining RPF as Chief Financial Officer David spent 5 years with the Coles Group including 4 years within the Liquor and Hotels division in senior Finance and Business Management roles.
Nerolie Withnall BA, LLB, FAICD Non-executive director	*Resigned 25 November 2010*
Russell Daly, CPA Company secretary	*Resigned 30 June 2011*

1 Directors and officers

Directors and officers meetings

The number of directors' meetings and committee meetings attended by each of the directors of the Company during the financial year are:

	Board of Directors meetings		Audit, Risk and Compliance Committee meetings		Remuneration Committee meetings	
	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend
Colin Henson	12	12	4	6	1	2
Greg Kern	12	12	6	6	1	2
Adam Thatcher (appointed 25 November 2010)	7	7	3	3	1	1
Richard Barber (appointed 25 November 2010)	7	7	3	3	1	1
Peter Armstrong [1]	12	12	3	3	-	-
Nerolie Withnall (resigned 25 November 2010)	6	6	3	3	1	1

[1] Peter Armstrong, whilst not a member of the audit committee, attended three meetings held throught the financial year.

2 Principal activity

The shares in the Company are stapled to the units of the Redcape Property Trust (the "Trust") such that the shares and the units cannot be traded separately. The Company, the Trust and their controlled entities comprise Redcape Property Fund ("RPF"). The Company was incorporated to undertake property developments for the Redcape Property Fund, which was listed on the Australian Securities Exchange ("ASX") on 2 August 2007. As at 30 June 2011 no property developments had commenced.

3 Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

4 After balance date events

As indicated, the shares of the Company are stapled to the units of the Trust. Accordingly, the following matters relevant to RPF in respect of events subsequent to balance date are also relevant to the Company and the Group.

a) Recapitalisation project

Subsequent to balance date RPF negotiated recapitalisation proposals with several parties for the holistic recapitalisation of RPF, including an injection of equity, the refinancing of RPF's loan agreements, and an offer to acquire all of the stapled securities of Redcape. 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 2011 due to a condition precedent to the SIA not being satisfied. Following termination of the SIA with the Investor Group, RPF has been negotiating an Implementation Agreement for Schemes of Arrangement and Recapitalisation with a consortium led by BW + Partners Pty Ltd ("Consortium") which is a property management and property investment subsidiary of Washington H. Soul Pattinson & Co Limited. At the time of this report RPF has been negotiating with the Consortium and RPF has reasonable grounds to believe that these negotiations will result in a binding implementation agreement for schemes of arrangement and recapitalisation of RPF in the near future.

b) Total Debt Ratio Review Event

On 9 August 2011 Redcape notified the Banking Syndicate of a Review Event under clause 18.1(f) of the Senior and Junior Syndicated Facility Agreements because its Debt Ratio (the ratio of Total Liabilities to Total Assets) would likely exceed 95% as at 31 August 2011. The Debt Ratio will likely exceed 95% as a result of adverse movements in Redcape's Interest Rate Swap Liability during July and August 2011, and provides the Senior and Junior lenders with the right to request information from Redcape and a plan to resolve the effects of the Review Event. If the Agent does not accept Redcape's plan or the effects of the Review Event are not resolved, then the lenders may review whether and on what terms, they are prepared to continue to participate in the loan facility agreements having regard to the Review Event. They may require the repayment of some or all of the loans outstanding and cancel some of their commitments under the loan facility agreements or require the injection of further equity, increase fees or remedy the Review Event, but shall allow Redcape 60 days within which to do so. A Review Event only becomes an event of default under clause 17.1(w) if Redcape has not complied with or remedied the Review Event within the required period.

c) Operating business

Subsequent to balance date 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 ("DOCA") entered into in July 2010. Redcape will pay approximately $0.6 million to acquire the leasehold assets of the 3 hotels, representing the written down value of plant and equipment.

d) Other

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

5 Likely developments

Regardless of the completion of a Recapitalisation proposal as detailed previously, RPF will continue its business as a pub landlord, managing its freehold pub assets, collecting rent from its tenants, paying interest on its bank loans, and endeavouring to ensure it continues to meet the obligations under its loan facility agreements.

In accordance with the lease agreements for its investment properties, RPF will continue to receive fixed rate rent increases from its tenants.

6 Dividends

No dividend was paid or declared by the company since the end of the previous financial year.

7 Review of results and operations

The Company recorded a consolidated net loss of $7,000 (2010: profit of $122,026) after providing for income tax of nil (2010: benefit of $23,857).

8 Remuneration report (audited)

The remuneration report includes the following details:

8.1 Principles of remuneration

8.2 Key management personnel remuneration

The information provided in this report includes remuneration disclosures required under AASB 124 *Related Party Disclosures* and is audited.

8.1 Principles of remuneration

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.

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.

Achievement of the above target performance objectives shall be assessed by the Remuneration Committee at the end of the financial year following confirmation of the overall performance of Redcape.

8.2 Key management personnel remuneration

Remuneration amount

The details of the key management personnel remuneration are set out in the table below for the current financial year.

		Short Term Employee Benefits	Short Term Employee Benefits	Post Employment Benefits		Proportion of remuneration performance related
		Salaries & fees	Incentives	Superannuation	Total	
Name	Role	$	$	$	$	%
2011						
Colin Henson	Executive Chairman	271,884	120,000	15,199	407,083	29%
Nerolie Withnall	Non - Executive Director (resigned 25 Nov 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 Nov 2010)	41,962	-	3,777	45,739	-
Richard Barber	Non - Executive Director (appointed 25 Nov 2010)	2,320	-	50,000	52,320	-
Peter Armstrong	CEO and Managing Director	324,749	145,000	50,000	519,749	28%
David Charles	Chief Financial Officer	249,750	120,000	20,000	389,750	31%
Russell Daly	Company Secretary (resigned 30 Jun 2011)	-	-	-	-	-
		998,998	385,000	148,726	1,532,724	
2010						
Colin Henson	Non-Executive Director	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	CEO and Managing Director	470,505	-	30,645	501,150	-
David Charles	Chief Financial Officer	362,282	-	22,705	384,987	-
Russell Daly	Company Secretary	-	-	-	-	-
		1,187,837	100,000	97,184	1,385,021	

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.

9 Directors' interests

The relevant interest of each director in the shares, debentures, interest in registerd schemes and rights or options over such instruments issued by the Group, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Name	Role	Held at 30 June 2011
Colin Henson	Executive chairman	1,250,000
Greg Kern	Non - executive director	1,214,660
Peter Armstrong	CEO and managing director	2,000,000
David Charles	Chief financial officer	640,000
		5,104,660

10 Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

11 Insurance of officers

Indemnification

Under the Company's Constitution, current and former directors and secretaries are indemnified to the extent permitted by law and subject to restrictions in section 199A of the *Corporations Act 2001* for any liability incurred by that person as an officer of the Company and any reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

Under the services agreement the Company indemnifies the Manager for any liabilities, direct losses and other amounts suffered or incurred by the Manager, its related bodies corporate or any of their respective officers, employees or agents or any other person engaged or appointed by the Manager in exercising the Manager's powers or performing the Manager's duties under the services agreement.

During the financial year the Company paid a premium of $92,256 (2010: $40,586) in respect of directors' and officers' liability for current and former directors, including senior executives of the Company and directors, senior executives of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

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

12 Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 66.

13 Non audit services

During the year, KPMG, the Company's auditor, did not perform other services in addition to their statutory duties.

14 Rounding of amounts

Redcape Property Fund Limited is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors of Redcape Property Fund Limited.

Colin Henson

Director (Redcape Property Fund Limited)

Dated this the 28th day of September 2011

Sydney

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the Corporations Act 2001 to the directors of Redcape Property Fund Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

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

KPMG

Graham Coonan
Partner

Cairns
28 September 2011

Redcape Property Fund Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 30 June 2011

	Note	2011 $'000	2010 $'000
REVENUE			
Interest received		2	6
Investment committee fees		990	802
Management fees		2,206	1,944
Other revenue		-	2
Total revenue		3,198	2,754
EXPENSES			
Directors' remuneration	14	623	499
Finance costs		1	1
Other expenses	3	2,581	2,156
Total expenses		3,205	2,656
		.	
Profit / (loss) before income tax		(7)	98
Income tax benefit / (expense)	4	-	24
Profit / (loss) from continuing operations		(7)	122
Discontinued operation			
Profit / (loss) from discontinued operation (net of income tax)	5	-	-
Profit / (loss) for the year		(7)	122
Other comprehensive income		-	-
Total comprehensive income / (loss)		(7)	122

		cents	cents
Basic and diluted earnings/(loss) per share	6	0.00	0.08
Dividends paid or payable per share		-	-

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

Redcape Property Fund Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	2011 $'000	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	110	8,862
Trade and other receivables	8	2,024	207
Total current assets		2,134	9,069
Non-current assets			
Property, plant and equipment	9	148	130
Total non-current assets		148	130
TOTAL ASSETS		2,282	9,199
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,079	8,989
Total current liabilities		2,079	8,989
TOTAL LIABILITIES		2,079	8,989
NET ASSETS		203	210
EQUITY			
Share capital	11	341	341
Accumulated losses		(138)	(131)
TOTAL EQUITY		203	210

	$	$
Net assets per share	0.00	0.00

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

Redcape Property Fund Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 30 June 2011

	Note	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Total $'000
Balance at 1 July 2010		341	(131)	-	210
Profit/(loss) for the year		-	(7)	-	(7)
Other comprehensive income		-	-	-	-
Balance at 30 June 2011		341	(138)	-	203
Balance at 1 July 2009		339	(253)	-	86
Profit/(loss) for the year		-	122	-	122
Shares issued during the year	11	2	-	-	2
Balance at 30 June 2010		341	(131)	-	210

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

Redcape Property Fund Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		-	793
Payments to suppliers		(3,525)	(2,965)
Interest receipts		2	8
Income tax refund		-	(23)
Net cash from operating activities	16	(3,523)	(2,187)
Cash flows from investing activities			
Payment for property, plant and equipment		(77)	(153)
Proceeds from sale of investment property [1]		(8,348)	8,840
Net cash from investing activities		(8,425)	8,687
Cash flows from financing activities			
Proceeds from related party		3,196	2,308
Net cash from financing activities		3,196	2,308
Net increase in cash held		(8,752)	8,808
Cash and cash equivalents at the beginning of the year		8,862	54
Cash and cash equivalents at the end of the year	7	110	8,862

For the year ended 30 June 2010, drawdowns under the ANZ debt facilities were made directly by Redcape Property Trust (the "Trust"). Interest payments due to ANZ under the facilities were also made directly by the Trust. Accordingly, there were no cash flows associated with these transactions attributable to the Group.

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

[1] Proceeds from sale of investment property are banked in an account controlled by Redcape Property Fund Limited. These funds are then transfered to Redcape Property Trust.

Redcape Property Fund Limited
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Redcape Property Fund Limited
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1 Summary of significant accounting policies

a) Reporting entity

Redcape Property Fund Limited (the "Company") is a company limited by shares under the *Corporations Act 2001*, incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The shares in the Company are stapled to the units of the Redcape Property Trust (the "Trust") such that the shares and units cannot be traded separately. The Trust is a registered managed investment scheme under the *Corporations Act 2001*. The responsible entity of the Trust is The Trust Company (RE Services) Limited (the "Responsible Entity").

The stapled entity is referred to as Redcape Property Fund ("RPF").

The Group is primarily involved in providing management services to the Trust.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the board of directors on 28 September 2011.

(c) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to all controlled entities.

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(ii) Going concern

As indicated, the shares of the Company are stapled to the units of the Trust. Accordingly, the following matters relevant to RPF in respect of going concern are also relevant to the Company and the Group.

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

RPF incurred a net loss of $22.3 million during the year ended 30 June 2011 and, as of that date, RPF's current liabilities exceeded its current assets by $684.7 million.

During the year ended 30 June 2011 and until the date of this report, RPF was and is paying its debts as and when they become due and payable and has sufficient cash reserves and expected cash flows for this to continue. However, the ability of RPF to continue as a going concern, including the ability of RPF to pay its debts as and when they become due and payable, is dependent upon the continued support from RPF's senior and junior secured lenders, who are due to be repaid on 31 October 2012 pursuant to the senior and junior syndicated facility agreements. In this regard it is noted that:

- The junior secured lenders have advised RPF that they are fully supportive of RPF and are prepared to consider any proposal to standstill or waive rights in order to allow RPF to continue as a going concern.
- With the full knowledge, understanding and support of its senior and junior secured lenders, in March 2011 RPF suspended its previous asset sale programme to facilitate initially a proposed sale transaction with the Laundy Hotel Group ("Laundy Transaction"), and later a proposed recapitalisation of RPF by an investor group comprising York Capital Management, Varde Partners Inc and Goldman Sachs (Asia) Finance ("Investor Group").
- This suspension of RPF's asset sale programme means that RPF will not be able to comply with an amortisation covenant in it Senior Syndicated Facility Agreement which requires that a sales target of $275 million be achieved by 30 September 2011 ("September Target"). Instead, RPF will have received sale proceeds of $183 million from its suspended asset sale programme.
- The Laundy Transaction was not consented to by the senior secured lenders because such consent required two-thirds majority agreement from the senior secured lenders and the Investor Group held 38.7% of the senior secured debt.
- On 18 August 2011 RPF entered into an Implementation Agreement for Schemes and Recapitalisation with related entities of the Investor Group. This recapitalisation involved:
    - acquisition of all of the existing stapled securities of RPF at a price of $0.08 per stapled security;
    - subscription of $278 million for new stapled securities of RPF (including by converting the Investor Group's 38.7% holding of the senior secured debt into equity);
    - a new senior debt facility for RPF which, together with the equity subscription, would mean that all of RPF's existing senior secured lenders would be repaid and the junior secured lenders would receive a specified amount in satisfaction of their secured debt.
- The Implementation Agreement was terminated by RPF on 29 August 2011 because a condition precedent, that the junior secured lenders agree by 24 August 2011 to accept on completion of the recapitalisation a certain payment in full satisfaction of their junior secured debt, was not satisfied.

Note 1 Summary of significant accounting policies

(c) Basis of preparation (continued)

(ii) Going concern (continued)

• Although the Boards of RPF believe that the secured lenders are not entitled to rely on a breach of the September Target under the amortisation covenant, RPF has formally requested that the senior secured lenders confirm their previous support for suspension of RPF's asset sale programme by amending or waiving the September Target under the amortisation covenant.

• As consent to this amendment or waiver requires two thirds majority agreement from the senior secured lenders, such consent may not be forthcoming because the Investor Group holds 38.7% of the senior secured debt.

• Nevertheless, the Boards of RPF believe that it is unlikely the senior secured lenders will attempt to rely upon a breach of the September Target under the amortisation covenant and demand repayment of all of the senior secured debt after 30 September 2011 because:

• the senior secured lenders supported RPF suspending its asset sale programme (including the undertakings required to be given by RPF to the Laundy Hotel Group, and subsequently to the Investor Group, that RPF would suspend its asset sales); and

• such demand would result in the senior secured lenders not obtaining the benefit of either:

- the recapitalisation proposals that are referred to below that would, if agreed and implemented, include full repayment of the senior secured debt, or
- a Laundy Transaction that would, if agreed and implemented, result in a significant repayment of the senior secured debt.

• RPF is negotiating an implementation agreement for schemes of arrangement and recapitalisation ("Agreement") with a consortium led by BW Partners Pty Limited ("Consortium") which will involve the Consortium:

• acquiring all of the existing stapled securities in RPF at a price of $0.10 per stapled security;

• acquiring all of the debt owed by RPF to the junior secured lenders;

• subscribing equity, namely new stapled securities in RPF; and

• procuring that RPF undertakes a new senior debt facility which, together with the Consortium's equity subscription, would mean that all of RPF's existing senior secured lenders would be repaid.

• The Boards of RPF have reasonable grounds to believe that negotiations with the Consortium will result in a binding Agreement. However, RPF is also holding discussions with other proponents of recapitalisation proposals (including the Investor Group which already holds approximately $224 million of RPF's senior secured debt that could potentially be converted into equity). These proponents have indicated that they remain interested in making an investment in the existing RPF structure rather than acquiring its assets.

• Further, if a recapitalisation proposal does not proceed, the Boards of RPF understand that the Laundy Hotel Group may be interested in re-establishing the Laundy Transaction, subject to consent to that sale transaction from the senior secured lenders. If the Investor Group is no longer interested in recapitalising RPF, then such consent might be forthcoming because a sale transaction such as the Laundy Transaction would result in a significant repayment to the senior secured lenders.

• Whilst the Boards of RPF are confident that a recapitalisation or sale transaction will be agreed and that all of RPF's existing secured debt will be satisfied well before the repayment date of 31 October 2012, this cannot be guaranteed because no binding agreement has yet been executed and:

• any agreement to recapitalise RPF would be subject to various conditions precedent, including regulatory and Court approvals and approval from RPF's stapled security holders; and

• any sale transaction with the Laundy Hotel Group would be subject to consent from the senior secured lenders and the junior secured lenders.

However, if, after 30 September 2011 the senior secured lenders decide by the necessary two thirds majority to require RPF to immediately repay the senior secured debt (and to pay additional interest) then, subject to any Court action or other mitigating steps that RPF might be able to take, it is highly unlikely that RPF, and hence the Company, would be able to continue as a going concern. As the financial statements have been prepared on a going concern basis, no adjustments have been made in the financial statements relating to the recoverability and classification of recorded asset amounts and recognition of other liabilities that might be necessary should RPF, and hence the Company, not be able to continue as a going concern.

(iii) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Group's functional currency.

(iv) Rounding of amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(v) Critical accounting estimates

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 the Group's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note 1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

(v) Critical accounting estimates (continued)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 15- financial instruments.

(d) Basis of consolidation

(i) Business combinations

Business combinations are accounted for by applying the acquisition method at the acquisition date, which is the date on which control is transferred to the acquirer.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Subsidiaries

Subsidiaries of the Group are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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.

(e) 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:

Interest revenue

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

Other revenue

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

(f) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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.

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. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

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

Note 1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Tax consolidation (continued)

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

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

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/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

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

(g) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

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 call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities, trade and other payables.

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.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of any tax effects.

Note 1 Summary of significant accounting policies (continued)

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

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

The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment 5 - 12 years
- fixtures and fittings 2 - 5 years
- computer and software 2 - 3 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i) Impairment

Non-derivative financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measure at amortised cost is calculated as the difference between its carrying amount and the present value of the estimate future cashflows discounted at the assets original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. 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.

Note 1 Summary of significant accounting policies (continued)

(i) Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

(j) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

(k) Discontinued operations

A discontinued operation is a component of the Group’s business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(l) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Termination benefits

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

(iv) Short-term benefits

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

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

Note 1 Summary of significant accounting policies (continued)

(m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the effect of potentially dilutive shares.

(n) 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.

(o) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities whose results are reviewed regularly by the Group's CEO and for which discrete financial information is available. The Group is currently involved solely in providing management services to the Trust and as a single operating segment that the CEO reviews regularly to make decisions about resources to be allocated to the segment and to assess its performance.

(p) 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 the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Note 2 Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Under the service agreements the Company and the Manager appointed an Investment Committee comprising the directors of the Company. The Investment Committee is an advisory committee, which liaises between the Manager and the Responsible Entity of the Redcape Property Trust and the Company and the Manager. The Investment Committee receives all reports and recommendations of the Manager, and makes recommendations to the Responsible Entity and the Company.

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

The Investment Committee and the Audit, Risk and Compliance Committee oversee how the Manager monitors compliance with the Group's and RPF's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group and RPF.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk

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

The Group is reliant on RPF's debt facilities which are due to expire in October 2012. The Company and its subsidiaries are guarantors to the loan agreements entered into with the banking syndicate by Redcape Property Trust.

Note 2 Financial risk management (continued)

Market risk

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

Capital management

The Group manages capital by monitoring repayments under the loan facilities of the Trust, and monitoring adherence to loan covenants. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's outstanding loans were settled in full on 30 June 2010.

	2011 $'000	2010 $'000
Note 3 Other expenses		
Auditor's remuneration	19	56
Consultancy fees	194	323
Management fees	-	32
Legal fees	29	39
Directors insurance	126	62
Depreciation	51	22
Personnel expenses	1,645	1,440
Net gain on leasehold operations	-	(113)
Sundry expense	517	295
	2,581	2,156

The Group 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)

Auditor's remuneration

	$	$
KPMG		
- Audit of financial reports	18,538	46,019
- Non audit services	-	10,000
	18,538	56,019

	2011 $'000	2010 $'000
Note 4 Income tax (benefit) / expense		
(a) The components of income tax (benefit) / expense comprise		
Current tax (benefit) / expense	-	(24)
(b) Prima facie tax on profit / (loss) from ordinary activities		
Profit / (loss) from continuing operations before income tax	(7)	98
Tax at the Australian tax rate of 30%	(2)	29
Add / (less) tax effect of:		
Non-deductible expenses	28	43
Deductible - Non assessable items	(16)	(72)
Deferred tax asset not yet recognised	-	-
Non assessable income	(10)	-
Overprovision prior year	-	(24)
	-	(24)

Note 5 Discontinued operation

Redcape Issuer Finance Pty Ltd is a wholly owned subsidiary of the Company. Redcape Issuer Finance Pty Ltd.'s sole purpose was the provision of debt finance to RPF as a group. As such Redcape Issuer Finance Pty Ltd was the borrower of the ANZ JDSF and SDSF debt facilities. The bank loans had been on-lent by Redcape Issuer Finance Pty Ltd to Redcape Property Trust (the "Trust"). Any bank interest had also been on-charged to the Trust. However, at 30 June 2010, the Group's outstanding loans were settled in full and no further loans have been entered into by the Group since that date as the Trust has obtained finance directly from the banking syndicate. The comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

	2011 $'000	2010 $'000
Results of discontinued operation		
Revenue - interest on-charged to Redcape Property Trust	-	46,382
Expense - finance cost to bank	-	(46,382)
Results from operating activities	-	-
Income tax expense	-	-
Results from operating activities, net of income tax	-	-

The basic and diluted earnings per share relating to the discontinued operation is nil (2010: nil)

No cash transactions took place throughout the 2010 financial year between Redcape Issuer Finance Pty Ltd and Redcape Property Trust. Drawdowns under the ANZ debt facilities were made directly by the Trust. Interest payments due to ANZ under the facilities were also made directly by the Trust. Accordingly, there were no cash flows associated with these transactions attributable to the Group.

	2011	2010	EARNINGS PER SHARE 2011 cents	EARNINGS PER SHARE 2010 cents
Note 6 Earnings per share				
Net profit / (loss) after tax attributable to shareholders	$ (6,746)	$122,027		
Total shares on issue at year end	162,452,601	162,452,601		
Weighted average shares — basic	162,452,601	160,908,059	0.00	0.08
Weighted average shares — diluted	162,452,601	160,908,059	0.00	0.08

There have been no dilutive transactions involving shares or potential shares during the year or since the year end.

	2011 $'000	2010 $'000
Note 7 Cash and cash equivalents		
Cash at bank and on hand	110	8,862
Note 8 Trade and other receivables		
Current		
Prepayments	40	105
Receivable due from Redcape Property Trust	1,984	-
Other receivables	-	102
	2,024	207

	Plant and equipment $'000	Computer hardware and software $'000	Fixtures and fittings $'000	Total $'000
Note 9 Property, plant and equipment				
Cost				
Balance at 1 July 2010	25	119	8	152
Additions	-	74	-	74
Disposals	-	(11)	-	(11)
Balance at 30 June 2011	25	182	8	215
Depreciation				
Balance at 1 July 2010	2	20	-	22
Depreciation for the year	2	41	2	45
Balance at 30 June 2011	4	61	2	67
Carrying amounts				
at 1 July 2010	23	99	8	130
at 30 June 2011	21	121	6	148
Cost				
Balance at 1 July 2009	-	-	-	-
Additions	25	119	8	152
Balance at 30 June 2010	25	119	8	152
Depreciation				
Balance at 1 July 2009	-	-	-	-
Depreciation for the year	2	20	-	22
Balance at 30 June 2010	2	20	-	22
Carrying amounts				
at 1 July 2009	-	-	-	-
at 30 June 2010	23	99	8	130

	2011 $'000	2010 $'000
Note 10 Trade and other payables		
Current		
Payables due to Redcape Property Trust	-	6,848
Payables due to C.H. Trust	1,500	1,500
Other payables	579	641
	2,079	8,989

Note 11 Share capital

During the current and the previous financial year the following movements in issued capital occurred:

	2011 No of shares	2011 $	2010 No of shares	2010 $
On issue at the beginning of the year	162,452,601	341,449	157,031,854	339,225
Previous Manager's fees	-	-	5,420,747	2,224
On issue at the end of the year	162,452,601	341,449	162,452,601	341,449

The following rights are attached to each share:

- the right to receive notice of and to attend and vote at all general meetings of the Company;
- the right to receive dividends and in a winding up or reduction of capital, the right to participate equally in the distribution of the assets of the Company (both capital and surplus), subject to any amounts unpaid on the share and, in case of a reduction, to the terms of the reduction.

The Company does not have authorised capital or par value in respect of its issued shares.

Note 12 Group entities

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

	2011 $'000	2010 $'000

Note 13 Parent entity

As at, and throughout, the financial year ended 30 June 2011 the parent company of the Group was Redcape Property Fund Limited.

	2011 $'000	2010 $'000
Result of the parent entity		
Loss for the period	-	-
Financial position of the parent entity at year end		
Current assets	107	8,966
Total assets	116	9,053
Current liabilities	83	172
Total liabilities	88	9,025
Net assets	28	28
Total equity of the parent entity comprising of:		
Share capital	341	341
Retained losses	(313)	(313)
Total equity	28	28

Parent entity contingencies

Each Group entity has provided guarantees to the banking syndicate which provides finance to Redcape Property Trust. At 30 June 2011, the Trust owed $662.6 million (2010 : $697.7 million) to the banking syndicate.

The directors are of the opinion that provision is not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required.

Note 14 Related party disclosures

The following were key management personnel of the Group at any time during the reporting period and unless otherwise stated were key management personnel for the entire period:

Executive directors	Non-executive directors	Chief financial officer
Colin Henson - Chairman	Greg Kern	David Charles
Peter Armstrong - CEO & Managing Director	Adam Thatcher - appointed 25 November 2010	
	Richard Barber - appointed 25 November 2010	
	Nerolie Withnall - resigned 25 November 2010	

Key management personnel compensation

The non-executive directors' and executive chairman's compensation included in 'Directors Remuneration' in the consolidated statement of comprehensive income is as follows:

	2011 $'000	2010 $'000
Short-term employee benefits	544	455
Post-employment benefits	79	44
	623	499

Note 14 Related party disclosures (continued)

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation as permitted by *Corporations Regulation* 2M.3.03 is provided in the remuneration report section of the directors' report.

Other key management personnel transactions

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management personnel and their related parties	Transaction	Transaction value year ended 30 June 2011 $	Balance outstanding as at 30 June 2011 $	Transaction value year ended 30 June 2010 $	Balance outstanding as at 30 June 2010 $
Greg Kern					
Kern Consulting Group	Consulting fees and other [1]	150,269	4,362	109,017	-

[1] Consulting fees relate to general secretarial work performed by the Kern Consulting Group for the Group in relation to board meetings and ASX announcements. Other fees include ancillary services provided by Kern Consulting Group including premises for the Cairns office.

Options and rights over equity instruments

The Company did not issue any options during the year.

Movements in shares

The movement during the reporting period in the number of shares held in the Company, directly or indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Role	Held on 1 July 2010	Additions	Held at 30 June 2011
Colin Henson	Executive Chairman	1,250,000	-	1,250,000
Greg Kern	Non - Executive Director	1,214,660	-	1,214,660
Adam Thatcher	Non - Executive Director	-	-	-
Richard Barber	Non - Executive Director	-	-	-
Peter Armstrong	CEO and Managing Director	2,000,000	-	2,000,000
David Charles	Chief Financial Officer	640,000	-	640,000
		5,104,660	-	5,104,660

Name	Role	Held on 1 July 2009	Additions	Held at 30 June 2010
Colin Henson	Executive Chairman	1,250,000	-	1,250,000
Greg Kern	Non - Executive Director	514,660	700,000	1,214,660
Nerolie Withnall	Non - Executive Director	-	-	-
Peter Armstrong	CEO and Managing Director	2,000,000	-	2,000,000
David Charles	Chief Financial Officer	-	640,000	640,000
		3,764,660	1,340,000	5,104,660

Note 14 Related party disclosures (continued)

Non-key management personnel disclosures

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

Related Entity	Transaction	Note	Transaction value year ended 30 June 2011 $	Balance outstanding as at 30 June 2011 $	Transaction value year ended 30 June 2010 $	Balance outstanding as at 30 June 2010 $
Redcape Property Trust	Investment Committee fees	(i)	990,450	-	801,903	-
Redcape Property Trust	Property settlements	(ii)	62,662,628	1,983,781	102,440,000	6,847,690
Redcape Property Trust	Management fees	(iii)	2,205,581	-	1,944,208	-
The C.H. Trust	Inter-company payable	(iv)	-	1,500,000	1,500,000	1,500,000

(i) Redcape Property Trust's units are stapled with the shares of the Company. The Trust paid Investment Committee fees during the financial year.

(ii) Funding was provided by the Redcape Property Trust to assist the Company in the payment of operational expenses such as non executive directors wages. It also included proceeds from sale of investment property which are banked in an account controlled by Redcape Property Fund Limited. These funds are then transferred to the Trust.

(iii) The Trust paid management fees to Redcape Services Pty Ltd for management services provided during the year.

(iv) The C.H. Trust is a 100% subsidiary of Redcape Property Trust. It holds freehold of the Crown Hotel.

Note 15 Financial instruments

Credit risk

Exposure to credit risk

	2011 $'000	2010 $'000
The carrying amount of the Group's financial assets represents the maximum credit risk exposure. The Group's maximum exposure to credit risk at the reporting date was:		
Receivable due from Redcape Property Trust	1,984	-
Cash and cash equivalents	110	8,862
	2,094	8,862

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

Impairment losses

None of the Group's receivables are past due (2010: nil). There was no allowance for impairment in respect of trade receivables as at the end of the year or during the year. The Group did not record any bad debts during the year.

Note 15 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
	$'000	$'000	$'000	$'000	$'000	$'000
2011						
Trade and other payables	2,079	2,079	2,079	-	-	-
	2,079	2,079	2,079	-	-	-
2010						
Trade and other payables	8,989	8,989	8,989	-	-	-
	8,989	8,989	8,989	-	-	-

Market risk

Interest rate risk

The Group has no interest bearing instruments at reporting date.

Cashflow sensitivity analysis for variable instruments

As no financial liabilities exist at reporting date, there will be nil impact if there is a change of 100 basis points in interest rates.

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

	2011	2010
	$'000	$'000
Note 16 Reconciliation of cash flows from operating activities		
Reconciliation of cash flows from operating activities with profit / (loss) attributable to shareholders		
Profit / (loss) attributable to shareholders	(7)	122
Management expenses [1]	(2,206)	(1,944)
Investment committee fees	(990)	(802)
Depreciation	51	22
Income tax benefit	-	(23)
Change in operating assets and liabilities		
(Increase)/decrease in prepayments	64	(105)
(Increase)/decrease in other current assets	(1,882)	(102)
(Increase)/decrease in trade and other payables	1,448	645
Net cash from operating activities	(3,523)	(2,187)

[1] Management and investment committee expenses were met directly by the Trust.

Note 17 Segment Information

The results and financial position of the Group 's single operating segment are prepared for the CEO on a basis consistent with Australian Accounting Standards, and thus no additional disclosures in relation to the segments operating performance have been made.

Geographical areas

The Group's operations are located solely in Australia.

Note 18 Subsequent events

As indicated, the shares of the Company are stapled to the units of the Trust. Accordingly, the following matters relevant to RPF in respect of events subsequent to balance date are also relevant to the Company and the Group.

a) Recapitalisation project

Subsequent to balance date RPF negotiated recapitalisation proposals with several parties for the holistic recapitalisation of RPF, including an injection of equity, the refinancing of RPF's loan agreements, and an offer to acquire all of the stapled securities of Redcape. 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 2011 due to a condition precedent to the SIA not being satisfied. Following termination of the SIA with the Investor Group, RPF has been negotiating an Implementation Agreement for Schemes of Arrangement and Recapitalisation with a consortium led by BW + Partners Pty Ltd ("Consortium") which is a property management and property investment subsidiary of Washington H. Soul Pattinson & Co Limited. At the time of this report RPF has been negotiating with the Consortium and RPF has reasonable grounds to believe that these negotiations will result in a binding implementation agreement for schemes of arrangement and recapitalisation of RPF in the near future.

b) Total Debt Ratio Review Event

On 9 August 2011 Redcape notified the Banking Syndicate of a Review Event under clause 18.1(f) of the Senior and Junior Syndicated Facility Agreements because its Debt Ratio (the ratio of Total Liabilities to Total Assets) would likely exceed 95% as at 31 August 2011. The Debt Ratio will likely exceed 95% as a result of adverse movements in Redcape's Interest Rate Swap Liability during July and August 2011, and provides the Senior and Junior lenders with the right to request information from Redcape and a plan to resolve the effects of the Review Event. If the Agent does not accept Redcape's plan or the effects of the Review Event are not resolved, then the lenders may review whether and on what terms, they are prepared to continue to participate in the loan facility agreements having regard to the Review Event. They may require the repayment of some or all of the loans outstanding and cancel some of their commitments under the loan facility agreements or require the injection of further equity, increase fees or remedy the Review Event, but shall allow Redcape 60 days within which to do so. A Review Event only becomes an event of default under clause 17.1(w) if Redcape has not complied with or remedied the Review Event within the required period.

c) Operating business

Subsequent to balance date 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 ("DOCA") entered into in July 2010. Redcape will pay approximately $0.6 million to acquire the leasehold assets of the 3 hotels, representing the written down value of plant and equipment.

Note 19 Company information

Registered office

Redcape Property Fund Limited

Ground Floor, 312 St Kilda Road, Melbourne VIC 3004

Principal place of business

Redcape Property Fund Limited

Ground Floor, 312 St Kilda Road, Melbourne VIC 3004

Redcape Property Fund Limited
DIRECTORS' DECLARATION
For The Year Ended 30 June 2011

In the opinion of the directors of Redcape Property Fund Limited (the "Company"):

a) The consolidated financial statements and notes set out on pages 67 to 87 and the remuneration disclosures that are contained in the Remuneration Report in section 8 of the Directors Report are in accordance with the *Corporations Act 2001* , including:

   i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

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

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; we draw your attention to note 1(c)(ii) (Going Concern) to the financial statements.

The directors draw attention to note 1(b) to the financial statements, which includes the statement of compliance with International Financial Reporting Standards.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from persons performing the chief executive function and chief financial officer function for the year ended 30 June 2011.

Signed in accordance with a resolution of the directors of Redcape Property Fund Limited.

Colin Henson

Director

Dated this 28th day of September 2011

Sydney

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Redcape Property Fund Limited

Report on the financial report

We have audited the accompanying financial report of Redcape Property Fund Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year the ended, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *the Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* .

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Redcape Property Fund Limited (continued)

Report on the financial report (continued)

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001,* including:

i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1(c)(ii) Going concern in the financial report which indicates that the Redcape Property Fund (the listed Fund comprising Redcape Property Trust and the Company whose securities and shares are stapled together) incurred a net loss of $22.3 million during the year ended 30 June 2011 and, as of that date, the Fund's current liabilities exceeded its current assets by $684.7 million. The ability of the Fund to continue as a going concern is dependent on the Fund's financiers continuing to support the Fund and/or whether a proposed recapitalisation of the Fund will be successful. These conditions, along with other related matters as set forth in Note 1(c)(ii), indicate the existence of a material uncertainty that may cast significant doubt about the Fund's, and hence the Group's, ability to continue as a going concern and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the remuneration report

We have audited the remuneration report included on page 64 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Redcape Property Fund Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Partner

Cairns

28 September 2011

STAPLED SECURITY HOLDER INFORMATION
as at 30 June 2011

A Distribution of security holders

Size of holding	Number of stapled security holders
1 — 1,000	135
1,001 — 5,000	878
5,001 — 10,000	440
10,001 — 100,000	527
100,001 and over	77
Total	2,057

The stapled securities are listed on the Australian Securities Exchange ("ASX") and each stapled security comprises one unit in Redcape Property Trust and one share in Redcape Property Fund Limited.

B 20 largest security holders

Rank	Size of holding	Number of stapled securities	% of issued capital
1	TWH (Qld) Pty Ltd (Receivers and Administrators appointed)	68,621,539	42.24
2	TWH (Qld) Pty Ltd (Receivers and Administrators appointed)	14,166,246	8.72
3	HLG Management Pty Ltd (Receivers and Administrators appointed)	11,985,838	7.38
4	Greenacres Holdings Pty Ltd	5,633,246	3.47
5	Ms Jeanine Lee Cooke	5,085,581	3.13
6	Donnelly Discretionary Trust	5,031,932	3.10
7	Manar Nominees Pty Ltd	3,375,000	2.08
8	Hautacam Investments Pty Ltd	2,000,000	1.23
9	Connaught Place Investments Pty Ltd	1,250,000	0.77
10	Kern Consulting Group Superannuation Fund	1,214,660	0.75
11	Lift Capital Nominees Pty Ltd	1,075,737	0.66
12	Thomas Hedley	1,057,163	0.65
13	Mrs Jean Marion Barry & Mr David Richard Barry	1,000,000	0.62
14	Sunset Superannuation Fund	1,000,000	0.62
15	NLT (QLD) Pty Ltd	901,855	0.56
16	Mr David Wayne Row	820,000	0.50
17	Kellie Skinner	809,155	0.50
18	Rundal Holdings Pty Ltd	800,000	0.49
19	Invia Custodia Pty Ltd	713,779	0.44
20	Duyne Pty Ltd	700,000	0.43
		127,241,731	78.33

C Substantial holders

Size of holding	Number of stapled securities	% of issued capital
TWH (Qld) Pty Ltd (Receivers and Administrators appointed)	82,787,785	50.96

D Voting rights

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

CORPORATE DIRECTORY

Responsible Entity	**The Trust Company (RE Services) Limited** Level 15, 20 Bond Street Sydney NSW 2000
Registered office of Redcape Property Fund Limited	Ground Floor, 312 St Kilda Rd Melbourne, VIC, 3004
Independent Valuers	**CB Richard Ellis** Level 33, 1 Eagle Street Brisbane QLD 4000
Taxation Advisor	**BDO Kendalls** Cnr Aplin & Sheridan Street Cairns QLD 4870
Independent Auditors	**KPMG** Level 13 ,15 Lake Street Cairns QLD 4870
Registry	**Computershare** Level 2, 60 Carrington Street Sydney NSW 2000
Legal Advisors	**Minter Ellison Lawyers** Aurora Place 88 Phillip Street Sydney NSW 2000 **Ellison Tillyard Callanan** Level 4, 160 Sussex Street Sydney NSW 2000