Redcape Property Fund (RPF)
Half-Year Report
For The Six Months Ended 31 December 2010

Comprising Redcape Property Trust (ARSN 125 526 016) and Redcape Property Fund Limited (ABN 44 124 753 733) and their controlled entities

Registered Office:

312 St Kilda Road
Melbourne Victoria 3004

Half-Year Report for the six months ended 31 December 2010

Directors' report

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") for the half-year ended 31 December 2010.

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, and are now traded under the code RPF.

Directors

The Responsible Entity and the Company each entered into separate, but materially similar, services agreements with Redcape Services Pty Limited (the "Manager"). The Manager provides all investment, asset management and general administrative services to RPF (other than certain compliance and supervisory services which are provided by the Responsible Entity as the independent responsible entity for the Trust). The Manager is also responsible for proposing any acquisitions and divestments.

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 Manager and the Responsible Entity, and the Company and the Manager. The Investment Committee reviews the Manager's advice for compliance with the law, the Trust Deed, the Company Constitution, RPF's investment criteria, the services agreements and the best interests of the security holders. Assuming compliance, the Responsible Entity and the Company will follow the Manager's advice.

The following persons were directors of the Responsible Entity at any time during or since the end of the half-year. Unless otherwise stated the directors have held their position for the whole of this period:

Directors of the Responsible Entity		*Directors of the Company*	
John Atkin		Colin J Henson	
Michael Britton		Peter Armstrong	
Vicki Allen		Greg Kern	
David Grbin		Nerolie Withnall	resigned 25 November 2010
Sally Ascroft	alternate Director (for David Grbin) for the	Richard Barber	appointed 25 November 2010
	period 24 June 2010 to 1 August 2010	Adam Thatcher	appointed 25 November 2010

Principal activities

The principal activity of RPF consists of investment in the pub freehold sector in Australia. There has been no significant change in the nature of this activity during the half-year.

Review and results of operations

During the six months ended 31 December 2010, RPF posted total comprehensive income of $13.2m. This result included the following significant items:

· an improvement in the value of investment properties, including liquor and gaming licences by $10.9m;
· an improvement in the value of interest rate swaps of $16.2m, from a liability of $60.1m at 30 June 2010 to a liability of $43.9m at 31 December 2010;
· loss on the sale of assets of $0.6m;
· rent revenue and outgoings recovered of $36.9m; and
· financing costs of $44.1m including $15.4m of deferred interest.

The improvement in investment properties was a direct result of higher rental income due to the fixed increases in all of RPF's leases. Directors are of the view that it is reasonable to maintain capitalisation rates at their 30 June 2010 levels, noting that at June 2010 RPF's external valuers CB Richard Ellis and Power Jeffrey & Co valued 52 of RPF's 79 pub freehold properties, and utilised the capitalisation rates implicit in those valuations in determining Directors valuations for the remainder.

The improvement in the value of RPF's interest rate swaps reflects a change in the mark-to-market valuation of the swaps due to an upward movement in the forward interest rate curve.

RPF has continued to divest certain assets in order to reduce its debt to more acceptable levels. During the six months ended 31 December 2010, RPF negotiated the sale of 7 properties, with four of these completed during the period for a net consideration of $26.8m and a loss on sale of $0.6m after including the costs of divestment.

The normal underlying activities of the business, namely managing properties and collecting rents, continued with rents and outgoings recoverable all collected in accordance with the leases.

The underlying loss from operations during the six months ended 31 December 2010 is shown on the following table:

Half-Year Report for the six months ended 31 December 2010

Directors' report (continued)

Review and results of operations (continued)

	31-December 2010 $'000	Restated 31-December 2009 $'000
Rent from investment properties	34,243	38,912
Finance costs	(44,141)	(30,927)
Other income/(expense)	23,090	26,568
Total comprehensive income for the period	**13,192**	**34,553**
(Less)/ add non-operating items		
Fair value adjustments to interest rate swaps	(16,227)	(14,586)
(Gain)/loss on sale of investment properties	588	(3,520)
Net change in fair value of investment properties	(10,862)	(12,349)
Underlying (loss) / profit from operations	**(13,309)**	**4,098**

	31-December 2010 $	Restated 30-June 2010 $
Net assets per stapled security - including fair value adjustment to interest rate swaps	0.54	0.46
Net assets per stapled security - excluding fair value adjustment to interest rate swaps	0.81	0.83

After balance date events

Settlement on the sales of Ocean Shores Tavern and Port Macquarie / Town Green Hotels, which were sold during the six months ended 31 December 2010 occurred in January and February 2011 for $4.5m and $15.8 respectively.

Contracts for the sale of the Bristol Arms Hotel were exchanged in February 2011, with settlement scheduled to occur in May 2011.

In January and February 2011, a small number of RPF's pubs were impacted by the Queensland floods and Cyclone Yasi. The Regatta Hotel and the adjoining liquor barn, situated on the Brisbane River at Toowong were inundated and rendered unfit for occupation, whilst two other hotels were temporarily closed due to inaccessibility. RPF is fully insured for the costs of repair to all of its pubs in the event of a flood or cyclone, and also for any rent abatement losses, and does not expect any material impact to operating results or cash flows resulting from the floods.

In January 2011, RPF negotiated the settlement of a $2.9m legal claim against it for nil consideration, and the return of $50,000 in deposit monies previously paid. The settlement of this action vindicates the directors denial of this claim, and removes this matter as a potential or contingent liability.

Likely developments

RPF will continue to selectively divest investment properties over the next two years and use all proceeds to reduce its outstanding loan balances. This is expected to have the effect of both reducing overall debt levels, and improving RPF's loan to value ratio (LVR), thus reducing overall business risk. These divestments would also ensure that RPF meets the debt amortisation requirements in its loan agreements.

A number of parties have expressed interest in acquiring both small and large parcels of RPF's pub properties. Discussions continue in relation to these expressions of interest to determine whether any sale at the proposed level could be in the best interests of the stapled security holders. It is emphasised that the indicative proposals considered to date have been incomplete, highly conditional and have been provided to RPF for discussion purposes only.

Further information on possible developments in the operations of RPF and the likely results on those operations have not been included in this statement because the Directors believe it would be likely to result in unreasonable prejudice to RPF.

In accordance with RPF's lease agreements with its tenants, RPF will continue to receive fixed rate rental increases on its investment properties.

Half-Year Report for the six months ended 31 December 2010
Directors' report (continued)

Significant changes in state of affairs

Other than the matters noted elsewhere in this report, there has been no significant change in the state of affairs of RPF since 30 June 2010.

Distributions

To preserve capital, there will be no distributions for the half-year ended 31 December 2010. Distributions paid and payable to stapled security holders of RPF at 31 December 2010 were:

	31-Dec 2010 ¢ per security	31-Dec 2009 ¢ per security	31-Dec 2010 $'000	31-Dec 2009 $'000
Half-year distributions paid and payable	Nil	Nil	Nil	Nil

No provisions for or payments of Company dividends have been made during the half-year.

Rounding of amounts

RPF is an entity 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 one thousand dollars, or in certain cases, to the nearest dollar in accordance with that Class Order, except where otherwise indicated.

Lead auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4, and forms part of the directors' report for the half-year ended 31 December 2010.

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

Michael Britton

Director

Sydney

Dated this 24th day of February 2011

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 review of the Redcape Property Fund for the half-year ended 31 December 2010 there have been:

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

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

KPMG

Graham Coonan
Partner

Cairns

24 February 2010

Half-Year Report for the six months ended 31 December 2010
Condensed consolidated interim statement of comprehensive income

	Note	31-December 2010 $'000	Restated 31-December 2009 $'000
Revenue			
Rent from investment properties		34,243	38,912
Revenue from straight-line lease adjustment		8,218	11,252
Outgoings recovered		2,647	2,871
Distributions		-	387
Interest from cash deposits		350	26
Total revenue from operating activities		**45,458**	**53,448**
Operating expenses			
Investment property outgoings and expenses		4,561	4,180
Management expenses	2	757	669
Company directors' remuneration		217	209
Finance costs	4	44,140	30,927
Other expenses	6	874	2,339
Total expenses from operating activities		**50,549**	**38,324**
(Loss) / profit from operating activities		**(5,091)**	**15,124**
Non-operating income / (expense)			
Change in fair value of investment properties	10	10,862	12,349
Impact of straight-line lease adjustment on fair value of investment properties		(8,218)	(11,252)
(Loss) / gain on sale of investment properties		(588)	3,520
Change in fair value of derivative financial instruments	13	16,227	14,586
Total non-operating income / (expense)		**18,283**	**19,203**
Profit for the period		**13,192**	**34,327**
Other comprehensive income			
Change in fair value of ALE stapled securities		-	226
Total comprehensive income for the period		**13,192**	**34,553**
Profit attributable to:			
Unitholders of the Trust		13,194	34,446
Shareholders of the Company (non-controlling interest)		(2)	(119)
Profit for the period		**13,192**	**34,327**
Total comprehensive income attributable to:			
Unitholders of the Trust		13,194	34,672
Shareholders of the Company (non-controlling interest)		(2)	(119)
Total comprehensive income for the period		**13,192**	**34,553**
		cents	cents
Basic and diluted earnings per security	3	8.12	21.54
Distribution paid or payable per security	5	0.00	0.00

The accompanying notes form part of these interim financial statements

Half-Year Report for the six months ended 31 December 2010
Condensed consolidated interim statement of financial position

	Note	31-December 2010 $'000	Restated 30-June 2010 $'000	Restated 1-July 2009 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7	12,079	18,970	10,258
Trade and other receivables	8	1,722	1,575	1,853
Other current assets		-	152	40
Assets held for sale	9	132,200	100,600	-
Total current assets		**146,001**	**121,297**	**12,151**
Non-current assets				
Property, plant and equipment	12	169	137	-
Investment property	10	614,913	658,997	896,957
Other non-current assets	11	49,634	53,652	65,437
Intangible assets	1(d)	-	-	-
Other investments		-	-	7,100
Total non-current assets		**664,716**	**712,786**	**969,494**
TOTAL ASSETS		**810,717**	**834,083**	**981,645**
LIABILITIES				
Current liabilities				
Trade and other payables		4,564	4,435	5,609
Current tax payable		-	-	23
Loans and borrowings	14	126,007	92,146	740,752
Derivative financial instruments	13	10,214	12,996	84,395
Total current liabilities		**140,785**	**109,577**	**830,779**
Non-current liabilities				
Trade and other payables		18,912	11,083	-
Loans and borrowings	14	528,958	591,108	-
Derivative financial instruments	13	33,685	47,130	-
Total non-current liabilities		**581,555**	**649,321**	**-**
TOTAL LIABILITIES		**722,340**	**758,898**	**830,779**
NET ASSETS		**88,377**	**75,185**	**150,866**
EQUITY				
Contributed equity		461,513	461,513	459,965
Reserves		62	62	62
Non-controlling interest		208	210	86
(Deficiency)/ undistributed earnings		(373,406)	(386,600)	(309,247)
TOTAL EQUITY		**88,377**	**75,185**	**150,866**
		$	**$**	**$**
Net assets per stapled security - including fair value adjustment to swap		0.54	0.46	0.96
Net assets per stapled security - excluding fair value adjustment to swap		0.81	0.83	-

The accompanying notes form part of these interim financial statements

Half-Year Report for the six months ended 31 December 2010

Condensed consolidated interim statement of changes in equity

	Contributed equity $'000	(Deficiency)/ Undistributed earnings $'000	Reserves $'000	Non-controlling Interest $'000	Total Equity $'000
Balance at 1 July 2009	459,965	(328,567)	62	86	131,546
Adjustment due to change in accounting policy	-	19,320	-	-	19,320
Restated balance at 1 July 2009	459,965	(309,247)	62	86	150,866
Total comprehensive income for the period					
Profit /(loss) for the period	-	34,446	-	(119)	34,327
Other comprehensive income					
Net change in fair value of ALE stapled securities	-	-	226	-	226
Total comprehensive income for the period	-	34,446	226	(119)	34,553
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Stapled securities issued during the period	1,554	-	-	2	1,556
Capital raising costs recognised directly against capital raised	(6)	-	-	-	(6)
Total transactions with owners	1,548	-	-	2	1,550
Balance at 31 December 2009	**461,513**	**(274,801)**	**288**	**(31)**	**186,969**
Balance at 1 July 2010	461,513	(401,931)	62	210	59,854
Adjustment due to change in accounting policy	-	15,331	-	-	15,331
Restated balance at 1 July 2010	461,513	(386,600)	62	210	75,185
Total comprehensive income for the period					
Profit/(loss) for the period	-	13,194	-	(2)	13,192
Total comprehensive income for the period	-	13,194	-	(2)	13,192
Balance at 31 December 2010	**461,513**	**(373,406)**	**62**	**208**	**88,377**

The accompanying notes form part of these interim financial statements

Half-Year Report for the six months ended 31 December 2010
Condensed consolidated interim statement of cash flows

	Note	31-December 2010 $'000	31-December 2009 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties		38,344	45,621
Payments to suppliers		(7,578)	(9,932)
Interest receipts – bank deposits		350	26
Interest paid		(21,242)	(15,445)
Interest rate swaps paid		(7,503)	(12,035)
Net cash from operating activities		**2,371**	**8,235**
Cash flows from investing activities			
Payments for capital works on investment properties		(324)	-
Proceeds from disposal of investment properties		26,973	29,058
Payment for property, plant and equipment		(55)	(115)
Net cash from investing activities		**26,594**	**28,943**
Cash flows from financing activities			
Repayments of borrowings		(35,856)	(17,155)
Net cash from financing activities		**(35,856)**	**(17,155)**
Net increase/(decrease) in cash held		**(6,891)**	**20,023**
Cash and cash equivalents at the beginning of the period		18,970	10,258
Cash and cash equivalents at the end of the period	7	**12,079**	**30,281**

The accompanying notes form part of these interim financial statements

Half-Year Report for the six months ended 31 December 2010
Notes to the condensed consolidated interim financial statements

Contents of the notes to the condensed consolidated financial statements

Half-Year Report for the six months ended 31 December 2010
Notes to the condensed consolidated interim financial statements

1 Summary of significant accounting policies

(a) Reporting entity

The condensed consolidated interim financial report of Redcape Property Fund ("RPF") as at and for the six months ended 31 December 2010 comprises Redcape Property Trust (the "Trust"), Redcape Property Fund Limited (the "Company") and their controlled entities. Redcape Property Trust is a registered managed investment scheme under the *Corporations Act 2001*. Redcape Property Fund Limited is a company limited by shares under the *Corporations Act 2001*. The responsible entity of the Trust is The Trust Company (RE Services) Limited (the "Responsible Entity").

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

(b) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of RPF (formerly Hedley Leisure & Gaming Property Fund) as at and for the year ended 30 June 2010, and any public announcements made by RPF during the interim reporting period in accordance with the continuous disclosure requirements and the *Corporations Act 2001*.

The financial report was approved by the directors of the Responsible Entity on 24 February 2011.

(c) Basis of preparation - Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis, however the following issues should be noted.

On 30 June 2010, RPF refinanced its debt facilities. The terms and conditions of the new loan facilities which are in place until 31 October 2012 require that RPF meets ongoing financial covenants and conditions which if not met may cause breaches and/or review events. RPF is confident that it will be able to comply with the terms and conditions of its debt facilities, and accordingly will be able to pay its debts as and when they become due and payable.

However, the ability of RPF to continue to meet certain of the financial covenants and conditions is dependent in a number of instances on factors outside RPF's control. In particular, the negative global economic conditions experienced over recent years have had an adverse effect on the values of RPF's investment property portfolio and interest rate swap positions. Should there be significant further deterioration in global economic conditions in the near future, there could be further weakening in investment property values and interest rate swaps could move further "out of the money". This could put pressure on RPF's ability to meet its financial covenants and/or conditions. Similarly, softening in the pub freehold market could impact RPF's ability to meet the debt amortisation commitments in its loan agreements.

(d) Significant accounting policies

Except as described below, the accounting policies applied by RPF in this condensed consolidated interim financial report are the same as those applied by RPF in its consolidated financial report as at and for the year ended 30 June 2010.

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 10), 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 have 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, 1 July 2009 and 31 December 2009 as applicable. The change in accounting policy had the following impact on the financial statements:

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Notes to the condensed consolidated interim financial statements

1 Summary of significant accounting policies (continued)

(d) Significant accounting policies (continued)

Change in accounting policy (continued)

	31-December 2010 $'000	31-December 2009 $'000
Statement of comprehensive income		
Increase/ (decrease) in fair value gain of investment properties	1,924	2,503
Increase/ (decrease) in reversal of impairment of assets	(825)	(2,505)
Increase/ (decrease) in total comprehensive income for the period	**1,099**	**(2)**

	31-December 2010 $'000	30-June 2010 $'000
Statement of financial position		
Increase/ (decrease) in assets held for sale	2,298	942
Increase/ (decrease) in investment properties	95,542	106,235
Increase/ (decrease) in intangible assets	(81,410)	(91,846)
Increase/ (decrease) in net assets/equity	**16,430**	**15,331**

(e) Estimates

The preparation of financial statements requires the use of certain 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 is described in Note 10 - investment property and Note 13 - derivative financial instruments.

2 Related party information

There has been no change to the nature of the related party transactions disclosed in the 2010 Annual Financial Report.

Management expenses

Effective from 1 July 2009 RPF terminated the management services agreement, for nil costs, with HLG Management Pty Ltd and established internal management within RPF with the creation of Redcape Services Pty Limited (the "Manager"), which provides the same services as provided by the previous manager under a new services agreement with the Responsible Entity. The initial term of this agreement is 8 years.

	31-December 2010	31-December 2009
3 Earnings per stapled security		
Net profit after tax attributable to stapled security holders	$13,191,772	$34,326,508
Total stapled securities on issue at 31 December	162,452,601	162,452,601
Weighted average stapled securities - basic	162,452,601	159,371,958
Weighted average stapled securities - diluted	162,452,601	159,371,958
Basic and diluted earnings per security - cents	8.12	21.54

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

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Notes to the condensed consolidated interim financial statements

	Note	31-December 2010 $'000	31-December 2009 $'000
4 Finance costs			
(a) Finance costs – cash			
Senior Syndicated Facility Agreement ("SSFA") interest expense	(i)	21,192	14,685
Other interest expense		50	15
Net payments from interest rate swaps	(ii)	7,503	13,005
		28,745	**27,705**
(b) Finance costs – non-cash			
Junior Syndicated Facility Agreement ("JSFA") interest expense	(iii)	4,470	1,465
Deferred interest	(iv)	7,829	-
Amortised costs – SSFA and JSFA	(v)	3,096	1,712
Other borrowing costs		-	45
		15,395	**3,222**
Total finance costs		**44,140**	**30,927**

(i) Variable rate interest payable monthly in cash under the SSFA was the monthly BBSY (Bank Bill Swap Bid Rate) plus 2.0% p.a. interest margin (2009: 0.8%).

(ii) RPF's variable interest rate exposures from SSFA and JSFA borrowings are 100% hedged by fixed interest rate swaps. The swaps lock the interest rate on RPF's loan facilities at a weighted average rate of 7.08% p.a. excluding interest margins for the 2011 financial year.

(iii) Variable rate interest accruing but not payable in cash under the JSFA was the monthly BBSY (Bank Bill Swap Bid Rate) plus 8.4% p.a. interest margin (2009: 1.5%).

(iv) Deferred interest accruing monthly but not payable in cash under the SSFA at 2.5% p.a. on the SSFA outstanding loan balances (2009: nil).

(v) Amortisation of the costs of establishing the SSFA and JSFA loan facilities. Costs amortised evenly over the term of the facilities.

5 Distributions

No distribution was proposed by the directors in respect of the half-year ended 31 December 2010. No dividend was paid or declared by the Company for the half-year ended 31 December 2010.

	31-December 2010 $'000	31-December 2009 $'000
6 Other expenses		
Legal fees	260	1,569
Consultancy fees	37	481
Responsible Entity fees	204	109
Directors' insurance	51	51
Travelling expenses	30	11
ASX listing fees	55	66
All other expenses	237	151
Gain on disposal of leasehold operation	-	(99)
Total other expenses	**874**	**2,339**

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Notes to the condensed consolidated interim financial statements

	Note	31-December 2010 $'000	Restated 30-June 2010 $'000	Restated 1-July 2009 $'000
7 Cash and cash equivalents				
Interest reserve account		5,000	5,000	
Cash at bank		7,079	13,970	
Total Cash and cash equivalents		**12,079**	**18,970**	

RPF is required to maintain a Reserve Account separately from its general bank accounts as a condition of its bank loan facilities. There are certain restrictions regarding the use of this Reserve Account.

	Note	31-December 2010 $'000	Restated 30-June 2010 $'000	Restated 1-July 2009 $'000
8 Trade and other receivables				
Trade receivables		181	1,374	
Less allowance for impairment		-	-	
Net trade receivables		181	1,374	
Other receivables		1,541	201	
Total Trade and other receivables		**1,722**	**1,575**	
9 Assets held for sale				
Investment properties held for sale		132,200	100,600	-
Total Assets held for sale		**132,200**	**100,600**	**-**

As at 31 December 2010, 17 hotels were being actively marketed for sale (30 June 2010: 11). The fair values of these properties have been taken to be the expected contract prices for the properties. The total carrying values of these properties have been shown as current assets held for sale at reporting date.

Movements

	Note	31-December 2010 $'000
Carrying amount at 1 July 2010		100,600
Transfer from investment property	10	84,108
Transfer to investment property	10	(25,408)
Disposals during the period		(27,100)
Carrying amount at 31 December 2010		**132,200**

	Note	31-December 2010 $'000	Restated 30-June 2010 $'000	Restated 1-July 2009 $'000
10 Investment property				
Investment property at fair value		796,747	813,249	962,394
Straight - line lease adjustment	11	(49,634)	(53,652)	(65,437)
Investment properties held for sale		(132,200)	(100,600)	-
Total Investment property		**614,913**	**658,997**	**896,957**

	Note	31-December 2010 $'000
10 Investment property (continued)		
Movements		
Carrying amount at 1 July 2010		658,997
Disposals during the period		(500)
Fair value adjustment		10,862
Transfer to assets held for sale	9	(84,108)
Transfer from assets held for sale	9	25,408
Straight-line lease adjustment	11	4,254
Carrying amount at 31 December 2010		**614,913**

Investment property

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

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 vary between 11.5 and 27.5 years, excluding options for lease extensions upon completion of the lease terms.

Valuation of investment 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 (d)).

Management has re-evaluated and changed the policy for accounting for liquor and gaming licences. Liquor and gaming licences integrally linked to a hotel/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 31 December 2010

RPF's policy is to independently value one third of its investment property portfolio annually. Notwithstanding this, RPF's lenders required in excess of 50% of its investment property portfolio to be independently valued at 30 June 2010 in connection with the refinancing of RPF's debt. Accordingly, independent valuations were obtained for 52 properties as at 30 June 2010. 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 and Bruce Hayman (AAPI, DipBus) of Power Jefferey & Co Pty Ltd.

10 Investment property (continued)

Fair value adjustments at 31 December 2010 (continued)

As at 31 December 2010, although no further independent valuations were obtained, the directors have reassessed the carrying values of each property on the same basis as set out above, and have determined that it is reasonable to maintain capitalisation rates at 30 June 2010 levels.

Yields applied in the valuations at 31 December 2010 fall within the following ranges for RPF's tenants:

	Dec-10	Jun-10
Coles	6.75% - 8.80%	6.75% - 8.80%
NLG	7.72% - 12.89%	7.75% - 13.00%
Hedz / Other	7.11% - 11.77%	7.11% - 13.00%

	31-December 2010 $'000	30-June 2010 $'000
11 Other non-current assets		
Rent receivables	**49,634**	**53,652**

The majority of lease agreements include fixed annual increases in rents charged. Under AASB 118 *Revenue*, RPF is required to recognise lease income on a straight-line basis. This has the effect of increasing income above rental receipts in the early years, and reducing income below rental receipts in later years.

	Plant and equipment $'000	Computer hardware and software $'000	Fixtures and fittings $'000	Total $'000
12 Property, plant and equipment				
Cost				
Balance at 1 July 2010	33	119	8	160
Additions for the period	-	55	-	55
Balance at 31 December 2010	**33**	**174**	**8**	**215**
Depreciation and impairment losses				
Balance at 1 July 2010	3	20	-	23
Depreciation for the period [1]	2	20	1	23
Balance at 31 December 2010	**5**	**40**	**1**	**46**
Carrying amounts				
At 1 July 2010	30	99	8	137
At 31 December 2010	**28**	**134**	**7**	**169**

[1] $21,482 of depreciation expense is included as management expenses.

	31-December 2010 $'000	30-June 2010 $'000
13 Derivative financial instruments		
Derivative financial instruments - current liability	10,214	12,996
Derivative financial instruments - non current liability	33,685	47,130
Total Derivative financial instruments	**43,899**	**60,126**
Movements		
Interest rate swaps at fair value at 1 July 2010		60,126
Fair value movements for the period		(16,227)
Interest rate swaps at fair value at 31 December 2010		**43,899**
14 Loans and borrowings		
Current		
Bank loans	126,007	92,146
	126,007	92,146
Non-current		
Bank loans	516,958	579,108
Establishment fee deferred	12,000	12,000
	528,958	591,108
Total bank loans	**654,965**	**683,254**
Bank loans consist of:		
Junior Syndicated Facility Agreement ("JSFA")	69,780	64,938
Senior Syndicated Facility Agreement ("SSFA")	585,185	618,316
	654,965	**683,254**
JSFA		
Junior Syndicated Facility Agreement ("JSFA")	69,999	65,529
Prepaid borrowing costs capitalised	(1,738)	(1,738)
Amortisation of prepaid borrowing costs	372	-
Establishment fee deferred	1,147	1,147
	69,780	**64,938**

	31-December 2010 $'000	30-June 2010 $'000
14 Loans and borrowings (continued)		
SSFA		
Senior Syndicated Facility Agreement ("SSFA")	584,320	620,175
Prepaid borrowing costs capitalised	(12,712)	(12,712)
Amortisation of prepaid borrowing costs	2,724	-
Establishment fee deferred	10,853	10,853
	585,185	**618,316**

RPF's loan facilities contain debt amortisation requirements, and a requirement that all proceeds from asset sales are applied to reduce debt. The portion of RPF's total loan balance (and associated establishment costs) related to the likely proceeds from the divestment of assets held for sale is therefore reflected as a current liability at 31 December 2010.

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.

	Nominal interest rate	Date of maturity	Face value $'000	Carrying amount $'000
JSFA - loan	1 month BBSY + 8.4%	Oct-2012	69,999	68,633
JSFA - establishment fee	Nil	Oct-2012	1,147	1,147
SSFA - loan	1 month BBSY + 4.5%	Oct-2012	584,320	574,332
SSFA - establishment fee	Nil	Oct-2012	10,853	10,853
			666,319	**654,965**

15 Segment information

RPF operates its principal activity solely in Australia and has no business segmentation.

16 Subsequent events

Settlement on the sales of Ocean Shores Tavern and Port Macquarie / Town Green Hotels, which were sold during the six months ended 31 December 2010 occurred in January and February 2011 for $4.5m and $15.8 respectively.

Contracts for the sale of the Bristol Arms Hotel were exchanged in February 2011, with settlement scheduled to occur in May 2011.

In January and February 2011, a small number of RPF's pubs were impacted by the Queensland floods and Cyclone Yasi. The Regatta Hotel and the adjoining liquor barn, situated on the Brisbane River at Toowong were inundated and rendered unfit for occupation, whilst two other hotels were temporarily closed due to inaccessibility. RPF is fully insured for the costs of repair to all of its pubs in the event of a flood or cyclone, and also for any rent abatement losses, and does not expect any material impact to operating results or cash flows resulting from the floods.

In January 2011, RPF negotiated the settlement of a $2.9m legal claim against it for nil consideration, and the return of $50,000 in deposit monies previously paid. The settlement of this action vindicates the directors denial of this claim, and removes this matter as a potential or contingent liability.

17 Fund information

Registered office and principal place of business of the Responsible Entity

The Trust Company (RE Services) Limited

Level 4

35 Clarence Street

Sydney 2000

New South Wales

Registered office and principal place of business of the Company

Redcape Property Fund Limited

Ground Floor, 312 St Kilda Road

Melbourne 3004

Victoria

Half-Year Report for the six months ended 31 December 2010
Directors' declaration

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

1. the financial statements and notes, set out on pages 5 to 18, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of Redcape Property Fund's financial position as at 31 December 2010 and of its performance for the six months ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Redcape Property Trust will be able to pay its debts as and when they become due and payable.

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

Michael Britton

Director

Sydney

Dated this 24th day of February 2011

Independent auditor's review report to the security holders of the Redcape Property Fund

Report on the financial report

We have reviewed the accompanying half-year financial report of Redcape Property Fund, (the "Fund") which comprises the condensed consolidated interim statement of financial position as at 31 December 2010, the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of accounting policies and other explanatory information and the directors' declaration. The Fund comprises the Redcape Property Trust and Redcape Property Fund Limited and the entities each controlled at the half-year end or from time to time during the half-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 half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Redcape Property Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Redcape Property Fund is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Fund's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Graham Coonan
Partner

Cairns

24 February 2011