Redcape Property Fund (RPF)
Half-Year Report
For The Six Months Ended 31 December 2011

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

Half-Year Report for the six months ended 31 December 2011

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 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, and are now traded under the code 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.

Directors

The Responsible Entity and the Company each entered into separate services agreements with Redcape Services Pty Limited (the "Manager") which is a wholly owned subsidiary of the Company. 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 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 and directors of the Company during or since the end of the six months ended 31 December 2011. Unless otherwise stated the directors have held their position for the whole of this period:

Directors of the Responsible Entity

John Atkin

David Grbin

Andrew Cannane

Michael Britton resigned 23 December 2011

Rupert Smoker appointed 20 February 2012

(alternative director to John Atkin, David Grbin and Andrew Cannane from 20 February 2012 to the date of this report)

Directors of the Company

Colin J Henson

Peter Armstrong

Greg Kern

Richard Barber

Adam Thatcher

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 of operations

Schemes of Arrangement and Recapitalisation

Throughout the six months ended 31 December 2011 Management negotiated the terms of schemes of arrangement for the recapitalisation of RPF. On 23 December RPF announced to the Australian Securities Exchange ("ASX") that it had executed an Implementation Agreement for Schemes and Recapitalisation ("SIA") with members of an Investor Group led by Goldman Sachs.

Under the SIA, if the Schemes are approved by security holders, the Investor Group plans to:

- Acquire all of the existing RPF stapled securities at a price of 2.59 cents per stapled security;
- Purchase all of the RPF senior debt and junior debt;
- Convert a portion of this debt to equity in RPF and refinance the remaining portion with a new refinancing facility; and
- Contribute additional cash consideration to RPF in return for a further subscription of equity in RPF.

Half-Year Report for the six months ended 31 December 2011

Directors' report (continued)

Review of operations (continued)

As previously announced to the ASX on 23 December 2011, RPF's secured lenders have notified RPF of certain events of default under its finance documents. These events of default are subsisting and cannot be remedied and, subject to the terms of the finance documents entitle the secured lenders to accelerate the repayment of all outstanding loan monies, enforce repayment of the same and charge interest at penalty rates. In order to facilitate implementation of the proposed Schemes, the secured lenders have agreed to forbear from taking any action against RPF in relation to the events of default for a period until May 2012 or until the SIA is terminated. If the Schemes are not implemented, the secured lenders will likely accelerate the repayment of their debt and take enforcement action, such as the appointment of a receiver to the assets and undertakings of RPF.

On 17 February 2012 RPF received approval from the Australian Securities and Investments Commission ("ASIC") to the Schemes booklet, and on 24 February 2012 received approval from the Supreme Court of New South Wales. The Schemes booklet and proxy voting forms will be despatched to securityholders on 29 February 2012 in preparation for a meeting of securityholders which has been convened for 30 March 2012. Securityholders who are registered will be entitled to attend the Scheme meetings and vote on the resolutions that must be passed in order to allow the Schemes to be implemented. RPF will provide a Schemes booklet containing all necessary information, including an Independent Expert's Report to all registered securityholders.

Ongoing operations

The total comprehensive loss for the six months ended 31 December 2011 was $45.9 million (2010: Total comprehensive income $13.2 million). This result includes the following significant items:

- Rent revenue and outgoings recovered of $41.5m (2010: $45.1m);
- Financing costs of $44.8m (2010: $44.1m) including $13m (2010: $13m) of deferred interest;
- Negative fair value adjustment of $12.4m (2010: $10.8m favourable adjustment) on value of investment properties held following independent valuation of all properties by CB Richard Ellis and Robertson and Robertson;
- Negative fair value adjustment on the fixed Interest Rate Swaps of $15.8 million (2010: $16.2m favourable adjustment). On 31 October 2011 the Interest Rate Swaps were closed out at a cost of $69.6 million which has been converted to senior debt, thus increasing RPF's interest bearing debt but reducing the effective interest rate on all outstanding debt by over 2% per annum; and
- Legal and consulting costs of $2m (2010: $0.3m) resulting largely from services relating to the SIA.

In December 2011, following completion of the receivership of Hedz Pty Ltd, a major tenant of the fund, RPF resumed the leasehold interest in 3 pubs previously leased to Hedz Pty Ltd, and the performance and financial position of these businesses is included within the financial statements.

	31-December 2011 $	30-June 2011 $
Net assets per stapled security	0.04	0.33

After balance date events

As noted previously, on 23 December 2011 RPF announced to the ASX that it had executed an SIA with an Investor Group led by Goldman Sachs which if implemented, will result in the Investor Group acquiring all of the existing RPF stapled securities at a price of $0.0259 per stapled security. Subsequent to balance date RPF gained the approval of ASIC and the Supreme Court of NSW to the Scheme Booklet to be sent to securityholders, and convened a securityholders meeting to be held on 30 March 2012 to consider and vote on the relevant resolutions.

Additionally, subsequent to balance date RPF resumed the leasehold interest in The Commercial Hotel, Mullumbimby, following completion of the receivership of Hedz Pty Ltd.

Half-Year Report for the six months ended 31 December 2011
Directors' report (continued)

Likely developments

A meeting of securityholders has been convened for 30 March 2012 to consider and vote on the resolutions to allow the implementation of the schemes noted previously. If the resolutions are passed, registered securityholders will each be paid an amount of $0.0259 for each security held.

If the SIA is not implemented, RPF's secured lenders will likely accelerate the repayment of their debt and take enforcement action, such as appointment of receivers to the assets and undertakings of RPF to conduct a sale of RPF's assets in order to recover all monies owed to them. In this event it is unlikely there would be any return to securityholders.

Distributions

To preserve capital, there will be no distributions for the half-year ended 31 December 2011. Distributions paid and payable to stapled security holders of RPF at 31 December 2011 were:

	31-Dec 2011 ¢ per security	31-Dec 2010 ¢ per security	31-Dec 2011 $'000	31-Dec 2010 $'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 is set out on page 4, and forms part of the directors' report for the half-year ended 31 December 2011.

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

David Grbin

Director

Sydney

Dated this 28th day of February 2012

KPMG

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 2011 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

28 February 2012

Half-Year Report for the six months ended 31 December 2011
Condensed consolidated statement of comprehensive income

	Note	31-December 2011 $'000	31-December 2010 $'000
REVENUE			
Rent from investment properties		31,730	34,243
Revenue from investment properties - straight-line lease adjustment		5,854	8,218
Revenue from outgoings recovered		3,913	2,647
Revenue from operations		1,501	-
Interest from cash deposits		254	350
Total revenue from operating activities		**43,252**	**45,458**
OPERATING EXPENSES			
Investment property outgoings and expenses		4,925	4,561
Stock purchases		573	-
Remuneration of Company's directors		315	217
Finance costs	4	44,788	44,140
Other expenses	6	4,514	1,631
Total expenses from operating activities		**55,115**	**50,549**
(Loss) from operating activities		**(11,863)**	**(5,091)**
Non operating income / (expenses)			
Fair value movement in investment properties	11	(12,404)	10,862
Impact of straight-line lease adjustment on fair value of investment properties		(5,854)	(8,218)
(Loss) on sale of investment properties		-	(588)
Change in fair value of derivative financial instruments	14	(15,820)	16,227
Total non operating (expenses) / income		**(34,078)**	**18,283**
(Loss) / Profit for the period		**(45,941)**	**13,192**
Other comprehensive income		-	-
Total comprehensive (loss) / income		**(45,941)**	**13,192**
(Loss) / Profit attributable to:			
Unitholders of the Trust (parent entity)		(45,952)	13,194
Shareholders of the Company (non-controlling interest)		11	(2)
(Loss) / Profit for the period		**(45,941)**	**13,192**
Total comprehensive (loss) / income attributable to:			
Unitholders of the Trust		(45,952)	13,194
Shareholders of the Company (non-controlling interest)		11	(2)
Total comprehensive (loss) / income for the period		**(45,941)**	**13,192**
		cents	cents
Basic and diluted earnings per security	3	(28.28)	8.12
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 2011
Condensed consolidated statement of financial position

	Note	31-December 2011 $'000	30-June 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	11,537	9,456
Trade and other receivables	8	8,845	9,562
Inventory	9	264	-
Other current assets		1,192	42
Assets held for sale	10	-	6,750
Total current assets		**21,838**	**25,810**
Non-current assets			
Property, plant and equipment	13	876	153
Investment property	11	662,763	670,910
Other non-current assets	12	70,666	66,539
Total non-current assets		**734,305**	**737,602**
TOTAL ASSETS		**756,143**	**763,412**
LIABILITIES			
Current liabilities			
Trade and other payables		3,994	2,453
Loans and borrowings	15	745,174	654,307
Derivative financial instruments	14	-	53,736
Total current liabilities		**749,167**	**710,496**
TOTAL LIABILITIES		**749,167**	**710,496**
NET ASSETS		**6,975**	**52,916**
EQUITY			
Contributed equity		461,513	461,513
Accumulated losses		(454,814)	(408,862)
Reserves		62	62
Equity attributable to parent		6,761	52,713
Non-controlling interest		214	203
TOTAL EQUITY		**6,975**	**52,916**
		$	**$**
Net assets per stapled security		0.04	0.33

The accompanying notes form part of these interim financial statements

Half-Year Report for the six months ended 31 December 2011
Condensed consolidated statement of changes in equity

	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Non-controlling Interest $'000	Total Equity $'000
Balance at 1 July 2011	461,513	(408,862)	62	203	52,916
Profit/(Loss) for the period	-	(45,952)	-	11	(45,941)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	(45,952)	-	11	(45,941)
Balance at 31 December 2011	**461,513**	**(454,814)**	**62**	**214**	**6,975**
Balance at 1 July 2010	461,513	(386,600)	62	210	75,185
Profit/(loss) for the period	-	13,194	-	(2)	13,192
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income / (loss) 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 2011
Condensed consolidated statement of cash flows

	Note	31-December 2011 $'000	31-December 2010 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		38,606	38,344
Receipts from operations (GST inclusive)		1,651	-
Payments to suppliers		(13,883)	(7,578)
Interest receipts – bank deposits		254	350
Interest paid		(19,954)	(21,242)
(Paid) / receipts from interest rate swaps		(3,469)	(7,503)
Net cash from operating activities		**3,205**	**2,371**
Cash flows from investing activities			
Payments for capital works on investment properties		(370)	(324)
Proceeds from disposal of investment properties		-	26,973
Payment for property, plant and equipment		(754)	(55)
Net cash from investing activities		**(1,124)**	**26,594**
Cash flows from financing activities			
Repayments of borrowings		-	(35,856)
Net cash from financing activities		**-**	**(35,856)**
Net increase/(decrease) in cash held		**2,081**	**(6,891)**
Cash and cash equivalents at the beginning of the period		9,456	18,970
Cash and cash equivalents at the end of the period	7	**11,537**	**12,079**

The accompanying notes form part of these interim financial statements

Half-Year Report for the six months ended 31 December 2011
Notes to the condensed consolidated financial statements

Contents of the notes to the condensed consolidated financial statements

Half-Year Report for the six months ended 31 December 2011
Notes to the condensed consolidated financial statements

1 Summary of significant accounting policies

(a) Reporting entity

The condensed consolidated financial report of Redcape Property Fund ("RPF") as at and for the six months ended 31 December 2011 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 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 constitution.

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

During the six months ended 31 December 2011 RPF agreed to resume the leasehold business of 3 hotels from its tenant Hedz Pty Ltd, under an agreement associated with the Hedz Pty Ltd deed of company arrangement entered into in July 2010. Accordingly, RPF's results for the half year ended 31 December 2011 include the results of trading for the 3 hotels.

(b) Statement of compliance

The condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting,* the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*. 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 as at and for the year ended 30 June 2011, 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 28 February 2012.

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.

(c) Basis of preparation - Going concern

The condensed consolidated 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 $45.9 million during the half-year ended 31 December 2011 and, as of that date, RPF's current liabilities exceeded its current assets by $727.3 million.

During the six months ended 31 December 2011 and until the date of this report, RPF was and is paying its debts as and when they become due and payable. 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, the succesful completion of the schemes to recapitalise RPF referred to below and a return to profitable operations. In this regard, the following should be noted.

RPF's senior and junior syndicated loan facilities were due for repayment on 31 October 2012. During the half-year ended 31 December 2011, a number of events occurred which have caused RPF to be in breach of certain requirements of its senior and junior syndicated facility agreements. These breaches are subsisting and cannot be remedied and, subject to the terms of those agreements, entitle the secured lenders to accelerate the repayment of all outstanding loan monies, enforce repayment and charge interest at penalty rates.

On 23 December 2011, RPF announced to the Australian Securities Exchange that it had executed an Implementation Agreement for Schemes and Recapitalisation ("SIA") with members of an Investor Group led by Goldman Sachs. Under the SIA, the Investor Group plans to:

- Acquire all of the existing RPF stapled securities at a price of 2.59 cents per stapled security;
- Purchase all of the RPF senior debt and junior debt;
- Convert a portion of this debt to equity in RPF and refinance the remaining portion with a new refinancing facility; and
- Contribute additional cash consideration to RPF in return for a further subscription of equity in RPF.

Half-Year Report for the six months ended 31 December 2011

Notes to the condensed consolidated financial statements

1 Summary of significant accounting policies (continued)

(c) Basis of preparation - Going concern (continued)

In order to facilitate implementation of the SIA, the secured lenders have agreed to forbear from taking any action against RPF in relation to repayment of the loans until May 2012 or until the SIA is terminated.

The agreement to recapitalise RPF is subject to various conditions precedent, including regulatory and Court approvals and approval from RPF's stapled security holders, At the date of this report, the necessary processes are progressing and the directors have reasonable grounds to believe that the succesful recapitalisation of RPF will occur prior to the May 2012 deadline agreed with the secured lenders.

However, should the SIA not be implemented, it is likely that the secured lenders would void the forbearance and continue with the acceleration of the repayment of their loans and take enforcement action such as appointment of a receiver to the assets and undertakings of RPF. In this case, it would be highly unlikely that RPF would be able to continue as a going concern and realise its assets and settle its liabilities in the ordinary course of business.

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.

(d) Significant accounting policies

The accounting policies applied by RPF in this condensed consolidated financial report are the same as those applied by RPF in its consolidated financial report as at and for the year ended 30 June 2011.

(e) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this consolidated financial report, the significant judgements made by management in applying RPF's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

2 Related party information

There has been no change to the nature of the related party transactions disclosed in the 2011 annual financial report.

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 note 6 amounted to $106,056 in the September 2011 quarter and $214,410 in December 2011 quarter.

An additional $135,000 has been accrued by the Responsible Entity in relation to the expense recoveries related to the SIA, at the date of this report.

	31-December 2011	31-December 2010
3 Earnings per stapled security		
Net profit / (loss) after tax attributable to stapled security holders	($45,940,584)	$13,191,772
Total stapled securities on issue at 31 December	162,452,601	162,452,601
Weighted average stapled securities - basic	162,452,601	162,452,601
Weighted average stapled securities - diluted	162,452,601	162,452,601
Basic and diluted earnings per security - cents	(28.28)	8.12

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

Half-Year Report for the six months ended 31 December 2011
Notes to the condensed consolidated financial statements

	Note	31-December 2011 $'000	31-December 2010 $'000
4 Finance costs			
(a) Finance costs – cash			
Senior Syndicated Facility Agreement ("SSFA") interest expense	(i)	19,954	21,192
Other interest expense		53	50
Net payments from interest rate swaps	(ii)	3,469	7,503
		23,476	**28,745**
(b) Finance costs – non-cash / deferred			
Junior Syndicated Facility Agreement ("JSFA") interest expense	(iii)	5,131	4,470
Senior Syndicated Facility Agreement ("SSFA") interest expense	(i)	8,320	7,829
Amortised costs – SSFA and JSFA	(iv)	4,541	3,096
Default penalty interest	(v)	3,320	-
		21,312	**15,395**
Total finance costs		**44,788**	**44,140**

(i) The SSFA interest rate was the monthly BBSY (Bank Bill Swap Bid Rate) plus 2.0% (2010: BBSY plus 2.0%). 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 period. As the fixed rates payable under the swap agreements were greater than the floating rate throughout the period monthly cash payments were made. The fixed interest rate swaps were closed on 31 October 2011 and converted to senior debt.

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

(iv) Costs of establishing the SSFA and JSFA were capitalised and are being amortised over the term of the facilities. This has been accelerated to March 2012.

(v) While an event of default subsists, an additional rate of 2% interest on unpaid amounts for the junior and senior loans is payable. An event of default occured on 6 October 2011.

5 Distributions

No distribution was proposed by the directors in respect of the half-year ended 31 December 2011. No dividend was paid or declared by the Company for the half-year ended 31 December 2011.

	Note	31-December 2011 $'000	31-December 2010 $'000
6 Other expenses			
Management expenses			
Personnel expenses		557	508
Depreciation		30	21
Consultancy		4	1
Other expenses		443	227
		1,034	757
Administrative expenses			
Legal fees		1,491	260
Consultancy		703	37
Responsible Entity fees		320	204
Company Directors' insurance		104	51
Travelling expenses		88	30
ASX listing fees		40	55
All other expenses		734	237
		3,480	874
		4,514	**1,631**

Half-Year Report for the six months ended 31 December 2011
Notes to the condensed consolidated financial statements

	Note	31-December 2011 $'000	30-June 2011 $'000
7 Cash and cash equivalents			
Interest reserve account		5,077	5,000
Cash at bank and on hand		6,460	4,456
		11,537	**9,456**

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	31-December 2011 $'000	30-June 2011 $'000
8 Trade and other receivables			
Trade receivables		3,815	3,529
Less allowance for impairment		-	(23)
Net trade receivables		3,815	3,506
Proceeds receivable from insurance claims		4,636	5,900
Other receivables		394	156
		8,845	**9,562**
9 Inventories			
Raw materials and consumables		264	-
		264	-

During the period ended 31 December 2011 raw material and consumables recognised as cost of sales amounted to $573,188 (2010: $Nil).

	Note	31-December 2011 $'000	30-June 2011 $'000
10 Assets held for sale			
Investment properties held for sale		-	6,750
		-	**6,750**
Movements			
Carrying amount at 1 July		6,750	
Transfer to investment property	11	(6,750)	
Carrying amount at 31 December		-	
11 Investment property			
Investment property at fair value		738,065	750,099
Straight - line lease adjustment	12	(70,666)	(66,539)
Investment properties held for sale		-	(6,750)
Proceeds receivable from insurance claims		(4,636)	(5,900)
		662,763	**670,910**

Half-Year Report for the six months ended 31 December 2011
Notes to the condensed consolidated financial statements

	Note	31-December 2011 $'000
11 Investment property (continued)		
Movements		
Carrying amount at 1 July 2011		670,910
Capital additions		370
Transfer from insurance receivable	8	1,264
Transfer from assets held for sale	10	6,750
Straight-line lease adjustment	12	(4,127)
Fair value movement		(12,404)
Carrying amount at 31 December 2011		**662,763**

Investment property

All investment properties are freehold, 100% owned by RPF and are comprised of land, buildings and fixed improvements. 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 are on average 12.5 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.

Fair value adjustments at 31 December 2011

In determining fair values for its investment properties, RPF's approach is to obtain independent valuations for one third of its property portfolio annually. The Directors of the Company and Directors of the Responsible Entity review the carrying values of the remaining properties after consideration of the results of the latest independent valuations, any recent developments on the property and market evidence available for similar properties.

However, a requirement of the new financing arrangements supporting the Implementation Agreement for Schemes and Recapitalisation (SIA) referred to previously was that independent valuations be obtained for all investment properties. Accordingly Redcape engaged CB Richard Ellis and Robertson and Robertson to provide valuations for all properties as at 31 December 2011. Those valuations have been adopted for valuation purposes in this interim financial report.

Yields applied in the valuations at 31 December 2011 fall within the following ranges for RPF's tenants:

	Dec-11	Jun-11
Coles	6.75% - 9.00%	6.75% - 9.00%
NLG	8.02% - 16.78%	7.72% - 12.89%
Hedz / Other	8.00% - 16.00%	8.25% - 15.17%

	31-December 2011 $'000	30-June 2011 $'000
12 Other non-current assets		
Rent receivables	**70,666**	**66,539**

Rent receivables represent the non-current portion of straight-line rental income receivable.

	Plant and equipment $'000	Computer hardware and software $'000	Fixtures and fittings $'000	Total $'000
13 Property, plant and equipment				
Cost				
Balance at 1 July 2011	33	183	9	225
Additions for the period	741	13	-	754
Balance at 31 December 2011	**774**	**196**	**9**	**979**
Depreciation and impairment losses				
Balance at 1 July 2011	7	61	4	72
Depreciation for the period [1]	2	28	1	31
Balance at 31 December 2011	**9**	**89**	**5**	**103**
Carrying amounts				
At 1 July 2011	26	121	5	153
At 31 December 2011	**765**	**107**	**4**	**876**

[1] $29,914 of depreciation expense is included as management expenses.

	31-December 2011 $'000	30-June 2011 $'000
14 Derivative financial instruments		
Derivative financial instruments - current liability	-	53,736
	-	**53,736**
Movements		
Interest rate swaps at fair value at 1 July 2011	53,736	
Fair value movement for the period	15,820	
Transfer to loans and borrowings	(69,556)	
Interest rate swaps at fair value at 31 December 2011	**-**	

Fixed interest rate swaps were closed out at 31 October 2011 and the balance added to the Senior Syndicated Facility Agreement loan attracting the same SSFA interest rate.

15 Loans and borrowings

Current		
Bank loans	695,335	616,108
Establishment fee deferred	12,000	12,000
Accrued Interest	37,839	26,199
Total bank loans	**745,174**	**654,307**
Bank loans consist of:		
Junior Syndicated Facility Agreement ("JSFA")	80,564	74,886
Senior Syndicated Facility Agreement ("SSFA")	664,610	579,421
	745,174	**654,307**
JSFA		
Junior Syndicated Facility Agreement ("JSFA")	79,865	74,734
Transaction costs capitalised	(1,738)	(1,738)
Amortisation of transaction costs	1,290	743
Establishment fee deferred	1,147	1,147
	80,564	**74,886**
SSFA		
Senior Syndicated Facility Agreement ("SSFA")	619,187	549,630
Transaction costs capitalised	(12,712)	(12,712)
Amortisation of transaction costs	9,443	5,451
Establishment fee deferred	10,853	10,853
Accrued Interest	37,839	26,199
	664,610	**579,421**

RPF's secured lenders have notified RPF of certain events of default under its finance agreements. These events of default are subsisting and cannot be remedied and, subject to the terms of the finance agreements entitle the secured lenders to accelerate the repayment of all outstanding monies, enforce repayment of the same and charge interest at penalty rates.

In order to facilitate implementation of the proposed SIA, the secured lenders have agreed to forebear from taking any action against RPF in relation to the events of default for a period until May 2012 or until the SIA is terminated.

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, 100% of RPF's liabilities (including the senior and junior loan facilities) were classified as current at 30 June 2011 and in the circumstances, continue to be classified as current as at 31 December 2011 as shown on the consolidated statement of financial position.

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

16 Contingent liabilities

As at 30 June 2011, RPF had a legal claim for $9.5 million (value of property) against it which relates to a contract for the disposal of a freehold pub, The Bristol Arms. This claim has since been settled with no material loss to RPF.

17 Segment information

The results and financial position of RPF's single operating segment are prepared for the CEO of the company 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.

18 Subesequent events

On 23 December 2011 RPF announced to the ASX that it had executed an SIA with an Investor Group led by Goldman Sachs which if implemented, will result in the Investor Group acquiring all of the existing RPF stapled securities at a price of $0.0259 per stapled security. Subsequent to balance date RPF gained the approval of ASIC and the Supreme Court of NSW to the Scheme Booklet to be sent to securityholders, and convened a securityholders meeting to be held on 30 March 2012 to consider and vote on the relevant resolutions.

Additionally, subsequent to balance date RPF resumed the leasehold interest in The Commercial Hotel, Mullumbimby, following completion of the receivership of Hedz Pty Ltd.

19 Fund information

Registered office and principal place of business of the Responsible Entity

The Trust Company (RE Services) Limited

Level 15

20 Bond Street

GPO Box 4270

Sydney NSW 2001

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 2011
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 17, 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 2011 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; attention is drawn to note 1(c) to the financial statements, which states that the ability of Redcape Property Fund to continue as a going concern is dependent on Redcape Property Fund's financiers continuing support and the successful implementation of the schemes to recapitalise Redcape Property Fund and a return to profitable operations

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

David Grbin

Director

Sydney

Dated this 28th day of February 2012

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, ("RPF") which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration. RPF 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 RPF's financial position as at 31 December 2011 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 RPF's financial position as at 31 December 2011 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*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 1(c) Going concern in the half-year financial report which indicates that RPF incurred a net loss of $45.9 million during the half-year ended 31 December 2011 and, as of that date, RPF's current liabilities exceeded its current assets by $727.3 million. The ability of RPF to continue as a going concern is dependent on RPF's financiers continuing support, the successful implementation of the schemes to recapitalise RPF and a return to profitable operations. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about RPF's ability to continue as a going concern and therefore, RPF may be unable to realise its assets and discharge its liabilities in the normal course of business.

KPMG

Graham Coonan

Partner

Cairns, 28 February 2012