Redcape Property Fund
ASX Appendix 4E—Full Year Report
For the year ended 30 June 2010

Stapling arrangement

RPF was established to facilitate a joint quotation of:

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

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Trust.

Details of reporting period

Current:	1 July 2009 to 30 June 2010

Results for announcement to the market

	2010 $'000	**2009 $'000**	**Variance**
Total revenue	101,851	107,623	(5.4%)
Underlying (loss) / profit from activities	(6,751)	8,213	(182.2%)
Net loss attributable to stapled security holders	(73,242)	(178,674)	59.0%
Net assets per security (including derivatives)	$0.37	$0.84	(55.9%)

- Total revenue was down primarily as a result of the divestment of 12 investment properties during the year, whilst fixed rent increases of between 3.75% and 4% were applied to all tenants.
- An underlying loss from activities of ($6.8 million) due mainly to higher interest rate margins incurred since 1 Jan 2010.
- A net loss of $73.2 million, including property and licences write downs of $47.4 million, a $15.8 million adjustment to the Interest Rate Swap position in accordance with AASB 139, and a cost of $6 million to close out Interest Rate Swap contracts;

The attached Annual Report contains further explanations of the results.

Distributions

	Amount per stapled security	**Franked amount per stapled security**
Total distribution	Nil	Nil

Directors have declared a nil final distribution for the year ended 30 June 2010.

This report is based on accounts which have been audited

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Redcape Property Fund
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 2010 RPF consisted of 79 pub freeholds and 13 other properties for a total of 92 properties, down from 104 at 30 June 2009. 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 14.5 years. RPF’s main expenses are interest paid on its borrowings and interest rate hedging instruments, and statutory outgoings relating to the investment property.

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 in-active 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 ("RPF" or "Redcape") it is our pleasure to provide the following report for the year ended 30 June 2010.

Key Financial Highlights for FY 2010

- Total revenue of $102 million;
- Operating cash flow of $11.9 million;
- Underlying loss from operations of $6.8 million;
- A net loss of $73.2 million, including property and licences write downs of $47.4 million, a $15.8 million adjustment to the Interest Rate Swap position in accordance with AASB 139, and a cost of $6 million to close out Interest Rate Swap contracts;
- Loans and borrowings of $697 million at 30 June 2010;
- No distribution was paid to stapled security holders during the year and a nil final distribution was declared;
- Redcape's interest rate exposure remains fully hedged by a series of interest rate swaps;
- Net Assets per stapled security of $0.83 cents including licences at their fair value and before accounting for interest rate swap deficiency, and $0.46 cents after including provisions for the interest rate swap deficiency;
- Senior Lender Loan to Valuation Ratio (LVR) of 77.1% (within bank covenant)

Overview

Throughout last financial year, Australia was one of the world's better performing economies. Unemployment was pleasingly low and consumer demand held at moderate levels. Nevertheless, Australia was and is not immune from the effects of worldwide economic uncertainty including concerns over the debt risk of several European economies. The flow on effects to Australia include the continuing tightness in credit markets resulting in elevated costs associated with corporate borrowing and higher interest rates.

These factors continue to influence the value of real estate, including commercial properties in Australia. The decline in pub values triggered in late 2007 by the Global Financial Crisis continues today, although it has moderated in recent months.

Redcape Property Fund continues to sell pubs in a measured and strategic way, and despite external factors it is pleasing that sales continue at prices typically above valuation. Interest in Redcape's freehold pubs has been high among pub operators and those who recognise value in the pub industry. Cash released from the sale of pubs is being applied to the reduction of bank debt.

Key business and operational highlights

a) **Business Operations**: Continuation of normal operations as pub owner and lessor;

b) **Asset Sales**: During the financial year, Redcape reduced its bank debt by $110.6 million as a result of the sale of 12 pubs, sale of its shareholding in the ALE Property Group and surplus cash from operations. In addition, $8.9 million proceeds of sale of a pub received on 30 June 2010 was applied to the reduction of debt immediately following year end;

c) **Bank Debt**: On 30 June 2010 Redcape signed contracts with its banking syndicate to refinance its bank debt until 31 October, 2012. The refinancing of the debt provides stapled security holders and potential investors with greater certainty. Further, the debt refinance provides Redcape with the opportunity to transform itself into a lower risk, more sustainable and profitable operation over the period to October 2012.

   The terms of the new loan facility include significant establishment fees, higher interest rate margins, a restriction on distributions to stapled security holders, and a requirement to significantly amortise the debt over the term of the loan.

   The higher loan margins payable by Redcape started on 1 January 2010. It should be noted however that although the expensed amount was properly accrued as at 30 June 2010, payment of a significant proportion of the loan margin is deferred until October 2012;

d) **Interest Rate Swap Contracts**: Prior to its ASX Listing in 2007 Redcape entered into a series of Interest Rate Swap Contracts. These contracts effectively "fixed" the interest rate Redcape pays on its loan facilities. In the year ended 30 June, 2010, the average interest rate paid as a consequence of these contracts was approximately 7.1%.

   Falls in variable interest rates over the last 18 months resulted in Redcape paying an average interest rate higher than the variable rate and as such, the mark-to-market value of the swap position is negative.

   A requirement of the bank syndicate prior to the extension of the loan facilities was that Redcape reduce its interest rate swap position to realign it with the outstanding loan balance over time, which has reduced as assets have been divested. As a result, Redcape closed out a portion of its swap position, with the payout cost of approximately $46 million being added to its loan balance.

   In relation to the balance of the swap contracts, directors have applied "mark-to-market" principles based on external advice. Consequently, a further provision of $15.8 million has been included in the financial statements;

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

Key business and operational highlights (continued)

e) **Property Valuations**: Completion of formal external valuations of approximately two thirds of the investment property portfolio in May and June 2010. The remainder of the properties were valued by directors using the same criteria as the external valuers. Consequently, the value of investment properties has been written down by a further $42.6 million, and the value of licences written down by $4.7 million;

f) **Internal Management**: Effective 1 July 2009, Redcape established internal management by terminating the previous management agreements with an external party, and incorporating Redcape Services Pty Limited, a new company and a wholly owned subsidiary of Redcape Property Fund Limited to act as the manager. The management services provided are governed by service agreements between the manager, the Responsible Entity for the Trust (The Trust Company (RE Services) Limited), and Redcape Property Fund Limited (the "Company"). Following the establishment of internal management, the operations and registered offices of Redcape were relocated to Melbourne;

g) **Name Change**: Following a resolution of stapled security holders at the 2009 Annual General Meeting (November 2009), the name of the Company changed from Hedley Leisure & Gaming Property Partners Limited to Redcape Property Fund Limited. The name of the Trust changed to Redcape Property Trust. (ASX code RPF);

h) **Tenant Receivership**: Throughout FY 2010 Redcape management endeavoured to resolve issues arising from the receivership of one of its key tenants, Hedz Pty Ltd, which was placed in administration and receivership in mid 2009. All rent and outgoings due from Hedz Pty Ltd during the year were received in accordance with the leases. Various agreements and arrangements made recently with the receivers for Hedz Pty Ltd will improve the ability of Redcape to deal with the Hedz properties and ensure the continuity of cash flows from the Hedz pubs involved.

Outlook

It is expected that for the year ending 30 June 2011, RPF will:

a) Continue to meet normal operational targets. It is emphasised that at the operating level Redcape continues to perform largely in line with Prospectus forecasts in 2007 after adjusting for asset sales and purchases in the intervening period. Redcape's negative result for 2010 stems from falling pub values (resulting in the ratio of Bank debt to asset values being too high in the current environment) and high borrowing costs;

b) Satisfy all bank covenants;

c) Reduce debt in accordance with the loan amortisation requirements by the measured sale of pub properties. In this regard, it is noted that management receives regular enquiries from interested parties at prices at or exceeding book value.

Annual General Meeting

RPF will hold its Annual General Meeting in Melbourne on 25 November 2010.

COLIN HENSON
Executive Chairman
Redcape Property Fund Limited

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

Redcape Property Fund
Key Financial Data

	30-June-2010	30-June-2009
ASX closing price	$0.175	$0.25
Total stapled securities on issue	162.5 million	157.0 million
Distributions (cents per stapled security)	nil	4.0
Annualised yield on ASX closing price	n/a	16%
Tax deferred percentage	100%	100%
Total value of investment property portfolio (incl. licences at cost) [1]	$797.9 million	$943.1 million
Total value of investment property portfolio (incl. licences at fair value) [1]	$813.2 million	$962.4 million
Cash, receivables and other assets	$20.7 million	$12.2 million
Total assets	$818.8 million	$962.3 million
Total liabilities to total assets ratio	92.6%	86.3%
Remaining average lease duration of property portfolio	14.4 years	15.8 years
Management expense as percentage of total assets	0.24%	0.33%
Underlying (loss) / profit from operations	($6.8) million	$8.2 million
Operating cashflow	$11.9 million	$16.9 million
Net cashflow	$8.7 million	($0.6) million
Net (loss) for year	($73.2) million	($178.7) million
Net assets per stapled security (incl. licences at cost)	$0.37	$0.84
Net assets per stapled security (incl. licences at fair value)	$0.46	$0.96
Net assets per stapled security (incl. licences at fair value) before provision for swap liability	$0.83	$1.33

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

Redcape Property Fund
Property Portfolio

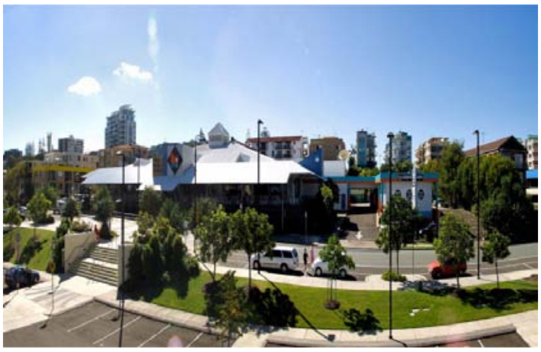
Key statistics	30 June 2010	30 June 2009
Total pub and bottleshop freehold assets	$813 million	$962 million
Number of properties		
- Freehold pubs	79	91
- Freehold bottleshops	12	12
- Pub development sites	1	1
Total	92	104
Primary tenants	Coles, NLG, Hedz	Coles, NLG, Hedz
Number of gaming licences	2,151	2,423
Weighted average lease term	14.4 years	15.8 years

Tenant	Number of pubs and bottleshops	Location	% of rent contribution
Wesfarmers (Coles)	56	QLD, SA	49.0%
National Leisure & Gaming	24	QLD, NSW	39.6%
Hedz	11	QLD, NSW, SA, Vic	11.1%
Other	1	NSW	0.3%

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
Kirra Beach Hotel, Kirra Beach
Kooyong Hotel, North Mackay
Leichhardt Hotel, Rockhampton
Lord Stanley Hotel, East Brisbane
Mansfield Hotel, Townsville
Mi Hi Tavern, Brassal
Mountain Creek Tavern, Mountain Creek
Palm Cove Tavern, Palm Cove
Regatta Hotel, Toowong
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
Yorkeys Knob 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.



Kings Beach Hotel is located opposite the picturesque Kings Beach on the Sunshine Coast. The venue offers a large bistro, public and lounge bar, gaming room (40 machines), large veranda with ocean views, and a bottle shop with drive-thru.

Dunwoody Tavern is located in a high profile position on Sheridan Street (major arterial) in Cairns. The venue has a large indoor and outdoor bistro, two bars, 40 gaming machines and a large retail bottle shop with drive-thru.

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
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.

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
Kincumber Hotel, Kincumber
Lakeview Hotel, Oak Flats
Leumeah Club Hotel, Leumeah
Livingstone Hotel, Petersham
Moonee Beach Tavern, Moonee Beach
Mount Annan Club Hotel, Mount Annan
Ocean Shores Tavern, Ocean Shores
Port Macquarie Hotel, Port Macquarie
Prospect Hotel, Prospect
Revesby Pacific Hotel, Revesby
Royal Hotel, Granville
St Marys Hotel, St Marys
Tacking Point Tavern, Port Macquarie
Town Green 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.

Royal Hotel Granville is located in the heart of the Granville shopping precinct, approximately 20 kilometres west of Sydney's CBD. A three level heritage listed building, it opened as a hotel in circa 1880. The venue offers a public bar, 28 gaming machines, alfresco gaming area, beer garden and other amenities.

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 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 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

Effective from 1 July 2009, RPF terminated the service agreements with HLG Management Pty Ltd and established internal management within RPF with a wholly owned subsidiary of the Company, namely, Redcape Services Pty Limited (Manager) which provides management services under a services agreement between the Manager and the Responsible Entity.

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 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), Nerolie Withnall and Greg Kern, are the Investment Committee for RPF. The Investment Committee reviews the Manager's proposals for compliance with the law, the Trust Deed and Company Constitution, RPF's investment criteria, the service 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 Australian Securities Exchange (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;
- management of the Responsible Entity reporting compliance matters relating to the Trust, the the Responsible Entity board and to the Audit, Risk and Compliance Committee;
- The Trust Company Limited, as the parent of The Trust Company (RE Services) Limited, providing executive directors (currently four) 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 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 four directors, two 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 Company Chairman will not be unreasonably withheld if required. Where appropriate, directors share such advice with other directors.

At present, The Trust Company Limited, as the parent of The Trust Company (RE Services) Limited, provides executive directors (currently four) 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.

Redcape Property Fund
Corporate Governance (continued)

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 the Responsible Entity board if necessary.

To enhance management accountability, any written confirmation 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 two 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 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 which was later changed to RPF.

1. Directors and officers

The Responsible Entity and the Company each entered into separate, but materially similar, services agreements with HLG Management Pty Limited 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).

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. The Manager is also responsible for pursuing all acquisitions and any 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 at any time during the year ended 30 June 2010. Unless otherwise stated the directors have held their position for the whole of this period:

John Atkin	
Michael Britton	
Vicki Allen	
David Grbin	
Sally Ascroft	Alternate Director (for David Grbin) for the period 24 June 2010 to 1 August 2010

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

1. Directors and officers (continued)

Board of Directors of the Company and Members of the Investment Committee of RPF

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

Executive Chairman

Mr Henson's career exceeds 35 years in senior corporate positions with most of the last 20 years in fixed term company reconstruction roles. He has been involved 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 and Non-Executive Chairman of BHA Holdings Pty Ltd.

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

Nerolie Withnall BA, LLB, FAICD

Non-Executive Director

Ms Withnall is a director of Campbell Brothers Group, PanAust Limited, Computershare Limited and Alchemia Limited (all listed on the ASX).

In addition Ms Withnall was previously deputy president of the Takeovers Panel, a member of the Senate of the University of Queensland and of the Corporations and Markets Advisory Committee.

Ms Withnall was appointed as a director of Redcape Property Fund Limited on 25 June 2007.

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.

Peter Armstrong MBA, Dip. Mgmt Studies, MAICD

Executive 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 director of Redcape Property Fund Limited on 5 February 2009.

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

David Charles, BEc, CA — Appointed 1 April 2009

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 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.

Company Secretary

Russell Daly — Company Secretary, Redcape Property Fund Limited — Appointed 3 April 2007

Mr Russell Daly is a CPA and a senior manager at the Kern Consulting Group, Cairns.

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	13	13
Nerolie Withnall	13	13
Greg Kern	13	13
Peter Armstrong	13	13

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 2010.

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

On 30 June 2010 RPF completed the refinancing of its bank loan facilities, extending them until October 2012. Consequently, the new facility effectively cleared all subsisting loan defaults caused by events reported in the 2009 annual report. The terms of the new loan facility include significant establishment fees, higher interest rate margins, a restriction on distributions to stapled security holders and a requirement to significantly amortise the debt over the term of the loan. The higher loan margins payable by Redcape commenced on 1 January 2010, and it should be noted that payment of a significant proportion of the new loan margin is deferred until October 2012. The restriction on distributions is such that it is not expected that any distributions will be made during the term of the new facility.

Prior to its ASX Listing in 2007 Redcape entered into a series of Interest Rate Swap Contracts. These contracts effectively "fixed" the interest rate Redcape pays on its loan facilities. In the year ended 30 June, 2010, the average interest rate paid as a consequence of these contracts was approximately 7.1%.

Falls in variable interest rates over the last 18 months resulted in Redcape paying an average interest rate higher than the variable rate and as such, the mark-to-market value of the swap position is negative.

A requirement of the bank syndicate prior to the refinancing of the loan facilities was that Redcape reduce its interest rate swap position to realign it with the outstanding loan balance over time, which has reduced as assets have been divested. As a result, Redcape closed out a portion of its swap position, with the payout cost of approximately $46 million being added to its loan balance.

During the financial year, Redcape reduced its bank debt by $110.6 million as a result of the sale of 12 pubs, sale of its shareholding in the ALE Property Group and surplus cash from operations. In addition, $8.9 million proceeds of sale of a pub which settled on 30 June 2010 was applied to the reduction of debt immediately following year end.

3. Significant changes in state of affairs (continued)

The value of RPF's investment properties and licences was impaired by $47.4 million, and the fair value cost of the the Fund's remaining fixed interest rate swap position increased by $15.8 million.

The investment property and licences impairment, and the fair value reduction in the interest rate swap position are both non-cash adjustments, however are made in accordance with Accounting Standards and the *Corporations Act 2001* , and reflect changes to the value of these items as at 30 June 2010.

4. After balance date events

Proceeds of $8.9 million from the sale of a pub which settled on 30 June 2010 were applied to the reduction of debt immediately following year end. Sale contracts for two properties classified as held for sale in the financial statements were exchanged following year end, being Wattle Grove Hotel ($8.6 million) and Mountain Creek Hotel ($7.25 million).

5. 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 will also ensure that RPF meets the debt amortisation requirements in its loan agreements.

In accordance with RPF's lease agreements for its investment properties RPF will receive fixed rate rental increases from its tenants. The directors are not aware of any other future developments likely to materially affect the results of RPF.

6. Distributions

For the year ended 30 June 2010, RPF made the following distributions:

	Cents per security	$'000
Full year distribution declared	Nil	Nil
Total distribution for the year ended 30 June 2010	Nil	Nil

7. Review and results of operations

Financial year 2010 saw some significant events and challenges for RPF in addition to the normal operations of investing in pub freehold properties, collecting rent from its tenants and paying interest on its bank loans.

Throughout financial year 2010, RPF negotiated the refinancing of its loan facilities with its bank syndicate. Formal documents refinancing the loans until October 2012 were executed on 30 June 2010, providing security holders and potential investors greater certainty about the future viability of Redcape. The debt refinancing provides RPF with the opportunity to transform itself into a lower-risk, more streamlined and profitable operation over the term of the new facility.

In addition, throughout the 2010 financial year Redcape management endeavoured to resolve issues arising from the receivership of one of its key tenants, Hedz Pty Ltd, which was placed in administration and receivership in July 2009. Various agreements and arrangements have been recently entered with the receivers for Hedz Pty Ltd which will improve the ability of Redcape to deal with the Hedz properties and ensure the continuity of cash flows from the Hedz pubs involved. All rent and outgoings due from Hedz Pty Ltd during the year were received in accordance with the leases.

There was significant movement in the property portfolio of RPF during the year, with the divestment of 12 properties for a total of $102.5 million, 7.6% above June 2009 book values. Following external valuations of approximately two thirds of the investment property portfolio in May and June 2010, and Directors valuations on the remaining one third of properties, the value of investment properties has been written down by $42.6 million, and the value of licences written down by $4.8 million.

Debt reduction was a major focus throughout financial year 2010. Bank debt was reduced by $110.6 million as a result of the sale of 12 pubs, sale of its shareholding in the ALE Property Group and surplus cash from operations. In addition, $8.9 million proceeds of sale of a pub received on 30 June 2010 was applied to the reduction of debt immediately following year end.

Following the establishment of internal management within the Fund in July 2009, management costs incurred during the year were $1.9 million compared to approximately $3.3 million which would have been payable under the previous management agreement.

7. Review and results of operations (continued)

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

	2010 $'000	2009 $'000
Rent and outgoings from investment property	79,040	79,724
Other income (including straight-line lease adjustment)	22,811	27,899
Total income	101,851	107,623
Finance costs	73,851	58,796
Management expenses	1,944	3,159
Fair value write-down of investment properties	42,610	73,116
Realised loss on swap closeout	6,016	-
Reduction in fair value of derivative financial instruments	15,854	86,212
Gain / (loss) on sale of investment properties and licences	(2,888)	1,101
Loss on sale of ALE securities	129	-
Impairment of assets (licences)	4,771	26,458
Other costs (including outgoings and straight-line lease adjustment)	32,807	37,455
Total costs	175,094	286,297
Net (loss)	(73,243)	(178,674)
Add back		
Fair value write-down of investment properties	42,610	73,116
Impairment of assets (licences)	4,771	26,458
Reduction in fair value of derivative financial instruments	15,854	86,212
Realised loss on swap closeout	6,016	-
(Gain) / loss on sale of investment properties and licences	(2,888)	1,101
Loss on sale of ALE securities	129	-
Underlying (loss) / profit from operations	(6,751)	8,213

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 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 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 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

On 1 July 2009 the Fund established internal management with the creation of 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. Remuneration report (continued)

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 $400,000 per annum effective 1 January 2010 (2009: $250,000), 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	330,391

The Responsible Entity did not hold any stapled securities in RPF at any time during or since the end of the financial year.

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 Trust paid a premium of $40,586 (2009: $54,625) to insure the directors and 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.

Michael John Britton

Director (The Trust Company (RE Services) Limited)

Dated this the 27th day of August 2010

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 2010 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
27 August 2010

Redcape Property Fund
Financial Statements

Redcape Property Fund
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
REVENUE			
Rent from investment properties		72,995	74,519
Revenue from straight – line lease adjustment		21,196	26,682
Outgoings recovered		6,045	5,205
Sundry income		913	-
Distributions	3	387	968
Interest from cash deposits		315	249
Total revenue from operating activities		101,851	107,623
OPERATING EXPENSES			
Investment property outgoings and expenses		8,644	7,107
Management expenses	4	1,944	3,159
Directors' remuneration	29	499	389
Finance costs	5	73,851	58,796
Other property acquisition costs		-	123
Other expenses	6	2,491	3,131
Total expenses from operating activities		87,429	72,705
Profit from operating activities		14,422	34,918
Non operating expense / (income)			
Fair value write-down of investment properties	15	42,610	73,116
Impact of straight-line lease adjustment on fair value of investment properties	15	21,196	26,682
Change in fair value of derivative financial instruments		15,854	86,212
Realised loss on swap closeout		6,016	-
(Gain) / loss on sale of investment properties and licences	7	(2,888)	1,101
Impairment of assets	8	4,771	26,458
Loss on sale of ALE securities		129	-
Total non operating expense / (income)		87,688	213,569
Loss before income tax		(73,266)	(178,651)
Income tax benefit / (expense)	9	24	(23)
Loss for the period		(73,242)	(178,674)
Other comprehensive income		-	-
Total comprehensive (loss) / income		(73,242)	(178,674)
Loss attributable to:-			
Unit holders of the Trust		(73,364)	(178,456)
Shareholders of the Company (non controlling interest)		122	(218)
Loss for the period		(73,242)	(178,674)

		cents	cents
Basic and diluted loss per security	10	(45.52)	(118.12)
Distribution paid or payable per security		0.00	4.00

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 2010

	Note	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	18,970	10,258
Trade and other receivables	12	1,575	1,853
Other current assets		152	40
Assets held for sale	13	99,658	-
Total current assets		120,355	12,151
Non-current assets			
Property, plant and equipment	14	137	-
Investment property	15	552,762	743,494
Other non-current assets	16	53,652	65,437
Intangible assets	17	91,846	134,143
Other investments	18	-	7,100
Total non-current assets		698,397	950,174
TOTAL ASSETS		818,752	962,325
LIABILITIES			
Current liabilities			
Trade and other payables	19	4,435	5,609
Current tax payables		-	23
Loans and borrowings	21	92,146	740,752
Derivative financial instruments	22	12,996	84,395
Total current liabilities		109,577	830,779
Non-current liabilities			
Trade and other payables	19	11,083	-
Loans and borrowings	21	591,108	-
Derivative financial instruments	22	47,130	-
Total non-current liabilities		649,321	-
TOTAL LIABILITIES		758,898	830,779
NET ASSETS		59,854	131,546
EQUITY			
Contributed equity	23	461,513	459,965
(Deficiency) / undistributed earnings		(401,931)	(328,567)
Reserves	24	62	62
Non controlling interest		210	86
TOTAL EQUITY		59,854	131,546
		$	$
Net assets per stapled security		0.37	0.84

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 2010

	Note	Contributed Equity $'000	Undistributed Earnings $'000	Reserves $'000	Non Controlling Interest $'000	Total $'000
Balance at 1 July 2009		459,965	(328,567)	62	86	131,546
Total comprehensive (loss) for the year		-	(73,364)	-	122	(73,242)
Stapled securities issued during the year	23	1,554	-	-	2	1,556
Capital raising costs recognised directly against capital raised	23	(6)	-	-	-	(6)
Balance at 30 June 2010		461,513	(401,931)	62	210	59,854
Balance at 1 July 2008		450,231	(144,006)	62	290	306,577
Total comprehensive (loss) for the year		-	(178,456)	-	(218)	(178,674)
Distributions paid or payable	20	-	(6,105)	-	-	(6,105)
Adjustments to founder's securities cost base	23	(468)	-	-	-	(468)
Stapled securities issued during the year	23	10,226	-	-	14	10,240
Capital raising costs recognised directly against capital raised	23	(24)	-	-	-	(24)
Balance at 30 June 2009		459,965	(328,567)	62	86	131,546

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

Redcape Property Fund
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		87,555	85,071
Payments to suppliers		(23,896)	(16,261)
ALE Property Group distributions		315	3,888
Interest receipts - bank deposits		387	249
Interest paid		(29,770)	(58,528)
(Paid) / receipts from interest rate swaps		(22,716)	2,493
Net cash from operating activities	31	11,875	16,912
Cash flows from investing activities			
Payments for investment properties		-	(825)
Proceeds from disposal of investment properties		79,983	11,663
Proceeds from disposal of licences		20,681	1,612
Payment for property, plant and equipment		(160)	-
Payment for investment property refurbishments		-	(553)
Payment for contract terminations		-	(4,080)
Proceeds from disposal of development deed properties		-	1,701
Payment of development deed properties to developer		-	(1,701)
Unauthorised payment to Previous Manager	29(b)	-	(1,144)
Proceeds from unauthorised payment	29(b)	-	1,144
Proceeds from disposal of investment in ALE stapled securities		6,971	-
Net cash from investing activities		107,475	7,817
Cash flows from financing activities			
Payment of distribution		-	(15,728)
Proceeds from borrowings		-	277
Repayment of borrowings		(110,638)	(9,882)
Net cash from financing activities		(110,638)	(25,333)
Net increase/(decrease) in cash held		8,712	(604)
Cash and cash equivalents at the beginning of the year		10,258	10,862
Cash and cash equivalents at the end of the year	11	18,970	10,258

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

Redcape Property Fund
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

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 2010 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.

b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) 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 27 August 2010.

(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

As at 30 June 2009, RPF was in breach of certain financial covenants and conditions in respect of its debt facilities. These breaches resulted in the bank syndicates having the right to require immediate repayment of the entire outstanding debt which would also result in the need to close out interest rate swaps. Accordingly, all amounts owing at 30 June 2009 under the debt facilities and the interest rate swaps were classified as current liabilities at that date in RPF's annual report for the year ended 30 June 2009. In that report, it was also noted that (a) although the bank syndicates did not proceed to exercise their rights under the loan agreements in this regard, they did not waive the breaches, and (b) RPF was dependent upon the ongoing support of the bank syndicates and without this support, it would be unlikely that RPF would continue as a going concern.

On 30 June 2010, RPF refinanced its debt facilities and accordingly was no longer in breach of any banking financial covenants or conditions as at that date. The terms and conditions of the new finance facilities which are in place until 31 October 2012 involve a higher interest cost, restrictions on distributions and significant debt reduction requirements. They also require that RPF meets ongoing financial covenants and conditions which if not met may cause breaches and/or review events. RPF management is confident that RPF 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, management is also well aware that the ability of RPF to continue to meet certain of the banking 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 banking financial covenants and/or conditions.

(iii) Functional 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.

Note 1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

(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 15 - investment property, note 17 - intangible assets and note 30 - financial instruments.

(vi) Change in accounting policy

Starting as of 1 July 2009, RPF has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements.

d) Basis of consolidation

(i) Business combinations

Change in accounting policy

RPF has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per security.

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. The acquisition date is the date on which control is transferred to the acquirer. 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) Manager's fees

From 1 July 2009 an internal management structure was established. Prior to this, management services were provided to RPF by an external manager. Fees paid to the previous external manager were calculated and accrued on a monthly basis. This liability was then satisfied by the issue of RPF stapled securities.

(g) 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 it relates 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)

(g) 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.

(h) Financial Instruments

(i) Non-derivative financial instruments

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, cash and cash equivalents 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 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)

(h) 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.

(i) 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 (see below). 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) Change in accounting policy

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, RPF capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously RPF immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of AASB 123 *Borrowing Costs* (2007). In accordance with the transitional provisions of that standard, comparative figures have not been restated. The change in accounting policy had no material impact on earnings per security.

(iii) 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.

(iv) 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. Land is not depreciated.

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)

(j) 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 15 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 to ensure that its carrying value does not significantly differ from its fair value at reporting date. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

(k) Intangible assets

Liquor and gaming licences are intangible assets with an indefinite useful life and are stated at cost less any impairment losses. Intangible assets with an indefinite useful life are reviewed annually for any indications of impairment and impairment losses are accounted for in accordance with accounting policy 1(l).

(l) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of RPF'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. For intangible assets that have indefinite lives or that are not yet ready for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre - tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets 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 groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note 1 Summary of significant accounting policies (continued)

(m) 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 measured in accordance with RPF's accounting policies. Thereafter generally the assets are measured at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on measurement are recognised in profit or loss.

(n) Finance income and finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and the amortised portion of capitalised debt issue costs.

(o) 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.

(p) 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.

(q) 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.

Note 1 - Summary of significant accounting policies (continued)

(r) Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 RPF determines and presents operating segments based on the information that internally is provided to the CEO, who is the chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. Under the revised policy and under the previous policy regarding segment reporting, RPF continues to operate in one segment. Accordingly, there is no impact on earnings per security.

(s) Presentation of financial statements

RPF applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, RPF presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per security.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for RPF's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. RPF has not yet determined the potential effect of the standard.

AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party (and provides a partial exemption from the disclosure requirements for government-related entities). The amendments, which will become mandatory for RPF's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for RPF's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for RPF's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for RPF's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for RPF's 30 June 2011 financial statements, with retrospective application required. RPF has not yet determined the potential effect of the interpretation.

Note 2 Financial risk management

The Trust and RPF have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Trust's and RPF's exposure to each of the above risks, their 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 the Trust 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 Trust's and RPF's activities.

The Investment Committee and the Audit, Risk and Compliance Committee oversee how the Manager monitors compliance with the Trust'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 Trust and 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 and investment securities. For the Trust, additionally it arises from receivables due from subsidiaries.

Rental and outgoing receivables

The Trust's and 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 99% of RPF's rental revenue is attributable to RPF's three main tenants. 10% of that rental revenue is from Hedz Pty Ltd, which had receivers and managers appointed on 1 July 2009. The remaining 89% of RPF's rental revenue relates to its top two tenants Coles (49%) and NLG (40%).

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.

On 1 July 2009, administrators and receivers were appointed to Hedz Pty Ltd, one of RPF's tenants. The receiver/administrator of Hedz Pty Ltd is operating 11 hotels currently leased by RPF to Hedz Pty Ltd and associated retail outlets. This rent equates to approximately 10% of RPF's total rent receivable. During financial year 2010 all rent and outgoings due from Hedz Pty Ltd was received in accordance with the leases, and RPF has agreed a Deed of Company Arrangement with Hedz with respect to the properties leased to Hedz Pty Ltd, which will see the Hedz business emerge from receivership, and mitigate the credit risk to RPF.

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 21).

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.

RPF adopts a policy of ensuring that 100 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 $680 million (2009: $760 million) while interest bearing liabilities amounted to $697 million as at 30 June 2010 (2009: $745 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.

As indicated above, 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.

	2010 $'000	2009 $'000
Note 3 Distributions received or receivable		
Distributions from publicly traded entities	387	968
	387	968

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 Management expenses

Until 30 June 2009, the Manager was HLG Management Pty Ltd as trustee for HLG Services Trust (the "Previous Manager"), a wholly owned subsidiary of TWH (Qld) Pty Ltd.

Effective from 1 July 2009, RPF terminated the management services agreement with HLG Management Pty Ltd for consideration of $1 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. The Previous Manager provided transitional services during July 2009.

A base fee equal to the Manager's operational cost per annum (exclusive of GST) is calculated monthly and charged to Redcape Property Trust. Management fees paid to the Previous Manager were based on 0.3% per annum (exclusive of GST) of the gross value of RPF's assets.

	2010 $'000	2009 $'000
Management expenses	1,944	3,159
	1,944	3,159

	Note	2010 $'000	2009 $'000
Note 5 Finance costs			
(a) Finance costs — cash			
Senior Debenture Subscription Facility ("SDSF") interest expense	(i)	29,770	39,985
Other interest expense		22	91
Net payments from interest rate swaps	(ii)	22,716	11,533
		52,508	51,609
(b) Finance costs — non-cash			
Junior Debenture Subscription Facility ("JDSF") interest expense	(iii)	5,529	4,361
Deferred interest	(iv)	11,083	-
Amortised costs – SSFA and JSFA	(v)	4,731	3,423
Net present value adjustment – prepaid interest rate swap interest		-	(953)
Other borrowing costs		-	356
		21,343	7,187
Total finance costs		73,851	58,796

(i) Variable rate interest expense for the SDSF issued in August 2007 which terminated on 30 June 2010. The interest rate was the monthly BBSY (Bank Bill Swap Bid Rate) plus 0.8% interest margin.

(ii) RPF's interest rate exposures from SSFA and JSFA borrowings totalling $697 million as at 30 June 2010 are 100% hedged by fixed interest rate swaps. The swaps lock the interest rate on debt facilities taken out by RPF at a weighted average rate of 6.85% excluding interest margins for the 2010 financial year.

(iii) Variable rate interest expense for the JDSF issued in August 2007 which terminated on 30 June 2010. The interest rate was the monthly BBSY plus 1.5% interest margin. It also includes an additional payment in kind ("PIK") interest charged for the JSFA for the period January 2010 to June 2010 at a rate of 6.9% per annum on the outstanding principal.

(iv) Additional payment in kind ("PIK") interest charged for the SSFA for the period January 2010 to June 2010 at a rate of 2.5% per annum on the outstanding principal amount.

(v) Establishment costs of the previous SDSF and JDSF facilities have being fully amortised as at 30 June 2010.

	2010 $'000	2009 $'000
Note 6 Other expenses		
Auditor's remuneration	403	216
Legal costs	1,068	296
Rent	13	17
Travelling expenses	67	34
Consultancy fees	746	713
Responsible Entity fees	330	257
Directors' insurance	82	54
ASX listing fees	95	123
Net gain on leasehold operations	(201)	-
Stamp duty	-	596
(Bad debts recovered) / allowance for doubtful debts	(339)	433
Depreciation	1	-
All other expenses	226	392
	2,491	3,131

Note 6 Other expenses (continued)

	2010	2009
	$	$
Auditor's remuneration		
KPMG		
- Audit and review of financial reports	369,996	184,619
- Other assurance services	12,500	16,350
- Other services	20,221	12,850
	402,717	213,819
Other auditors		
Moore Stephens		
- Other assurance services	-	1,800
	-	1,800

	2010	2009
	$'000	$'000
Note 7 (Gain) /loss on disposal of investment properties and licences		
1 Reservoir Road, Manoora	-	54
213 Sheridan Street, Cairns	-	237
59 Bowen Road, Rosslea	-	36
Finnian's Irish Tavern	-	80
Taranganba Tavern	-	654
Chincogan Hotel	-	40
Royal (Ryde) Hotel	(337)	-
Canterbury Club Hotel	(1,154)	-
Bridgeview Tavern	(2,275)	-
Heritage Hotel	246	-
Kooringal Hotel	125	-
Cedars Tavern	181	-
Cabramatta Club Hotel	326	-
Lidcombe Hotel	131	-
Plantation Hotel	106	-
Barrier Reef Hotel	(388)	-
Bushland Beach Hotel	8	-
The Aussie Inn	143	-
	(2,888)	1,101

	Note	2010 $'000	2009 $'000
Note 8 Impairment of assets			
(a) Available for sale assets			
ALE stapled securities		-	2,421
(b) Non –current assets			
Gaming machine licences	17	4,771	19,528
Related party receivables	29,30	-	4,509
		4,771	26,458
Note 9 Income tax (benefit) / expense			
(a) The components of income tax expense comprise			
(Over) / under provision of prior year tax expense		(24)	23
		(24)	23
(b) Prima facie tax on profit from ordinary activities			
Loss from continuing operations before income tax		(73,242)	(178,651)
Tax at the Australian tax rate of 30%		(21,973)	(53,595)
Add: tax effect of			
Non-deductible expenses		23,037	53,541
Deferred tax (liability) / asset not yet recognised		1	84
Non assessable income		(1,089)	(7)
		(24)	23

	2010	2009	EARNINGS PER SECURITY 2010 cents	EARNINGS PER SECURITY 2009 cents
Note 10 Earnings per stapled security				
Net loss after tax attributable to stapled security holders	$ (73,241,842)	$ (178,674,000)		
Total stapled securities on issue at year end	162,452,601	157,031,854		
Weighted average stapled securities - basic	160,908,059	151,260,201	(45.52)	(118.12)
Weighted average stapled securities - diluted	160,908,059	151,260,201	(45.52)	(118.12)

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

	2010 $'000	2009 $'000
Note 11 Cash and cash equivalents		
Cash at bank and on hand	13,970	5,258
Interest reserve account	5,000	5,000
	18,970	10,258

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.

Redcape Property Fund
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Note 12 Trade and other receivables			
Trade receivables		1,374	1,473
Less: Allowance for impairment		-	(433)
Net trade receivables		1,374	1,040
Other receivables		201	813
		1,575	1,853
Note 13 Non-current assets held for sale			
Investment properties and licences held for sale		99,658	-
		99,658	-
Movements			
Carrying amount at the beginning of the year		-	15,918
Additions		-	500
Transfer to investment property	15	-	(2,588)
Transfer to intangibles/licences	17	-	(829)
Disposals		-	(13,001)
Transfer from investment property	15	82,812	-
Transfer from intangibles/licences	17	16,846	-
Carrying amount at the end of the year		99,658	-

At 30 June 2010, 11 hotels including their respective liquor and gaming licences were being actively marketed for sale.

	Plant and equipment $'000	Computer hardware and software $'000	Fixtures and fittings $'000	Total $'000
Note 14 Property, plant and equipment				
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
	30	99	8	137

[1] $22,275 of depreciation expense is included as management expenses.

	Note	2010 $'000	2009 $'000
Note 15 Investment property			
Investment property including licences at fair value		813,249	962,394
Component of valuations attributable to licences (shown separately as intangible assets restated at cost)	17	(124,023)	(153,463)
Investment properties excluding licences at fair value		689,226	808,931
Properties held for sale	13	(82,812)	-
Straight-line lease adjustment	16	(53,652)	(65,437)
		552,762	743,494
Movements			
Carrying amount at the beginning of the year		743,494	839,808
Acquisitions		-	1,337
Transfer to non-current assets held for sale	13	(82,812)	-
Transfer from property, plant and equipment	14	295	603
Transfer from non-current assets held for sale	13	-	2,588
Disposals		(77,390)	(1,044)
Fair value adjustments		(42,610)	(73,116)
Straight line lease adjustment		11,785	(26,682)
Carrying amount at the end of the year		552,762	743,494

Analysis by portfolio

	No of Properties 2010	No of Properties 2009	Valuation 2010 $'000	Valuation 2009 $'000
Geographical				
Qld	61	63	462,074	497,624
NSW	25	34	293,900	397,337
SA	5	6	43,125	52,233
Vic	1	1	14,150	15,200
	92	104	813,249	962,394
Tenant				
Coles	56	57	439,820	472,363
NLG	24	32	285,900	376,617
Hedz/Other	12	15	87,529	113,414
	92	104	813,249	962,394

The analysis by portfolio includes 11 properties held for sale at 30 June 2010 (2009: nil).

The analysis is based on the values of the properties inclusive of licences.

Note 15 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 vary between 12 and 28 years, excluding options for lease extensions upon completion of the lease term.

Valuation of properties

The valuations of the 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. The valuations of the individual properties are prepared inclusive of liquor and gaming licences.

At each reporting date, the component of each valuation considered to relate to licences is assessed and deducted to arrive at the value of RPF's investment properties, exclusive of licences. Licences are separately disclosed as intangible assets at cost less impairment losses at note 17. In determining the component of property valuations relating to licences, RPF has had regard to the following:

- Liquor licences are seldom traded. The component value of a property's liquor licence is considered to approximate the current cost of obtaining a similar licence.
- RPF holds no gaming licences in Victoria. In respect of its gaming licences in Queensland, NSW and South Australia, RPF assesses their component values on an individual property basis based on the proportion of the rent that management estimates is attributable to the property because those licences are in place.

Fair value adjustments at 30 June 2010

(a) RPF's policy is to independently value one third of its property portfolio annually. Notwithstanding this, RPF's lenders required in excess of 50% 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. These valuations were obtained in 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.

(b) Directors assessed the carrying values of the remaining properties effective 30 June 2010. 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.

Yields applied in the valuations at 30 June 2010 fall in the following ranges for RPF's tenants:

	2010 Yields	2009 Yields
Coles	6.75% - 8.80%	6.45% - 7.46%
NLG	7.75% - 13.00%	8.00% - 15.68%
Hedz / Other	7.11% - 13.00%	9.25% - 9.37%

	Note	2010 $'000	2009 $'000
Note 16 Other non-current assets			
Rent receivables	15	53,652	65,437
		53,652	65,437

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

	Note	2010 $'000	2009 $'000
Note 17 Intangible assets			
Liquor and gaming licences at cost		91,846	134,143
Movements			
Carrying amount at the beginning of the year		134,143	152,848
Transfer to non-current assets held for sale	13	(16,846)	-
Disposals		(20,680)	(6)
Transfer from non-current asset held for sale	13	-	829
Allowance for impairment		(4,771)	(19,528)
Carrying amount at the end of the year		91,846	134,143
Analysis by portfolio			
Geographical			
Qld		35,478	41,148
NSW		50,931	86,161
SA		5,433	6,831
Vic		4	4
		91,846	134,143
Tenant			
Coles		39,550	40,673
NLG		50,169	78,258
Hedz / Other		2,127	15,212
		91,846	134,143

Liquor and gaming licences are intangible assets with an indefinite useful life and are stated at cost less any impairment losses. Liquor and gaming licences are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

The recoverable amount is assessed at the cash generating unit ("CGU") level, which is the smallest group of assets generating cash flows independent of other CGUs that benefit from the use of the respective intangible assets. Each hotel property is considered to be a CGU.

The recoverable amount is determined based on the fair value less costs to sell which is calculated at the individual hotel property level as the value of the property inclusive of licences less the component of that value which has been allocated to the property itself (i.e. exclusive of the licences). Refer to note 15 for details of the methodology and key assumptions used in valuing the hotel properties and their components being the freehold and the licences.

Hotel values have been impacted in recent years as a consequence of the global financial difficulties. The key assumptions relating to the values of the hotel properties as set out in note 15 impact on the allocation of those values amongst their components, i.e. the licences and the property itself. Although it is expected that hotel values should start to recover in the foreseeable future, there remains a reasonable possibility that hotel values could fall further. Should hotel values fall by 5% overall, then the total carrying amount of liquor and gaming licences would exceed their recoverable amount by $6.053 million (2009: $5.173 million).

	2010 $'000	2009 $'000
Note 18 Other investments		
Listed stapled securities in ALE Property Group	-	7,100
	-	7,100

The listed securities held as at 30 June 2009 were disposed of on 3 March 2010 at a quoted price of $2.16 per share. The resulting loss on disposal was recognised statement of comprehensive income.

	2010 $'000	2009 $'000
Note 19 Trade and other payables		
Current		
Trade payables	241	470
Other payables	4,194	5,139
	4,435	5,609
Non Current		
Accrued interest	11,083	-
	11,083	-

	2010 $'000	2009 $'000
Note 20 Distributions paid or payable		
Interim distribution	-	6,106
Total distributions for the year	-	6,106

The distributions are made by the Trust which does not pay tax provided it distributes all of its taxable income. No dividend was paid or declared by the Company during the year.

	2010 $'000	2009 $'000
Note 21 Loans and borrowings		
Current		
Bank loans	92,146	740,752
	92,146	740,752
Non-current		
Bank loans	579,108	-
Establishment fee deferred	12,000	-
	591,108	-
Total bank loans	683,254	740,752
Bank loans consist of:		
Junior Syndicated Facility Agreement ("JSFA")	64,938	59,627
Senior Syndicated Facility Agreement ("SSFA")	618,316	681,125
	683,254	740,752
JSFA		
Junior Syndicated Facility Agreement ("JSFA")	65,529	60,000
Prepaid borrowing costs capitalised	(1,738)	(893)
Amortisation of prepaid borrowing costs	-	520
Establishment fee deferred	1,147	-
	64,938	59,627
SSFA		
Senior Syndicated Facility Agreement ("SSFA")	620,175	685,381
Prepaid borrowing costs capitalised	(12,712)	(10,199)
Amortisation of prepaid borrowing costs	-	5,943
Establishment fee deferred	10,853	-
	618,316	681,125

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 30 June 2010.

As at 30 June 2009, RPF had breached its loan covenants with its bank syndicate. As a result, all loan balances were classified as current at that date. RPF's loans were refinanced on 30 June 2010, and at that date, RPF was in compliance with its loan covenants (note 2).

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

Note 21 Loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Date of maturity	Face value $'000	Carrying amount $'000
2010					
JSFA	AUD	1 month BBSY + 8.4%	October 2012	66,676	64,938
SSFA	AUD	1 month BBSY + 4.5%	October 2012	631,028	618,316
				697,704	683,254
2009					
JDSF	AUD	1 month BBSY + 1.5%	August 2010	60,000	59,627
SDSF	AUD	1 month BBSY + 0.8%	August 2010	685,381	681,125
				745,381	740,752

	2010 $'000	2009 $'000
Note 22 Derivative financial instruments		
Derivative financial instrument - current liability	12,996	84,395
Derivative financial instrument - non current liability	47,130	-
	60,126	84,395
Movements		
Interest rate swaps at fair value at the beginning of the year	84,395	(1,817)
Fair value movement for the year	15,854	86,212
Swap cancellation	(40,123)	-
Fair value of interest rate swaps at the end of the year	60,126	84,395

	No of units	$'000
Note 23 Contributed equity		
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
2009		
On issue at the beginning of the year	137,222,609	450,231
Capital raising costs	-	(24)
Manager's fees	6,565,091	3,390
Distribution reinvestment plan	13,244,154	6,836
Adjustment to cost base of securities issued to the Fund's founder at IPO [2]	-	(468)
On issue at the end of the year	157,031,854	459,965

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.

[2] Correction of prior year adjustment

	2010 $'000	2009 $'000
Note 24 Reserves		
Capital reserve	62	62

Note 25 Operating leases — leases as lessor

RPF leases out its investment property and associated licences held under operating leases (see note 15). The future minimum lease payments under non-cancellable leases are as follows:

	2010 $'000	2009 $'000
Less than one year	65,398	76,699
Between one and five years	280,837	331,691
More than five years	847,919	1,253,963
	1,194,154	1,662,353

Note 26 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 2010.

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

Previous Manager's fees	Fee $ 2010	No. of stapled securities issued 2010	Issue Price $ 2010	Fee $ 2009	No. of stapled securities issued 2009	Issue Price $ 2009
Base fee	1,556,839	5,420,747	0.2872	1,593,520	3,528,018	0.4517

No stapled security options or stapled securities have been issued to any director or employee of the Previous Manager as remuneration for services provided.

Note 27 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%

	2010 $'000	2009 $'000
Note 28 Parent entity		
As at, and throughout, the financial year ended 30 June 2010 the parent entity of the Group was Redcape Property Trust.		
Result of the parent entity		
Loss for the period	72,863	179,862
Other comprehensive income	-	-
Total comprehensive loss for the period	72,863	179,862
Financial position of the parent entity at year end		
Current assets	16,521	35,628
Total assets	802,592	962,184
Current liabilities	127,438	830,722
Total liabilities	758,660	830,722
Net assets	43,932	131,462
Total equity of the parent entity comprising of:		
Contributed equity	461,513	459,965
Reserve	62	62
Retained losses	(417,643)	(328,565)
Total equity	43,932	131,462

Note 29 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 the joint company secretaries were Adrian Lucchese and Sally Ascroft.

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

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 (2009: $250,000), 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 as shown in the statement of comprehensive income amounted to $330,391 (2009: $257,198).

Note 29 Related party disclosures (continued)

(a) Key management personnel (continued)

Company

Non - executive directors fees, and remuneration paid to the executive chairman are paid by the Company in accordance with the Company Constitution. Remuneration paid to the CEO and managing director, and to the chief financial officer is paid by the Manager. The Company 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.

Year ended 30 June 2010 - Executive remuneration

Effective 1 July 2009, RPF established internal management by terminating the previous management agreements with an external party, and incorporating Redcape Services Pty Limited, a new company and a wholly owned subsidiary of the Company to act as the manager (the "Manager"). The CEO and managing director, and the chief financial officer are employed and remunerated by the Manager.

The Company 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 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.

Year ended 30 June 2009 - Executive remuneration

In 2009 management services were provided to RPF for a fee, by an external party under a services agreement. Executive directors were employed and remunerated by that external party, and not directly by RPF.

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.

The compensation of the directors and chief financial officer of the Company and the Manager are as follows:

		SHORT TERM EMPLOYEE BENEFITS	POST EMPLOYMENT BENEFITS	
		Salary & fees	Superannuation	Total
Name	Role	$	$	$
2010				
Colin Henson [1]	Executive chairman	300,050	29,884	329,934
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
		1,287,837	97,184	1,385,021

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

2009				
Colin Henson	Non - executive chairman	142,000	30,780	172,780
Nerolie Withnall	Non - executive director	80,000	7,200	87,200
Greg Kern	Non - executive director	122,782	6,750	129,532
Peter Armstrong	CEO and managing director	-	-	-
Thomas Hedley	Non - executive director	-	-	-
Stephen Donnelly	CFO and executive director	-	-	-
David Charles	Chief financial officer	-	-	-
Russell Daly	Company secretary	-	-	-
		344,782	44,730	389,512

[1] Mr Henson was a non - executive director until 30 June 2009. He was subsequently appointed executive chairman.

Note 29 Related party disclosures (continued)

(b) Material contracts with directors or related parties of directors

Mr TW Hedley

Mr TW Hedley was a director of the Company during the year ended 30 June 2009, resigning on 23 June 2009. Management services were provided to RPF under service agreements with HLG Management Pty Ltd ("the Previous Manager"), a wholly owned subsidiary of TWH (Qld) Pty Ltd, a company related to Mr TW Hedley. These service arrangements were terminated on 30 June 2009 after RPF established an internal management arrangement.

Accordingly, the following disclosures relate to material contracts and transactions with entities related to Mr TW Hedley and are in respect of the year ended 30 June 2009.

Development deed

Under a development deed ("the Deed") dated 22 June 2007 between the Previous Manager, TWH (Qld) Pty Ltd ("the Developer") and RPF, the Developer was granted exclusive rights to undertake developments and retain the development proceeds in relation to surplus land (i.e. land additional to the land occupied by a pub) comprised in certain properties.

A development by the Developer of these properties may be by way of one or more of the following:

- A development comprising the construction of additional premises on the surplus land, for letting by the Trust;
- A development comprising subdivision and sale of surplus land;
- A development comprising the arrangement of tenants for the Trust of commercial premises which have already been constructed on surplus land; and
- A redevelopment of a pub to create additional or improved facilities.

The Developer will bear all expenses in relation to such developments and an independent valuation will be performed prior to any development being sold to RPF. If the market value of a pub improvement after completion of a development is more than the pre development market valuation of the relevant pub, then the Trust must pay the developer, either via the issue of stapled RPF securities or cash, an amount equal to the increase in the market value of the pub improvement. If the market value of a pub improvement after completion of a development is less than the pre development market valuation of the relevant pub, then the Developer must pay the Trust an amount equal to the decrease in the market value of the pub improvement.

The Developer will receive from the Trust and the Company for any development other than subdivision developments, that number of stapled securities calculated by dividing the valuation by the average current market price of the stapled securities for the 10 ASX trading days after the date of the valuation or if there are restrictions under the *Corporations Act* or the Listing Rules, cash equal to the valuation from the Previous Manager (on behalf of the Trust) or a combination of cash and stapled securities.

No development activities were undertaken in respect of any relevant properties during the year ended 30 June 2009 and no stapled securities were issued to TWH (Qld) Pty Ltd in respect of developments during that year.

On 1 July 2008, RPF paid TWH (Qld) Pty Ltd $200,000 in lieu of future development rights for the surplus land at 213 Sheridan Street, Cairns.

On 12 March 2009 settlement occurred on 12 Evans Avenue, North Mackay. At 30 June 2009 ANZ Banking Group Limited ("ANZ") which held a registered mortgage over the property was holidng the proceeds from the sale in escrow. At that date, RPF had not received the settlement proceeds of $328,992 from ANZ and was not in a position to pass on this economic benefit to TWH (Qld) Pty Ltd.

As per a deed of release entered into between TWH (Qld) Pty Ltd and RPF on 3 April 2009, TWH (Qld) Pty Ltd waived any right to the economic benefits from 10 Evans Avenue and 2 Keller Street North Mackay in exchange for a payment of $750,000. This payment was made in cash to TWH (Qld) Pty Ltd on 9 May 2009. RPF had approved the payment and the deed of release on 2 April 2009.

Service agreements with HLG Management Pty Ltd

The Company and the Responsible Entity appointed HLG Management Pty Ltd as Previous Manager of RPF. The Previous Manager was a wholly owned subsidiary of TWH (Qld) Pty Ltd, the director of which was Mr TW Hedley. The Previous Manager was appointed for an initial term of 10 years commencing from 16 May 2007.

Under the service agreements the Previous Manager was entitled to the following fees:

1.Base fee

A base fee of 0.30% per annum (exclusive of GST) of the gross value of RPF's assets. The base fee was calculated monthly and payable half-yearly.

2.Performance fee

A performance fee of up to 0.25% of the gross value of RPF's assets based on the percentage by which the accumulated return on the stapled securities exceeds the performance of the S&P/ASX 200 Property Trust Accumulation Index for the corresponding period.

3.Transaction fee

The Previous Manager was entitled to a 1.00% transaction fee of the purchase price on completion of real property acquisitions.

For details of actual fees paid to the Previous Manager during the year refer to note 4.

Note 29 Related party disclosures (continued)

(b) Material contracts with directors or related parties of directors (continued)

Mr TW Hedley (continued)

Service agreements with HLG Management Pty Ltd (continued)

The Previous Manager was appointed to provide management, property management, acquisition, investment, advisory, and general administrative services (for example company secretarial, preparation of financial reports). It was also required to provide a Chief Executive Officer and Chief Financial Officer to RPF. Mr TW Hedley resigned from the position of Chief Executive Officer on 20 January 2009. Mr Stephen Donnelly resigned from the position of Chief Financial Officer on 18 February 2009.

The Previous Manager was able to appoint external consultants to provide aspects of its services. Such costs were be incurred by the Previous Manager and not reimbursed by RPF.

4.Termination of Management Agreement

On 1 July 2009 a termination agreement came into force which effectively internalised the operational management within RPF itself, thereby terminating the external management of RPF by the Previous Manager.

Hedz Pty Ltd leases

Hedz Pty Ltd ("Hedz") was a company within the Hedley Group. The sole director was Mr TW Hedley. All leases with Hedz were structured similarly and no more favourable than those with other major tenants of RPF. The following summarises the main features of Hedz leases:

Term	29 years with 2 additional terms of 15 years.
Annual rent adjustment	3.75% per annum at each anniversary date.
Market adjustment	At each option term renewal, market adjustment at a cap of 13.75% and floor of 3.75% of the last annual rent.
Operating expenses	The tenant must reimburse the landlord for rates and other periodic charges for the premises (other than land tax in Queensland), insurance premiums and landlord's industrial special risk policy and maintenance costs for common areas.
Licences	The tenant maintains use of gaming and liquor licences during the period that Hedz is the tenant. At expiry of the lease or in the event of default, all licences revert back to RPF.

The initial rent was determined in accordance with independent valuations performed prior to the leases being executed.

Transactions during the year ended 30 June 2009 with parties related to Mr TW Hedley

The terms and conditions of the following transactions with parties related to Mr TW Hedley were no more favourable than those available, or which might reasonably have been available, on similar transactions to non-director related entities on an arm's length basis.

Note 29 Related party disclosures (continued)

Mr TW Hedley (continued)

(b) Material contracts with directors or related parties of directors (continued)

The aggregate amounts recognised during the year ended 30 June 2009 relating to parties related to Mr TW Hedley were as follows:

Parties related to Thomas W Hedley	Transaction	Note	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $
HLG Management Pty Ltd	Management and legal fees	(i)	4,811,686	1,565,588
Hedz Pty Ltd	Rent and outgoings	(ii)	10,276,956	336,842
Hedley Constructions Pty Ltd	Maintenance works on pubs and pub constructions	(iii)	1,231,098	-
TWH (Qld) Pty Ltd	Development deed payables	(iv)	1,192,519	328,991
TWH (Qld) Pty Ltd	Receivable	(v)	620,400	4,509,166
Hedley Developments Pty Ltd	Rent	(vi)	2,640	4,840
Paradise Palms (NQ) Pty Ltd	Rent	(vii)	2,640	3,080
Tom Hedley Pty Ltd	Rent	(viii)	15,590	15,590
Arumpin Pty Ltd	Insurance	(ix)	1,921	-

(i) RPF paid management fees and reimbursed legal fees to the Previous Manager, HLG Management Pty Ltd, a company controlled by Mr TW Hedley. All fees were determined pursuant to the service agreements. Management fees were paid in RPF stapled securities and legal fees reimbursed in cash. Unauthorised payments to the Previous Manager amounting to $1.144 million were repaid by the Previous Manager immediately after the Previous Manager became aware of them.

(ii) Rent and outgoings were received from Hedz Pty Ltd, a company controlled by Mr TW Hedley, in accordance with lease agreements. The lease terms and rates are based on market rates (see above). At 30 June 2009, an allowance for impairment of the balance outstanding as at that date was raised in relation to Hedz Pty Ltd.

(iii) Payments were made to Hedley Constructions Pty Ltd, a company controlled by Mr TW Hedley, for repairs to RPF properties, such as roof and air-conditioning repairs.

(iv) RPF made a payment to TWH (Qld) Pty Ltd for the surrender of the right to receive any future economic benefits of one development deed property and raised a payable invoice for another development deed property with payment pending on the receipt of the settlement funds from ANZ Banking Group Limited which was holding the settlement funds in escrow as at 30 June 2009.

(v) TWH(Qld) Pty Ltd made payments of $51,700 per month in relation to an amount owing to RPF. As at 1 July 2009 receivers and managers were appointed to TWH (Qld) Pty Ltd. An allowance for impairment of the balance outstanding as at 30 June 2009 was raised.

(vi) Hedley Developments Pty Ltd was a company controlled by Mr TW Hedley. Rent was received from Hedley Developments Pty Ltd in accordance with a lease agreement. Rent was at market rates. An allowance for impairment of $4,840 was raised in relation to Hedley Developments Pty Ltd as at 30 June 2009.

(vii) Rent was received from Paradise Palms (NQ) Pty Ltd, a company in which Mr TW Hedley had significant influence, in accordance with lease agreements. The lease terms and rates were based on market rates. An allowance for impairment of $3,080 was raised in relation to Paradise Palms (NQ) Pty Ltd as at 30 June 2009.

(viii) Tom Hedley Pty Ltd was a company controlled by Mr TW Hedley. Rent was received from Tom Hedley Pty Ltd in accordance with a lease agreement. The lease and rates were based on market rates. An allowance for impairment of $15,590 was raised in relation to Tom Hedley Pty Ltd as at 30 June 2009.

(ix) Arumpin Pty Ltd was a company controlled by Mr TW Hedley. The cost of public liability insurance was received by RPF in accordance with lease agreements.

Note 29 Related party disclosures (continued)

(c) 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 a 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 $109,016 (2009: $141,446). The balance outstanding to Kern Consulting Group at 30 June 2010 was nil (2009: $6,875).

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 $59,540 (2009: $90,958). The balance outstanding to Computershare Limited at 30 June 2010 was nil (2009: 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.

(d) Options and rights over equity instruments

RPF did not issue any options during the year.

(e) 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 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 29 Related party disclosures (continued)

(f) Non-key management personnel disclosures — subsidiaries

Stapled or wholly owned entities	Transaction	Note	Transaction value year ended 30 June 2010 $	Balance outstanding as at 30 June 2010 $	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $
Redcape Property Fund Limited	Investment Committee fees	(i)	801,903	-	300,000	-
Redcape Property Fund Limited	Property settlement	(ii)	102,440,000	7,334,252	609,062	22,415
Redcape Property Services Limited	Inter-company payable	(iii)	26,126	76,867	91,477	92,536
Redcape Issuer Finance Pty Ltd	Inter-company receivable	(iv)	7,106	10,406	9,175,664	745,378,034
Redcape Issuer Finance Pty Ltd	Interest paid or payable	(v)	46,381,813	-	44,345,535	1,018,541
C.H. Trust	Inter-company receivable	(vi)	9,185,338	7,377,227	4,235,652	8,021,031
Redcape Services Pty Limited	Management Fees	(vii)	1,944,208	323,195	-	-
Hops1 Pty Ltd	Inter-company payable	(viii)	957,449	96,907	-	-

(i) Redcape Property Fund Limited is a company whose share capital is stapled with the units of the Trust. The Trust paid Investment Committee fees during the financial year, which assist the Company in meeting its operational outgoings.

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

(iii) Redcape Property Services Limited is a wholly owned subsidiary of Redcape Property Fund Limited. During 2010 the Trust provided assistance to the company to meet operational expenses.

(iv) Redcape Issuer Finance Pty Ltd is a wholly owned subsidiary of Redcape Property Fund Limited. During 2010 the Trust provided assistance to the company to meet operational expenses.

(v) Redcape Issuer Finance Pty Ltd is a wholly owned subsidiary of Redcape Property Fund Limited. 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 interested party to the ANZ JDSF and SDSF loan facilities. The bank loans had been on-lent by Redcape Issuer Finance Pty Ltd to the Trust. Any bank interest has also been on-charged to the Trust. By virtue of this on-lending arrangement the terms and conditions of the loan to the Trust were equal to those of the ANZ JDSF and SDSF loan facilities. During 2010 the Trust made repayments in relation to an intercompany loan which had been on-lent by Redcape Issuer Finance Pty Ltd to the Trust.

(vi) C.H. Trust is a wholly owned subsidiary of Redcape Property Trust. Rent that is received by the C.H. Trust is paid across to the Trust to assist in meeting its operational expenses. As at 30 June 2010 C.H. Trust has a unit-holder entitlement outstanding to the Trust of $7,377,227 (2009: $8,021,031). The unit-holder entitlement relates to unpaid distributions of C.H. Trust to the Trust. The unit-holder entitlement is re-payable on demand of the Trust and is classified as a current receivable in the Trust's statement of financial position.

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

(viii) Hops1 Pty Ltd is a subsidiary of Redcape Property Fund Limited. It managed and operated the leasehold of Heritage Hotel, which was subsequently sold on 21 December 2009.

(g) 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 $10,662,776 (2009: $10,276,956) 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.

	2010	2009
	$'000	$'000

Note 30 Financial instruments

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:

	2010 $'000	2009 $'000
Cash and cash equivalents	18,970	10,258
Trade receivables	1,374	1,040
Other receivables	201	813
Other investments	-	7,100
	20,545	19,211

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 at the reporting date by type of customer was as follows:

	Gross 2010 $'000	Impairment 2010 $'000	Gross 2009 $'000	Impairment 2009 $'000
Main tenants - rental receivables	1,308	-	1,263	339
Other tenants - rental receivables	66	-	210	94
	1,374	-	1,473	433

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

	Note	2010 $'000	2009 $'000
Balance at 1 July			-
Impairment loss recognised - receivables	6, 12	-	433
Impairment loss recognised - related party receivables	8	-	4,509
Impairment loss recognised - other investments	8	-	19,528
Balance at 30 June		-	24,470

Impairment losses

None of the Trust's and RPF's receivables are past due date at the reporting date.

Note 30 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.

2010	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Secured bank loans	683,254	794,254	23,835	115,615	47,445	607,359	-
Trade and other payables	15,518	15,518	4,435	-	-	11,083	-
	698,772	809,772	28,270	115,615	47,445	618,442	-
2009							
Secured bank loans	740,752	779,333	779,333	-	-	-	-
Trade and other payables	5,609	5,609	5,609	-	-	-	-
	746,361	784,942	784,942	-	-	-	-

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:

2010	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Interest rate swaps: liability	60,126	71,252	6,771	6,543	10,817	26,340	20,781
2009							
Interest rate swaps: liability	84,395	104,327	104,327	-	-	-	-

Market risk

Interest rate risk

Interest rate profile of the Trust and RPF interest-bearing financial instruments:

	2010 $'000	2009 $'000
Variable rate instruments		
Financial assets	18,970	-
Financial liabilities	(743,379)	(825,147)
	(724,410)	(825,147)

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 2009 financial year.

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	(683,254)	(7,425)	-	7,425	-
Interest rate swaps: liabilities	(60,126)	51,849	-	(30,087)	-
	(724,410)	44,526	-	(22,764)	-

Note 30 Financial instruments (continued)

Market Risk (continued)

Interest rate risk (continued)

2009	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
Bank loans	(740,752)	(5,726)	-	5,726	-
Interest rate swaps: liabilities	(84,395)	47,689	-	52,016	-
	(825,147)	41,963	-	57,742	-

The fair values of loans and borrowings are disclosed in note 21. 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
2010				
Derivative financial asset	-	-	-	-
Derivative financial liability	-	(60,126)	-	(60,126)
	-	(60,126)	-	(60,126)
2009				
Available for sale financial asset	7,100	-	-	7,100
Derivative financial liability	-	(84,395)	-	(84,395)
	7,100	(84,395)	-	(77,295)

	2010 $'000	2009 $'000
Note 31 Cash flow information		
Reconciliation of cash flows from operating activities with loss attributable to stapled security holders		
Loss attributable to stapled security holders	(73,242)	(178,674)
Amortisation of borrowing costs	4,731	2,826
Fair value adjustments to derivative financial instruments	15,854	86,212
Fair value adjustment to investment property	42,610	73,116
Distributions from ALE securities	(387)	(484)
(Gain) / loss on sale of investment property	(2,888)	1,101
Impairment of deposit on investment property acquisition	-	100
Impairment of non current assets	4,771	24,037
Impairment of available for sale assets	-	2,421
Loss on sale of investment	129	-
Stapled securities issued for Previous Managers fees	1,550	-
Depreciation	23	-
Income tax benefit	(24)	-
Realised loss on swap closeout	6,016	
Finance cost	18,083	-
Change in operating assets and liabilities		
Decrease / (increase) in trade and other receivables	278	3,353
(Increase) / decrease in prepayments	(112)	(40)
Increase / (decrease) in payables	(5,517)	2,944
	11,875	16,912

Note 32 Segment information

RPF operates solely in property investment in Australia and has no business segmentation.

Note 33 Contingent liabilities

As at 30 June 2010, RPF had a legal claim of $2.9 million against it which relates to four contracts for the acquisition of two freehold pubs and two vacant blocks of land. 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 34 Contingent asset

On 9 June 2009 RPF made a payment of $595,774 including interest and penalties as a result of an assessment issued by the Victorian Office of State Revenue for stamp duty resulting from the conversion of RPF from a private to a public unit trust scheme prior to the Trust listing on the ASX on 2 August 2007. This payment was expensed in the year ended 30 June 2009. An objection has been lodged and the directors are of the opinion that RPF has a strong case in appealing against the assessment and recovering the payment.

Note 35 Subsequent events

Proceeds of $8.9 million from the sale of a pub which settled on 30 June 2010 were applied to the reduction of debt immediately following year end. Sale contracts for two properties classified as held for sale in the financial statements were exchanged following year end, being Wattle Grove Hotel ($8.6 million) and Mountain Creek Hotel ($7.25 million).

Note 36 Fund information

Registered office of the Responsible Entity

The Trust Company (RE Services) Limited, Level 4, 35 Clarence, 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 2010

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 61, are in accordance with the *Corporations Act 2001* , including:

   (i) giving a true and fair view of the Trust's and RPF's financial position as at 30 June 2010 and of their 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 Redcape Property Trust will be able to pay its debts as and when they become due and payable.

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 of the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2010.

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

Michael John Britton

Director

Dated the 27th day of August 2010

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 consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 36 and the directors' declaration. The consolidated entity comprises the 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 Auditing 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 (including the Australian Accounting Interpretations), a 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.

INDEPENDENT AUDITOR'S REPORT

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Redcape Property 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 2010 and of its performance for the year ended on that date; and

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

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

KPMG

Graham Coonan
Partner

Cairns
27 August 2010

Redcape Property Fund Limited
Annual Report
For The Year Ended 30 June 2010

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Redcape Property Fund Limited
DIRECTORS' REPORT
For The Year Ended 30 June 2010

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 2010.

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's career exceeds 35 years in senior corporate positions with most of the last 20 years in fixed term company reconstruction roles. He has been involved 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 and Non- Executive Chairman of BHA Holdings Pty Ltd.
Nerolie Withnall BA, LLB, FAICD *Non-executive director*	*Appointed 25 June 2007* Ms Withnall is a director of Campbell Brothers Group, PanAust Limited, Computershare Limited and Alchemia Limited (all listed on the ASX). In addition Ms Withnall was previously deputy president of the Takeovers Panel, a member of the Senate of the University of Queensland and of the Corporations and Markets Advisory Committee.
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.
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.
David Charles B.Ec., CA *Chief financial officer*	*Appointed 1 April 2009* 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 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.
Russell Daly, CPA *Company secretary*	*Appointed 3 April 2007* Russell Daly is a senior manager at the Kern Consulting Group, Cairns.

Redcape Property Fund Limited
DIRECTORS' REPORT
For The Year Ended 30 June 2010

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	13	13	10	10	-	-
Nerolie Withnall	13	13	10	10	3	3
Greg Kern	13	13	10	10	3	3
Peter Armstrong [1]	13	13	10	10	-	-

[1] Peter Armstrong, whilst not a member of the audit committee, attended all the 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 2010 no property developments had commenced. A wholly owned subsidiary, Redcape Issuer Finance Pty Ltd, had borrowed funds from the ANZ Banking syndicate and on - lent those funds to the Trust. These funds were repaid in full to the syndicate by 30 June 2010.

3 Significant changes in state of affairs

On 30 June 2010 RPF completed the refinancing of its bank loan facilities, extending them until the end of October 2012. At the time of refinancing the bank loan facilities, the Company's wholly owned subsidiary Redcape Issuer Finance Pty Ltd, which had previously borrowed funds from the ANZ banking syndicate and on-lent them to the Trust, repaid those funds to the syndicate in full. Neither the Company or its subsidiaries has any loans or borrowings at 30 June 2010.

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

4 After balance date events

There are no post balance date events to note.

5 Likely developments

The directors are not aware of any future developments likely to materially affect the results of the Company.

6 Dividends

No dividend was paid or declared during the financial year ended 30 June 2010.

7 Review of results and operations

The Company recorded a consolidated net profit of $122,026 (2009: loss of $218,397) after providing for income tax benefit of $23,857 (2009: ($23,303)).

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

The Company 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 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 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.

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. Performance bonuses are not paid as per the Company's executive remuneration policy.

2010		SHORT TERM EMPLOYEE BENEFITS	POST EMPLOYMENT BENEFITS	
		Salaries & fees	Superannuation	Total
Name	Role	$	$	$
Colin Henson [1]	Executive chairman	300,050	29,884	329,934
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
		1,287,837	97,184	1,385,021
2009				
Colin Henson	Non-executive director	142,000	30,780	172,780
Nerolie Withnall	Non-executive director	80,000	7,200	87,200
Greg Kern	Non-executive director	122,782	6,750	129,532
		344,782	44,730	389,512

1.Mr Henson was a non - executive director until 30 June 2009. He was subsequently appointed executive chairman.

Redcape Property Fund Limited
DIRECTORS' REPORT
For The Year Ended 30 June 2010

9 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.

10 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.

The auditors of the Company are in no way indemnified out of the Company's assets. No insurance premiums were paid from the assets of the Company during the year to insure directors or officers of the Company.

11 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 70.

12 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 27th day of August 2010

Sydney

KPMG

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 2010 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
27 August 2010

Redcape Property Fund Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 30 June 2010

	Note	2010 $'000	2009 [1] Restated $'000
REVENUE			
Interest received		6	-
Rent from gaming licences		-	80
Investment committee Fee		802	300
Management fees		1,944	-
Other revenue		2	-
Total revenue		2,754	380
EXPENSES			
Directors' remuneration	18	499	389
Finance costs		1	-
Other expenses	3	2,156	185
Total expenses		2,656	574
		.	
Profit / (loss) before income tax		98	(194)
Income tax benefit / (expense)	4	24	(23)
Profit / (loss) from continuing operations		122	(217)
Discontinued operation			
Profit / (loss) from discontinued operation (net of income tax)	5	-	(1)
Profit / (loss) for the period		122	(218)
Other comprehensive income		-	-
Total comprehensive income / (loss)		122	(218)

		cents	cents
Basic and diluted earnings/(loss) per share	6	0.08	(0.14)
Dividends paid or payable per share		-	-

[1] See discontinued operations - note 5

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 2010

	Note	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	8,862	54
Trade and other receivables	8	207	1,019
Total current assets		9,069	1,073
Non-current assets			
Property, plant and equipment	9	130	-
Trade and other receivables	8	-	745,493
Total non-current assets		130	745,493
TOTAL ASSETS		9,199	746,566
LIABILITIES			
Current liabilities			
Trade and other payables	11	8,989	1,076
Loans and borrowings	12	-	745,381
Current tax payables	13	-	23
Total current liabilities		8,989	746,480
TOTAL LIABILITIES		8,989	746,480
NET ASSETS		210	86
EQUITY			
Share capital	14	341	339
Accumulated losses		(131)	(253)
TOTAL EQUITY		210	86

	$	$
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 2010

	Note	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Total $'000
Balance at 1 July 2009		339	(253)	-	86
Total comprehensive income for the year		-	122	-	122
Shares issued during the year		2	-		2
Balance at 30 June 2010		341	(131)	-	210
Balance at 1 July 2008		325	(35)	-	290
Total comprehensive (loss) for the year		-	(218)	-	(218)
Shares issued during the year		14	-	-	14
Balance at 30 June 2009		339	(253)	-	86

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 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		793	88
Payments to suppliers		(2,965)	(411)
Interest receipts		8	-
Interest paid		-	(1)
Income tax refund		(23)	-
Net cash from operating activities	20	(2,187)	(324)
Cash flows from investing activities			
Payment for property, plant and equipment		(153)	-
Proceeds from sale of investment property [1]		8,840	-
Net cash from investing activities		8,687	-
Cash flows from financing activities			
Proceeds from related party		2,308	355
Net cash from investing activities		2,308	355
Net increase in cash held		8,808	31
Cash and cash equivalents at the beginning of the year		54	23
Cash and cash equivalents at the end of the year	7	8,862	54

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.

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.

Redcape Property Fund Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

Redcape Property Fund Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

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 2010 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").

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) 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 27 August 2010.

(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 at 30 June 2009, RPF was in breach of certain financial covenants and conditions in respect of its debt facilities. These breaches resulted in the bank syndicates having the right to require immediate repayment of the entire outstanding debt which would also result in the need to close out interest rate swaps. Accordingly, all amounts owing at 30 June 2009 under the debt facilities and the interest rate swaps were classified as current liabilities at that date in the annual report for the year ended 30 June 2009. In that report, it was also noted that (a) although the bank syndicates did not proceed to exercise their rights under the loan agreements in this regard, they did not waive the breaches, and (b) RPF was dependent upon the ongoing support of the bank syndicates and without this support, it would be unlikely that RPF would continue as a going concern. As the Company and the Group were party to RPF's debt facilities, these concerns were also relevant to the Company and the Group at that date.

On 30 June 2010, RPF refinanced it debt facilities and accordingly was no longer in breach of any banking financial covenants or conditions as at that date. The terms and conditions of the new finance facilities which are in place until 31 October 2012 involve a higher interest cost, restrictions on distributions and significant debt reduction requirements. They also require that RPF meets ongoing financial covenants and conditions which if not met may cause breaches and/or review events. The Company and the Group are guarantors in respect of the new finance facilities. RPF management and the Company's board are confident that RPF 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, management is also well aware that the ability of RPF to continue to meet certain of the banking 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 banking financial covenants and/or conditions.

(iii) Functional 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)

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 17- financial instruments.

(vi) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:
- Accounting for business combinations
- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements

(d) Basis of consolidation

(i) Business combinations

Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

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. The acquisition date is the date on which control is transferred to the acquirer. 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 it relates 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* .

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 instruments

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 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 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: 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) 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.

(iv) Derivative financial instruments

The Group holds no derivative financial instruments.

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 (see below). 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) Change in accounting policy

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of AASB 123 *Borrowing Costs* (2007). In accordance with the transitional provisions of that standard, comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

(iii) 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.

(iv) 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 the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in 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 cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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.

(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.

Note 1 Summary of significant accounting policies (continued)

(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

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. Under the revised policy and under the previous policy regarding segment reporting, the Group continues to operate in one segment. Accordingly, there is no impact on earnings per share.

(p) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(q) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party (and provides a partial exemption from the disclosure requirements for government-related entities). The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Note 1 Summary of significant accounting policies (continued)

(q) New standards and interpretations not yet adopted (continued)

AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

Note 2 Financial risk management

The Company and the Group have exposure to the following risks from their 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. HLG Management Pty Ltd was the Manager until 30 June 2009. Effective 1 July 2009, the service agreements with HLG Management Pty Ltd were terminated and Redcape Services Pty Limited , a wholly owned subsidiary of the Company, was appointed the Manager. 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 Company, 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 Company's, 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. The Company and its subsidiaries are guarantors to the loan agreements entered into with the banking syndicate by Redcape Property Trust.

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.

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.

Until 30 June 2010 the Group was exposed to interest rate risk on its variable rate instruments. However interest charged on the loan facilities was fully on-charged to the Trust transferring any interest rate risk to the Trust. The Group's outstanding loans were settled in full on 30 June 2010 and no further loans have been entered into by the Group since that date.

Capital management

The Group managed capital by monitoring repayments under the loan facilities from 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.

As indicated above, the Group's outstanding loans were settled in full on 30 June 2010.

	2010 $'000	2009 $'000
Note 3 Other expenses		
Auditor's remuneration	56	19
Consultancy fees	323	142
Management fees	32	-
Legal fees	39	-
Directors insurance	62	-
Depreciation	22	-
Personnel expenses	1,440	-
Net gain on leasehold operations	(113)	-
Sundry expense	295	24
	2,156	185

Auditor's remuneration

	$	$
KPMG		
- Audit of financial reports	46,019	19,000
- Other services	10,000	-
	56,019	19,000

	2010 $'000	2009 $'000
Note 4 Income tax (benefit) / expense		
(a) The components of income tax (benefit) / expense comprise		
Current tax (benefit) / expense	(24)	23
(b) Prima facie tax on profit / (loss) from ordinary activities		
Profit / (loss) from continuing operations before income tax	98	(195)
Tax at the Australian tax rate of 30%	29	(59)
Add / (less) tax effect of:		
Non-deductible expenses	43	5
Deductible - Non assessable items	(72)	-
Deferred tax asset not yet recognised	-	84
Non assessable income	-	(7)
Overprovision prior year	(24)	-
	(24)	23

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 (refer note 11). 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.

	2010 $'000	2009 $'000
Results of discontinued operation		
Revenue - interest on-charged to Redcape Property Trust	46,382	44,346
Revenue - borrowing costs recovered	-	479
Expense - finance cost to bank	(46,382)	(44,826)
Results from operating activities	-	(1)
Income tax expense	-	-
Results from operating activities, net of income tax	-	(1)

The basic and diluted earnings per share relating to the discontinued operation is nil (2009: nil)

No cash transactions took place throughout the 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.

	2010	2009	EARNINGS PER SHARE 2010 cents	EARNINGS PER SHARE 2009 cents
Note 6 Earnings per share				
Net profit / (loss) after tax attributable to shareholders	$122,027	$ (218,000)		
Total shares on issue at year end	162,452,601	157,031,854		
Weighted average shares — basic	160,908,059	151,260,201	0.08	(0.14)
Weighted average shares — diluted	160,908,059	151,260,201	0.08	(0.14)

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

	2010 $'000	2009 $'000
Note 7 Cash and cash equivalents		
Cash at bank and on hand	8,862	54
Note 8 Trade and other receivables		
Current		
Receivable due from Redcape Property Trust	-	1,019
Prepayments	105	-
Other receivables	102	-
	207	1,019
Non — current		
Receivable due from Redcape Property Trust	-	745,493
	-	745,493

	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 2009	-	-	-	-
Additions	25	119	8	152
Balance at 30 June 2010	25	119	8	152
Depreciation and impairment losses				
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
	23	99	8	130

	2010 $'000	2009 $'000
Note 10 Intangible assets		
Gaming licences at cost	-	-
Movements		
Carrying amount at the beginning of the year	-	1,337
Transferred to Redcape Property Trust	-	(1,337)
Carrying amount at the end of the year	-	-
Note 11 Trade and other payables		
Current		
Payables due to Redcape Property Trust	8,348	-
Other payables	641	1,076
	8,989	1,076

	2010 $'000	2009 $'000
Note 12 Loans and borrowings		
Current		
Bank loans	-	745,381
	-	745,381

	2010 $'000	2009 $'000
Note 13 Provisions		
Current		
Current income tax liability	-	23

Note 14 Share capital

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

	2010		2009	
	No of shares	$	No of shares	$
On issue at the beginning of the year	157,031,854	339,225	137,222,609	324,597
Manager's fees	5,420,747	2,224	6,565,091	4,850
Distribution reinvestment plan	-	-	13,244,154	9,778
On issue at the end of the year	162,452,601	341,449	157,031,854	339,225

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 15 Segment information

The Group operates solely in the Australian property industry.

Note 16 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%

	2010	2009
	$'000	$'000

Note 17 Parent entity

As at, and throughout, the financial year ended 30 June 2010 the parent company of the Group was Redcape Property Fund Limited.

	2010 $'000	2009 $'000
Result of the parent entity		
Loss for the period	-	(273)
Financial position of the parent entity at year end		
Current assets	8,966	14
Total assets	9,053	78
Current liabilities	172	52
Total liabilities	9,025	52
Net assets	28	26
Total equity of the parent entity comprising of:		
Share capital	341	339
Retained losses	(313)	(313)
Total equity	28	26

Parent entity contingencies

Each Group entity has provided guarantees to the banking syndicate which provides finance to Redcape Property Trust. At 30 June 2010, the Trust owed $697.7 million (2009 : nil) 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 18 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 chairman	**Non-executive directors**	**Chief financial officer**
Colin Henson	Nerolie Withnall	David Charles
	Greg Kern	
	Executive director	
	Peter Armstrong	

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:

	2010	2009
	$'000	$'000
Short-term employee benefits	455	344
Post-employment benefits	44	45
	499	389

Note 18 Related party disclosures (continued)

Other key management personnel transactions (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 2010 $	Balance outstanding as at 30 June 2010 $	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $
Greg Kern					
Kern Consulting Group	Consulting fees and other [1]	109,017	-	109,947	6,250

[1] Consulting fees are 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 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 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

Non-key management personnel disclosures — subsidiaries

Redcape Issuer Finance Pty Ltd is a wholly owned subsidiary of the Company. Redcape Issuer Finance Pty Ltd's sole purpose is the provision of debt finance to RPF as a group. As such Redcape Issuer Finance Pty Ltd was the borrower of the SSFA and JSFA debt facilities (refer note 12). 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.

Note 18 Related party disclosures (continued)

Non-key management personnel disclosures — subsidiaries (continued)

The aggregate amounts recognised during the year relating to subsidiaries of the Company and stapled entities were as follows:

Stapled or wholly owned entities	Transaction	Note	Transaction value year ended 30 June 2010 $	Balance outstanding as at 30 June 2010 $	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $
Redcape Property Trust	Investment Committee fees	(i)	801,903	-	300,000	-
Redcape Property Trust	Property settlements	(ii)	102,440,000	7,334,252	609,062	22,415
Redcape Property Services Limited	Inter-company receivable	(iii)	-	42,036	71,599	42,036
Hops1 Pty Ltd	Inter-company payable	(iv)	17,984	17,984	-	-
Redcape Services Pty Ltd	Inter-company receivable	(v)	49,573	45,081	-	-
C.H. Trust	Inter-company payable	(vi)	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) Redcape Property Services Limited is a wholly owned subsidiary of Redcape Property Fund Limited and is the registered owner of the freehold properties held in the Trust. During 2010, assistance was provided to that company to meet operational outgoings.

(iv) Hops1 Pty Ltd is a 100% subsidiary of Redcape Property Fund Limited. It operated and managed the leasehold business of Heritage Hotel, which subsequently got sold and settled on 21 December 2009.

(v) Redcape Services Pty Limited is a 100% subsidiary of Redcape Property Fund Limited. It provides day to day management services to the Trust and Company.

(vi) C.H. Trust is a 100% subsidiary of Redcape Property Trust. It holds freehold of the Crown Hotel, Lutwyche and the transactions for the year involved rent collected and deposited for the Crown Hotel property.

Note 19 Financial instruments

Credit risk

Exposure to credit risk

	2010 $'000	2009 $'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	-	746,512
Cash and cash equivalents	8,862	54
	8,862	746,566

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

Impairment losses

None of the Group's receivables are past due (2009: 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 19 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
2010						
Trade and other payables	8,989	8,989	8,989	-	-	-
	8,989	8,989	8,989	-	-	-
2009						
Secured bank loans	745,381	779,333	779,333	-	-	-
Trade and other payables	57	57	57	-	-	-
Accrued interest payable	1,019	1,019	1,019	-	-	-
	746,457	780,409	780,409	-	-	-

Market risk

Interest rate risk

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

	2010	2009
	$'000	$'000
Variable rate instruments		
Financial liabilities	-	745,381
	-	745,381

Cashflow sensitivity analysis for variable instruments:

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

	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
2010	$'000	$'000	$'000	$'000	$'000
Bank loans	-	-	-	-	-
2009					
Bank loans	745,381	(5,726)	-	5,726	-

	2010 $'000	2009 $'000
Note 20 Cash flow information		
Reconciliation of cash flows from operating activities with profit / (loss) attributable to shareholders		
Profit / (loss) attributable to shareholders	122	(218)
Management expenses [1]	(1,944)	-
Investment committee fees	(802)	(300)
Depreciation	22	-
Income tax benefit	(23)	-
Change in operating assets and liabilities		
Increase in prepayments	(105)	-
Increase in other current assets	(102)	-
Increase in trade and other payables	645	194
Net cash from operating activities	(2,187)	(324)

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

Note 21 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 2010

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

a) The financial statements and notes set out on pages 71 to 91 and the remuneration disclosures that are contained in the Remuneration Report in section 8 of the Directors Report, set out on page 68, 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 2010 and of its performance, for the financial year ended on that date; and

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

b) There are reasonable grounds to believe that Redcape Property Fund Limited will be able to pay its debts as and when they become due and payable.

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 of the Chief executive officer and Chief financial officer as required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2010.

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

Colin Henson

Director

Dated this 27th day of August 2010

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 the Group comprising Redcape Property Fund Limited ("the Company") and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 21 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 Auditing 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 (including the Australian Accounting Interpretations), a 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*.

KPMG

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 2010 and of its performance, for the financial year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included on page 69 of the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001* .

KPMG

Graham Coonan

Partner

Cairns

27 August 2010

STAPLED SECURITY HOLDER INFORMATION
as at 30 June 2010

A Distribution of security holders

Size of holding	Number of stapled security holders
1 — 1,000	139
1,001 — 5,000	1,043
5,001 — 10,000	536
10,001 — 100,000	600
100,001 and over	70
Total	2,388

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)	68,621,439	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)	6,565,091	4.04
4	HLG Management Pty Ltd (Receivers and Administrators appointed)	5,420,747	3.34
5	Donnelly Discretionary Trust	5,225,943	3.22
6	Ms Jeanine Lee Cooke	5,085,581	3.13
7	The Trust Company Limited [1]	4,914,849	3.03
8	Greenacres Holdings Pty Ltd	4,746,023	2.92
9	K Biggs Enterprises Pty Ltd	2,131,354	1.31
10	Hautacam Investments Pty Ltd	2,000,000	1.23
11	Connaught Place Investments Pty Ltd	1,250,000	0.77
12	Kern Consulting Group Superannuation Fund	1,214,660	0.75
13	Mrs Jean Marion Barry & Mr David Richard Barry	1,000,000	0.62
14	Sunset Superannuation Fund	1,000,000	0.62
15	Marnatro Pty Ltd	988,859	0.61
16	Mr David Wayne Row	820,000	0.50
17	Citicorp Nominees Pty Ltd	730,840	0.45
18	Donnelly Family Superannuation Fund	707,844	0.44
19	Manar Nominees Pty Ltd	700,000	0.43
20	Jane Williamson	640,000	0.39
		127,929,476	78.76

[1] These securities are not held by The Trust Company Limited in either its personal capacity or its capacity as Custodian of the Trust. This holding does not represent a related party transaction or balance of The Trust Company Limited as the ultimate parent of the Responsible Entity.

C Substantial holders

Size of holding	Number of stapled securities	% of issued capital
TWH (Qld) Pty Ltd (Receivers and Administrators appointed)	82,787,685	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 4, 35 Clarence 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 **Power Jeffrey & Co Pty Ltd** 371 Queen Street Brisbane QLD 4001
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 GPO Box 7115 Sydney NSW 2001
Legal Advisors	**Minter Ellison Lawyers** Aurora Place 88 Phillip Street Sydney NSW 2000 **Ellison Tillyard Callanan** Level 4, 160 Sussex Street Sydney NSW 2000