

# **RP TRUST AND CONTROLLED ENTITY**

ARSN 109 684 773

## **INTERIM CONSOLIDATED FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**RFML Limited  
Level 1, 50 Yeo Street  
Neutral Bay NSW 2089  
ACN 107 352 821**

## **RP TRUST AND CONTROLLED ENTITY**

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**RP TRUST AND CONTROLLED ENTITY**  
**ARSN 109 684 773**  
**DIRECTORS' REPORT**

The Directors of RFML Limited ("the responsible entity"), the responsible entity of the RP Trust present their report together with the financial report of the Trust and its controlled entity ("the Trust"), for the half-year ended 31 December 2010 and the auditor's report thereon.

**DIRECTORS OF THE RESPONSIBLE ENTITY**

The Directors of the responsible entity at any time during or since the end of the half-year are:

Seph Glew  
Stuart Brown  
Paul Tressider, resigned 31 August 2010  
Judith Ryan, appointed 31 August 2010

**COMPANY SECRETARY**

Alex Breen resigned on 14 January 2011. Don Bayly was appointed as the new company secretary and compliance officer.

**PRINCIPAL ACTIVITIES**

The Trust is a registered managed investment scheme incorporated and domiciled in Australia.

The principal activities of the Trust and its controlled entity during the half year were investing in income-producing properties and in unlisted securities.

**REVIEW OF RESULTS AND OPERATIONS**

On 13 April 2011 the Trust's bank formally approved the in-principle agreement (received in December 2010) to a 24 month extension of the trust banking facility. As this formal approval was not received prior to the balance date the Trust's debt facility is classified in these financial statements as a Current Liability. Given the approval the trust's debt facility would now be classified as Non-Current. Further details on the extension can be found in Note 6 of the accompanying financial statements.

The responsible entity has been pursuing a strategy to stabilise the Trust since current management took control in June 2009. In June 2009 the Trust's position was precarious. The Trust's loan to value ratio was in breach of banking covenant and the value of its assets was in decline. This forced previous management to suspend distribution, freeze redemptions and agree an asset sale program with the Trust's lender, National Australia Bank. In response to these circumstances current management has implemented strategies that have achieved the following outcomes since the half- year ending December 2009:

- Interest bearing bank debt has reduced from \$106.5 million (December 2009) to \$58.7 million (December 2010).
- Leases have been entered into for over 5,000 sqm of lettable area either to new or existing tenants. The most significant of these was the renewal of IBM in relation to its 1,189 sqm tenancy in Silver @ The Exchange.
- The Trust has entered into transactions which has grown net assets from \$24.1 million (June 2010) to \$61.4 million (at listing).
- Management has secured terms to renew the Trust's banking facility for a term of 2 years.
- Management intends to reinstate distribution from June 2011.
- The Trust will seek listing on the ASX.

The net result of the Trust for the financial period ended 31 December 2010 was a net profit of \$872,997 (2009: loss of \$146,943). In addition, the fair value of available for sale financial assets acquired during the half year increased by \$671,071 which was carried directly to asset revaluation reserve at 31 December 2010.

**DISTRIBUTIONS TO UNITHOLDERS**

During the financial half-year no distributions were made to unitholders (2009: Nil).

**RP TRUST AND CONTROLLED ENTITY**  
**ARSN 109 684 773**  
**DIRECTOR'S REPORT**

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes to the state of affairs of the Trust during the financial period.

**EVENTS SUBSEQUENT TO REPORTING DATE AND LIKELY DEVELOPMENTS**

On 22 December 2010 Pelorus Property Group Limited shareholders approved a demerger transaction to split the company into its functional parts. Under the demerger the Pelorus Property Group Limited changes its name to Pelorus Private Equity Limited and its operating businesses including funds, property and development management will move across to a new public company that will seek listing on the ASX. The new company will be known as BlackWall Property Funds Limited.

RFML Limited as responsible entity for the Trust has appointed BlackWall Property Funds Limited as Investment Manager. BlackWall Property Funds Limited is responsible for the operations, administration and management of the Trust. There is no change in the personnel responsible for the management of the Trust. Investors were advised of this in a letter dated 7 February 2011.

On 8 January 2011, RP Trust acquired \$30 million Bakehouse CPI indexed transferable bonds. The bond transaction will increase RP Trust's annual revenue by \$1.65 million per annum. The bonds have a 10 year life and pay a 5.5% per annum coupon on the original \$30 million principal. In addition the principal is indexed over the term. The bonds are secured against an income producing property known as the Bakehouse Quarter property located at North Strathfield, NSW. Consideration for the bonds was the issue of 100,000,000 units at an issue price of \$0.30 per unit, the NTA of the Trust at transaction date.

With the transactions described above in place the responsible entity was able to secure agreement from the Trust's bankers (NAB) to a two-year extension of the Trust's debt facility. More details on the terms of the debt facility are set out later in the financial statements.

Now that the debt facility has been secured the responsible entity is in a position to seek to have the Trust listed on the ASX. A product disclosure statement with respect to the listing is being prepared and is expected to be dispatched to unitholders within 2 weeks of this report. Subject to regulatory conditions and requirement management is working to a listing of the fund prior to 30 June 2011.

Except for the above matters, there have been no other matters or circumstances that have arisen since the end of the half-year that have materially affected or may materially affect the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2010.

**ROUNDING**

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Trust under ASIC Class Order 98/100. The Trust is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Board of Directors of RFML Limited, the responsible entity of the Trust made pursuant to s.306(3) of the *Corporations Act 2001*.



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Stuart Brown  
Managing Director

Sydney, 13 April 2011

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E admin@esvgroup.com.au  
www.esvgroup.com.au

**Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001**

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2010, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney the 14th day of April 2011

ESV Chartered Accountant

**ESV Chartered Accountants**



**Geoff Vince**  
Partner

**RP TRUST AND CONTROLLED ENTITY**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

|   | <b>CONSOLIDATED</b> |               |
|---|---------------------|---------------|
|   | <b>Dec-10</b>       | <b>Dec-09</b> |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <b>REVENUE</b>                                      |                     |               |
| <b>Operating revenue</b>                            |                     |               |
| Rent income   | 4,601               | 7,543         |
| Non-recoverable outgoings                           | (811)               | (1,117)       |
|   | <hr/>               | <hr/>         |
| Net rental income                                   | 3,790               | 6,426         |
|   | <hr/>               | <hr/>         |
| <b>Non-operating revenue</b>                        |                     |               |
| Dividends & distributions                           | 171                 | 8             |
| Interest income                                     | 21                  | 11            |
|   | <hr/>               | <hr/>         |
| <b>Total revenue</b>                                | 3,982               | 6,445         |
|   | <hr/>               | <hr/>         |
| <b>EXPENSES</b>                                     |                     |               |
| Custodian fees                                      | (10)                | (11)          |
| Loss on sale of assets                              | -                   | (146)         |
| Unrealised losses on revaluation of assets          | (15)                | (2,122)       |
| Finance costs                                       | (2,418)             | (3,568)       |
| Administration expenses                             | (257)               | (204)         |
| Other operating expenses                            | (114)               | (91)          |
| Fund management fee                                 | (295)               | (450)         |
|   | <hr/>               | <hr/>         |
| <b>Operating expenses</b>                           | (3,109)             | (6,592)       |
|   | <hr/>               | <hr/>         |
| <b>Profit/(loss) for the half-year</b>              | 873                 | (147)         |
|   | <hr/>               | <hr/>         |
| <b>Other comprehensive income</b>                   |                     |               |
| Revaluation increment                               | 671                 | -             |
|   | <hr/>               | <hr/>         |
| <b>Total comprehensive income for the half-year</b> | 1,544               | (147)         |
|   | <hr/>               | <hr/>         |

The accompanying notes form part of the Condensed Consolidated Statement of Comprehensive Income.

**RP TRUST AND CONTROLLED ENTITY**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

|   |              | <b>CONSOLIDATED</b>      |                          |
|---|--------------|--------------------------|--------------------------|
|   | <b>Notes</b> | <b>Dec-10<br/>\$'000</b> | <b>Jun-10<br/>\$'000</b> |
| <b>CURRENT ASSETS</b>   |              |                          |                          |
| Cash and cash equivalents   |              | 1,838                    | 1,067                    |
| Trade and other receivables   |              | 79                       | 121                      |
| Other current assets  |              | 569                      | 504                      |
| <b>TOTAL CURRENT ASSETS</b>   |              | <b>2,486</b>             | <b>1,692</b>             |
| <b>NON-CURRENT ASSETS</b>   |              |                          |                          |
| Available for sale financial assets   | 3            | 8,620                    | 5,000                    |
| Financial assets at fair value through profit and loss                      | 4            | 3,439                    | -                        |
| Investment properties   | 5            | 76,775                   | 76,775                   |
| <b>TOTAL NON-CURRENT ASSETS</b>   |              | <b>88,834</b>            | <b>81,775</b>            |
| <b>TOTAL ASSETS</b>   |              | <b>91,320</b>            | <b>83,467</b>            |
| <b>CURRENT LIABILITIES</b>  |              |                          |                          |
| Trade and other payables  |              | 1,045                    | 603                      |
| Interest bearing liabilities  | 6            | 58,672                   | 58,672                   |
| Other current liabilities   |              | 224                      | 52                       |
| <b>TOTAL CURRENT LIABILITIES</b>  |              | <b>59,941</b>            | <b>59,327</b>            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |              | <b>-</b>                 | <b>-</b>                 |
| <b>TOTAL LIABILITIES (excluding net assets attributable to unitholders)</b> |              | <b>59,941</b>            | <b>59,327</b>            |
| <b>Net assets attributable unitholders</b>                                  |              | <b>31,379</b>            | <b>24,140</b>            |
| <b>TOTAL LIABILITIES</b>  |              | <b>91,320</b>            | <b>83,467</b>            |

The accompanying notes form part of the Condensed Consolidated Statement of Financial Position.

**RP TRUST AND CONTROLLED ENTITY**  
**STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

|  | Number<br>of units<br>on issue<br>'000 | Settlement<br>capital<br>\$'000 | Retained<br>earnings<br>\$'000 | Asset<br>Revaluation<br>Reserve<br>\$'000 | Total<br>\$'000 |
|--|--|---------------------------------|--------------------------------|---|-----------------|
| Balance 1 July 2009  | 66,691                                 | 65,343                          | (35,256)                       | -   | 30,087          |
| Issue of units   | 12,432                                 | 5,000                           | -                              | -   | 5,000           |
| Sub-total  | 79,123                                 | 70,343                          | (35,256)                       | -   | 35,087          |
| Comprehensive income:  |  |                                 |                                |   |                 |
| Net loss for the year  | -                                      | -                               | (10,947)                       | -   | (10,947)        |
| Distributions paid   | -                                      | -                               | -                              | -   | -               |
| <b>Balance at 30 June 2010</b>                                     | <b>79,123</b>                          | <b>70,343</b>                   | <b>(46,203)</b>                | <b>-</b>                                  | <b>24,140</b>   |
| Issue of units   | 18,991                                 | 5,695                           | -                              | -   | 5,695           |
| Sub-total  | 98,114                                 | 76,038                          | (46,203)                       | -   | 29,835          |
| Comprehensive income:  |  |                                 |                                |   |                 |
| Net profit for the half year                                       | -                                      | -                               | 873                            | -   | 873             |
| Other comprehensive income:  |  |                                 |                                |   |                 |
| Net change in fair value of<br>available for sale financial assets | -                                      | -                               | -                              | 671                                       | 671             |
| Distributions paid   | -                                      | -                               | -                              | -   | -               |
| <b>Balance at 31 December 2010</b>                                 | <b>98,114</b>                          | <b>76,038</b>                   | <b>(45,330)</b>                | <b>671</b>                                | <b>31,379</b>   |



**RP TRUST AND CONTROLLED ENTITY**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

|   | <b>CONSOLIDATED</b> |                |
|---|---------------------|----------------|
|   | <b>Dec-10</b>       | <b>Dec-09</b>  |
|   | <b>\$</b>           | <b>\$</b>      |
| <hr/> <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |                     |                |
| Receipts from customers                                   | 4,859               | 8,526          |
| Distribution received                                     | 108                 | 58             |
| Interest received   | 21                  | 11             |
| Payments to suppliers and employees                       | (1,519)             | (2,271)        |
| Finance costs paid  | (2,355)             | (3,617)        |
|   | <hr/>               | <hr/>          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                 | <b>1,114</b>        | <b>2,707</b>   |
| <hr/> <b>CASH FLOW FROM INVESTING ACTIVITIES</b>          |                     |                |
| Proceeds from sale of listed investments                  | -                   | 3,274          |
|   | <hr/>               | <hr/>          |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>                 | <b>-</b>            | <b>3,274</b>   |
| <hr/> <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |                     |                |
| Payment for purchase of securities                        | (343)               | -              |
| Repayments of loan facility                               | -                   | (6,600)        |
|   | <hr/>               | <hr/>          |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>              | <b>(343)</b>        | <b>(6,600)</b> |
| Net increase/(decrease) in cash held                      | 771                 | (619)          |
| Cash and cash equivalents at the beginning of the period  | 1,067               | 1,929          |
|   | <hr/>               | <hr/>          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b> | <b>1,838</b>        | <b>1,310</b>   |

The accompanying notes form part of the Condensed Consolidated Statement of Cash Flows.

**RP TRUST AND CONTROLLED ENTITY**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The condensed consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated half-year financial report does not include full disclosure of the type normally included in an annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by the Trust during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors of the responsible entity on 13 April 2011.

**Basis of preparation**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets for which the fair value basis of accounting has been applied.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Going concern**

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

On 13 April 2011 the Trust's bank formally approved the in-principle agreement (received in December 2010) to a 24 month extension of the trust banking facility. As this formal approval was not received prior to the balance date the trust's debt facility is classified in these financial statements as a Current Liability. Given the approval the trust's debt facility would now be classified as Non-Current.

The extension has been given on the following terms:

- (a) Extension of the facility to 30 April 2013
- (b) An amortisation program
- (c) Property debt LVR of 65% or less by no later than 30 September 2011
- (d) Failure to achieve LVR covenant mentioned in (c) triggers an obligation to sell enough assets to have the LVR below 60% by 31 December 2011 and triggers a review event.

Given this debt extension and the fact the Trust has reported a profit for the half-year the financial report has been reported on a going concern basis.

**RP TRUST AND CONTROLLED ENTITY**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES continued**

**Available-for-sale financial assets**

The Trust's investments are classified as available-for-sale financial assets except for the Trust's investments in the Pelorus Pub Group, refer below. Subsequent to initial recognition at cost, available-for-sale financial assets are measured at fair value and changes therein are recognised in Asset Revaluation Reserve in net assets attributable to unitholders. When an investment is derecognised, the cumulative gain or loss in the Asset Revaluation Reserve is transferred to the Statement of Comprehensive Income as a realised gain or loss.

For investments held by the Trust in unlisted managed investment schemes, fair value is determined by reference to the published redemption price of those unlisted managed investment schemes at the reporting date.

**Financial assets at fair value through profit and loss**

Investments in financial assets at fair value through profit and loss are initially and in subsequent periods carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of comprehensive income in the period in which they arise. Distribution income from financial assets accounted at fair value through the profit and loss is recognised in the income statement as part of revenue.

**Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. Included in the value measurement are adjustments for straightlining of lease income.

**New, revised or amending Standards and Interpretations that are first effective in the current reporting period**

The Trust has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting period.

Any significant impact on the accounting policies of the Trust from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy. The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the Trust. The following Standards and Interpretations are most relevant to the Trust:

***AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project***

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 did not have a material impact on the Trust.

**RP TRUST AND CONTROLLED ENTITY**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 2 – SEGMENT REPORTING**

The Trust currently operates in one business segment being the investment in properties and property securities in Australia.

**NOTE 3 – AVAILABLE FOR SALE FINANCIAL ASSETS**

|  | <b>CONSOLIDATED</b> |               |
|--|---------------------|---------------|
|  | <b>Dec-10</b>       | <b>Jun-10</b> |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Units in unlisted managed investment funds | 8,620               | 5,000         |

**NOTE 4 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

|  | <b>CONSOLIDATED</b> |               |
|--|---------------------|---------------|
|  | <b>Dec-10</b>       | <b>Jun-10</b> |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Investments – Pelorus Pub Group <sup>(i)</sup> | 3,439               | -             |

<sup>(i)</sup> The Trust holds a 44.4% interest in the Pelorus Pub Group, a related entity.

**NOTE 5 – INVESTMENT PROPERTIES**

|                                    | <b>CONSOLIDATED</b> |               |
|------------------------------------|---------------------|---------------|
|                                    | <b>Dec-10</b>       | <b>Jun-10</b> |
|                                    | <b>\$'000</b>       | <b>\$'000</b> |
| Chancellor Homemaker Centre        | 19,900              | 19,900        |
| Silver @ The Exchange              | 16,400              | 16,400        |
| APN Yandina                        | 23,100              | 23,100        |
| BlueScope Coolum                   | 4,375               | 4,375         |
| Eye Hospital ACT                   | 7,300               | 7,300         |
| APN Toowoomba                      | 5,700               | 5,700         |
| <b>TOTAL INVESTMENT PROPERTIES</b> | <b>76,775</b>       | <b>76,775</b> |

**Movements in investment properties**

|  |               |               |
|--|---------------|---------------|
| Balance at the beginning of the period | 76,775        | 137,610       |
| Additions during the period            | -             | -             |
| Disposals during the period            | -             | (48,650)      |
| Revaluation of investment properties   | -             | (12,185)      |
| Balance at the end of the period       | <b>76,775</b> | <b>76,775</b> |

All investment properties were independently valued in June 2010. Values are based on an active market value and are performed by registered independent valuers. Directors' valuations are prepared at each balance date where an independent valuation has not been obtained.

**RP TRUST AND CONTROLLED ENTITY**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 6 – INTEREST BEARING LIABILITIES**

|   | <b>CONSOLIDATED</b> |               |
|---|---------------------|---------------|
|   | <b>Dec-10</b>       | <b>Jun-10</b> |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <b>CURRENT</b>                              |                     |               |
| Secured bank bill facilities <sup>(i)</sup> | 58,672              | 58,672        |

<sup>(i)</sup> The bill facilities are secured by a registered first mortgage over the freehold land and buildings (refer Note 5).

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**NOTE 7 – EVENTS SUBSEQUENT TO REPORTING DATE AND LIKELY DEVELOPMENTS**

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Except for the above matters, there have been no other matters or circumstances that have arisen since the end of the half-year that have materially affected or may materially affect the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

**RP TRUST AND CONTROLLED ENTITY**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

**NOTE 8 – CONTINGENT LIABILITIES**

In May 2010 MacarthurCook Fund Management Limited as Responsible Entity of MacarthurCook Properties Securities Fund (MPS) commenced legal proceedings against the Trust and RFML to recover an alleged debt. The alleged debt relates to investments in the Trust made by MPS beginning early 2007. MPS holds 22.6 million units in the Trust and is seeking redemption of 15 million of these units in preference to other unitholders at a price of \$1.00. Additional fees of \$2,772,802 plus costs and interest are also being claimed.

The Trust and RFML dispute the alleged debt and are defending the proceedings. The matter has passed its discovery phase. MPS had tendered its evidence. In addition MPS has sought to amend its pleadings. The Trust and RFML have not consented to the proposed amendments and the parties are in discussions to settle the form of the pleadings. If the parties cannot agree MPS must seek the leave of the court for its proposed amendments and the Trust and RFML would oppose these amendments.

Management is of the view that the claim has little prospect of success, however should the legal proceedings be pursued to their fullest extent, significant non-recoverable legal costs will be incurred by the Trust. The Trust has incurred \$53,464 in legal costs pursuing this matter during the half year.

The Trust has also received notification of a potential claim by the vendor of one of the Trust's assets. The claim relates to certain revenue thresholds contained in the land sale contract and associated documentation entered into prior to Pelorus Property Group Limited acquiring the Responsible Entity. The Trust's legal advice is that the Trust has no liability under the claim. The Responsible Entity has resolved to commence declaratory court actions to resolve the issue. In the event that the Trust's legal opinion were held to be incorrect the maximum liability to the Trust would be \$300,000.

There are no other contingent liabilities or contingent assets as at 31 December 2010 which require disclosure in the financial statements.

**RP TRUST AND CONTROLLED ENTITY  
DIRECTORS' DECLARATION**

In the opinion of the Directors of the RFML Limited, the responsible entity of RP Trust:

- (a) The financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, for the half-year year ended on that date; and
  - (ii) complying with Accounting Standard AASB134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the responsible entity.



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Stuart Brown  
Managing Director

Sydney, 13 April 2011

## Independent Review Report to the Investors of RP Trust ("the Trust")

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RP Trust ("the Trust") which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of net assets attributable to unitholders, statement of cash flows for the half-year ended on that date, selected accompanying notes to the financial statements and the Director's declaration.

#### *Directors' Responsibility for the Financial Report*

The Directors of RFML Limited ("the Responsible Entity") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RFML Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### *Conclusion*

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

- (a) giving a true and fair view of the financial position of the Trust as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*,



## Independent Audit Report to the Investors of RP Trust ("the Trust")

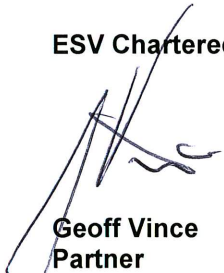
### Significant Uncertainty Regarding Litigation

Without qualification to the conclusion expressed above, we draw attention to Note 8 of the financial report which indicates there is significant uncertainty regarding litigation. RFML Limited, both in its personal capacity and as responsible entity of the RP Trust, is the defendant in a lawsuit alleging failure of performance of several agreements involving the redemption of unit-holder funds in the RP Trust. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial report.

Dated at Sydney the 14th day of April 2011

*ESV Chartered Accountants*

**ESV Chartered Accountants**

  
**Geoff Vince**  
**Partner**

