

RP TRUST AND ITS CONTROLLED ENTITY

ARSN 109 684 773

ANNUAL REPORT

Financial Year Ended 30 June 2010



Pelorus Property Group Limited

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DIRECTOR'S REPORT

The Directors of RFML Limited ("the Responsible Entity"), the responsible entity of the RP Trust (formerly called Reed Property Trust) ("the Trust"), present their report together with the report of the Trust and its controlled entity for the year ended 30 June 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 financial year are:

Seph Glew, Director

Seph has over 30 years experience in property development and structured finance. He is a founding member of the Pelorus group and is instrumental in its strategic direction. Seph qualified as a valuer and worked with the Housing Corporation of New Zealand and AMP before joining Chase Corporation in 1981. Seph rose to the position of CEO with Chase prior to the company's collapse in the late 1980s.

Stuart Brown, Director

Stuart joined Pelorus in 2000. He is closely involved with all facets of the business and in particular the group's corporate transactions, funds management and structured finance operations. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer, and Managing Director in 2007. Prior to joining the group Stuart practised as a solicitor in the areas of property and infrastructure acquisitions, sale and leasing, mergers and acquisitions and ASX listings with Mallesons and Gilbert & Tobin.

Paul Tresidder, Director

Paul advises the group closely in all facets of development and leasing. He has over 25 years experience in retail management, leasing, development and strategic planning. Before joining with Seph and Guy Wynn to form Wynn Tresidder in 1993, he held a number of positions at Lend Lease including National Leasing Manager and Division Manager responsible with Guy for General Property Trust's retail portfolio. In 1987 Guy formed a property management company with Paul that was purchased by Baillieu Knight Frank.

Paul resigned as Director of the Responsible Entity on 31 August 2010.

Judith Ryan, Director (appointed 31 August 2010)

Judith has over 14 years experience in real estate accounting, corporate advice and finance specialising in mergers and acquisitions. Judith has provided corporate advisory and transaction support services to Pelorus since 2000 as a partner at BDO Chartered Accountants. Judith joined Pelorus in late 2009 as Head of Funds Management.

Whilst at BDO Judith advised retail and wholesale investors on a number of significant transactions in both the listed and unlisted property sectors. She has worked on transactions involving many of Australia's largest property businesses including Macquarie Group, Colliers International and Australand, and co-authored BDO's Annual Listed Property Trust survey.

Judith holds a Master of Commerce (Finance) and Bachelor of Economics from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia.

COMPANY SECRETARY

Stuart Brown was appointed as the company secretary on 4 June 2009. David Sellin was appointed joint secretary with Stuart Brown on 7 September 2009. David Sellin resigned on 16 September 2010 and Alex Breen was appointed as his replacement.

INDEPENDENCE

No Directors or executives of the Trust and its controlled entity or the Responsible Entity have been partners of the Trust's current auditors, ESV Chartered Accountants.

DIRECTORS' MEETINGS

The number of Directors meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Responsible Entity during the financial year are as follows:

	BOARD MEETINGS		COMPLIANCE COMMITTEE MEETINGS	
	A	B	A	B
Seph Glew	1	1	-	-
Stuart Brown	1	1	1	1
Paul Tresidder	1	1	-	-
Judith Ryan	-	-	3	3

A - Number of meetings attended

B - Number of meetings held during the time the Director/member held office during the year.

A compliance committee has been formed for the Trust and its controlled entity, comprising one internal member (a member associated with the Responsible Entity) and two external members. The compliance committee's role is to monitor compliance with the Trust and its controlled entity's Constitution, Compliance Plan and the Corporations Act 2001 ("the Act"). The compliance committee meets at least quarterly to assess the performance of the Manager and is obliged to report any breaches of the Constitution, Compliance Plan or Act to the Manager's Board of Directors, and in some cases, directly to ASIC. The composition of the Compliance Committee changed in June 2009 following Pelorus' acquisition of the Responsible Entity, but still comprises one internal member and two external members.

PRINCIPAL ACTIVITIES

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

The principal activity of the Trust and its controlled entity during the financial year was investing in income-producing properties. There were no significant changes in the principal activity during the financial year. The Trust and controlled entities did not have any employees during the year.

OPERATING RESULTS

The net result of the Trust for the financial period ended 30 June 2010 was a loss of \$10.947 million (2009: loss of \$35.285m). This result was primarily driven by write downs in the value of the Trust's assets. The underlying performance of the properties continues to be strong with less than 1% vacancy rate across the portfolio.

There was no requirement to provide for income tax as the Trust fully distributes its taxable income to unitholders.

DISTRIBUTIONS TO UNITHOLDERS

During the financial year distributions were suspended (2009: \$1.85m).

	2010 \$	CPU	2009 \$	CPU
Interim distributions paid	-	-	1,853	0.02780
Final distributions paid	-	-	-	-
Total	-	-	1,853	0.02780

RESPONSIBLE ENTITY FEES

The following fees were paid to RFML Limited and its associates out of the Trust assets during the financial year:

	2010 \$'000	2009 \$'000
Fund management fee	818	1,108
Accounting fee	88	-

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total assets decreased to \$83.47 million (2009: \$143.44 million) after the sale of the Trust's interests in three properties for an aggregate amount of \$50.3 million. Net proceeds of the sales were used to repay the Trust's debt facilities.

The Trust's total debt as at 30 June 2010 was \$58.672million (2009: \$113.069 million). Gearing, measured as a ratio of total interest bearing liabilities over total assets was 70.3% (2009: 82%).

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. The financier's loans are classified as current, as such the Trust's ability to continue as a going concern is dependent upon the continued support of its financiers.

The Trust's loss of \$10.947 million for the year (2009: \$35.285 million) is a result of unrealised impairment losses. The significant losses in previous periods were also due mainly to the unrealised impairment losses recognised over investment properties.

Previous impairments of investment properties are not seen to be reflective of the Trust's profitability or ability to continue as a going concern in the future.

During the financial year \$54.4m of debt has been repaid to the Trust's lenders as a result of an asset sale programme.

In March 2010 the Trust's debt facility was extended pending independent valuations that were completed in June and July 2010.

Management has put a proposal to the Trust's lender that involves the restructuring of the Trust into a listed vehicle as detailed in the directors report. This will introduce more assets into the Trust with no further gearing. The Trust's lender is reviewing this proposal. The Responsible Entity expects that the Trust's lender will at a minimum require some continued debt amortisation over the next twelve to twenty four months and will impose conditions under which the facility will be reviewed with respect to loan to value covenants on terms that are more stringent than those generally applied in debt facilities of this nature. In addition the loan renewal may require further asset sales.

The result of the lender's review is expected in the last quarter of 2010.

Notwithstanding the above, management have prepared the financial report on a going concern basis as they regularly monitor the Trust's cash position and consider a number of strategic and operational plans and initiatives currently in place will ensure that adequate funding continues to be available to the Trust to meet its objectives and financial obligations. Also refer to Note 1 and the Independent Audit Report following.

REMUNERATION

Responsible entity remuneration

Details of remuneration paid to the Responsible Entity are set out in Note 16.

Directors and executive remuneration

Details of remuneration paid to the Directors and executives are set out in Note 16.

During, or since the end of the financial year, no Director has received or become entitled to receive, a benefit by reason of a contract entered into by the Responsible Entity with the Director, a firm of which a Director is a member, or an entity in which the Director has substantial financial interest.

Custodian remuneration

The Custodian is Trust Company Limited. Its total fee for the financial year was 0.025% (plus GST) of the gross asset value of the Trust, with a minimum of \$15,000 plus GST. In addition, the Custodian is entitled to be paid any out-of-pocket expenses incurred in the performance of its duties.

ENVIRONMENTAL REGULATION

The Trust and its controlled entity's operations are not regulated by any significant environmental law or regulation under either Commonwealth or State legislation. However, the Responsible Entity believes that the Trust and its controlled entity have adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Trust.

EVENTS SUBSEQUENT TO BALANCE DATE AND LIKELY DEVELOPMENTS

Management has resolved to list RP Trust on the Australian Securities Exchange ("ASX") and commenced preparation of a product disclosure statement in this regard.

In order to build scale in the Trust for listing, a number of income-producing assets have been rolled into the Trust in return for units in the Trust. The following transactions were completed on 1 July 2010:

RP Trust Acquired:

Unlisted Property Securities	
- Pelorus Pub Group	22,929,810 units
- Domaine Hunter Fund	1,380,000 units
- APGF Diversified Property Fund	893,070.00 units
- APN Vienna Retail Fund	1,000,000 units
- Becton Industrial Fund	480,770 units
- Real Estate Capital Partners Hi Q Fund	1,000,000 units
- MAB Diversified Property Trust	1,040,000 units
- PFA Diversified Property Trust	4,155,845 units

RP Trust Paid/Redeemed:

Unlisted Property Securities	
- Pelorus Penrith Fund No. 2	4,000,000 units
Cash	\$350,000
RP Trust Equity	18,750,000 units

Listing is expected to be completed before 31 December 2010.

On 31 August 2010, Paul Tresidder resigned as Director of the Responsible Entity and Judith Ryan was appointed as Director of the Responsible Entity.

Other than as disclosed above and to the knowledge of directors, there has been no other matter or circumstance that has arisen since the end of the financial year that has or may 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.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS OR AUDITORS

During the financial year the Responsible Entity has paid premiums to insure each of the Directors named in this report along with officers of that company against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the Responsible Entity.

The Trust has not indemnified any auditor of the Trust.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 9 and forms part of the Directors' Report for the year ended 30 June 2010.

ROUNDING

The amounts contained in this report and in the annual 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 RP Trust.



Stuart Brown
Managing Director

Sydney, 6 October 2010

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 year ended 30 June 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 audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the *6th* day of October 2010.

ESV Chartered Accountants

ESV Chartered Accountants



Geoff Vince
Partner

RP TRUST
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 \$'000	2009 \$'000
REVENUE			
Operating Revenue			
Rent		13,103	13,347
Non-recoverable outgoings		(1,898)	(1,607)
Net Rental Income		<u>11,205</u>	<u>11,740</u>
Non-Operating Revenue			
Dividends & Distributions		-	287
Interest income		33	90
Net Investment Income	3	<u>11,238</u>	<u>12,117</u>
EXPENSES			
Custodian fees		(15)	(14)
Finance costs		(6,640)	(8,970)
Administration expenses		(1,059)	(226)
Performance fee		-	(1,108)
Other operating expenses		(594)	(30)
Loss on disposal of assets		(1,458)	-
Loss on revaluation of properties		(12,419)	(37,054)
Operating expenses		<u>(22,185)</u>	<u>(47,402)</u>
(Loss) / profit for the year		(10,947)	(35,285)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(10,947)</u>	<u>(35,285)</u>

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

RP TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents	4	1,067	1,930
Trade and other receivables	5	121	257
Other assets	6	504	223
TOTAL CURRENT ASSETS		1,692	2,410
NON-CURRENT ASSETS			
Financial assets	8	5,000	3,420
Investment properties	7	76,775	137,610
TOTAL NON-CURRENT ASSETS		81,775	141,030
TOTAL ASSETS		83,467	143,440
CURRENT LIABILITIES			
Trade and other payables	9	603	167
Other current liabilities	10	52	117
Borrowings	11	58,672	113,069
TOTAL CURRENT LIABILITIES		59,327	113,353
NON-CURRENT LIABILITIES			
Long-term borrowings		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		59,327	113,353
Net assets attributable to unitholders	13	24,140	30,087
TOTAL LIABILITIES		83,467	143,440

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

RP TRUST
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

As the Trust has no equity, the Trust has not included any items of changes in equity for the current or comparative years. Net assets attributable to unitholders are disclosed in Note 13 to the financial statements.

RP TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010	2009
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		13,079	14,976
Payments to suppliers and employees		(4,703)	(2,672)
Distribution received		-	279
Interest received		33	90
Finance costs		(6,945)	(8,437)
NET CASH FROM OPERATING ACTIVITIES			
	14(b)	1,464	4,236
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		52,070	-
Payments for investments in properties		-	(6)
NET CASH FROM INVESTING ACTIVITIES			
		52,070	(6)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		-	(2,967)
Repayment of borrowings		(54,397)	(600)
Proceeds from issue of units		-	305
Payments for units redeemed		-	(942)
NET CASH FROM FINANCING ACTIVITIES		(54,397)	(4,204)
Net increase (decrease) in cash and cash equivalents		(863)	26
Cash and cash equivalents at the beginning of the year		1,930	1,904
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	14(a)	1,067	1,930

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

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The RP Trust (formerly known as the Reed Property Trust) is a registered managed investment scheme incorporated under the Corporations Act 2001 in Australia. The consolidated financial report as at the year ended 30 June 2010 comprises the RP Trust and its subsidiary the Yandina Sub-trust, a discretionary trust established and domiciled in Australia (together referred to as the "Trust").

RFML Limited (formerly known as Reed Funds Management Limited) is the Responsible Entity of the Trust (the Responsible Entity).

Trust Company Limited is the Custodian of the Trust (the Custodian).

The relationship of these parties with the Trust is governed by the terms and conditions specified in the Constitution.

The financial report for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the board of directors of the Responsible Entity on 6 October 2010.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report of RP Trust and its controlled entity, and RP Trust as an individual parent entity comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

Reporting basis and conventions

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 and financial assets and liabilities for which the fair value basis of accounting has been applied.

The Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period. The directors have also elected under s.334(5) of the Corporations Act 2001 to apply AASB Business Combinations (2008) and AASB 127 Consolidated and Separate Financial Statements (2008), and the associated amending standard AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127. In addition, the directors have adopted AASB 101 Presentation of Financial Statements.

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. The financier's loans are classified as current, as such the Trust's ability to continue as a going concern is dependent upon the continued support of its financiers.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Going concern continued

The Trust's loss of \$10.947 million for the year (2009: \$35.285million) is a result of unrealised impairment losses. The significant losses in previous periods were also due mainly to the unrealised impairment losses recognised over investment properties.

Previous impairments of investment properties are not seen to be reflective of the Trust's profitability or ability to continue as a going concern in the future.

During the financial year \$54.4m of debt has been repaid to the Trust's lenders as a result of an asset sale programme.

In March 2010 the Trust's debt facility was extended pending independent valuations that were completed in June and July 2010.

Management has put a proposal to the Trust's lender that involves the restructuring of the Trust into a listed vehicle as detailed in the directors report. This will introduce more assets into the Trust with no further gearing. The Trust's lender is reviewing this proposal. The Responsible Entity expects that the Trust's lender will at a minimum require some continued debt amortisation over the next twelve to twenty four months and will impose conditions under which the facility will be reviewed with respect to loan to value covenants on terms that are more stringent than those generally applied in debt facilities of this nature. In addition the loan renewal may require further asset sales.

The result of the lender's review is expected in the last quarter of 2010.

Notwithstanding the above, management have prepared the financial report on a going concern basis as they regularly monitor the Trust's cash position and consider a number of strategic and operational plans and initiatives currently in place will ensure that adequate funding continues to be available to the Trust to meet its objectives and financial obligations.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Principles of consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of RP Trust and its subsidiary as at 30 June 2010. A list of controlled entities is contained in Note 18 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Where controlled entities have entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

A controlled entity is an entity RP Trust has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Inter-company balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Critical accounting estimates and judgments

General

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets.

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 straight lining of lease income.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of asset

At each reporting date the trust reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that these assets have not been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell at value-in-use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication 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 has been recognised.

Financial instruments

Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flow from the financial assets expire or if the Trust transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

Loans and receivables

Loans and receivables including loans to related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference published unit prices of these investments which are based on the net tangible assets of each of the investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument 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. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument 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 instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less, and bank overdrafts.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

Trade and other payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the company at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

Provisions

Provisions are recognised when the trust has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Where the Trust expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Revenue

Property income

Property income comprises rental and recovery of outgoings from property tenants. It is recognised when it becomes legally due and payable to the property owner.

Investment income

Finance income comprises interest on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit and loss.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established, which in the case of quoted securities is the ex-dividend date.

All revenue is stated net of the amount of goods and services tax (GST).

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Offices (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 the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the Cash flow Statement on a gross basis except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Property operating expenses

Property expenses such as rates, taxes, and other property outgoings in relation to investment property are recognised on an accrual basis when incurred.

Income tax

Under current income tax legislation the Trust is not liable for taxation where the taxable income is distributed in full to unitholders. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

New, revised or amending Standards and Interpretations

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 101 Presentation of Financial Statements ('AASB 101')

The Trust has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the Trust now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

New, revised or amending Standards and Interpretations continued

AASB 127 Consolidated and Separate Financial Statements ('AASB 127')

The Trust has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary - refer to the 'principles of consolidation' accounting policy for further details.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss.

AASB 7 Financial Instruments: Disclosure ('AASB 7')

This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidity management.

AASB 8 Operating Segments ('AASB 8')

The Trust has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 July 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally.

New Standards & Interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The company's assessment of the impact of these new standards and interpretations, most relevant to and not early adopted by the company, are set out below.

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 will not have a material impact on the Trust.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

New Standards & Interpretations not yet effective continued

AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have an impact on the Trust.

AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues

These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments 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 adoption of these amendments from 1 July 2010 will not have a material impact on the Trust.

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the Trust.

AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB 9

This standard and consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The consolidated entity will adopt this standard from 1 July 2011 but the impact of its adoption is yet to be assessed by the consolidated entity.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SEGMENT REPORTING

The Trust has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB requires operating segments to be identified on the basis of internal reports about components of the Trust that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Following the adoption of AASB 8 has not resulted in a change in the Trust's reportable segments.

The Trust currently operates in one business segment being the ownership and leasing of investment properties in Australia.

	Consolidated	
	2010	2009
	\$'000	\$'000
NOTE 3 - REVENUE		
Operating Activities		
Rent	13,103	13,347
Non-recoverable outgoings	(1,898)	(1,607)
Net Rental Income	11,205	11,740
Non-operating activities		
Unit trust distributions	-	287
Interest	33	90
Total Other Income	33	377
Total Revenue	11,238	12,117
NOTE 4 - CASH AND CASH EQUIVALENTS		
Cash at Bank	1,067	1,930
	1,067	1,930
Cash earns interest at a variable rate.		
NOTE 5 - TRADE AND OTHER RECEIVABLES		
<i>Current</i>		
Trade receivables	121	257
	121	257
NOTE 6 - OTHER ASSETS		
<i>(a) Current</i>		
Prepayments	504	223
	504	223

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
NOTE 7 - INVESTMENT PROPERTIES		
Chancellor Homemaker Centre	19,900	21,600
Chancellor Village Convenience Centre*	-	7,000
Noosa Gateway*	-	10,500
Silver @ The Exchange	16,400	21,500
APN Yandina	23,100	24,740
BlueScope Coolum	4,375	4,550
Telstra House ACT*#	-	32,000
Eye Hospital ACT	7,300	9,650
APN Toowoomba	5,700	6,070
Total	76,775	137,610

Movements in Investment Properties

Balance at the beginning of the financial year	137,610	169,634
Additions during the year	-	6
Disposals during the year:		
- Noosa Gateway	(10,850)	-
- Telstra House	(32,000)	-
- Chancellor Village Convenience Centre	(5,800)	-
Revaluation of investment properties	(12,185)	(32,030)
Balance at the end of the financial year	76,775	137,610

* Interests in these properties were sold in the 30 June 2010 financial year at a value above the aggregate net book value.

The Trust disposed of the economic interest in the Telstra House property but retains legal title.

Investment properties are carried at fair value based on independent valuations. Directors' valuations are prepared at each balance date where an independent valuation has not been obtained.

All investment properties were independently valued in June 2010. Valuations are performed by registered independent valuers based on an active market and with reference to the purchase price plus acquisition costs such as stamp duty, legal and professional costs, and capital expenditures since acquisition. The valuations are also based on common valuation methodologies including capitalisation rate and discounted cash flow approaches while active market was arrived at by reference to recent market sales of similar properties around the area.

Independent valuations conducted during the year were based on the following basic assumptions:

- Capitalisation rate (initial yield) used per property follows:

Chancellor Homemaker	9.00%
Silver @ The Exchange	10.5%
Canberra Eye Hospital	8.75%
APN Yandina	9.25%
Coolum	8.50%
APN Toowoomba	9.00%

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
NOTE 8 - FINANCIAL ASSETS		
Investments in unlisted units	5,000	3,420
NOTE 9 - TRADE AND OTHER PAYABLES		
<i>Current</i>		
<i>Unsecured liabilities</i>		
Trade creditors and accruals	511	93
Other creditors	92	74
	<u>603</u>	<u>167</u>
NOTE 10 – OTHER CURRENT LIABILITIES		
Unearned income	52	117
NOTE 11 – INTEREST-BEARING LIABILITIES		
<i>Current</i>		
(a) Secured bank bill facilities	58,672	113,069

The borrowings are secured by a charge over the investment properties described in note 7.

(b) Following are the details of the current National Australia Bank bill facilities that the Trust holds:

Facility \$'000	Interest Rate	End of availability period
7,080	Fixed at 6.65%	4 Oct 2011
4,592	Variable	31 Dec 2012
17,000	Capped rate at 6.5%	4 Oct 2012
20,000	Fixed at 5.95%	4 Jan 2011
10,000	Fixed at 6.53%	4 Oct 2011
<u>58,672</u>		

During the financial year \$54.4m of debt has been repaid to the Trust's lenders as a result of an asset sale programme.

In March 2010 the Trust's debt facility was extended pending independent valuations that were completed in June and July 2010. The result of these valuations puts the loan to value ratio of the facility at 76.5%. This is outside the current covenants of the facility. As a result the facility is under review.

Management has put a proposal to the Trust's lender that involves the restructuring of the Trust into a listed vehicle as detailed in the directors report. This will introduce more assets into the Trust with no further gearing. Some continued debt amortisation may be required, however management is confident that a recovery of asset valuations coupled with increased transactions that will flow from the restructured listed vehicle will provide the lender with the required security to renew the facility. The result of the lender's review is expected in the last quarter of 2010.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12 – DISTRIBUTIONS	Consolidated	
	2010	2009
	\$'000	\$'000
Interim distribution paid	-	1,853
Final distribution payable	-	-
	-	1,853

NOTE 13 – NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

2010	Number of units on issue '000	Retained earnings \$'000	Settlement Capital \$'000	Total \$'000
Balance 1 July 2009	66,691	(35,256)	65,343	30,087
Issue of units	12,432	-	5,000	5,000
Sub-total	79,123	(35,256)	70,343	35,087
Net Profit/(loss) for the year	-	(10,947)	-	(10,947)
Distributions paid	-	-	-	-
Balance at 30 June 2010	79,123	(46,203)	70,343	24,140

T Class units were issued during the year that gives the holder of the units 100% of the economic interest and control of the Telstra House property.

2009	Number of units on issue '000	Retained earnings \$'000	Settlement Capital \$'000	Total \$'000
Balance 1 July 2008	67,145	1,882	65,825	67,707
Issue of units				
- Founder units	-	-	-	-
- Ordinary units	287	-	321	321
- Distributions reinvested	142	-	155	155
Redemption - ordinary units	(883)	-	(942)	(942)
Sub-total	66,691	1,882	65,359	67,241
Capital raising costs	-	-	(16)	(16)
Net Profit/(loss) for the year	-	(35,285)	-	(35,285)
Distributions paid	-	(1,853)	-	(1,853)
Balance at 30 June 2009	66,691	(35,256)	65,343	30,087

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Note 14 - CASH FLOW INFORMATION

	Consolidated	
(a) Reconciliation of cash	2010	2009
	\$'000	\$'000
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	1,067	1,930
	<u>1,067</u>	<u>1,930</u>
(b) Reconciliation of cash flow from operations with profit/(loss) after income tax		
Profit/(loss) after income tax	(10,947)	(35,285)
<i>Non-Cash Items</i>		
Unrealised (gain)/loss on investments	12,419	36,314
Straightlined rental income	(234)	-
Amortisation of borrowing costs	-	532
<i>Changes in assets and liabilities</i>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	136	2,141
Prepayments	(281)	372
Other receivables	-	(8)
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	436	54
Unearned income	(65)	116
Net cash from operating activities	<u>1,464</u>	<u>4,236</u>

(c) Non-cash investing and unitholder activities

During the year there were no units issued under the distribution reinvestment plan (2009: 141,795 units, \$155,079)

NOTE 15 – AUDITOR'S REMUNERATION

	\$	\$
ESV Chartered Accountants		
- Audit	41,811	17,500
- Other services	2,670	2,500
Total	<u>44,481</u>	<u>20,000</u>

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16 – RELATED PARTY DISCLOSURES

Related parties

The Trust is managed by RFML Limited “RFML” (formerly known as Reed Funds Management Limited) as responsible entity. The Directors are key management personnel of this entity. The names of persons holding position of Directors of RFML Limited during the year until the signing of this report are:

Joseph Glew
 Paul Tresidder
 Stuart Brown
 Judith Ryan

Related party transactions

Responsible entity remuneration

In accordance with the terms of the Trust Constitution and the product disclosure statement, RFML is entitled to receive a management fee based on a specified percentage of the value of the Trust’s assets.

Set out below are the fees paid or payable by the Trust to the responsible entity during the year:

	2010	2009
	\$'000	\$'000
Fund management fee	818	1,108
Accounting fee	88	-

Custodian remuneration

The Custodian is Trust Company Limited. Its total fee for the financial year was 0.025% of the gross asset value of the Trust, with a minimum of \$15,000. During the year, the custodian was paid \$15,018 including custody fees and out-of-pocket expenses incurred in the performance of its duties.

Other related party remuneration

The property manager, Property Management Services Pty Ltd, received \$430,618 in property management fees, leasing and property accounting fees.

Pelorus Property Group Ltd, the parent entity of the asset manager, was paid \$125,000 in capital raising fees.

DDT Projects Ltd, a related party of the asset manager, provided architectural services to the Trust and was paid \$3,895.

Unitholdings

At 30 June 2010 Pelorus PIPES Trust No. 5 (a subsidiary of Pelorus Property Group Limited) held 12,431,626 units in RP Trust.

Director’s remuneration – Executive Directors

No salary, cash bonus or monetary benefit was paid out of the Trust’s assets to the Directors of the Responsibility Entity during the period.

The Trust has no Directors or executives.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16 – RELATED PARTY DISCLOSURES continued

Other director-related transactions

In April 2010 RP Trust disposed of its economic interest in a property located at 490 Northbourne Street, ACT to Pelorus Telstra House Trust for \$32 million. The responsible entities of the Pelorus Telstra House Trust and RP Trust have common directors.

On 30 June 2010 RP Trust acquired 5 million units in the Pelorus Penrith Fund No. 2 for \$5 million. The responsible entities of the Pelorus Penrith Fund No. 2 and RP Trust have common directors.

RP Trust paid \$515,600 to APG Asset Management Pty Ltd in debt arranging and structuring fee for Pelorus Telstra House Trust. The Responsible Entity of the RP Trust and APG Asset Management Pty Ltd have common directors.

NOTE 17 - PARENT ENTITY DISCLOSURES

As at and for the year ended 30 June 2010 the parent entity of the Trust was RP Trust.

	Parent	
	2010	2009
	\$'000	\$'000
Results of the parent entity		
Profit/(loss) for the year	(10,947)	(35,286)
Other comprehensive income	-	-
Total comprehensive income for the year	(10,947)	(35,286)
Financial position of the parent entity		
Current assets	1,610	2,133
Total assets	85,847	143,440
Current liabilities	60,386	113,353
Total liabilities	60,386	113,353
Net assets attributable to unitholders	25,460	30,087

Parent entity contingencies

Other than as disclosed in Note 20, the parent entity has no other contingencies as at 30 June 2010 (2009: nil).

Parent entity capital commitments

The parent entity has not entered into any capital commitments as at 30 June 2010 (2009: nil).

NOTE 18 – CONTROLLED ENTITIES	Country of	Percentage Owned (%)	
	Incorporation	2010	2009
Subsidiary of RP Trust:			
Yandina Sub-Trust	Australia	100%	100%

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 19 - EVENTS SUBSEQUENT TO BALANCE DATE

Management has resolved to list RP Trust on the Australian Securities Exchange ("ASX") and commenced preparation of a product disclosure statement in this regard.

In order to build scale in the Trust for listing, a number of income-producing assets have been rolled into the Trust in return for units in the Trust. The following transactions were completed on 1 July 2010:

RP Trust Acquired:

Unlisted Property Securities	
- Pelorus Pub Group	22,923,808 units
- Domaine Hunter Fund	1,380,000 units
- APGF Diversified Property Fund	893,070 units
- APN Vienna Retail Fund	1,000,000 units
- Becton Industrial Fund	480,770 units
- Real Estate Capital Partners Hi Q Fund	1,000,000 units
- MAB Diversified Property Trust	1,040,000 units
- PFA Diversified Property Trust	4,155,845 units

RP Trust Paid/ Redeemed:

Unlisted Property Securities	
- Pelorus Penrith Fund No. 2	4,000,000 units
Cash	\$350,000
RP Trust equity	18,750,000 units

Listing is expected to be completed before 31 December 2010.

On 31 August 2010, Paul Tresidder resigned as Director of the Responsible Entity and Judith Ryan was appointed as Director of the Responsible Entity.

Other than as disclosed above and to the knowledge of directors, there has been no other matter or circumstance that has arisen since the end of the financial year that has or may 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.

NOTE 20 – CONTINGENT ASSETS/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 (or 34%) of the Trust and is seeking redemption of 15 million of these units in preference to other unitholders at a price of \$1.00, well in excess of the current net asset value. Additional fees of \$2,772,802 plus costs plus interest are also being claimed.

The Trust and RFML dispute the alleged debt and intend to fully defend the proceedings. Management are 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 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 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 a 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.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 20 – CONTINGENT ASSETS/LIABILITIES continued

There are no other contingent liabilities or contingent assets as at 30 June 2010 which require disclosure in the financial statements.

NOTE 21 – FINANCIAL INSTRUMENTS

Financial Risk Management

The main risks the Trust is exposed to through its financial instruments are liquidity risk, interest rate risk, and credit risk.

The Trust's principal financial instruments are cash and other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Trust's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors and senior management set appropriate risk limits and controls, and monitor risks and adherence to limits. Through training and management standards and procedures, they aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Changes in market conditions and the Trust's activities are monitored with respect to the Trust's risk profile.

Liquidity risk

Vigilant liquidity risk management requires the trust to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The trust manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk is managed on a daily basis by the Responsible Entity in accordance with their policies and procedures.

The Trust's constitution provides for redemption of units and is therefore exposed to liquidity risk of meeting redemptions. The RE has suspended redemptions at this time in response to this risk.

Interest rate risk

The Trust has exposure to market risk for changes in interest rates on long-term borrowings. Borrowings at variable rate expose the Trust to cash flow interest rate risk.

Refer to note 21 on page 30 for financial instruments subject to interest rate risk.

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21 – FINANCIAL INSTRUMENTS continued

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk for financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

Exposure to credit risk

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

Financial Assets	Consolidated	
	2010	2009
	\$'000	\$'000
Cash and cash equivalents	1,067	1,929
Trade and other receivables	121	257
Unlisted units	5,000	3,420
Total Financial Assets	6,188	5,606

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21 – FINANCIAL INSTRUMENTS continued

Interest rate risk

The Trust's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate		Floating interest rate		Fixed interest rate		Non-interest bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash and cash equivalents	4.35%	2.25%	1,067	1,930	-	-	-	-	1,067	1,930
Trade and other receivables	-	-			-	-	121	257	121	257
Unlisted securities	-	-			-	-	5,000	3,420	5,000	3,420
Total Financial Assets			1,067	1,930	-	-	5,121	3,677	6,188	5,607

Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	604	167	604	167
Other liabilities	-	-	-	-	-	-	52	116	52	116
Interest bearing loans and borrowings	8.38%	6.17%	4,592	24,489	54,080	88,580	-	-	58,672	113,069
Total Financial Liabilities			4,592	24,489	54,080	88,580	656	283	59,328	113,352

	Maturing within 1 year		Maturing within 1-5 years		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash and cash equivalents	1,067	1,930	-	-	1,067	1,930
Trade and other receivables	121	257	-	-	121	257
Unlisted securities	5,000	3,420	-	-	5,000	3,420
Total Financial Assets	6,188	5,607	-	-	6,188	5,607
Financial Liabilities:						
Trade and other payables	604	167	-	-	604	167
Other liabilities	52	116	-	-	52	116
Interest bearing loans and borrowings	58,672	113,069	-	-	58,672	113,069
Total Financial Liabilities	59,328	113,352	-	-	59,328	113,352

RP TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21 – FINANCIAL INSTRUMENTS continued

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit would have been affected as follows:

Consolidated	Net Profit	
	Higher / (Lower)	
	2010	2009
	\$'000	\$'000
Movement in interest rates		
+1.0%	(587)	(226)
- 0.5%	293	113

NOTE 22 – LEASE COMMITMENTS RECEIVABLE

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2010	2009
	\$'000	\$'000
Receivable within 1 year	7,356	10,734
Receivable within 1-5 years	21,671	34,295
Receivable more than 5 years	31,638	53,936
Total (i)	60,665	98,965

(i) Rent receivable decreased due to the sale of three properties, namely, Chancellor Village Convenience Centre, Noosa Gateway and the Telstra House.

NOTE 23 – TRUST DETAILS

The registered office of the Trust is:

Level 3, 50 Yeo Street
Neutral Bay NSW 2089

Principal place of business of the Trust is:

Suite 3, 194 Varsity Parade
Varsity Lakes QLD 4227.

RP TRUST

DIRECTORS' DECLARATION

In the opinion of the Directors of RFML Limited, the Responsible Entity of RP Trust:

- (a) the financial statements and notes set out on pages 10 to 34 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust'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, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) The financial statements comply with International Financial Reporting Standards as disclosed in Note 1.
- (c) 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.



Stuart Brown
Managing Director

Sydney, 6 October 2010

Independent Audit Report to the Investors of RP Trust and Controlled Entity

Report on the Financial Report

We have audited the accompanying financial report of RP Trust ("the Trust"), which comprises the statement of financial position as at 30 June 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entity it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of RFML Ltd ("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 controls 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.

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 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*. We have given to the directors of the responsible entity a written Auditor's Independence Declaration, a copy of which follows the directors' report.

Auditor's Opinion

In our opinion:

- (a) the financial report of RP Trust 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
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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Independent Audit Report to the Investors of RP Trust and Controlled Entity cont'd

Significant Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 to the financial report which indicates there is significant uncertainty as to whether the consolidated entity will continue as a going concern while it remains reliant on the support of its lender through the extension of loan facilities and, therefore, whether the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

As at 30 June 2010, the consolidated entity had debt facilities totalling \$58,672,300 with expiry dates falling between January 2010 and December 2012. From time to time during the year ended 30 June 2010 and post year end, the Trust was non-compliant with a debt covenant.

In March 2010 the Trust's debt facility was extended pending independent valuations to be completed in June and July 2010. The result of these valuations puts the loan to value ratio of the facility at 74.7%. This is outside the current covenants of the facility. As a result the facility is under review.

Management has put a proposal to the Trust's lender that involves the restructuring of the Trust into a listed vehicle as detailed in the directors report. This will introduce more assets into the Trust with no further gearing. Some continued debt amortisation may be required as well as further asset sales.

Should the Trust not achieve the above objectives, obtain an extension to funding from its lenders or obtain sufficient alternative funding, there is significant uncertainty as to whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements. If the going concern basis is found to be no longer appropriate, the recoverable amounts of the assets shown in the balance sheets are likely to be significantly less than the amounts disclosed.

Significant Uncertainty Regarding Litigation

Without qualification to the conclusion expressed above, we draw attention to Note 20 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 6th day of October 2010.

ESV Chartered Accountants

ESV Chartered Accountants



Geoff Vince
Partner

