



Consolidated Report of RCL Group Limited
(formerly Babcock & Brown Residential Land Partners Limited)
and RCL Group Trust
(formerly Babcock & Brown Residential Land Partners Trust)
together forming The RCL Group
(formerly Babcock & Brown Residential Land Partners)

for the year ended 30 June 2010



Residential
Community
Living

RCL Group Limited (RCLGL) (formerly Babcock & Brown Residential Land Partners Limited (BBRLPL)) ABN 49 119 517 985,

RCL Group Trust (RCLGT) (formerly Babcock & Brown Residential Land Partners Trust (BBRLPT)) ARSN 119 613 848

together, forming The RCL Group (RCL) (formerly Babcock & Brown Residential Land Partners (BBRLP))

This Report is provided to the Australian Securities Exchange ("ASX") under ASX Listing Rule 4.2A.

Current Reporting Period: For the period from 1 July 2009 to
30 June 2010

Previous Corresponding Period: For the period from 1 July 2008 to
30 June 2009

The RCL Group (RCL) (formerly Babcock & Brown Residential Land Partners (BBRLP)) comprises RCL Group Limited (RCLGL) (formerly Babcock & Brown Residential Land Partners Limited (BBRLPL) (ABN 49 119 517 985) and RCL Group Trust (RCLGT) (formerly Babcock & Brown Residential Land Partners Trust (BBRLPT)) (ARSN 119 613 848). Each share in RCLGL is stapled to a unit in RCLGT.

RCL Group Services Limited (RCLGSL) (formerly Babcock & Brown Residential Land Partner Services Limited (BBRLPSL)) (ABN 40 118 364 499) is the Responsible Entity of RCLGT. RCLGSL from 13 April 2010 is a subsidiary of RCL Group Limited.

APPENDIX 4E

Results for Announcement to the Market
for the year ended 30 June 2010

		\$A'000's
Revenues from ordinary activities		62,848
Increase from previous corresponding period		26%
Profit/(loss) from ordinary activities after tax		(6,530)
Decrease in loss from previous corresponding period		75%
Distributions	Amount per stapled security	Franked amount per stapled security
<i>Current Period:</i>		
Interim distribution	Nil	N/A
Final Distribution	Nil	N/A
<i>Previous Corresponding Period:</i>		
Interim distribution	Nil	N/A
Final distribution	Nil	N/A
<i>Record date for determining entitlements to the interim distribution</i>		N/A
Refer to Directors' Report for review of operations.		

Details relating to Distributions

No distributions were declared during the 2010 or 2009 Financial Years.

Statement of Financial Performance

Refer to the Consolidated Statement of Comprehensive Income and notes in the attached Financial Statements.

Statement of Financial Position

Refer to the Consolidated Statement of Financial Position and notes in the attached Financial Statements.

Statement of Cash Flows

Refer to the Consolidated Statement of Cash Flows and notes in the attached Financial Statements.

Details of distributions

On 18 December 2008, the Board announced to the market that it had elected to suspend payment of stapled security distributions until further notice. The suspension of payment of stapled security distributions continues as at the date of this report.

Refer to the attached Financial Statements and discussion in the Directors' Report.

Statement of retained earnings showing movements

Refer to Retained profits/(accumulated losses) in the attached Financial Statements along with the Consolidated Statement of Changes in Equity.

Net tangible asset backing stapled security

	Current Period	Previous corresponding period
Net Tangible Asset Backing per unit	63 cents	66 cents

Under the listing rules NTA backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests etc.).

Control gained or lost over entities during the period

Refer to the attached Financial Statements Note 1(c) Principles of Consolidation and Note 31 Subsidiaries for information regarding RCL Group interests in subsidiaries.

Details of associates and joint venture entity interests

Associates	Ownership Interest		Contribution to Net Profit	
	30 June 10	30 June 09	30 June 10	30 June 09
PRM Property Holdings PL	50%	50%	\$2,338,000	\$954,000
Ascot Chase Nominee PL	-	50%	-	-

On 24 September 2009, the Company completed settlement of the disposal of its remaining 50% interest in Ascot Chase Nominee Pty Limited via repayment of its loan receivable. As a consequence of this the Company no longer has an interest in this project. For accounting purposes, the Ascot Chase disposal did not have any impact on the results of the Group for the 2010 Financial year.

Other significant information

Refer to attached Directors' Report.

Accounting standards used by foreign entities

N/A

Commentary on results

Refer to associated ASX results announcement.

Loss per stapled security

	Current Period	Previous corresponding period
Loss per stapled security	(3.77) cents	(14.96) cents

Significant features of operating performance and trends in operating performance

Refer to associated ASX results announcement for commentary on the results for the year ended 30 June 2010.

Segment results

Refer to associated ASX results announcement for commentary on the results for the year ended 30 June 2010.

Trends in performance

Refer to associated ASX results announcement for commentary on the results for the year ended 30 June 2010.

Information on Audit or Review

This report is based on accounts to which one of the following applies.

- | | |
|---|--|
| <input checked="" type="checkbox"/> The accounts have been audited. | <input type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

N/A

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A

RCL GROUP (RCLG)
*(formerly Babcock & Brown
Residential Land Partners (BBRLP))*

Comprising RCL Group Limited
and its controlled entities
*(formerly Babcock & Brown Residential Land
Partners Limited)*

ABN 49 119 517 985
ARSN 119 613 848

Financial Report
for the year ended 30 June 2010

Contents

Overview of RCLG Accounts	9
Corporate Information	10
Directors' Report	11
Auditor's Independence Declaration	24
Consolidated Statement of Comprehensive Income	25
Consolidated Statement of Financial Position	26
Consolidated Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Notes to the Consolidated Financial Statements	30
Directors' Declaration on the Consolidated Financial Report	84
Independent Auditor's Report	85

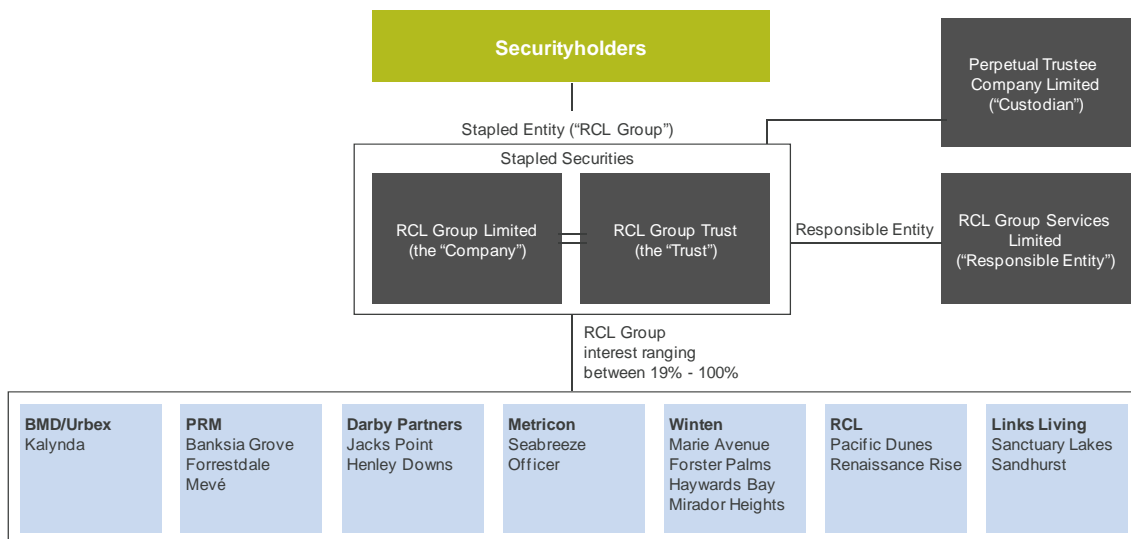
An Overview of the RCLG Accounts

RCL Group ("RCLG" or the "Group") consists of two entities:

- RCL Limited ("RCLGL"); and
- RCL Group Trust ("RCLGT").

The issued securities in these entities have been stapled together and trade as one listed security on the Australian Securities Exchange (ASX code: RLG). The stapled security represents one share in RCLGL and one unit in RCLGT.

The following diagram provides an overview of RCLG's structure.



AASB Interpretation 1002, *Post-Date-of-Transition Stapling Arrangements*, applies to stapling arrangements occurring during annual reporting periods ending on or after 31 December 2005 where the identified parent does not obtain an ownership interest in the entity whose securities have been stapled. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the combining entities, no goodwill is recognised in relation to the stapling arrangement and the interests of the equity holders in the stapled securities are treated as minority interests. RCL Group Limited is the identified parent of the stapled RCL Group.

As RCLGT is also considered a disclosing entity, separate consolidated financial statements for the RCLGT for the year ended 30 June 2010 have been prepared.

Corporate Information

Directors

R. Wright	Chairman
R. Gelski	Director
M. Maxwell	Director
C. Langford	Director

Company Secretary

A. James	(appointed 3 February 2010)
D. Richardson	(alternate Company Secretary resigned 14 August 2009)
M. Hedges	(resigned 5 February 2010)

Registered Office

Level 5
50 Margaret Street
C/- First Advisers
Sydney NSW 2000

Security Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

RCL Group stapled securities are listed on the Australian Securities Exchange and trade under the code "RLG".

Auditors

PricewaterhouseCoopers
Freshwater Place
Level 19
2 Southbank Boulevard
Southbank VIC 3006

Website address

www.rclgroup.com.au

Directors' Report

In respect of the financial year ended 30 June 2010, the Directors of RCL Group Limited (RCLGL) (formerly Babcock & Brown Residential Land Partners Limited (BBRLPL)) submit the following report on the consolidated financial report of the RCL Group (RCLG or Group) (formerly Babcock & Brown Residential Land Partners (BBRLP)).

Directors

The names of the Directors and Secretaries in office as at or since the end of the 2010 financial year and up to the date of this Report are:

Name, independence status and special responsibilities	Qualifications and experience
<p>Robert Wright</p> <p><i>Independent</i></p> <p><i>Non-Executive Chairman</i></p> <p><i>Member of the Audit, Risk & Compliance Committee</i></p>	<p>Robert was appointed as a Director on 31 May 2006.</p> <p>Robert has over 30 years' financial management experience, having held a number of chief financial officer positions, including finance director of David Jones Limited. Robert was the executive director of The Adelaide Steamship Company during the restructure of that group from 1991 to 1995. He is currently the Chairman of SAI Global Limited and Super Cheap Auto Group Limited and is a Director of Australian Pipeline Limited. Robert was the Chairman of Dexion Limited until August 2010.</p> <p>Robert holds a Bachelor of Commerce from the University of Canterbury and is a FCPA.</p>
<p>Michael Maxwell</p> <p><i>Non-Executive Director</i></p> <p><i>Member of the Nomination, Remuneration & Governance Committee</i></p> <p><i>Member of the Audit, Risk & Compliance Committee</i></p>	<p>Michael was appointed as a Director on 31 May 2006.</p> <p>Until July 2006, Michael was the Global Head of Real Estate at Babcock & Brown and ceased employment with Babcock & Brown in October 2008. Prior to joining Babcock & Brown in January 1992, Michael was an executive director of the Australian subsidiary of international merchant bank, Morgan Grenfell. Michael was formerly a director for the responsible entity of the MTM Entertainment Trust and an independent director of the responsible entity of the Grand Hotel Group for the period April 2004 to January 2008.</p> <p>Michael holds a Bachelor of Economics and Bachelor of Laws from the University of Sydney.</p>
<p>Richard Gelski</p> <p><i>Independent</i></p> <p><i>Non-Executive Director</i></p> <p><i>Chairman of the Audit, Risk & Compliance Committee</i></p> <p><i>Member of the Nomination, Remuneration & Governance Committee</i></p>	<p>Richard was appointed as a Director on 31 May 2006.</p> <p>Richard is a partner at Johnson Winter & Slattery, having joined them in 2004 after seven years with Blake Dawson Waldron. Richard has over 30 years' experience in the areas of taxation, corporate and commercial law. From 1974 – 1981 he lectured in tax and corporate law at the University of New South Wales and was a practising barrister from 1981 – 1986. He has particular experience in corporate restructuring, cross border investment, tax effective financing, capital raising, mergers and acquisitions and property trust structures.</p> <p>Richard holds a Bachelor of Arts, Bachelor of Laws (First Class Honours) and University Medal from the University of Sydney and a Master of Laws from London University.</p>

Name, independence status and special responsibilities	Qualifications and experience
<p>Chris Langford <i>Independent</i> <i>Non-Executive Director</i> <i>Member of the Nomination, Remuneration & Governance Committee</i> <i>Member of the Audit, Risk & Compliance Committee</i></p>	<p>Chris was appointed as a Director on 31 May 2006.</p> <p>Chris has over 20 years experience in a range of roles within the property industry and brings significant knowledge to his role as an independent director. Having worked with Lend Lease and Mirvac on a variety of projects and property classes, Chris has a good understanding of the complex issues involved in the delivery of large scale projects. More recently, Chris was CEO of Mirvac Retail Projects until mid 2005, before forming Spyglass Property to focus commercial and retail property ventures.</p> <p>Chris is also a commissioner of the Australian Football League and a director of Macarthur Cook Funds Management.</p> <p>Chris holds a Bachelor of Architecture from the University of Melbourne.</p>
<p>Austin James <i>Company Secretary</i></p>	<p>Austin was appointed Company Secretary on 3 February 2010 and is responsible for the company secretarial function and corporate governance for the boards and committees of the Group entities.</p> <p>Prior to RCL Group, Austin was Company Secretary and General Manager Corporate for APA Group for eight years. Prior to APA Group, Austin was Manager Corporate Development at Australian Gas Light Company for three years. Austin holds a Bachelor of Laws and is a Certificate Member, Chartered Secretaries Association.</p>

Details regarding interests in securities held by Directors are disclosed in Note 28(c) on page 74 of the attached financial report.

Directors' Report (continued)

Meetings of Directors

The number of Directors' meetings (including meetings of the committees) and the number of meetings attended by each of the Directors during the financial year were:

Director	RCL Board		RCLGSL Board		Audit, Risk & Compliance Committee		Nomination, Governance & Remuneration Committee	
	A	H	A	H	A	H	A	H
R. Wright	17	17	15	15	4	4	2	2
R. Gelski	17	17	15	15	4	4	2	2
M. Maxwell	17	17	15	15	4	4	2	2
C. Langford ¹	16	17	4	4	n/a	n/a	n/a	n/a

A – Number of meetings attended.

H – Number of meetings held during the year at the time the director held office.

n/a – Director not on board/committee.

1. Appointed to RCLGSL Board on 27 April 2010.

Principal Activities

The principal activity of the Group during the year consisted of residential land subdivision and property development in the geographical areas of Australia and New Zealand. The Group's principal activities remain unchanged from the prior year.

Dividends/Distributions

There were no dividends or distributions declared during the year ended 30 June 2010 or 30 June 2009. The June 2008 dividend/distribution was paid on 29 August 2008.

Environmental Regulation

RCL's operations are subject to environmental regulations under both Commonwealth and State legislation.

The Directors monitor compliance with environmental regulations. To the best of their knowledge the Directors are not aware of any significant breaches during the period covered by this Report.

Directors' Report (continued)

Financial and Operational Review

	FY 2010 Total \$'000	FY 2009 Total \$'000	Favourable/ (Unfavourable) \$'000	% Change
Income	62,848	50,057	12,791	25.5%
Cost of Sales	(47,469)	(39,957)	(7,512)	18.8%
Operating Costs	(8,095)	(8,330)	235	2.8%
Operating Profit	7,284	1,770	5,514	311.4%
Impairments of Receivables	(2,418)	(21,101)	18,683	88.5%
Finance Costs	(18,330)	(14,792)	(3,538)	23.9%
Other Gains/(Losses)	2,512	(1,573)	4,084	n/a
Net (Loss) Pre Tax*	(10,952)	(35,696)	24,744	69.3%
Net (Loss) After Tax	(6,530)	(26,605)	20,075	75.5%

Items above Net (Loss) Pre Tax are not statutory measures of profit.

The Group recorded a net loss after tax of \$6.53 million for the year ended 30 June 2010 compared to a net loss after tax of \$26.6 million for the prior period.

The improving economic conditions within the regions where the Group has a presence has continued to generate substantial sales volumes across the portfolio, particularly in Victoria and Western Australia where the Group has a number of mature projects. With these improved economic conditions the Group starts FY 2011 with a strong level of pre-sales and an expectation that it will be able to achieve further material debt reduction in the new financial year.

Revenue

	2010 \$'000	2009 \$'000	Increase/ (Decrease)
Revenue from the sale of land	51,411	29,354	22,057
Interest Income	8,485	18,174	(9,689)
Total Operating Revenue	59,896	47,528	12,368

Revenue improved by \$12.37 million in FY 2010 in comparison to FY 2009 due to improved sales and settlement activity throughout FY2010 for consolidated projects. The improvement in revenue occurred notwithstanding the reduction in interest income from the loan receivable portfolio by \$9.6 million between FY 2010 and FY 2009. The Group has deferred the receipt of this income to more closely align the recognition of income from this source to the physical receipt of cash

Operating Profit

Net realisable value writedown and Impairment expense items	2010 \$'000	2009 \$'000	(Increase)/ Decrease
Impairment of loans receivable	2,418	21,101	18,683
Impairment of Goodwill	-	1,691	1,691
Net realisable value writedown of inventory	-	8,307	8,307
Total	2,418	31,099	28,681

The substantial improvement in FY 2010 compared to FY 2009 is due to a reduction in the level of impairment activity and inventory valuation adjustments. Over FY 2010 the Group has experienced sales price growth in its key Victorian market and an acceleration of development activities in a number of non-controlled projects that is likely to bring forward a return of capital from the receivables portfolio. Each of these factors has had a positive impact on impairment assessments in FY 2010.

Factors that had a negative impact on the 2010 result include one-off costs associated with the separation from Babcock & Brown (eg. legal expenses, and recruitment costs), and the \$5.2m in amortisation of finance fees including the amortisation of fees associated with extending the corporate senior debt and subordinated Babcock & Brown facilities to 28 June 2010 (2009: \$1.3m)

Operating Cashflow

Interest Bearing Liabilities	2010 \$'000	2009 \$'000	(Decrease)/ Increase
Project facilities	97,784	120,143	(22,359)
Senior corporate debt facility	100,405	104,031	(3,626)
Subordinated Babcock & Brown facility ¹	26,284	22,906	3,378
Total	224,473	247,080	(22,607)

1. Increase in FY 2010 liability is due only to the capitalisation of interest.

The Group generated a positive net cash flow from operating activities in FY 2010 and was able to reduce debt by \$22.6 million in FY 2010 whereas in FY 2009 the Group increased its debt by \$15.7 million. This improvement is driven by a number of major projects within the Group's portfolio reaching maturity and becoming cash flow positive.

Operational Highlights

Documentation to complete the separation from Babcock & Brown was signed on 24 December 2009. The completion of the separation from Babcock & Brown occurred on 13 April 2010 through the internalisation of the Responsible Entity Babcock & Brown Residential Land Partners Services Limited (now called RCL Group Services Limited) and the acquisition of the management rights and advisory functions previously performed by Babcock & Brown for a nominal sum. The custodial function previously performed by Babcock & Brown in relation to RCL Group Trust has been transferred to Perpetual Trustee Company Limited.

With the separation from Babcock & Brown, the business operations transferred from Sydney to Melbourne with all core personnel now being employed by the Group. In addition to this the Group has further rationalised its operations throughout FY 2010 by taking on the project and development management function on two projects and it will continue to pursue these opportunities where operational and financial efficiencies can be identified.

The Group received a short term extension to its corporate and project debt facilities on 28 June 2010 through to 28 July 2010 pending consideration from its financiers of a request for a longer term funding

package including provision of sufficient working capital to enable the development of its project located at Officer in Victoria. The Group has now finalised and executed documentation for a long term funding package for its controlled projects and corporate debt facilities with the facility term extended through to 31 December 2012. In addition to this, the subordinated corporate lender, Babcock & Brown, has provided written confirmation that it is prepared to extend the term of its facility through to December 2012 with no other changes to the existing terms and conditions of this facility. We are awaiting documentation to reflect those arrangements from Babcock & Brown. The Group now has a weighted average debt maturity profile of 2.42 years.

Sales rates continued to strengthen over the last six months of FY 2010 and this has enabled the Group to start FY 2011 with a presales book of 831 lots for a gross value of \$183.3 million. Both the Victorian and Western Australian markets continue to be buoyant and there has been some improvement in the regional New South Wales market. The recent announcement by the NSW State Government with respect to stamp duty concession for new house and land packages priced at under \$600,000 is expected to strengthen markets where the Group is actively selling. The improving sales trend across the portfolio will provide support for future forecast cash flows and importantly is expected to deliver material debt reduction over the short to medium term.

Going Concern

As at 30 June 2010, the Group has a deficiency of current liabilities over current assets of \$171.3 million. This deficiency is largely due to the classification of the majority of the Group's interest bearing debt as current. The Group's interest bearing debt facilities as at 30 June 2010 consists of the Group's senior corporate debt facility and the Babcock & Brown subordinated debt facility, together with the Group's project debt facilities. As at 30 June 2010 there was only one project debt facility, totalling \$15 million, that had an expiry date beyond 12 months, (December 2011), all other corporate and project facilities expired within 12 months of the 2010 balance date.

It is noted, as discussed in the subsequent event disclosures at Note 32, that in August 2010, the Group successfully rolled over the senior corporate debt facility and the project debt facilities. The terms of this debt rollover provided for the extension of the abovementioned interest bearing debt facilities through to 31 December 2012. However, it should be noted that the senior corporate debt facility is required to be partially repaid progressively prior to this date and that all surplus cashflows are to be diverted to a reduction in the senior corporate debt facility. In addition to this, the Group holds a letter of confirmation from Babcock & Brown that it is prepared to roll over its subordinated debt facility to December 2012 on the same terms and conditions that are currently in place. Further documentation reflecting these arrangements between Babcock & Brown and the Group has yet to be entered into as at the date of this report. The Babcock & Brown corporate debt is subordinated to the senior corporate debt facility and cannot be called for repayment without the consent of the senior corporate lender.

The new facility agreements provide for a cross guarantee and supporting security between the senior corporate borrower and each of the Group's subsidiaries. Further information relating to the terms of the refinanced debt facilities are provided at Note 20.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts as they fall due are dependent upon the Group being successful in the following:

- The ability of the Group to achieve forecast cash inflows from operations and meet required debt repayment milestones that were agreed as part of the rollover of the Group's interest bearing debt facilities.

It is noted that if the Group does not attain the forecast cash inflows or pay down the interest bearing debt facilities in accordance with agreed milestones that are included in the updated

facility agreement, this could result in an event of review under the amended facility agreements. An event of review, post expiry of a prescribed remedy or cure period, provides the Group's financiers with the ability to amend the various facility final repayment dates and any other matters in connection with the facilities. To achieve the forecast cash inflows and meet the required debt repayment milestones, the Group will need to successfully manage its operations in the prevailing economic environment.

- The ability of the Group to effectively manage its cash flow position given limited liquidity maintained within the Group's operations. Limited liquidity may have the impact of restricting the Group's operations, including the development of existing assets. The structuring of the rolled over project debt facilities requires significant portions of cash generated from the sale and settlement of developed lots to be applied towards debt repayment, which limits the Group's ability to apply cash generated from one development to service the cash flow requirements of other developments.

As a result of these matters and the fact that the Group continues to rely on the support of its financiers, there is significant uncertainty whether the Group will continue as a going concern and therefore, whether it will generate sufficient cash flow from the construction, sale and settlement of developed lots to settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. It is noted that the Directors believe that the level of uncertainty over the Group's ability to trade within its cash flow forecast parameters and to continue as a going concern has improved compared to the 2009 balance date with the successful rollover of the majority of the Group's interest bearing debt facilities through to 31 December 2012, (refer to the subsequent events disclosures at Note 32 for further information relating to extension of maturity of the Group's interest bearing debt facilities).

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Matters subsequent to the end of the year

RCL Group Debt

Since the end of the year, the Group has signed documentation with its corporate and project financier to extend through to 31 December 2012 the term of the facilities that were due to expire on 28 July 2010.

The key amendments to the terms of the corporate and key project facilities include:

- Common expiry date of 31 December 2012 for all facilities other than those project facilities that are targeted to payout prior to this date.
- Provision of development funding for the Grandvue @ Officer development where the Group has secured development approval for the staged development of this project.
- Continuation of the primary covenant test being compliance with specific tolerance levels of an Agreed Cash Flow Forecast ('ACFF'), which will continue to be tested on a monthly basis.
- Removal of covenants relating to interest coverage, debt to asset ratio and net tangible asset backing.
- Cross collateralisation of project and senior corporate debt facilities.
- Incurrence of a further \$5.5 million restructure fee that is payable at the end of the facility term.
- Introduction of repayment milestones in June 2011, December 2011 and June 2012 in relation to the senior corporate debt facility.

Other

The Directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in this Report or the financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial years.

Indemnification of Officers and Auditors

RCLG has agreed to indemnify its Directors and Officers against losses incurred in their role as Director, Secretary or Executive Officers of RCLG or its subsidiaries, subject to certain exclusions, including to the extent that such indemnity is prohibited by law. The agreement stipulates that RCLG will meet the full amount of any liabilities incurred by the relevant officer in his/her capacity as an officer of the Company or any subsidiary (including reasonable legal fees). RCLG has not been advised of any claims under any of these indemnities.

Since the date of commencement, RCLG has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of RCLG.

During the financial year RCLG paid insurance premiums for a Directors' and Officers' liability insurance contract that provides cover for the current and former Directors, Secretaries and Executive Officers of both RCLG and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract. The current insurance contract will be due for renewal on 30 October 2010.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of RCL Group, or to intervene in any proceedings to which RCL Group is a party, for the purpose of taking responsibility on behalf of RCL Group for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of RCL Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Remuneration Report

Under the *Corporations Act 2001* only disclosing entities that are companies are required to prepare a remuneration report. Accordingly, this Report is only required to address remuneration disclosures applicable to RCLGL (the Company), as RCLGT (the Trust) is not an Australian listed company and in any event does not employ staff directly. Remuneration information included in this report relates to that remuneration paid for services rendered to the Group.

The information provided in this remuneration report has been audited as required by section 308(3c) of the *Corporations Act 2001*. The remuneration report is set out on pages 18 to 22.

Remuneration policy

The board has established a Nomination, Remuneration & Governance Committee (the Committee) to consider and make recommendations to the board on, among other things, remuneration policies and packages applicable to board members and other key management personnel of the RCL Group. Three non-executive directors – Robert Wright (Chairman), Richard Gelski and Michael Maxwell are members of the Committee, which met twice during the 2010 financial year.

RCL Group aims to attract, retain and motivate highly-specialised and skilled directors and employees who have the expertise to manage the RCL Group in the best interests of the security holders of RCLG.

In prior years staff employed full time in the management of RCLG or whose employment from time to time related to RCLG were Babcock & Brown employees and were remunerated in accordance with Babcock & Brown remuneration policies. During the current financial year as a part of internalisation of the Responsible Entity and management function, full time employees were employed directly by RCL Group with assistance from some Babcock & Brown personnel who provided services until completion of internalisation.

This remuneration report outlines the remuneration arrangements in place for Directors and other key management personnel who were employees of RCL Group or its related subsidiaries during the financial year.

Other key management personnel

David Wightman was appointed to the position of Chief Executive Officer on 3 July 2009. Base remuneration per the service agreement is \$400,000. A redundancy payment of \$222,115 was paid by Babcock & Brown as a result of his leaving Babcock & Brown. The short-term and long-term incentive components of Mr Wightman's remuneration are yet to be finalised and will be completed as part of the new group wide incentive structure. Refer to discussion further below in the section entitled "Short term and Long-term Incentives". Arrangements relating to termination benefits are also yet to be finalised.

During the year ended 30 June 2010, RCLG employed some executives directly whilst also reimbursing Babcock & Brown for non-transitioning staff, and staff who did transition prior to their direct employment with RCLG. In addition, transitioning staff were paid a sign-on bonus in lieu of a redundancy from Babcock & Brown. The reimbursements to Babcock & Brown along with the sign-on bonuses paid were set off against an outstanding account payable to Babcock & Brown as agreed with Babcock & Brown.

Transitioning staff were also provided with income protection insurance policies as such was previously provided under their Babcock & Brown superannuation plans and was not available under the RCL Group employee superannuation plan.

The following persons were the five officers of RCL Group and its related subsidiaries receiving the highest emolument:

David Wightman	Chief Executive Officer (previously Chief Investment Officer)
Stuart Pauly	Chief Financial Officer (transitioned from Babcock & Brown, redundant 12 February 2010)
James McNally	Development Manager (transitioned from Babcock & Brown)
Emma Tarlinton	Treasury Manager (transitioned from Babcock & Brown)
Steve Robertson	General Manager , PRM Group, consolidated subsidiary of the Group

Short-term and long-term incentives

Short and long term incentive schemes are being developed to ensure that RCL Group can attract and retain personnel who will create long-term sustainable value for security holders. As at 30 June 2010, no such incentive scheme was in place, and any future scheme will be subject to approval by the Nomination, Remuneration and Governance Committee. As a consequence no elements of the 2010 payments were 'at risk' for the employees. No share based compensation was granted to the directors or key management personnel of RCLG during the 2010 or 2009 financial years.

Remuneration of Directors and other key management personnel for the year ended 30 June 2010.

Details of the nature and amount of each element of the emoluments of the Directors and executives of the RCL Group for the year ended 30 June 2010 are set out in the table below.

Total salary below includes amounts paid by both Babcock & Brown and RCLGL. All RCLGL employees were paid their statutory entitlements for employer contributed superannuation only, however amounts in the table below may be greater due to having received payments from both employers during the period. No employees were paid long-service leave, however it was accrued at the applicable rates.

The below Directors and other key management personnel are employed on an open contract basis, with no fixed term contractual periods. All contracts contain minimum redundancy requirements and may contain notice periods of up to 3 months.

2010 Payments	Base Salary \$	Super-annuation \$	Termination Benefit \$	Sign-On Benefit \$	Other Allowances \$	Total \$
Directors						
Robert Wright	114,679	10,321				125,000
Richard Gelski	78,808	7,093				85,901
Michael Maxwell	75,000	6,750				81,750
Christopher Langford	62,431	5,619				68,050
Top 5 Earners						
David Wightman ¹	388,137	14,784	222,115			625,036
Stuart Pauly	155,448	11,176	33,654	112,500		312,778
James McInally	174,193	15,701		99,935	6,750	296,579
Emma Tarlinton	171,250	15,436		71,513		258,199
Stephen Robertson ²	196,538	50,000			3,653	250,191
David Finney	200,000	15,346				215,346

1. David Wightman's total remuneration of salary and super should equal \$400,000 p.a. however as two separate employers made compulsory superannuation contributions during the financial year the total amount paid was \$402,921
2. Stephen Robertson is an employee of PRM Group, a consolidated entity of The Group. The remaining top earners were direct employees of RCL Group Limited during the financial year ended 30 June 2010

2009 Payments	Base Salary \$	Super-annuation \$	Termination Benefit \$	Long Service Leave	Short Term Incentives ³ \$	Total \$
Directors						
Robert Wright	115,844	10,426				126,270
Richard Gelski	79,125	7,121				86,246
Michael Maxwell ²	68,808 ²	6,192				75,000
Christopher Langford	59,633	5,367				65,000
Top 5 Earners						
Michael Balkin ¹	348,409	13,745	466,540			828,694
David Wightman	330,000	13,745		5,500		349,245
Stephen Robertson	290,577	13,745		6,074		310,396
Stuart Pauly	250,000	13,745		4,167	37,500	305,412
Mark Salmon	275,000	13,745		4,583		293,328

1. Mr M Balkin resigned on 7 April 2009
2. Mr M Maxwell was an employee of Babcock & Brown Australia Pty Limited and his role as a director of RCLGL was included in those employment arrangements. Mr Maxwell's employment with Babcock & Brown Australia Pty Limited concluded on 31 October 2008. Since 1 November 2008 Mr Maxwell has been a non-executive director of RCLGL.
3. Executives of BBRLP were eligible for an award of short-term incentive remuneration during the year. All short-term incentive remuneration provided to executives during the year ended 30 June 2009 was paid in cash, available immediately to the executive. Long-term incentives were previously provided by way of equity- and cash-settled share-based payment awards. No share-based compensation was granted to Executives of BBRLP during the 2009 financial year

Non-executive Directors

The following persons were Directors of RCLG during the financial year:

Robert Wright	Independent Chairman
Richard Gelski	Independent Non-Executive Director
Chris Langford	Independent Non-Executive Director
Michael Maxwell	Non-Executive Director

All Non-Executive Directors' individual fees, including committee fees, are determined by the RCLG Nomination, Remuneration and Governance Committee within the aggregate amount approved by security-holders. The current maximum aggregate amount which may be paid to all Non-Executive Directors is \$600,000 per annum

All Non-Executive Directors receive a fee paid in cash for their services. They do not receive any performance-based remuneration or any retirement benefits, other than receiving statutory superannuation which is generally included in the gross fee.

Fees payable to all Non-Executive Directors during the year ended 30 June 2010 and the year ended 30 June 2009 are set out in the following table:

2009 and 2010 financial year board/committee compensation	\$
Chairman of RCLGL & RCLGSL	125,000
Director of RCLGL	65,000
Director of RCLGSL	10,000
Audit, Risk and Compliance Chairman	10,000

Note: No additional fees are payable for membership of any board committees.

Fees for the year commencing 1st of July 2010 have been revised by the Nomination, Governance and Remuneration committee as set out below: These fees were deemed reasonable by an independent remuneration consultant.

2011 financial year board/committee compensation	\$
Chairman of RCLG & RCLGSL	140,000
Director of RCLG & RCLGSL	85,000
Audit, Risk and Compliance Chairman	10,000

Note: No additional fees are payable for membership of any board committees.

Share based compensation

No securities in the Group were issued to the directors or the key management personnel during the 2010 financial year as part of their remuneration. Securities have previously been granted to the directors and certain key management personnel as part of their remuneration in previous years. No directors or key management personnel have any unexercised options in the Group's securities that were provided to them as part of remuneration in prior periods.

Loans to Directors and Key Management Personnel

The Group does not have any loaned funds owing by the Directors or Key Management Personnel as at 30 June 2010. Similarly, no loans were extended to the Directors or Key Management Personnel of the Group during the 2010 financial year.

Non-Audit Services

The RCL Group *Audit Independence and Provision of Non-Audit Services by the External Auditor Policy* states that the external auditor may not provide non-audit services if the provision of such services would compromise or be perceived to compromise the independence of, or otherwise be in conflict with the role of the statutory auditor. Non-audit services which are or could be perceived to be in conflict include those where the auditor may be acting in the role of management or engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the policy:

- limits the non-audit services that may be provided;
- requires that audit and permitted non-audit services above \$30,000 must be pre-approved by the Audit, Risk & Compliance Committee (ARCC); and
- requires that the external auditor not commence an engagement for the Group, until the Group has confirmed that the engagement has been pre-approved.

The ARCC has reviewed a summary of non-audit services provided by the external auditor for the year ended 30 June 2010, and has confirmed that the provision of non-audit services for 2010 is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. On advice from the ARCC, the Directors are satisfied that the auditor did not compromise the auditor's independence

requirements of the *Corporation Act 2001*. The external auditor has confirmed to the ARCC that it has maintained its independence in accordance with their firm requirements, with the provisions of APES110 – *Code of Ethics for Professional Accountants* and with the applicable provisions of the *Corporations Act 2001*, for the year ended 30 June 2010.

Amounts paid or payable to the PricewaterhouseCoopers Australian firm for non-audit services provided during the year amounted to \$92,135 in relation to taxation services.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24

Rounding of Amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Stapled Securities on Issue

176.1 million securities of the RCL Group were on issue at 30 June 2010 (30 June 2009: 176.1 million).

	Consolidated Period ended 30 June 2010
	(\$'000)
Net (Loss) after tax attributable to securityholders	(6,639)
Time weighted average number of securities for basic and diluted earnings per security at 31 December 2009 ('000's)	176,108
Basic (Loss) per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	(3.77)
Diluted (Loss) per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	(3.77)

Dated at Sydney this 30th day of August 2010.

Signed in accordance with a resolution of Directors.



R. Wright
Director
RCL Group Limited

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
www.pwc.com/au

Auditor's Independence Declaration

As auditor for the audit of RCL Group Trust for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RCL Group Trust and the entities it controlled during the period.



Christopher Lewis
Partner
PricewaterhouseCoopers

Melbourne
30 August 2010

Consolidated Statement of Comprehensive Income For the year ended 30 June 2010

	Note	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Revenue from continuing operations	4	59,896	47,528
Other income	4	2,952	2,529
Total revenue and other income		62,848	50,057
Cost of sales		(47,469)	(39,957)
Employee benefits expense		(3,499)	(1,135)
Management charges		(240)	(3,789)
Marketing and other operating expenses	5	(4,691)	(3,406)
Finance costs	5	(18,330)	(14,792)
Impairment of loans receivable	11	(2,418)	(21,101)
Impairment of goodwill		-	(1,691)
Unrealised foreign exchange gain/(loss)		509	(2,081)
Realised gain/(loss) on derivative financial instruments		-	1,245
Share of profit of equity-accounted investments		2,338	954
(Loss) before tax		(10,952)	(35,696)
Tax benefit	9	4,422	9,091
(Loss) for the year		(6,530)	(26,605)
Other comprehensive income			
Changes in fair value of cash flow hedges		2,745	(1,872)
Income tax relating to components of other comprehensive income		(824)	562
Other comprehensive income, net of tax		1,921	(1,310)
Total comprehensive (loss) for the year		(4,609)	(27,914)
(Loss)/gain for the year is attributable to:			
Equity holders of the parent		(1,348)	(18,832)
Non-controlling interest		109	(294)
Equity holders of the other stapled entity		(5,291)	(7,478)
		(6,530)	(26,604)
Total comprehensive (loss)/gain for the year is attributable to:			
Equity holders of the parent		573	(20,142)
Non-controlling interest		109	(294)
Equity holders of the other stapled entity		(5,291)	(7,478)
		(4,609)	(27,914)
Basic (loss) per security (cents)	8	(3.77)	(14.96)
Diluted (loss) per security (cents)	8	(3.77)	(14.96)

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000
Current assets			
Cash	10	3,533	1,009
Receivables	11	287	15,492
Inventories	12	41,957	50,063
Other assets	11	2,624	2,763
Total current assets		48,401	69,327
Non-current assets			
Loans receivable	11	106,268	97,589
Inventories	12	170,557	187,663
Other financial assets at fair value through profit or loss	13	4,049	4,733
Equity-accounted investments	15	15,451	14,263
Deferred tax assets	9	11,775	7,819
Property, plant and equipment	16	440	176
Intangible Assets	17	1,848	1,848
Total non-current assets		310,388	314,091
Total assets		358,789	383,418
Current liabilities			
Trade and other payables	18	9,711	9,877
Provisions	19	227	160
Interest-bearing liabilities	20	209,391	205,844
Other financial liabilities	21	369	2,788
Total current liabilities		219,698	218,669
Non-current liabilities			
Payables	22	2,000	2,000
Provisions	19	85	37
Borrowings	20	8,402	7,673
Interest-bearing liabilities	20	15,082	36,369
Other financial liabilities	21	-	34
Total non-current liabilities		25,569	46,113
Total liabilities		245,267	264,782
Net assets		113,522	118,636
Equity holders of the parent			
Contributed equity	23	1,656	1,656
Reserves	24	-	(1,921)
Retained earnings/(accumulated losses)	25	(29,801)	(28,453)
		(28,145)	(28,718)

Consolidated Statement of Financial Position (continued)

As at 30 June 2010

	Note	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000
Equity holders of the other stapled entity			
Contributed equity	23	162,448	162,448
Reserves		–	–
Retained earnings/(accumulated losses)	25	(20,139)	(14,848)
		142,309	147,600
Non-controlling Interest		(642)	(246)
Total equity		113,522	118,636

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

Attributable to equity Holders of:										
	The Parent				The Other Stapled Entity				External Non-Controlling Interests	Total equity
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Total \$'000	Total \$'000
Balance at 1 July 2008	1,653	(611)	(9,621)	(8,579)	162,163	-	(7,370)	154,793	48	146,262
Total comprehensive income	-	(1,310)	(18,832)	(20,142)	-	-	(7,478)	(7,478)	(294)	(27,914)
Transactions with equity holders in their capacity as equity holders:										
Distribution reinvestment plan	3	-	-	3	285	-	-	285	-	288
Balance at 30 June 2009	1,656	(1,921)	(28,453)	(28,718)	162,448	-	(14,848)	147,600	(246)	118,636
Balance at 1 July 2009	1,656	(1,921)	(28,453)	(28,718)	162,448	-	(14,848)	147,600	(246)	118,636
Total comprehensive income	-	1,921	(1,348)	573	-	-	(5,291)	(5,291)	109	(4,609)
Transactions with equity holders in their capacity as equity holders:										
Dividend paid	-	-	-	-	-	-	-	-	(505)	(505)
Distribution reinvestment plan	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2010	1,656	-	(29,801)	(28,145)	162,448	-	(20,139)	142,309	(642)	113,522

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		59,179	34,335
Cash payments in the course of operations		(19,461)	(27,129)
Interest received		70	157
Interest paid		(15,610)	(15,094)
Net cash inflow/(outflow) from operating activities	34	24,178	(7,731)
Cash flows from investing activities			
Loan Receivable – Investment funding		(2,277)	(16,769)
Loan Receivable – payments received		17,237	13,724
Payments for purchase of property, plant and equipment		(310)	(4)
Net cash inflow/(outflow) from investing activities		14,650	(3,049)
Cash flows from financing activities			
Dividend paid to non-controlling interest in subsidiary		(505)	-
Proceeds from interest bearing liability facilities		22,576	38,988
Repayment of interest bearing liabilities		(58,375)	(23,273)
Dividends and distributions paid		-	(6,931)
Vendor loans (borrowings) repaid		-	2,100
Net cash inflow/(outflow) from financing activities		(36,304)	10,884
Net increase in cash assets held		2,524	104
Cash and cash equivalents at beginning of the year		1,009	1,211
Cash in entities deconsolidated		-	(306)
Cash and cash equivalents at end of the year	10	3,533	1,009

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of Preparation

This general purpose financial report for the year ended 30 June 2010 has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The shares of RCLGL and the units in RCLGT are stapled and issued as stapled securities in RCL Group. The shares in RCLGL and the units of RCLGT cannot be traded separately and can only be traded as stapled securities.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. RCLGL is an entity to which the Class Order applies.

Compliance with IFRS

The financial report of the Group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective in 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is in conformity with the revised standard.

The accounting policies adopted are consistent with those of the previous financial year, except as set out further below:

Separate parent entity financial statements have not been provided

As a result of the granting of royal assent to the *Corporations Amendment (Corporate Reporting Reform) Act 2010* on 28 June 2010, the Group has applied the new authoritative guidance and has not prepared separate parent entity financial statements. Financial information of the Group parent entity is provided at Note 33.

(b) Going Concern Basis of Preparation

As at 30 June 2010, the Group has a deficiency of current liabilities over current assets of \$171.3 million. This deficiency is largely due to the classification of the majority of the Group's interest bearing debt facilities as current. The Group's interest bearing debt facilities as at 30 June 2010 consists of the Group's senior corporate debt facility and the Babcock & Brown subordinated debt facility, together with the Group's project debt facilities. As at 30 June 2010 there was only one project debt facility, totalling \$15 million, that had an expiry date beyond 12 months, (December 2011), all other corporate and project facilities expired within 12 months of the 2010 balance date.

It is noted, as discussed in the subsequent event disclosures at Note 32, that in August 2010, the Group successfully rolled over the senior corporate debt facility and the project debt facilities. The terms of this debt rollover provided for the extension of the abovementioned interest bearing debt facilities through to 31 December 2012. However it should be noted that the senior corporate debt facility is required to be partially repaid progressively prior to this date and that all surplus cashflows are to be diverted to a reduction in the senior corporate debt facility. In addition to this, the Group holds a letter of confirmation from Babcock & Brown that it is prepared to roll over its subordinated debt facility to December 2012 on the same terms and conditions that are currently in place. Further documentation reflecting these arrangements between Babcock & Brown and the Group has yet to be entered into as at the date of this report. The Babcock & Brown corporate debt is subordinated to the senior corporate debt facility and cannot be called for repayment without the consent of the senior corporate lender.

The new facility agreements provide for a cross guarantee and supporting security between the senior corporate borrower and each of the Group's subsidiaries. Further information relating to the terms of the refinanced debt facilities are provided at Note 20.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts as they fall due are dependent upon the Group being successful in the following:

- (i) The ability of the Group to achieve forecast cash inflows from operations and meet required debt repayment milestones that were agreed as part of the rollover of the Group's interest bearing debt facilities.

It is noted that if the Group does not attain the forecast cash inflows or pay down the interest bearing debt facilities in accordance with agreed milestones that are included in the updated facility agreement, this could result in an event of review under the amended facility agreements. An event of review, post expiry of a prescribed remedy or cure period, provides the Group's financiers with the ability to amend the various facility final repayment dates and any other matters in connection with the facilities. To achieve the forecast cash inflows and meet the required debt repayment milestones, the Group will need to successfully manage its operations in the prevailing economic environment.

- (ii) The ability of the Group to effectively manage its cash flow position given limited liquidity maintained within the Group's operations. Limited liquidity may have the impact of restricting the Group's operations, including the development of existing assets. The structuring of the rolled over project debt facilities requires significant portions of cash generated from the sale and settlement of developed lots to be applied towards debt repayment, which limits the Group's ability to apply cash generated from one development to service the cash flow requirements of other developments.

As a result of these matters and the fact that the Group continues to rely on the support of its financiers, there is significant uncertainty whether the Group will continue as a going concern and therefore, whether it will generate sufficient cash flow from the construction, sale and settlement of developed lots to settle its liabilities and commitments in the normal course of business and at the amounts stated in the

financial statements. It is noted that the Directors believe that the level of uncertainty over the Group's ability to trade within its cash flow forecast parameters and to continue as a going concern has improved compared to the 2009 balance date with the successful rollover of the majority of the Group's interest bearing debt facilities through to 31 December 2012, (refer to the subsequent events disclosures at Note 32 for further information relating to extension of maturity of the Group's interest bearing debt facilities).

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Changes in Accounting Policy

The Group had to change some of its accounting and financial reporting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made to AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segments – new AASB 8 *Operating Segments*

The above mentioned changes to policies and standards relating to principles of consolidation and business combinations are discussed below. Discussion relating to segment reporting is provided at note 1(d).

Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RCL Group Limited as at 30 June 2010.

Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances and unrealised gains on intercompany transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-Controlling Interests

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. Under the Group's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of the investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently remeasured to fair value; however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The Group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

Business Combinations

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009, and were applied in the accounting for the acquisition of RCL Group Services Limited (the Trust's Responsible Entity). However, there were no related costs of acquisitions recognised in profit or loss relating to this acquisition. The acquisition of RCL Group Services Limited was completed for a nominal sum, in consideration for net assets valued at near zero.

(d) Segment Reporting

The Group has adopted AASB 8 *Operating Segments* (which supersedes AASB 114 *Segment Reporting*) in the preparation of these financial statements from 1 July 2009. AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in segments now being reported for different asset classes, whereas segments were previously reported by geographic region.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer and the Board of Directors who make the strategic decisions.

Goodwill is allocated by management to groups of cash generating units on a segment level.

There has been no impact on the measurement of the Group's assets and liabilities.

(e) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenues are net of trade allowances, amounts collected on behalf of third parties and net of the amount of goods and services tax ("GST") levied.

Revenue is recognised for the major business activities as follows:

Property development sales

Revenue from residential land sales is recognised in the statement of comprehensive income upon settlement and after contractual obligations are completed.

Vendor financed sales are recognised net of any discounted amounts arising on the measurement of vendor financing arrangements.

Interest income

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method.

Dividends/Distributions

Revenue from dividends/distributions from controlled entities and other investments are recognised in the statement of comprehensive income on the date the entity's right to receive payment is established, being the date when they are declared by those entities. Dividends/distributions received out of pre-acquisition reserves are eliminated against the carrying amount of the investment accounted for using the equity method and not recognised in revenue.

(f) Income Tax

The income tax expense or benefit for the period is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a

liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

RCL Group and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, RCL Group Limited, and the controlled entities in the tax consolidated group account for their current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, RCL Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 9.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases inception at the fair value of the leases property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under the finance leases is depreciated over the asset's useful life or over the shorter of the assets useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. All leases during the financial year 30 June 2010, relate to the consolidated minority interest entity, PRM Property Group Ltd, and are finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as leases are classified as operating leases.

(h) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(i) Loans Receivable

Loans receivable are recorded at amortised cost, less impairment, using the effective interest method. Loans receivable are recorded at the principal amount outstanding plus accrued interest. All loan receivables are reviewed regularly for impairment. A loan receivable is considered impaired when, based on current information and events it is probable that the Group will be unable to collect all amounts due. The amount of the specific impairment provision is equal to the difference between the current carrying amount of a receivable and the greater of:

- i the net present value of the expected cash flows from the borrower, discounted at the original effective interest rate of the transaction, or
- ii the net fair value of the collateral, if any.

Any impairment provisions are included in the statement of comprehensive income in the period in which the asset is impaired.

Loans receivables and other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are all included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(j) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 27).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income s. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(k) Inventories

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Capitalisation of borrowing costs

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(l) Investments and Other Financial Assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, or loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Other investments, excluding investment in subsidiaries, are designated as assets held at fair value through profit or loss. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets and non-current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet Note 11.

Recognition and de-recognition

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost less impairment using the effective interest method.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payment is established.

Details on how the fair value of financial instruments is determined are disclosed in Note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For financial assets where management's estimate of expected future cash flows is less than the original estimated future cash flows, this is considered objective evidence that an impairment may have been incurred. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is then reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

(m) Payables

Trade payables and other accounts payable are recognised at cost when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are usually paid within 30 days.

(n) Provisions

A provision is recognised when a present legal or constructive obligation exists as a result of a past event, the amount of which can be reliably estimated and it is probable that a future outflow of resources will be required to settle the obligation, the timing or amount of which is uncertain.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Dividends and distributions

Provision is made for any amount of any distribution/dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(o) Interest-bearing Loans and Borrowings

All loans and notes payable are initially recorded at the fair value of the consideration received, net of transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption amount being recognised in profit and loss over the period of the borrowings using the effective interest rate method.

Amounts classified as borrowings represent interest-bearing loans provided by minority interest partners, whilst interest-bearing liabilities represent interest-bearing debt funding from external parties.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income as other income or finance costs.

Interest bearing loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing Costs

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the asset. Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing. To the extent that funds are borrowed generally, the amount of borrowing costs capitalised is calculated by applying a capitalisation rate to the expenditures on that asset.

(q) Contributed Equity

Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

(s) Earnings per Security

Basic earnings per security is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than ordinary securities), divided by the weighted average number of ordinary securities, adjusted for any bonus element.

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities. Rounding of Amounts

The Company is of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(t) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set below:

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet decided when to adopt AASB 9.

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

(u) Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. Estimates and assumptions that have that may materially affect financial results or the financial position in future periods include the following:

Inventories

Inventories are stated at the lower of cost or net realisable value, which have been determined using forecast feasibility estimates. These development feasibility estimates require the application of estimations around sales volume rates, selling prices and financing costs over the life of each project. The basis for which inventory is carried in the financial statements is disclosed in Note 1(k), whilst the carrying values of inventory are disclosed in Note 12.

Estimated impairment of intangible assets

The Group tests whether there is any impairment of intangible assets annually, in accordance with the accounting policy stated in Note 1(h). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions, including forecast cash flows and a discount factor.

Refer to Note 17 for further disclosure on the assumptions used to test impairment.

Estimated impairment of loans receivable

The Group assesses at each balance date whether there is objective evidence that any of the loans receivable are impaired in accordance with the accounting policy stated in Note 1(i). This requires the use of estimates and assumptions surrounding the forecast feasibility estimates of the underlying projects to which these loans relate.

Refer to Note 11 for further disclosure on the assumptions used to test impairment.

Income tax

The Group has recognised deferred tax assets relating to carry forward tax losses. Refer to Note 9 for further discussion in relation to recognition of the deferred tax asset.

(v) Employee Benefits

(i) Wages and salaries and annual leave.

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables or provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(w) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight line method to allocate an asset's cost or re-valued amount, net of their residual values, over its estimated useful life, as follows:

Office Equipment	7-15 years
Office Equipment – Finance Lease	4-20 years
Fit-out – Finance Lease	10-20 years
Capitalised Software	3 years
Computer Equipment	1-3 years
Officer Furniture	8-15 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(x) Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- (ii) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholders' equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate collars hedging variable rate borrowings is recognised in the income statement within "finance costs".

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The interest rate collar no longer meets the cash flow hedge requirements of AASB 139: *Financial Instruments: Recognition and Measurement* and accordingly is classified as at fair value through Profit and Loss.

There are no hedge accounted cash flow hedges as at 30 June 2010.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate collars hedging fixed rate borrowings is recognised in the income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

There are no hedge accounted fair value hedges as at 30 June 2010.

(y) Foreign Currency Translation

Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is RCLGL's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation

differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(z) Parent entity financial information

The financial information for the parent entity, RCLG, disclosed in Note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below:

- (i) *Investments in subsidiaries, associates and joint venture entities:* Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of RCLG. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.
- (ii) *Tax consolidation legislation:* RCLG and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, RCL Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, RCLG also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group. The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate RCLG for any current tax payable assumed and are compensated by RCLG for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to RCLG under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Note 2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative and qualitative disclosures are included throughout this financial report.

The Group's principal financial instruments subject to financial risk include cash, loans receivable, derivative financial instruments, other financial assets at fair value through profit or loss, payables, and interest-bearing liabilities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit, Risk & Compliance Committee (AR&C Committee), which is responsible for identifying, managing and monitoring the key risks to the business. The AR&C Committee meets regularly and reports to the Board of Directors on its activities.

The responsibility for operational risk management is carried out by a central Treasury function under policies approved by the Board. Specifically, the Board has established a Treasury Policy which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The policy contains principles for overall risk management and policies covering specific areas including the mitigation of foreign exchange, interest rate, credit and liquidity risks. The Treasury function's objective in this regard is to identify, evaluate, report and manage the risks in line with the Board's policies and prevailing procedures.

The Group may use derivative financial instruments such as foreign exchange contracts and interest rate derivatives to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments.

The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and cash flow forecasting for liquidity risk.

There have been no significant changes in the types of financial risks since the prior year. The responsibility of Treasury management now delegated to the Group Treasury Manager.

(a) Market Risk

Market risk refers to the potential for changes in the value of the Group's financial instruments or revenue streams from changes in market prices. There are various types of market risks to which the Group is exposed including those associated with interest rates, currency rates and equity market prices.

(i) Interest rate risk

Interest rate risk refers to the potential fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates.

The Group's main interest rate risk arises from its interest bearing liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Interest bearing liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group has adjusted its interest rate policy to reflect its ability to enter transactions as a result of credit limitations occurring both globally and especially within real estate markets in Australia. The Group manages its cash flow interest rate risk by using fixed rate debt, or interest rate swaps and other hedging techniques to fix interest rates. Interest rate swaps and collars have the economic effect of converting variable rate interest bearing liabilities from floating rates to fixed rates. Under the interest rate swaps or collars the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to agreed notional principal amounts. The Group is willing to forgo the potential economic benefit that could result in a falling interest rate environment to protect its downside risks and improve the predictability of cash flows generated from assets by fixing rates.

An interest rate swap was entered into on 13 June 2008 for a notional amount of \$50 million which matured on 30 June 2009. After maturity of the interest rate swap an interest rate collar commenced

for an additional 18 months. The collar in place covers approximately 50% (2009: 50%) of the post 30 June 2010 floating rate corporate debt facility and 25% (2009: 20%) of post 30 June 2010 total floating rate borrowings. The new borrowings have an average term to expiry of 1 month (2009: 9.6 months) See Note 32 for discussion around the expiry and subsequent extension of the Group's interest bearing debt.

The contract requires settlement of net interest payables quarterly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The fair value of the interest rate collar at 30 June 2010 is disclosed in Note 21.

The gain or loss from re-measuring the interest rate collar at fair value is deferred in equity in the hedging reserve, to the extent the hedge is effective, and recycled into profit and loss when the hedged interest expense is recognised. As at 30 June 2010, the interest rate collar was deemed an ineffective hedge, and therefore all future movements in the value of the hedge instrument will be recognised in the profit and loss when such movement in fair value occurs, rather than being deferred to equity.

The Group's exposure to interest rate risk and its profile by maturity is set out below:

Consolidated 30 June 2010	Weighted Average interest rate (% pa)	Floating interest rate \$'000	Fixed interest rate			Non-interest- bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents	4.00	3,533	-	-	-	-	3,533
Receivables	-	-	-	-	-	287	287
Other assets	-	-	-	-	-	2,624	2,624
Loans receivable – fixed	17.01	-	-	89,490	16,778	-	106,268
Other financial assets	-	-	-	-	-	4,049	4,049
Total financial assets		3,533	-	89,490	16,778	6,960	116,761
Financial liabilities							
Trade and other payables	-	-	-	-	-	11,711	11,711
Borrowings – fixed	6.00	-	-	4,040	-	4,362	8,402
Interest-bearing debt	8.20	198,190	26,283	-	-	-	224,473
Other financial liabilities	8.55	335	-	-	-	34	369
Total financial liabilities		198,525	26,283	4,040	-	16,107	244,955
Total net financial assets/liabilities		(194,992)	(26,283)	85,450	16,778	(9,147)	(128,194)
Net (increase)/decrease in exposure from interest rate collar (notional principal)		50,000	-	-	-	-	50,000
Net exposure		(144,992)	(26,283)	85,450	16,778	(9,147)	(78,194)

Consolidated 30 June 2009	Weighted Average interest rate (% pa)	Floating interest rate \$'000	Fixed interest rate			Non-interest- bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial assets							
Cash and cash equivalents	3.00	1,009	-	-	-	-	1,009
Receivables	6.00	-	15,058	-	-	434	15,492
Other assets		-	-	-	-	2,763	2,763
Loans receivable – fixed	17.06	-	-	81,143	16,446	-	97,589
Other financial assets		-	-	-	-	4,733	4,733
Total financial assets		1,009	15,058	81,143	16,446	7,930	121,586
Financial liabilities							
Trade and other payables		-	-	-	-	11,877	11,877
Borrowings – fixed	6.00	-	-	3,805	-	3,868	7,673
Interest-bearing debt	7.94	224,173	22,906	-	-	-	247,079
Other financial liabilities	8.55	2,788	-	-	-	-	2,788
Total financial liabilities		226,961	22,906	3,805	-	15,745	269,417
Total net financial assets/liabilities		(225,909)	(7,848)	77,338	16,446	(7,815)	(147,831)
Net (increase)/decrease in exposure from interest rate collar (notional principal)		50,000	-	-	-	-	50,000
Net exposure		(175,909)	(7,848)	77,338	16,446	(7,815)	(97,831)

The majority of the Group's interest rate risk arises from external interest bearing liabilities. However, other sources of interest rate risk for the Group may include:

- (i) Interest-bearing investments;
- (ii) Vendor financing (classified as borrowings);
- (iii) Creditors' accounts offering a discount; and
- (iv) Debtors' accounts on which discounts are offered.

The primary objectives of interest rate risk management are to ensure that:

- (i) only the net interest exposure (i.e. the repricing of financial assets is offset against the repricing of financial liabilities) is managed in a manner consistent with the underlying assets being funded, related cash flows and any influences on net revenue determination;
- (ii) the Group is not exposed to interest rate movements which could adversely impact on its ability to meet its financial obligations as they fall due;
- (iii) earnings and distributions per share/unit are not adversely affected;
- (iv) volatility of debt servicing costs, because of possible movements in interest rates, is managed within acceptable parameters; and

- (v) all borrowing covenants under the terms of the Group's borrowing facilities, including interest cover ratios, are complied with.

Having regard to the above constraints and targets, the Group's objective in managing interest rate risk is to minimise interest expense whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements and movements in market interest rates.

To achieve this, the Group's interest cost will be comprised of a mix of fixed and floating debt (where fixed is defined as a rate fixed with an original maturity of 12 months or longer). Fixed rate debt is achieved either through fixed rate debt funding or through the use of financial derivative instruments approved by the Board. It is noted that given the liquidity position of the Group (refer Note 1(b), its ability to undertake active interest rate risk management has been limited.

Interest rate risk is measured by the effect of interest rate movements on the total portfolio of:

- (i) current and forecast debt; and
- (ii) interest rate hedging transactions.

The method to be used by RCL Group to measure interest rate risk is as follows:

- (i) Identify outstanding and forecast debt levels by individual currency;
- (ii) Identify amount of debt that is fixed (including hedges) and amount that is floating;
- (iii) Estimate the market range of interest rates over the forecast period; and
- (iv) Use range of likely interest rate scenarios plus borrowing margins to determine a range of likely interest expense outcomes and its impact on earnings/distribution.

Summarised sensitivity analysis on profit and equity

The sensitivity measure that is regularly reported to the AR&C Committee and the Board is the impact that a seventy five basis point (2009: fifty basis point) movement in interest rates would have on the Group's finance costs before capitalisation. This measure is illustrated below:

Measurement against interest rates	2010 Australian dollar \$'000	2009 Australian dollar \$'000
\$ impact of a 75 bps increase	1,085	
\$ impact of a 75 bps decrease	(1,085)	
\$ impact of a 50 bps increase		866
\$ impact of a 50 bps decrease		(866)

(ii) Currency risk

The Group's principal activity is investing in interests in Australian and New Zealand real estate, and as a result the Group is exposed to currency risk with respect to movements in the AUD/NZD exchange rate.

Transaction risk and translation risk are the two main risks associated with currency movements.

Translation risk is the risk that the net tangible assets of the Group will fluctuate as a result of relative movements in the value of the Australian dollar as foreign assets or liabilities are converted into Australian dollars.

Transaction risk is the risk that profits generated offshore and intended to be repatriated to Australia will vary in Australian dollar terms due to movements in the value of the Australian dollar against the currency in which they are earned/incurred.

Transaction risk is measured using sensitivity analysis and cash flow forecasting. Because of the component of foreign denominated investment and earnings (ie New Zealand property investments at Henley Downs and Jacks Point), future earnings growth is particularly exposed to changes in exchange rates. The Group monitors the extent to which AUD funds will be required to meet anticipated foreign currency expenditures and investments and when the timing and amount of such expenditures are reasonably certain of being ascertained will seek to hedge the foreign currency exposure.

During the year ended 30 June 2009, all foreign currency hedges were closed out and gains and losses transferred to the statement of comprehensive income. Therefore at the current and previous balance date there is no direct impact to the cash flow hedge reserve from foreign currency risk.

As at the reporting date, the translated Australian dollar amount of New Zealand dollar loans receivable was:

	2010 Australian dollar \$'000	2009 Australian dollar \$'000
Australian dollar carrying amount ¹	45,096	44,195

1. Prior to provision for Impairment

Summarised sensitivity analysis on profit and equity

The sensitivity measure that is regularly reported to the AR&C Committee and the Board is the impact that a 5% (2009:10%) movement in the relevant base currency rates would have on profit. This is illustrated below.

Measurement against AUD	2010 Australian dollar \$'000	2009 Australian dollar \$'000
\$ impact of a 5% increase in NZD	2,294	
\$ impact of a 5% decrease in NZD	(2,076)	
\$ impact of a 10% increase in NZD		3,627
\$ impact of a 10% decrease in NZD		(4,433)

(iii) Market equity price risk

The Group is exposed to price risk through its investment in the Kalynda Chase project, classified as a financial asset at fair value through the profit or loss.

Management continuously monitors and reviews the performance of this project and are provided with detailed project models which forecast the cash flow distributions and the internal rate of return (IRR) of the project.

The investment management policy, whereby each project is closely monitored on an ongoing basis, ensures that management is in the best possible position to identify potential concerns early allowing management to act quickly. Sensitivity analysis has not been provided on the performance of this asset as its performance is in line with forecast. Any potential impact to its carrying value is considered to be immaterial to the results of the Group.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss.

The Group's concentration of credit risk and measures in place to mitigate this risk are as follows:

- (i) Cash and derivative financial instruments are held with authorised counterparties which are subject to annual review under the Treasury Policy of the Group.
- (ii) Loans and receivables comprise project loans to three property developments in Australia and one property development in New Zealand. Repayment of these loans is subject to the underlying performance of the residential land development project to which they relate. The Group has policies in place to ensure that sales of inventory are made under settlement procedures to ensure title is not released until the cash is received, securing the ability of the project loan to be repaid. There is not considered to be any significant concentration of credit risk relating to receivables other than the project loans identified.
- (iii) Other financial assets at fair value through profit or loss include an equity interest in an Australian property development.

Where entities have a right of set-off and intend to settle on a net basis under netting arrangements, this set-off has been recognised in the financial statements on a net basis.

Receivables

Included within receivables are amounts owing from the ATO for GST refunds.

Loans receivable and other financial assets at fair value through profit or loss

In certain instances, the Group's investment in a residential land project is structured as a loan receivable with an interest coupon return underpinned by the performance of the underlying residential land development project.

Management seeks to mitigate credit risk of loan receivables and other financial assets through:

- (i) The asset selection process;
- (ii) The structuring of investments to minimise credit risk;
- (iii) Security in the form of a second ranking charge over the underlying residential property asset; and
- (iv) Active ongoing monitoring of the Group's investment.

A significant element of the monitoring involves conducting due diligence in respect of servicers, originators and managers of the Group's investments including regular project committee meetings through the life cycle of the underlying development project.

Management also conducts the following ongoing monitoring of the Group's investments through the following procedures:

- (i) Reviewing monthly investment reports detailing cash flows and the Group's project status in respect of each investment;
- (ii) Monitoring and analysing performance metrics such as IRR's derived from internal and external discounted forecast models for each project;
- (iii) Analysing macroeconomic factors to gauge possible effects on the performance of the Group's investments; and
- (iv) Regular meetings and discussions with counter parties regarding investment performance and broader market performance conditions with industry participants.

Derivative financial instruments

The Group is also exposed to credit risk arising from interest rate collars discussed above. For credit purposes, there is only a credit risk where the contracting entity is liable to pay us in the event of a closeout. The Treasury Policy outlines the counterparty credit risk management policy, including limits around the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to financial institutions that meet minimum credit rating criteria which is updated from time to time and approved by the Board. At 30 June 2010, the only derivative financial instrument the Group had in place was an interest rate collar, which it had contracted with the Group's major lender.

At the reporting date the Group has no significant concentration of credit risk except for the fact that a majority of cash and cash equivalents are held with National Bank of Australia (rated Aa1/P-1 by Moody's)

(c) Liquidity Risk

Liquidity risk refers to the potential that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management is carried out by maintaining sufficient cash including working capital and other reserves. It is the Group's policy to maintain sufficient liquid financial assets to cover current liabilities and any unforeseen. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flows.

The tables below set out the Group's liabilities as at 30 June 2010 and 30 June 2009 into the relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows, including the capitalisation of interest where appropriate.

2010 Consolidated	Up to 1 month \$'000	1 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flow \$'000	Carrying amount \$'000
Trade and other payables	-	9,711	2,000	-	11,711	11,711
<u>Interest-bearing liabilities:</u>						
Corporate facilities	127,648	-	-	-	127,648	126,689
Project facilities	57,610	27,050	15,734	-	100,394	97,784
Borrowings	-	-	9,023	-	9,023	8,402
Other financial liabilities	-	369	-	-	369	369
Total	185,258	37,130	26,757	-	249,145	244,955

2009 Consolidated	Up to 1 month \$'000	1 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flow \$'000	Carrying amount \$'000
Trade and other payables	-	9,877	2,000	-	11,877	11,877
<u>Interest-bearing liabilities:</u>						
Corporate facilities	267	136,295	-	-	136,562	122,070
Project facilities	619	87,214	36,393	-	124,226	120,143
Borrowings	-	-	9,235	-	9,235	7,673
Other financial liabilities	-	2,788	-	-	2,788	2,788
Total	886	236,174	47,628	-	284,645	269,418

The Group does not expect all of the above to be payable at the earliest possible date. The main liquidity risk is the ability to repay its interest-bearing liabilities. The classification of the large portion of the interest bearing liabilities as payable in 1 month has been addressed post balance date, see Note 32. New debt facilities may be at a higher or lower cost reflecting the market conditions at that time. The interest-bearing liabilities are effectively secured by all the assets of the Group. The terms and conditions relating to the security are normal terms and conditions.

An element of liquidity risk is refinancing risk. Refinancing risk is the risk that unfavourable interest rate and credit market conditions result in an unacceptable increase in the Group's credit margins and interest cost or that new debt funding cannot be obtained upon maturity. Refinancing risk arises when the Group is required to obtain debt to fund existing and new debt positions.

The Group is exposed to refinancing risk from the availability of finance as well as the interest rate and credit margins at which finance is available. The Group manages this risk by reviewing potential transactions to understand the impact on debt requirements.

(d) Capital Risk Management

The Group maintains a prudent policy of managing its capital structure with the objective to safeguard the Group's ability to continue as a going concern, to increase the returns for Security holders and to maintain an optimal capital structure which achieves the lowest cost of capital.

An objective of capital risk management is also to ensure that the Group continues to comply with its loan covenants.

The funding structure of the Group consists of interest-bearing debt, as listed in Note 20, and equity as listed in Note 23.

In order to achieve the optimal capital structure, the Board may use any of these strategies: amend the distributions policy of the Group; issue new securities through a private or public placement, activate or suspend the Distribution Reinvestment Program (DRP); issue securities under a Security Purchase Plan (SPP); or conduct an on-market buyback of securities.

On 29 August 2008, the entity issued 1,107,825 units under the DRP for the final June 2008 distribution. The DRP plan was suspended during the year ended 30 June 2010.

The Group has a policy to maintain gearing within a target range of 60% to 65%. The Group may temporarily go above or below the gearing range depending on circumstances.

The Group's gearing as at the 30 June 2010 is 66% (30 June 2009: 64%).

Neither the Group nor the Company is subject to externally imposed capital requirements.

(e) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the Group has adopted the amendments to *AASB7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Quoted prices in active markets for identical asset or liabilities (level 1)
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following assets and liabilities are measured at fair value as at 30 June 2010:

Derivative contracts

The fair value of interest rate collars is estimated by using the quoted market prices from banks or dealer quotes for similar instruments. This instrument is included in level 2 in the following table

Financial Assets at Fair Value through the Profit and Loss

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security. Discounted cash flows are used to determine fair value of the Kalynda investment. This asset is classed as Level 3 in the following table.

The following table presents the Group's assets and liabilities that are measured and recognised at fair value at 30 June 2010

Group at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Financial asset at fair value	-	-	-	-
through profit or loss:	-	-	-	-
Kalynda investment	-	-	4,049	4,049
Total assets	-	-	4,049	4,049
Liabilities				
Derivatives financial instrument	-	335	-	335
Total liabilities	-	335	-	335

Note 3 Segment Information

Management has determined the operating segments based on reports provided to the Chief Executive Officer and the Board of Directors, which are used to make strategic decisions impacting the business. The operating segments are reported as follows:

Consolidated projects	Residential inventory projects controlled by the Group.
Australian Mezzanine projects	Australian residential projects not controlled by the Group, but for which the Group has provided mezzanine finance.
NZ Mezzanine Projects	New Zealand residential projects not controlled by the Group, but for which the Group has provided mezzanine finance.
Other	Includes all other facets of the Group's business, including its 60% controlling investment in PRM Property Group, its 50% equity-accounted investment in PRM Holdings, its investment in a residential development at Kalynda in Townsville, QLD, accounted for at fair value through profit or loss, as well as allocated Group overheads.

The following segment information provided to the Chief Executive Officer and the Board of Directors for the reportable segments for the year ended 30 June 2010 is as follows:

(a) Profit and Loss

	Consolidated projects \$'000	Australian Mezzanine projects \$'000	New Zealand Mezzanine projects \$'000	Other \$'000	Total \$'000
For the year ended 30 June 2010					
Total segment revenue interest	51,411	8,354	393	2,690	62,848
Intersegment revenue	-	-	-	-	-
Revenue from external customers	51,411	8,354	393	2,690	62,848
Share of profit from associate				2,338	2,338
Segment Profit	4,448	8,354	393	5,028	17,258
For the year ended 30 June 2009					
Total segment revenue	29,354	10,417	6,323	3,963	50,057
Intersegment revenue	-	-	-	-	-
Revenue from external customers	29,354	10,417	6,323	3,963	50,057
Share of Profit from associates				954	954
Segment Profit	(3,234)	10,417	6,323	1,146	14,651

Revenues from external customers are derived from the sale of land and interest income from loans receivable. Refer to item (d) below for information showing managements composition of Segment profit.

(b) Balance Sheet

The amounts provided to the Chief Executive Officer and the Board with respect to total assets are measured in a manner consistent with that of the financial statements.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated projects \$'000	Australian Mezzanine projects \$'000	New Zealand Mezzanine projects \$'000	Other \$'000	Total \$'000
As at 30 June 2010					
Investment in associate	-	-	-	15,451	15,451
Total segment assets	212,514	62,675	43,593	4,441	323,223
Unallocated assets	-	-	-	20,115	20,115
Total assets	212,514	62,675	43,593	40,007	358,789
As at 30 June 2009					
Investment in associate	-	-	-	14,263	14,263
Total segment assets	237,726	57,694	39,985	4,397	339,712
Unallocated assets				29,443	29,443
Total assets	237,726	57,694	39,985	48,103	383,418

Total segment assets include the carrying value of inventory for consolidated projects, and the carrying value of loans receivable for mezzanine projects. For other they include all assets of the relevant entities excluding deferred tax. Unallocated assets include deferred tax assets, other receivables, property plant and equipment.

(c) Segment revenue

The entity is domiciled in Australia and operates solely in the business of property development in the geographical areas of Australia and New Zealand. Segment revenues and assets are allocated based on the country in which the development is located.

	Income from external customers		Total non-current assets ¹	
	Period ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000
Australia	62,455	43,733	248,729	264,329
New Zealand ¹	393	6,323	42,636	41,767
Total	62,848	50,057	291,365	306,096

1. Total non-current assets excludes property, plant and equipment and deferred tax assets.

(d) Other segment information

A reconciliation of segment profit to operating profit before income tax is provided as follows:

	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Segment Profit	17,258	14,651
Finance costs	(18,330)	(14,792)
Impairment of loans receivable	(2,418)	(21,101)
Write down of inventory	-	(8,307)
Unrealised foreign exchange loss	509	(2,081)
Unrealised gain on derivative financial instrument	(335)	-
Realised gain on derivative financial instruments	-	1,245
Unallocated overheads	(7,636)	(5,311)
(Loss) before income tax from continuing operations	(10,952)	(35,696)

Note 4 Revenue and Other Income

	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Revenue from continuing operations		
Revenue from the sale of land	51,411	29,354
Interest Income	8,485	18,174
Total revenue from continuing operations	59,896	47,528
Other income		
Fair value gains on other financial assets at fair value through profit or loss	292	134
Project management fees	2,497	1,516
Profit on Sale of Ascot Chase	-	758
Other income	163	121
Total other income	2,952	2,529

Note 5 Expenses

	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Finance costs		
Interest and finance charges	33,717	33,384
Amounts capitalised	(15,387)	(18,592)
	18,330	14,792
Marketing and other operating expenses		
Legal Fees	691	508
Depreciation	47	25
Unrealised loss on Financial Instrument	335	-
Marketing and other	3,618	2,873
	4,691	3,406

Note 6 Significant Items

	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Sale of interest in land assets	–	758
Impairment of loan receivables	(2,416)	(21,101)
Net realizable value adjustment to inventory	–	(8,307)
Impairment of goodwill	–	(1,691)
Total	(2,416)	(30,341)

Significant items are material adjustments to the income statement which by virtue of size or nature should be drawn to the user's attention.

Note 7 Dividends and Distributions

There were no dividends/distributions declared for the year ended 30 June 2010 or for the year ended 30 June 2009. Nor were there any dividends/distributions payable at either 30 June 2010 or 2009. On 18 December 2008, the Board announced to the market that it had elected to suspend payment of stapled security distributions until further notice.

Note 8 Loss per Security

	Year ended 30 June 2010	Year ended 30 June 2009
Net (loss) after tax attributable to security holders (\$'000)	(6,639)	(26,296)
Time weighted average number of securities for basic and diluted earnings per security (\$'000)	176,108	175,926
Basic earnings per stapled security for net profit attributable to stapled security holders (cents per stapled security)	(3.77)	(14.95)
Diluted earnings per stapled security for net profit attributable to stapled security holders (cents per stapled security)	(3.77)	(14.95)

Note 9 Income Tax

	Year ended 30 June 10 \$'000	Year ended 30 June 09 \$'000
(a) Income tax expense/(benefit)		
Income tax comprises:		
Current tax benefit	(332)	(8,522)
Deferred tax expense/(benefit)	(2,422)	(45)
Under/(over) provided in prior years	(1,668)	(524)
Income tax expense/(benefit)	(4,422)	(9,091)
Deferred income tax expense included in income tax (revenue)/expense comprises:		
Decrease/(increase) in deferred tax assets	(1,385)	(4,625)
Increase/(decrease) in equity	-	-
(Decrease)/increase in deferred tax liabilities	3,807	4,580
	(2,422)	(45)
(b) Numerical reconciliation of income tax (benefit) to prima facie tax payable		
(Loss)/profit from continuing operations before income tax expense	(10,952)	(35,696)
Income tax (benefit) calculated at 30%	(3,286)	(10,709)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(15,846)	(10,054)
Non-deductible expenses	14,791	9,479
Group net loss not deductible	1,587	2,210
Impairment of goodwill	-	507
Change in prior period tax estimates	(1,668)	(524)
Income tax expense/(benefit)	(4,422)	(9,091)
(c) Amounts recognised directly in equity		
The following current and deferred amounts were not recognised in net profit or loss but charged directly to equity during the period:		
Net deferred tax expense/(benefit)	824	(561)
(d) Tax expense/(benefit) relating to items of other comprehensive income		
Changes in fair value of cash flow hedges	824	(561)
(e) Tax losses		
Unused tax losses – a deferred tax asset has been recognised	51,825	49,567
Potential tax benefit at 30%	15,548	14,870

As at 30 June 2010 the Group had carry forward tax losses of \$51.8 million [2009: \$49.6 million.] This tax loss arises as a result of the available tax deduction up front for the Group's share of development costs incurred at the project level, whilst under Australian Accounting Standards these costs are capitalised and expensed as lots are sold. As projects continue through their respective lifecycles there will come a point when this timing difference is projected to reverse and a taxable income will be generated.

Forecast life of project cash flow modelling for the Group, indicate that it is probable that future taxable profit will be available against which unused tax losses can be utilised. These forecasts assume that the Group will continue as a going concern and realise its assets in the ordinary course of business. If this was not to occur the recoverability of this deferred tax asset would need to be reassessed.

(f) Recognised deferred tax assets and deferred tax liabilities

Deferred tax assets		
Tax losses	15,548	14,870
Provision for diminution	5,392	5,021
NZD denominated loans	1,166	1,318
Hedge funding liability	101	823
Other	30	56
Gross deferred tax assets	22,237	22,088
Deferred tax liabilities		
Deductible development costs	6,187	8,890
Development fee revenue	3,352	4,630
Other	923	749
Foreign exchange gain arising on hedge assets	–	–
Gross deferred tax liabilities	10,462	14,269
Net deferred tax asset/(liability)	11,775	(7,819)
Balance at the beginning of the financial period	7,819	(1,828)
Credited/(charged) to the Income Statement	2,422	(45)
Credited to equity	(824)	561
Deferred tax asset relating to current year tax losses	678	8,517
Deferred tax asset relating to change in prior period tax estimate	1,680	524
Balance at the end of the financial period	11,775	7,819

(a) Tax Consolidation Legislation

RCL Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, is effective to exclude joint and several liability of the wholly-owned entities in the case of a default by the head entity, RCL Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate RCL Group Limited for any current tax payable assumed and are compensated by RCL Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are automatically transferred to RCL Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts that would have been recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each

financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Note 10 Cash and Cash Equivalents

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Cash at bank and on hand	3,533	1,009

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group's exposure to interest rate risk is discussed in Note 2.

Note 11 Receivables

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Receivables		
GST receivable	287	434
Loans receivable	-	15,058
	287	15,492
Other assets		
Prepayments	402	404
Deposits and other receivables	2,222	2,359
	2,624	2,763
Non-Current		
Loans receivable		
Loans receivable (ii)	118,874	108,033
Provision for impairment (i)	(12,606)	(10,444)
	106,268	97,589

The Group's maximum credit exposure for receivables is the carrying value.

- (i) Impaired receivables – The provision for impairment on loans receivable reflect deterioration in the internal rate of return on underlying development projects to which these loans relate discounted at their original effective interest rate, indicating a difference between the carrying value of the loans and the present value of estimated future cash flows to repay those loans.
- (ii) Integral to the recoverable amount of the New Zealand loans receivable is an assumption that certain sections of land within the development footprint will be rezoned to allow future residential subdivision.

Movement in the provision for impairment is as follows:

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Provision at the beginning of the year	(10,444)	–
Impairment raised during the year	(2,418)	(21,101)
Impairment provision written off against asset	256	10,657
Provision at the end of the year	(12,606)	(10,444)

At 30 June 2010, no loans receivable were past due.

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency and interest rate risk in relation to trade and other receivables is provided in Note 2.

Fair value and credit risk

The carrying amounts of the receivables are assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each receivable. Information about the Group's exposure to credit risk is provided in Note 2.

Note 12 Inventories

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Land held for resale		
– cost of acquisition	35,059	31,436
– write-down of inventory	(6,809)	(6,809)
– development costs	9,617	19,267
– asset facilitation fees	634	913
– capitalised finance costs	3,456	5,256
	41,957	50,063
Non-current assets		
Land held for resale		
– cost of acquisition	137,758	162,171
– write down of inventory	(1,498)	(1,498)
– development costs	(7,551)	4,866
– asset facilitation fees	2,534	3,651
– capitalised finance costs	24,212	18,473
	170,557	187,663

Inventory expense

Current inventory is that which is expected sell within the next 12 months.

Inventories recognised as expense during the year ended 30 June 2010 amounted to \$47,469,000 (2009: \$39,957,000).

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to nil (2009 \$8,307,000). The expense has been included in Cost of Sales in the 2009 Statement of Comprehensive Income.

Note 13 Other Financial Assets at Fair Value through Profit or Loss

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Non-Current		
Other financial assets at fair value through profit or loss	4,049	4,733
	4,049	4,733

(a) Other financial assets at fair value through profit or loss

Changes in fair values of other financial assets at fair value are recorded as other income in the statement of comprehensive income. Refer to Note 4.

Note 14 Assets Held-for-Sale

As at balance date 30 June 2010 there are no assets held for sale.

On 19 August 2008, RCLG completed the sale of 25% of its interest in the Ascot Chase project to the BMD Group. This resulted in the Ascot Chase project becoming a 50:50 joint venture between RCL Group and the BMD Group.

On 28 September 2009, RCLG settled the disposal of its remaining 50% interest in the Ascot Chase project to the BMD Group.

	As at 30 June 2009 \$'000
Ascot Chase disposal group assets and liabilities	\$'000
Cash	675
Inventory	91,439
Other assets	1,701
Total assets	93,815
Interest-bearing liabilities	57,310
Shareholder loans	36,505
Total liabilities	93,815

Note 15 Investments Accounted for Using the Equity Method**(a) Movements in carrying amounts**

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
<i>Equity-accounted investments</i>		
<i>Investment in PRM Holdings Pty Ltd¹</i>		
Carrying amount at the beginning of the financial year	14,263	13,309
Distributions received during the year	(1,150)	-
Share of profits after income tax	2,338	954
Carrying amount at the end of the financial year	15,451	14,263

1. Ownership interest 50%

(b) Summarised financial information of equity-accounted investments

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Financial position		
Total assets	6,534	4,763
Total liabilities	(1,572)	(1,319)
Net assets	4,962	3,444
Group's share of net assets	2,481	1,722
Financial performance		
Total revenue	4,869	1,915
Total profit for the year	4,676	1,909
Group's share of associates profit	2,338	954

Assessment of carrying value

A discount cashflow analysis was undertaken to assess whether the above equity accounted investment is subject to any indication of impairment. Using a discount rate of 10% the Group is satisfied that the investment in PRM Holdings is not impaired.

Note 16 Property/Plant and Equipment

	Office Equipment	Finance Lease Equipment	Leased Fitout	Computer Software	Computer Equipment	Office Furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or deemed cost							
Balance as at 1 July 2009	6	46	161	23	6	38	280
Additions	25	-	-	262	24	1	312
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance as at 30 June 2010	31	46	161	285	30	39	592
Depreciation and impairment losses							
Balance as at 1 July 2009	2	31	42	20	2	7	104
Additions	-	1	-	10	24	13	48
Disposals	-	-	-	-	-	-	-
Balance as at 30 June 2010	2	32	42	30	26	20	152
Carrying amounts							
At 1 July 2009	4	15	119	3	4	31	176
At 30 June 2010	29	14	119	255	4	19	440

	Office Equipment	Finance Lease Equipment	Leased Fitout	Computer Software	Computer Equipment	Office Furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or deemed cost							
Balance as at 1 July 2008	5	46	161	17	9	38	276
Additions	1	-	-	1	2	-	4
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	5	(5)	-	-
Balance as at 30 June 2009	6	46	161	23	6	38	280
Depreciation and impairment losses							
Balance as at 1 July 2008	1	26	31	17	-	4	79
Additions	1	5	11	3	2	3	25
Disposals	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-
Balance as at 30 June 2009	2	31	42	20	2	7	104
Carrying amounts							
At 1 July 2008	4	20	130	-	9	34	197
At 30 June 2009	4	15	119	3	4	31	176

Note 17 Intangible Assets

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Intangible assets		
Opening net book amount	1,848	3,539
Impairment	-	(1,691)
Closing net book amount	1,848	1,848

During the 2009 financial year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's acquisition of the 60% interest in PRM Property Group Pty Ltd was impaired by \$1,691,000, due to the portfolio of the asset under management changing, and the development lifecycle extending. In accordance with accounting standards the goodwill was tested for impairment during the 2010 financial year. The recoverable amount was assessed by reference to "value in use" for the cash generating units applying a discount rate of 10%. As at 30 June 2010 no indicators of impairment were noted and therefore no impairment has been recorded.

Note 18 Trade and Other Payables

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Trade payables	269	657
Other liabilities	894	645
Accrued facilitation fees	6,500	6,000
Accrued management fees	-	1,024
Income Taxes Payable	333	-
Deferred land payments	-	500
GST payable	1,715	79
Accrued interest	-	972
	9,711	9,877

Due to the short-term nature of these payables, their carrying amounts approximate their fair values.

Note 19 Provisions

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Employee benefits	178	55
Other Employee provisions	49	-
Provisions for internalisation costs	-	105
	227	160
Non Current		
Long service leave provisions	85	37
	85	37

(a) Movements in provisions

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Employee provision		
Carrying amount at start of year	55	50
Credited to profit or loss		
– Additional provisions recognised	193	5
– Unused amounts reversed	-	-
Amounts used during the period	(70)	-
Carrying amount at the end of the year	178	55
Internalisation cost provision		
Carrying amount at start of year	105	-
Credited to profit or loss		
– Additional provisions recognised	-	105
– Unused amounts reversed	(105)	-
Carrying amount at the end of the year	-	105

(b) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave. The entire provision is presented as a current liability in the statement of financial position, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts relate to long service leave that is not expected to be taken or paid within the next 12 months.

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Non Current		
Long service leave provision not expected to be taken in next 12 months		
Carrying amount at start of year	37	32
Credited to profit or loss		
– Additional provisions recognised	48	5
– Unused amounts reversed		
Amounts used during the period		
Carrying amount at the end of the year	85	37

Note 20 Interest-Bearing Liabilities and Borrowings

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Senior corporate debt facility - secured	100,405	104,031
Less: deferred finance costs	-	(3,245)
Babcock & Brown subordinated debt facility – secured	26,284	22,906
Less: deferred finance costs	-	(1,622)
Project facilities-secured	82,702	83,774
	209,391	205,844
Non-Current		
Unsecured loans classified as Borrowings	8,402	7,673
Secured Loans:		
Corporate facility	-	-
Project facilities - secured	15,082	36,369
	15,082	36,369

The fair value of interest bearing liabilities at balance date are as per the above schedule.

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

Maturity risk associated with borrowings is referred to in the interest rate table displayed in Note 2 Financial Risk Management.

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	As at 30 June 2010	As at 30 June 2009
Interest-bearing liabilities	224,473	224,174

(b) Assets pledged as security

The Project facilities are secured by first ranking registered mortgages over the Group's freehold land held as inventory secured project by project. At any time all money that the borrower is liable to pay to the financier in relation to the senior corporate debt facility is secured by a fixed and floating charge over the assets of the Group.

As a result of the internalisation process with Babcock & Brown, it was a requirement that the outstanding amounts with Babcock & Brown become secured in subordination to the senior corporate debt provider.

(c) Unsecured loans

The unsecured loans which are classified as borrowings in the statement of financial position will be repaid the earlier of 10 years from loan date or completion of the project and bear interest at 6% per annum. The debt repayment profile at the project level stipulates that third party project debt has priority over unsecured loans. Accordingly, unsecured loans are classified as non-current.

(d) Interest-bearing liabilities

The interest-bearing liabilities are an Australian dollar facility subject to variable interest rates and are repayable over the next 18 months. The effective interest rates vary between 5.60% and 13.2%. There are also deferred fees in relation to the Senior corporate debt and Babcock & Brown debt worth a total of 6.5m which have been incurred (see note 18) and were fully amortised at 30 June 2010.

(e) Unused funding arrangements

Access was available at balance date to the following lines of credit. Access to the project facilities is restricted for use on the development which secures the facility.

	Total \$'000	Unused \$'000
Corporate facilities - secured	102,200	1,795
BNB facility – secured	26,284	–
Project facilities -secured	122,224	24,440

(f) Extension of interest bearing debt facilities

Information relating to the extension of the Group's debt facilities that occurred subsequent to 30 June 2010 is provided at Note 32.

The information at Note 32 should be reviewed to provide a complete understanding of the terms of the extension of the interest bearing debt facilities.

Fees totalling \$5.5 million were incurred relating to the extension of the Group's senior debt facilities post 30 June 2010.

Note 21 Other Financial Liabilities

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Current		
Other financial liabilities		
Derivative financial instrument ¹	335	2,745
Finance Lease liability	34	43
	369	2,788
Non-Current		
Other financial liabilities		
Finance lease liability	-	34
	-	34

1. Refer to Note 2 Financial Risk Management (e) fair values of assets and liabilities.

Note 22 Payables

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Non-Current		
Deferred Land Payment	2,000	2,000

The deferred land payments will be made when target hurdles are reached which will not be achieved within the next 12-month period.

Note 23 Contributed Equity

An ordinary stapled security comprises one share in RCL Group Limited and one unit in RCL Group Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Company or Trust in proportion to the number of and amounts paid on the securities held. The value of stapled securities on issue is apportioned between the Company and the Trust. On the show of hands, every holder of ordinary securities present as at meeting in person or by proxy is entitled to one vote and upon a poll each stapled security is entitled to one vote.

	As at 30 June 10 \$'000	As at 30 June 10 No. of Securities	As at 30 June 09 \$'000	As at 30 June 09 No. of Securities
Fully paid securities				
Opening balance	164,104	176,107,825	163,816	175,000,000
Distribution reinvestment plan	-	-	288	1,107,825
Closing balance	164,104	176,107,825	164,104	176,107,825

The above contributed equity reconciles to the contributed equity of the Groups' parent and the other stapled entity as shown on the statement of changes in equity

Distribution reinvestment plan

On 29 August 2008, the entity issued 1,107,825 units under the distribution reinvestment plan.

Note 24 Reserves

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Changes in fair value of cash flow hedges		
Balance as at commencement of year	(1,921)	(611)
Loss on cash flow hedge	-	(1,872)
Deferred tax	-	562
Recognised in statement of comprehensive income	1,921	-
Balance as at year end	-	(1,921)

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred. At 30 June 2010, there are no effective cash flow hedges.

Note 25 Retained Profits/(Accumulated Losses)

	As at 30 June 10 \$'000	As at 30 June 09 \$'000
Movements in retained profits/(accumulated losses)		
Balance as at beginning of financial year	(43,547)	(16,942)
(Loss) for the year	(6,530)	(26,605)
Distributions provided for or paid to non-controlling interests	(505)	-
Balance at the end of the financial year	(50,582)	(43,547)
Retained profits/(accumulated losses) attributable to stapled security holders as:		
Equity holders of the parent	(29,801)	(28,453)
Minority interest	(642)	(246)
Equity holders of the other stapled entities	(20,139)	(14,848)
	(50,582)	(43,547)

Note 26 Disposal of Subsidiaries

On 28 September 2009, RCLG settled the disposal of its remaining 50% interest in the Ascot Chase project to the BMD Group. Profit on the sale of Ascot Chase of \$758,000 is recorded in the 2009 financial year on the face of the statement of comprehensive income.

There were no other disposals of subsidiaries during the year ended 30 June 2010.

Note 27 Acquisition of Subsidiaries

On 11 June 2009, RCLG announced that it had reached an in-principle agreement with Babcock & Brown International Pty Ltd (B&B) to either acquire or terminate the management rights for a nominal sum. This transaction was also completed on 13 April 2010 when the management rights were transferred to RCL Group Management Pty Ltd a 100% owned subsidiary of The RCL Group.

On 13 April 2010, the Consolidated Entity acquired a 100% interest in RCL Group Services Limited (previous BBRLPL Services Limited) at fair value. Only a nominal consideration was paid for this acquisition.

Note 28 Key Management Personnel Disclosures

(a) Directors

The following persons were directors of RCL Group Limited during the financial year:

R. Gelski	Director
C. Langford	Director
M. Maxwell	Director
R. Wright	Chairman

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

D. Wightman	CEO (appointed 3 July 2009)
S. Pauly	CFO (redundant 12 February 2010)

(c) Key management personnel unit holdings in RCL stapled securities

Directors	Balance 30 June 2009	Change during the year	Other changes during the year	Balance 30 June 2010
Directors				
M. Maxwell	4,000,000	-	-	4,000,000
R. Gelski	231,732	-	-	231,732
C. Langford	105,000	-	-	105,000
R. Wright	231,732	-	-	231,732
Total	4,568,464	-	-	4,568,464
Other Key management personnel				
D. Wightman	347,597	-	-	347,597
Total	347,597	-	-	347,597

(d) Key management personnel loan disclosures

The group has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the year.

(e) Other transactions within the group

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

(f) Key management personnel compensation

2010 Payments	Base Salary \$	Super- annuation	Termination Benefit	Sign-On Benefit	Total \$
Directors					
Robert Wright	114,679	10,321	-	-	125,000
Richard Gelski	78,808	7,093	-	-	85,901
Michael Maxwell	75,000	6,750	-	-	81,750
Christopher Langford	62,431	5,619	-	-	68,050
Other Key Management Personnel					
David Wightman	388,137	14,784	222,115	-	625,036
Stuart Pauly	155,448	11,176	33,654	112,500	312,778

2009 Payments	Base Salary \$	Super- annuation	Long Service Leave	Short Term Incentives	Total \$
Directors					
Robert Wright	115,844	10,426	-	-	126,270
Richard Gelski	79,125	7,121	-	-	86,246
Michael Maxwell	68,808	6,192	-	-	75,000
Christopher Langford	59,633	5,367	-	-	65,000
Other Key Management Personnel					
David Wightman	330,000	13,745	5,500	-	349,245
Stuart Pauly	250,000	13,745	4,167	37,500	305,412

1. Mr M Maxwell was an employee of Babcock & Brown Australia Pty Limited and his role as a director of RCLGL was included in those employment arrangements. Mr Maxwell's employment with Babcock & Brown Australia Pty Limited concluded on 31 October 2008. Since 1 November 2008 Mr Maxwell has been a non-executive director of RCLGL and of the fees for the current year Mr Maxwell received directly \$50,000 in this capacity.
2. Executives of BBRLP were eligible for an award of short-term incentive remuneration during the year. All short-term incentive remuneration provided to executives during the year ended 30 June 2009 was paid in cash, available immediately to the executive. Long-term incentives were previously provided by way of equity- and cash-settled share-based payment awards. No share-based compensation was granted to Executives of BBRLP during the year.

(g) Short-term and Long-term Incentives

Short and long term incentive schemes are being developed to ensure that RCL Group can attract and retain personnel who will create long-term sustainable value for security holders. As at 30 June 2010, no such incentive scheme was in place, and any future scheme will be subject to approval by the Nominations and Remuneration committee, as a consequence no element of the 2010 payments were 'at risk' for the employees. No share based compensation was granted to executives of RCLG during the 2009 or 2010 Financial years.

Note 29 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the Auditor, its related practices and non-related audit firms:

	Year ended 30 June 10	Year ended 30 June 09
	\$	\$
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	454,000	602,000
Non-audit services		
PricewaterhouseCoopers Australian firm:		
Taxation services	92,135	25,000
Total auditors remuneration	546,135	627,000

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice. Refer to Auditors Independence Declaration.

Note 30 Related Party Disclosures**(a) Parent Entity**

The Parent Entity within the Group is RCL Group Limited (ABN 49 119 517 985).

(b) Subsidiaries

Interests in subsidiaries are set out in Note 31

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

(d) Transactions with related parties**RCL Group Services Limited (formerly Babcock & Brown Residential Land Partners Services Ltd)**

On the 13th of April, RCL Group acquired from Babcock & Brown 100% of the ordinary shares in RCL Group Services Limited for fair value. Refer to Note 27 Acquisition of Subsidiaries

RCL Group Services issued a further \$770,000 of equity to RCL Group Limited in order to assist RCL Group Services in meeting its NTA requirements.

No amounts were paid directly by RCL Group to the Directors of the Responsible Entity, except as disclosed at Note 28.

Babcock & Brown International Proprietary Limited (BIPL)

The relationship between RCL Group and BIPL was governed by a number of agreements including the Management Services Agreements with Babcock & Brown Australian Real Estate Management Pty Limited (BBAREM). All provision of services by Babcock & Brown International Group and its subsidiaries ceased on 13 April 2010 with fees for management services effectively ceasing from 31 December 2008.

During the current reporting period until 13 April 2010, a Transitional Agreement operated to charge fees for specific services including use of business premises, IT software and support and secretarial functions. These were incrementally phased out over the period with total separation and cessation of fees occurring on 13 April 2010. Payments made to BIPL and its subsidiaries are shown below as 'Cost Recovery'.

On 13 April 2010, all services provided by Babcock & Brown International Group ceased with RCL Group employing its own executives and staff, renting its own premises and managing the business day to day.

The fees incurred during the year include:

	Year ended 30 June 10	Year ended 30 June 09
	\$	\$
Manager's Expense Fee/Cost Recovery	20,000	1,909,000
Base Management Fee	-	1,560,000
Asset Facilitation Fee	190,000	51,000
Responsible Entity Fee	-	320,000
Custodian Fee	30,000	(1,000)
Facilitation Fee	-	2,000,000
Cost Recovery	252,665	

Loans to/from related parties

	Year ended 30 June 10	Year ended 30 June 09
	\$	\$
Loans from related parties		
Beginning of the year	22,906,000	7,596,000
Loans advanced from Babcock & Brown	-	14,000,000
Interest charged	3,378,000	1,761,000
Interest received	-	(451,000)
End of year	26,284,000	22,906,000

The Babcock & Brown Group continues to be related party as at 30 June 2010 given that various Babcock & Brown entities continue to hold a significant equity interest in the RCL Group.

Amounts owing to related parties

	Year ended 30 June 10 \$	Year ended 30 June 09 \$
Facilitation Fee	2,000,000	2,000,000
Managers Fee Expense	-	529,000
Asset Facilitation Fee	-	-
Responsible Entity Fee	-	-
Custodian Fee	-	8,000
Cost Recovery Fee	-	-

Note 31 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name of entity	Country of incorporation	Ownership 2010	Ownership 2009
Parent entity			
RCL Group Limited	Australia		
Other stapled entity			
RCL Group Trust	Australia		
Subsidiaries of the Group			
RCL Group Services Limited ¹	Australia	100%	100%
BBRLPL Taree Pty Limited	Australia	100%	100%
BBRLPL Forster Pty Limited	Australia	100%	100%
BBRLPL Haywards Bay Pty Limited	Australia	100%	100%
RCL Management Pty Limited	Australia	100%	100%
BBRLPL Mirador Heights Pty Limited	Australia	100%	100%
RCL Pacific Dunes Pty Limited	Australia	100%	100%
RCL Kalynda Pty Limited	Australia	100%	100%
RCL RR2 Pty Limited	Australia	100%	100%
RCL Links Pty Limited	Australia	100%	100%
RCL Queenstown Pty Limited	Australia	100%	100%
RCL Coburg Pty Limited	Australia	100%	100%
BBRLPL Officer Pty Limited	Australia	100%	100%
BBRLPL Seabreeze Pty Limited	Australia	100%	100%
BBRLPL Mernda Pty Limited	Australia	100%	100%
BBRLPL Mernda No. 2 Pty Limited	Australia	100%	100%
BBRLPL Officer 707 Pty Limited	Australia	100%	100%
BBRLPL Ripley Valley Pty Limited	Australia	100%	100%
RCL PRM Pty Limited	Australia	100%	100%
PRM Property Group Pty Limited	Australia	60%	60%
Taree (Marie Avenue) Nominee Pty Limited	Australia	92%	92%
Forster (Southern Parkway) Nominee Pty Limited	Australia	92%	92%
Haywards Bay Nominee Pty Limited	Australia	92%	92%
Mirador Heights Nominee Pty Limited	Australia	92%	92%
Ascot Chase Nominee Pty Limited ²	Australia	0%	50%

RCLT Pacific Dunes Pty Limited	Australia	100%	100%
RCLT URB Pty Limited	Australia	100%	100%
RCLT WPG Pty Limited	Australia	100%	100%
RCLT MET Pty Limited	Australia	100%	100%
BBRLP Pacific Dunes Trust	Australia	100%	100%
BBRLP Kalynda Trust	Australia	100%	100%
BBRLP Ascot Chase Trust	Australia	100%	100%
BBRLP Taree Trust	Australia	100%	100%
BBRLP Haywards Bay Trust	Australia	100%	100%
BBRLP Mirador Heights Trust	Australia	100%	100%
BBRLP Forster Trust	Australia	100%	100%
BBRLP Officer Trust	Australia	100%	100%
BBRLP Seabreeze Trust	Australia	100%	100%
BBRLP Mernda Trust	Australia	100%	100%
Mernda Land Trust ³	Australia	42%	42%

1. RCL Group Services was acquired from Babcock & Brown for Fair Value on 13 April 2010, for only a nominal consideration

2. Refer Note 26.

3. Whilst the Group holds less than 50% of the shares in this entity, the Group has the power to govern the financial and operating policies of this entity through its 60% majority of the project control group.

Note 32 Events Subsequent to Balance Date

(a) RCL Group debt

Since the end of the year, the Group has signed documentation with its senior corporate and project financier to extend the term of the facilities that were due to expire on 28 July 2010 through to 31 December 2012.

The key amendments to the terms of the corporate and key project facilities include:

- (i) Common expiry date of 31 December 2012 for all facilities other than those that are targeted to payout prior to this date.
- (ii) Provision of development funding for the Grandvue @ Officer development where the group has secured development approval for the staged development of this project.
- (iii) Continuation of the primary covenant test, being compliance with specific tolerance levels of an Agreed Cash Flow Forecast ('ACFF'), which will continue to be tested on a monthly basis.
- (iv) Removal of covenants relating to interest coverage, debt to asset ratio and net tangible asset backing.
- (v) Cross collateralisation of project and senior corporate debt facilities.
- (vi) Incurrence of a further \$5.5 million restructure fee that is payable at the end of the facility term.
- (vii) Introduction of repayment milestones in June 2011, December 2011 and June 2012 in relation to the senior corporate debt facility

(b) Other events subsequent

The Directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in this Report or the financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial years.

Note 33 Parent entity financial information**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	Year ended 30 June 10 \$	Year ended 30 June 09 \$
Balance Sheet		
Current assets	1,344	3,868
Total assets	193,562	177,595
Current liabilities	(133,469)	(132,537)
Total liabilities	(215,849)	190,673
<i>Shareholders' equity</i>		
Issued capital	1,656	1,656
Reserves		
Cash flow hedges	-	(1,921)
Retained earnings/(losses)	(23,943)	(12,813)
	(22,287)	(13,078)
Profit or loss for the year	(11,130)	(6,397)
Total comprehensive income	(11,130)	(5,087)

The information included in this note should be read in conjunction with the disclosure at Note 1(b)

(b) Guarantees entered into by the parent

The parent entity did not have any outstanding guarantees as at 30 June 2010 or 30 June 2009.

(c) Contingent liabilities and commitments of the parent entity

The parent entity did not have any contingent liabilities or commitments as at 30 June 2010 or 30 June 2009 save for it being a party to the documents relating to the Groups contingent liabilities and commitments referred to in Note 36 below.

Note 34 Cash Flow Statement Reconciliation

	Consolidated Year ended 30 June 10 \$'000	Consolidated Year ended 30 June 09 \$'000
Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss) before tax	(10,952)	(35,696)
Add/(Deduct) non-cash items:		
Unrealised gain on derivative financial instruments	(335)	(1,245)
Unrealised foreign exchange gain/(loss)	(509)	2,081
Bad Debts	176	-
Impairment of goodwill	-	1,691
Impairment of receivables	2,418	21,101
Write down of inventory	-	8,307
Depreciation	47	26
Share of profit of equity-accounted investment	(1,188)	(954)
Fair value gain on financial assets	-	-
Changes in assets and liabilities		
(Increase)/decrease in other receivables	148	(9,140)
(Increase)/decrease in other financial asset at fair value	684	1,766
(Increase)/decrease in land and development costs	36,277	9,958
(Increase)/decrease in other assets	(123)	940
(Decrease)/increase in trade and other payables	(170)	(106)
(Decrease)/increase in provisions	115	83
(Decrease)/increase in other financial liabilities	(2,410)	1,831
(Decrease)/increase in tax effected balances	-	(8,374)
Net cash (outflow) from operating activities	24,178	(7,731)

Note 35 Non Cash Financing and Investing Activities

	Year ended 30 June 10 \$'000	Year ended 30 June 09 \$'000
Securities issued under the Distribution Reinvestment Plan	-	(288)

Note 36 Contingent Assets and Liabilities

At 30 June 2010, the group was finalising re-negotiating a roll-over of various project and corporate debt facilities with its principal lender. As discussed at Note 32, these negotiations were subsequently successful. As at 30 June 2010, the Group was aware that upon successful finalisation of the re-negotiation the roll-over of various project and corporate debt facilities would incur a fee of \$5.5 million.

Directors' Declaration on the Consolidated Financial Report of RCL Group Limited (RCLGL) (formerly Babcock & Brown Residential Land Partners Limited (BBRLPL))

Except for the matters referred to at Note 1, in the opinion of the Directors of RCL Group Limited (RCLGL) (formerly Babcock & Brown Residential Land Partners Limited (BBRLPL)):

- (k) the consolidated financial statements and notes for the RCL Group (formerly Babcock & Brown Residential Land Partners) as set out on pages 25 to 83 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated financial position of RCLGL as at 30 June 2010 and of its performance for the financial year ended on that date, and
- (l) there are reasonable grounds to believe that the RCL Group will be able to pay its respective debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Directors:



R. Wright
Director
RCL Group Limited
Sydney, 30th August 2010

Independent auditor's report to the members of RCL Group Limited

Report on the financial report

We have audited the accompanying financial report of RCL Group Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the 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 for RCL Group (the "Consolidated Entity"). The Consolidated Entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Auditor's opinion

In our opinion:

- (a) the financial report of RCL Group Limited 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*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report. Note 1 makes comment on the ability of the RCL Group to continue as a going concern being dependent on certain matters, including management of limited liquidity and achievement of cash flow forecasts and debt repayment milestones. Accordingly, there is a significant uncertainty whether the RCL Group will 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 the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 22 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of RCL Group Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of the Company for the year ended 30 June 2010 included on the Company's web site. The Company's directors are responsible for the integrity of the Company's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Christopher Lewis
Partner

Melbourne
30 August 2010