



Report of RCL Group Trust  
(Formerly Babcock & Brown Residential Land Partners Trust)

ARSN 119 613 848  
for the year ended 30 June 2010



Residential  
Community  
Living

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## Corporate Information

### Directors of the Responsible Entity

R. Wright	Chairman
R. Gelski	Director
M Maxwell	Director
C. Langford	Director (appointed 27 April 2010)

### Company Secretary of the Responsible Entity

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

### Registered Office of the Responsible Entity

Level 5 , 50 Margaret St  
C/- First Advisors  
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" RCL Group Trust forms part of the RCL Group.

### Auditors

PricewaterhouseCoopers  
2 Southbank Boulevard  
Southbank, Victoria 3006

### Website address

[www.rclgroup.com.au](http://www.rclgroup.com.au)

## Directors' Report

In respect of the year ended 30 June 2010, the directors of RCL Group Services Limited (RGLGSL) (formerly Babcock & Brown Residential Land Partners Services Limited (BBRLPS)), the Responsible Entity of the RCL Group Trust (RCLGT) (formerly Babcock & Brown Residential Land Partners Trust (BBRLPT)) submit the following report on the consolidated financial report of RCLGT ("the Trust") and its controlled entities.

The Directors' Report is as follows:

### Directors

The names of the directors of the Responsible Entity in office at any time during or since the end of the year and to the date of this report are:

Mr R Wright	Chairman
Mr M Maxwell	Director
Mr R Gelski	Director
Mr C Langford	Director (appointed 27 April 2010)

### Principal activities

The Trust provides loans to entities carrying on land development in Australia in accordance with the provisions of the Trust constitution. There were no significant changes in the nature of the activities of the Group during the year.

### Review of operations and significant changes in the state of affairs

RCLGT's loss after tax for the year ended 30 June 2010 is \$5,291,000, (2009: loss: \$7,368,000).

On 13 April 2010, RCL Group Limited, RCL Group Trust's ultimate parent for purposes of financial reporting in accordance with Australia's equivalents to International Financial Reporting (AIFRS), acquired a 100% interest in RCL Group Services Limited (previously BBRLPL Services Limited) at fair value. RCL Group Services Limited is the Responsible Entity for RCL Group Trust. At the same time Perpetual Trustee Company Limited was appointed Custodian of the Trust assets replacing Babcock & Brown Asset Holdings. These transactions occurred to formalise RCL Group Limited's separation from its previous relationship with various Babcock & Brown entities.

### Distributions

There were no distributions declared during the year ended 30 June 2010 or 30 June 2009.

### Matters subsequent to the end of financial year

Since 30 June 2010, RCL Group Limited, RCL Group Trust's ultimate parent for the purposes of financial reporting in accordance with AIFRS, obtained extension of various debt facilities through to 31 December 2012. This debt extension provided extension of debt facilities, which as at 30 June 2010, were set to expire at the end of July 2010.

The extension of RCL Group Limited's debt facilities was necessary for the continued operation of RCL Group Trust, as the operations are inherently linked to the operating and financial position of RCL Group Limited.

No other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the operation or results of those operations of the Trust in future financial years, or the state of affairs of the Trust in future financial years.

### Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Trust.

### Directors meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year ended 30 June 2010, and the number of meetings attended by each Director, are as follows:

Director	RCL Group Services Limited Board (Responsible Entity)		Audit, Risk & Compliance Committee <sup>1</sup>		Nomination, Governance & Remuneration Committee	
	A	H	A	H	A	H
M Maxwell	15	15	4	4	2	2
R Wright	15	15	4	4	2	2
R Gelski	15	15	4	4	2	2
C Langford <sup>2</sup>	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) Audit, Risk & Compliance Committee of RCL Group

(2) Appointed to the Responsible Entity Board on 27 April 2010.

### **Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of RCL Group Trust's Responsible Entity or the auditors of the Trust. So long as the officers of RCL Group Trust act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

### **Fees paid to and interests held in the Trust by the responsible entity or its associates**

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in Note 14 to the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the year. Refer to discussion at Note 12 in relation to the entity that provided the remuneration of the directors of the Trust's Responsible Entity.

### **Non audit services**

The RCL Trust 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 must be pre-approved by the Audit, Risk & Compliance Committee (ARCC), or pre-approved by the Chairman of the ARCC and notified to the ARCC; and
- requires the external auditor to 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. This amount covers all services provided to The RCL Group and were paid for by the RCL Group Limited parent entity, and were not directly recovered from Trust Assets.

**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 8.

**Environmental Regulation**

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

**Interest in the Trust**

The movement in units on issue during the year is disclosed in Note 10 to the financial statements.

**Rounding**

The Trust is a registered scheme of a kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the financial report and the directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of directors.

On behalf of the Directors of RCLGSL



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**R Wright**  
Director  
RCL Group Services Limited  
Dated at Sydney this 30th day of August 2010.

## 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

		Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Revenue from Continuing Operation</b>	3	8,325	11,238
Management charges	4	(2,591)	(326)
Operating expenses		(34)	(31)
Financing costs	4	(125)	(30)
Impairment of Related Party loans receivable	7	(10,744)	(18,219)
Bad debts		(122)	-
<b>(Loss) before Income Tax</b>		<b>(5,291)</b>	<b>(7,368)</b>
Income Tax Expense		-	-
(Loss) for year & from Continuing Operations		(5,291)	(7,368)
<b>Total comprehensive (loss) for the year</b>		<b>(5,291)</b>	<b>(7,368)</b>
<b>Total comprehensive (loss) for the year is attributable to:</b>			
Owners of RCL Group Trust		(5,291)	(7,368)
		<b>(5,291)</b>	<b>(7,368)</b>
<b>Earnings per unit for (loss) from continuing operations attributable to the ordinary equity holders of the Trust:</b>			
Basic (loss) per unit:		(3.00)	(4.18)
Diluted (loss) per unit:		(3.00)	(4.18)
<b>Earnings per unit for (loss) attributable to the ordinary equity holders of the Trust:</b>			
Basic (loss) per unit:		(3.00)	(4.18)
Diluted (loss) per unit:		(3.00)	(4.18)

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

	Notes	As at 30 June 2010 \$'000	As at 30 Jun 2009 \$'000
<b>Current assets</b>			
Cash	6	1	9
Receivables and other assets	7	188	13,724
<b>Total current assets</b>		<b>189</b>	<b>13,733</b>
<b>Non-current assets</b>			
Related party loan receivables	7	140,482	132,141
<b>Total non-current assets</b>		<b>140,482</b>	<b>132,141</b>
<b>Total assets</b>		<b>140,671</b>	<b>145,874</b>
<b>Current liabilities</b>			
Trade and other payables	8	1	39
Interest-bearing liabilities	9	976	850
<b>Total current liabilities</b>		<b>977</b>	<b>889</b>
<b>Total liabilities</b>		<b>977</b>	<b>889</b>
<b>Net assets</b>		<b>139,694</b>	<b>144,985</b>
<b>Equity</b>			
Contributed equity	10	162,448	162,448
Retained earnings	11	(22,754)	(17,463)
<b>Total equity</b>		<b>139,694</b>	<b>144,985</b>

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 Trust			Total Equity \$'000
	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	
<b>Balance at 1 July 2008</b>	<b>162,163</b>		<b>(10,095)</b>	<b>152,068</b>
Total comprehensive (loss)	-	-	(7,368)	(7,368)
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Distribution reinvestment plan	285	-	-	285
<b>Balance at 30 June 2009</b>	<b>162,448</b>	<b>-</b>	<b>(17,463)</b>	<b>144,985</b>
<b>Balance at 1 July 2009</b>	<b>162,448</b>	<b>-</b>	<b>(17,463)</b>	<b>144,985</b>
Total comprehensive (loss)	-	-	(5,291)	(5,291)
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Distribution reinvestment plan	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>162,448</b>	<b>-</b>	<b>(22,754)</b>	<b>139,694</b>

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

## Consolidated Statement of Cash Flows

### For the full year ended 30 June 2010

	Notes	Year ended 30 Jun 2010 \$'000	Year Ended 30 June 2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		684	--
Cash payments in the course of operations		(2,822)	(1,162)
<b>Net cash inflow/(outflow) from operating activities</b>	16	<b>(2,138)</b>	<b>(1,162)</b>
<b>Cash flows from investing activities</b>			
Proceeds from repayment of borrowings provided to related parties		26,158	7,244
Loans to related parties		(24,154)	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>2,004</b>	<b>7,244</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		126	850
Distributions Paid		-	(6,934)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>126</b>	<b>(6,084)</b>
<b>Net decrease in cash assets held</b>		<b>(8)</b>	<b>(2)</b>
Cash and cash equivalents at beginning of year	6	9	11
<b>Cash and cash equivalents at end of year</b>	6	<b>1</b>	<b>9</b>

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

RCL Group Trust together with RCL Group Limited form RCL Group (formerly Babcock & Brown Residential Land Partners). Both the Company and the Trust are incorporated and are domiciled in Australia.

This report is to be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by RCL Group (RCLG or the Group) (formerly Babcock & Brown Residential Land Partners) during the reporting period, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The shares of RCL Group Limited (RCLGL) and the units in RCLGT are stapled and issued as stapled securities in RCLG. The RCLGL shares 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 RCLGT under ASIC Class Order 98/0100. RCLGT is an entity to which the Class Order applies.

The accounting policies adopted are set out below and are consistent with those of the previous financial year and the corresponding period unless stated otherwise.

#### 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*.

*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 Trust has applied the new authoritative guidance and has not prepared separate parent entity financial statements. Financial information of the Trust parent entity is provided at Note 21.

#### b) Going concern basis of preparation

The consolidated financial report of RCL Group Trust as at 30 June 2010 has been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing the Trust's going concern position, have concluded that the Trust has reasonable grounds to expect to be able to pay its debts as and when they become due and payable and continue operations in its current form.

The principal activities of the Trust consist of related party loans to RCL Group Limited and the entities it controls. As disclosed in the financial report of RCL Group Limited for the financial year ending 30 June 2010, there is significant uncertainty as to whether RCL Group Limited will continue as a going concern. The going concern discussion included in the RCL Group Limited financial statement is incorporated via reference to these financial statements. The RCL Group Limited financial statements should be reviewed in conjunction with these financial statements.

The ability of RCL Group Trust to continue its operations in their current form is dependent on RCL Group Limited continuing as a going concern. As a result, there is significant uncertainty over the recoverability of the related party loans and whether RCL Group Trust will continue as a going concern and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The Directors are of the opinion that on the basis that RCL Group and RCL Group Trust continue as a going concern, that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2010. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset's carrying amounts or the amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern.

**c) Compliance with IFRS**

These financial statements and the financial report of RCLGL comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**d) 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.

**e) Financial statement presentation**

The Trust 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 Trust 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 Trust commenced operations on 9 May 2006.

The financial report is presented in Australian dollars.

**f) Critical accounting estimates**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(t).

**g) Changes in accounting policy**

RCLGT 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(s).

### Principles of consolidation

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RCL Group Trust ("RCLGT") as at 30 June 2010.

Subsidiaries are those entities (including special purpose entities) over which the Trust 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 Trust controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. There have been no changes in the consolidated subsidiaries for the 2009 financial statements.

Intercompany transactions, balances and unrealised gains on transactions between Trust companies 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 Trust.

#### *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 Trust's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Trust.

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 Trust'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 Trust 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 Trust 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 Trust's net profit after tax.

The changes were implemented from 1 July 2009. There has been no impact on the current accounting period as the Trust has not entered into any business combinations during the period.

#### **h) Trust formation**

RCLGT was established on 9 May 2006. On 23 May 2006, the Trust became a registered scheme and Babcock & Brown Residential Land Partners Services Limited became the Responsible Entity of the Trust. On 13 April 2010, the Responsible Entity was acquired by RCL Group Limited, and renamed to RCL Group Services Limited.

#### **i) Revenue recognition**

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method. If the interest income is not received at balance date, it is reflected in the balance sheet as a receivable in the loan receivable balance.

#### **j) Income tax**

Under current legislation, the Trust is not subject to income tax as unit holders are presently entitled to the income of the Trust.

#### **k) Cash and cash equivalents**

Cash and cash equivalents on the balance sheet comprise cash at bank and short term deposits with original maturities of three months or less which are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### **l) Loans and other receivables**

Loans and other receivables are recorded at amortised cost, less impairment, using the effective interest method. Loan receivables 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 Trust 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.

#### **m) Payables**

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

#### **n) Distributions**

In accordance with the Trust constitution, the Trust fully distributes (taxable) income, and any other amounts determined by the Responsible Entity, to unit holders by cash (where available). In the prior comparative period a distribution was paid relating to the year ended 30 June 2008. On 18 December 2008, the Board announced to the market that it had elected to suspend payment of stapled security distributions until further notice.

#### **o) 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 Statement of Cash Flows 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 flows.

#### **p) Contributed equity**

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

#### **q) Earnings per unit**

Basic earnings per unit are calculated as net profit attributable to the Trust, divided by the weighted average number of ordinary units, adjusted for any bonus element.

Diluted earnings per unit is determined by dividing net profit attributable to the Trust by the weighted average number of ordinary units and dilutive potential ordinary units on issue during the period.

**r) Rounding of amounts**

The Trust is an entity 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.

**s) Segment reporting**

The Trust has applied AASB 8 *Operating Segments* 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 more 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.

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

**t) Critical accounting estimates and judgement**

The Trust 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:

*Estimated impairment of loans receivable*

The Trust 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(l). This requires the use estimates and assumptions surrounding the forecast feasibility estimates of the underlying projects to which these loans relate.

Refer to Note 7 for further disclosure on the assumptions used to test impairment.

**u) New Accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Directors' assessment of the impact of these new standards (to the extent relevant to the Trust) 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 Trust 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 Trust has not entered into any debt for equity swaps since that date.

**Note 2 Financial Risk Management**

The Trust's activities are exposed 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 Trust's exposure to each of the above risks, the Trusts objectives, policies and processes for measuring and managing risk and the Trusts management of capital. Further quantitative disclosures are included throughout this financial report.

The Trusts principal financial instruments subject to financial risk include cash, loan receivables and other receivables.

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

The responsibility for operational risk management has been delegated by the Board to the RCL Group Chief Executive Officer (CEO). 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 Trust. 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 Trust 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 Trust 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 cashflow 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 is now delegated to the Group Treasury Manager.

**a) Market Risk**

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

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.

As at reporting date, the Group had the following interest bearing assets and interest bearing liabilities

As at reporting date, the Trust had the following interest bearing assets and interest bearing liabilities:

	30 June 2010		30 June 2009	
	Weighted Average Interest Rate	Balance \$'000's	Weighted Average Interest Rate	Balance \$'000's
Cash and Cash Equivalents	4.00%	1	3.00%	9
Loans and other receivables	7.09%	140,670	6.93%	145,865
Interest bearing liabilities	14.00%	976	14.00%	850

All the loans receivable in the loans and other receivables total in the above table have fixed interest rates, and therefore do not face any market interest relating to movement in market determined interest rates. Other receivables, which contribute a total of \$0.18 million to the loans and other receivables total of \$140.67 million, do not accumulate interest.

Only a minimal amount of cash on hand is held. Interest rate sensitivity has not been calculated as the trust is exposed only to an immaterial amount of cash holdings.

The interest rate on the interest bearing liability is discussed further at Note 9 and is fixed.

The interest rates on related party loan receivables will be reviewed from time to time. In many cases the amount owing by the related entity to a member of the RCL Group Trust is heavily subordinated and may not be fully recovered. Where the continual accrual of interest would prejudice the group as a whole, the Directors of the responsible entity of the Trust may agree to suspend the charging of further interest on the related party balance.

During the year ended 30 June 2010, the Trust suspended the further accrual of interest on the balance due and payable from RCL Group Limited. This will have an impact on the revenue of the Trust in future periods. This policy decision by the directors of the Trust's Responsible Entity also contributed to a decrease in revenue during the 2010 year, but will not impact the earnings of the RCL Group as a whole upon consolidation.

ii Currency Risk

The Trust's principal activity is investing in interests in Australian real estate by providing Australian Dollar fixed interest loans, and as a result the Group is not exposed to any currency risk with respect to movements in currency.

**b) Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The Trust's concentration of credit risks are considered as follows:

Related Party - loans receivable comprise a number of related parties investing in Australian property developments. There is not considered to be any significant concentration of credit risk relating to cash and receivables, excluding those loans receivable discussed above. The counterparties to the loans receivable are unrated.

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

	2010 \$'000	2009 \$'000
Cash and other cash equivalents	1	9
Loans and other receivables	140,670	145,865
	<b>140,671</b>	<b>145,874</b>

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.

**Related Party Loans Receivable**

Management closely manages the performance of all development projects for which the loans receivable relate, to ensure that the amount provided will be recovered and performance is as expected. As at 30 June 2010 \$122,026 of a related party debt has previously been written off as bad debt. During the year a further \$10,743,588 was provided as impaired. Information relating to impairment assessment undertaken in relation to loans receivable is provided at Note 7. Of the Trust's \$140.4 million of Related Party Loans Receivable, \$125.9 million is owed by RCL Group Limited and its subsidiaries. Refer to going concern discussion at Note 1 (b) for further information relevant to the assessment of credit risk relating to the Trust's related party loans receivable.

**c) Liquidity Risk**

Liquidity risk refers to the potential that the Trust 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. The Trust monitors current and future cashflows to manage its short and long term liquidity.

The tables below set out the Trust liabilities as at 30 June 2010 and 30 June 2009 into the relevant maturity groupings based on the remaining period at balance sheet 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 \$'000
Trade and other payables	-	1	-	-	1
Interest bearing liabilities	-	976	-	-	976
<b>Total</b>	-	<b>977</b>	-	-	<b>977</b>

  

2009 Consolidated	Up to 1 month \$'000	1 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Trade and other payables	-	39	-	-	39
Interest bearing liabilities	-	969	-	-	969
<b>Total</b>	-	<b>1,008</b>	-	-	<b>1,008</b>

#### d) Capital risk management

The Trust maintains a prudent policy of managing its capital structure with the objective to safeguard the Trust's ability to continue as a going concern.

On 29 August 2008, the Trust issued 1,107,825 units under the distribution reinvestment plan for the final June 2008 distribution. The Trust has since suspended distributions (Refer to Note 1(n)).

There were no changes in the Trust's approach to capital management during the 2010 financial year.

#### 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 Trust 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:

- Quoted prices in active markets for identical asset or liabilities (level 1)
- 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
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

As at 30 June 2010, the Trust does not have any assets and liabilities measured and recognised at fair value. The Trust does have certain loans receivable at 30 June 2010 that have been measured, at the net present value of the expected cash flows from the borrower, discounted at the loans receivable original effective interest rate. This measurement is consistent with measurement requirements provided in *AASB 139 Financial Instruments: Recognition and Measurement*. Disclosure relating to the measurement of certain loan receivable on a non-recurring basis is provided at Note 7 to these financial statements.

**Note 3 Revenue**

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
<b>Interest income</b>		
Interest income - related parties	8,325	11,238
	<b>8,325</b>	<b>11,238</b>

**Note 4 Expenses**

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
<b>Management expenses</b>		
Base Management Fee	-	6
Responsible Entity Fee	2,561	321
Custodian Fee	30	(1)
Asset Management Fee	-	-
	<b>2,591</b>	<b>326</b>
<b>Finance costs</b>		
Interest and finance charges	125	30
	<b>125</b>	<b>30</b>

In the 2010 financial year, the Responsible Entity was transferred to RCL Group Limited from the Babcock & Brown Group, and the Custodian responsibility was transferred from Babcock & Brown to Perpetual Trustee Company Limited. Prior to internalisation of this function, during the 2010 financial year, fees were not being charged by Babcock & Brown and instead RCL Group Limited was paying Babcock & Brown on a cost recovery basis. These cost recharges are shown in the respective expense line items in the statement of comprehensive income. The current Responsible Entity Fee has been charged by the Responsible Entity which is now controlled by RCL Group Limited, to recover a reasonable estimate of the cost of managing the Trust.

**Note 5 Distributions to unit holders**

There were no distributions paid or payable for the year ended 30 June 2010. 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 6 Cash and cash equivalents**

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
Cash at bank on hand	1	9
	1	9

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

**Note 7 Loans receivable and receivables and other assets**

	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
<b>Current</b>		
GST receivable	188	56
Related party loan receivable	-	13,010
Other receivables	-	658
	188	13,724
<b>Non-current</b>		
Related party loan receivable	158,109	139,024
Provision for diminution of loans/impairment	(17,627)	(6,883)
	140,482	132,141

**a) Impaired receivables**

The Trust has applied the accounting policy relating to the impairment of loans receivable as discussed at Note 1(i). Reviews of cash flow forecasts indicated that loan receivable relating to the Haywards Bay, Pacific Dunes and Mernda developments were potentially impaired as it was not forecast that all loaned funds will be repaid to the Trust. In accordance with *AASB139 Financial Instruments: Recognition and Measurement*, these loan receivables have been written down to the net present value of the expected cash flows for the borrower discounted at the original effective interest rate of the transaction. The original effective interest rate applied in the above mentioned calculations are as follows:

Receivable relating to Haywards Bay Development:	6.0%
Receivable relating to Mernda Development:	6.0%
Receivable relating to Pacific Dunes Development:	15.0%

	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
<b>Related Party Loans Receivable</b>		
Carrying Value prior to impairment	151,226	150,360
Net Present Value	140,482	132,141
Impairment Provision Raised During Year	10,744	18,219

Movements in the provision for impairment are as follows:

	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Provision at the beginning of the year	(6,883)	-
Impairment raised during the year	(10,744)	(18,219)
Impairment adjusted against asset value	-	11,336
Provision at the end of the year	(17,627)	(6,883)

#### Note 8 Trade and other payables

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
<b>Trade and other payables</b>		
Accrued liabilities	1	39
	1	39

#### Note 9 Interest bearing liabilities

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
<b>Current</b>		
Subordinated Babcock & Brown facility	976	850
	976	850

On 6 April 2009, as part of the Group's restructuring of its finance facilities, Babcock & Brown agreed to retrospectively amend its management fee structure at 31 December 2008. The interest bearing liabilities represent management fees accrued but unpaid up to 31 December 2008 which have been capitalised to the restructured finance facility provided plus interest post the restructuring of the facility. This interest bearing liability is a subordinated secured loan that expired on 28 June 2010. Prior to the expiry of the subordinated secured loan, the lender provided a letter of confirmation to the borrower that it was prepared to extend the term of repayment of this loan to December 2012 in line with the Group's senior debt refinancing. Further discussion relating to the RCL Group Limited debt refinancing is included in the RCL Group Limited consolidated financial statements. The interest rate on the subordinated finance facility is 14% per annum.

## Note 10 Contributed equity

	Period ended 30 Jun 2010 No. of units	Period ended 30 Jun 2009 No. of units	Period ended 30 Jun 2010 \$'000	Period ended 30 Jun 2009 \$'000
<b>Fully paid units</b>				
Opening balance	176,107,825	175,000,000	162,448	162,163
Distribution reinvestment plan	-	1,107,825	-	285
<b>Balance as at 30 June 2010</b>	<b>176,107,825</b>	<b>176,107,825</b>	<b>162,448</b>	<b>162,448</b>

### i Distribution reinvestment plan

On 29 August 2008, the Trust issued 1,107,825 units under the distribution reinvestment plan. No distributions were paid during the 2010 financial year and therefore no distribution reinvestment transactions occurred in the 2010 financial year.

## Note 11 Retained earnings

	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
<b>Movements in retained earnings</b>		
Balance as at beginning of financial year	(17,463)	(10,095)
(Loss) for the year	(5,291)	(7,368)
Distributions provided for or paid	-	-
<b>Balance as at 30 June 2010</b>	<b>(22,754)</b>	<b>(17,463)</b>

**Note 12 Key management personnel disclosures****a) Directors**

The following persons were directors of RCL Group Services Limited (the Responsible Entity of the Trust) during the financial year

R. Gelski	Director
C. Langford	Director (appointed 27 April 2010)
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, but were not employees of RCL Group Services Limited or RCL Group Trust:

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

**c) Key management personnel unit holdings in RCL Group stapled securities**

Parent entity Directors	Balance 30 June 2009	Change during the year	Other changes during the year	Balance 30 June 2010
<b>Directors</b>				
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
<b>Total</b>	<b>4,568,464</b>	<b>-</b>	<b>-</b>	<b>4,568,464</b>
<b>Key management personnel</b>				
D. Wightman	347,597	-	-	347,597
<b>Total</b>	<b>347,597</b>	<b>-</b>	<b>-</b>	<b>347,597</b>

**d) Key management personnel loan disclosures**

The Trust 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 Trust**

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

**f) Responsible Entities holding of units**

As at the 30 June 2009, The Responsible Entity held 1,000,000 units (0.6%) directly in the Trust. The Babcock & Brown Group and its associates held 21,596,800 units (12.3%) in the Trust, which included the Responsible Entity's holding as above. On 13 April 2010, the Responsible Entity disposed of its holdings to Babcock & Brown, and Babcock & Brown sold the Responsible Entity to RCL Group Limited for fair value. The result is at 30 June 2010, the Responsible Entity no longer holds any shares directly in the Trust. As at 30 June 2010, Babcock & Brown Group held 20,837,848 units in the Trust.

**g) Key management personnel compensation**

It is to be noted that remuneration of the below directors and key management personnel is not provided directly by the Trust. Rather, all directors and employees of the RCL Group, are remunerated by RCL Group Limited, which together with the Trust forms the RCL Group.

The compensation information provided below details the compensation that the directors and key management personnel received for their services to RCL Group, consisting of both the Trust and RCL Group Limited:

2010 Payments	Base Salary \$	Super- annuation	Termination Benefit	Sign-On Benefit	Other Allowances	Total \$
<b>Directors</b>						
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
<b>Key Management Personnel</b>						
David Wightman <sup>1</sup>	388,137	14,784	222,115			625,036
Stuart Pauly <sup>2</sup>	155,448	11,176	33,654	112,500		312,778

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

1. Termination benefits to D. Wightman related to his employment with Babcock & Brown and were paid by Babcock & Brown
2. The termination payments made to S. Pauly were made as a result of his position at RCL Group being made redundant, the sign-on benefits were made as a result of his transition from Babcock & Brown to RCL Group and were paid by Babcock & Brown
3. 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.
4. Mr. Langford was appointed a director of the Trust's Responsible Entity in April 2010, but has been a director of the RCL Group Limited since 2006. As discussed above, the remuneration information shown above is for compensation as director for RCL Group, consisting of both the Trust and RCL Group.
5. Mr M Balkin resigned on 7 April 2009, termination benefits were paid by Babcock & Brown.

**Note 13 Remuneration of Auditors**

During the year the following fees were paid or payable for services provided by the auditor of the Trust. Fees were paid by RCL Group Limited and work was performed as part of the RCL Group Audit.

	Year ended 30-Jun-10	Year ended 30-Jun-09
	\$	\$
<b>Audit services</b>		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	71,200	75,300
<b>Non-audit services</b>		
PricewaterhouseCoopers Australian firm		
Other services	8,400	3,750
<b>Total auditors remuneration</b>	<b>79,600</b>	<b>79,050</b>

**Note 14 Related party disclosure****a) Fees & interest income**

From 13 April 2010, RCL Group's Responsible Entity and management function has been fully internalised and is no longer dependent upon nor incurs further fees from Babcock & Brown entities in relation to such responsible entity functions. No Responsible Entity fees were charged for the period through to 13 April 2010 (Refer to discussion at Note 4).

For the previous financial year, the profit before income tax included management and other fees paid and owing to the related parties, Babcock & Brown Australian Real Estate Management Limited (Manager),(BBAREM) and Babcock & Brown Group.

Until 31 December 2008 management fees were calculated in accordance with the terms disclosed in the BBRLP (now known as RCL Group) Prospectus and Product Disclosure Statement dated 6 June 2006. On 6 April 2009, as part of the Group's restructure of its finance facilities, Babcock & Brown agreed to retrospectively amend its management fee structure at 31 December 2008. From 31 December 2008 Babcock & Brown agreed to waive the right to fees arising from that date, and since that date has instead agreed to levy a substantially reduced charge. While the fund continued to be managed by BBAREM, it was agreed that the fees would be charged based on a different calculation reflecting the direct costs for employees engaged in the management of the trust. On the 13 April 2010, RCL Management Pty Ltd (a 100% owned subsidiary of the Group) acquired the management rights from Babcock & Brown.

The Babcock & Brown Group continues to be a related party as at 30 June 2010 given that various Babcock & Brown entities through Babcock & Brown Asset Holdings Pty Ltd continue to hold a significant interest in the RCL Group, and therefore a significant ownership interest in the Trust.

	Year ended 30-Jun-10 \$	Year ended 30-Jun-09 \$
Description of fee:		
Custodian Fee	30,000	(1,000)
Base Management Fee	-	6,000
Responsible Entity Fee	2,561,000	320,000
<b>(ii) Loans to related parties</b>		
Loans to other related parties:		
Beginning of the year	145,151,000	159,405,000
Loans advanced	24,261,000	18,798,000
Loan repayment received	(26,158,000)	(25,922,000)
Interest charged	8,326,000	11,237,000
Interest received	(232,000)	(148,000)
Bad Debts	(122,000)	
Loans impaired	(10,744,000)	(18,219,000)
<b>End of year</b>	<b>140,482,000</b>	<b>145,151,000</b>
Loans from other related parties:		
Beginning of the year <sup>(1)</sup>	850,000	-
Loans advanced	-	820,000
Interest charged	126,000	30,000
<b>End of year</b>	<b>976,000</b>	<b>850,000</b>
<b>(iii) Amounts owing to related parties</b>		
Custodian Fee	-	8,000

Loans made to related parties are negotiated on normal commercial terms allocating a fixed interest rate comparable to market rates at the establishment of the loan of between 6% and 7.25%. However, as discussed at note 2, certain loans receivable from related parties bear interest as determined by the director's of the Trust's Responsible Entity. Security is held over \$61.7m of loans receivable in the form of second ranking mortgages over the underlying property to which these loans relate.

**Note 15 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:

Name of Entity	Country of incorporation	Ownership 2009	Ownership 2008
Parent entity			
RCL Group Trust	Australia		
Subsidiaries of the Trust			
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%

**Note 16 Cashflow statement reconciliations**

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
<b>Reconciliation of net (loss) after tax to net cash flows from operations</b>		
<b>Net (loss)</b>	<b>(5,291)</b>	<b>(7,368)</b>
<b>Add/(Deduct) non cash items:</b>		
Impairment of receivables	10,744	18,219
Write off bad debts	122	-
Accrued interest expense on loan	125	-
Interest income	(8,325)	(11,209)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	525	(394)
(Decrease)/increase in trade and other payables	(38)	(410)
<b>Net cash used in operating activities</b>	<b>(2,138)</b>	<b>(1,162)</b>

**Note 17 Non cash financing and investing activities**

	Year ended 30-Jun-10 \$'000	Year ended 30-Jun-09 \$'000
Securities issued under the Distribution Reinvestment Plan	-	(285)

**Note 18 Contingent asset and liability commitments**

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2010 and 30 June 2009.

**Note 19 Operating segments**

The principal activity of the Trust during the period was to lend funds to entities carrying on land development activities in Australia. RCLGT is stapled to RCLGL to form the RCL Group. Whilst management review the consolidated results of RCLGT separately, monthly management reporting focuses on the segmentation of the RCL Group results. Accordingly the financial position and results of the Trust reflect a single operating segment, being that of financier to the stapled group.

**Note 20 Events subsequent to balance date**

Since 30 June 2010, RCL Group Limited, RCL Group Trust's ultimate parent for purpose of financial reporting in accordance with AIFRS, obtained extension of debt facilities through to 31 December 2012, which as at 30 June 2010, were set to expire at the end of July 2010.

Since the end of the period, the Directors of the Responsible Entity are not aware of any 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 Trust, the results of those operations, or state of the Trust's affairs in future financial years

**Note 21 Parent Entity Information****(a) Summary financial information**

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

	Parent 2010 \$'000	Parent 2009 \$'000
<b>Balance Sheet</b>		
Current Assets	189	13,733
Total Assets	150,759	151,405
Current Liabilities	977	889
Total Liabilities	977	889
Shareholders Equity		
Contributed Equity	162,448	162,448
Retained Earnings	(12,477)	(11,932)
	<b>149,971</b>	<b>150,516</b>
<b>(Loss) for the year</b>	<b>(545)</b>	<b>(1,837)</b>
<b>Total comprehensive (loss)</b>	<b>(545)</b>	<b>(1,837)</b>

**(b) Guarantees entered into by the parent entity**

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

**(c) Contingent liabilities and commitments of parent entity**

The parent entity did not have any contingent liabilities or commitments as at 30 June 2010 or 30 June 2009.

**Note 22 Earnings per Unit**

	2010	2009
(a) Basic (loss) per unit (cents)	(3.00)	(4.18)
(b) Diluted (loss) per unit (cents)	(3.00)	(4.18)
(c) (loss) from continuing operations attributed to ordinary equity holders of the Trust used in calculating basic and diluted loss per unit ('000's)	(5,291)	(7,368)
(d) Weight average number of securities used as the denominator in calculating basic and diluted loss per unit ('000)	176,108	175,926

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

In the opinion of the directors of RCL Group Services Limited,

- (a) the consolidated financial statements and notes for RCL Group Trust (formerly Babcock & Brown Residential Land Partners Trust) (as defined in Note 1) as set out on pages 9 to 35 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2010 and of its performance, as represented by the results of its operations and cash flows, for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1(c) 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 the 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:



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R Wright  
Director  
RCL Group Services Limited  
Sydney, 30 August 2010

## Independent auditor's report to the unit holders of RCL Group Trust

### Report on the financial report

We have audited the accompanying financial report of RCL Group Trust (the "Trust"), 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 Trust Group (the "Consolidated entity"). The Consolidated Entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

#### *The responsibility of the directors' of the responsible entity for the financial report*

The directors of RCL Group Services Limited, the Responsible Entity of the Trust, 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 of the Responsible Entity 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 Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; 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 Trust to continue as a going concern being dependent on the continued operations of RCL Group Limited, which together with the Trust forms the stapled RCL Group. Accordingly, there is a significant uncertainty whether the RCL Trust 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.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of the Trust for the year ended 30 June 2010 included on the Trust's web site. The directors of the Responsible Entity are responsible for the integrity of the Trust'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 named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial 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 to confirm the information included in the audited financial report presented on this web site.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*CLewis*

Christopher Lewis  
Partner

Melbourne  
30 August 2010