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rcl group

Residential
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ASX RELEASE

30 September 2011

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Electronic Lodgment

Dear Sir or Madam

Company Announcement

Attached is the following document for release to the Market:

- RCL Group (ASX: RLG) 2011 Annual Report, including the RCL Group Trust Financial Report dispatched to those Securityholders today, who have elected to receive a hard copy in the mail.

The Reports are also available on the RCL Group Website at www.rclgroup.com.au

Yours sincerely

A James

Company Secretary

RCL Group Limited
ABN 49 119 517 985

RCL Group Trust
ARSN 119 613 848

RCL Group Services Limited
ABN 40 118 364 499

AFSL No. 298788

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2011
Annual Report

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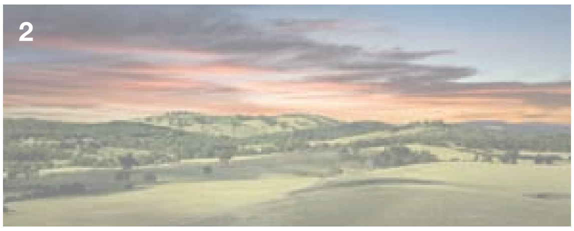
FRONT COVER PICTURES



1. *Sanctuary Lakes, Point Cook, Victoria.*
2. *Grandvue @ Officer, Victoria.*
3. *Renaissance Rise, Mernda, Victoria.*
4. *Sandhurst, Victoria.*
5. *Pacific Dunes, Port Stephens, New South Wales.*

Contents

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Chairman's and Chief Executive Officer's Report

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Dear fellow Securityholder,

The 2011 Financial Year has seen a continuation of challenging conditions for both Residential Community Living Group (RCL) and the broader business community. Throughout this period, RCL has continued to focus on its core objectives of building value through selling, developing and settling its active projects, reducing debt levels, streamlining operations through cost management and the rationalisation of functions.

These objectives have been pursued against a background of rising interest rates, general economic uncertainty, a slowdown in sales and the impact of inclement weather substantially affecting the level of settlement activity, particularly in Victoria.

The effect of this can be seen, in part, in the financial results to 30 June 2011 showing a statutory net loss of $35.8 million. The inclement weather reduced settlement revenue and reduced operating profits as well as impacting the level of debt reduction. The slowdown in sales and general economic uncertainty accounted for $21.9 million of the $35.8 million statutory net loss through an impairment of the receivables portfolio and a write-down in the carrying value of inventory.

Importantly, the inclement weather has only deferred settlements and as at 30 June 2011, RCL had a pre-sales pipeline of 636 lots valued at $208 million (an equivalent 419 lots valued at $114 million when adjusted for RCL's economic interest). At the time of writing, a substantial volume of these pre-sales have started to settle and settlements are forecast to continue throughout the six month period to 31 December 2011. The settlement of this substantial pipeline of pre-sales is expected to have a positive impact on RCL's financial profile as at 31 December 2011, through a reduction in interest-bearing debt and future interest costs.

Whilst sales volumes began to slow in the second half of FY2011, initiatives taken by RCL to address affordability during the 2011 financial year have been successful with RCL achieving strong market support for its Mint @ Renaissance Rise integrated product.

Capital markets continue to be challenging for the real estate development sector with equity markets being volatile and debt capital continuing to be scarce. RCL continues to work closely with its debt providers and has sought and received, where necessary, waivers for potential review events to assist in maintaining a continuity of its business operations. The dispute between RCL and its subordinated corporate lender (Babcock & Brown) has now been resolved with Babcock & Brown extending their debt facility until 1 January 2013, with no other changes to terms and conditions.

Distributions continue to remain suspended with surplus cash flows being used to support liquidity and reduce debt.

FY2011 Financial Performance

RCL's consolidated statutory net loss after tax of $35.767 million compares with a statutory net loss after tax of $8.956 million for FY2010. As detailed above, the FY2011 result was impacted by impairments against the receivables portfolio and a write-down in the carrying value of inventory; these totalled $21.9 million. The impairments and write-downs occurred in the six months to 31 December 2011. The impairments stemmed from a slowdown in activity across the NSW portfolio in the first six months of FY2011 against the backdrop of a previously emerging trend of stronger enquiry and sales rates that had started to materialise in the second half of FY2010. No further impairments or write-downs were made in the second half of FY2011.

Another contributor to the statutory net loss was the inclement weather in Victoria. This caused a reduction in operating profit through reduced revenue from the sale of land (revenue of $30.1 million in FY2011 compared to $51.4 million in FY2010). In addition to this, reduced settlement revenues at both controlled and non-controlled projects in Victoria postponed debt repayment, hence deferring a further reduction in interest and holding costs.

Further contributing to the after-tax loss position is that in FY2011, no tax benefit was recognised in relation to the current year tax losses and a further tax expense was taken to reduce previously recognised unused tax losses. The total impact of this was a tax expense of $4.1 million against a previous tax benefit of $4.4 million (difference of $8.5 million).

Interest income remained relatively stable at $9.6 million in FY2011 compared to $8.5 million in FY2010, reflecting the decision taken in FY2010 to defer recognition of this income until it more closely aligns to the receipt of cash flows from the underlying asset.

Operating costs were reduced again to $7.4 million in FY2011 compared to $8.4 million in FY2010. There was a further reduction in fixed operating costs including employee costs. In addition, cost control at a project level is continuing to be carefully managed and it is expected that this will lead to an improvement in margins into the future.

Net tangible asset backing (NTA) as at 30 June 2011 was $0.42 per stapled security, down from $0.62 per security at 30 June 2010, reflecting the impact of the statutory loss.

Outlook

Whilst market conditions in the second half of FY2011 slowed in comparison to the first six months of FY2011, RCL commences FY2012 with a strong pre-sales book (adjusted for RCL Group's economic interest) at $114 million, including $70 million of pre-sales in controlled projects that are due to settle in the first half of FY2012. The remaining pre-sales of $44 million reflects RCL's share of sales in non-controlled projects. RCL will direct a large component of the settlement cash flow to debt reduction. Interest and holding costs will decrease and that will be reflected in the FY2012 results.

RCL continues to work with home builders to deliver affordable housing through efficient masterplanning and a focus on smaller lot product. The Mint @ Renaissance Rise product that was launched in October 2010 has been very successful and future stages of similar product will be brought to the market over the current financial year with RCL investigating the opportunity to leverage this model more broadly across its portfolio.

RCL will continue to focus on de-leveraging the business by developing out the portfolio and introducing the aforementioned value-adding initiatives. In addition to this, RCL will continue to pursue initiatives that reduce cost, improve efficiency and simplify the business model.

RCL expects that the result for FY2012 will be a statutory loss. Key drivers to the level of the statutory loss are the levels of sales achieved across the portfolio, impacts of any capital initiatives including but not limited to the sale of complete projects and the impact of any changes in market conditions.

We thank securityholders for their ongoing support and their continued confidence in our Business and we thank the RCL staff for their contribution over the last year.

Robert Wright
Chairman

David Wightman
Chief Executive Officer

23 September 2011

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Property Portfolio (Unsettled lots as at 30 June 2011)

WESTERN AUSTRALIA PROJECTS

Project	Total Project lot yield
Meve, Beelair	24
Armadale Road, Forrestdale	382
Banksia Grove, Wanneroo	2,250
Total lots	2,656

VICTORIA PROJECTS

Project	Total Project lot yield
Sanctuary Lakes, Point Cook	187
Grandvue @ Officer, Officer	859
Renaissance Rise, Mernda	477
Sandhurst Club, Sandhurst	289
Total lots	1,812

QUEENSLAND PROJECTS

Project	Total Project lot yield
Kalynda Chase, Townsville	692
Total lots	692

NEW SOUTH WALES PROJECTS

Project	Total Project lot yield
Pacific Dunes, Port Stephens	196
Haywards Bay, Wollongong	178
Mirador, Merimbula	303
Marie Avenue, Taree	253
Forster Palms, Forster	178
Total lots	1,108

NEW ZEALAND PROJECTS

Project	Total Project lot yield
Jacks Point, Queenstown	73
Henley Downs, Queenstown	450
Total lots	523

Note: The lot yields will vary from time to time in response to market dynamics. For example, lot yield may increase due to a decision to reduce lot size and increase overall project yield as a response to market pressure for smaller lots at lower price points.

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Performance Overview

FINANCIAL KEY POINTS

- Statutory net loss after tax of $35.8 million
- Consolidated sales revenue of $30.1 million (down 42% on PY)
- Impairments in 1HY2011 of $21.9 million reflecting weakening conditions in NSW. No further impairments in 2HY2011
- Further reduction in operating costs by $1.0 million in FY2011
- NTA of $0.42 per stapled security
- Debt reduction in FY2010 from trading activities has resulted in lower finance costs (down $2.4 million) in FY2011

EXTENSION OF CORPORATE AND PROJECT FACILITIES

- All debt facilities classified as current and compliant
- RCL is able to access project debt to develop its active projects
- Rollover of Babcock & Brown subordinated loan now complete with extension until 1 January 2013 on the same terms and conditions as were in place prior to 30 June 2010

OPERATIONAL PERFORMANCE

- Sales slowed in 2HY2011 in comparison to 1HY2011
- Settlement activity in Victoria was adversely impacted in 2HY2011 by inclement weather
- Settlements in controlled entities totalled 167 lots valued at $30.1 million
- Settlements in non-controlled projects totalled 939 lots valued at $217 million
- Pre-sales book as at 30 June 2011 at RCL's economic interest totalled $114 million. Conversion of pre-sales into settlements is the main focus for 1HY2012

TARGETS FOR 2012

- Continue to convert pre-sales and drive sales volumes across all operating projects to significantly de-leverage the business and create greater visibility of underlying asset value
- Continue to apply cash flow to reduce debt position
- Consolidation of Business through further rationalisation of operations to reduce costs and simplify the business model

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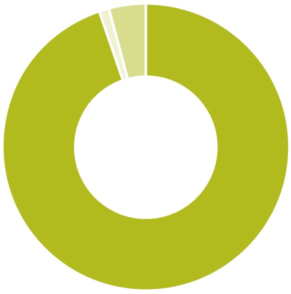
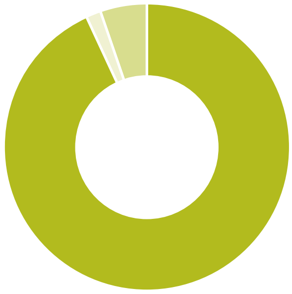
Portfolio Pre-Sales $229 million at 30 June 2011[1]



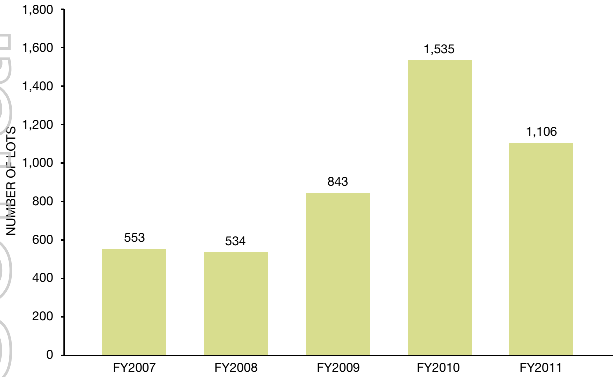
■	$217.228m	Victoria
■	$9.328m	Western Australia
■	$2.443m	New South Wales
□	$0.00m	Queensland
□	$0.00m	New Zealand

Portfolio Pre-Sales 638 Lots at 30 June 2011[1]

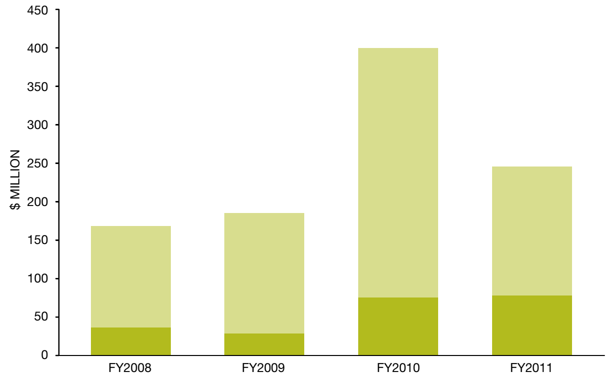


■	594	Victoria
■	33	Western Australia
■	11	New South Wales
□	0	Queensland
□	0	New Zealand

Portfolio Gross Settlements – Year on year

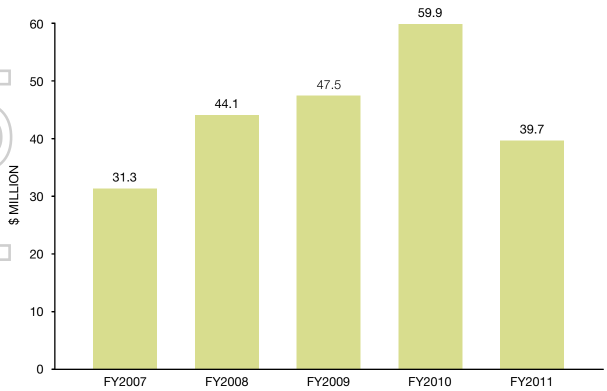


Portfolio Gross Sales Value – Year on year

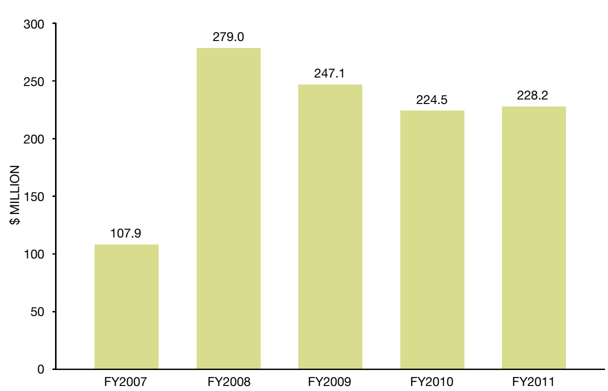


Non-consolidated
Consolidated

Consolidated Total Revenue from Continuing Operations – Year on year



Consolidated Secured Interest-Bearing Debt – Year on year



1. Not adjusted for RCLG's economic interest.

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Corporate Governance Statement 2011

Introduction

This statement reflects RCL Group's (**RCL**) corporate governance framework as at 29 August 2011. A copy of this statement and other documents (or summaries thereof) can be accessed and downloaded from the Corporate Governance section on our website at **www.rclgroup.com.au**.

RCL comprises:

- RCL Group Limited ACN 119 517 985 (**RCLGL**), an Australian public company;
- RCL Group Trust ARSN 119 613 848 (**RCLGT**), an Australian trust of which RCL Group Services Limited ACN 118 364 499, AFSL No. 298788 (**RCLGS**) is the Responsible Entity; and
- the respective subsidiary entities of each of RCLGL and RCLGT.

Any reference contained in this statement to RCLGS is a reference to RCLGS in its capacity as Responsible Entity of RCLGT, unless otherwise indicated.

Each RCLGL share is stapled to a RCLGT unit. RCL Stapled Securities are quoted on the Australian Securities Exchange under the market code ASX: RLG.

The RCLGL Board, together with the RCLGS Board (the **Boards**), is responsible for overseeing the rights and interests of all investors and is accountable to them for the overall governance and management of RCL. The RCLGL Board, in consultation and agreement with the RCLGS Board, formulates and approves the strategic direction, investment objectives and goals of RCL.

The establishment of a sound framework of corporate governance and the implementation of the corresponding governance culture and processes throughout RCL is one of the primary responsibilities of the Boards. The Boards recognise that they are accountable to securityholders for the performance of RCL and, to that end, are responsible for instituting and ensuring RCL maintains a system of corporate governance that operates in the best interests of securityholders whilst also addressing the interests of other key stakeholders. A comprehensive corporate governance framework and good governance policies and procedures can add to the performance of RCL, the creation of securityholder value and engender the confidence of the investment community.

The ASX Limited's Corporate Governance Council issued in August 2007 a revised set of guidelines entitled *Corporate Governance Principles and Recommendations*. These guidelines articulate eight core principles (**ASX Principles**) that the Council believes underlie good corporate governance, together with 27 recommendations (**ASX Recommendations**) for implementing effective corporate governance.

The ASX Listing Rules require listed entities such as RCL to include a statement in their annual report disclosing the extent to which they have followed the eight ASX Principles and 27 ASX Recommendations during the reporting period, identifying any ASX Recommendations that have not been followed and giving reasons for that variance. RCL's Corporate Governance Statement is structured with reference to the ASX Recommendations. Areas not fully complied with are disclosed under the relevant principle. All of the corporate governance practices referred to herein were in place for the entire year ended 30 June 2011 unless otherwise indicated.

Interaction between the roles of RCLGL and RCLGS

Although, in practice, RCLGL was primarily responsible for conducting the day-to-day operations of RCL during the 2011 Financial Year, it did and will continue to consult and exchange information with, and seek the agreement of, RCLGS when making decisions in relation to RCL in accordance with the terms of the stapling deed (**Stapling Deed**).

The Stapling Deed sets out the terms and conditions of the relationship between RCLGL and RCLGS in respect of RCL, for so long as the units in RCLGT and shares in RCLGL remain stapled. In summary, the Stapling Deed provides that each of RCLGL and RCLGS must:

- co-operate in respect of all matters relating to RCL and consult with the other prior to causing any act to be done or omission to be made which may materially affect the value of RCL Stapled Securities (including the announcement or payment of a dividend or trust distribution);
- make available to the other all information in its possession necessary or desirable to fulfil its respective obligations under the Stapling Deed, and make available to the other all information and provide all assistance in relation to the preparation of financial accounts;

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- co-operate with the other to ensure that each complies with its obligations under the ASX Listing Rules (including disclosure obligations), co-ordinate disclosure to the ASX and investors, and liaise with the ASX in relation to ASX Listing Rule matters;
- perform its obligations under the Stapling Deed and its respective constitution with a view to enhancing the market value of RCL Stapled Securities;
- notify the other of an intention to acquire or sell assets where the value of those assets is greater than 5% of the entity's net tangible assets (RCLGS may only invest in additional material assets where management of the proposed investment has first been approved by the RCLGL Board of Directors);
- act consistently with the investment strategy of RCL as agreed between them and consult with the other on implementation of this strategy and any changes to its implementation;
- not borrow or raise any money unless the other agrees;
- co-operate to ensure that RCLGL shareholder and RCLGT unitholder meetings are held concurrently or, where necessary, consecutively; and
- consult with the other in relation to any reorganisation or restructure of capital or any changes to stapling arrangements, and not cause a placement, rights issue, distribution or dividend reinvestment plan, buy-back, repurchase or redemption without the prior consent of the other.

Therefore, as indicated, it is by operation of the Stapling Deed that the Boards of RCLGL and RCLGS (as Responsible Entity of RCLGT) are together responsible for overseeing the rights and interests of securityholders in RCL and accountable to securityholders for the overall corporate governance and management of RCL.

Compliance with the ASX Recommendations

As at the date of this Corporate Governance Statement, each of the Boards of RCL advises that their corporate governance practices are in compliance with the Recommendations, except where specifically noted in this Corporate Governance Statement.

ASX Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Role of the RCL Boards and Management

ASX Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

On 11 June 2009, RCL announced that it had reached an in principle agreement with Babcock & Brown International Pty Ltd regarding the management rights of RCL. As part of this process, on 3 July 2009, RCL employed David Wightman to perform the role of Chief Executive Officer.

From 24 December 2009, the previous Management Agreements with RCL ceased, although transitional services were provided up to 13 April 2010. RCL finalised its separation from the Babcock & Brown Group and fully integrated management into RCL on 13 April 2010.

With the acquisition of the Management Agreements from Babcock & Brown by RCL, the Boards are no longer required to consider any recommendations put to them by the Manager.

The Boards have each adopted a formal *Board Charter* which details the functions and responsibilities of the relevant Board and distinguishes such functions and responsibilities from those which have been delegated to the Manager. A summary of the *Board Charters* is available in the Corporate Governance section on RCL's website at **www.rclgroup.com.au**.

As outlined in the respective *Board Charters*, the Boards are together responsible for the management of the affairs of RCL. Specific matters reserved for determination by the Boards include, amongst other things:

- developing and approving the corporate strategy, policy and objectives of RCL;
- determining RCL's distribution policy;
- evaluating and approving major capital expenditure and all major acquisitions, divestitures and other transactions of RCL;
- approving all accounting policies, financial reports and material reporting of RCL;
- reviewing and evaluating the performance of the Boards, each Board committee, and each individual Director;

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- reviewing the performance and effectiveness of RCL's corporate governance policies and procedures;
- approving contracts, commitments and capital expenditure above specified thresholds and limits determined by the Board from time to time;
- approving expenditure outside the ordinary course of business in excess of thresholds or limits specified by the Board for this purpose;
- major strategic decisions;
- adoption of RCL's annual budget;
- approval of financial reports and accounts for RCL which are to be lodged with any regulator, including the ASX;
- the issue of equity securities by RCL, except under a programme previously approved by the Boards; and
- commencing or taking a significant step in major litigation.

The Board has delegated a number of responsibilities to its Committees. The responsibilities of these Committees are detailed in Principle 2 below.

The Board Charters also set out the specific powers and responsibilities of the Chairman and the CEO (see Principle 2 below).

Each of the two Boards acts separately and independently of each other and where there is a joint responsibility between RCLGL and RCLGS over aspects of RCL's operations, the Boards will only have responsibility to the extent of their own specific involvement in those operations. However, the Boards will co-operate to the extent required under the Stapling Deed in meeting those joint responsibilities to ensure that the interests of RCL securityholders are met.

The Board Charters also include a summary of the responsibilities of each Director. To assist Directors to understand RCL's expectations of them, all Directors have been provided with copies of relevant Board Charters and policies.

ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives

The Nomination, Governance & Remuneration Committee of the RCLGL Board has responsibilities relating to the review and monitoring of the performance of the Boards, the Chairman, the Chief Executive Officer and other individual members of the Boards, and for establishing key performance indicators against which the performance of the CEO and other key management personnel in the management team are evaluated.

Following the announcement of 11 June 2009 regarding RCL's management rights, RCLGL's Nomination, Governance & Remuneration Committee is formulating key performance indicators for the Chief Executive Officer and his key management personnel. Short- and long-term incentive plans are also being established as part of the remuneration structure and any incentive plan requiring securityholder approval will be considered at the following Annual General Meeting.

Details of the total remuneration, including any bonuses, of the CEO and other key management personnel in the management team are set out in the remuneration report.

ASX Principle 2: Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Structure of the Boards

ASX Recommendation 2.1: A majority of the board should be independent directors

The size and composition of each of the Boards is determined in accordance with the Constitution of the relevant entity. It is intended that each of the Boards will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, and will comprise either a majority of independent Directors or, at a minimum, an equal number of independent and non-executive Directors.

Overall, the Boards are comprised of directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The Boards consider that collectively, the Directors have the range of skills, experience and expertise necessary to appropriately govern RCL.

Details of the Director's skills, experience and expertise relevant to their position and their term in office and details of their attendance at Board and/or Committee meetings are set out in the Directors' Report of the 2011 Annual Report.

Corporate Governance Statement 2011 continued

The Directors appointed to the respective Boards, at any time during the period, along with their appointment dates, are set out below:

Name	Position	RCLGL Board appointment	RCLGS Board appointment
Robert Wright	Independent non-executive Chairman	31/05/06	31/05/06
Richard Gelski	Independent non-executive Director	31/05/06	31/05/06
Christopher Langford	Independent non-executive Director	31/05/06	27/04/10
Simon McTigue	Independent non-executive Director	27/04/11	27/04/11
Michael Maxwell[1]	Non-executive Director	03/05/06	15/02/06

1. Michael Maxwell resigned as a Director of RCLGL and RCLGS Boards effective from 27 April 2011.

Robert Wright was appointed independent Chairman on 18 June 2008. Prior to that date, non-executive Director Michael Maxwell was Chairman from May 2006.

The continued tenure of each individual Director is subject to re-election from time to time in accordance with the Constitutions of RCLGL and RCLGS.

The Boards have each determined the independent status of each Director utilising the criteria set out in Recommendation 2.1. Both Boards comprise a majority of independent Directors for the entirety of the 2011 Financial Year.

Board Committees and Membership

The Boards have established committees to support an effective governance framework and to advise and support the Boards in carrying out its respective duties. The Chairman of each committee reports on any matters of substance at the next full Board meeting and all committee minutes are provided to the Board. The committees in existence at the date of this report are as follows:

- The RCLGL Audit & Risk Management Committee;
- The RCLGL Nomination, Governance & Remuneration Committee; and
- The RCLGS Audit, Risk & Compliance Committee.

Each committee has its own *Charter* setting out the authority under which each committee operates and the responsibilities as delegated by the Boards. *Charters* are reviewed annually and membership criteria are based on a director's skills and experience as well as their ability to add value to the Committee. The Managing Director, prior to his resignation, attended all committee meetings by invitation and non-executive Directors may attend any meeting of a committee.

The Board committees and their membership as at 30 June 2011 are set out in the following table:

	Audit, Risk & Compliance Committee	Audit & Risk Management Committee	Nomination, Governance & Remuneration Committee
Robert Wright	✓	✓	Chair
Richard Gelski	Chair	Chair	✓
Christopher Langford	✓	✓	Chair
Simon McTigue	✓	✓	✓

NOTE: Messrs Langford and McTigue were appointed to all Committees on 23 May 2011. Mr Wright retired as Chairman of the Nomination, Governance & Remuneration Committee on 23 May 2011 and Mr Langford was appointed in his place. Mr Maxwell resigned as a member of all Committees effective from 27 April 2011.

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ASX Recommendation 2.2: The chairperson should be an independent director

Robert Wright was appointed independent Chairman on 18 June 2008.

To ensure that there is an appropriate balance in the manner in which the Directors discharge their responsibilities and an independent review of the performance of management, the Boards have:

- established an Audit, Risk & Compliance Committee and an Audit & Risk Management Committee (together described as the "Audit Committees") comprising of a majority of independent Directors and a Nomination, Governance & Remuneration Committee comprising of a majority of independent Directors;
- established protocols for dealing with conflicts of interest. In particular, the Boards have put in place a range of internal policies designed to ensure that the interests of securityholders are at all times preferred to those of Directors and that any actual or potential conflicts of interest are promptly disclosed and dealt with by the Directors. These include the Board Charter, the Code of Conduct and the Security Trading Policy;
- ensured that significant matters affecting RCL are reserved for consideration by the full Board, for example major strategic decisions, capital expenditure above specified thresholds and expenditure outside the ordinary course of business; and
- ensured that any Director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at RCL's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures set out in the Board Charter. No director availed himself or herself of this right during the year.

ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual

The roles of Chairman and Chief Executive Officer are not exercised by the same individual for RCL. The Board Charters provide that the roles of the Chairman and Chief Executive Officer must not be exercised by the same person. The respective roles and responsibilities of the Chairman and the Chief Executive Officer are described in the Board Charters.

ASX Recommendation 2.4: The board should establish a nomination committee

The RCLGL Board has established a Nomination, Governance & Remuneration Committee which is responsible for advising the Boards on the composition of the Boards and their Committees, reviewing the performance of the Boards, their Committees and individual Directors and advising the Board on appropriate corporate governance standards and policies.

In making recommendations to the Boards regarding the appointment of Directors, the Nomination, Governance & Remuneration Committee periodically assesses the appropriate mix of skills, experience and expertise required on the relevant Board and assesses the extent to which those skills and experience are represented.

As RCL develops its existing asset base and continues to seek further investment opportunities, the Nomination, Governance & Remuneration Committee will review the composition of the Boards to ensure they remain appropriate.

The Nomination, Governance & Remuneration Committee is comprised of three members of the RCLGL Board, and contains a majority of independent non-executive Directors. The Committee is chaired by the independent Chairman.

The attendance of the Committee members at Committee meetings is disclosed in the Directors' Report.

The Nomination, Governance & Remuneration Committee has adopted a Charter, a summary of which is available on RCL's website. The responsibilities of the Committee pursuant to its Charter include:

Nomination

In relation to its nomination function, the Committee will:

- review and advise the Boards on the composition of the Boards and their Committees;
- periodically assess the skills required to discharge the Boards' duties, having regard to the strategic direction of the Group;
- propose candidates for directorships for consideration by each Board having regard to the desired composition of the Boards as stated in their Board Charters;
- inform the Boards of the names of Directors who are retiring in accordance with the provisions of the relevant Constitutions and make recommendations to the Boards as to whether the Boards should support renomination of that retiring Director;
- establish and facilitate an induction programme for new Directors with all such information and advice which may be considered necessary or desirable for the Director to commence their appointment;
- identify any specific responsibilities of individual Board members, including the Chairman and the Chief Executive Officer;

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- review succession planning for the Chairman, Chief Executive Officer and other senior management of the Group and provide advice to the Boards on progress; and
- review the membership and performance of other Board Committees and make recommendations to the Boards.

Remuneration

- critically review the performance and effectiveness of the Chairman, the Managing Director/Chief Executive Officer, the Board and its individual members against the relevant charters, corporate governance policies and agreed goals and objectives at least once per year;
- review and advise the Board on the remuneration report to be disclosed in the Company's annual financial report; and
- make recommendations to the Board for determining the level of remuneration to be applied to the independent directors.

Governance

- review developments in corporate governance in Australia and internationally that may be relevant to the Group and to the expectations of the investor market and other stakeholders;
- monitor the corporate governance requirements of regulators, including the Australian Securities and Investments Commission and the Australian Securities Exchange;
- review ethical guidelines and standards for directors;
- advise the Board on corporate governance standards, and on the adoption or amendment of corporate governance policies that would be appropriate for the Group;
- review annually the Group's compliance with its corporate governance policies and procedures, and report to the Board on the results of the review together with any recommendations of the Committee; and
- assist the Board to prepare the Group's corporate governance disclosure statements in its Annual Report.

ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors

The Nomination, Governance & Remuneration Committee informs the RCLGL Board of the names of Directors who are retiring in accordance with the provisions of the Constitution of the Company and makes recommendations to the Board as to whether it should support the renomination of such retiring Directors. In order to make such recommendations, that Committee first reviews the retiring Director's performance during the period in which the Director has been a member of the RCLG Board.

The Nomination, Governance & Remuneration Committee also reviews the membership and performance of the various committees established by the Board and makes recommendations to the Boards in that regard. A member of the Committee will not participate in the review of their own performance and must not be present for discussions at a Committee meeting on, or vote on a matter regarding, his or her election, re-election or removal.

The Nomination, Governance & Remuneration Committee undertook a performance evaluation of the Board as a whole, its committees and individual members during the 2011 Financial Year. Each director was provided with a detailed questionnaire which was then used to facilitate a discussion with the Chairman. The Boards as a whole were provided with a summary of the discussions that had taken place and reviewed the findings. The Boards were satisfied with regard to the individual and collective performance of the Directors and there were no significant issues that required attention.

The Nomination, Governance & Remuneration Committee is also responsible for establishing and facilitating an induction programme for new Directors and making available to them sufficient information and advice to allow them to participate fully and actively in board decision-making at the earliest opportunity.

The Boards and their Committees may seek advice from independent experts whenever it is considered appropriate. As noted above, individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Group's expense.

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ASX Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Code of Conduct

ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code

The Boards are committed to delivering returns and securityholder value whilst also promoting securityholder and general market confidence in RCL and to fostering an ethical and transparent culture within RCL.

To this end, each RCL Board has adopted a formal *Code of Conduct* which is designed to ensure that high standards of corporate and individual behaviour are observed by all Directors and employees in relation to all of RCL's activities.

The Code of Conduct requires Directors, employees of RCLG, among other things, to:

- avoid conflicts of interest between their personal interests and those of RCL and its clients;
- not take advantage of opportunities arising from their position for personal gain or in competition with RCL; and
- comply with RCL's Security Trading Policy and other policies.

The Code of Conduct requires Directors and employees of RCLG, to report any actual or potential breach of the law, the Code of Conduct or other RCL policies. In accordance with RCL's *Whistleblowing Policy*, RCL promotes and encourages ethical behaviour and provides protection for those who report violations. A copy of the Code of Conduct is available on RCL's website.

In addition to the Code of Conduct, the Board Charters require that all Directors conduct their duties with the highest level of honesty and integrity, observe the rule and spirit of the law, comply with any relevant ethical and technical standards, not make improper use of any confidential information, and set a high standard of fairness, diligence and competency in their position as a Director.

RCL recognises that it has a number of legal and other obligations to its non-securityholder stakeholders, including employees, clients and the wider community.

As outlined above, RCL has established a Code of Conduct requiring Directors and employees to observe high standards of corporate and individual behaviour. The objectives of the Code include ensuring that employees, suppliers, clients and competitors can be assured that RCL will conduct its affairs in accordance with ethical values and practices.

Employees are required to comply with both the spirit as well as the letter of the ASX Listing Rules and all laws which govern the operations of RCL. The Code of Conduct specifically requires all employees to always deal with securityholders, clients, customers, suppliers, competitors and other employees in a manner that is lawful, diligent and fair and with honesty, integrity and respect.

RCL notes the ASX Corporate Governance Council's diversity recommendations under the Corporate Governance Principles and Recommendations with 2010 Amendments. RCL notes that for companies having a financial year beginning on 1 July, disclosure will be required in relation to the financial year ending 30 June 2012 and will be made in the Annual Report published by the end of October 2012.

ASX Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy

RCL intends to develop and release a diversity policy during FY2012.

ASX Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them

RCL will develop and introduce measurable objectives for achieving gender diversity during FY2012.

ASX Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board

RCL will commence reporting the proportion of women employees in the whole organisation, in senior executives positions, and on Boards in the Annual Report to be published by the end of October 2012.

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ASX Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit, Risk & Compliance and Audit & Risk Management Committees

ASX Recommendation 4.1: The board should establish an audit committee

The Boards are committed to the basic principle that RCL's financial reports are true and fair and comply with the relevant accounting standards. To assist the Boards with this commitment, an Audit & Risk Management Committee has been established for RCL Group Limited, and an Audit, Risk & Compliance Committee has been established for RCL Group Services Limited which are responsible for advising the Boards on internal controls and appropriate standards for the financial management of RCL. It is the Boards' responsibility to ensure that an effective internal control system is in place across RCL.

This includes internal controls to deal with both the effectiveness and the efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Boards have delegated the responsibility for the establishment and maintenance of the company's system of internal control to the Audit Committee(s).

The respective Committees oversee the financial reporting process, the systems of internal control and risk management, the audit process and RCL's processes for monitoring compliance with laws and regulations.

The respective Committees provide advice to the Boards and reports on the status of the business risks to RCL through its risk management processes aimed at ensuring risks are identified, assessed and properly managed.

The respective Committees work on behalf of the Boards with the external auditor and review non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

ASX Recommendation 4.2: The audit committee should be structured so that it:

- **consists only of non-executive directors;**
- **consists of a majority of independent directors;**
- **is chaired by an independent chair, who is not the chair of the board; and**
- **has at least three members**

At the date of this statement, each Committee is wholly comprised of independent non-executive Directors. Each Committee comprises Mr Richard Gelski (independent non-executive Committee Chairman), Mr Robert Wright (independent non-executive Committee Member), Mr Christopher Langford (independent non-executive Committee Member) and Mr Simon McTigue (independent non-executive Committee Member). All members possess the requisite financial expertise.

The attendance of the Committee members at Committee Meetings is disclosed in the Directors' Report.

The structure of the Committees accords with ASX Recommendation 4.2 in that the Committee comprises a majority of independent Directors, has an independent Chairman who is not the Chairman of the Boards and has at least three members.

The Committees generally meet as required but normally not less than four times per year and report to their respective full Board following each Committee meeting, including making any recommendations from the Committees that require Board approval or action. The Committees met four times in the period to 30 June 2011 and all Committee Members attended each Committee meeting during the period in which they were appointed. The Directors who were not members of each Committee also attended a number of Committee meetings.

ASX Recommendation 4.3: The audit committee should have a formal charter

The Audit Committees have adopted Charters. The responsibilities of the Committees pursuant to their respective Charters include:

Financial Reports for the Half-Year and Full-Year

- review and consider the financial reports for the half-year and full-year;
- consider in connection with the half-year and full-year Financial Reports the Chief Executive Officer and Chief Financial Officer letter of representation to the Boards;
- review the financial sections of the Annual Report and related regulatory filings before release;
- review with management and the external auditors the results of the audit.

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Internal Control

- review the effectiveness of RCL's internal controls regarding all matters affecting RCL's financial performance and financial reporting, including information technology security and control;
- review the scope of internal and external auditors' review of internal control, review reports on significant findings and recommendations, together with management's responses, and recommend changes from time to time as appropriate.

Internal Audit

- review with the Manager and the internal auditor, the Charter, plans and activities of the internal audit activity;
- meet with the internal auditor to review reports and monitor management response;
- meet separately, when necessary, to discuss any matters that the Committee or internal audit believes should be discussed privately;
- review the effectiveness of the internal audit activity;
- ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the internal auditor.

External Audit

- review the external auditors' proposed audit scope and approach;
- meet with the external auditors to review reports, and meet separately, at least once a year, to discuss any matters that the Committee or auditors believe should be discussed privately without the presence of management;
- recommend to the Boards policies regarding independence of the external auditor;
- review and confirm the independence of the external auditors;
- review the performance of the external auditors, and consider the reappointment and proposed fees of the external auditor and, if appropriate, conduct a tender of the audit for the review of the Boards. Any subsequent recommendation following the tender for the appointment of an external auditor will be put to the Boards.

Compliance

- monitor to what extent the Responsible Entity complies with the Trust's Compliance Plan and report on its findings to the Board;
- report to the Board:
  - any breach of the Corporations Act involving the Trust;
  - any breach of the Trust's Constitution, of which the Committee becomes aware or that it suspects;
- report to the Australian Securities and Investments Commission if the Committee is of the view that the Responsible Entity has not taken, or does not propose to take, appropriate action to deal with a breach of the Corporations Act or the Trust's Constitution;
- assess at regular intervals whether the Compliance Plan is adequate, report to the Board on the assessment and make recommendations to the Board of the Responsible Entity about any changes that the Committee considers should be made to the Compliance Plan;
- obtain regular updates from management and the Trust's compliance manager regarding compliance matters;
- review the effectiveness of the system for monitoring compliance with laws and regulations affecting the Trust and the Responsible Entity (in its capacity as Responsible Entity of the Trust) and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- review the findings of any examinations by regulatory agencies;
- review the process for communicating the code of conduct to the Responsible Entity's personnel, and for monitoring compliance therewith.

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Risk Management

- consider the overall risk management framework for RCL and review its effectiveness in meeting sound corporate governance principles and keep the Boards informed of all significant business risks;
- review with the Manager the system for identifying, managing and monitoring the key risks of RCL;
- obtain reports from management on the status of any key risk exposures or incidents.

Reporting Responsibilities

- regularly report to the Boards about Committees' activities, issues and related recommendations;
- provide an open avenue of communication between internal audit, the external auditors and the Boards. For the purpose of supporting the independence of their function, the external auditor and the internal auditor have a direct line of reporting access to the Committees;
- report annually to the securityholders on matters relating to Committees' responsibilities as required by law or the ASX Listing Rules;
- review any other reports the Company issues that relate to Committees' responsibilities.

The Committee meets at least four times a year and reports to the full Board following each meeting, including in respect of recommendations of the Committees that require RCL Board approval or action.

Internal Audit

The Boards have overall responsibility for RCL's systems of internal control, supported by the Audit Committees. RCL did not have an internal audit function during the period to 30 June 2011. Appointment of an internal auditor has been considered by the Audit Committees and although the Committees believe that the appointment of an internal auditor is unnecessary at this time, they periodically assess the appointment of an internal auditor.

RCL continued to enhance the RCL risk management framework during the year.

To assist the Boards and the Audit Committees to discharge their respective responsibilities, the CEO (or the Managing Director) and the Chief Financial Officer are required to provide the Boards with a letter of representation in connection with the half-year and full-year financial statements of RCL. Such letter of representation confirms to the Boards that RCL's financial reports present a true and fair view, in all material respects, of RCL's financial condition and operational results and are in accordance with relevant accounting standards. The letter describes the process and evidence that the Chief Executive Officer and Chief Financial Officer have adopted to satisfy themselves on these matters.

In respect of the 12 months ended 30 June 2011, the Chief Executive Officer and Chief Financial Officer provided such a letter to the Boards (refer to "CEO's and Chief Financial Officer's Declaration" in the Directors' Report).

A summary of the *Audit Committees' Charters* are available in the Corporate Governance section on RCL's website.

ASX Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Continuous Disclosure Policy

ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

RCL is committed to complying with its continuous disclosure obligations pursuant to the Corporations Act and the ASX Listing Rules. RCL's Continuous Disclosure Policy is designed to ensure that all investors have equal and timely access to material information concerning the Company. RCL has complied at all times with the ASX Listing Rules on continuous disclosure.

The Policy is designed with the intention of ensuring that all investors have equal and timely access to information concerning RCL, and to ensure that price-sensitive information from any part of RCL is immediately notified to the ASX in a complete, balanced and timely manner.

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The Company Secretary, in conjunction with the Chairman and the Chief Executive Officer, is responsible for overseeing the implementation and operation of the Policy. The Company Secretary is responsible for reviewing information reported by the Directors or staff and which is or may be material, determining with the Chairman and the Chief Executive Officer whether any such information is required to be disclosed to the ASX, and making ASX announcements and issuing media releases and other written public statements on behalf of RCL. Directors and staff of RCL are required to ensure that they are familiar with the Policy, report material information to the Company Secretary to allow a view to be formed as to whether the information requires disclosure.

In addition, Boards are actively and regularly involved in discussing disclosure obligations in respect of all major matters that come before it.

The Company Secretary is primarily responsible for communications with the ASX and for overseeing and maintaining the Continuous Disclosure Policy.

A summary of the Continuous Disclosure Policy is available in the Corporate Governance section on RCL's website.

Continuous Disclosure Processes

The specific processes adopted by RCL in relation to its continuous disclosure responsibilities are as follows:

- **website:** all information released to the ASX is posted on the Investor Information section of RCL's website as soon as practicable;
- **authorised spokespersons:** communication with the media, share analysts and the market generally in relation to RCL activities will normally be undertaken only by: the Chairman, CEO, the Chief Financial Officer or Head of Investor Relations;
- **media releases:** no media release of a material nature is to be issued unless it has first been sent to the ASX; and
- **analyst and investor briefings:** RCL recognises the importance of the relationship between RCL, investors and analysts. From time to time RCL conducts analyst and investor briefings and in these situations the following protocols apply:
  - no price-sensitive information will be disclosed at these briefings unless it has been previously, or is simultaneously, released to the market;
  - questions at these briefings that relate to price-sensitive information not previously disclosed will not be answered; and
  - if any price-sensitive information is inadvertently disclosed, it will immediately be released to the ASX and placed on RCL's website.

ASX Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Communications with shareholders

ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

Consistent with our Continuous Disclosure Policy, RCL is committed to communicating with its securityholders in an effective and timely manner to provide them with ready access to information relating to RCL. In this regard, RCL maintains a website **www.rclgroup.com.au** which provides access to the following information of interest to RCL securityholders:

- detailed information regarding the Board, executive management and the business groups and activities of RCL;
- all RCL announcements and media releases, which are posted to the website promptly following release;
- copies of full-year and half-year financial reports;
- summaries of Board and Committee Charters and relevant corporate governance policies;
- copies of RCL's Annual Reports;
- copies of disclosure documents relating to RCL's capital raisings; and
- the website of RCL's Security Registry, Link Market Services, including a facility for securityholders to amend their particulars.

RCL encourages securityholders to utilise its website as their primary tool to access securityholder information and disclosures. In addition, the Annual Report facilitates the provision to securityholders by RCL on a yearly basis of detailed information in respect of the major achievements, financial results and strategic direction of RCL.

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RCL has a practice that information to be given by RCL at analyst briefings is first released to the ASX to ensure that the market operates on a fully informed and equal basis.

Securityholders are strongly encouraged to attend and participate in general meetings of RCL, especially the Annual General Meeting. RCL provides securityholders with details of any proposed meetings well in advance of the relevant dates.

RCL's external auditor is always requested to attend the Annual General Meeting and be available to answer securityholder questions about the conduct of the audit and the preparation and content of the auditor's report. This allows securityholders an opportunity to ask questions of the auditor and reinforces the auditor's accountability to securityholders.

ASX Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

Risk Management Policy

Management of risk, particularly preservation of capital, continues to be a primary objective of RCL in all its business activities. RCL is committed to ensuring that its system of risk oversight, management and internal control complies with the ASX Principles and that its culture, processes and structures facilitate realisation of RCL's business objectives, including potential opportunities, while managing adverse effects and preserving capital.

The Boards are ultimately responsible for overseeing and managing the material risks of RCL. The respective Audit Committees assist the Boards in this role. In accordance with their respective Charters, the role of the Committees include reviewing and managing the system for identifying, managing and monitoring the key risks of RCL and obtaining reports from the Chief Executive Officer on the status of any key risk exposures or incidents. In undertaking these responsibilities, the Committees principally rely on the Chief Executive Officer to implement and report upon the risk management systems and procedures implemented, such that the Committees are able to keep the Boards informed of all material business risks.

RCL has adopted a Risk Management Policy consistent with Australia/New Zealand Standard 4360, which clearly defines responsibilities for managing risk under RCL's risk management process. The material risks of RCL's business, including operational, financial, market and regulatory compliance risks, have been identified and are required to be regularly managed, monitored and reported. Methods for treating and mitigating risks include transferring, reducing, accepting or passing on risk following assessment using a variety of methods. A summary of the Risk Management Policy is available on RCL's website.

The respective Audit Committee includes amongst its responsibilities:

- consideration of the overall risk management framework of RCL and the review of its effectiveness in meeting sound corporate governance principles;
- keeping the Boards informed of all significant business risks;
- reviewing in conjunction with the Manager the system for identifying, managing and monitoring the key risks of RCL; and
- obtaining reports from the Manager on the status of any key risk exposures or incidents.

The Committees follow commitment of capital and an investment approval process with rigour to the selection, assessment and approval of investment risks assumed under RCL's principal investment activities. Matters such as legal, accounting, tax and general risk assessment issues are considered in each case. RCL's most senior Executives are involved in all major investment decisions, and all capital investments above specified thresholds require approval of the Boards and a recommendation for all investment decisions.

ASX Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

RCL has continued to enhance its risk management framework. RCL's risk function plays a key role in developing and building an approach to assist the Boards and subsidiary companies in identifying, monitoring and treating risk and in reporting material risks to the Committees. Key risk areas are identified in a Risk Register and progress in implementing action plans is monitored via regular meetings with management and reported to the Audit Committees quarterly.

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RCL's compliance function promotes a compliance conscious culture while ensuring RCL complies with regulatory requirements across its businesses, functions and group entities.

To facilitate monitoring and evaluation of the effectiveness of internal controls, RCL has established accounting policies, reporting and risk management and compliance systems to keep the Committees informed of strategic, reputational, financial and operational risks facing the Group. Quarterly management certification confirms that internal controls are in place and that the RCL Risk Management Policy and other key guidelines and procedures are being observed.

ASX Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

As outlined above, and in accordance with Recommendation 7.3, the Chief Executive Officer and Chief Financial Officer have stated to the Board in writing that internal compliance and control systems applicable to the Group's business lines and functional groups were operating efficiently and effectively in all material respects during the period to 30 June 2011.

ASX Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Remuneration Policy

The remuneration policies of RCL have been reviewed following internalisation of management rights. These policies reflect the desired outcome to be competitive in the industry and global marketplace and to ensure that RCL can attract and retain the talent needed to achieve both short- and long-term success, while maintaining a strong focus on team work, individual performance and the interests of securityholders.

The policies and principles which are applied to determine the nature and amount of remuneration paid to the Directors and Key Management Personnel of RCL are set out in the remuneration report.

Remuneration Committee

ASX Recommendation 8.1: The board should establish a remuneration committee

As noted above in relation to ASX Recommendation 2.4, in order to assist the Board in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resources policies and practices of RCL, the RCLGL Board has established a Nomination, Governance & Remuneration Committee.

The RCLGL Nomination, Governance & Remuneration Committee has adopted a Charter, of which a summary is available on RCL's website. The responsibilities of the Committee pursuant to the Charter in relation to remuneration include:

- critically review the performance and effectiveness of the Chairman, the Chief Executive Officer, the Board and its individual members against the relevant charters, corporate governance policies and agreed goals and objectives at least once per year;
- consult with the Chief Executive Officer in respect of the Key Performance Indicators (KPIs) for each of the key management personnel to provide feedback to the Committee about their respective performance against such KPIs;
- provide input and advice to the Board about remuneration of key management personnel or other individuals, based on the RCL Group's remuneration principles and practices;
- review and advise the Board on the remuneration report to be disclosed in the Company's annual financial report; and
- make recommendations to the Board for determining the level of remuneration to be applied to the non-executive Directors of the Company.

As at 30 June 2011, the RCLGL Nomination, Governance & Remuneration Committee consisted of four members, all of whom are independent Directors of RCL. The members of the Committee as at the date of this statement are: Christopher Langford (Independent Chairman), Richard Gelski, Robert Wright and Simon McTigue. Messrs Langford and McTigue were appointed on 23 May 2011. Mr Michael Maxwell retired as a member of the Committee on 27 April 2011.

ASX Recommendation 8.2: The remuneration committee should be structured so that it:
- **consists of a majority of independent directors;**
- **is chaired by an independent chair;**
- **has at least three members**

The attendance of the Committee members at Committee Meetings is disclosed in the Directors' Report.

The Nomination, Governance & Remuneration Committee has adopted a Charter, a summary of which is available on RCL's website, **www.rclgroup.com.au**.

Non-Executive Director Remuneration

ASX Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives

The total remuneration paid to the independent non-executive Directors to 30 June 2011 is set out in the remuneration report separately from executive directors and senior executives. Independent non-executive Directors are paid an annual fee according to which Boards and Committees they sit on.

Non-executive Directors' fees for RCLGL are determined within a non-executive Director's aggregate fee pool limit which has been approved by securityholders. The maximum aggregate sum for RCLGL has been set at $600,000 annually.

Non-executive Directors are not provided with retirement benefits other than statutory superannuation and did not receive options or other equity incentives or bonus payments.

Executive Remuneration

Total remuneration paid to executives and other key management personnel to 30 June 2011 is set out in the remuneration report attached to the Directors' Report.

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Overview of RCL Group Accounts

RCL Group (“RCL” or the “Group”) consists of two entities:

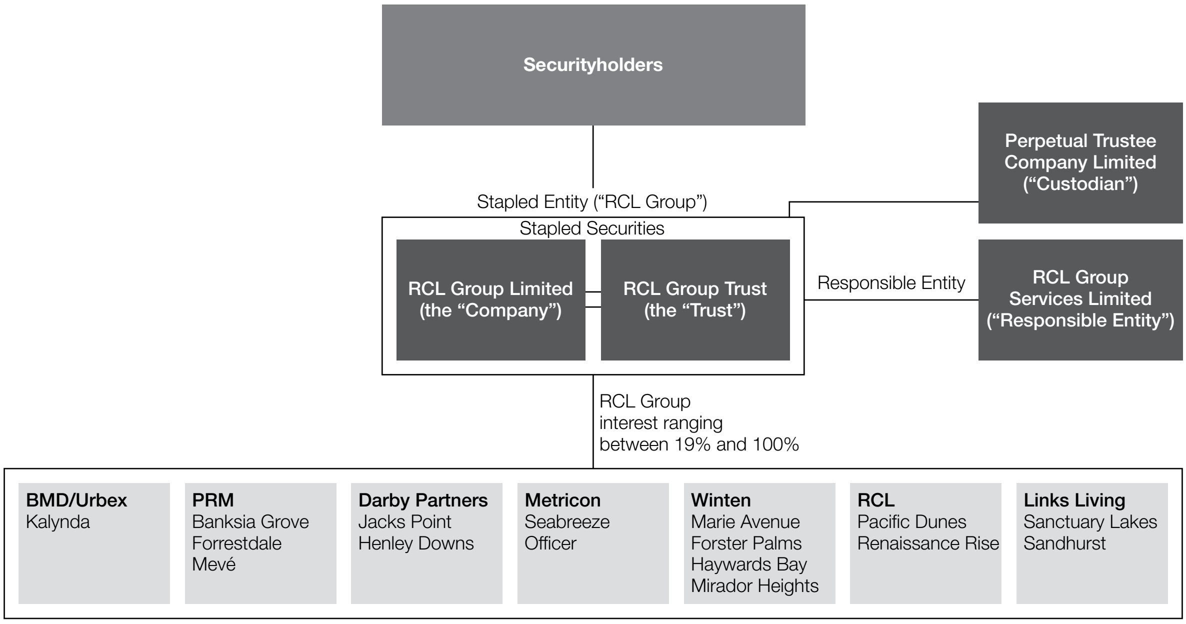
– RCL Group Limited (“RCLGL”); and

– 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.

RCL Group Services Limited (RCLGSL) is the Responsible Entity for RCLGT and is a 100% owned subsidiary of RCLGL.

The following diagram provides an overview of RCL’s structure.



AASB Interpretation 1002, *Post-Date-of-Transition Stapling Arrangements*, applies to stapling arrangements occurring during annual reporting periods ended 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 2011 have been prepared.

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Directors' Report

In respect of the financial year ended 30 June 2011, the Directors of RCL Group Limited submit the following report on the consolidated financial report of RCL Group.

Directors

The names of the Directors and Secretaries in office during or since the end of the 2011 Financial Year and up to the date of this Report are:

Name, independence status and special responsibilities	Qualifications and experience
Robert Wright *Independent Chairman* *Member of the Audit, Risk & Compliance Committee* *Member of the Audit & Risk Management Committee* *Member of the Nomination, Governance & Remuneration Committee*	Robert was appointed as a Director on 31 May 2006. He was Chairman of the Nomination, Governance & Remuneration Committee until 23 May 2011. 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 chairman of Dexion Limited until 24 August 2010. Robert holds a Bachelor of Commerce from the University of Canterbury and is a FCPA.
Richard Gelski *Independent non-executive Director* *Chairman of the Audit, Risk & Compliance Committee* *Chairman of the Audit & Risk Management Committee* *Member of the Nomination, Governance & Remuneration Committee*	Richard was appointed as Director on 31 May 2006. 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 to 1981 he lectured in tax and corporate law at the University of New South Wales and was a practising barrister from 1981 to 1986. He has particular experience in corporate restructuring, cross-border investment, tax effective financing, capital raising, mergers and acquisitions and property trust structures. 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.
Christopher Langford *Independent non-executive Director* *Member of the Audit, Risk & Compliance Committee* *Member of the Audit & Risk Management Committee* *Chairman of the Nomination, Governance & Remuneration Committee*	Christopher was appointed as a Director on 31 May 2006. He was appointed to the RCL Group committees on 23 May 2011 and became Chairman of the Nomination, Governance & Remuneration Committee on that date. Christopher 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, Christopher has a good understanding of the complex issues involved in the delivery of large scale projects. More recently, Christopher was CEO of Mirvac Retail Projects until 2005, before forming Spyglass Property to focus on retail and commercial property. Christopher is also a commissioner of the Australian Football League and was a director of Macarthur Cook Funds Management until March 2011. Christopher holds a Bachelor of Architecture from the University of Melbourne.

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Name, independence status and special responsibilities	Qualifications and experience
Simon McTigue *Independent non-executive Director* *Member of the Audit, Risk & Compliance Committee* *Member of the Audit & Risk Management Committee* *Member of the Nomination, Governance & Remuneration Committee*	Simon was appointed as a Director on 27 April 2011 and was appointed a member of the RCL Group committees on 23 May 2011. Simon has over 28 years' experience in direct and indirect property markets and is a Fellow of the Australian Property Institute. He has held senior management roles within global real estate firms, a "Big Five" accounting firm, multinational investment bank and consulted to major private development companies. Simon has held a number of board positions on non-government organisations, including Inaburra School Board and Beyond Me, of which he was a founding member. Simon holds a Diploma of Business (Valuation) from Hawkesbury Agricultural College, Richmond, and an Advanced Certificate in Real Estate from Randwick College of TAFE.
Michael Maxwell *Non-executive Director* *Member of the Nomination, Governance & Remuneration Committee* *Member of the Audit, Risk & Compliance Committee*	Michael was appointed as a Director on 3 May 2006 and resigned on 27 April 2011. 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. Michael holds a Bachelor of Economics and Bachelor of Laws from the University of Sydney. Michael resigned as a member of all committees on 27 April 2011.
Austin James *Company Secretary*	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. 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.

Details regarding interests in securities held by Directors are disclosed in Note 26(d) on page 72 of the attached financial report.

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	RCLGL Board		RCLGSL Board		Audit Committees		Nomination, Governance & Remuneration Committee	
	A	H	A	H	A	H	A	H
R. Wright	12	13	12	13	4	4	3	3
R. Gelski	12	13	12	13	4	4	3	3
C. Langford[1]	13	13	13	13	n/a	n/a	n/a	n/a
S. McTigue[2]	2	2	2	2	n/a	n/a	n/a	n/a
M. Maxwell[3]	9	11	9	11	3	3	2	2

A – Number of meetings attended.
H – Number of meetings held during the time the Director held office or was member of the Committee during the year.
n/a – Director not on board/committee.
1. Appointed as Chairman of the Nomination, Governance & Remuneration Committee and member of Audit Committees on 23 May 2011.
2. Appointed to RCLGSL Board on 27 April 2011, appointed to Nomination, Governance & Remuneration Committee on 23 May 2011.
3. Resigned from RCLGSL Board on 27 April 2011.

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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 paid or declared during the year ended 30 June 2011 or 30 June 2010.

Environmental regulations

The Group'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.

Review of operations

	FY2011 Total $'000	FY2010 Total $'000	Favourable/ (Unfavourable) $'000	% Change
Income	41,732	62,848	(21,116)	–34%
Cost of sales	(27,083)	(47,469)	20,386	–43%
Operating costs	(7,399)	(8,095)	696	–9%
Operating profit	**7,250**	**7,284**	**(34)**	**–1%**
Impairment of receivables	(6,162)	(2,418)	(3,744)	155%
NRV write-down of inventory	(15,716)	(2,426)	(13,290)	548%
Finance costs	(15,251)	(18,330)	3,079	–17%
Other gains/(losses)	(1,761)	2,512	(4,273)	–170%
Net (loss) pre tax*	**(31,640)**	**(13,378)**	**(18,262)**	**137%**
Net (loss) after tax	**(35,767)**	**(8,956)**	**(26,811)**	**299%**

* Items above net (loss) pre tax are not statutory measures of profit.

The Group recorded a net loss after tax of $35.8 million for the year ended 30 June 2011 compared to a net loss after tax of $8.9 million for the prior period.

A substantial component of the loss comprised the impairment to receivables and the write-down in inventory that was booked in the six months to December 2010 (totalling $21.9 million). Operating profit remained relatively stable at $7.3 million, notwithstanding a fall in income which can be attributed to the delay in receipt of settlement revenue due to inclement weather in Victoria in the second half of FY2011. The reduction in operating costs reflects continuing rationalisation of the cost structure. Finance costs are reducing, however, at $15.3 million for the current financial year; they remain substantial and will continue to affect the operating performance of the Group until substantial debt reduction can be achieved.

Revenue

	FY2011 $'000	FY2010 $'000	Increase/ (Decrease)
Revenue from the sale of land	30,067	51,411	(21,344)
Interest income	9,636	8,485	1,151
Total operating revenue	**39,703**	**59,896**	**(20,193)**

The substantial reduction in revenue for the 12 months to 30 June 2011 was caused by delays in construction programs, primarily in Victoria due to inclement weather. This resulted in a substantial number of presold lots being deferred for settlement until FY2012. As at 30 June 2011 pre-sales that are forecast to settle in FY2012 total $114 million and a majority of these will settle in the first half of the financial year.

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Impairments and write-downs

Net realisable value write-down and impairment expense items	FY2011 $'000	FY2010 $'000	Increase/ (Decrease)
Impairment of loans receivable	6,162	2,418	3,744
Net realisable value write-down of inventory[1]	15,716	2,426	13,290
Total	**21,878**	**4,844**	**17,034**

1. The 2010 component of this write-down was recognised due to a change of accounting policy in 2011, see Note 1(b).

During the six months to 31 December 2010 impairments were provided against the loan receivables portfolio and a write-down was made to the carrying value inventory. These impairments and write-downs were provided against assets located in New South Wales in response to deterioration in market conditions in that state. There have been no further impairments or write-downs in the six months to 30 June 2011.

Operating cash flow and debt reductions

Interest-bearing liabilities	FY2011 $'000	FY2010 $'000	(Decrease)/ Increase
Project facilities	100,303	97,784	2,519
Senior corporate debt facility	97,687	100,405	(2,718)
Subordinated Babcock & Brown facility[1]	30,161	26,284	3,877
Total	**228,151**	**224,473**	**3,678**

1. Increase in FY2011 liability is due only to the capitalisation of interest.

The Group generated a marginally negative net cash flow from operating activities in FY2011. There was a small reduction in the senior corporate debt facility for the 12 months to 30 June 2011 of $2.7 million and project facilities increased as a result of increased development activity across the Victorian projects. Debt reduction at both a corporate and project level will begin to accelerate over the first six months of FY2012, with the settlement of the substantial level of pre-sales held as at 30 June 2011, totalling $70 million (for consolidated projects) and $44 million (for non-consolidated projects, adjusted for RCL's economic interest).

Operational performance

Performance during FY2011 was adversely impacted by poor weather in Victoria which prevented the completion of a number of stages that were under construction at Grandvue @ Officer, Renaissance Rise, Sanctuary Lakes and Sandhurst Club. This resulted in the delay in the settlement of a substantial number of pre-sales in the Financial Year ended 30 June 2011. Pre-sales valued at $114 million as at 30 June 2011 (adjusted for RCL's economic interest) are forecast to settle in the first six months of FY2012. This will lead to a material level of consolidated debt reduction as at 31 December 2011 and a reduction in RCL's interest burden from the second half of FY2012. Despite these difficult trading conditions RCL has continued to work closely with its financiers and has been able to continue to access its debt facilities to fund its development activities. As a result of the forecast settlements through to 31 December 2012, liquidity is expected to materially improve in FY2012.

Consistent with the macro trends in the Australian residential market, sales rates slowed across RCL's portfolio during the six months to 30 June 2011.

The key markets of Victoria and Western Australia have slowed substantially in comparison to FY2010 and the first half of FY2011. The value of RCL's consolidated pre-sales in hand as at 30 June 2011, that is forecast to settle in FY2012, is $70 million. This exceeds the total operating revenue of any prior year of operations.

Going concern

In August 2010, the Group successfully rolled over certain of its interest-bearing debt facilities. The terms of this rollover of the Group's senior corporate debt facility and various project debt facilities provided for the extension of their maturity through to 31 December 2012. The rollover terms also included a requirement that the senior corporate debt facility is progressively repaid in accordance with predetermined repayment milestones and that all surplus cash flows are applied to a reduction in the senior corporate debt facility.

As part of the Group's rollover of its interest-bearing debt facilities, a letter of confirmation was obtained from Babcock & Brown stating that it was prepared to roll over its subordinated debt facility until December 2012 on the same terms and conditions that were in place immediately prior to the rollover of the above-mentioned interest-bearing debt facilities.

The senior corporate debt facility, subordinated corporate debt facility and various project debt facilities are classified as current liabilities in the balance sheet, regardless of their maturity date of 31 December 2012. This is due to a number of events having occurred during the period to 30 June 2011, which by their definition in the lending documents allow the financier to initiate a review of the facilities and request the Group to either rectify the event or show cause as to why the event has not caused a material adverse effect on the Group's ability to meet its obligations. For each of the above events, the financier did not initiate a review of the facilities and provided the Group with a letter dated 30 June 2011 indicating agreement to waive their right to act on the events; however executed waivers were not finalised until post the balance date of 30 June 2011. As the waivers were not unconditionally binding at balance date, the Group does not have an unconditional right to defer repayment of the debt for at least 12 months after the reporting date. As a result of this and the cross-collateralisation provisions that apply, all debt associated with this lender has been classified as current.

As at the date of this report the Group has received unconditionally binding waivers for all current and past events.

In September 2010, the Group advised the market that Babcock & Brown alleged that the terms of the rollover of the Group's senior corporate debt facility and certain of the project debt facilities were in breach of arrangements between Babcock & Brown and the Group. At balance date an agreement had been reached in relation to this matter and documentation to formally resolve the issue was finalised in August 2011. It is again noted that in the opinion of the Board, that the Babcock & Brown corporate debt is subordinated to the senior corporate debt and cannot be called for repayment without the consent of the senior corporate debt facility lender. As a result the facility has been classified as current at 30 June 2011.

The continuing viability of the Group and its ability to continue as a going concern is dependent upon the Group being successful in the following:

- Achieving forecast cash inflows from operations, managing cash outflows and also meeting required debt repayment milestones that were agreed as part of the rollover of the above-mentioned interest-bearing debt facilities.
- The continued support of the Group's senior corporate debt facility and project debt facility providers which include those project debt facilities that are provided to non-controlled entities. Such support is required when events of review like those occurring in the period to June 2011 occur.
- The Group's ability to effectively manage its cash flows given the limited liquidity maintained within the Group's operations.

The existence of the above matters continues to provide material uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will generate sufficient cash flows from the construction, sale and settlement of developed lots to 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 believe that the Group will be successful in the above-mentioned matters and have prepared the accounts on a going concern basis.

Changes in the state of affairs

There were no significant changes to the state of affairs of the Group during the financial year.

Matters subsequent to the end of the year

RCL Group senior corporate and project debt

Since the end of the financial year the Group has received and executed binding waivers for all "events of review" that had occurred prior to balance date for both the senior corporate facility and related project facilities.

No current events of review have taken place as at the date of issue of this report, however future events may take place which may potentially lead to an "event of review" within the terms of the lending agreements. Any potential future events that may occur, that are currently foreseeable by the Group, are considered by the Group to be manageable with the support of the Group's lender.

Babcock & Brown subordinated corporate debt

In September 2010, the Group advised the market that Babcock & Brown alleged that the terms of the rollover of the Group's senior corporate debt facility and certain of the project debt facilities were in breach of arrangements between Babcock & Brown and the

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Group. During the financial year an agreement was reached in relation to this matter and documentation to formally resolve the issue was finalised in August 2011. It is again noted that in the opinion of the Board, that the Babcock & Brown corporate debt is subordinated to the senior corporate debt and cannot be called for repayment without the consent of the senior corporate debt facility lender.

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.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations are likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Indemnification of officers and auditor

RCLGL has agreed to indemnify its Directors and Officers against losses incurred in their role as Director, Secretary or Executive Officers of RCLGL or its subsidiaries, subject to certain exclusions, including to the extent that such indemnity is prohibited by law. The agreement stipulates that RCLGL 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). RCLGL has not been advised of any claims under any of these indemnities.

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

During the financial year RCLGL 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 RCLGL 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 2011.

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 (audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of RCLGL's directors and other key management personnel for the financial year ended 30 June 2011.

The remuneration report is set out under the following main headings:

(a) Directors and other key management personnel details
(b) Principles used to determine the nature and amount of remuneration
(c) Amounts of remuneration
(d) Service agreements
(e) Share-based compensation
(f) Options and rights over equity instruments
(g) Loans to Directors and other key management personnel

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(a) Directors and other key management personnel details

The following persons were directors and other key management personnel of RCL Group during or since the end of the financial year:

Name	Position
Directors of the stapled entity	
Robert Wright	Independent Chairman, non-executive Director
Richard Gelski	Independent non-executive Director
Christopher Langford	Independent non-executive Director
Simon McTigue	Independent non-executive Director (appointed 27 April 2011)
Michael Maxwell	Non-executive Director (resigned 27 April 2011)
Other key management personnel	
David Wightman	Chief Executive Officer
Matthew Sweeney	Chief Financial Officer
Other persons who are among the five highest paid remunerated Group executives	
James McInally	Development Manager (resigned 8 April 2011)
David Finney	Development Manager
Emma Tarlinton	Treasury Manager
Steve Robertson[1]	Managing Director, PRM Group
Philip Stannard[1]	Development Director, PRM Group

Unless indicated, all employees are employees of RCL Group Limited (the parent entity).
1. PRM Group is a consolidated subsidiary of RCL Group Limited.

(b) Principles used to determine the nature and amount of remuneration

Remuneration policy

The Group has established a senior management remuneration framework to ensure that reward for performance is competitive and appropriate for the business results delivered.

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

Remuneration committee

The Board has established a Nomination, Governance & Remuneration Committee (the Committee) to consider and make recommendations to the Board on, among other things, remuneration policies and packages applicable to board members and key management personnel of RCL Group.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The board has also considered the advice of independent remuneration consultants (Hay Group) to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to determination of his own remuneration.

Directors' fees

The current base fees were last reviewed with effect from 1 July 2011. The Chair's remuneration is inclusive of committee fees while other non-executive Directors who chair a committee will receive additional yearly fees.

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The following fees have applied (and remained unchanged since 1 July 2010):

Position	$ per annum
Chairman of RCLGL & RCLGSL	140,000
Director of RCLGL & RCLGSL	85,000
Audit Committees Chairman	10,000

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

Retirement allowances for non-executive Directors

It is the policy of the Group not to pay lump sum retirement benefits to non-executive Directors. Superannuation contributions are made by the Group on behalf of non-executive Directors in line with statutory requirements and are deducted from the Directors' overall fee entitlements.

Senior management remuneration

The senior management pay and reward framework has three components:

- Total fixed remuneration, including superannuation and benefits;
- Short-term performance incentives; and
- Long-term incentives.

The combination of these components comprises senior management's total remuneration.

Total fixed remuneration

This is structured as a total employment cost package which may be delivered as a combination of cash and superannuation benefits.

Base salary

Senior management are offered a competitive base salary that comprises the fixed component of pay and rewards including superannuation contributions (in accordance with the *Superannuation Guarantee (Administration) Act 1992*). The base salary for a member of senior management is reviewed annually to ensure that their pay is competitive with the market. A member of senior management's pay is also reviewed on promotion and there are no guaranteed base salary increases in any employment agreements.

Benefits

Benefits may include:

- Expense payment benefits; and
- Car and work home allowances.

Short-term incentives (STI) and long-term incentives (LTI)

With regard to the structure of Group executive remuneration, in financial years ended 30 June 2011 and 30 June 2010, 100% of the relative proportions were fixed and therefore no proportions were linked to performance, with the exception of the retention payments discussed below.

There were no STI provided by the Group to the key management personnel during years ended 30 June 2010 and 30 June 2011.

There is currently no long-term incentive scheme in place. The Group will review this position from time to time.

Retention payments

In order to retain a number of key employees in challenging financial and employment markets and considering the uncertainty around the Group's ability to continue as a going concern, in December 2010 the Board (on the recommendation of the Nomination, Governance & Remuneration Committee) made to a small number of key senior employees a retention payment. These employees became entitled to predetermined cash payments at the end of December 2010, provided they remained employed with the Group and contributed to a level determined acceptable by the CEO and the Board.

The payments in the 2010 financial year were "sign-on benefits" made in lieu of redundancies for leaving Babcock & Brown, and were offset against an account payable as agreed with Babcock & Brown.

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Key employees may be eligible for retention payments in the future subject to the Group satisfying its cash flow forecasts at the applicable time. Cash flow forecasts are determined in consultation with the principal lender and reviewed on a regular basis.

(c) Amounts of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and the five highest paid executives of the Group are set out in the following tables:

	Short-term employee benefits			Post-employment benefits		
	Salary and fees	Retention payment	Other allowances	Super-annuation	Termination benefit	Total
2011 Payments						
Directors						
Robert Wright	128,440	–	–	11,560	–	140,000
Richard Gelski	87,156	–	–	7,844	–	95,000
Christopher Langford	77,982	–	–	7,018	–	85,000
Simon McTigue[1]	12,997	–	–	1,170	–	14,167
Michael Maxwell[2]	64,949	–	–	5,849	–	70,798
Other key management personnel (KMP)						
David Wightman	400,000	150,000	–	15,200	–	565,200
Matthew Sweeney	199,000	7,500	–	15,775	–	222,275
2011 Total Directors/KMP	**970,524**	**157,500**	**–**	**64,416**	**–**	**1,192,440**
Other persons who are among the five highest paid remunerated group for 2011 for the Group and RCLGL						
David Finney	240,000	7,500	4,000	15,200	–	266,700
James McInally	135,289	35,000	6,957	11,782	33,167	222,195
Emma Tarlinton	175,000	40,000	–	15,200	–	230,200
Stephen Robertson	195,801	–	–	49,999	–	245,800
Philip Stannard	239,031	–	–	15,199	–	254,230
2010 Payments						
Directors						
Robert Wright	114,679	–	–	10,321	–	125,000
Richard Gelski	78,808	–	–	7,093	–	85,901
Christopher Langford	62,431	–	–	5,619	–	68,050
Michael Maxwell	75,000	–	–	6,750	–	81,750
Other key management personnel						
David Wightman[3]	388,137	–	–	14,784	222,115[4]	625,036
Stuart Pauly	155,448	112,500	–	11,176	33,654	312,778
2010 Total Directors/KMP	**874,503**	**112,500**	**–**	**55,743**	**255,769**	**1,298,515**
Other persons who are among the five highest paid remunerated group for 2010 for the Group and RCLGL						
David Finney	200,000	–	–	15,346	–	215,346
James McInally	174,193	99,935	6,750	15,701	–	296,579
Emma Tarlinton	171,250	71,513	–	15,436	–	258,199
Stephen Robertson	196,538	–	3,653	50,000	–	250,191

1. Mr McTigue was appointed as Director, 27 April 2011.
2. Mr Maxwell resigned as Director, 27 April 2011.
3. Mr Wightman's total remuneration of salary and superannuation for 2010 should equal $400,000 per annum, however as two separate employers made compulsory superannuation contributions during the 2010 financial year the total amount paid was $402,921.
4. Mr Wightman received a redundancy payment of $222,115 as a result of his leaving Babcock & Brown.

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(d) Service agreements

All key management personnel are employed on open contracts with no fixed term contractual periods. All contracts contain minimum redundancy requirements and may contain notice periods up to three months.

(e) Share-based compensation

No securities in the Group were issued to the Directors or the key management personnel during FY2011 as part of their remuneration.

(f) Options and rights over equity instruments

No Directors or key management personnel of the Group have any unexercised options in the Group's securities that may have been provided to them as part of remuneration in prior periods.

(g) Loans to Directors and other key management personnel

The Group does not have any loaned funds owing by the Directors or other key management personnel as at 30 June 2011. Similarly, no loans were extended to Directors or other key management personnel of the Group during the financial years ended 30 June 2011 or 30 June 2010.

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 2011, and has confirmed that the provision of non-audit services for 2011 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 *Corporations 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 APES 110 – *Code of Ethics for Professional Accountants* and with the applicable provisions of the *Corporations Act 2001*, for the year ended 30 June 2011.

Amounts paid or payable to the PricewaterhouseCoopers Australian firm for non-audit services provided during the year amounted to $92,950 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 34.

Rounding of amounts

The Group is of a kind referred to in ASIC Class Order 98/100 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 RCL Group were on issue at 30 June 2011 (30 June 2010: 176.1 million).

	Consolidated Period ended 30 June 2011
Net (loss) after tax attributable to securityholders ($'000)	(35,799)
Time weighted average number of securities for basic and diluted earnings per security at 30 June 2011 ('000)	176,108
Basic (loss) per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	(20.33)
Diluted (loss) per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	(20.33)

Dated at Sydney this 30th day of August 2011.

Signed in accordance with a resolution of Directors.

R. Wright
Director
RCL Group Limited

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Auditor's Independence Declaration

As lead auditor for the audit of RCL Group Limited for the year ended 30 June 2011, 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 Limited and the entities it controlled during the period.

C Lewis

Christopher Lewis
Partner
PricewaterhouseCoopers

Melbourne
30 August 2011

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Revenue from continuing operations	5	39,703	59,896
Other income	5	2,029	2,952
Total revenue and other income		**41,732**	**62,848**
Cost of sales		(27,083)	(47,469)
Employee benefits expense		(3,196)	(3,499)
Management charges		(119)	(240)
Marketing and other operating expenses	6	(4,084)	(4,691)
Finance costs	6	(15,251)	(18,330)
Impairment of loans receivable	6, 11	(6,162)	(2,418)
NRV write-down of inventory	6	(15,716)	(2,426)
Unrealised foreign exchange (loss)/gain		(2,185)	509
Share of profit of equity-accounted investments		424	2,338
(Loss) before tax		**(31,640)**	**(13,378)**
Tax (expense)/benefit	9	(4,127)	4,422
(Loss) for the year		**(35,767)**	**(8,956)**
Other comprehensive income			
Changes in fair value of cash flow hedges		–	2,745
Income tax relating to components of other comprehensive income		–	(824)
Other comprehensive income, net of tax		**–**	**1,921**
Total comprehensive (loss) for the year		**(35,767)**	**(7,035)**
(Loss)/profit for the year is attributable to:			
Equity holders of the parent		(27,175)	(3,774)
Non-controlling interest		32	109
Equity holders of the other stapled entity		(8,624)	(5,291)
		(35,767)	**(8,956)**
Total comprehensive (loss)/profit for the year is attributable to:			
Equity holders of the parent		(27,175)	(1,853)
Non-controlling interest		32	109
Equity holders of the other stapled entity		(8,624)	(5,291)
		(35,767)	**(7,035)**
Basic (loss) per security (cents)	8	(20.33)	(5.15)
Diluted (loss) per security (cents)	8	(20.33)	(5.15)

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

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Consolidated Statement of Financial Position

As at 30 June 2011

	Note	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current assets			
Cash	10	3,625	3,533
Receivables	11	286	287
Inventories	12	82,032	41,957
Other assets	11	1,636	2,624
Total current assets		**87,579**	**48,401**
Non-current assets			
Loans receivable	11	96,796	106,268
Inventories	12	109,071	168,131
Other financial assets at fair value through profit or loss	13	4,835	4,049
Equity accounted investments	14	15,875	15,451
Deferred tax assets	9	7,904	11,775
Property, plant and equipment	15	240	440
Intangible assets	16	1,848	1,848
Total non-current assets		**236,569**	**307,962**
Total assets		**324,148**	**356,363**
Current liabilities			
Trade and other payables	17	15,204	9,711
Provisions	18	255	227
Interest-bearing liabilities	19	224,674	209,391
Other financial liabilities	20	25	369
Total current liabilities		**240,158**	**219,698**
Non-current liabilities			
Payables	21	2,000	2,000
Provisions	18	95	85
Borrowings	19	6,566	8,402
Interest-bearing liabilities	19	–	15,082
Total non-current liabilities		**8,661**	**25,569**
Total liabilities		**248,819**	**245,267**
Net assets		**75,329**	**111,096**
Equity holders of the parent			
Contributed equity	22	1,656	1,656
Reserves	23	–	–
Retained earnings/(accumulated losses)	24	(59,402)	(32,227)
		(57,746)	**(30,571)**

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Consolidated Statement of Financial Position continued

As at 30 June 2011

	Note	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Equity holders of the other stapled entity			
Contributed equity	22	162,448	162,448
Reserves	23	–	–
Retained earnings/(accumulated losses)	24	(28,763)	(20,139)
		133,685	**142,309**
Non-controlling interest		**(610)**	**(642)**
Total equity		**75,329**	**111,096**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

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Attributable to equity holders of:

	The Parent				The Other Stapled Entity			External Non-Controlling Interests	Total Equity
	Contributed equity $'000	Cash flow hedging reserve $'000	Retained earnings $'000	Total $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total $'000	Total $'000
Balance at 1 July 2009	**1,656**	**(1,921)**	**(28,453)**	**(28,718)**	**162,448**	**(14,848)**	**147,600**	**(246)**	**118,636**
Effect for change in accounting policy for NRV of inventory	–	–	(2,426)	**(2,426)**	–	–	**–**	**–**	**(2,426)**
(Loss) for the year	–	–	(1,348)	**(1,348)**	–	(5,291)	**(5,291)**	**109**	**(6,530)**
Other comprehensive income for the year, net of income tax	–	1,921	–	**1,921**	–	–	**–**	**–**	**1,921**
Total comprehensive income/(loss) for the year	–	1,921	(3,774)	**(1,853)**	–	(5,291)	**(5,291)**	**109**	**(7,035)**
Transactions with equity holders in their capacity as equity holders:									
Dividend paid	–	–	–	**–**	–	–	**–**	**(505)**	**(505)**
Balance at 30 June 2010	**1,656**	**–**	**(32,227)**	**(30,571)**	**162,448**	**(20,139)**	**142,309**	**(642)**	**111,096**
(Loss) for the year	–	–	(27,175)	**(27,175)**	–	(8,624)	**(8,624)**	**32**	**(35,767)**
Other comprehensive income for the year, net of income tax	–	–	–	**–**	–	–	**–**	**–**	**–**
Total comprehensive income/(loss) for the year	–	–	(27,175)	**(27,175)**	–	(8,624)	**(8,624)**	**32**	**(35,767)**
Balance at 30 June 2011	**1,656**	**–**	**(59,402)**	**(57,746)**	**162,448**	**(28,763)**	**133,685**	**(610)**	**75,329**

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 2011

	Note	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Cash flows from operating activities			
Receipts in the course of operations		36,190	59,179
Payments in the course of operations		(29,270)	(19,461)
Interest received		6,634	70
Interest paid		(13,635)	(15,610)
Tax paid		(360)	–
Net cash (outflow)/inflow from operating activities	32	**(441)**	**24,178**
Cash flows from investing activities			
Loan receivable – investment funding		(2,296)	(2,277)
Loan receivable – payments received		5,788	17,237
Loan advanced to associates		(250)	–
Payments for property, plant and equipment		(20)	(310)
Net cash inflow from investing activities		**3,222**	**14,650**
Cash flows from financing activities			
Dividend paid to non-controlling interest in subsidiary		–	(505)
Proceeds from interest-bearing liability facilities		26,492	22,576
Repayment of interest-bearing liabilities		(29,181)	(58,375)
Net cash (outflow) from financing activities		**(2,689)**	**(36,304)**
Net increase in cash and cash equivalents		**92**	**2,524**
Cash and cash equivalents at the beginning of the year		3,533	1,009
Cash and cash equivalents at the end of the year	10	**3,625**	**3,533**

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

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Notes to the Consolidated Financial Statements

Note 1 Significant accounting policies

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 principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity comprising of RCL Group Limited and its subsidiaries.

(a) Statement of compliance

This general purpose Financial Report for the year ended 30 June 2011 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 financial report of the Group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation

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.

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.

Early adoption of Accounting Standards

The directors have elected under s.334(5) of the *Corporations Act 2001* to apply Amendments to AASB 7 *Financial Instruments: Disclosure* and Amendments to AASB 101 *Presentation of Financial Statements* in advance to their effective dates. The Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2011. The impact of the adoption of these Standards is disclosed in Note 1(cc) to the financial statements.

Going concern basis

In August 2010 the Group successfully rolled over certain of its interest-bearing debt facilities. The terms of this rollover of the Group's senior corporate debt facility and various project debt facilities provided for the extension of their maturity through to 31 December 2012. The rollover terms also included a requirement that the senior corporate debt facility is progressively repaid in accordance with predetermined repayment milestones and that all surplus cash flows are applied to a reduction in the senior corporate debt facility.

As part of the Group's rollover of its interest-bearing debt facilities, a letter of confirmation was obtained from Babcock & Brown stating that it was prepared to roll over its subordinated debt facility until December 2012 on the same terms and conditions that were in place immediately prior to the rollover of the above-mentioned interest-bearing debt facilities.

The senior corporate debt facility, subordinated corporate debt facility and various project debt facilities are classified as current liabilities in the balance sheet, regardless of their maturity date of 31 December 2012. This is due to a number of events having occurred during the period to 30 June 2011, which by their definition in the lending documents allow the financier to initiate a review of the facilities and request the Group to either rectify the event or show cause as to why the event has not caused a material adverse effect on the Group's ability to meet its obligations. For each of the above events, the financier did not initiate a review of the facilities and provided the Group with a letter dated 30 June 2011 indicating agreement to waive its right to act on the events; however executed waivers were not finalised until post the balance date of 30 June 2011. As the waivers were not unconditionally binding at balance date, the Group does not have an unconditional right to defer repayment of the debt for at least 12 months after the reporting date. As a result of this and the cross-collateralisation provisions that apply, all debt associated with this lender has been classified as current.

As at the date of this report the Group has received unconditionally binding waivers for all current and past events.

In September 2010, the Group advised the market that Babcock & Brown had alleged that the terms of the rollover of the Group's senior corporate debt facility and certain of the project debt facilities were in breach of arrangements between Babcock & Brown and the Group. At balance date an agreement has been reached in relation to this matter and documentation to formally resolve the issue will be finalised in August 2011. It is again noted that, in the opinion of the Board, the Babcock & Brown corporate debt is subordinated to the senior corporate debt and cannot be called for repayment without the consent of the senior corporate debt facility lender. As a result the facility has been classified as current at 30 June 2011.

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The continuing viability of the Group and its ability to continue as a going concern is dependent upon the Group being successful in the following:

(i) achieving forecast cash inflows from operations, managing cash outflows and also meeting required debt repayment milestones that were agreed as part of the rollover of the above-mentioned interest-bearing debt facilities;

(ii) the continued support of the Group's senior corporate debt facility and project debt facility providers which include those project debt facilities that are provided to non-controlled entities. Such support is required when events of review like those occurring in the period to June 2011 occur;

(iii) the Group's ability to effectively manage its cash flows given the limited liquidity maintained within the Group's operations.

The existence of the above matters continues to provide material uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will generate sufficient cash flows 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. The Directors believe that the Group will be successful in the above-mentioned matters and have prepared the accounts on a going concern basis.

Changes in accounting policy

RCL Group has made a change to its accounting policy relating to inventories, specifically the accounting policy applied in the determination of inventory net realisable value (NRV) in accordance with AASB 102 *Inventories*.

RCL continues to record Inventory at the lower of cost and NRV; however it has now refined its methodology to calculate the NRV of inventory as the future estimated selling price in the ordinary course of business, less the future estimated costs necessarily incurred to make the sale, discounted to an appropriate present value. This is different to previous years where the NRV of inventory was calculated on a nominal or undiscounted basis.

This change in accounting policy has been made by RCL to take into account uncertainty around estimations of cash flows given the significant period in which those cash flows are derived from the underlying projects. Users of this report should note however that this is not an assessment of fair value or market value.

RCL believes that the introduction of a time value element to NRV assessment will generate more relevant and reliable information in the financial statements. This change has been provided retrospectively in the comparative period information. The restatements arising from the application of the new accounting policy are shown below.

The impact of the revised policy was found to have no impact on the Statement of Financial Position as at 1 July 2009.

The following adjustments were made to the Statement of Comprehensive Income for the 12 month period ended 30 June 2010:

	Year ended 30 June 2010 $'000	Profit (decrease) $'000	Year ended 30 June 2010 (restated) $'000
Statement of Comprehensive Income (extract)			
NRV write-down of inventory	–	(2,426)	(2,426)
(Loss) before tax	(10,952)	(2,426)	(13,378)
Tax benefit	4,422	–	4,422
(Loss) for year	**(6,530)**	**(2,426)**	**(8,956)**
Profit is attributable to:			
Equity holders of parent	(1,348)	(2,426)	(3,774)
Non-controlling interests	109	–	109
Equity holders of the other stapled entity	(5,291)	–	(5,291)
(Loss) for year	**(6,530)**	**(2,426)**	**(8,956)**

Basic and diluted loss per security increased to (5.15) cents per security, previously (3.77) cents per security.

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Note 1 Significant accounting policies continued

(b) Basis of preparation continued

The following adjustments were made to the Statement of Financial Position as at 30 June 2010:

	As at 30 June 2010 $'000	(Decrease) $'000	As at 30 June 2010 (restated) $'000
Statement of Financial Position (extract)			
Inventories (non-current)	170,557	(2,426)	168,131
Net assets	**113,522**	**(2,426)**	**111,096**
Retained earnings/(accumulated losses)	(49,940)	(2,426)	(52,366)
Total equity	**113,522**	**(2,426)**	**111,096**

Statement of Financial Position items other than those mentioned above were not affected by the retrospective adoption of the revised policy.

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RCL Group Limited as at 30 June 2011, and the results of all subsidiaries for the year then ended.

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. They are deconsolidated from the date control ceases.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position respectively.

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.

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. 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.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method.

All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement.

Acquisition-related costs are expensed as incurred.

Non-controlling interests in an acquiree are 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.

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.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

(e) Segment reporting

Operating segments are 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.

(f) 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 completion of contractual obligations.

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.

(g) 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 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.

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.

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

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Note 1 Significant accounting policies continued

(g) Income tax continued

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 consolidated 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.

(h) 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 years 30 June 2011 and 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. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(i) 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 they might be impaired. 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 reviewed for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Loans receivable

Loans receivable are recognised at amortised cost using the effective interest method, less impairment. 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.

(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.

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 if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(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 derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. 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.

Measurement

Investments are initially measured 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.

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 3.

Impairment

The Group assesses, at the end of each reporting period, 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(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. Provisions are not recognised for future operating losses.

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.

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Note 1 Significant accounting policies continued

(n) Provisions continued

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 borrowings are initially recognised 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 presented on a gross basis. The GST component of cash flows arising from investing or 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.

(t) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, 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.

(u) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents include cash on hand, other short-term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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(v) Employee benefits

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. The liability for annual leave is recognised in the provision for employee benefits.

Long service leave

The liability for long service leave, which is not expected to be settled within 12 months after the end of the period in which the employees render the related service, 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 end of reporting date using projected unit method. 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.

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 revalued 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
Capitalised software	3 years
Computer equipment	1-3 years
Office 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 profit or loss.

(x) Intangible assets

Goodwill

Goodwill is measured as described in Note 1(d). Goodwill on acquisition is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(y) 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.

Note 1 Significant accounting policies continued

(y) Derivatives and hedging activities continued

Movements in the hedging reserve in shareholders' equity are shown in Note 23. 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 in 2010 was classified as at fair value through profit and loss as it no longer met the definition of cash flow hedge.

There are no hedges accounted for as cash flow hedge as at 30 June 2011.

(z) 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 other comprehensive income.

(aa) Parent entity financial information

The financial information for the parent entity, RCLGL, disclosed in Note 31 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:* RCLGL 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 stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, RCLGL 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 RCLGL for any current tax payable assumed and are compensated by RCLGL for any current tax receivable and deferred tax assets relating to unused tax

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losses or unused tax credits that are transferred to RCLGL 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.

(bb) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set out 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.

Revised AASB 124 *Related Party Disclosures* and **AASB 2009-12 Amendments to Australian Accounting Standards** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 2010-6 Amendments to Australia Accounting Standards – Disclosures on Transfers of Financial Assets (effective from 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

IFRS 13 *Fair Value Measurement* (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements.
The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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Note 1 Significant accounting policies continued

(cc) Standards and interpretations affecting amounts reported in the current period

The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Amendments to AASB 7 *Financial Instruments: Disclosure* (adopted in advance of effective date of 1 January 2011)

The amendments (part of AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project") clarify the level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to AASB 101 *Presentation of Financial Statements* (adopted in advance of effective date of 1 January 2011)

The amendments (part of AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project") clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the Statement of Changes in Equity or in the notes to the financial statements.

Note 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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, development costs, 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(i). 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 16 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(j). 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 and estimation of future taxable profits

The Group has recognised deferred tax assets relating to carry forward tax losses. The Group estimates future taxable profits from existing operations and the unwinding of deferred tax liabilities to consider whether they will be adequate to recover a taxable loss or timing difference in relation to a deferred tax asset.

Refer to Note 9 for further discussion in relation to recognition of the deferred tax asset and the recoupment of tax losses.

Interest-bearing liabilities

At 30 June 2011, some of the entities controlled by the Group and entities invested into by the Group have interest-bearing facilities which are due to expire in the next 12 months. It is a critical assumption that the lenders of those facilities and indeed the lenders of all Group facilities will continue to provide financing and support to those entities and the Group on commercially viable terms. This assumption is based on regular discussions with these lenders and their historic support.

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Note 3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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. Compliance with policies and exposure limits is reviewed by the Audit Committees on a continuous basis.

Risk management is carried out by a central treasury function (group treasury manager) 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.

There have been no changes to the Group's exposure to financial risks or the manner in which it manages and measures these risks from the previous period.

The Group holds the following financial instruments:

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Financial assets		
Cash and cash equivalents	3,625	3,533
Loans receivable	96,796	106,268
Other financial assets at fair value through profit or loss	4,835	4,049
Financial liabilities		
Trade and other payables	(15,204)	(9,711)
Borrowings	(6,566)	(8,402)
Interest-bearing liabilities	(224,674)	(224,473)
Interest rate swap	–	(335)

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity securities.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Interest rate risk

The Group's main interest rate risk arises from interest-bearing liabilities. Interest-bearing liabilities 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. During FY2011 and FY2010, the Group's interest-bearing liabilities at variable interest rates were denominated in Australian dollars. Cash and cash equivalents are at variable rates and thus are also subject to interest rate risk.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating interest rate borrowings, and where appropriate by use of interest rate swap contracts.

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.

Note 3 Financial risk management continued

(a) Market risk continued

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 and expired on 31 December 2010. The collar in place covered approximately 50% in 2010 of the post 30 June 2010 floating rate corporate debt facility and 25% of post 30 June 2010 total floating rate borrowings.

The contract required settlement of net interest payables quarterly. The settlement dates coincided with the dates on which interest was payable on the underlying debt. The contracts were settled on a net basis. The fair value of the interest rate collar at 30 June is disclosed in Note 20.

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 were recognised in the profit and loss when such movement in fair value occurs, rather than being deferred to equity.

The interest rate collar was settled on 31 December 2010 and there are no interest rate swaps or collars as at 30 June 2011.

As at the end of the reporting period, the Group had the following variable rate financial assets and financial liabilities outstanding:

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	4.75%	3,625	4.00%	3,533
Interest-bearing liabilities	7.64%	(197,990)	7.43%	(198,190)
Other financial liabilities	–	–	8.55%	(335)
Net exposure to cash flow interest rate risk		**(194,365)**		**(194,992)**
Net decrease in exposure from interest rate collar (notional principal)		–		50,000
Net exposure		**(194,365)**		**(144,992)**

Interest rate sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

The Group is using a sensitivity of 75 basis points as management considers this to be reasonable, having regard to historic movements in interest rates.

A positive number represents an increase in profit and a negative number a decrease in profit.

Profit	30 June 2011 $'000	30 June 2010 $'000
$ impact of a 75 bps increase	(1,458)	(1,085)
$ impact of a 75 bps decrease	1,458	1,085

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(ii) Foreign currency risk

The Group undertakes transactions denominated in foreign currency; consequently, exposures to exchange rate fluctuations arise. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of reporting period, expressed in Australian dollars, was as follows:

	30 June 2011 AUD $'000	30 June 2010 AUD $'000
Loans receivable held in NZD[1]	43,247	45,096

1. Prior to provision for impairment.

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Foreign currency sensitivity analysis

The Group is exposed only to the currency of New Zealand.

The following table details the Group's sensitivity to 5% increase and decrease in the Australian dollar against the relevant foreign currency. Five per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

Measurement against AUD Profit/(loss)	**30 June 2011 AUD $'000**	**30 June 2010 AUD $'000**
$ impact of a 5% increase in NZD	2,201	2,294
$ impact of a 5% decrease in NZD	(1,991)	(2,076)

(iii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk, management continuously monitors and reviews the performance of the asset and is provided with detailed project models which forecast the cash flow distributions and the internal rate of return (IRR) of the project.

Sensitivity analysis has not been provided on the performance of this asset as any potential impact on profit or loss 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 to the Group.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

The carrying amounts of trade and other receivables, loans receivable, financial assets at fair value through profit or loss and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

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 lifecycle 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 counterparties regarding investment performance and broader market performance conditions with industry participants.

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Note 3 Financial risk management continued

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

It is the Group's policy to maintain sufficient liquid financial assets to cover current liabilities. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flows.

Financial arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

Floating rate	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Expiring within one year	18,186	26,234
Expiring beyond one year	–	–

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including the capitalisation of interest where appropriate.

2011 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	–	5,204	12,000	–	17,204	17,204
Interest-bearing liabilities						
Corporate facilities[1]	1,000	60,554	81,261	–	142,815	124,371
Project facilities[1]	612	50,563	58,457	–	109,632	100,303
Borrowings[1]	–	2,925	4,281	–	7,206	6,566
Total	**1,612**	**119,246**	**155,999**	**–**	**276,857**	**248,444**

1. At 30 June 2011, the interest-bearing facilities have been classified as current due to certain events of review as noted in Note 1(b). The above table shows the contractual maturities on the basis that the financier does not demand accelerated repayment of the debt.

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
Interest-bearing liabilities						
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**

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(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, so that they can continue to provide returns for securityholders and to maintain an optimal capital structure to reduce the 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 19, and equity as listed in Note 22.

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.

While the Group has a policy to maintain gearing within a target range of 60% to 65% the overall debt has stayed the same in the current period as a result of active development in several projects and the continued accrual of interest on the subordinated corporate debt, whilst assets have decreased significantly as a result of impairments recognised at 31 December 2010. With the realisation of a number of settlements in the first half of FY2012, the gearing ratios should return to more normal levels.

The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	Year ended 30 June 2011 $'000	**Year ended 30 June 2010 $'000**
Total borrowings[1]	228,151	224,473
Less: Cash and cash equivalents	(3,625)	(3,533)
Net debt	**224,526**	**220,940**
Total equity	75,329	111,096
Total capital	299,855	332,036
Gearing ratio	**75%**	**66%**

1. Gross of capitalised borrowing costs.

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.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Quoted prices (unadjusted) 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).

Note 3 Financial risk management continued

(e) Fair value measurements continued

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010:

Group at 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial asset at fair value through profit or loss:				
Kalynda investment	–	–	4,835	4,835
Total assets	**–**	**–**	**4,835**	**4,835**
Liabilities				
Derivative financial instrument	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

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				
Derivative financial instrument	–	335	–	335
Total liabilities	**–**	**335**	**–**	**335**

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. At 30 June 2011, the balance of the instrument was $nil as it had been settled.

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.

The following table presents the changes in level 3 instruments for the years ended 30 June 2010 and 30 June 2011:

	Financial asset at fair value through profit or loss $'000	Total $'000
Opening balance 1 July 2009	**4,733**	**4,733**
Total gains or losses:		
– in balance sheet	(976)	(976)
– in profit or loss	292	292
Closing balance 30 June 2010	**4,049**	**4,049**
Total gains or losses:		
– in balance sheet	885	885
– in profit or loss	(99)	(99)
Closing balance 30 June 2011	**4,835**	**4,835**

The directors consider that the carrying amount of other financial assets and liabilities recorded in the financial statements approximate their fair values.

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Note 4 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, Queensland, accounted for at fair value through profit or loss, as well as allocated Group overheads.

Segment information provided to the Chief Executive Officer and the Board of Directors for the reportable segments for the year ended 30 June 2011 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 2011					
Segment revenue					
Total segment revenue	30,067	8,902	411	323	**39,703**
Intersegment revenue	–	–	–	–	**–**
Revenue from external customers	30,067	8,902	411	323	**39,703**
Share of profit from associates	–	–	–	424	**424**
Segment profit	**2,437**	**8,902**	**411**	**747**	**12,497**
For the year ended 30 June 2010					
Segment revenue					
Total segment revenue	51,411	8,354	393	(262)	**59,896**
Intersegment revenue	–	–	–	–	**–**
Revenue from external customers	51,411	8,354	393	(262)	**59,896**
Share of profit from associates	–	–	–	2,338	**2,338**
Segment profit	**4,448**	**8,354**	**393**	**2,076**	**15,271**

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.

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Note 4 Segment information continued

(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 2011					
Investment in associate	–	–	–	15,875	**15,875**
Total segment assets	191,103	54,976	41,820	5,493	**293,392**
Unallocated assets	–	–	–	14,881	**14,881**
Total assets	**191,103**	**54,976**	**41,820**	**36,249**	**324,148**
As at 30 June 2010					
Investment in associate	–	–	–	15,451	**15,451**
Total segment assets	210,088	62,675	43,593	4,441	**320,797**
Unallocated assets	–	–	–	20,115	**20,115**
Total assets	**210,088**	**62,675**	**43,593**	**40,007**	**356,363**

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

Segment revenue reconciles to total revenue from continuing operations as follows:

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Total segment revenue	**39,703**	**59,896**
Intersegment eliminations	–	–
Other revenue	–	–
Total revenue from continuing operations (Note 5)	**39,703**	**59,896**

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 2011 $'000	Period ended 30 June 2010 $'000	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Australia	39,292	59,503	186,605	252,154
New Zealand[1]	411	393	41,820	43,593
Total	**39,703**	**59,896**	**228,425**	**295,747**

1. Total non-current assets exclude 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 2011 $'000	Year ended 30 June 2010 $'000
Segment profit	**12,497**	**15,271**
Finance costs	(15,251)	(18,330)
Impairment of loans receivable	(6,162)	(2,418)
Write-down of inventory	(15,716)	(2,426)
Unrealised foreign exchange (loss)/gain	(2,185)	509
Unrealised gain/(loss) on derivative financial instrument	18	(335)
Unallocated overheads	(4,841)	(5,649)
(Loss) before income tax from continuing operations	**(31,640)**	**(13,378)**

Note 5 Revenue and other income

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Revenue from continuing operations		
Revenue from the sale of land	30,067	51,411
Interest income	9,636	8,485
Total revenue from continuing operations	**39,703**	**59,896**
Other income		
Fair value (losses)/gains on other financial assets at fair value through profit or loss	(99)	292
Project management fees	2,108	2,497
Other income	20	163
Total other income	**2,029**	**2,952**

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Note 6 Expenses

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges	26,125	33,717
Amounts capitalised	(10,874)	(15,387)
	15,251	**18,330**
Marketing and other operating expenses		
Legal fees	259	691
Depreciation	111	47
Unrealised (gain)/loss on financial instrument	(18)	335
Loss on sale of property, plant and equipment	108	–
Marketing and other	3,624	3,618
	4,084	**4,691**
Other significant items		
Impairment of loan receivables (Note 11)	(6,162)	(2,418)
NRV write-down of inventory (Note 12)	(15,716)	(2,426)

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 2011 or for the year ended 30 June 2010. Nor were there any dividends/distributions payable at either 30 June 2011 or 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 8 Earnings per security

	Year ended 30 June 2011	Year ended 30 June 2010
Net (loss) after tax attributable to securityholders ($'000)	(35,799)	(9,065)
Time weighted average number of securities for basic and diluted earnings per security ('000)	176,108	176,108
Basic earnings per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	(20.33)	(5.15)
Diluted earnings per stapled security for net profit attributable to stapled securityholders (cents per stapled security)	(20.33)	(5.15)

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Note 9 Income tax

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
(a) Income tax expense/(benefit)		
Current tax		
Current tax expense/(benefit) in respect of the current year	205	(332)
Adjustments for current tax of prior periods	1,669	(1,668)
	1,874	**(2,000)**
Deferred tax		
Deferred tax expense recognised in current year	980	(2,422)
Write-down of deferred tax assets	1,273	–
	2,253	**(2,422)**
Total income tax expense/(benefit)	**4,127**	**(4,422)**
Deferred income tax expense included in income tax (revenue)/expense comprises:		
Decrease/(Increase) in deferred tax assets	(7,473)	1,385
(Decrease)/Increase in deferred tax liabilities	8,453	(3,807)
	980	**(2,422)**
(b) Numerical reconciliation of income tax (benefit) to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(31,640)	(13,378)
Income tax (benefit) calculated at 30% (2010: 30%)	**(9,492)**	**(4,013)**
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(12,752)	(15,846)
Non-deductible expenses	17,904	15,518
Group net loss not deductible	2,627	1,587
Current year losses not recognised	2,898	–
Write-down of deferred tax assets (tax losses)	1,273	–
Adjustments for current tax of prior periods	1,669	(1,668)
Income tax expense/(benefit) recognised in profit or loss	**4,127**	**(4,422)**
(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	–	824
(d) Tax expense/(benefit) relating to items of other comprehensive income		
Changes in value of cash flow hedges	–	824
(e) Tax losses		
Unused tax losses – a deferred tax asset has been recognised	42,000	51,825
Unused tax losses – a deferred tax asset has not been recognised	13,902	–
Total tax losses	**55,902**	**51,825**
Potential tax benefit at 30%	**16,771**	**15,548**

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Note 9 Income tax continued

(e) Tax losses continued

As at 30 June 2011, the Group had carry forward tax losses of $55.9 million (2010: $51.8 million).

The predominant drivers in generating these carry forward losses are the timing differences between accounting and taxation treatments for the Group's development activities and the large amount of financing costs incurred by the Group in its initial years of operations. The timing differences will reverse over time as the projects work through the operating cycle; this cycle will also reduce the ongoing financing costs such that the taxable income is higher in future periods.

At 30 June 2011, the Group assessed its deferred tax asset for recoverability. Forecast project development models for the Group over a defined period indicate that it is probable that future taxable profit will be available against which $42 million of the unutilised tax losses can be applied. As a result of this assessment a decision to write off $4.2 million of prior year losses was made along with a decision not to recognise an increase in the current period. These forecast assessments 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, or the ownership of the Group were to change, then the recoverability of this deferred tax asset would be reassessed.

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
(f) Recognised deferred tax assets and deferred tax liabilities		
Deferred tax assets		
Tax losses	12,600	15,548
Provision for diminution	11,000	5,392
NZD denominated loans	1,843	1,166
Hedge funding liability	–	101
Other	1,376	30
Gross deferred tax assets	**26,819**	**22,237**
Deferred tax liabilities		
Deductible development costs	13,767	6,187
Development fee revenue	–	3,352
Other	5,148	923
Gross deferred tax liabilities	**18,915**	**10,462**
Net deferred tax asset	**7,904**	**11,775**
Deferred tax balances		
Balance at the beginning of the financial period	11,775	7,819
Write-down of deferred tax asset on prior year losses	(1,273)	–
Recognised in profit or loss	(980)	2,422
Recognised directly in equity	–	(824)
Deferred tax asset relating to current year tax losses	–	678
Deferred tax asset relating to change in prior period tax estimate	(1,618)	1,680
Balance at the end of the financial period	**7,904**	**11,775**

(g) 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(g).

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.

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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 2011 $'000	As at 30 June 2010 $'000
Cash at bank and on hand	3,625	3,533

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 3.

Note 11 Receivables

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
Receivables		
GST receivable	286	287
	286	**287**
Other assets		
Prepayments	404	402
Deposits and other receivables	1,232	2,222
	1,636	**2,624**
Non-current		
Loans receivable		
Loans receivable[1]	115,488	118,874
Provision for impairment[2]	(18,692)	(12,606)
	96,796	**106,268**

1. 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.
2. Impaired receivables – The provision for impairment on loans receivable reflects 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.

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

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Note 11 Receivables continued

Movement in the provision for impairment is as follows:

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Provision at the beginning of the year	(12,606)	(10,444)
Impairment recognised during the year	(6,162)	(2,418)
Foreign exchange translation gains and losses	76	–
Impairment provision written off against asset	–	256
Provision at the end of the year	**(18,692)**	**(12,606)**

At 30 June 2011 and at 30 June 2010 no loans receivable were past due.

Risk exposure

Information about the Group's exposure to credit risk, foreign currency and interest rate risk in relation to trade and other receivables is provided in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each receivable.

Fair value

The carrying amounts of the receivables are assumed to approximate their fair value.

Note 12 Inventories

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
Land held for resale		
– cost of acquisition	68,658	35,059
– write-down of inventory	(7,335)	(7,147)
– development costs	9,609	9,955
– asset facilitation fees	532	634
– capitalised finance costs	10,568	3,456
	82,032	**41,957**
Non-current		
Land held for resale		
– cost of acquisition	89,579	137,758
– write-down of inventory	(19,452)	(3,924)
– development costs	13,812	7,551
– asset facilitation fees	2,132	2,534
– capitalised finance costs	23,000	24,212
	109,071	**168,131**

Inventory expense

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

Inventories recognised as an expense during the year ended 30 June 2011 amounted to $27.1 million (2010: $47.5 million).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to $15.7 million (2010: $2.4 million).

Refer to Note 1(b) for change in accounting policy in relation to determination of net realisable value of inventory.

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Note 13 Other financial assets at fair value through profit or loss

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Non-current		
Other financial assets at fair value through profit or loss	4,835	4,049
	4,835	**4,049**

Changes in fair values of other financial assets at fair value through profit or loss are recorded in "Other income" or "Marketing and other operating expenses" in the Statement of Comprehensive Income, as well as balance sheet. Refer to Note 3.

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3.

Note 14 Equity accounted investments

(a) Movements in carrying amounts

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Equity accounted investments		
Investment in PRM Holdings Pty Ltd[1]		
Carrying amount at the beginning of the financial year	15,451	14,263
Distributions received during the year	–	(1,150)
Share of profits after income tax	424	2,338
Carrying amount at the end of the financial year	**15,875**	**15,451**

1. Ownership interest 50%.

(b) Summarised financial information of equity accounted investments

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Financial position		
Total assets	6,726	6,534
Total liabilities	(917)	(1,572)
Net assets	**5,809**	**4,962**
Group's share of net assets	**2,905**	**2,481**
Financial performance		
Total revenue	1,678	4,869
Total profit for the year	848	4,676
Group's share of associates' profit	**424**	**2,338**

Assessment of carrying value

A discounted cash flow 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 15 Property, plant and equipment

	Office equipment $'000	Finance lease equipment $'000	Leased fitout $'000	Computer software $'000	Computer equipment $'000	Office furniture $'000	Total $'000
Cost or valuation							
Balance as at 1 July 2010	**31**	**46**	**161**	**285**	**30**	**39**	**592**
Additions	11	–	–	1	–	8	**20**
Disposals	–	–	(126)	–	–	(30)	**(156)**
Transfers	–	–	–	–	–	–	**–**
Balance as at 30 June 2011	**42**	**46**	**35**	**286**	**30**	**17**	**456**
Accumulated depreciation and impairment							
Balance as at 1 July 2010	**2**	**32**	**42**	**30**	**26**	**20**	**152**
Additions	15	6	14	66	4	6	**111**
Disposals	–	–	(38)	–	–	(9)	**(47)**
Balance as at 30 June 2011	**17**	**38**	**18**	**96**	**30**	**17**	**216**
Carrying amounts							
At 1 July 2010	29	14	119	255	4	19	**440**
At 30 June 2011	**25**	**8**	**17**	**190**	**–**	**–**	**240**

	Office equipment $'000	Finance lease equipment $'000	Leased fitout $'000	Computer software $'000	Computer equipment $'000	Office furniture $'000	Total $'000
Cost or valuation							
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**
Accumulated depreciation and impairment							
Balance as at 1 July 2009	**2**	**31**	**42**	**20**	**2**	**7**	**104**
Additions	–	1	–	10	24	13	**48**
Disposals	–	–	–	–	–	–	**–**
Acquisition of subsidiary	–	–	–	–	–	–	**–**
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**

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Note 16 Intangible assets

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Goodwill		
Opening net book amount	1,848	1,848
Impairment	–	–
Closing net book amount	**1,848**	**1,848**

In accordance with accounting standards the goodwill was tested for impairment during the 2011 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 2011 no indicators of impairment were noted and therefore no impairment has been recorded.

Note 17 Trade and other payables

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
Trade payables	36	269
Other liabilities	1,455	894
Accrued facilitation fees	12,000	6,500
Income taxes payable	230	333
GST payable	1,483	1,715
	15,204	**9,711**

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

Note 18 Provisions

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
Employee benefits	184	178
Other employee provisions	71	49
	255	**227**
Non-current		
Long service leave provisions	95	85
	95	**85**

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Note 18 Provisions continued

(a) Movements in provisions

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
Employee provision		
Carrying amount at start of year	178	55
Credited to profit or loss		
Additional provisions recognised	117	193
Amounts used during the period	(111)	(70)
Carrying amount at the end of the year	**184**	**178**
Internalisation cost provision		
Carrying amount at start of year	–	105
Credited to profit or loss		
Unused amounts reversed	–	(105)
Carrying amount at the end of the year	**–**	**–**

(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 2011 $'000	As at 30 June 2010 $'000
Non-current		
Long service leave provision		
Carrying amount at start of year	85	37
Credited to profit or loss		
Additional provisions recognised	10	48
Carrying amount at the end of the year	**95**	**85**

Note 19 Interest-bearing loans and borrowings

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current interest-bearing loans		
Secured		
Senior corporate debt facility	97,687	100,405
Babcock & Brown subordinated debt facility	30,161	26,284
Project facilities	100,303	82,702
	228,151	**209,391**
Less: deferred finance costs (senior corporate debt facility)	(3,477)	–
Total current	**224,674**	**209,931**
Non-current interest-bearing loans		
Secured		
Corporate facility	–	–
Project facilities	–	15,082
Total non-current	**–**	**15,082**
Non-current borrowings		
Unsecured		
Loans	**6,566**	**8,402**

The fair value of interest-bearing liabilities at balance date is 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 3 "Financial Risk Management".

(a) Total secured liabilities

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

	As at 30 June 2011	As at 30 June 2010
Interest-bearing liabilities	228,151	224,473

(b) Assets pledged as security

Project facilities are secured by first ranking registered mortgages over the Group's freehold land held as inventory secured project by project (refer to Note 12). 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 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 the 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 the unsecured loans. Accordingly, unsecured loans are classified as non-current.

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Note 19 Interest-bearing loans and borrowings continued

(d) Interest-bearing liabilities

The interest-bearing liabilities are an Australian dollar facility subject to variable interest rates and are repayable over the next two years. The effective interest rates vary between 5.76% and 8.69%. There are also deferred finance costs in relation to the senior corporate debt worth a total of $3.5 million as at 30 June 2011 (2010: $nil) which have been incurred. Refer to Note 17 for the balance of the accrued facilitation fee as at end of reporting period that are payable on expiration of the loan facility.

The Group has also interest-bearing liabilities with fixed interest rate of 14%.

(e) Unused funding agreements

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	100,000	2,313
BNB facility – secured	30,161	–
Project facilities – secured	116,176	15,873

(f) Events of review

During the 12 months ended 30 June 2011, a number of events of review occurred under the senior corporate and project debt facilities, due to loan to value ratio, cash flow and sales rate covenant breaches. Due to the cross-collateralisation provisions that apply to the senior debt, the carrying value of the loans classified as current as a result of the events of review at 30 June 2011 total $180,609,000. See Notes 1(b) and 30 for further information.

Note 20 Other financial liabilities

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
Other financial liabilities		
Derivative financial instrument[1]	–	335
Lease incentive	25	–
Finance lease liability	–	34
	25	**369**

1. Refer to Note 3(e) Financial risk management – Fair value measurements.

Note 21 Payables

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Non-current		
Deferred land payment	2,000	2,000

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

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Note 22 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 a show of hands, every holder of ordinary securities present as at the 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 2011 $'000	As at 30 June 2011 No. of securities	As at 30 June 2010 $'000	As at 30 June 2010 No. of securities
Fully paid securities				
Opening balance	164,104	176,107,825	164,104	176,107,825
Closing balance	**164,104**	**176,107,825**	**164,104**	**176,107,825**

The contributed equity reconciles to the contributed equity of the Group's parent and the other stapled entity as shown on the Statement of Changes in Equity.

Note 23 Reserves

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Cash flow hedges		
Balance as at beginning of the year	–	(1,921)
Loss on cash flow hedge	–	–
Deferred tax	–	–
Recognised in Statement of Comprehensive Income	–	1,921
Balance at the year end	**–**	**–**

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 2011 and 30 June 2010, there are no effective cash flow hedges.

Note 24 Retained earnings/(accumulated losses)

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Movements in retained earnings/(accumulated losses)		
Balance as at beginning of financial year	(53,008)	(43,547)
(Loss) for the year	(35,767)	(8,956)
Distributions provided for or paid to non-controlling interests	–	(505)
Balance at the end of the financial year	**(88,775)**	**(53,008)**
Retained earnings/(accumulated losses) attributable to stapled securityholders as:		
Equity holders of the parent	(59,402)	(32,227)
Non-controlling interest	(610)	(642)
Equity holders of the other stapled entity	(28,763)	(20,139)
	(88,775)	**(53,008)**

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Note 25 Acquisition of subsidiaries

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.

There were no acquisitions or disposals of entities during the financial year ended 30 June 2011.

Note 26 Key management personnel disclosures

(a) Directors

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

R. Wright	Chairman, non-executive Director
R. Gelski	Non-executive Director
C. Langford	Non-executive Director
S. McTigue	Non-executive Director, appointed 27 April 2011
M. Maxwell	Non-executive Director, resigned 27 April 2011

(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	Chief Executive Officer
M. Sweeney	Chief Financial Officer

(c) Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Short-term employee benefits	1,128,024	987,003
Post-employment benefits	64,416	55,743
Termination benefit	–	255,769
	1,192,440	**1,298,515**

Detailed remuneration disclosures are provided in the remuneration report on pages 28 to 32.

(d) Equity instrument disclosures relating to key management personnel

The number of units held during the financial year by each Director of the Group and other key management personnel of the Group are set out below. No units were granted as compensation during the reporting period. Only those Directors or key management personnel who have held units during the period are disclosed below.

Fully paid ordinary shares	Balance 30 June 2010	Change during the year	Other changes during the year	Balance 30 June 2011
Directors				
R. Wright	231,732	–	–	231,732
R. Gelski	231,732	–	–	231,732
C. Langford	105,000	–	–	105,000
M. Maxwell[1]	4,000,000	–	(4,000,000)	–
Total	**4,568,464**	**–**	**(4,000,000)**	**568,464**
Other key management personnel				
D. Wightman	347,597	–	–	347,597
Total	**347,597**	**–**	**–**	**347,597**

1. M. Maxwell resigned as a Director on 27 April 2011, at which point he still held units in the Group, however no longer in capacity as a director.

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(e) Loans to key management personnel

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.

(f) 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.

Note 27 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 2011 $	Year ended 30 June 2010 $
PwC Australia		
Audit or review of financial reports	407,000	454,000
Taxation services	92,950	92,135
	499,950	**546,135**
Other auditors		
Audit or review of financial reports	5,000	5,000
Australian Financial Services Licensee compliance	4,500	4,500
Audit of compliance plan	20,000	20,000
	29,500	**29,500**

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.

Note 28 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 29.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 26.

(d) Transactions with related parties

RCL Group Services Limited

On 13 April 2010, RCLGL acquired 100% of the ordinary shares in RCL Group Services Limited for fair value from Babcock & Brown.

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 on 13 April 2010.

No amounts were paid directly by the Group to the Directors of the Responsible Entity, except as disclosed at Note 26.

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.

Note 28 Related party disclosures continued

(d) Transactions with related parties continued

During the prior 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 RCLGL 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 2011 $	Year ended 30 June 2010 $
Manager's expense fee/cost recovery	–	20,000
Asset facilitation fee	–	190,000
Custodian fee	–	30,000
Cost recovery	–	252,665

Loans from related parties

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Beginning of the year	26,284,000	22,906,000
Interest charged	3,877,000	3,378,000
End of year	**30,161,000**	**26,284,000**

The Babcock & Brown Group continues to be a related party as at 30 June 2011, given that various Babcock & Brown entities continue to hold a significant equity interest in the Group.

Amounts owing to related parties

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Facilitation fee	2,000,000	2,000,000

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans during the year was 14% (2010: 14%).

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Note 29 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 2011	Ownership 2010
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%
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[2]	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. 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.

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Note 30 Events after the reporting period

(a) Senior corporate and project debt

Since the end of the financial year the Group has received and executed binding waivers for all "events of review" that had occurred prior to balance date for both the senior corporate facility and related project facilities.

No current "events of review" have taken place as at the date of issue of this report, however, future events may take place which may potentially lead to an "event of review" within the terms of the lending agreements. Any future events that may occur, or that are currently foreseeable by the Group, are considered by the Group to be manageable with the support of the Group's lender.

(b) Babcock & Brown subordinated debt

In September 2010, the Group advised the market that Babcock & Brown alleged that the terms of the rollover of the Group's senior corporate debt facility and certain of the project debt facilities were in breach of arrangements between Babcock & Brown and the Group. During the financial year an agreement was reached in relation to this matter and documentation to formally resolve the issue was finalised in August 2011. It is again noted that in the opinion of the Board, that the Babcock & Brown corporate debt is subordinated to the senior corporate debt and cannot be called for repayment without the consent of the senior corporate debt facility lender.

(c) 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 31 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 2011 $'000	Year ended 30 June 2010 $'000
Balance sheet		
Current assets	1,981	1,344
Total assets	187,998	193,562
Current liabilities	(135,831)	(133,469)
Total liabilities	(220,100)	(215,849)
Shareholders' equity		
Issued capital	1,656	1,656
Retained earnings	(33,758)	(23,943)
	(32,102)	**(22,287)**
(Loss) for the year	**(9,815)**	**(11,130)**
Total comprehensive income	**(9,815)**	**(11,130)**

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 2011 or 30 June 2010.

(c) Contingent liabilities and commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity did not have any contingent liabilities or commitments for the acquisition of property, plant and equipment as at 30 June 2011 or 30 June 2010 save for it being a party to the documents relating to the Group's contingent liabilities and commitments referred to in Notes 33 and 34 below.

Note 32 Reconciliation of (loss) for the year to net cash flows from operations

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Net (loss) before tax	**(31,640)**	**(13,378)**
Unrealised gain/loss on derivative financial instruments	80	(335)
Unrealised foreign exchange gain/(loss)	2,185	(509)
Bad debts	–	176
Loss on disposal of assets	108	–
Impairment of receivables	6,162	2,418
Write-down of inventory	15,716	2,426
Depreciation	111	47
Share of profit of equity accounted investment	(424)	(1,188)
Changes in assets and liabilities		
Decrease in other receivables	1	148
(Increase)/decrease in other financial asset at fair value	(786)	684
Decrease in land and development costs	1,871	36,277
Decrease/(increase) in other assets	988	(123)
Increase/(decrease) in trade and other payables	5,493	(170)
Increase in provisions	38	115
(Decrease) in other financial liabilities	(344)	(2,410)
Net cash (outflow)/inflow from operating activities	**(441)**	**24,178**

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Note 33 Commitments

(a) Commitments for expenditure

Expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Contracted work to complete	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Within one year	8,924	1,836
Later than one year and not later than five years	961	–
Later than five years	–	–
	9,885	**1,836**

(b) Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases office and various equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	106	41
Later than one year and not later than five years	188	56
Later than five years	–	–
	294	**97**

Note 34 Contingent assets and liabilities

The Group has financial guarantees in respect of completion of development works and maintenance bonds to relevant authorities. The value of these guarantees at 30 June 2011 was $1,205,383 and at 30 June 2010 was $742,621.

Except above, there are no contingent assets or liabilities for the Group.

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Directors' Declaration on the Consolidated Financial Report of RCL Group Limited (RCLGL)

Except for the matters referred to at Note 1, in the opinion of the Directors of RCL Group Limited (RCLGL):

(a) the consolidated financial statements and notes for RCL Group as set out on pages 35 to 78 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 2011 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that 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, 30 August 2011

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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 2011, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of 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 2011 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 report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report. Note 1 comments on the ability of the RCL Group to continue as a going concern being dependent on certain matters, including ongoing support of financiers, management of limited liquidity and the achievement of cash flow forecasts and debt repayment milestones. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge 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 28 to 32 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of RCL Group Limited (the Company) for the year ended 30 June 2011 included on RCL Group web site. The directors of the Company are responsible for the integrity of the RCL Group 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. 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 presented on this web site.

Pricewaterhouse Coopers

PricewaterhouseCoopers

C Lewis

Christopher Lewis
Partner

Melbourne
30 August 2011

2011 Financial Report of RCL Group Trust

ARSN 119 613 848

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Directors' Report

In respect of the year ended 30 June 2011, the Directors of RCL Group Services Limited ("RCLGSL"), the Responsible Entity of the RCL Group Trust ("RCLGT") 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 during or since the end of the financial year are:

Mr R Wright	Independent Chairman, non-executive Director
Mr R Gelski	Non-executive Director
Mr C Langford	Non-executive Director
Mr S McTigue	Non-executive Director (appointed 27 April 2011)
Mr M Maxwell	Non-executive Director (resigned 27 April 2011)

Company Secretary

Mr A James

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

The Trust's loss after tax for the year ended 30 June 2011 is $8,624,000 (2010: loss of $5,291,000).

Changes in the state of affairs

There has been no significant change in the state of affairs of the Trust during the financial year.

Distributions

There were no distributions declared during the year ended 30 June 2011 or 30 June 2010.

Matters subsequent to the end of financial year

No other matter or circumstance has arisen since 30 June 2011 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.

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Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year ended 30 June 2011, and the number of meetings attended by each Director, are as follows:

Director	RCL Group Services Limited Board		Audit, Risk & Compliance Committee[1]		Nomination, Governance & Remuneration Committee	
	A	H	A	H	A	H
R. Wright	12	13	4	4	3	3
R. Gelski	12	13	4	4	3	3
C. Langford[2]	13	13	n/a	n/a	n/a	n/a
S. McTigue[3]	2	2	n/a	n/a	n/a	n/a
M. Maxwell[4]	9	11	3	3	2	2

A – Number of meetings attended.
H – Number of meetings held during the time the Director held office or was member of the Committee during the year.
n/a – Director not on Board/Committee.
1. Audit, Risk & Compliance Committee of RCL Group Services Ltd.
2. Appointed as Chairman of Nomination, Governance & Remuneration Committee on 23 May 2011.
3. Appointed to RCLGSL Board on 27 April 2011.
4. Resigned from RCLGSL Board on 27 April 2011.

Indemnification 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 15 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 13 in relation to the entity that provided the remuneration of the Directors of the Trust's Responsible Entity.

Non-audit services

The RCLG 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 Trust, until the Trust 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 2011, and has confirmed that the provision of non-audit services for 2011 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 *Corporations Act 2001*. The external auditor has confirmed to the ARCC that it has

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maintained its independence in accordance with their firm requirements, with the provisions of APES 110 – *Code of Ethics for Professional Accountants* and with the applicable provisions of the *Corporations Act 2001*, for the year ended 30 June 2011.

Amounts paid or payable to the PricewaterhouseCoopers Australian firm for non-audit services provided during the year amounted to $9,000 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 87.

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 11 to the financial statements.

Rounding of amounts

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 RCL Group Services Limited

R. Wright
Director
RCL Group Services Limited

Dated at Sydney this 30th day of August 2011.

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Auditor's Independence Declaration

As lead auditor for the audit of RCL Group Trust for the year ended 30 June 2011, 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 2011

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Revenue from continuing operation	4	**4,422**	**8,325**
Management charges	5	(2,050)	(2,591)
Operating expenses		–	(34)
Financing costs	5	(144)	(125)
Impairment of related party loans receivable	8	(10,852)	(10,744)
Bad debts		–	(122)
(Loss) before income tax		**(8,624)**	**(5,291)**
Income tax expense		–	–
(Loss) for year and from continuing operations		(8,624)	(5,291)
Total comprehensive (loss) for the year		**(8,624)**	**(5,291)**
Total comprehensive (loss) for the year is attributable to:			
Owners of RCL Group Trust		(8,624)	(5,291)
		(8,624)	**(5,291)**
Earnings per unit for (loss) from continuing operations attributable to the ordinary equity holders of the Trust:			
Basic (loss) per unit:		(4.90)	(3.00)
Diluted (loss) per unit:		(4.90)	(3.00)
Earnings per unit for (loss) attributable to the ordinary equity holders of the Trust:			
Basic (loss) per unit:		(4.90)	(3.00)
Diluted (loss) per unit:		(4.90)	(3.00)

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

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Consolidated Statement of Financial Position

As at 30 June 2011

	Note	As at 30 June 2011 $'000	As at 30 June 2010 $'000
ASSETS			
Current assets			
Cash	7	1	1
Receivables and other assets	8	150	188
Total current assets		**151**	**189**
Non-current assets			
Related party loan receivables	8	132,039	140,482
Total non-current assets		**132,039**	**140,482**
Total assets		**132,190**	**140,671**
LIABILITIES			
Current liabilities			
Trade and other payables	9	–	1
Interest-bearing liabilities	10	1,120	976
Total current liabilities		**1,120**	**977**
Total liabilities		**1,120**	**977**
Net assets		**131,070**	**139,694**
EQUITY			
Contributed equity	11	162,448	162,448
Retained earnings/(accumulated losses)	12	(31,378)	(22,754)
Total equity		**131,070**	**139,694**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2009	**162,448**	**(17,463)**	**144,985**
(Loss) for the year	–	(5,291)	**(5,291)**
Total comprehensive (loss) for the year	–	(5,291)	**(5,291)**
Balance at 30 June 2010	**162,448**	**(22,754)**	**139,694**
(Loss) for the year	–	(8,624)	**(8,624)**
Total comprehensive (loss) for the year	–	(8,624)	**(8,624)**
Balance at 30 June 2011	**162,448**	**(31,378)**	**131,070**

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

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Consolidated Statement of Cash Flows

For the year ended 30 June 2011

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	Note	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Cash flows from operating activities			
Receipts in the course of operations		38	684
Payments in the course of operations		(2,051)	(2,822)
Net cash (outflow) from operating activities	17	**(2,013)**	**(2,138)**
Cash flows from investing activities			
Proceeds from repayment of borrowings provided to related parties		4,863	26,158
Payments for loans to related parties		(2,994)	(24,154)
Net cash inflow from investing activities		**1,869**	**2,004**
Cash flows from financing activities			
Proceeds from borrowings		144	126
Net cash inflow from financing activities		**144**	**126**
Net (decrease) in cash assets held		**–**	**(8)**
Cash and cash equivalents at the beginning of the year	7	1	9
Cash and cash equivalents at the end of the year	7	**1**	**1**

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

Notes to the Consolidated Financial Statements

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Note 1 Significant accounting policies

RCL Group Trust together with RCL Group Limited form RCL Group. 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 2011 and any public announcements made by RCL Group ("RCLG or the Group") 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.

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.

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) Statement of compliance

This general purpose financial report for the year ended 30 June 2011 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*.

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).

(b) Basis of preparation

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.

The financial report is presented in Australian dollars unless otherwise noted.

The Trust is an entity of the kind referred to in Class Order 98/0100, 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.

Early adoption of Accounting Standards

The Directors have elected under s.334 (5) of the *Corporations Act 2001* to apply Amendments to AASB 7 *Financial Instruments: Disclosure* and Amendments to AASB 101 *Presentation of Financial Statements* in advance to their effective dates. The Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2011. The impact of the adoption of these standards is disclosed in Note 1(q) to the financial statements.

Going concern basis

The consolidated financial report of RCL Group Trust as at 30 June 2011 has been prepared on a going concern basis as the Directors of the Responsible Entity, after reviewing the Trust's going concern status, 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 extending 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 ended 30 June 2011, there is material uncertainty as to whether RCL Group Limited will continue as a going concern.

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 material 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 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 2011. 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) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RCL Group Trust ("RCLGT") as at 30 June 2011.

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 2011 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 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.

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 allocates 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.

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.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method.

All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement.

Acquisition-related costs are expensed as incurred.

Non-controlling interests in an acquiree are 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.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

(e) 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.

(f) 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.

(g) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents consist of cash on hand, cash in banks, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

The Statement of Cash Flows has been presented on a gross basis. The Trust itself has not funded the transactions; rather its operations are paid via related party loans.

(h) Loans and other receivables

Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. 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.

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Note 1 Significant accounting policies continued

(i) Trade and other 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.

(j) 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). On 18 December 2008, the Board announced to the market that it had elected to suspend payment of stapled security distributions until further notice.

(k) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- 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.

(l) 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.

(m) 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.

(n) Impairment of assets

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 that suffered impairment are reviewed for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised 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 Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The Directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out 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 Trust 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.

Revised AASB 124 ***Related Party Disclosures*** and **AASB 2009-12 Amendments to Australian Accounting Standards** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Trust will apply the amended standard from 1 July 2011. When the amendments are applied, the Trust will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

IFRS 13 ***Fair Value Measurement*** (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

AASB 2011-4 ***Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*** (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(q) Standards and interpretations affecting amounts reported in the current period

The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Amendments to AASB 7 ***Financial Instruments: Disclosure*** (adopted in advance of effective date of 1 January 2011)

The amendments (part of AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project") clarify the level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to AASB 101 ***Presentation of Financial Statements*** (adopted in advance of effective date of 1 January 2011)

The amendments (part of AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project") clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the Statement of Changes in Equity or in the notes to the financial statements.

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Note 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies which are described in Note 1, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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(n). 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 8 for further disclosure on the assumptions used to test impairment.

Interest-bearing liabilities

The Trust and its controlled entities lend funds to a number of RCL Group controlled entities. These funds are usually subordinated to other senior lending providers; it is a critical assumption that the lenders of those facilities will continue to provide financing and support to those entities on commercially viable terms. This assumption is based on regular discussions with these lenders and their historic support.

Note 3 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 Trust's objectives, policies and processes for measuring and managing risk and the Trust's management of capital. Further quantitative disclosures are included throughout this financial report.

The Trust's 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 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 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 is now delegated to the Group Treasury Manager.

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(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 Trust had the following interest-bearing assets and interest-bearing liabilities:

	30 June 2011		30 June 2010	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Cash and cash equivalents	4.75%	1	4.00%	1
Loans and other receivables	3.51%	132,189	6.34%	140,670
Interest-bearing liabilities	14.00%	1,119	14.00%	976

The loans receivable in the above table have fixed interest rates, and therefore do not face any market risk relating to movement in market-determined interest rates. Other receivables, which contribute a total of $15.9 million to the loans and other receivables total of $132.2 million, do not accumulate interest.

During the year ended 30 June 2011, the Trust suspended the further accrual of interest on several of the related party Trust loans (Haywards Bay, Mirador Heights and Mernda). This led to a decrease in the weighted average interest rate (as above) and will have an impact on the Trust revenue in future periods. This policy decision by the Directors of the Trust's Responsible Entity also contributed to a decrease in revenue during the 2011 year, but will not impact the earnings of the RCL Group as a whole upon consolidation.

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 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 continued 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.

(ii) Foreign 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 foreign currency.

(b) Credit risk

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

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.

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Note 3 Financial risk management continued

(b) Credit risk continued

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

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Cash and other cash equivalents	1	1
Loans and other receivables	132,189	140,670
	132,190	**140,671**

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 monitors the performance of all development projects to which the loans receivable relate, to ensure that the amount provided will be recovered and performance is as expected. As at 30 June 2011, $7.5 million of a related party debt has been written off as bad debt. During the year a further $10.8 million was provided as impaired. Information relating to impairment assessment undertaken in relation to loans receivable is provided at Note 8. Of the Trust's $132.2 million of related party loans receivable, $118.2 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 cash flows to manage its short- and long-term liquidity.

The tables below set out the Trust liabilities as at 30 June 2011 and 30 June 2010 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.

2011 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	–	–	–	–	**–**
Interest-bearing liabilities	–	1,120	–	–	**1,120**
Total	**–**	**1,120**	**–**	**–**	**1,120**

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**
Total	**–**	**977**	**–**	**–**	**977**

(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(j)).

There were no changes in the Trust's approach to capital management during the 2011 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.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices in active markets for identical asset or liabilities (level 1);

(b) 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

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

As at 30 June 2011, 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 2011 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 8 to these financial statements.

Note 4 Revenue

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Interest income		
Interest income – related parties	4,422	8,325
	4,422	**8,325**

Note 5 Expenses

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Management charges		
Responsible entity fee	2,050	2,561
Custodian fee	–	30
	2,050	**2,591**
Finance costs		
Interest and finance charges	144	125
	144	**125**

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 owned by RCL Group Limited, to recover a reasonable estimate of the cost of managing the Trust.

Note 6 Distributions to unitholders

There were no distributions paid or payable for the years ended 30 June 2011 or 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.

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Notes to the Consolidated Financial Statements continued

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Note 7 Cash and cash equivalents

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Cash at bank and on hand	1	1
	1	**1**

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

Note 8 Loans receivable, receivables and other assets

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Current		
GST receivable	150	188
	150	**188**
Non-current		
Related party loans receivable	152,996	158,109
Provision for diminution of loans/impairment	(20,958)	(17,627)
	132,039	**140,482**

(a) Impaired receivables

The Trust has applied the accounting policy relating to the impairment of loans receivable as discussed at Note 1(n). Reviews of cash flow forecasts indicated that loans receivable relating to the Mirador Heights, and Pacific Dunes loans were potentially impaired as it was not forecast that all loaned funds will be repaid to the Trust. In accordance with AASB 139 *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 abovementioned calculations are as follows:

Receivable relating to Mirador Heights Development: 6.0%

Receivable relating to Pacific Dunes Development: 15.0%

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Related party loans receivable		
Carrying value prior to impairment	142,891	151,226
Net present value	132,039	140,482
Impairment provision recognised during the year	**10,852**	**10,744**

Movements in the provision for impairment of receivables are as follows:

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Provision at the beginning of the year	(17,627)	(6,883)
Impairment recognised during the year	(10,852)	(10,744)
Impairment provision written off against asset	7,521	–
Provision at the end of the year	**(20,958)**	**(17,627)**

At 30 June 2011, the Trust has recorded a bad debt against the Haywards Bay and Mernda Sub Trust loans of total $7,521,220, following suspension of interest and provisions taken against these loans in previous periods.

Note 9 Trade and other payables

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Trade and other payables		
Accrued liabilities	–	1
	–	**1**

Note 10 Interest-bearing liabilities

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Current (at amortised cost)		
Subordinated Babcock & Brown facility	1,120	976
	1,120	**976**

Note 11 Contributed equity

	Year ended 30 June 2011 No. of units	Year ended 30 June 2010 No. of units	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Fully paid units				
Opening balance	176,107,825	176,107,825	162,448	162,448
Closing balance	**176,107,825**	**176,107,825**	**162,448**	**162,448**

Note 12 Retained earnings/(accumulated losses)

	As at 30 June 2011 $'000	As at 30 June 2010 $'000
Movements in retained earnings/(accumulated losses)		
Balance as at beginning of financial year	(22,754)	(17,463)
(Loss) for the year	(8,624)	(5,291)
Balance at the end of the financial year	**(31,378)**	**(22,754)**

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Note 13 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. Wright	Chairman, non-executive Director
R. Gelski	Non-executive Director
C. Langford	Non-executive Director
S. McTigue	Non-executive Director (appointed 27 April 2011)
M. Maxwell	Non-executive Director (resigned 27 April 2011)

(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	Chief Executive Officer
M. Sweeney	Chief Financial Officer

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

The Directors and key management personnel who held RCL Group stapled securities in the previous 12 months are identified as follows:

Parent entity Directors	Balance as at 30 June 2010	Change during the year	Other changes during the year	Balance as at 30 June 2011
Directors				
M. Maxwell[1]	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**	**–**	**(4,000,000)**	**568,464**
Key management personnel				
D. Wightman	347,597	–	–	347,597
Total	**347,597**	**–**	**–**	**347,597**

1. M. Maxwell resigned as a Director on 27 April 2011, at which point he still held units in the Group, however no longer in capacity as a director.

(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 has 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 Entity holding of units

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 2011, Babcock & Brown Group held 20,837,848 units in the Trust.

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(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:

	Short-term employee benefits		Post-employment benefits	
2011 Payments	**Salary and fees $**	**Retention payment $**	**Superannuation $**	**Total $**
Directors				
Robert Wright	128,440	–	11,560	140,000
Richard Gelski	87,156	–	7,844	95,000
Christopher Langford	77,982	–	7,018	85,000
Michael Maxwell	64,949	–	5,849	70,798
Simon McTigue	12,997	–	1,170	14,167
Key management personnel				
David Wightman	400,000	150,000	15,200	565,200
Matthew Sweeney	199,000	7,500	15,775	222,275

	Short-term employee benefits		Post-employment benefits		
2010 Payments	**Salary and fees $**	**Retention payment $**	**Superannuation $**	**Termination benefit $**	**Total $**
Directors					
Robert Wright	114,679	–	10,321	–	125,000
Richard Gelski	78,808	–	7,093	–	85,901
Christopher Langford	62,431	–	5,619	–	68,050
Michael Maxwell	75,000	–	6,750	–	81,750
Key management personnel					
David Wightman[1]	388,137	–	14,784	222,115	625,036
Stuart Pauly[2]	155,448	112,500	11,176	33,654	312,778

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.

Notes to the Consolidated Financial Statements continued

Note 14 Remuneration of auditor

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 June 2011 $	Year ended 30 June 2010 $
Audit services		
PricewaterhouseCoopers Australia		
Audit and review of financial reports	57,000	71,200
Non-audit services		
PricewaterhouseCoopers Australia		
Other services	9,000	8,400
Total auditor's remuneration	**66,000**	**79,600**

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Note 15 Related party transactions

(a) Fees and 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 1 July 2009 through to 13 April 2010 (refer to discussion at Note 5).

The Babcock & Brown Group continues to be a related party as at 30 June 2011 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 June 2011 $	Year ended 30 June 2010 $
(i) Transactions with related parties		
Description of fee:		
Custodian fee	–	30,000
Responsible Entity fee	2,050,000	2,561,000
(ii) Loans to/from related parties		
Loans to other related parties:		
Beginning of the year	140,482,000	145,151,000
Loans advanced	2,972,000	24,261,000
Loan repayment received	(4,863,000)	(26,158,000)
Interest charged	4,422,000	8,326,000
Interest received	(122,000)	(232,000)
Bad debts	(7,521,000)	(122,000)
Loans impaired	(3,331,000)	(10,744,000)
End of year	**132,039,000**	**140,482,000**
Loans from other related parties:		
Beginning of the year	976,000	850,000
Loans advanced	–	–
Interest charged	144,000	126,000
End of year	**1,120,000**	**976,000**
(iii) Amounts owing to related parties		
Custodian fee	–	–

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 3, certain loans receivable from related parties bear interest as determined by the Directors of the Trust's Responsible Entity. Security is held over $61.7 million of loans receivable in the form of second ranking mortgages over the underlying property to which these loans relate.

Notes to the Consolidated Financial Statements continued

Note 16 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 2011	Ownership 2010
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 17 Reconciliation of profit for the year to net cash flows from operating activities

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Net (loss) for the year	(8,624)	(5,291)
Impairment of receivables	10,852	10,744
Write off bad debts	–	122
Accrued interest expense on loan	144	125
Interest income	(4,422)	(8,325)
Changes in assets and liabilities:		
Decrease in trade and other receivables	38	525
(Decrease) in trade and other payables	(1)	(38)
Net cash used in operating activities	**(2,013)**	**(2,138)**

Note 18 Contingent assets and liabilities, commitments for expenditure

There are no outstanding contingent assets and liabilities or capital expenditure commitments as at 30 June 2011 (30 June 2010: nil).

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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 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

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial report. Refer to Note 1 for a summary of the significant accounting policies relating to the Group.

(a) Summary financial information

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

	Parent As at 30 June 2011 $'000	Parent As at 30 June 2010 $'000
Balance sheet		
Current assets	151	189
Total assets	**146,480**	**150,759**
Current liabilities	1,120	977
Total liabilities	**1,120**	**977**
Shareholders' equity		
Contributed equity	162,448	162,448
Retained earnings	(17,088)	(12,477)
	145,360	**149,971**
(Loss) for the year	**(9,377)**	**(545)**
Total comprehensive (loss)	**(9,377)**	**(545)**

(b) Guarantees entered into by the parent entity

The parent entity does not have any outstanding guarantees as at 30 June 2011 or 30 June 2010.

(c) Contingent liabilities and commitments for acquisition of property, plant and equipment of parent entity

The parent entity did not have any contingent liabilities or commitments for the acquisition of property, plant and equipment as at 30 June 2011 or 30 June 2010.

Note 22 Earnings per unit

	Year ended 30 June 2011	Year ended 30 June 2010
Basic (loss) per unit (cents)	(4.90)	(3.00)
Diluted (loss) per unit (cents)	(4.90)	(3.00)
(Loss) from continuing operations attributed to ordinary equity holders of the Trust used in calculating basic and diluted loss per unit ($'000)	(8,624)	(5,291)
Weight average number of securities used as the denominator in calculating basic and diluted loss per unit ('000)	176,108	176,108

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Directors' Declaration on the Consolidated Financial Report of RCL Group Trust (the Trust)

In the opinion of the Directors of RCL Group Services Limited:

(a) the consolidated financial statements and notes for RCL Group Trust (as defined in Note 1) as set out on pages 88 to 107 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 2011 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:

R. Wright
Director
RCL Group Services Limited

Sydney, 30 August 2011

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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 2011, 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 the 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.

Directors' responsibility for the financial report

The directors of the RCL Group Services Limited, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

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Independent auditor's report to the unit holders of RCL Group Trust (continued)

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 2011 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 report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report. Note 1 comments 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. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge 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 RCL Group Trust (the Trust) for the year ended 30 June 2011 included on RCL Group web site. The directors of the RCL Group Services Limited, the Responsible Entity of the Trust, are responsible for the integrity of the RCL Group 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

Christopher Lewis
Partner

Melbourne
30 August 2011

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 12 September 2011.

Substantial Securityholders

The names of substantial securityholders who have notified RCL Group in accordance with section 671B of the *Corporations Act 2001* are set out below:

Securityholder	Number	Percentage
Babcock & Brown Asset Holdings Pty Ltd	20,837,848	11.83%

Voting Rights

At meetings of shareholders of RCLGL and unitholders of RCLGT, on a show of hands each securityholder will have one vote. On a poll, the voting rights attaching to a share in RCLGL will be one vote for each fully paid ordinary share. The voting rights attaching to a unit in RCLGT is one vote for each dollar of the value of the total interests that they have in the RCLGT. The value of the unit which is part of a quoted stapled security will be 99% of the closing price on the trading immediately before the day on which the poll is taken.

On-Market Buybacks

RCL Group has no on-market buyback currently in place.

Distribution of Securities

Category	Holders	Ordinary securities
1 – 1,000	36	21,794
1,001 – 5,000	208	832,830
5,001 – 10,000	245	2,091,476
10,001 – 100,000	439	15,160,659
100,001 – and over	148	158,001,066
Total	**1,076**	**176,107,825**

The number of securityholders holding less than a marketable parcel is 352.

Disclosure of ASX's reservation of right to de-list

RCL Group advises that ASX has reserved the right (but without limiting its absolute discretion) to remove either or both RCLGL and RCLGT from the official list if any of the RCL Group stapled securities cease to be stapled together, or any equity securities are issued by RCLGL and RCLGT which are not stapled to corresponding securities in the other.

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Twenty Largest Securityholders

Name	Securities held	Percentage of ordinary securities held
Babcock & Brown Asset Holdings Pty Ltd	20,837,848	11.83%
Payce Industry Limited	8,743,555	4.96%
Links Living Limited	8,700,000	4.94%
L J K Nominees Pty Ltd	7,150,000	4.06%
McNeil Nominees Pty Limited	5,000,000	2.84%
Golden Riches Pty Ltd	4,586,957	2.60%
Snowblock Superannuation Pty Ltd	4,586,957	2.60%
4M Investments Pty Ltd	4,000,000	2.27%
Mr James Vincent Babcock	4,000,000	2.27%
Citicorp Nominees Pty Limited	3,904,456	2.22%
Dylide Pty Ltd	3,279,330	1.86%
HHH Group	3,200,000	1.82%
Lanox Pty Ltd	3,000,000	1.70%
J P Morgan Nominees Australia Limited	2,835,054	1.61%
ABN AMRO Clearing Sydney Nominees Pty Ltd	2,653,828	1.51%
Mr Mark Cubit & Mrs Amanda Cubit	2,500,000	1.42%
Green Family Pty Ltd	2,500,000	1.42%
KMSJ Pty Ltd	2,268,536	1.29%
Urbex Pty Ltd	2,000,000	1.14%
HAH Pty Ltd	2,000,000	1.14%
High Australian Investment Corporation Pty Ltd	2,000,000	1.14%
Darley Pty Ltd	2,000,000	1.14%
Skunky Investments Pty Ltd	1,707,000	0.97%
Merrill Lynch (Australia) Nominees Pty Limited	1,691,595	0.96%
KTWO Pty Limited	1,627,708	0.92%
Depofo Pty Ltd	1,500,450	0.85%
Total	**108,273,274**	**61.48%**

Number and Class of Securities that are Restricted or Subject to Voluntary Escrow

There are no ordinary stapled securities which are subject to voluntary escrow.

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Corporate Information

Directors

R. Wright	Chairman, non-executive Director
R. Gelski	Non-executive Director
C. Langford	Non-executive Director
S. McTigue	Non-executive Director (appointed 27 April 2011)
M. Maxwell	Non-executive Director (resigned 27 April 2011)

Company Secretary
A. James

Registered office
C/– First Advisers
Level 5
50 Margaret Street
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**”.

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Disclaimer

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.

This Annual Report is not financial product advice and is not an offer or invitation for subscription or purchase of or a recommendation of RCL Securities. This Annual Report does not take into account the investment objectives, financial situation and particular needs of an investor. Before making a decision with respect to securities issued by RCL, an investor should consider their own investment objectives, financial circumstances and needs and, if necessary, consult appropriate professional advisers.

The Annual Report of RCL has been prepared to enable it to comply with its obligations under the Corporations Act; to ensure compliance with the ASX Listing Rules; and to satisfy the requirements of the Australian accounting standards. The responsibility for preparation of the Annual Report and any financial information contained in this Annual Report rests solely with the Directors of the Company and the Responsible Entity.

This Annual Report may include forward looking statements. By their nature, forward looking statements are subject to uncertainty and contingencies, many of which are outside of the control of the Company and the Responsible Entity. Forward looking statements may prove to be incorrect and any differences may prove to be material. Neither the Company nor the Responsible Entity, make any representation or warranty in relation to any forward looking statement.

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