

Annual Report 2010

Trafalgar Corporate Group Limited



Trafalgar >

Trafalgar Corporate Group Limited and its Controlled Entities
Annual Financial Report
For the year ended 30 June 2010

Contents

	Page
Results at a Glance	2
Chairman & CEO's Report on Operations	3
Board of Directors & Senior Management	7
Corporate Governance	8
Trafalgar Corporate Group Limited Financial Report	17
Security Holder Information	97
Trafalgar Platinum Fund No. 12 Concise Accounts	98
Trafalgar Opportunity Fund No. 4 Concise Accounts	113
Corporate Directory	128

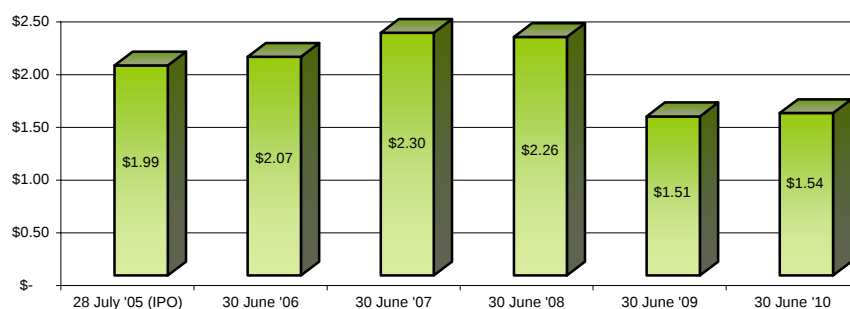
Results at a Glance

Results Summary

Stapled Group	30-Jun-10 \$'000s	30-Jun-09 \$'000s	30-Jun-08 \$'000s
Operations			
Property development (incl JVs)	2,697	1,826	5,849
Net Rent from investment properties	18,491	19,456	18,145
Fees, interest & other income	913	608	1,585
Total results from segments	22,101	21,890	25,579
Corporate costs	(1,862)	(2,056)	(2,720)
Employment costs ⁽¹⁾	(2,223)	(3,037)	(4,179)
	(4,085)	(5,093)	(6,899)
Operating profit before interest	18,016	16,797	18,680
Finance and borrowing costs	(11,155)	(11,910)	(10,751)
	6,861	4,887	7,929
Profit before tax & unrealised valuations	6,861	4,887	7,929
Inventory & development project impairments	(660)	(20,031)	(15,620)
Impairment of goodwill	0	(2,715)	0
Unrealised gains/(losses) on fair value of swaps	3,089	(9,482)	1,495
Unrealised gains/(losses) on revaluation of investment in Sydney Airport Centre	(572)	(893)	(1,089)
Unrealised gains/(losses) from fair value adjustment of investment properties	(6,080)	(34,304)	24,254
	2,638	(62,538)	16,969
Profit/(Loss) before income tax	2,638	(62,538)	16,969
Income tax benefit/(expense)	0	0	(6,743)
	2,638	(62,538)	10,226
Net Profit/(Loss) after Tax before Distributions	2,638	(62,538)	10,226
Gearing (% of Total Assets)	49.90%	53.60%	43.80%
NTA (\$ per security)	1.54	1.51	2.26
Distributions (cents per security)	n/a	5.0	15.00

⁽¹⁾ Employment costs exclude Tallwoods Estate sales and golf course staffing costs, which are included under property development operations

Net Tangible Assets



Chairman & CEO's Report

Overview

The Australian property market in FY2010 continued to be affected by volatility and uncertainty in the aftermath of the global financial crisis. Key drivers impacting the performance of the Australian property market were:

- Continued uncertainty surrounding the economic outlook, notwithstanding that the Australian economy outperformed the major global markets in FY2010.
- The banking sector continued to experience funding pressure and cautious and restrictive lending practices, resulting in continuing tight credit markets which impeded a rebound in the property markets. Whilst the market for borrowing improved in FY2010 compared to FY2009, it remained historically tight.
- On a positive note, overall the property market stabilised in FY2010, particularly for quality property assets with strong tenant covenants and long lease expiry profiles. Buyer demand for well located properties with long lease expiry profiles improved during FY2010, with a number of larger property sales being reported.
- Values of properties with vacancies or short lease expiry profiles remain under pressure, particularly in markets where rents have fallen and tenant incentives have increased significantly.

The Group reported total statutory revenue from operations of \$26.3 million in FY2010, down by 8.4% on the \$28.7 million for the previous corresponding period. Gross revenue declined as a result of a combination of a 2.9% decline in investment property rental income (associated with increased vacancies) and a 56.1% reduction in interest income from mezzanine project development lending as a result of the Group's continued realisation of these assets. The Group also continued its withdrawal from development activities in FY2010.

Operating profit after finance costs improved by 40.8% from \$4.9 million in FY2009, to \$6.9 million in FY2010. The Group reported a net profit of \$2.6 million, compared to a \$62.6 million net loss for the previous corresponding period.

The following factors influenced the FY2010 net profit compared to the FY2009 results:

- Corporate and employment costs were reduced by a further 19.8% from \$5.1 million in FY2009, to \$4.1 million in FY2010.
- Inventory and development project impairments were constrained to \$0.7 million in FY2010, compared to \$20.0 million in FY2009.
- Unrealised gains on the fair value of interest rate swaps (reflecting the rising interest rate environment) amounted to \$3.1 million in FY2010, compared to \$9.5 million in unrealised losses in FY2009.
- Unrealised losses on the revaluation of investments and investment properties amounted to \$6.7 million in FY2010, compared to \$35.2 million in unrealised losses in FY2009.

The operating profit before fair value adjustments was 8.1 cents per security in FY2010, a 42.1% increase over the previous corresponding period. Net profit for FY2010 was 3.1 cents per security, compared to a net loss of 73.3 cents per security in FY2009. The net tangible assets of the Group as at 30 June 2010 were \$1.54 per security, compared to \$1.51 per security as at 30 June 2009.

No distributions were paid to security holders for FY2010 as surplus cash was applied to debt reduction. The Group had no taxable income during FY2010 due to tax losses being available to off-set against income generated in FY2010. The directors have confirmed their previous guidance that no further distributions will be paid for FY2010 and that consideration would be given to paying capital distributions in FY2011, once Group debt is reduced to \$40 million.

Capital management remained a key focus for management and the board during FY2010, with the following achievements during the period:

- Total debt was reduced from \$161.8 million as 30 June 2009 to \$139.1 million, as at 30 June 2010, without the sale of the ATO building, resulting in a reduction in gearing from 53.6% as at 30 June 2009 to 49.9% as at 30 June 2010.
- The Group extended its \$131.6 million primary lending facilities with Westpac Banking Corporation by a further 2 years until March 2013.

Subsequent to year end, the Group sold the Melbourne Broadcast Centre for \$54.22 million as well as its interest in the Sydney Airport Centre, which enabled the Group to reduce debt by approximately \$54 million as at 31 August 2010. As a result, total debt reduced to \$85 million and gearing fell to approximately 38%.

Highlights of the achievements during FY2010 were:

- Sale of the Tallwoods residential estate and golf course, a key milestone in the Group's withdrawal from development activities.
- Finalisation of the sales for the Frances Park and Bonnyrigg residential developments.
- Settlement of one Rhodes development superlot and sale of an additional superlot, which is scheduled to settle in October 2010.
- Sale of 98% of the lots (one remains to be sold) in the Pendle Hill industrial subdivision.
- Sale of the Sydney Airport Centre, in which the Group held an 6.81% interest.

The Group's remaining exposure to development activities is as follows:

- A 50% interest in the Rhodes joint venture, which has 3 development super lots to sell and the services infrastructure to be completed in FY2011/2012.
- A 50% interest in the Beverley industrial sub-division.
- A small exposure in the Pendle Hill industrial sub-division, with one lot remaining to be sold.
- Funding of the Nudgee industrial unit development.

The rental income from investment assets declined in FY2010 due to increased vacancies in the Fujitsu building in Brisbane and the Mort Street building in Canberra. In the case of the Mort Street building, refurbishment works were commenced during FY2010, which will enable the building energy rating to be lifted to a 4.5 star rating. The leasing markets in Brisbane and Canberra remained difficult in FY2010. During FY2010 existing Fujitsu building tenants, Fujitsu Australia and Redchip Lawyers, entered into new 5 year leases. The average lease duration for the investment asset portfolio was maintained at 4.9 years as at 30 June 2010.

Investment Portfolio Valuations

Updated directors valuations, supported by independent valuations (other than the Melbourne Broadcast Centre which was valued by directors at the net sale price), were applied to all investment assets. The following table profiles the investment portfolio over the past 3 years:

	FY2010	FY2009	FY2008
Total Valuation \$m	\$221.6	\$227.0	\$261.7
Weighted Average Core Capitalisation Rate	8.54%	8.47%	7.29%
Revaluation/(devaluation) \$m	(\$6.1)	(\$34.3)	\$24.2

The key points to note in relation to the investment portfolio are:

- The Melbourne Broadcast Centre and the ATO building increased in value during FY2010, reflecting the longer lease terms and quality of the tenants.
- Conversely, the value of the remaining properties in the portfolio declined to varying degrees, reflecting a combination of increased vacancies, higher incentives required to attract tenants and relatively short tenancy leases.
- The weighted average core capitalisation rate increased marginally from 8.47% in FY2009 to 8.54% in FY2010.

Development Property Portfolio Valuations

A review of the realisation values of the direct and indirect development assets was undertaken, which resulted in a small reduction in the overall realisation value of \$0.7 million for FY2010, compared to a \$20m reduction for FY2009. The Group's investment in development projects was reduced significantly from \$52.4 million in FY2009 to \$27.1 million in FY2010, reflecting the continued focus on withdrawing from development activities.

Strategic Objectives

As at 30 June 2010, Trafalgar Corporate Group securities last traded on the ASX at \$0.85, a 45% discount to the \$1.54 per security in net tangible assets of the Group. Subsequent to year end, following the sale and settlement of the Melbourne Broadcast Centre the security price increased to \$1.025 as at 31 August 2010, an increase of 20.6%.

The primary objective of the board and management is to continue to significantly close the gap between the Group's current \$1.54 per security in net tangible assets and the current trading price of the Group's securities on the ASX by continuing to realise the underlying value of the Group's assets.

The board announced the release of the FY2010 results on 19 August 2010 and at that time advised of the board's intention to seek security holder approval at the November 2010 Annual General Meeting to continue with the orderly and opportunistic sale of the remaining Group investment assets.

The board and management have agreed an action plan for FY2011 to achieve the following goals:

- Complete the sale of remaining development assets.
- Continue to focus on renegotiating new leases with existing tenants and leasing vacant space in investment assets to improve the lease maturity profile.
- Orderly and opportunistically sale of investment assets in order to continue to reduce Group debt to approximately \$40 million.
- Commence distributions (primarily capital) to security holders once debt levels are reduced to approximately \$40 million.



G R Sladden
Chairman



B H Williams
Chief Executive Officer

Dated at Sydney this 22nd day of September 2010

Your Board & Senior Management

Board of Directors

Garry R Sladden B.Bus, FINSA, ASA (Independent Chairman)

Garry is a business and strategic advisor who has a diversified business background in the areas of property, private equity, business operations, banking and finance, having held the position of General Manager Operations at Consolidated Press Holdings for six years and more recently (2007) the role of Group Operations Executive for property investment, development and funds management group, City Pacific Limited. Garry is also a Non-Executive Director of Endeavour Healthcare Limited.

Garry S Charny (Non Executive Director)

Garry is the Managing Director and Principal of Wolseley Corporate & Media, a Sydney based corporate advisory firm. Prior to that, he practised for over a decade as a Sydney barrister in the fields of commercial and equity. Garry is also currently the Executive Chairman of Boost Media International, an international media advisory business, a board member of The Apparel Group (Sportscraft/Saba) and Executive Chairman of April Entertainment.

Tony Pitt B.Com (Property), Grad Dip App Fin (Non Executive Director)

Tony is an Executive Director and major shareholder of Pentagon Property Group, a Sydney based property investment and funds management organisation and significant security holder in Trafalgar Corporate Group, with 23.43% of the Group's securities as at 14 September 2010. Tony is also Managing Director of Olea Australia Limited. He has in excess of 12 years experience in property valuation, investment, funds management, development and advisory in both the listed and unlisted property sectors.

Tony was previously an Executive Director of Mirvac Funds Management Ltd (formerly James Fielding Funds Management Limited), Bankminster Properties Limited and Travelodge Hotel Group. He also held positions at Paladin Australia Limited, Jones Lang LaSalle and Richard Ellis. Tony was also the Fund Manager for Mirvac REIT, an ASX listed Diversified Real Estate Investment Trust, with over \$1.1 billion of property investments.

Tony holds a Bachelor of Commerce (Property) and a Graduate Diploma in Applied Finance and Investment.

John Green (Independent Non Executive Director)

John currently holds an executive position with a funds manager that has in excess of \$4 billion under management. He brings a wealth of experience to the Board, having been involved for more than 25 years with both property development and, more recently, property investment.

In this regard, John has been called upon as an expert witness with respect to a number of property related court cases.

John holds a Bsc (Hons) in Quantity Surveying and a Graduate Diploma in Urban Estate Planning.

Senior Management

Braith H Williams B.Bus, F.Fin - Chief Executive Officer

Braith Williams is Chief Executive Officer, and has over 30 years experience in the corporate finance and property markets. Prior to joining Trafalgar in 1998 he spent 25 years in the banking and finance sector, gaining considerable experience in the corporate and property finance markets.

Braith has worked with investors, developers and financiers on a broad range of property transactions, including property sale and sale and lease-back, lease securitisation and residential, commercial and industrial development. He has also been involved in restructuring underperforming property assets and the eventual sale.

Braith is a Fellow of the Financial Services Institute of Australasia.

Peter J Norris BEcon, CPA -Chief Financial Officer and Group Company Secretary

Peter joined Trafalgar as Financial Controller/Company Secretary in 2001. Peter has more than 25 years of general business, financial management, and company secretarial experience and has been involved with ASIC Managed Investment Legislation for more than 10 years. As such he assumes the responsibilities of Compliance Officer with respect to Trafalgar's ASIC Financial Services Licence.

Peter's experience spans many industries including property, manufacturing, financial services, direct retail, marketing and aviation.

Peter is a member of CPA Australia as well as an affiliate of Chartered Secretaries Australia.

Corporate Governance Statement

Trafalgar and Corporate Governance

Trafalgar Corporate Group ("Trafalgar") is a stapled group consisting of Trafalgar Corporate Group Limited ("TCGL") and Trafalgar Managed Investments Limited ("TMIL") as Responsible Entity for Trafalgar Platinum Fund No 12 and Trafalgar Opportunity Fund No 4. Both TCGL and TMIL have identical boards of directors and hereafter the term Board should be read as referring to these boards.

Trafalgar's Board and management have a set of values that recognise our responsibilities to all stakeholders, including security holders, customers, employees, our business partners, the community and the environment.

The Board places the highest standards of integrity and ethics with regard to its corporate governance practices and continually reviews and updates Trafalgar's principles and practices to ensure its compliance with best practice corporate governance in order to meet its obligations as a responsible and professional organisation.

The Australian Securities Exchange ("ASX") has published its Principles of Good Corporate Governance and Best Practice Recommendations and Trafalgar continues to adhere to these guidelines with the exception of Principle 2 - *Structure the board to add value*, in particular Recommendation 2.1 - a majority of the board should be independent directors.

The Board of Trafalgar currently consists of 4 external non-executive directors, two of which have declared themselves as independent (G R Sladden and J R Green) and two as non-independent (G S Charny and T R Pitt).

The Constitution of Trafalgar gives authority to Mr. Sladden, as the independent chairman of the board to exercise a casting vote whenever there is a voting deadlock at a board meeting when all board members are present.

Mr. Sladden and Mr. Green were re-elected at the 2009 AGM.

In light of the winding down of Trafalgar's activities, the costs associated with appointing a fifth director and the casting vote of the Chairman, the board does not consider the appointment of an additional independent director justifiable or necessary to protect the interests of all security holders.

In accordance with the best practice recommendations, Trafalgar has posted copies of its governance practices in the corporate governance section of our website: www.trafalgarcorporate.com including copies of relevant policies and terms of reference.

Role of the Board of Directors

The primary role of the Board is to ensure financial viability, performance and enhancement of value to security holders.

The Board is responsible for the overall governance of Trafalgar, including:

- a) Defining the powers reserved for the Board;
- b) Setting objectives, values and strategies;
- c) Ensuring that Trafalgar Corporate Group (ASX Code "TGP") adheres to appropriate standards and values and that proper policies are developed and followed in relation to:
 - i. Compliance with laws;
 - ii. Safety, health and environment matters;
 - iii. Human capital;

- iv. Corporate governance; and
- v. Operational excellence;
- d) Selecting or confirming the appointment of the CEO, together with delegating distinct and clear functions, responsibility and accountabilities and subsequently regularly monitoring, reviewing and assessing the performance of the CEO;
- e) Setting and ensuring implementation of all corporate governance matters and subsequently regularly monitoring, reviewing and assessing those matters;
- f) Ensuring appropriate changes to corporate governance matters are made where necessary;
- g) Monitoring performance of executive management;
- h) Nominating committees and determining their membership, delegating clear functions and objectives, authority, responsibility and accountabilities to those committees and subsequently regularly monitoring, reviewing and assessing the performance of each committee against their objectives;

Keeping under review the general short, medium and long-term progress and development of Trafalgar in light of the political, economic and social environment in which it operates;

- i) Determining desired financial objectives and approving Trafalgar's budget annually and subsequently monitoring the financial state and performance of Trafalgar (including investment and financial plans) against the objectives and budget and, where appropriate, communicating to stakeholders;
- j) Determining that Trafalgar's accounts are true and fair;
- k) Determining that satisfactory arrangements are in place for auditing Trafalgar's financial affairs, including selecting and recommending any changes to auditors as required at general meetings;
- l) Capital management including issues, calls on, forfeiture of shares, declaration of dividends or distributions and share buy-backs, capital raising and debt facilities;
- m) Managing the interests of the directors, conflicts and related party transactions;
- n) Managing matters pertaining to shareholders including meetings, communications and relations;
- o) Setting and maintaining the disclosure policy including continuous disclosure, approval of accounts and reports and period disclosure;
- p) Approving major changes in the organisation, shape or direction of Trafalgar, including entry of new fields of operation and departure from those which are no longer appropriate;
- q) Approving major expenditures and transactions with other companies or parties including for example, acquisitions, divestments, restructures, joint ventures and significant supply arrangements;
- r) Supporting the CEO in the discharge of his/her responsibilities;
- s) Ensuring appropriate credit policies and other risk management policies and procedures are in place and implemented and regularly monitoring, reviewing and assessing those areas;
- t) Giving approval and/or support, as appropriate, to the most senior appointments at Trafalgar and ensuring that adequate career development, succession and remuneration arrangements exist for them; and
- u) Reviewing the Board's structure and performance and having evaluated individual director performance from time to time, making decisions on new appointments to the Board.

Role of Management

The Chief Executive Officer ("CEO") is responsible for the overall management and financial performance of Trafalgar. The CEO manages the organisation in accordance with the strategy, plans, policies and budgets approved by the Board to achieve the agreed goals.

Board Composition and Size

The Trafalgar Board is made up of an equal number of independent and non-independent non-executive directors. The Chairman has a casting vote in circumstances where deadlocks occur on Board decisions.

The Board's Charter requires the Chairman's and directors' positions to be reviewed every three (3) years.

Appointment of Directors

Nominations of new directors, recommended by the Nominations Committee, are considered by the full board. The Nominations Committee's role is to assist the Board in assessing the skills required and identifying candidates for potential appointment to the Board.

The Nominations Committee considers potential directors taking into account the range of skills and experience required in relation to the:

- Current composition of the Board;
- Need for independence, and
- Strategic direction and progress of Trafalgar.

The Board assesses nominated directors against a range of criteria including experience, professional skills, personal qualities and their capacity to commit to the needs of Trafalgar.

Director Independence

All of the non executive directors are independent of management with each of the independent non executive directors being free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of their independent judgement and their ability to act in the best interests of the Group.

Chairman's Appointment and Responsibilities

The Chairman is appointed by the Board from amongst the non-executive directors.

The Chairman presides over the official business of Trafalgar and the Board and his duties include:

- a. Ensuring the Board performs its roles and functions;
- b. Managing the relationship between the Chief Executive Officer and the Board;
- c. Managing the business of the Board and presiding over its meetings, resolving differences between Directors and seeing that decisions are reached promptly and are appropriately recorded and implemented;
- d. Ensuring that all relevant issues are on the agenda and that all Directors receive timely and relevant information to enable them to be effective members;
- e. Ensuring that each director fully participates in the Board's activities;
- f. Recommending to the Board for consideration the membership and functions of committees of the Board;
- g. Maintaining a regular dialogue and mentoring relationship with the Chief Executive Officer;
- h. Liaise with the Chairman of the Nominations and Remuneration Committee and the Chairman of the Audit and Risk Committee to ensure the core issues delegated to these committees are addressed;
- i. Promoting the interests of Trafalgar as a whole in relation to Trafalgar's security holders, stakeholders, governments, other public organisations, other companies and the public generally; and
- j. Performing annual director and Board evaluation.

Conduct of the Board

The Board schedules 10 regular meetings each year and will also meet whenever necessary to carry out its responsibilities.

When conducting Trafalgar Board business, directors have a duty to question, request information, raise any issue of concern, fully canvass all aspects of any issue confronting the Group, disclose any potential for conflict and vote on any resolution according to their own judgement.

Conflict of Interest

Directors are required to continually monitor and disclose any actual, potential or perceived conflict of interest that may arise.

Directors must:

- Disclose to the Board and Company Secretary any actual or potential conflict of interest that may arise as soon as the situation is recognised;
- Take all necessary and reasonable steps to resolve any conflict of interest within an appropriate period, if required by the Board or deemed appropriate by that director; and
- Comply with the Corporations Act 2001 requirements in relation to disclosure of interests and restrictions on voting.

The same requirements exist for related party transactions, including financial transactions with Trafalgar. Related party transactions are reported in writing to the Board.

Access to Information

All directors have unrestricted access to Trafalgar's records and information and are encouraged to access members of senior management at any time to request relevant information.

Directors are entitled to seek independent advice at Trafalgar's expense after advising the Chairman. Any advice received must be made available to all directors.

Chief Executive Officer and CFO Assurance

The Board receives regular reports about the financial condition and operating results of Trafalgar and its controlled entities. The Board has received and considered the annual certification from the CEO and CFO in accordance with ASX Best Practice Recommendation 7.3 and the Corporations Act 2001, stating that:

- The Group's financial statements present a true and fair view, in all material respects, of the financial position and performance, and comply with all relevant accounting standards, in all material respects;
- To the best of their knowledge and belief, the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively in all material aspects, and
- Nothing has come to their attention since 30 June 2010 that would indicate any material change to their statement.

These statements provide a reasonable but not absolute level of assurance about risk management, internal compliance or control systems, and do not imply a guarantee against any adverse events or more volatile outcomes in the future.

Committees

The Board has established committees to consider certain issues and functions in further detail. The Chairman of each committee reports on any matters of substance at the next board meeting. All committee papers and minutes are provided to the Board.

There are currently two standing committees:

- Audit & Risk Committee; and
- Nominations & Remuneration Committee

Other committees may be formed from time to time, as required. Each committee has its own terms of reference, approved by the board and reviewed annually, with additional review when appropriate. The Chairman and CEO attend committee meetings where appropriate.

During FY2010, Members of Board Committees were:

	Audit & Risk	Nominations & Remuneration
Garry Sladden (i)	√	Chair
Garry Charny	√	
John Green (i)	Chair	√
Tony Pitt		√
(i) Independent		

Nominations and Remuneration Committee

The Committee assists the Board in its responsibility to oversee the nomination and remuneration of the directors and senior executives of Trafalgar.

The Committee is responsible for:

- Making recommendations regarding the appointment of the Chief Executive Officer and reporting succession plans for senior executives to the Board;
- Reviewing and making recommendations to the Board on the proposed remuneration strategy and package for the Chief Executive Officer, the Chief Executive Officer's direct reports and other senior executives;
- Reviewing and making recommendations to the Board regarding the appointment and remuneration of the directors, including attending to the following matters:
 - o Assessing the skills required by the Board;
 - o From time to time, assessing the extent to which the required skills are present on the Board;
 - o Establishing processes for the review of the performance of individual Directors and the Board as a whole;
 - o Establishing processes for the identification of suitable candidates for appointment to the Board;
- Reviewing and making recommendations to the Board concerning general remuneration and recruitment principles for the Group (including incentives schemes, bonuses and similar matters); and
- Supervising the Group's obligations on matters such as superannuation and other employment benefits and entitlements.

Directors' and executives' remuneration

Comprehensive information on Trafalgar's remuneration policies and practices are contained in the Remuneration Report on page 23 of the Directors' Report.

Board performance assessment

The Chairman annually conducts an evaluation of the Board of Directors as a whole and each director individually and takes accounts of the following matters:

- The ability of the Board to achieve the goals and objectives set by it;
- The support of the Board to senior management;
- The Board's ability to interact and work effectively;
- The Board's ability to ensure corporate governance and whether the Board delivered value to security holders through performance;
- The director's focus on Trafalgar as a whole (including acting in the best interest of Trafalgar security holders);
- Their performance on designated matters;
- The director's individual contribution to and participation in specific areas;
- Their interaction with other directors;
- Their skill and experience level, their judgment and accountability; and
- Their market awareness.

The directors, independent of the Chairman, meet every two years to evaluate the Chairman and consider the following:

- The Chairman's focus on Trafalgar as a whole (including acting in the best interest of Trafalgar security holders);
- The performance of the Chairman in relation to Board matters;
- His ability to steer the Board and to bring matters to a satisfactory conclusion; and
- His interaction with other directors.

Retirement of directors

Directors are required to not hold office for a continuous period in excess of 3 years without re-election and submit for re-election after fulfilling a 3 year term.

A director appointed to a casual vacancy by the Board will hold office until the next AGM when the director is required to stand for election. This election will be in addition to any rotational requirements.

Audit and Risk Committee

The Audit and Risk Committee assists the Board to discharge its corporate governance responsibilities in exercising due care, diligence and skill in relation to:

1. Compliance with:
 - reporting of financial information;
 - application of accounting policies;
 - financial management;
 - internal control systems;
 - risk management systems;
 - business policies and practices;
 - protection of Trafalgar's assets; and
 - compliance with applicable laws, ASX Listing Rules, regulations, standards and best practice guidelines or recommendations;

In particular, as it relates to any ASIC Registered Managed Investment Scheme (Scheme) managed by a Trafalgar controlled Responsible Entity (RE), the Committee will:

- Monitor to what extent the RE complies with the Compliance Plan for a Scheme and report on its findings to the Board of the RE;
 - Report to the Board of the RE any breaches of the Corporations Act involving a Scheme, or any breaches of a Scheme's Constitution; and
 - Assess at regular intervals whether the Compliance Plan for a Scheme is adequate, report to the Board of the RE on the assessment and make recommendations to the Board of the RE about any changes to a Scheme's Compliance Plan.
2. Improve the credibility and objectivity of the accounting process, including financial reporting;
 3. Provide a formal forum for communications between the Board and senior financial management;
 4. Improve the effectiveness of internal control systems and be a forum for improving communications between the Board and the internal and external auditors;
 5. Facilitate the maintenance of the independence of the external auditor;
 6. Improve the quality of internal and external reporting of financial and non-financial information; and
 7. Foster an ethical culture throughout the Group.

Auditor Independence

The independence of the external auditor is of particular importance to security holders and the Board. The Board has adopted a Charter of Audit Independence that is reviewed regularly to keep in line with emerging practices.

The key points to the Charter include:

- Rotation of the senior audit partner every five years;
- Annual confirmation from the auditor that it has satisfied all professional regulations relating to auditor independence;
- Fees for non-audit services not exceeding the agreed audit fee in any one year, except in exceptional circumstances; and
- Specific exclusion of the audit firm from work which may give rise to a conflict of interest.

In accordance with the Corporations Act 2001 and, based on the advice of the Audit Committee, the directors have satisfied themselves that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Risk Management

The Board has overall responsibility for ensuring that there is a sound system of risk management and internal compliance and control across the business. It also has responsibility for establishing risk management policies and acceptable levels of risk for Trafalgar, and ensuring these are implemented.

The system draws upon the ASX Corporate Governance Council's Revised Supplementary Guidance to Principle 7 and seeks to provide a consistent approach to identifying, assessing and reporting risks, whether they be related to the Group's performance, reputation, safety, environment, internal control, compliance or other risk areas.

Specific monitoring and evaluation of the effectiveness of risk management and the internal control environment are delegated to the Audit and Risk Committee. The committee approves Trafalgar's accounting policies, reporting practices and production of financial statements and monitors the application of appropriate management controls. It considers external audit reports and reviews the adequacy of Trafalgar's procedures and internal controls in order to monitor financial risk and major operational risks.

Risk and Compliance processes and reporting procedures provide assurance to the Board and the Audit and Risk Committee that the preparation of the financial statements and the control systems underlying them are adequate.

Appropriate risk management structures and procedures exist throughout the organisation and the Chief Executive Officer has ultimate responsibility to the Board for the risk management and control framework.

The risk management framework enables the business to identify and assess risks and controls, respond promptly and appropriately and continue to monitor risks issues as they evolve. Risk and compliance information is reported at each Audit and Risk Committee meeting. Areas of significant business risk are also highlighted in the business plan presented to the Board by the Chief Executive Officer each year.

The Board reviews and approves the parameters under which significant business risks will be managed before adopting the business plan. Arrangements put in place by the Board to monitor risk management include:

- Regular monthly reporting to the Board in respect of operations, financial position and new contracts;
- Reports by the chairman of the Audit and Risk Committee and circulation of their minutes;
- Presentations throughout the year of appropriate members of the Group's management team on particular risks and measures adopted to manage or mitigate the risk;
- Increased monitoring of the Group's liquidity and status of renewals of finance facilities;
- Formal risk assessments are required as part of business case approvals for projects or initiatives of a significant nature; and
- Provision for any director to request that operational and project audits be undertaken.

Management has reported to the Board on the effectiveness of the Group's management of its material business risks. The CEO and CFO have provided a signed confirmation to the Board representing that the declaration provided in accordance with Section 295 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.

Compliance

The Board is responsible for ensuring that adequate measures are undertaken to manage compliance with the laws, regulators, contracts, industry codes, internal standards and policies applicable to Trafalgar's operations.

Compliance is a key element of risk management.

Specific responsibility for the monitoring of compliance has been delegated to the Audit and Risk Committee. Consistent with Trafalgar's risk management approach, Trafalgar's compliance measures are subject to monitoring and continuous improvement. Any compliance issues or incidents are reported to the Audit and Risk Committee.

Code of Conduct

Trafalgar has adopted a code of conduct outlining the standards of personal and corporate behaviour of all directors, officers and employees. This code reinforces a strong ethical culture for the benefit of all stakeholders.

All directors and employees must always act ethically, honestly, responsibly and diligently in full compliance with all governing laws and in the best interest of the Group, respecting investors and colleagues and treating them in a courteous and professional manner.

All directors and employees must avoid conduct that is deceptive or unfair.

A copy of the Code of Conduct is provided to all directors and employees on joining Trafalgar.

Trafalgar is committed to employee related policies such as Equal Employment Opportunity and Occupational Health and Safety and endorses providing a safe and equitable work environment.

Trafalgar's Code of Conduct is available on Trafalgar's website.

Share Trading Policy

Trafalgar's Share Trading Policy applies to directors, senior management and other employees and any other person associated with any of them, trading in Trafalgar and other securities.

Trafalgar's Share Trading Policy aims to:

- Protect stakeholders' interests at all times;
- Ensure that directors and employees do not use any information they possess for their personal advantage, or to the detriment of Trafalgar; and
- Ensure directors and employees comply with insider trading legislation.

Trading in Trafalgar's securities by directors, executives and employees is restricted to the six week period after the dates on which Trafalgar announces its half-yearly and full year results to the ASX and the date on which Trafalgar holds its Annual General Meeting. Clearance must be obtained from the Company Secretary and Compliance Officer.

Directors, senior management and other employees may not engage in short term trading (that is 90 days or less) in Trafalgar securities.

Trafalgar's Share Trading Policy is available on Trafalgar's website.

Communication with Shareholders

Trafalgar endeavours to ensure that communication with security holders and other stakeholders is undertaken in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions based on the operations and results of the Group.

Trafalgar is committed to transparent and quality communication to security holders through continuous disclosure.

Information is communicated to security holders through distribution of half yearly and full year reports and other communications as required. All significant information is posted on Trafalgar's website as soon as it is disclosed to the ASX.

Trafalgar's Continuous Disclosure Policy is available on Trafalgar's website.

Environmental Regulation

Trafalgar is committed to achieve a high standard of environmental performance. The Board considers issues associated with the environmental impact of Trafalgar's operations and, together with management, monitors Trafalgar's compliance with statutory requirements, as well as published policies and procedures.

Trafalgar's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. Trafalgar undertakes an environmental due diligence and risk assessment of all properties it acquires. The Board monitors environmental performance by setting objectives, monitoring progress and identifying remedial action where required.

Annual General Meeting (AGM)

All security holders are encouraged to attend and/or participate in Trafalgar's AGM. Security holders can attend in person or send a proxy as their representative. Unless unavailable, all directors and senior management attend the meeting, along with the external auditor.

Trafalgar Corporate Group Limited and its Controlled Entities

ABN 18 113 569 136

Annual Financial Report

For the year ended 30 June 2010

Contents

	Page
Directors' report	19
Auditors' independence declaration	30
Consolidated statement of comprehensive income	31
Consolidated statement of changes in equity	33
Consolidated statement of financial position	35
Consolidated statement of cash flows	37
Notes to the consolidated financial statements	
1 Statement of significant accounting policies	38
2 Financial risk management	51
3 Distributions and dividends	54
4 Rental income	54
5 Financial income and finance expenses	55
6 Other income	55
7 Other expenses	56
8 Employee benefits expense	56
9 Auditors' remuneration	57
10 Income tax benefit	57
11 Disposal of shares in subsidiary	58
12 Assets held for sale	58
13 Segment reporting	58
14 Earnings per share	61
15 Cash and cash equivalents	62
16 Trade and other receivables	62
17 Inventories	62
18 Other financial assets	63
19 Other current assets	63
20 Available for sale investments	64
21 Investment properties	65
22 Other financial liabilities	67
23 Investments accounted for using equity method	67
24 Property, plant and equipment	72
25 Other non current assets	73
26 Trade and other payables	73
27 Interest bearing loans and borrowings	73
28 Provisions	75
29 Other current liabilities	75
30 Issued capital	76
31 Derivative financial instruments	77
32 Financial instruments	79
33 Capital and other commitments	84
34 Contingent assets and liabilities	84
35 Consolidated entities	86
36 Business combinations	88
37 Reconciliation of net (loss) profit to net cash inflows from operating activities	88
38 Related parties	89
39 Parent entity disclosures	93
40 Events subsequent to balance date	93
Directors' declaration	94
Independent auditors' report	95

Trafalgar Corporate Group Limited and its Controlled Entities

Directors' Report

For the year ended 30 June 2010

The Directors present their report together with the annual financial report of the consolidated entity ("Trafalgar Corporate Group" or "Group") being Trafalgar Corporate Group Limited ("the Company") and its controlled entities for the year ended 30 June 2010 and the independent auditor's report thereon. The consolidated entity comprises the consolidated financial reports of the Company (the deemed parent entity), Trafalgar Opportunity Fund No 4 and Trafalgar Platinum Fund No 12.

Directors

The Directors of Trafalgar Corporate Group Limited, at any time during or since the end of the year are ("the Directors"):

Trafalgar Corporate Group Limited	
Name	Period of Directorship
Non-Executive	
Brendan P Crotty	Appointed Director 26 September 2007, Resigned 31 October 2009 Appointed Chairman 13 November 2008, Resigned 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
John R Green	Appointed Director 1 October 2009
Tony R Pitt	Appointed Director 19 November 2009

Formation of Trafalgar Corporate Group

On 19 July 2005 the unitholders of Trafalgar Opportunity Fund No 4 (TOF 4) and Trafalgar Platinum Fund No 12 (TPF 12) approved the merger of TOF 4, TPF 12 and the Company. Under the merger arrangements a TOF 4 unit, a TPF 12 unit and a Company share were stapled so that the share and the units comprise one security, which is traded on the Australian Stock Exchange (ASX). Investors in Trafalgar Corporate Group are entitled to distributions from TOF 4 and TPF 12 and dividends from the Company. The units and share are stapled together and cannot be traded separately.

Principal Activities

During the financial year the principal activities of Trafalgar Corporate Group were:

- a) investment in income producing commercial and industrial properties
- b) property development (direct and financing); and
- c) development and resale of land.

The group announced during the 2008 financial year that it would, progressively, withdraw from development activities and reduce risks associated with poorer performing development property markets. Further, the Board has considered a range of options to close the gap between the current security price and net tangible assets and has formed the view that it would be in the best interest of Securityholders to pursue an orderly and opportunistic realisation of the Group's investments property assets over the next two years. The Board will only consider sales that achieve the best outcome for Securityholders and will continue to consider other options that may provide a greater return to Securityholders.

There were no significant changes in the nature of the activities of Trafalgar Corporate Group during the year.

Review of Operations

The annual financial report for the year ended 30 June 2010 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS"). The financial performance of Trafalgar Corporate Group is as follows:

	Consolidated	
	30 June 2010	30 June 2009
Revenue and other income (\$'000)	26,347	28,746
Profit (loss) attributable to Securityholders of Trafalgar Corporate Group (\$'000)	2,638	(62,538)
Basic loss per Company share (¢)	(1.6)	(8.1)
Basic earnings (loss) per Stapled security (¢)	3.1	(73.3)
Dividends and distributions provided or paid by Trafalgar Corporate Group (\$'000)	-	4,268
Weighted average number of stapled securities on issue ('000)	85,352	85,352
Net assets (\$'000)	131,577	128,939
Number of fully paid stapled securities on issue ('000)	85,352	85,352
Net tangible assets per fully paid stapled security (\$)	1.54	1.51

The following major financial transactions occurred during the financial year:

- (a) The Directors have re-valued the Group's investment property assets at 30 June 2010, having regard to independent valuations, resulting in a diminution in the carrying amount of the assets being brought to account in the statement of comprehensive income of \$6.1 million. The weighted average capitalisation rate applicable to the investment portfolio at 30 June 2010 is 8.54% (June 2009: 8.47%), while the weighted average lease expiry for current tenancies at 30 June 2010 is 4.87 years (June 2009: 4.91 years). Further information is provided in note 21.
- (b) The Group has in place a policy to protect against the volatility in financial markets through the utilisation of interest rate swap contracts. At 30 June 2010, 73.8% (June 2009: 77.3%) of the Group's total debt outstanding was hedged at fixed interest rates ranging between 5.98% and 6.27%. The interest rate swap contracts are valued at each balance date and any unrealised gain or loss brought to account through the statement of comprehensive income. At 30 June 2010, as a result of rising interest rates during the year, the market value of the interest rate swap contracts improved resulting in an unrealised gain of \$3.1 million.
- (c) The Group settled the sale of the Tallwoods residential and golf course estate located on the New South Wales Mid North Coast in May 2010. The sale included the provision of vendor finance of approximately \$12.6 million on commercial terms until June 2011, which will be repaid in several tranches between December 2010 and June 2011.
- (d) The Group's main finance facility with Westpac Banking Corporation, amounting to approximately \$131.6 million, which was due to expire in March 2011, was extended for a further two years until March 2013.

Dividends and Distributions

The Company did not declare any dividends during the year ended 30 June 2010 or up to the date of this report (2009: Nil). Distributions declared by TOF 4 and TPF 12, directly to Securityholders were as follows:

	2010 Distribution CPU	2010 Total amount \$'000	2009 Distribution CPU	2009 Total amount \$'000
Distributions for the year				
TOF4	-	-	1.0	854
TPF12	-	-	4.0	3,414
Total	-	-	5.0	4,268

Significant Changes in the State of Affairs

Key changes in Trafalgar Corporate Group's state of affairs during the year were as follows:

Westpac Banking Corporation Loan Facilities

The Trafalgar Twelve Four Finance Pty Limited loan facility with Westpac Banking Corporation which was due to expire in March 2011, has been extended for a further two years to March 2013.

The TC (Tallwoods) Pty Limited loan facility with Westpac Banking Corporation was transferred to Trafalgar Corporate Group Limited (upon sale of the Tallwoods Estate in May 2010), and the expiry was brought forward from September 2011 to April 2011.

In the opinion of the Directors, there were no significant changes in the state of affairs of Trafalgar Corporate Group that occurred during the financial year under review other than those listed above.

Likely Developments and Expected Results of Operations

In the opinion of the Directors, disclosure of any further information on future developments and results would be unreasonably prejudicial to the interests of the Group.

Information on Directors and Company Secretary

Garry R Sladden B.Bus, FINSA, ASA

Independent Non Executive Director, Non Executive Chairman

Garry is a business and strategic advisor who has a diversified business background in the areas of property, private equity, business operations, banking and finance, having held the position of General Manager Operations at Consolidated Press Holdings for six years and more recently (2007) the role of Group Operations Executive for property investment, development and funds management group, City Pacific Limited. Garry is also a Director of Endeavour Healthcare Limited.

Garry S Chamy

Non Executive Director

Garry is the Managing Director and principal of Wolseley Corporate & Media, a Sydney based corporate advisory firm. Prior to that, he practised for over a decade as a Sydney barrister in the fields of commercial and equity. Garry is also currently the Executive Chairman of Boost Media International, an international media advisory business, a board member of The Apparel Group (Sportscraft & Saba) and Executive Chairman of April Entertainment.

Tony R Pitt

Non Executive Director

Tony is an Executive Director and major shareholder of Pentagon Property Group, a Sydney based property investment and funds management organisation and a significant Securityholder in Trafalgar Corporate Group. Tony is also Managing Director of Olea Australis Limited (ASX Code: OLE). Tony has in excess of 12 years experience in property valuation, investment, funds management, development and advisory in both the listed and unlisted property sectors. Tony was previously an Executive Director of Mirvac Funds Management Ltd (formerly James Fielding Funds Management Limited), Bankminster Properties Limited and Travelodge Hotel Group. Tony also held positions at Paladin Australia Limited, Jones Lang LaSalle and Richard Ellis. Tony was also the Fund Manager for Mirvac REIT; an ASX listed Diversified Real Estate Investment Trust with over \$1.1 billion of property investments. Tony holds a Bachelor of Commerce (Property) and a Graduate Diploma in Applied Finance and Investment.

John R Green

Independent Non Executive Director

John currently holds an executive position with a funds manager that has in excess of \$4 billion under management. John brings a wealth of experience to the Board having been involved for more than 25 years with both property development and more recently property investment. In this regard, John has been called upon as an expert witness with respect to a number of property related court cases. John holds a Bachelor of Science (Hons) in Quantity Surveying and a Graduate Diploma in Urban Estate Planning.

Peter J Norris B.Econ, CPA

Chief Financial Officer, Company Secretary and Compliance Officer

Peter joined Trafalgar as Financial Controller and Company Secretary in 2001. Peter has more than 25 years of general business, financial administration and company secretarial experience and has been involved with ASIC Managed Investment Legislation for more than 10 years. As such, Peter assumes the responsibilities of Compliance Officer with respect to Trafalgar's ASIC Financial Services Licence. Peter's knowledge base stretches across many industries including property, manufacturing, financial services, direct retail, marketing and aviation. Peter is a member of CPA Australia as well as an affiliate of Chartered Secretaries Australia.

Attendance at Meetings by Directors

The number of Board meetings and Directors' attendance at those meetings during the year are set out below:

	Board		Audit and Risk Committee		Nominations and Remuneration Committee	
	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held
Brendan P Crotty	4	4	1	1	1	1
Garry S Charny	10	10	4	4	-	-
Garry R Sladden	10	10	4	4	1	1
John R Green	7	7	3	3	1	1
Tony R Pitt	5	5	-	-	-	-

Directors' Interests

The following table shows each Director's interest, and or their respective related entities' interest (if any), in Trafalgar Corporate Group Limited as at the beginning and at the end of the year:

	Held at 1 July 2009	Acquisitions	Sales	Held at 30 June 2010
<i>Fully paid securities</i>				
<i>Directors</i>				
Brendan P Crotty (Resigned 31/10/2009)	80,000	-	-	n/a
Garry S Charny	-	-	-	-
Garry R Sladden	-	-	-	-
John R Green (Appointed 1/10/2009)	-	-	-	-
Tony R Pitt (Appointed 19/11/2009) *	19,270,931	146,494	-	19,417,425

* Pentagon Financial Services Pty Limited ("PFS") is the registered holder. Tony Pitt is a shareholder (indirect) of the parent company of PFS.

Remuneration Report - Audited

The Directors of Trafalgar Corporate Group Limited present the Remuneration report for the consolidated entity. The report summarises key compensation policies for the year ended 30 June 2010 and provides detailed information on the compensation for Directors' and other key management personnel.

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

1. Principles used to determine the nature and amount of remuneration;
2. Service agreements; and
3. Details of remuneration

The specific remuneration arrangements described in this report apply to the Chief Executive Officer and the key management personnel as defined in AASB 124 and to the Company Secretary as defined in section 300A of the *Corporations Act*.

1. Principles Used to Determine the Nature and Amount of Remuneration

The Nominations and Remuneration Committee advises the Board on compensation policies and practices generally, and makes specific recommendations on compensation packages and other terms of employment for Non-Executive Directors, Executive Directors and other Senior Executives.

The Nominations and Remuneration Committee operates under the delegated authority of the Board. The Nominations and Remuneration Committee's Charter is available on the Corporate Governance page of Trafalgar Corporate Group Limited's website at www.trafalgarcorporate.com

The Nominations and Remuneration Committee is chaired by Garry Sladden and with John Green the other Non-Executive Director holding a position on the Committee.

The responsibilities of the Nominations and Remuneration Committee are to review market practices and recommend to the Board:

1. Remuneration policies of the Company;
2. Remuneration structure and levels for Non-Executive Directors; and
3. Remuneration packages of the Chief Executive Officer and Senior Executives.

The Chief Executive Officer, in turn, reviews the performance and compensation of the Senior Executives and makes recommendations on these to the Committee. The Chief Executive Officer's recommendations recognise the differing responsibilities and skills of Executives as well as different market influences that may affect their total compensation package.

Remuneration Report - Audited (continued)

1.1 Remuneration Principles

(a) Non-Executive Directors' fees

Securityholders in general meetings approve the aggregate pool available for the remuneration of Non-Executive Directors. The current aggregate pool limit for Directors' fees payable to Non-Executive Directors of \$750,000 per annum was approved by Securityholders at the 2005 Annual General Meeting.

Directors' fees paid to each Non-Executive Director are agreed by the Board, based on recommendations by the Nominations and Remuneration Committee.

The annual fees payable to Non-Executive Directors are as follows:

- Base fee of \$75,000 plus additional fees of:
 - o \$20,000 for Chairing the Audit and Risk Committee;
 - o \$Nil for Chairing the Nomination and Remuneration Committee;
- The Chairman is paid a main Board fee at a higher rate than other Non-Executive Directors to reflect additional workloads and responsibilities. The Chairman is paid \$145,000 per annum, effective from 1 September 2009.

In addition the Non-Executive Directors receive superannuation contributions at the statutory Superannuation Guarantee Levy (SGL) rate.

Retirement allowances for Directors

Non-Executive Directors do not receive any retirement allowance upon retirement from the Board.

(b) Executive Remuneration

The Board recognises that the Group's performance is dependent on the quality of its people. To successfully achieve its financial and operating objectives, the Group must be able to attract, motivate and retain highly skilled Executives who are dedicated to the interests of its Securityholders.

The compensation of the Chief Executive Officer and other key management personnel and other staff members is comprised of payments and or allocations under the following categories:

- Fixed remuneration, which comprises cash salary
- Short term employee benefits, which includes short term cash bonuses, annual leave and other incidental benefits;
- Post employment benefits, comprising superannuation contributions;
- Long term employee benefits including long service leave; and
- Termination benefits as defined in individual employment contracts and as required by law.

Details of each category above are set out below:

Fixed remuneration

Cash salaries are set at a level to attract and retain suitably qualified people to the Company. The salaries are benchmarked to market and reviewed annually by the Nominations and Remuneration Committee, taking account of market conditions, external surveys and advice, skills availability and the Company and individual performance.

Remuneration Report - Audited (continued)

1.1 Remuneration Principles (continued)

Short term employee benefits

For short term cash bonuses the performance targets and reward levels are reviewed by the Chief Executive Officer and are approved by the Nominations and Remuneration Committee. The payment of bonuses is approved by the Nominations and Remuneration Committee following an assessment of the Group's financial performance for the previous 12 months as compared to budgeted results. Failure to achieve budget may result in no bonus payments being approved by the Nominations and Remuneration Committee. Bonuses are paid in July of each year following the year in which they were earned.

Other incidental benefits include provision of car parking spaces at office locations.

Post employment benefits

All salaried employees have the opportunity to direct their superannuation to a fund of their choice as required by Federal legislation. The Company contributes 9% of salary in line with Superannuation Guarantee requirements.

Termination benefits

Termination benefits (which are payable if the Executive's employment is terminated by the Company) for the Chief Executive Officer, other key management personnel and other Executives are not provided for in their respective contracts of employment. Any termination payment will be determined by the Board, on the recommendation of the Nominations and Remuneration Committee, taking into account the seniority of the Executive, the length of service of the Executive, the reasons for termination and statutory and other rights (if any) of the Executive and the Company.

2. Service Agreements

Service agreements are entered into for all persons employed by the Company. Notice periods of six months for the CEO and one month for all other staff apply to these service agreements and no notice provisions apply where termination occurs as a result of misconduct or serious breach of agreement. Compensation arrangements for early termination of an Executive's contract for reasons outside the control of the individual or where the Executive is made redundant may give rise to a severance payment at law.

In 2007, the Board also agreed to pay Braith Williams an additional fee of \$318,750 deferred for three years until 14 August 2010 for accepting the role of Acting CEO following the resignation of Mr Mark Davidson as Managing Director. This fee was paid to Braith Williams in August 2010.

In July 2008, the Directors amended the employment contracts of key management personnel. Under the amended terms of their employment contracts, Messrs Williams, Morris and Norris become entitled to \$425,000, \$247,500 and \$138,750 respectively on 1 July 2010, should they remain employed as at that date. If the Company either had a change in control or elected to initiate termination of an employee prior to that date, the amount becomes immediately payable. Barry Morris was made redundant in December 2009 and the retention payment was made at that time. Messrs Williams and Norris remain employed by the Group and their retention payments were made in July 2010.

Remuneration Report - Audited (continued)

2. Service Agreements (continued)

Set out below is a summary of the terms of the service agreements for the key management personnel employed at 30 June 2010:

	Braith H Williams Chief Executive Officer	Peter J Norris Chief Financial Officer/ Company Secretary
Date of agreement	20 September 2007	1 July 2005
Term of agreement	Open-ended	Open-ended
Non-solicitation of other personnel	12 months	12 months
Termination notice	6 months	1 month

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel interests existing at year end.

3. Details of Remuneration

Details of the remuneration of the Directors and other key management personnel of the consolidated entity are set out in the following table:

Remuneration Report - Audited (continued)

		Short -Term Employee Benefits				Post Employment Benefits (Superannuation)	Long Service Leave	Total
Name	Year	Cash Salary \$	Short -Term Cash Bonus \$	Non - Monetary Benefits \$	Other Benefits \$			
<i>Non-Executive Directors</i>								
Richard J Grellman (Resigned 13/11/08)	2010	-	-	-	-	-	-	-
	2009	53,570	-	290	-	4,821	-	58,681
Mark H Ford (Resigned 18/05/09)	2010	-	-	-	-	-	-	-
	2009	83,763	-	-	-	7,539	-	91,302
Allan R Davison (Resigned 13/11/08)	2010	-	-	-	-	-	-	-
	2009	31,403	-	-	-	2,826	-	34,229
Brendan P Crotty (Resigned 31/10/09)	2010	34,947	-	-	-	3,145	-	38,092
	2009	100,130	-	-	-	9,012	-	109,142
Garry S Charny	2010	75,000	-	-	-	6,750	-	81,750
	2009	47,500	-	-	-	4,275	-	51,775
Garry R Sladden (Chairman)	2010	136,667	-	-	-	12,300	-	148,967
	2009	74,866	-	-	-	6,024	-	80,890
John R Green (Appointed 1/10/09)	2010	69,583	-	-	-	6,263	-	75,846
	2009	-	-	-	-	-	-	-
Tony R Pitt (Appointed 19/11/09)	2010	46,058	-	-	-	4,145	-	50,203
	2009	-	-	-	-	-	-	-
Sub Total Non-Executive Directors	2010	362,255	-	-	-	32,603	-	394,858
	2009	391,232	-	290	-	34,497	-	426,019
<i>Other Key Management Personnel</i>								
Braith H Williams - Chief Executive Officer	2010	408,437	-	9,274	-	14,461	6,708	438,880
	2009	411,255	(1) 110,000	6,322	427	13,745	6,748	548,497
Peter J Norris - Chief Financial Officer/ Company Secretary	2010	168,139	-	967	2,400	14,461	2,703	188,670
	2009	168,855	-	792	2,400	13,745	2,739	188,531
Barry V Morris - Chief Financial Officer (Resigned 4/12/09)	2010	194,583	-	4,567	(2) 247,500	6,248	-	452,898
	2009	316,255	-	10,515	-	13,745	-	340,515
Totals by each component	2010	1,133,414	-	14,808	249,900	67,773	9,411	1,475,306
	2009	1,287,597	110,000	17,919	2,827	75,732	9,487	1,503,562
Totals by category	2010		1,398,122			67,773	9,411	1,475,306
	2009		1,418,343			75,732	9,487	1,503,562

1 Bonus relates to the performance criteria achieved in 2008 and paid in 2009.

2 Redundancy payment paid 4 December 2009.

Indemnification and Insurance of Directors and Officers

In the 2010 financial year a premium of \$67,561 (2009: \$67,561) was paid in respect of a Directors and Officers Liability insurance policy for the benefit of the above Directors and key management personnel. Effective from 1 April 2006 the Directors and Officers Liability insurance policy held by Trafalgar Corporate Group Limited was endorsed to cover the risk previously provided for in the Investment Managers insurance policy taken out by the Responsible Entity, namely Trafalgar Managed Investments Limited (TMIL).

The Company has not indemnified the auditor of the Group.

The Company and Trafalgar Managed Investments Limited have entered into a Deed of Access, Indemnity and Insurance with each Director and the Chief Executive Officer. The indemnity is subject to restrictions prescribed in the Corporations Act 2001. In summary the Deed indemnifies Directors to the fullest extent permitted by law against liabilities arising as a result of acting as a Director or Officer. An indemnity is also provided for related legal costs.

Non-Audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services during the reporting period by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporation Act 2001* for the following reasons:

- The Board's own review conducted in conjunction with the Audit and Risk Committee, having regard to the Board's policy with respect to the engagement of the Company's auditor to ensure the services do not impact on the integrity and objectivity of the auditor.
- The declaration of the independence provided by KPMG, as auditor of the Company.
- The fact that none of the non-audit services provided by KPMG during the year involved reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices for non-audit services provided during the year are set out below. Refer to note 9 for details of amounts paid by the Company.

The following non-audit services were provided by the entity's auditor, KPMG. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non audit service provided means that auditor independence was not compromised.

	30 June 2010	30 June 2009
	\$	\$
Services other than statutory audit:		
Other assurance services		
Taxation services	92,415	68,710
Audit of regulatory returns	4,255	4,255
Property consulting services	4,000	4,100
Other assurance services	22,520	22,520

Events Subsequent to Reporting Date

The Group exchanged contracts for the sale of the Melbourne Broadcast Centre on 16 August 2010 for a sale price of \$54.22 million, with a settlement date of 31 August 2010.

There are no further matters or circumstances not otherwise dealt with in this report or the financial statements that have significantly or may significantly affect the operations of the consolidated entity, or the state of the consolidated entity's affairs in this financial report or current and future financial periods.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 30 and forms part of the Directors' report for the year ended 30 June 2010.

Rounding off

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

This report is made with a resolution of the Directors:



Garry R Sladden
Chairman



John R Green
Director

Dated at Sydney this 19th day of August 2010



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Trafalgar Corporate Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

19 August 2010

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

		Consolidated	
	Note	2010 \$'000	2009 \$'000
Revenue and other income			
Rent from investment properties	4	22,916	23,589
Management fee income		110	149
Financial income	5	1,517	3,458
Other income	6	1,804	1,550
Total revenue and other income		26,347	28,746
 Rates, taxes and other property outgoings		(2,914)	(3,543)
Consultants and professional fees		(871)	(1,623)
Management and administration expenses		(1,120)	(1,618)
Depreciation	24	(55)	(80)
Employee benefits expense	8	(2,891)	(4,329)
Mezzanine debt disposal costs		-	(505)
Other expenses	7	(1,299)	(1,057)
Net loss on fair value adjustment of investment properties	21	(6,080)	(34,304)
Net gain (loss) on fair value adjustment of financial instruments	5	3,089	(9,482)
Impairment of goodwill		-	(2,715)
Impairment of inventory	17	-	(12,550)
Impairment of available for sale investments	20	(88)	(260)
Impairment of third party loans	18	(197)	(3,919)
Results from operating activities		13,921	(47,239)
 Finance expenses	5	(11,155)	(11,910)
Share of loss on investments accounted for using the equity method	23	(128)	(3,389)
Profit (loss) before income tax expense		2,638	(62,538)
 Income tax expense	10	-	-
Profit (loss) for the year		2,638	(62,538)
 Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,638	(62,538)

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Comprehensive Income (continued)
For the year ended 30 June 2010

	Consolidated	
Note	2010	2009
	\$'000	\$'000
Profit attributable to:		
Equity holders of the company	(1,344)	(6,951)
Minority interest	3,982	(55,587)
Profit (loss) for the year	<u>2,638</u>	<u>(62,538)</u>
 Total comprehensive income attributable to:		
Equity holders of the company	(1,344)	(6,951)
Minority interest	3,982	(55,587)
Total comprehensive income for the year	<u>2,638</u>	<u>(62,538)</u>
 Basic and diluted earnings (loss) per Stapled security	3.1c	(73.3)c

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

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

	Note	Trafalgar Corporate Group Limited			Minority Interest TPF12 and TOF4		Total Equity \$'000
		Capital \$'000	Retained earnings \$'000	Total equity \$'000	Capital \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated							
Balance at 1 July 2009		(3,092)	(48,817)	(51,909)	180,848	-	180,848
Total comprehensive income for the year		-	(1,344)	(1,344)	-	3,982	3,982
Transactions with Securityholders in their capacity as Securityholders							
Transfer to (from) reserves		-	-	-	3,982	(3,982)	-
		-	-	-	3,982	(3,982)	-
Balance at 30 June 2010		(3,092)	(50,161)	(53,253)	184,830	-	184,830

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Changes in Equity (continued)
For the year ended 30 June 2010

	Note	Trafalgar Corporate Group Limited			Minority Interest TPF12 and TOF4		Total Equity \$'000
		Capital \$'000	Retained earnings \$'000	Total equity \$'000	Capital \$'000	Retained earnings \$'000	Total equity \$'000
Consolidated							
Balance at 1 July 2008		(3,092)	(41,866)	(44,958)	240,703	-	240,703
Total comprehensive income for the year		-	(6,951)	(6,951)	-	(55,587)	(55,587)
Transactions with Securityholders in their capacity as Securityholders							
Distribution to unitholders	3	-	-	-	-	(4,268)	(4,268)
Transfer (from) to reserves		-	-	-	(59,855)	59,855	-
		-	-	-	(59,855)	55,587	(4,268)
Balance at 30 June 2009		(3,092)	(48,817)	(51,909)	180,848	-	180,848

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

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2010

		Consolidated	
	Note	2010	2009
		\$'000	\$'000
Current assets			
Cash and cash equivalents	15	8,161	9,888
Trade and other receivables	16	1,727	1,474
Inventories	17	-	15,785
Assets held for sale	12	54,220	53,500
Other financial assets	18	22,301	7,388
Investments accounted for using the equity method	23	23,177	9,466
Other current assets	19	2,553	1,075
Total current assets		<u>112,139</u>	<u>98,576</u>
Non current assets			
Available for sale investments	20	538	626
Investment properties	21	157,555	168,329
Other financial assets	18	-	8,914
Property, plant and equipment	24	270	295
Investments accounted for using the equity method	23	-	19,867
Other non current assets	25	8,495	5,309
Total non current assets		<u>166,858</u>	<u>203,340</u>
Total assets		<u>278,997</u>	<u>301,916</u>
Current liabilities			
Trade and other payables	26	5,409	4,516
Interest bearing loans and borrowings	27	7,542	2,000
Provisions	28	67	153
Other financial liabilities	22	1,277	2,454
Other current liabilities	29	1,890	2,208
Total current liabilities		<u>16,185</u>	<u>11,331</u>
Non current liabilities			
Interest bearing loans and borrowings	27	130,994	159,467
Provisions	28	107	133
Other financial liabilities	22	134	2,046
Total non current liabilities		<u>131,235</u>	<u>161,646</u>
Total liabilities		<u>147,420</u>	<u>172,977</u>
Net assets		<u>131,577</u>	<u>128,939</u>

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Financial Position (continued)
As at 30 June 2010

		Consolidated	
	Note	2010	2009
		\$'000	\$'000
Equity attributable to Shareholders of the Company			
Capital	30	(3,092)	(3,092)
Retained losses		(50,161)	(48,817)
Total Equity attributable to Shareholders of the Company		<u>(53,253)</u>	<u>(51,909)</u>
 Minority interests - Equity attributable to Unitholders of TPF12 and TOF4			
Capital		184,830	180,848
Retained earnings		-	-
Total Minority interests Equity attributable to Unitholders of TPF12 and TOF4		<u>184,830</u>	<u>180,848</u>
 Total equity		<u>131,577</u>	<u>128,939</u>

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

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Consolidated	
Note	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts from customers	27,006	44,710
Cash paid to suppliers and employees	(13,255)	(17,858)
Payments for development inventory	(417)	(463)
Distributions and dividends received	37	570
Income tax received	-	72
Interest received	1,059	1,831
Interest paid	(11,403)	(12,020)
Net cash from operating activities	37	16,842
Cash flows from investing activities		
Proceeds from sale of shares in subsidiaries	18,900	-
Payments for investment properties	(473)	(840)
Payments for plant and equipment	(47)	-
Payments for equity accounted investments	(4,757)	(6,098)
Proceeds from equity accounted investments	10,023	2,722
Development loan - advances	(639)	(11,496)
Development loan - repayments	4,056	12,130
Secured vendor finance loan - advances	(12,773)	(113)
Secured vendor finance loan - repayments	3,611	1,260
Net cash from investing activities		(2,435)
Cash flows from financing activities		
Proceeds from borrowings	9,165	12,763
Repayment of borrowings	(31,820)	(13,559)
Distributions and dividends paid	-	(8,535)
Net cash from financing activities		(9,331)
Net (decrease) increase in cash and cash equivalents held		5,076
Cash and cash equivalents at the beginning of the year		4,812
Cash and cash equivalents at the end of the year	15	9,888

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

1 Statement of Significant Accounting Policies

Trafalgar Corporate Group Limited ("the Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as 'Trafalgar Corporate Group' or the 'consolidated entity') and Trafalgar Corporate Group's interest in associates and jointly controlled entities.

The consolidated financial report was authorised for issue by the directors on 19th August 2010.

The significant accounting policies which have been adopted in the preparation of this consolidated financial report are:

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards (including Australian Interpretations) adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial report complies with IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of Preparation

The consolidated entity applies revised AASB 101 - *Presentation of Financial Statements*. As a result, the consolidated entity presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that derivative financial instruments and investment properties are stated at their fair value and land held for resale and investments accounted for using the equity method have been subject to impairment testing.

The Company is an entity of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In accordance with the Stapling Deed executed on 8 June 2005, each party to the deed (TGCL, TPF12 and TOF4) have undertaken to guarantee the obligations of the other party and or its subsidiaries. At balance date, TCGL and its consolidated entities had a net deficit of \$53.3 million (2009: \$51.9 million).

1 Statement of Significant Accounting Policies (continued)

(b) Basis of Preparation (continued)

As TPF12 and TOF4 have the capacity to guarantee the net deficit, the financial report of the Company has been prepared on a going concern basis having regard to the Group's bank facilities available until March 2013; the Group's compliance with bank debt covenants, current assets exceeding current liabilities and our expectation that the Group will be able to meet all its obligations as and when they fall due over the next 12 months.

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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are disclosed in note 1(z).

The accounting policies set out below have been applied consistently to all periods presented in this consolidated financial report.

The accounting policies have been applied consistently by all entities in the consolidated entity.

Certain comparative amounts have been reclassified to conform to current year classifications.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments, Revised AASB 124 Related Party Disclosures, AASB 2009-5 Further amendments Australian Accounting Standards arising from the Annual Improvements Process.

The Group has not yet determined the potential effect of these standards on the Group's financial report.

The consolidated entity has applied the amendments contained in the *Corporations Amendment (Corporate Reporting Reform) Bill 2010* in the preparation of this financial report which allows for removing the requirement in consolidated financial statements to include full parent entity information. A note containing information about the Parent Entity has been included at note 39.

(c) Basis of Consolidation

Reverse acquisition of the Company

Effective 20 July 2005, the Company acquired 49.6% of Trafalgar Corporate Pty Limited (TCL) and its controlled entities from the original shareholders for cash consideration of \$7.5 million, which was funded from the proceeds of the Initial Public Offer. As per the Shareholder Deeds, dated 8 June 2005, between the Company and the original shareholders of TCL, the original shareholders have exercised options requiring the Company to purchase the balance of shares held in TCL. This resulted in the Company increasing its equity interest in TCL by 14.8% in 2007 and 35.3% in 2008. The Company as at 30 June 2008 held and continues to hold 100% of the equity in TCL.

When a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities is to be identified as the acquirer on the basis of pertinent facts and circumstances regarding control.

In this instance although the Company is the legal parent of TCL, TCL is the deemed acquirer. This is referred to as "reverse acquisition accounting". The fair value of net assets of the Company on acquisition was \$5.

1 Statement of Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

Stapled group

Trafalgar Corporate Group, which is domiciled in Australia, was established for the purpose of facilitating a joint Australian Stock Exchange ("ASX") listing of the Company and its controlled entities, being a continuation of the financial statements of TCL, TOF 4 and TPF 12.

On 20 July 2005, Trafalgar Corporate Group was formed by stapling together the shares of the Company and units of TOF 4 and TPF 12. For the purpose of statutory reporting, the stapled entity reflects the consolidated entity being the Company (the deemed acquirer of TOF 4 and TPF 12 and the parent of the stapled entity) and its controlled entities being TOF 4 and its controlled entity and TPF 12 and its controlled entity. The net assets and profit or loss of TOF 4 and TPF 12 are disclosed as Minority Interest as the equity is 100% owned by stapled security holders not directly owned by the Company.

The Constitutions of TOF 4 and TPF 12 and the Articles of Association of the Company ensure that, for so long as these entities remain jointly listed, the number of units in TOF 4 and TPF 12 and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. Both the Responsible Entity of TOF 4 and TPF 12 and TCL must at all time act in the best interest of Trafalgar Corporate Group.

The stapling arrangement will cease upon the earlier of the winding up of TOF 4, TPF 12 or TCL, or any of the entities terminating the stapling arrangement.

The purchase method of accounting is used to account for business combinations including the acquisition of controlled entities (refer note 36). The purchase method views a business combination from the perspective of the combining entity that is identified as the acquirer. The acquirer purchases net assets and recognises, at fair value, the assets acquired and liabilities and contingent liabilities assumed, including those previously recognised by the acquiree. As the stapling arrangement does not involve one of the combining entities obtaining an ownership interest in another combining entity, no goodwill or excess of acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost is recognised in relation to the stapling arrangement. Goodwill is only recognised to the extent it represents costs incurred in relation to formation of the stapling arrangement.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to 'Investments accounted for using the equity method' and 'Share of profits of investments accounted for using the equity method'.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associates and jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when an entity has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

1 Statement of Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the statement of comprehensive income from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Jointly controlled operations and assets

Interests of the consolidated entity in jointly controlled operations and jointly controlled assets are brought to account by recognising in the financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

(d) Segment Reporting

Operating segments

As of 1 July 2009, the consolidated entity presents operating segments based on the same basis as that internally provided to the CEO, who is the consolidated entity's chief operating decision maker. This change in policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are regularly reviewed by the consolidated entity's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Capital expenditure for a segment is the total cost incurred during the period to acquire, property, plant and equipment, and intangible assets other than goodwill.

1 Statement of Significant Accounting Policies (continued)

(e) Revenue and Other Income

Revenues arising in the ordinary course of activities are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Revenue is recognised for the major business activities as follows:

Rent from investment properties

Rental income from investment properties is recognised in the statement of comprehensive income on a straight line basis over the lease term where leases have fixed increments otherwise on an accrual basis. Rental income not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight line basis, as a reduction of lease income.

Lease incentives provided by TPF12 and TOF4 to lessees are deducted from the fair value of investment property and are disclosed as separate assets under 'Other current' and 'Other non current assets'. Such assets are amortised over the respective periods to which the lease incentives apply, either using a straight line basis, or a basis which is representative of the pattern of benefits.

Property development sales

Revenue from residential land sales and property development sales are recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return, or there is continuing managerial involvement to the degree usually associated with ownership.

Interest income

Interest income is recognised on an accruals basis and if not received at balance date, is reflected in the statement of financial position as a receivable.

Dividends and distributions

Revenue from dividends and 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 and distributions received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Fee income

Revenue from services rendered including management and arrangement services are recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the balance date. The proportion of services provided is assessed by reference to the work performed.

Net gain on the sale of non current assets

The net gain on the sale of non current assets is included as income when the significant risks and rewards of ownership have been transferred to the buyer, usually when a contract for sale becomes unconditional or at settlement.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

1 Statement of Significant Accounting Policies (continued)

(f) Income Tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Under current Australian income tax legislation, the Trusts are not liable for income tax, provided that taxable income and taxable capital gains are fully distributed to unitholders each year. Accordingly income tax amounts disclosed in this financial report relates only to the companies within Trafalgar Corporate Group.

Tax consolidation

The Company and its wholly owned entities, and TCL and its wholly owned entities had each formed a tax consolidated group with effect from 1 July 2005 and 1 July 2003 respectively and each group was taxed as a single entity from that date. The two head entities within the tax consolidated groups, the Company and TCL formed one tax group in September 2007, the same month that the Company acquired 100% ownership of TCL.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated groups are recognised in the separate financial statements of the members of the tax consolidated groups using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are brought to account in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by each head entity as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of each tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

1 Statement of Significant Accounting Policies (continued)

(f) Income Tax (continued)

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by each head entity respectively.

Nature of tax funding arrangements and tax sharing arrangements

Each head entity, in conjunction with the members of its tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of the members of each tax consolidated group in respect of tax amounts. The tax funding arrangements for each group requires payments to or from the head entity equal to the current tax liability (asset) assumed by the head entity, resulting in each head entity recognising an inter entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter entity receivable (payable) is at call.

Contributions to fund the current tax liabilities are payables as per each tax funding arrangement and reflect the timing of each head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

Each head entity in conjunction with its members of the tax consolidated group, have also entered into a tax sharing arrangement. The tax sharing arrangements provide for the determination of the allocation of income tax liabilities between the entities of each group, should the head entity of that group default on its payment obligations. No amounts have been recognised in the financial statements in respect of these agreements as payment of any amounts under each tax sharing agreement is considered remote.

(g) Derivative Financial Instruments

The consolidated entity is exposed to changes in interest rates from its activities and uses interest rate swaps to hedge its exposure. The consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and are subsequently remeasured to their fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss on the cash flow hedges is recognised directly in equity.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(h) Investment Properties

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation, or both.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the statement of comprehensive income in the period. An external, independent valuer, having an appropriately recognised professional qualification and recent experience in the location and category of the property being valued, values the individual properties when considered appropriate as determined by management in accordance with a Board approved valuation policy. These external valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without prejudice.

1 Statement of Significant Accounting Policies (continued)

(h) Investment Properties (continued)

Where a property is undergoing redevelopment, it is carried at fair value. Where property does not qualify as investment property but is to be redeveloped into an investment property it is treated as property, plant and equipment and carried at cost until completion and then transferred to investment property at fair value. Finance costs incurred on investment properties undergoing redevelopment are included in the cost of the development.

In assessing fair value of investment properties, valuations (whether internal or external and independent) are prepared by considering the aggregate of the net annual rents receivable from the properties and, when relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

(i) Impairment of Assets

The carrying amounts of the consolidated entity's assets, other than investment properties (refer note 1(h)), inventories (refer note 1(o)), and deferred tax assets (refer note 1(f)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows. Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

1 Statement of Significant Accounting Policies (continued)

(i) Impairment of Assets (continued)

Reversals of Impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

(j) Operating Lease Payments

Payments required under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(k) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment (refer note 1 (i)).

Transaction costs incurred in relation to the formation of the stapling arrangement are recognised as goodwill.

(l) Trade and Other Payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received and are stated at amortised cost.

(m) Interest Bearing Liabilities

Interest bearing liabilities are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. Transaction costs are amortised over the term of the borrowing and the balance of transactions costs is amortised immediately upon a borrowing being substantially renegotiated or repaid in full.

(n) Goods and Services Tax

Revenue, 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

1 Statement of Significant Accounting Policies (continued)

(o) Inventory

Inventories comprising residential and commercial developments are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Current and non current inventory assets

Inventory is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- it is held primarily for the purpose of being traded; or
- it is expected to be realised within twelve months after the reporting date.

All other inventory is classified as non current.

(p) Borrowing Costs

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. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(r) 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 balance date are recognised as current provisions in respect of employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay at reporting date.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the rates attached to the Commonwealth government bonds with terms to maturity that match, as closely as possible, to the estimated future cash outflows.

Bonus entitlements

A liability is recognised for employee benefits in the form of employee bonus entitlements which are determined before the time of completion of the financial report. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

1 Statement of Significant Accounting Policies (continued)

(r) Employee Benefits (continued)

Termination commitments

Termination commitments are recognised as an expense when the Group is committed to a formal plan to terminate employment.

Retention arrangements

Liability for retention payments are accrued progressively over the retention period.

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of comprehensive income as incurred.

(s) Trade Receivables

Trade and other receivables are stated at their cost less impairment losses (refer note 1 (i)).

(t) Assets Held for Sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before applying the classification as held for sale, the measurement of the assets is brought up to date in accordance with applicable accounting standards. Upon initial classification as held for sale, non current assets are recognised at the lower of carrying amount and fair value less costs to sell.

Investment properties which are classified as held for sale are carried at fair value as the measurement provisions of AASB 5 *Non-current Assets Held for Sale and Discontinuing Operations* do not apply to investment properties.

Impairment losses determined at the time on initial classification of the non current asset as held for sale are included in the statement of comprehensive income, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

(u) Property, Plant and Equipment

Items of property, plant and equipment (excluding land and buildings) are stated at cost or deemed cost less accumulated depreciation (refer note 1 (v)) and impairment losses (refer note 1 (i)).

(v) Depreciation

All assets having limited useful lives are depreciated using the straight line method over their estimated useful lives. Land is not depreciated. Assets are depreciated from the date of acquisition and depreciation rates and methods are reviewed annually for appropriateness.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	2-40 years
Furniture and fittings	4-13 years
Motor vehicles	8 years

1 Statement of Significant Accounting Policies (continued)

(w) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate which reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

Dividends and Distributions

A provision for dividends and distributions payable is recognised in the reporting period in which the dividends and distributions are declared, determined, or publicly recommended by the Directors on or before the end of the financial period, but not distributed at balance date.

(x) Issued Capital

Issued capital represents the amount of consideration received for stapled securities issued by the consolidated entity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(y) Vendor Liabilities

Vendor liabilities are discounted to their present value at the consolidated entity's cost of capital. Interest is accrued over the period it becomes due and is recorded as an increase to the vendor liability.

(z) Accounting Estimates and Judgements

Management discussed with the Audit and Risk Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future financial years are discussed below:

Key sources of estimation uncertainty are:

Valuation of investment properties

The Directors ascertain the fair value of investment properties after having regard to independent valuations which are undertaken annually. These valuations are determined through the use of the properties' lease profile and direct market comparison and include the valuers' assessments of appropriate capitalisation rates and discounted cash flow rates. The valuations are in accordance with accounting policy note 1 (h).

Equity accounted investments

The Group assesses equity accounted investments for impairment using the fair value less costs to sell method having regard to the financial records available in regard to investments, independent valuations and the underlying market value of their assets where available.

Impairment of goodwill

The consolidated entity assesses whether goodwill is impaired at least annually, in accordance with the accounting policy note 1 (i). These calculations involve an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

1 Statement of Significant Accounting Policies (continued)

(z) Accounting Estimates and Judgements (continued)

Land held for resale and infrastructure costs

The Group assesses whether inventory is carried at the lower of cost or net realisable value at each reporting period. The factors considered in determining whether the carrying amount of an asset exceeds its net realisable value include the sales rates, pricing, feasibilities, market conditions and costs. In certain circumstances an independent assessment or valuation may be sought.

(aa) Financial Instruments

(i) Non-derivative financial instruments

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

Recognition of financial instruments occurs when the Group becomes party to the contractual provisions of the instrument. De-recognition of financial instruments occurs when the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of comprehensive income, any directly attributable transaction costs. Following initial recognition non-derivative financial instruments are measured as described below.

Held-to-maturity investments

If the Group has the intention and ability to hold debt securities to maturity, they are classified as held-to-maturity. Measurement of held-to-maturity investments is at their amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Financial assets at fair value through the statement of comprehensive income

An instrument is classified at fair value through the statement of comprehensive income if it is held for trading or is designated as such on initial recognition. Financial instruments are designated at fair value through the statement of comprehensive income if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the statement of comprehensive income when incurred. Financial instruments at fair value through the statement of comprehensive income are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

1 Statement of Significant Accounting Policies (continued)

(aa) Financial Instruments (continued)

(ii) *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its interest rate exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the same definition of a derivative, and the combined instrument is not measured at fair value through the statement of comprehensive income.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and the changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive income.

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gains or loss previously recognised in equity remains there until the forecast transaction occurs.

(iii) *Share capital*

Stapled securities

Stapled shares are classified as equity. Incremental costs directly attributable to the issue of the securities, options and conversion of partly paid securities are recognised as a deduction from equity, net of any tax effect.

2 Financial Risk Management

Overview

Trafalgar Corporate Group's activities expose it to a range of financial risks including credit risk, liquidity risk, and market risk. The Group's Board of Directors has responsibility for the establishment and oversight of the risk management framework ensuring the effective management of risk.

The Board has established the Audit and Risk Committee to develop risk management principles and policies and monitor their implementation. Policies are established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and monitor the risks and adherence to limits. The Audit and Risk Committee meets regularly to review risk management policies and systems and ensure they reflect changes in market conditions and the Group's activities.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and mezzanine loans to third parties for funding developments and investment properties.

2 Financial Risk Management (continued)

(a) Credit Risk (continued)

Credit risk relating to the Group's receivables (primarily tenants in the Group's investment properties) is influenced mainly by the individual characteristics of each customer. The Group has a diverse range of customers, (the largest representing approximately 36% (2009: 31%) of revenue), of varying size 56% (2009: 50%) Listed or large corporates; 41% (2009: 39%) Federal and State Government departments or authorities and the remaining 3% (2009: 11%) smaller businesses) with the majority secured by bank guarantees. There is a concentration of credit risk as the Group's largest customer represents 36% (2009: 31%) of revenue; the Group is comfortable with this exposure as the customer is a federal government department.

The Group has established a process to analyse each new potential customer for creditworthiness before the Group enters into a transaction with them. Customers are invoiced monthly in advance and management regularly monitors that settlement terms are adhered to.

Mezzanine and vendor finance loans to third parties are at fixed interest rates. The Group maintains a close ongoing relationship with the third parties involved and monitors the progress of developments where applicable to protect its investment. Detailed project feasibility reports are updated regularly and provide comfort as to the ongoing creditworthiness of the development projects. The Group holds either 1st or 2nd mortgages over the land and fixed and floating charges over the development assets. There is a concentration of credit risk as the Group's largest vendor finance loan for \$12.6 million represents 4.5% of total group assets; the Group is comfortable with this exposure as the Group holds a 1st mortgage over land and all financial obligations under the loan to date have been met by the borrower.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board has a policy of prudent liquidity risk management ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At 30 June 2010 the Group had undrawn committed facilities of \$4.5 million and cash of \$8.2 million to cover short term funding requirements. At balance date the debt maturity profile on the Group's financial liabilities was 2.6 years (2009: 1.9 years). Further information of the debt profile of the Group's financial liabilities is disclosed in notes 27 and 32.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's interest rate risk arises from long term borrowings. Borrowings are at variable interest rates and expose the Group to cash flow interest rate risk. The Group's policy is to maintain fixed interest rate hedges in the range of 70-90% of borrowings. These hedges have the effect of converting borrowings from floating rates to fixed rates.

The Group enters into floating to fixed interest rate swaps with settlement timed to coincide with secured debt interest payments and rate resets, approximately every 90 days. The fixed interest rate hedge maturity was 1.2 years at 30 June 2010 (2009: 2.0 years). The Group maintains a portfolio of hedges, some of which are forward start swaps, to protect future debt balances which will arise on the renewal of existing loan facilities. The effect of these hedges is that at 30 June 2010, 73.8% (2009: 77.3%) of the Group's borrowings were at fixed interest rates.

The potential impact of a change in interest rates by +/-1% on profit and equity has been disclosed in a table in note 32.

Other markets risk

Trafalgar does not have any material exposure to any other market risks such as currency risk or equity price risk.

2 Financial Risk Management (continued)

(d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group uses a variety of methods to calculate the value of financial instruments and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is determined by reference to the market value of the swaps. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments.

(e) Capital Management

Under the direction of the Board, the Group manages its capital structure to safeguard the ability of the Group to continue as a going concern while maximising the return to security holders through the optimisation of net debt and total equity balances.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends and distributions paid to security holders, return capital to security holders, issue new stapled securities, purchase the Group's own securities on the market, or sell assets to reduce debt.

Neither the Company nor any of its related entities are subject to externally imposed capital requirements with the exception of Trafalgar Managed Investments Limited (TMIL). In accordance with TMIL's Australian Financial Services Licence it has appointed a custodian to hold all the scheme property and other assets of the registered schemes (i.e. TPF12 and TOF4) for which it is Responsible Entity and as such must maintain Net Tangible Assets of 0.5% of the value of the assets of those registered schemes.

Capital structure is monitored on an ongoing basis using the Debt to Total Assets ratio - 2010: 49.9% (2009: 53.6%).

Investment properties constitute a significant proportion of the Group's assets constituting 78.8% of total assets in 2010 (2009: 75.2%). The Group aims to utilise growth in the value of these assets to generate financing cash flows and in order to safeguard these cash flows the Group's portfolio contains assets in a number of markets and regions.

There were no changes in the Group's approach to capital management during the year.

3 Distributions and Dividends

Distributions and dividends recognised in the year are as follows:

	Cents per unit or share	Total Amount \$'000	Date of payment	Franked %
2010				
<i>Interim distribution</i>				
TOF4 distribution	0.0 c	-		
TPF12 distribution	0.0 c	-		
<i>Final distribution</i>				
TOF4 distribution	0.0 c	-		
TPF12 distribution	0.0 c	-		
Total	0.0 c	-		
2009				
<i>Interim distribution</i>				
TOF4 distribution	1.0 c	854	13-Mar-09	0.0%
TPF12 distribution	4.0 c	3,414	13-Mar-09	0.0%
<i>Final distribution</i>				
TOF4 distribution	0.0 c	-		
TPF12 distribution	0.0 c	-		
Total	5.0 c	4,268		

The company did not declare or pay a dividend in the 2010 or 2009 financial years.

4 Rental Income

	Consolidated 2010 \$'000	2009 \$'000
Rental income	23,167	23,831
Amortisation of capitalised lease incentives	(4)	5
Amortisation of lease guarantee	(247)	(247)
	22,916	23,589

The group leases out its investment properties under operating leases

5 Financial Income and Finance Expenses

	Consolidated	
	2010	2009
	\$'000	\$'000
Interest income - banks	385	195
Interest income - property financing	1,132	3,263
Financial income	1,517	3,458
Interest paid and payable to other parties	10,491	11,657
Amortisation of financing costs	664	253
Finance expenses	11,155	11,910
Net gain (loss) on fair value adjustment of financial instruments	3,089	(9,482)
Net financing costs	6,549	17,934

6 Other Income

	Consolidated	
	2010	2009
	\$'000	\$'000
Development management fees	-	150
Sales commission	176	35
Golf operations - revenue	860	1,251
Forfeited share sale deposits and extension fees	592	-
Other	176	114
	1,804	1,550

7 Other Expenses

	Consolidated	
	2010	2009
	\$'000	\$'000
Amortisation of ATO Regional Office over rent *	1,432	1,430
Amortisation of Southbank Towers over rent	-	88
Performance Fee - Thomas St (Chatswood) Pty Limited **	-	153
Golf operations - Cost of goods sold	232	448
Golf operations - Contribution to Tallwoods Golf ***	(365)	(1,062)
	<u>1,299</u>	<u>1,057</u>

* The purchase price of the ATO Regional Office included a premium (over rent) paid for the lease agreement which was above market rental. This over rent component is being amortised over the life of the lease, being ten years from February 2005.

** In the 2003 financial year Trafalgar Corporate Pty Limited received in advance, a performance fee in relation to the management of the Thomas St (Chatswood) project. The advance was made on the assumption that the project would be completed by 30 June 2006 and an expected rate of return to investors would be achieved. In the event that the rate of return on the project varied then either a payment to, or a refund from Trafalgar Corporate Pty Limited would be required. The project was completed in the 2009 financial year and as the actual rate of return to investors was lower than anticipated, a refund of the overpaid performance fee was paid to the investors.

*** Tallwoods Golf & Country Club was acquired by Tallwoods International Golf Resort Pty Limited (TIGR), a wholly owned subsidiary of Trafalgar Corporate Group Limited on 18 September 2007. As part of the acquisition the previous owner provided a contribution to TIGR to assist in preserving the condition of the Golf & Country Club. Tallwoods International Golf Resort Pty Limited was sold in May 2010.

8 Employee Benefits Expense

	Consolidated	
	2010	2009
	\$'000	\$'000
Wages and salaries	2,302	3,234
Contributions to defined contribution superannuation funds	147	211
Other associated employee expenses	129	352
Decrease in liability for annual leave	(86)	(15)
Decrease in liability for long service leave	(26)	(3)
Provisions for retentions	425	550
	<u>2,891</u>	<u>4,329</u>

The provision for retentions include a proportion of the monies which accrue to the key management personnel as outlined in item 2 of the Remuneration report contained in the Directors report.

9 Auditors' Remuneration

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non audit services provided during the year are set out below:

	Consolidated	
	2010	2009
<i>Audit services</i>		
KPMG Australia		
Audit and review of financial reports	263,463	261,450
Additional audit cost FY2008	-	80,928
Other assurance services	61,775	26,775
	325,238	369,153
<i>Other services</i>		
KPMG Australia		
Taxation compliance services	92,415	68,710
Property consulting services	4,000	4,100
	96,415	72,810
	421,653	441,963

10 Income Tax Benefit

Numerical reconciliation of income tax expense to prima facie tax payable:

	Consolidated	
	2010	2009
	\$'000	\$'000
Profit (loss) before income tax expense	2,638	(62,538)
Tax expense (benefit) at the corporate rate of 30%	791	(18,761)
<i>Increase (decrease) in income tax due to:</i>		
Non deductible expenses	3	3
Tax losses and timing differences (used) not brought to account	649	2,345
Tax exempt (profit) loss from funds	(1,194)	16,676
Inter corporate dividend	(54)	(68)
Amortisation of IPO costs not recognised in the income statements	(195)	(195)
Income tax expense	-	-

The Trafalgar Corporate Group Limited tax group has carried forward tax losses in the order of \$72 million (2009: \$72 million). Deductible tax losses do not expire under current tax legislation. A deferred tax asset has not been recognised for all of the tax losses and timing differences.

11 Disposal of Shares in Subsidiary

TC (Tallwoods) Pty Limited and Tallwoods International Golf Resort Pty Limited were wholly owned subsidiaries of the parent company Trafalgar Corporate Group Limited (TCGL) in FY2009. The two subsidiaries jointly carried on the land development and golf course operations known as the Tallwoods residential and golf course estate, located on the New South Wales Mid North Coast. The two subsidiaries were consolidated into the group accounts of TCGL, and the investment was reported as inventory.

Following an offer being received and accepted to purchase the two subsidiaries from TCGL for \$18.9 million on a walk in walk out basis, with the purchaser wishing to continue development of the land lots and operate the golf course, and unconditional contracts being exchanged during FY2010, the assets and liabilities of the two subsidiaries were deconsolidated from TCGL accounts and moved to Investment in subsidiaries held for sale.

The Group settled the sale of the two subsidiaries in May 2010 for the sale price of \$18.9 million. Net proceeds after associated selling costs were equal to the book value following deconsolidation. The sale included the provision of vendor finance of approximately \$12.6 million on commercial terms until June 2011, which will be repaid in several tranches between December 2010 and June 2011.

12 Assets Held for Sale

The Melbourne Broadcast Centre investment property was offered for sale by expressions of interest during the 2010 financial year. The carrying value in the balance sheet of \$54.2 million is at Director's valuation. Net proceeds from the sale will be used to partially repay the Twelve Four Finance Pty Limited loan facility with Westpac Banking Corporation.

The ATO Regional Office investment property was offered for sale by expressions of interest during the 2009 financial year. The carrying value in the balance sheet of \$53.5 million is at Director's valuation. The ATO Regional Office investment property was not sold and has been withdrawn from sale, and is currently disclosed as an Investment property (refer to note 21).

13 Segment Reporting

Segment information is presented in respect of the consolidated entity's operating segments, which are the primary basis of segment reporting. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments. The primary segments are based on the consolidated entity's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate expenses.

Operating segments

The consolidated entity comprises the following main business segments, based on its management reporting system:

- investment in income producing commercial and industrial properties;
- property development (direct and financing) and development and resale of land; and
- other

Geographical segments

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the underlying assets.

All segments operate solely within Australia.

13 Segment Reporting (continued)

2010	Property Development \$'000	Property Investment \$'000	Other \$'000	Consolidated \$'000
Primary reporting business segments				
Revenue				
External segment revenue	-	22,916	110	23,026
Total revenue	-	22,916	110	23,026
Other income				
Share of losses on investments accounted for using the equity method	71	(199)	-	(128)
Fair value adjustment of investment properties	-	(6,080)	-	(6,080)
Fair value adjustment of financial instruments	-	-	3,089	3,089
Financial income	1,107	25	385	1,517
Other income	1,637	167	-	1,804
Total other income	2,815	(6,087)	3,474	202
Result				
Segment result	1,395	12,364	3,584	17,343
Unallocated corporate expenses				(3,550)
Operating profit				13,793
Finance costs				(11,155)
Income tax expense				-
Profit for the period				2,638
Segment assets	23,753	224,895	-	248,648
Investments accounted for using the equity method	21,077	2,100	-	23,177
Unallocated assets				7,172
Total assets				278,997
Segment liabilities	238	4,835	-	5,073
Unallocated liabilities				142,347
Total liabilities				147,420
Net assets				131,577

13 Segment Reporting (continued)

2009	Property Development \$'000	Property Investment \$'000	Other \$'000	Consolidated \$'000
Primary reporting business segments				
Revenue				
External segment revenue	-	23,589	149	23,738
Total revenue	-	23,589	149	23,738
Other income				
Share of losses on investments accounted for using the equity method	(2,834)	(555)	-	(3,389)
Fair value adjustment of investment properties	-	(34,304)	-	(34,304)
Fair value adjustment of financial instruments	-	-	(9,482)	(9,482)
Financial income	3,088	175	195	3,458
Other income	1,286	-	264	1,550
Total other income	1,540	(34,684)	(9,023)	(42,167)
Result				
Segment result	(18,052)	(15,741)	(11,589)	(45,382)
Unallocated corporate expenses				(5,246)
Operating profit				(50,628)
Finance costs				(11,910)
Income tax expense				-
Loss for the period				(62,538)
Segment assets	32,719	230,474	-	263,193
Investments accounted for using the equity method	27,006	2,327	-	29,333
Unallocated assets				9,390
Total assets				301,916
Segment liabilities	1,308	3,278	-	4,586
Unallocated liabilities				168,391
Total liabilities				172,977
Net assets				128,939

14 Earnings Per Share (stapled security)

Basic and diluted earnings per share reflect earnings per share calculated in accordance with accounting standards. To provide further information to Securityholders on the stapled entity's results and management's assessment of the results refer to the calculations disclosed below.

Earnings per stapled security

The calculation of the basic and diluted earnings per stapled security is calculated using the profit (loss) attributable to the stapled Securityholders of Trafalgar Corporate Group Limited and the weighted average number of stapled securities.

	Consolidated	
	2010	2009
	cents	cents
Basic earnings per security	3.1	(73.3)
Diluted earnings per security	3.1	(73.3)

	Consolidated	
	2010	2009
	\$'000	\$'000

Basic earnings

Profit (loss) for the year attributable to the stapled

Securityholders of Trafalgar Corporate Group Limited

2,638	(62,538)

Diluted earnings

Profit (loss) for the year attributable to the stapled

Securityholders of Trafalgar Corporate Group Limited

2,638	(62,538)

	Consolidated	
	2010	2009
	000's	000's

Weighted average number of stapled securities (basic)

Weighted average number of stapled securities (basic)

85,352	85,352

Weighted average number of stapled securities (diluted)

Weighted average number of stapled securities (diluted)

85,352	85,352

15 Cash and Cash Equivalents

	Consolidated	
	2010	2009
	\$'000	\$'000
Bank balances	8,161	9,888
Cash and cash equivalents	8,161	9,888

16 Trade and Other Receivables

	Consolidated	
	2010	2009
	\$'000	\$'000
Trade receivables	1,478	1,187
GST receivables	249	287
	1,727	1,474

17 Inventories

	Consolidated	
	2010	2009
	\$'000	\$'000
Current		
Golf stock on hand	-	46
Land held for resale		
Cost of acquisition and improvements	-	47,079
Infrastructure costs	-	4,351
Borrowing costs capitalised	-	1,544
Impairment provision	-	(37,235)
	-	15,785

The Group settled the sale of the Tallwoods residential and golf course estate, located on the New South Wales Mid North Coast in May 2010. The sale was by way of a share sale agreement for the shares of TC (Tallwoods) Pty Limited and Tallwoods International Golf Resort Pty Limited, being the two companies in the Group that held the investment in the Tallwoods residential and golf course estate. The sale price was \$18.9 million and net proceeds after associated selling costs were equal with book value. The sale included the provision of vendor finance of approximately \$12.6 million on commercial terms until June 2011, which will be repaid in several tranches between December 2010 and June 2011. Further information is provided in note 11.

18 Other Financial Assets

	Consolidated	
	2010	2009
	\$'000	\$'000
<i>Current</i>		
Vendor property financing	17,380	8,177
Impairment provision: vendor property financing	(626)	(789)
	16,754	7,388
Development property financing	9,037	-
Impairment provision: development property financing *	(3,490)	-
	5,547	-
	22,301	7,388
<i>Non current</i>		
Development property financing	-	12,044
Impairment provision: development property financing *	-	(3,130)
	-	8,914
	22,301	16,302

* The impairment provision relates to two projects which have suffered from the economic downturn with lower projected selling prices and additional project costs.

Total provision for impairments relating to FY2010 were \$197,000 (2009: \$3.9 million)

19 Other Current Assets

	Consolidated	
	2010	2009
	\$'000	\$'000
Prepayments	446	715
Deferred rental income	-	15
ATO Regional Office over rent (refer to note 7)	1,432	-
Goulburn lease guarantee	-	243
Other	675	102
	2,553	1,075

20 Available for Sale Investments

	Consolidated	
	2010	2009
	\$'000	\$'000
<i>Unlisted shares in corporations</i>		
Trafalgar Opportunity Fund No 5 Pty Limited	886	886
Impairment provision	(348)	(260)
	<u>538</u>	<u>626</u>

Trafalgar Corporate Group holds a 15% interest in Trafalgar Opportunity Fund No 5 Pty Limited. As at 30 June 2010 this investment is being carried at fair value. The impairment loss has been recognised in the statement of comprehensive income. Total provision for impairment relating to FY2010 was \$88,000 (2009: \$260,000).

21 Investment Properties

Property	Type	Ownership	Acquisition Date	Cost Including All Additions \$'000	Director's Valuation Date	Director's Valuation Amount \$'000	Independent Valuer	Consolidated Carrying Amount 30 June 2010 \$'000	Consolidated Carrying Amount 30 June 2009 \$'000
Thiess Centre, South Brisbane QLD	A Grade office building*	100%	20 July 2005	34,773	June 2010	61,500	Jones Lang LaSalle Advisory Services Pty Ltd	60,469	63,950
The Public Trustee Building, Canberra ACT	B Grade office building**	100%	20 July 2005	14,563	June 2010	15,650	CB Richard Ellis Pty Ltd	15,596	17,266
Australian Taxation Office, Hurstville ² NSW	A Grade office building	100%	20 July 2005	50,080	June 2010	54,900 ⁴	CB Richard Ellis Pty Ltd	46,343	-
Melbourne Broadcast Centre, Docklands ³ VIC	A Grade office building***	100%	20 July 2005	45,540		-		-	44,812
1 Breakfast Creek Road, Newstead QLD	A Grade office building	100%	20 July 2005	17,439	June 2010	22,500	Jones Lang LaSalle Advisory Services Pty Ltd	22,297	25,994
2B Factory Street, Granville NSW	Modern office and warehouse industrial complex	100%	20 July 2005	7,017	June 2010	5,850	Jones Lang LaSalle Advisory Services Pty Ltd	5,850	6,300
158 Hume Street, Goulburn NSW	Logistic distribution centre	100%	1 July 2007	13,645	June 2010	7,000	LandMark White (NSW) Pty Ltd	7,000	10,007
Total				183,057		167,400 ¹		157,555 ¹	168,329 ¹

* Leasehold interest for a term of 999 years. The lease commenced on 31 January 2000.

** Leasehold interest for a term of 99 years. The lease commenced on 10 August 2000.

*** Leasehold interest for a term of 199 years. The lease commenced on 20 June 2003.

1 Differences between the Director's valuation and consolidated carrying amounts represent the impact of straight lining rental income and lease incentives. Where rental income is brought to account on a straight lined basis in accordance with IFRS, the accumulation of the variance between that and the actual rents received from tenants is shown as a receivable (refer note 25). The sums are deducted from the valuations in determining the book value of the investment properties.

2 Australian Taxation Office was reclassified to Assets held for sale in FY2009 (refer to note 12). This property has been withdrawn from sale.

3 Melbourne Broadcast Centre has been reclassified to Assets held for sale (refer to note 12).

4 Included in the valuation is \$6,630,121 attributable to the component of rental income which exceeds market rent. This rental component is included in other current and non current assets and is being amortised over the term of the lease.

The basis of valuation of the investment properties is fair value being the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for a similar property in the same location and condition and subject to a similar lease.

21 Investment Properties (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
Balance at 1 July	168,329	245,438
Capital expenditure	468	745
Reclassification to assets held for sale (refer to note 12)	(48,712)	(43,550)
Reclassification from assets held for sale (refer to note 12)	43,550	-
Fair value adjustments	(6,080)	(34,304)
Balance at 30 June	157,555	168,329

The carrying amount of investment properties is the fair value of the property, determined by the Directors, having regard to independent valuations prepared by valuers with appropriately recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined using the capitalisation of net passing income and the discounted cash flow methods and also having regard to recent market transactions of similar properties in the same location and condition and with a similar lease profile. The weighted average capitalisation rate applicable to the investment portfolio at 30 June 2010 is 8.54% (2009: 8.47%), while the weighted average lease expiry for current tenancies is 4.87 years (2009: 4.91 years).

The consolidated entity has commitments totalling \$187,594 excluding GST (2009: \$102,333), for the refurbishment of investment properties, contracted for as at 30 June 2010.

Leases as Lessor

The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments under non cancellable operating leases of the investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Less than one year	20,275	22,021
Between one and five years	68,842	67,003
More than five years	17,172	24,594
	106,289	113,618

The schedule includes minimum lease payments for the Melbourne Broadcast Centre investment property totalling \$36.8 million. This investment property has been reclassified as an Asset held for sale, refer to note 12.

22 Other Financial Liabilities

	Consolidated	
	2010	2009
	\$'000	\$'000
<i>Current</i>		
Interest rate swap contracts	1,277	2,454
<i>Non current</i>		
Interest rate swap contracts	134	2,046
	1,411	4,500

23 Investments Accounted for Using Equity Method

	Ownership		Consolidated	
	2010	2009	2010	2009
	%	%	\$'000	\$'000
<i>Partnership interests</i>				
Renewing Homebush Bay Partnership	50	50	20,719	17,540
The Frances Park Partnership	50	50	330	6,437
			21,049	23,977
<i>Joint venture interests</i>				
Sydney Airport Centre Joint Venture	6.813	6.813	2,100	2,327
			2,100	2,327
<i>Associate interests</i>				
Thomas St (Chatswood) Pty Limited	-	50	-	15
TW Property Developments Pty Limited	50	50	28	3,014
			28	3,029
			23,177	29,333

23 Investments Accounted for Using Equity Method (continued)

Share of net losses accounted for using the equity method included in the statement of comprehensive income:

	Consolidated	
	2010	2009
	\$'000	\$'000
Partnerships	1,464	2,491
Joint ventures	(199)	(555)
Associates	184	226
Amortisation of premium on acquisition of 25% interest in Frances Park	(1,197)	(2,249)
Impairment of equity accounted investments	(380)	(3,302)
	<u>(128)</u>	<u>(3,389)</u>

Investments in partnerships:

Renewing Homebush Bay

Trafalgar Corporate Group Limited, through various wholly owned subsidiary companies, holds a 50% interest in the Renewing Homebush Bay Partnership. The other 50% is held by entities associated with Brookfield Multiplex Group. The principal activity of the partnership is residential property development.

The Frances Park Partnership

TC Frances Park Pty Limited, a wholly owned subsidiary of Trafalgar Corporate Pty Limited, holds a 25% interest in the Frances Park Partnership. TCG (Frances Park) Pty Limited, a wholly owned subsidiary of Trafalgar Corporate Group Limited, also holds a 25% interest in the Frances Park Partnership. The principal activity of the partnership is residential property development.

The Consolidated entity's share of the partnership's results consists of:

	Consolidated	
	2010	2009
	\$'000	\$'000
Revenues from ordinary activities	8,060	8,668
Expenses from ordinary activities	<u>(6,596)</u>	<u>(6,177)</u>
Net profit - accounted for using equity method	<u>1,464</u>	<u>2,491</u>

23 Investments Accounted for Using Equity Method (continued)

The Consolidated entity's share of the partnership's assets and liabilities consists of:

	Consolidated	
	2010	2009
	\$'000	\$'000
Balance Sheet		
Current assets	28,012	6,075
Non current assets	-	36,798
Total assets	28,012	42,873
Current liabilities	7,240	735
Non current liabilities	-	18,592
Total liabilities	7,240	19,327
Net assets - accounted for using equity method	20,772	23,546

Movements in the carrying amount of investments in partnerships:

	Consolidated	
	2010	2009
	\$'000	\$'000
Carrying amount at 1 July	23,977	25,573
Equity contributed during the year	4,033	3,154
Equity returned during the year	(6,853)	(1,690)
Amortisation of premium on acquisition of 25% interest in Frances Park	(1,197)	(2,249)
Impairment of equity accounted investment in partnerships	(375)	(3,302)
Share of partnerships net profit	1,464	2,491
Carrying amount at 30 June	21,049	23,977

23 Investments accounted for using equity method (continued)

Investments in joint ventures:

Sydney Airport Centre Joint Venture

Sydney Airport Centre Pty Limited, a wholly owned subsidiary of Trafalgar Corporate Pty Limited, holds a 6.813% interest in Sydney Airport Centre Joint Venture. The other 93.187% is held by a number of external investors. The principal activity of the joint venture is commercial property investment.

The Consolidated entity's share of the joint venture entities' results consists of:

	Consolidated	
	2010	2009
	\$'000	\$'000
Revenues from ordinary activities	997	1,101
Expenses from ordinary activities	(624)	(763)
Revaluation decrement of investment property	(572)	(893)
Net loss - accounted for using equity method	(199)	(555)

The Consolidated entity's share of the joint venture entities' assets and liabilities consists of:

	Consolidated	
	2010	2009
	\$'000	\$'000
Balance Sheet		
Current assets	9,556	28
Non current assets	-	10,291
Total assets	-	10,319
Current liabilities	7,456	639
Non current liabilities	-	7,353
Total liabilities	-	7,992
Net assets - accounted for using equity method	2,100	2,327

Movements in the carrying amount of investments in joint venture entities:

	Consolidated	
	2010	2009
	\$'000	\$'000
Carrying amount at 1 July	2,327	2,909
Share of joint venture entities net loss	(199)	(555)
Drawings from joint venture entities	(28)	(27)
Carrying amount at 30 June	2,100	2,327

23 Investments Accounted for Using Equity Method (continued)

Investments in associates:

Thomas St (Chatswood) Pty Limited

TC (Thomas St) Pty Limited, a wholly owned subsidiary of Trafalgar Corporate Pty Limited, held a 50% interest in Thomas St (Chatswood) Pty Limited. The other 50% was held by a number of external investors. The principal activity of Thomas St (Chatswood) Pty Limited was commercial property development. Thomas St (Chatswood) Pty Limited was liquidated in the 2010 financial year.

TW Property Developments Pty Limited

TCG (Bonnyrigg) Pty Limited, a wholly owned subsidiary of Trafalgar Corporate Group Limited, holds a 50% interest in TW Property Developments Pty Limited. The other 50% is held by one external investor. The principal activity of TW Property Developments Pty Limited is residential property development.

The Consolidated entity's share of associate's results consists of:

	Consolidated	
	2010	2009
	\$'000	\$'000
Revenues from ordinary activities	3,958	2,405
Expenses from ordinary activities	(3,774)	(2,122)
	184	283
Income tax expense	-	(57)
Net profit - accounted for using equity method	184	226

The Consolidated entity's share of associate's assets and liabilities consists of:

	Consolidated	
	2010	2009
	\$'000	\$'000
Balance Sheet		
Current assets	78	3,717
Total assets	78	3,717
Current liabilities	43	611
Total liabilities	43	611
Net assets - accounted for using equity method	35	3,106

23 Investments Accounted for Using Equity Method (continued)

Movements in the carrying amount of investments in associates:

	Consolidated	
	2010	2009
	\$'000	\$'000
Carrying amount at 1 July	3,029	2,124
Equity contributed during the year	-	2,254
Equity returned during the year	(3,170)	(1,032)
Share of associates net profit	184	226
Dividend payments	(10)	(543)
Impairment of equity accounted investments	(5)	-
Carrying amount at 30 June	28	3,029

24 Property, Plant and Equipment

Consolidated	Furniture & Fittings	Office Equipment	Motor Vehicles	Total
2010	\$'000	\$'000	\$'000	\$'000
Opening net book value - 1 July 2009	205	69	21	295
Additions	46	1	-	47
Disposals	-	-	(17)	(17)
Depreciation charge	(27)	(24)	(4)	(55)
Closing net book value - 30 June 2010	224	46	-	270
Balance as at 30 June 2010				
Cost	339	446	39	824
Additions	46	1	-	47
Disposals	-	-	(17)	(17)
Accumulated depreciation	(161)	(401)	(22)	(584)
Net book value	224	46	-	270
2009				
Opening net book value - 1 July 2008	236	113	27	376
Additions	-	-	-	-
Disposals	-	-	(1)	(1)
Depreciation charge	(31)	(44)	(5)	(80)
Closing net book value - 30 June 2009	205	69	21	295
Balance as at 30 June 2009				
Cost	339	446	39	824
Accumulated depreciation	(134)	(377)	(18)	(529)
Net book value	205	69	21	295

25 Other Non Current Assets

	Consolidated	
	2010	2009
	\$'000	\$'000
Receivable - straight lining of rental income	3,022	4,886
Deferred rental income	193	-
ATO Regional Office over rent (refer to note 7)	5,198	-
Deposits	82	82
Other	-	341
	<u>8,495</u>	<u>5,309</u>

26 Trade and Other Payables

	Consolidated	
	2010	2009
	\$'000	\$'000
Trade payables	220	901
Non trade payables	132	171
Accruals	4,455	2,826
GST payables	602	618
	<u>5,409</u>	<u>4,516</u>

27 Interest Bearing Loans and Borrowings

	Consolidated	
	2010	2009
	\$'000	\$'000
<i>Current</i>		
Cash advance facility	500	2,000
Secured borrowings	<u>7,042</u>	<u>-</u>
	7,542	2,000
<i>Non current</i>		
Secured borrowings	131,592	159,789
Finance costs	<u>(598)</u>	<u>(322)</u>
	130,994	159,467
	<u>138,536</u>	<u>161,467</u>

27 Interest Bearing Loans and Borrowings (continued)

Cash advance facility

The company has in place a cash advance facility with Westpac Banking Corporation (Westpac) is for a total of \$5.0 million (2009: \$6.5 million) and as at 30 June 2010 was drawn to \$0.5 million. This facility is used to supplement working capital and is subject to floating interest rates.

This facility is secured by a fixed and floating charge over all assets and uncalled capital of the Company, an interlocking guarantee over each core investment property held by Trafalgar Corporate Group and a limited guarantee by Trafalgar Corporate (Sales) Pty Limited.

Secured borrowings:

Trafalgar Twelve Four Finance Pty Limited

This facility is with Westpac and is for \$131.6 million (2009: \$145 million) and is being provided to a special purpose borrowing vehicle (Trafalgar Twelve Four Finance Pty Limited) which is 50% owned by each of TPF12 and TOF4. Through this vehicle the facility is available to both TPF12 and TOF4 and as at 30 June 2010, TOF4 has drawn \$25.8 million and TPF12 has drawn \$105.8 million.

The facility is secured by a mortgage in favour of the Bank over each core investment property held by Trafalgar Corporate Group and a fixed and floating charge over the present and future real property assets of the TPF12 and TOF4, their subsidiaries and Trafalgar Managed Investments Limited. The facility is subject to floating interest rates and derivative contracts currently totalling \$102.7 million, which have been entered into to minimise interest rate exposure. This facility expires in March 2013.

TC (Tallwoods) Pty Limited

This facility was with Westpac and was repaid in May 2010 following the sale of the company.

Trafalgar Corporate Group Limited

This facility is with Westpac and is for a total of \$7.0 million. As at 30 June 2010 it was fully drawn. This facility was established to provide funds to repay the TC (Tallwoods) loan facility detailed above.

This facility is secured by a fixed and floating charge over all assets and uncalled capital of the Company, an interlocking guarantee over each core investment property held by Trafalgar Corporate Group and a limited guarantee by Trafalgar Corporate (Sales) Pty Limited. This facility expires in April 2011.

Funding Covenants

At the date of this report, the Group complies with debt covenants for all facilities. The major borrowing, through Trafalgar Twelve Four Finance Pty Limited, has an Loan Value Ratio (LVR) covenant of 65% and minimum interest coverage of 1.4 times the net passing income of TPF12 and TOF4. At 30 June 2010, based on Directors' valuations, the LVR was 59.8% (2009: 63.3%) and the interest coverage was 1.64 times (2009: 1.78 times).

The Group continues to implement its Capital Management strategy and is continuing to comply with its covenants prescribed in the finance facilities through a program of debt reduction and tight fiscal management.

28 Provisions

	Consolidated	
	2010	2009
	\$'000	\$'000
<i>Current</i>		
Employee leave benefits	67	153
	<u>67</u>	<u>153</u>
<i>Non current</i>		
Employee leave benefits	107	133
	<u>107</u>	<u>133</u>

29 Other Current Liabilities

	Consolidated	
	2010	2009
	\$'000	\$'000
Rent billed in advance	1,853	2,073
Other	37	135
	<u>1,890</u>	<u>2,208</u>

30 Issued Capital

	Number of Securities		30 June 2010 \$'000	30 June 2009 \$'000
	30 June 2010	30 June 2009		
Consolidated				
<i>Ordinary Securities</i>				
Issued and fully paid	85,351,913	85,351,913	(3,092)	(3,092)
Partly paid	-	-	-	-
	<u>85,351,913</u>	<u>85,351,913</u>	<u>(3,092)</u>	<u>(3,092)</u>

Consolidated		Number of securities	Issue price	\$'000
<i>Movement of fully paid securities issued</i>				
1 July 2009	Opening balance	<u>85,351,913</u>	-	<u>(3,092)</u>
30 June 2010	Closing balance	<u>85,351,913</u>		<u>(3,092)</u>
<i>Movement of fully paid securities issued</i>				
1 July 2008	Opening balance	<u>85,351,913</u>	-	<u>(3,092)</u>
30 June 2009	Closing balance	<u>85,351,913</u>		<u>(3,092)</u>

Minority interests - TOF4 and TPF12

As a result of the stapling in July 2005, TOF4 and TPF12 were stapled to the Company. When a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities is to be identified as the acquirer on the basis of pertinent facts and circumstances regarding control. For the stapled group TCL was deemed the acquirer and the acquisition of TOF4 and TPF12 formed the minority interest.

Minority interests - Trafalgar Corporate Pty Limited

At the time of the IPO Trafalgar Corporate Group Limited acquired 49.6% interest in TCL from the original shareholders. In the 2007 financial year the company acquired a further 15.1% of TCL, the remaining 35.3% was acquired in the 2008 financial year.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

31 Derivative Financial Instruments

	Consolidated	
	2010	2009
	\$'000	\$'000
<i>Current liabilities</i>		
Interest rate swap contracts - cash flow hedges	1,277	2,454
	1,277	2,454
<i>Non current liabilities</i>		
Interest rate swap contracts - cash flow hedges	134	2,046
	134	2,046
Total derivative financial instruments liability	1,411	4,500

The gain or loss from remeasuring the hedge instruments at fair value is immediately brought to account through the statement of comprehensive income as the hedge contracts are deemed ineffective. The liability (where variable interest rates are lower than the agreed swap interest rate) or the asset (where the variable interest rate is higher than the agreed swap interest rate) will diminish over the life of the swap.

Instruments used by the group

Derivative financial instruments are used by the consolidated entity to hedge exposure to interest rate risk associated with movements in interest rates which impact on the borrowings of the consolidated entity. Interest rate swaps are entered into by the consolidated entity to exchange variable interest payment obligations with fixed interest rate commitments to protect the consolidated entity's borrowings from the risk of fluctuating interest rates. These swaps were entered into during a rising interest rate environment in 2006 and 2007 to protect the Group from higher interest costs. However, as a result of the Global Financial Crisis, interest rates have fallen with the result that when the swaps are marked to market, a liability is created reflecting the cost to exit the swap at balance date.

Interest rate swap contracts - cash flow

Bank loans of the Group currently bear a weighted average variable interest rate before hedges and excluding establishment fees of 7.63% (2009: 4.25%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other receivables or other payables. The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

At 30 June 2010, 73.8% (2009: 77.3%) of the gross debt outstanding was at fixed interest rates. The fixed interest rates on swaps range between 5.98% and 6.27% (2009: 5.98% and 6.67%).

31 Derivative Financial Instruments (continued)

Interest rate swap contracts - cash flow (continued)

At 30 June 2010, the notional principal amounts and periods of expiry of interest rate swap contracts are as follows:

	Consolidated	
	2010 \$'000	2009 \$'000
Less than 1 year	96,145	22,368
1-2 years	1,669	96,145
2-3 years	1,813	1,669
3-4 years	1,813	1,813
4-5 years	1,300	1,813
More than 5 years	-	1,300
	<u>102,740</u>	<u>125,108</u>

32 Financial Instruments

Exposure to Credit Risk

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

	Consolidated Carrying Amount	
	2010	2009
	\$'000	\$'000
Cash and cash equivalents	8,161	9,888
Trade and other receivables	1,727	1,474
Other financial assets - current		
Vendor property financing	16,754	7,388
Development property financing	5,547	-
Other financial assets - non current		
Development property financing	-	8,914
	<u>32,189</u>	<u>27,664</u>

Ageing analysis

The ageing of the Group's loans and receivables at reporting date was:

	Consolidated		Consolidated	
	Gross	Impairment	Gross	Impairment
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Not past due	27,968	(4,116)	21,531	(3,919)
Past due 0-30 days	48	-	10	-
Past due 31-180 days	27	-	112	-
Past due 181-365 days	51	-	42	-
More than one year	50	-	-	-
	<u>28,144</u>	<u>(4,116)</u>	<u>21,695</u>	<u>(3,919)</u>

As at 30 June 2010, all loans and receivables were reviewed with 4 loans (2009: 4 loans) recognised as being impaired.

32 Financial Instruments (continued)

Liquidity risk

The following are contractual maturities of financial liabilities, including estimated interest payments (using existing variable interest rates and interest swap rates):

	Carrying Amount \$'000	Contractual Cash flow \$'000	Less than 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000
2010 - Consolidated					
Trade and other payables	5,409	5,409	5,409	-	-
Interest rate swap contracts	1,411	1,411	1,277	134	-
Interest bearing loans	139,134	168,766	19,414	149,352	-
	<u>145,954</u>	<u>175,586</u>	<u>26,100</u>	<u>149,486</u>	<u>-</u>
2009 - Consolidated					
Trade and other payables	4,516	4,516	4,516	-	-
Interest rate swap contracts	4,500	4,500	2,454	2,046	-
Interest bearing loans	161,789	181,441	10,589	170,837	15
	<u>170,805</u>	<u>190,457</u>	<u>17,559</u>	<u>172,883</u>	<u>15</u>

Interest rate hedging agreements

Refer to note 31 for details of the interest rate hedging instruments.

32 Financial Instruments (continued)

Interest rate risk

The consolidated entity's exposure to interest risk and the effective weighted average interest rate by maturity period is:

	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing more than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
2010 - Consolidated						
<i>Financial assets</i>						
Cash and cash equivalents	8,161					8,161
Trade and other receivables					1,727	1,727
Other financial assets		12,557			9,744	22,301
Total financial assets	8,161	12,557	0	0	11,471	32,189
Weighted average interest rate	4.15%	9.00%				
<i>Financial liabilities</i>						
Trade and other payables					(5,409)	(5,409)
Other financial liabilities					(1,411)	(1,411)
Interest bearing loans	(139,134)					(139,134)
Interest rate swap contracts	102,740	(96,145)	(6,595)			
Total financial liabilities	(36,394)	(96,145)	(6,595)	0	(6,820)	(145,954)
Weighted average interest rate	7.63%	6.27%	5.98%			
Net financial assets (liabilities)	(28,233)	(83,588)	(6,595)	0	4,651	(113,765)
2009 - Consolidated						
<i>Financial assets</i>						
Cash and cash equivalents	9,888					9,888
Trade and other receivables					1,474	1,474
Other financial assets	837	4,276	9,996		1,193	16,302
Total financial assets	10,725	4,276	9,996	0	2,667	27,664
Weighted average interest rate	1.40%	6.51%	15.00%			
<i>Financial liabilities</i>						
Trade and other payables					(4,516)	(4,516)
Other financial liabilities					(4,500)	(4,500)
Interest bearing loans	(161,789)					(161,789)
Interest rate swap contracts	125,108	(22,369)	(101,439)	(1,300)		
Total financial liabilities	(36,681)	(22,369)	(101,439)	(1,300)	(9,016)	(170,805)
Weighted average interest rate	4.25%	6.63%	6.25%	5.98%		
Net financial assets (liabilities)	(25,956)	(18,093)	(91,443)	(1,300)	(6,349)	(143,141)

Weighted average interest rates include the effect of interest rate swaps.

32 Financial Instruments (continued)

Net fair values

The consolidated entity's financial assets and liabilities are stated at amortised cost and these assets are not traded in an organised financial market and the carrying values approximate fair values.

Carrying amounts of trade and other receivables, other financial assets, payables and bank loans are stated at net realisable value, impairments have been made where applicable.

The valuation of derivatives recognised in the consolidated statement of financial position reflects the estimated amounts, which the consolidated entity expects to pay or receive to terminate contracts, or replace the contracts at their current market rates at reporting date. The fair value of interest rate swaps recognised in the consolidated entity's statement of financial position at 30 June 2010 was a deficit of \$1.4 million (2009: \$4.5 million deficit).

Credit risk

The carrying amounts of financial assets included in the statement of financial position represent the group's exposure to credit risk in relation to these assets.

Summarised interest rate sensitivity analysis

The table below illustrates the potential impact a change in interest rates by +/-1% would have had on the Group's profit and equity.

2010 - Consolidated		-1%		1%	
	Carrying amount	Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash and cash equivalents	8,161	(82)	(82)	82	82
Interest rate swap contracts	102,740	(1,027)	(1,027)	1,027	1,027
<i>Financial liabilities</i>					
Interest bearing loans	(139,134)	1,391	1,391	(1,391)	(1,391)
Total increase (decrease)		282	282	(282)	(282)
2009 - Consolidated					
<i>Financial assets</i>					
Cash and cash equivalents	9,888	(99)	(99)	99	99
Other financial assets	837	(8)	(8)	8	8
Interest rate swap contracts	125,108	(1,251)	(1,251)	1,251	1,251
<i>Financial liabilities</i>					
Interest bearing loans	(161,789)	1,618	1,618	(1,618)	(1,618)
Total increase (decrease)		260	260	(260)	(260)

32 Financial Instruments (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Non current assets</i>				
Available for sale investments	-	-	538	538
	-	-	538	538
<i>Current liabilities</i>				
Interest rate swap contracts	-	1,277	-	1,277
	-	1,277	-	1,277
<i>Non current liabilities</i>				
Interest rate swap contracts	-	134	-	134
	-	134	-	134

Given the complex nature of the interest rate swap contracts and the various assumptions that are used in calculating the mark to market values, the consolidated entity relies on the counterparties' valuation, being Westpac Banking Corporation.

The following table is a reconciliation of the movements in Available for sale investments classified as Level 3.

	30 June 2010 \$'000	30 June 2009 \$'000
Opening Balance 1 July	626	886
Fair value movement through statement of comprehensive income	(88)	(260)
Closing balance 30 June	538	626

Fair value of Level 3 items is determined through financial modelling including sensitivity analysis. The modelling includes consideration of key factors including sales, costs, financing charges, time and any other factor which has the potential to influence the fair value of the investment. The valuation of the Level 3 investment does not contain any significant reasonably possible alternatives and hence no further sensitivity analysis has been disclosed.

33 Capital and Other Commitments

	Consolidated	
	2010	2009
	\$'000	\$'000
Capital expenditure commitments		
<i>Investment properties</i>		
Contracted but not provided for and payable		
Within one year	188	102
	188	102
 Joint venture commitments		
<i>Share of capital commitments of the joint venture</i>		
Within one year	18,012	18,012
	18,012	18,012

Investment Properties

The consolidated entity has commitments totalling \$187,594 excluding GST (2009: \$102,333), for the refurbishment of investment properties, contracted for as at 30 June 2010.

Share of capital commitments of the joint venture

On 23 December 2004, Renewing Homebush Bay Pty Limited (a 50/50 Joint Venture with Brookfield Multiplex Group) entered into a Remediation Agreement which provides that Thiess Services Pty Limited will undertake the remediation of Rhodes Shoreline site for an aggregate price of \$82.8 million. \$51 million has been settled up to 30 June 2010 with a further \$31.8 million due in 2011. The payment obligation will be met from a facility with BOS International secured by the land once remediated and is expected to then be reduced by existing sale contracts for two lots totalling \$33.9 million.

Other commitments:

TOF5

TC (TOF No 5) Pty Limited, a wholly owned subsidiary of Trafalgar Corporate Pty Limited entered into a Shareholders Agreement in July 2005 with Trafalgar Opportunity Fund No 5 Pty Limited. Under this agreement TC (TOF No 5) Pty Limited subscribed for 3.0 million \$1.00 ordinary shares which as at 30 June 2009 were paid to \$0.29. The remaining uncalled amount of \$2.1 million can be called upon as required by the Directors of Trafalgar Opportunity Fund No 5 Pty Limited for projects that have satisfied its investment criteria and business objectives.

34 Contingent Assets and Liabilities

Beverley Project

The above is an industrial land sub-division located at 117 Main Street Beverly South Australia. Senior Finance for the project has been provided by Bank of Western Australia Limited (\$7.886 million) with Trafalgar Corporate Group Limited (TCGL) providing mezzanine funding of \$1.6 million. This amount has been matched by the developer of the project. In conjunction with the developer, TCGL has guaranteed all interest fees, costs, charges and expenses payable under the Senior Finance Facility and has agreed to fund on a 50/50 basis with the developer any cost overruns for the project.

34 Contingent Assets and Liabilities (continued)

Rhodes

BOSIAL

(a) Interest

Under a Sponsor Guarantee and Indemnity Agreement between Trafalgar Corporate Group Limited, its joint venture partner Brookfield Multiplex Group and BOS International (Australia) Limited ("BOSIAL"), the Joint Venture partners have guaranteed the interest and fees associated with the BOSIAL facility used to fund the Rhodes project. The current loans and bank guarantees provided by BOSIAL total \$46.0 million and the Group's half share of interest and finance costs are approximately \$2.0 million per annum.

(b) Land Value

The Joint Venture has provided an undertaking to fund any shortfall between 60% of the Land Value and the total debt due to BOSIAL. The Group's half share of the guarantee is limited to \$16.5 million.

(c) Takeout Guarantee

In the event that title to the land is not transferred to the borrower within nine months of the lots achieving certification as being fit for residential use, BOSIAL can compel the facility to being repaid. Once the facility is fully drawn, this would amount to 50% of \$46.0 million i.e. \$23 million.

Group Obligations

In accordance with the Stapling Deed executed on 8 June 2005, each party to the deed (i.e. the Company, TPF12 and TOF4) have undertaken to guarantee the obligations of the other party and or its subsidiaries.

35 Consolidated Entities

Parent entity	Country of incorporation	Ownership interest	
		2010	2009
Trafalgar Corporate Group Limited (TCGL)			
Subsidiaries of TCGL			
TC (Tallwoods) Pty Limited (refer to note 11)	Australia	0%	100%
TC (Dorcas St) Pty Limited	Australia	100%	100%
TCG (Frances Park) Pty Limited	Australia	100%	100%
TCG (Centenary Square) Pty Limited	Australia	100%	100%
Trafalgar Corporate (Sales) Pty Limited	Australia	100%	100%
TCG (Bonnyrigg) Pty Limited	Australia	100%	100%
Tallwoods International Golf Resort Pty Limited (refer to note 11)	Australia	0%	100%
Trafalgar Corporate Pty Limited (TCL)	Australia	100%	100%
Trafalgar Capital Management Pty Limited	Australia	100%	100%
TC Group Developments Pty Limited	Australia	100%	100%
TC Rhodes Pty Limited	Australia	100%	100%
TC RHB Stage 2 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 2 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 2 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 2 Contractor Pty Limited	Australia	100%	100%
TC RHB Stage 3 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 3 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 3 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 3 Contractor Pty Limited	Australia	100%	100%
TC RHB Stage 4 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 4 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 4 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 4 Contractor Pty Limited	Australia	100%	100%
TC RHB Stage 5 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 5 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 5 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 5 Contractor Pty Limited	Australia	100%	100%
TC RHB Stage 6 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 6 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 6 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 6 Contractor Pty Limited	Australia	100%	100%
TC RHB Stage 7 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 7 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 7 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 7 Contractor Pty Limited	Australia	100%	100%
TC RHB Stage 8 Lessor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 8 Lessor Pty Limited	Australia	100%	100%
TC RHB Stage 8 Contractor Holdings Pty Limited	Australia	100%	100%
TC RHB Stage 8 Contractor Pty Limited	Australia	100%	100%

35 Consolidated Entities (continued)

	Country of incorporation	Ownership interest	
Subsidiaries of TCL		2010	2009
Sydney Airport Centre Pty Limited	Australia	100%	100%
TC (Cannon Park) Pty Limited	Australia	100%	100%
TC (Thomas St) Pty Limited	Australia	100%	100%
S.T.A.R.T. Investments (Australia) Pty Limited	Australia	100%	100%
TC Frances Park Pty Limited	Australia	100%	100%
TC (TOF No 5) Pty Limited	Australia	100%	100%
TC Renewing Homebush Bay Pty Limited	Australia	100%	100%
TC (RHB) Pty Limited	Australia	100%	100%
Tulip Securities Pty Limited	Australia	100%	100%
Trafalgar Managed Investments Limited (TMIL)	Australia	100%	100%

	Country of incorporation	Ownership interest	
Subsidiaries of TMIL		2010	2009
Trafalgar Nominees (SAC) Pty Limited	Australia	100%	100%
Trafalgar Nominees (SAC) No 1 Pty Limited	Australia	100%	100%
Trafalgar Nominees (SAC) No 3 Pty Limited	Australia	100%	100%
Trafalgar Nominees (Prospect) Pty Limited	Australia	100%	100%

Stapled entities

Trafalgar Platinum Fund No 12	Australia	Stapled	Stapled
Trafalgar Opportunity Fund No 4	Australia	Stapled	Stapled
MBC Trust	Australia	Stapled	Stapled
Portal Newstead Fund	Australia	Stapled	Stapled
Portal Newstead Pty Limited	Australia	Stapled	Stapled
Trafalgar Twelve Four Finance Pty Limited	Australia	Stapled	Stapled
Trafalgar Twelve Four Note Issuer Pty Limited	Australia	Stapled	Stapled

36 Business Combinations

There was no business acquisitions in the financial year ended 30 June 2010.

37 Reconciliation of Net (Loss) Profit to Net Cash Inflows from Operating Activities

	Consolidated	
	2010	2009
	\$'000	\$'000
Net (loss) profit	2,638	(62,538)
<i>Non cash flows in profit from ordinary activities</i>		
Amortisation	2,991	3,883
Depreciation	55	80
Unrealised (gain) loss on financial instruments	(3,089)	9,482
Unrealised loss on investment properties	6,080	34,304
Straight lining rental income	(117)	(607)
Share of profit on equity accounted investments	(345)	(2,895)
Impairment of equity accounted investments	952	4,195
Impairment of goodwill	-	2,715
Impairment of inventory	-	12,550
Impairment of investments	88	260
Impairment of third party loans	197	3,919
<i>Change in operating assets and liabilities</i>		
(Increase) decrease in assets	(6,610)	13,613
Increase (decrease) in liabilities	187	(2,119)
Net cash flow from operating activities	3,027	16,842

38 Related Parties

The following were key Non-Executive and Executive personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive

Brendan P Crotty	Appointed Director 26 September 2007, Resigned 31 October 2009 Appointed Chairman 13 November 2008, Resigned 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
John R Green	Appointed Director 1 October 2009
Tony R Pitt	Appointed Director 19 November 2009

Executives

Braith H Williams (Chief Executive Officer)
Barry V Morris (Chief Financial Officer) (Resigned 4 December 2009)
Peter J Norris (Chief Financial Officer & Company Secretary)

Key management personnel compensation

The key management personnel compensation included in employee benefits expense (refer to Remuneration report) is as follows:

	Consolidated	
	2010	2009
Short term employee benefits	1,398,122	1,418,343
Long term employee benefits	9,411	9,487
Post employment benefits	67,773	75,732
	<u>1,475,306</u>	<u>1,503,562</u>

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration report section of the Directors' Report.

Apart from the details disclosed in the Remuneration report, no key management personnel have entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel interests existing at year end other than that disclosed below.

Cannon Park

Wolseley Corporate & Media Pty Limited (WCM) is a company in which Mr Garry Charny is a Shareholder and sole Director. WCM has entered into an agreement dated 21 December 2006 with Trafalgar Corporate Group Limited to advise and assist with the Cannon Park litigation. WCM is entitled to 10% of any settlement monies from the legal action or a fee of \$500,000 upon the successful acquisition by the Group of the race course site.

38 Related Parties (continued)

Movement in shares

The movement during the reporting period in the number of stapled securities in Trafalgar Corporate Group Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2009	Acquisitions	Sales	Held at 30 June 2010
<i>Fully paid securities</i>				
<i>Directors</i>				
Brendan P Crotty (Resigned 31/10/2009)	80,000	-	-	n/a
Garry S Charny	-	-	-	-
Garry R Sladden	-	-	-	-
John R Green (Appointed 1/10/2009)	-	-	-	-
Tony R Pitt (Appointed 19/11/2009)*	19,270,931	146,494	-	19,417,425
<i>Executives</i>				
Braith H Williams	33,000	-	-	33,000
Barry V Morris (Resigned 4/12/2009)	-	-	-	n/a
Peter J Norris	-	-	-	-

	Held at 1 July 2008	Acquisitions	Sales	Held at 30 June 2009
<i>Fully paid securities</i>				
<i>Directors</i>				
Richard J Grellman (Resigned 13/11/2008)	16,666	-	-	n/a
Mark H Ford (Resigned 18/05/2009)	8,000	-	-	n/a
Allan R Davison (Resigned 13/11/2008)	20,000	-	-	n/a
Brendan P Crotty	-	80,000	-	80,000
Garry S Charny (Appointed 13/11/2008)	-	-	-	-
Garry R Sladden (Appointed 13/11/2008)	-	-	-	-
<i>Executives</i>				
Braith H Williams	33,000	-	-	33,000
Barry V Morris	-	-	-	n/a
Peter J Norris	-	-	-	-

* Pentagon Financial Services Pty Limited ("PFS") is the registered holder. (Tony Pitt is a shareholder (indirect) of the parent company of PFS).

All transactions with related parties are conducted on normal commercial terms and conditions.

38 Related Parties (continued)

Non key management personnel disclosure:

(a) Transactions with Significant Shareholders

Head Office Lease

Trafalgar Corporate Group Limited entered into a 7 year lease for its Head Office premises at 111 Harrington Street, Sydney with Harrington Properties Pty Limited, a company controlled by Mr Robert Whyte. The lease expires in July 2012. During the year lease payments totalled \$326,600 (2009: \$326,010). The rent is reviewed annually and indexed to CPI increases.

Miller Street Partners Pty Limited

Trafalgar Corporate Group Limited appointed Miller Street Partners Pty Limited (MSP) to assist in the realisation of certain assets. This appointment ceased in the 2010 financial year. The Directors and ultimate Shareholders of MSP are Messrs Mark Davidson and Robert Whyte, both substantial shareholders. MSP was entitled to a success fee only of 3%-4% of gross realisations. Fees totalling \$662,256 excluding GST were paid to MSP during the current year (2009: Nil).

(b) Parent Entity

The legal parent entity is Trafalgar Corporate Group Limited

(c) Subsidiaries, Interests in Joint Ventures, Partnerships and Associates

Interests in subsidiaries, joint ventures, partnerships and associates are set out in notes 35 and 23 respectively.

(d) Transactions with Related Parties

Transactions with subsidiaries

The following transactions occurred with subsidiaries during the year.

	Company	
	2010	2009
	\$'000	\$'000
Loans advanced from the Company	65,466	76,512
Impairment of loans advanced from the Company	(24,005)	(25,940)
	41,461	50,572
Loans advanced to the Company	(108,608)	(114,824)
Dividend income	-	6,222
Reversal of impairment/(Impairment) of related party loans	1,935	(25,940)
Debt forgiveness - prior years interest on related party loan	-	18,464

38 Related Parties (continued)

Loans advanced from the Company to subsidiaries are 'at call'. The Company does not anticipate that it will call on these loans within the next 12 months and as such these loans have been classified as non current. The Directors have assessed the net recoverability of loans with subsidiaries and have reversed \$1.9 million of prior year impairments in the current year (2009: Impairment of \$25.9 million).

Following the Group's announcement that it is withdrawing from development activities and with an expected reduction in the level of investment and return from the current development activities, Trafalgar Corporate Group Limited will not be able to fully service the inter entity loans nor pay the interest already charged on these loans. Consequently, in FY2010 the Directors decided to further impair the portion of debt considered to be uncollectable at balance date being \$1.3 million (2009: \$51.9 million). During FY2009 the Directors also decided to reverse the interest previously charged of \$18.5 million.

Transactions with joint ventures, partnerships and associates

The consolidated entity receives income from the joint ventures, partnerships and associates in the form of management fees and profit from operations (refer to note 23). The following transactions occurred with joint ventures, partnerships and associates during the year:

	Consolidated	
	2010	2009
	\$'000	\$'000
Management fees		
Sydney Airport Centre Joint Venture	110	110
Share of profit (loss)		
The Frances Park Partnership	1,464	2,491
Sydney Airport Centre Joint Venture	(199)	(555)
Thomas St (Chatswood) Pty Limited	-	131
TW Property Developments Pty Limited	184	95
Other		
Sales commission		
Renewing Homebush Bay Partnership	176	-
Development management fees		
TW Property Developments Pty Limited	-	150
Interest income		
The Frances Park Partnership	-	103
Renewing Homebush Bay Partnership	24	52

39 Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2010, the parent company of the Group was Trafalgar Corporate Group Limited.

	Company	
	2010	2009
	\$'000	\$'000
<i>Result of the parent company</i>		
Loss for the year	(1,344)	(10,062)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1,344)	(10,062)
<i>Financial position of the parent company at year end</i>		
Current assets	5,166	6,899
Total assets	65,084	66,929
Current liabilities	9,622	3,917
Total liabilities	118,337	118,838
<i>Total equity of the parent company comprising of</i>		
Issued capital	(8,203)	(8,203)
Retained losses	(45,050)	(43,706)
Total equity	(53,253)	(51,909)

Parent company contingencies

The parent company does not have any contingencies at 30 June 2010 (2009: Nil).

Parent entity guarantees in respect of debts of its subsidiaries

In accordance with the Stapling Deed executed on 8 June 2005, each party to the deed (i.e. the Company, TPF12 and TOF4) have undertaken to guarantee the obligations of the other party and or its subsidiaries.

40 Events Subsequent to Balance Date

The Group exchanged contracts for the sale of the Melbourne Broadcast Centre on 16 August 2010 for a sale price of \$54.22 million, with a settlement date of 31 August 2010.

There are no further matters or circumstances not otherwise dealt with in this report or the financial statements that have significantly or may significantly affect the operations of the consolidated entity, or the state of the consolidated entity's affairs in this financial report or current and future financial years.

In the opinion of the Directors of Trafalgar Corporate Group Limited ("the Company"):

- (a) the consolidated financial statements and notes that are set out on pages 17 to 93 and the Remuneration report in the Directors' report contained in pages 23 to 27, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors:



Garry R Sladden
Chairman



John R Green
Director

Dated at Sydney this 19th day of August 2010



Independent auditor's report to the members of Trafalgar Corporate Group Limited

Report on the financial report

We have audited the accompanying financial report of the Consolidated Entity comprising Trafalgar Corporate Group Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary or description of significant accounting policies and other explanatory notes 1 to 40 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 (a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Trafalgar Corporate Group Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Eileen Hoggett
Partner

Sydney

19 August 2010

Security Holder Information

The information below was prepared as at 15 September 2010

Largest 20 holders of ordinary fully paid securities

Holder Name	Number of securities	Percentage of issued fully paid securities
PENTAGON FINANCIAL SERVICES PTY LIMITED <PENTAGON INVESTMENT A/C>	20,000,000	23.43%
WHYTE SUPERANNUATION CUSTODIAN PTY LIMITED <WARNEET MANAGE PL SF A/C>	10,118,318	11.85%
BATTERSEA (HOLDINGS) PTY LTD	4,276,111	5.01%
MR PHILIP SAMUEL NEWLAND & MR DAVID ROBERT BIGIO <TNT A/C>	4,008,667	4.70%
MR ROBERT MICHAEL WHYTE	4,005,336	4.69%
QUOTIDIAN NO 2 PTY LIMITED	3,648,175	4.27%
NETWORK INVESTMENT HOLDING PL	2,000,000	2.34%
PRUDENTIAL NOMINEES PTY LTD	1,500,000	1.76%
TANGIR PTY LTD <DUNSTAN SUPER FUND A/C>	1,361,373	1.60%
MR WILLIAM JOHN BALLHAUSEN	1,000,000	1.17%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	877,611	1.03%
WILH WILHELMSSEN INVESTMENTS PTY LIMITED	843,412	0.99%
FAVERMEAD PTY LTD <FUT A/C>	750,000	0.88%
ANZ NOMINEES LIMITED <CASH INCOME A/C>	668,149	0.78%
HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>	618,000	0.72%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	575,263	0.67%
TRAFALGAR CUSTODIANS PTY LTD <DAVGRE SUPER FUND A/C>	475,000	0.56%
MR JAMES DOUGLAS CARNEGIE <JAMES CARNEGIE FAMILY A/C>	435,000	0.51%
LIMITS PTY LIMITED <DUNCAN GAMBLE FAMILY A/C>	427,700	0.50%
FARALLON CAPITAL PTY LTD <NUNN INVESTMENT A/C>	300,000	0.35%
Total Securities held by top 20 holders	57,888,115	67.82%
Total Ordinary Fully Paid securities	85,351,913	

Distribution of Security holders

	Number of Holders	Total Securities
1-1,000	98	67,702
1,001-5,000	539	1,793,291
5,001-10,000	364	2,910,113
10,001-100,000	561	16,089,284
100,001 and over	68	64,491,523
Totals	1,630	85,351,913

There are thirty one security holders with less than a marketable parcel of the above securities.

Substantial Security holders

Name of Security holder	Number of securities held
PENTAGON FINANCIAL SERVICES PTY LIMITED <PENTAGON INVESTMENT A/C>	20,000,000
R M WHYTE	17,771,829
MARK ASHTON DAVIDSON	4,682,510

Tax Statements

There were no dividends/distributions paid during FY2010. As at 30 June 2010 Trafalgar Corporate Group Limited and each of Trafalgar Platinum Fund No. 12 and Trafalgar Opportunity Fund No. 4 continued to have carried forward tax losses, therefore no Tax Statements will be issued for the year ended 30 June 2010.

Trafalgar Platinum Fund No. 12

ARSN 104 552 598 and its Controlled Entity

Annual Concise Report

For the year ended 30 June 2010

Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2010. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Trafalgar Platinum Fund No 12 and its Controlled Entity as the full financial report. Further information can be obtained from the full financial report.

The full financial report and the independent auditors report will be sent to members on request, free of charge. Please call (02) 9252 4211 to request a copy. Alternatively, you can access both the full financial report and the concise financial report via the internet at our Investor Centre on our website at www.trafalgarcorporate.com

Director's Report

The Directors of Trafalgar Managed Investments Limited, the Responsible Entity of Trafalgar Platinum Fund No 12 ("the Fund" or "TPF12"), present their report together with the consolidated financial report of Trafalgar Platinum Fund No 12 and its controlled entity (together "the consolidated entity") for the year ended 30 June 2010 and the independent auditors report thereon. The consolidated entity forms part of the stapled entity, Trafalgar Corporate Group Limited ("the Corporation").

Directors

The Directors of Trafalgar Managed Investments Limited, the Responsible Entity of Trafalgar Platinum Fund No 12, at any time during or since the end of the financial year are ("the Directors"):

Trafalgar Managed Investments Limited	
Name	Period of Directorship
Non-Executive	
Brendan P Crotty	Appointed Director 26 September 2007, Resigned 31 October 2009 Appointed Chairman 13 November 2008, Resigned 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
John R Green	Appointed Director 1 October 2009
Tony R Pitt	Appointed Director 19 November 2009

Formation of Trafalgar Corporate Group

The stapled securities of Trafalgar Corporate Group ("TGP") are quoted on the Australian Stock Exchange under the code TGP and comprise one unit in each of the consolidated entity and Trafalgar Opportunity Fund No 4 ("TOF4") and one share in Trafalgar Corporate Group Limited. The units and shares are stapled together and cannot be traded separately. Each entity forming part of TGP continues as a separate legal entity in its own right under the Corporations Act 2001 and is therefore required to comply with the reporting and disclosure requirements under the Corporations Act 2001 and Australian Accounting Standards.

Trafalgar Managed Investments Limited, the Responsible Entity holds an Australian Financial Services Licence No 221474 issued pursuant to Section 913B of the *Corporations Act 2001* and the Fund was registered as a Managed Investment Scheme on 22 December 2003.

Principal Activities

The principal activity of the Fund and its controlled entity is ownership of income producing commercial properties within Australia. No significant change in the nature of these activities occurred during the financial year.

The Fund did not have any employees during the year.

Review of Operations

The annual financial report for the year ended 30 June 2010 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS"). The financial performance of the consolidated entity is as follows:

	30 June 2010	30 June 2009
Revenue and other income (\$'000)	18,818	18,946
Profit (loss) attributable to unitholders of the Fund (\$'000)	9,106	(79,496)
Distributions provided for or paid by the Fund (\$'000)	-	3,414
	30 June 2010	30 June 2009
Net assets (\$'000)	114,093	104,987
Number of fully paid ordinary units on issue	85,351,913	85,351,913

Distributions

Distributions declared by TPF12, directly to the unitholders during the year were as follows:

	2010	2010	2009	2009
	\$'000	CPU	\$'000	CPU
Interim distribution paid	-	-	3,414	4.0
Final distribution payable	-	-	-	-
	-	-	3,414	4.0

The following major financial transactions occurred during the financial year:

- (a) The Directors have re-valued the consolidated entity's investment property assets at 30 June 2010, having regard to independent valuations, resulting in an increase in the carrying amount of the assets being brought to account in the statement of comprehensive income of \$1.1 million.
- (b) The Fund has in place a policy to protect against volatility in financial markets through the utilisation of interest rate swap contracts. The interest rate swap contracts are valued at each balance date and any unrealised gain or loss is brought to account through the statement of comprehensive income. At 30 June 2010, as a result of rising interest rates during the financial year, the market value of the interest rate swap contracts improved resulting in an unrealised gain of \$2.5 million.

Strategy and Outlook

The outlook for the investment portfolio income stream remains positive due to the quality of our tenants and the long term nature of the leases. The cash flow from the leases is strong and predictable and the investment properties are expected to perform in accordance with our forecasts.

The lingering effects of the Global Financial Crisis on the Australian economy continue to place pressure on interest rates and the property markets in general. Further increases in interest rates will impact the value of the interest rate swap contracts held at balance date, although rate increases will not further impact cash flows.

State of Affairs

Financing Facilities

The Trafalgar Twelve Four Finance Pty Limited facility with Westpac Banking Corporation which was due to expire in March 2011, has been extended for a further two years to March 2013.

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review other than those listed above.

Likely Developments and Expected Results of Operations

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

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Directors and Auditors Indemnification

Trafalgar Corporate Group Limited continues to provide Directors' and Officers' liability insurance. A premium of \$67,561 was paid for the period up until 30 June 2011. This policy indemnifies the Directors and Officers for up to \$25 million. The Fund has not indemnified the auditor of the Fund.

Events Subsequent to Reporting Date

The consolidated entity exchanged contracts for the sale of the Melbourne Broadcast Centre on 16 August 2010 for a sale price of \$54.22 million, with a settlement date of 31 August 2010.

There are no further matters or circumstance not otherwise dealt with in this report or the financial statements that have significantly or may significantly affect the operations of the consolidated entity, or the state of the consolidated entity's affairs in future financial years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 103 and forms part of the Director's report for the year ended 30 June 2010.

Rounding Off

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

This report is made with a resolution of the directors.



Garry R Sladden
Chairman



John R Green
Director

Dated at Sydney this 19th day of August 2010



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of the Responsible Entity of Trafalgar Platinum Fund No.12, being Trafalgar Managed Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

19 August 2010

Trafalgar Platinum Fund No. 12 and its Controlled Entity
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

		Consolidated	
	Note	2010	2009
		\$'000	\$'000
Revenue and other income			
Rent from investment properties	3	18,791	18,920
Interest income - other parties		27	26
Total revenue and other income		18,818	18,946
 Rates, taxes and other property outgoings		(1,784)	(1,637)
Responsible entity fees		(1,106)	(1,224)
Management and administration expenses		(201)	(294)
Other expenses		(1,432)	(1,430)
Net gain (loss) on fair value adjustment of investment properties		1,145	(25,363)
Net gain (loss) on fair value adjustment of financial instruments		2,518	(7,715)
Impairment of related party loan		(1,344)	(41,050)
Debt forgiveness - prior years interest on related party loan		-	(12,352)
Results from operating activities		16,614	(72,119)
 Finance expenses		(7,508)	(7,377)
Profit (loss) for the year		9,106	(79,496)
 Other comprehensive income for the year		-	-
Total comprehensive income (loss) for the year attributable to unitholders		9,106	(79,496)
 Reconciliation of net profit (loss) / Total comprehensive income (loss)			
Distributions paid and payable	4	-	3,414
Transfer to (from) unitholder funds		9,106	(82,910)
Total		9,106	(79,496)

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

Trafalgar Platinum Fund No. 12 and its Controlled Entity
Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

Consolidated	Unitholder funds \$'000	Undistributed income \$'000	Total equity \$'000
Balance as at 1 July 2009	104,987	-	104,987
Profit for the year / Total comprehensive income	-	9,106	9,106
Transfer to (from) reserves	9,106	(9,106)	-
Balance as at 30 June 2010	114,093	-	114,093

Consolidated	Unitholder funds \$'000	Undistributed income \$'000	Total equity \$'000
Balance as at 1 July 2008	187,897	-	187,897
Loss for the year / Total comprehensive loss	-	(79,496)	(79,496)
Transfer (from) to reserves	(82,910)	82,910	-
Distributions to unitholders	-	(3,414)	(3,414)
Balance as at 30 June 2009	104,987	-	104,987

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

Trafalgar Platinum Fund No. 12 and its Controlled Entity
Consolidated Statement of Financial Position
For the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Current assets		
Cash and cash equivalents	1,827	1,175
Trade and other receivables	539	602
Assets held for sale	54,220	53,500
Other current assets	1,632	122
Total current assets	58,218	55,399
Non current assets		
Investment properties	122,408	126,028
Due from related entities	35,928	30,605
Other non current assets	8,210	4,873
Total non current assets	166,546	161,506
Total assets	224,764	216,905
Current liabilities		
Trade and other payables	2,485	896
Other financial liabilities	1,240	1,905
Other current liabilities	1,677	1,726
Total current liabilities	5,402	4,527
Non current liabilities		
Interest bearing loans and borrowings	105,269	105,538
Other financial liabilities	-	1,853
Total non current liabilities	105,269	107,391
Total liabilities	110,671	111,918
Net assets	114,093	104,987
Issued capital	114,093	104,987
Total equity attributable to unitholders	114,093	104,987

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

Trafalgar Platinum Fund No. 12 and its Controlled Entity
Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Consolidated	
Note	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts from customers	20,549	20,859
Cash paid to suppliers	(5,116)	(6,064)
Interest received	27	26
Interest paid	(7,743)	(7,255)
Net cash from operating activities	<u>7,717</u>	<u>7,566</u>
 Cash flows from investing activities		
Payments for investment properties and improvements	(398)	(840)
Net cash from investing activities	<u>(398)</u>	<u>(840)</u>
 Cash flows from financing activities		
Loans to related parties	(6,667)	(72)
Distributions paid	-	(5,975)
Net cash from financing activities	<u>(6,667)</u>	<u>(6,047)</u>
 Net increase in cash and cash equivalents held	652	679
 Cash and cash equivalents at the beginning of the year	1,175	496
 Cash and cash equivalents at the end of the year	<u>1,827</u>	<u>1,175</u>

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

1 Basis of Preparation of Concise Financial Report

This concise financial report relates to the consolidated entity consisting of Trafalgar Platinum Fund No 12 and the entity it controlled at the end of, or during, the year ended 30 June 2010. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated below.

The concise financial report has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 1039 Concise Financial Reports (AASB 1039). The financial statements and specific disclosures required by AASB 1039 have been derived from the full financial report. The concise financial report does not, and cannot be expected to provide, as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investments Commission, relating the “rounding off” of amounts in the financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

The Responsible Entity of Trafalgar Platinum Fund No 12 is Trafalgar Managed Investments Limited. The Responsible Entity’s registered office is Level 4, 111 Harrington Street, Sydney NSW 2000. The Fund was formed on 23 April 2003 and was registered as a managed investment scheme on 7 May 2003.

The Annual Financial Report is presented in Australian dollars.

2 Segment Information

The Fund and its consolidated entity operate solely in the commercial property sector within Australia.

3 Sales Revenue

	Consolidated	
	2010	2009
	\$'000	\$'000
Rental income from investment properties	18,791	18,920
	<u>18,791</u>	<u>18,920</u>

4 Distributions Paid and Payable

The distributions were paid and payable on:

	Consolidated	
	2010	2009
	\$'000	\$'000
31 December	-	3,414
	<u>-</u>	<u>3,414</u>

5 Events Subsequent to Reporting Date

The consolidated entity exchanged contracts for the sale of the Melbourne Broadcast Centre on 16 August 2010 for a sale price of \$54.22 million, with a settlement date of 31 August 2010.

In the opinion of the Directors, there has not arisen in the interval between the end of the year and the date of the Director's report, any further items, transactions or events of a material and unusual nature which have significantly affected the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in the period subsequent to 30 June 2010.

In the opinion of the Directors of Trafalgar Managed Investments Limited, the Responsible Entity for Trafalgar Platinum Fund No 12 and its consolidated entity, the accompanying concise financial report of Trafalgar Platinum Fund No 12 comprising Trafalgar Platinum Fund No 12 and the entity it controlled for the financial year ended 30 June 2010 as set out on pages 98 to 109:

- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the directors:



Garry R Sladden
Chairman



John R Green
Director

Dated at Sydney this 19th day of August 2010



Independent auditor's report to the unitholders of Trafalgar Platinum Fund No.12

Report on the concise financial report

The accompanying concise financial report of the Consolidated Entity comprising Trafalgar Platinum Fund No. 12 and the entities it controlled at the year's end or from time to time during the financial year (the Fund), which comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and related notes 1 to 5 derived from the audited financial report of Trafalgar Platinum Fund No. 12 for the year ended 30 June 2010. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors of the Responsible Entity of the Fund, being Trafalgar Managed Investments Limited, are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Trafalgar Platinum Fund No. 12 for the year ended 30 June 2010. Our audit report on the financial report for the year was signed on 19 August 2010 and was not subject to any modification. The Australian 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 for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion, the concise financial report of Trafalgar Platinum Fund No. 12 and its controlled entities for the year ended 30 June 2010 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

19 August 2010

Trafalgar Opportunity Fund No. 4

ARSN 107 416 348 and its Controlled Entities

Annual Concise Report

For the year ended 30 June 2010

Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2010. The financial statements and specific disclosures included in the concise financial

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Trafalgar Opportunity Fund No 4 and its Controlled Entities as the full financial report. Further information can be obtained from the full financial report.

The full financial report and the independent auditors report will be sent to members on request, free of charge. Please call (02) 9252 4211 to request a copy. Alternatively, you can access both the full financial report and the concise financial report via the internet at our Investor Centre on our website at www.trafalgarcorporate.com

Director's Report

The Directors of Trafalgar Managed Investments Limited, the Responsible Entity of Trafalgar Opportunity Fund No 4 ("the Fund" or "TOF4"), present the consolidated financial report of Trafalgar Opportunity Fund No 4 and its controlled entities (together "the consolidated entity") for the year ended 30 June 2010 and the independent auditors report thereon. The consolidated entity forms part of the stapled entity, Trafalgar Corporate Group Limited ("the Corporation").

Directors

The Directors of Trafalgar Managed Investments Limited, the Responsible Entity of Trafalgar Opportunity Fund No 4, at any time during or since the end of the financial year are ("the Directors"):

Trafalgar Managed Investments Limited	
Name	Period of Directorship
Non-Executive	
Brendan P Crotty	Appointed Director 26 September 2007, Resigned 31 October 2009 Appointed Chairman 13 November 2008, Resigned 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
John R Green	Appointed Director 1 October 2009
Tony R Pitt	Appointed Director 19 November 2009

Formation of Trafalgar Corporate Group

The stapled securities of Trafalgar Corporate Group ("TGP") are quoted on the Australian Stock Exchange under the code TGP and comprise one unit in each of the consolidated entity and Trafalgar Platinum Fund No 12 ("TPF12") and one share in Trafalgar Corporate Group Limited. The units and shares are stapled together and cannot be traded separately. Each entity forming part of TGP continues as a separate legal entity in its own right under the Corporations Act 2001 and is therefore required to comply with the reporting and disclosure requirements under the Corporations Act 2001 and Australian Accounting Standards.

Trafalgar Managed Investments Limited, the Responsible Entity holds an Australian Financial Services Licence No 221474 issued pursuant to Section 913B of the *Corporations Act 2001* and the Fund was registered as a Managed Investment Scheme on 7 May 2003.

Principal Activities

The principal activity of the Fund and its controlled entities is ownership of income producing commercial properties within Australia. No significant change in the nature of these activities occurred during the financial year.

The Fund did not have any employees during the year.

Review of Operations

The annual financial report for the year ended 30 June 2010 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS"). The financial performance of the consolidated entity is as follows:

	30 June 2010	30 June 2009
Revenue and other income (\$'000)	4,326	4,640
Loss attributable to unitholders of the Fund (\$'000)	(6,468)	(28,041)
Distributions provided for or paid by the Fund (\$'000)	-	854

	30 June 2010	30 June 2009
Net assets (\$'000)	17,442	23,910
Number of fully paid ordinary units on issue	85,351,913	85,351,913

Distributions

Distributions declared by TOF4, directly to the unitholders during the year were as follows:

	2010	2010	2009	2009
	\$'000	CPU	\$'000	CPU
Interim distribution paid	-	-	854	1.0
Final distribution payable	-	-	-	-
	-	-	854	1.0

The following major financial transactions occurred during the financial year:

- a) The Directors have re-valued the consolidated entity's investment property assets at 30 June 2010, having regard to independent valuations, resulting in a decrease in the carrying amount of the assets being brought to account in the statement of comprehensive income of \$7.2 million.
- b) The Fund has in place a policy to protect against volatility in financial markets through the utilisation of interest rate swap contracts. The interest rate swap contracts are valued at each balance date and any unrealised gain or loss is brought to account through the statement of comprehensive income. At 30 June 2010, as a result of rising interest rates during the financial year, the market value of the interest rate swap contracts improved resulting in an unrealised gain of \$0.6 million.

Strategy and Outlook

The key strategic focus for the investment portfolio is in proactively managing and renegotiating the lease expirees to achieve a balanced lease profile of greater than 5 years. Upon the successful renegotiation of these leases, the investment properties are expected to perform in accordance with group forecasts. Management continues to focus on maximising the value of the investment properties and may also look to take advantage of any opportunities to realise certain assets in order to reduce interest bearing debt.

The lingering effects of the Global Financial Crisis on the Australian economy continue to place pressure on interest rates and the property markets in general. Further increases in interest rates will impact the value of the interest rate swap contracts held at balance date, although rate increases will not further impact cash flows.

State of Affairs

Financing Facilities

The Trafalgar Twelve Four Finance Pty Limited facility with Westpac Banking Corporation, which was due to expire in March 2011, has been extended for a further two years to March 2013.

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review other than those listed above.

Likely Developments and Expected Results of Operations

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

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Directors and Auditors Indemnification

Trafalgar Corporate Group Limited continues to provide Directors' and Officers' liability insurance. A premium of \$67,561 was paid for the period up until 30 June 2011. This policy indemnifies the Directors and Officers for up to \$25 million. The Fund has not indemnified the auditor of the Fund.

Events Subsequent to Reporting Date

There are no matters or circumstance not otherwise dealt with in this report or the financial statements that have significantly or may significantly affect the operations of the consolidated entity, or the state of the consolidated entity's affairs in future financial years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 118 and forms part of the Director's report for the year ended 30 June 2010.

Rounding Off

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

This report is made with a resolution of the Directors.



Garry R Sladden

Chairman



John R Green

Director

Dated at Sydney this 19th day of August 2010



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of the Responsible Entity of Trafalgar Opportunity Fund No. 4, being Trafalgar Managed Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

19 August 2010

Trafalgar Opportunity Fund No. 4 and its Controlled Entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

		Consolidated	
	Note	2010	2009
		\$'000	\$'000
Revenue and other income			
Rent from investment properties	3	4,126	4,453
Interest income - other parties		34	187
Other income		166	-
Total revenue and other income		<u>4,326</u>	<u>4,640</u>
 Rates, taxes and other property outgoings		(1,188)	(1,000)
Responsible entity fees		(532)	(629)
Management and administration expenses		(138)	(190)
Net loss on fair value adjustment of investment properties		(7,225)	(8,942)
Net gain (loss) on fair value adjustment of financial instruments		571	(1,766)
Impairment of related party loan		-	(10,900)
Debt forgiveness - prior years interest on related party loan		-	(6,112)
 Results from operating activities		<u>(4,186)</u>	<u>(24,899)</u>
 Finance expenses		(2,282)	(3,142)
 Loss for the year		<u>(6,468)</u>	<u>(28,041)</u>
 Other comprehensive income for the year		-	-
 Total comprehensive loss for the year attributable to unitholders		<u>(6,468)</u>	<u>(28,041)</u>
 Reconciliation of net loss / Total comprehensive loss			
Distributions paid and payable	4	-	854
Transfer from unitholder funds		(6,468)	(28,895)
 Total		<u>(6,468)</u>	<u>(28,041)</u>

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

Trafalgar Opportunity Fund No. 4 and its Controlled Entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

Consolidated	Unitholder funds \$'000	Undistributed income \$'000	Total equity \$'000
Balance as at 1 July 2009	23,910	-	23,910
Loss for the year / Total comprehensive loss	-	(6,468)	(6,468)
Transfer (from) to reserves	(6,468)	6,468	-
Balance as at 30 June 2010	<u>17,442</u>	<u>-</u>	<u>17,442</u>

Consolidated	Unitholder funds \$'000	Undistributed income \$'000	Total equity \$'000
Balance as at 1 July 2008	52,805	-	52,805
Loss for the year / Total comprehensive loss	-	(28,041)	(28,041)
Transfer (from) to reserves	(28,895)	28,895	-
Distributions to unitholders	-	(854)	(854)
Balance as at 30 June 2009	<u>23,910</u>	<u>-</u>	<u>23,910</u>

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

Trafalgar Opportunity Fund No. 4 and its Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2010

	Note	Consolidated 2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents		278	208
Trade and other receivables		373	473
Other financial assets		-	836
Other current assets		59	333
Total current assets		<u>710</u>	<u>1,850</u>
Non current assets			
Investment properties		35,147	42,301
Due from related entities		7,987	19,097
Other non current assets		203	28
Total non current assets		<u>43,337</u>	<u>61,426</u>
Total assets		<u>44,047</u>	<u>63,276</u>
Current liabilities			
Trade and other payables		497	453
Other financial liabilities		37	549
Other current liabilities		213	439
Total current liabilities		<u>747</u>	<u>1,441</u>
Non current liabilities			
Interest bearing loans and borrowings		25,724	37,732
Other financial liabilities		134	193
Total non current liabilities		<u>25,858</u>	<u>37,925</u>
Total liabilities		<u>26,605</u>	<u>39,366</u>
Net assets		<u>17,442</u>	<u>23,910</u>
Issued capital		17,442	23,910
Total equity attributable to unitholders		<u>17,442</u>	<u>23,910</u>

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

Trafalgar Opportunity Fund No. 4 and its Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Note	Consolidated 2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash receipts from customers		4,702	5,116
Cash paid to suppliers		(2,213)	(2,886)
Interest received		59	12
Interest paid		(2,308)	(3,151)
Net cash from operating activities		<u>240</u>	<u>(909)</u>
 Cash flows from investing activities			
Payments for investment properties and improvements		<u>(75)</u>	-
Net cash from investing activities		<u>(75)</u>	-
 Cash flows from financing activities			
Repayment of borrowings		(12,000)	(8,000)
Secured vendor finance loan - repayments		795	1,200
Loans from related parties		11,110	10,281
Distributions paid		<u>-</u>	<u>(2,561)</u>
Net cash from financing activities		<u>(95)</u>	<u>920</u>
 Net increase in cash and cash equivalents held		70	11
 Cash and cash equivalents at the beginning of the year		208	197
 Cash and cash equivalents at the end of the year		<u>278</u>	<u>208</u>

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

1 Basis of Preparation of Concise Financial Report

This concise financial report relates to the consolidated entity consisting of Trafalgar Opportunity Fund No 4 and the entities it controlled at the end of, or during, the year ended 30 June 2010. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated below.

The concise financial report has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 1039 Concise Financial Reports (AASB 1039). The financial statements and specific disclosures required by AASB 1039 have been derived from the full financial report. The concise financial report does not, and cannot be expected to provide, as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investments Commission, relating the “rounding off” of amounts in the financial reports. Amounts in the concise financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

The Responsible Entity of Trafalgar Opportunity Fund No 4 is Trafalgar Managed Investments Limited. The Responsible Entity’s registered office is Level 4, 111 Harrington Street, Sydney NSW 2000. The Fund was formed on 23 April 2003 and was registered as a managed investment scheme on 7 May 2003.

The Annual Financial Report is presented in Australian dollars.

2 Segment Information

The Fund and its consolidated entity operate solely in the commercial property sector within Australia.

3 Sales Revenue

	Consolidated	
	2010	2009
	\$'000	\$'000
Rental income from investment properties	4,126	4,453
	<u>4,126</u>	<u>4,453</u>

4 Distributions Paid and Payable

The distributions were paid and payable on:

	Consolidated	
	2010	2009
	\$'000	\$'000
31 December	-	854
	<u>-</u>	<u>854</u>

5 Events Subsequent to Reporting Date

In the opinion of the Directors, there has not arisen in the interval between the end of the year and the date of the Director's report, any items, transactions or events of a material and unusual nature which have significantly affected the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in the period subsequent to 30 June 2010.

In the opinion of the Directors of Trafalgar Managed Investments Limited, the Responsible Entity for Trafalgar Opportunity Fund No 4 and its consolidated entities, the accompanying concise financial report of Trafalgar Opportunity Fund No 4 comprising Trafalgar Opportunity Fund No 4 and the entities it controlled for the financial year ended 30 June 2010 as set out on pages 113 to 124:

- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the directors:



Garry R Sladden
Chairman



John R Green
Director

Dated at Sydney this 19th day of August 2010



Independent auditor's report to the unitholders of Trafalgar Opportunity Fund No. 4

Report on the concise financial report

The accompanying concise financial report of the Consolidated Entity comprising Trafalgar Opportunity Fund No. 4 and the entities it controlled at the year's end or from time to time during the financial year (the Fund), which comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and related notes 1 to 5 derived from the audited financial report of Trafalgar Opportunity Fund No. 4 for the year ended 30 June 2010. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors of the Responsible Entity of the Fund, being Trafalgar Managed Investments Limited, are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Trafalgar Opportunity Fund No. 4 for the year ended 30 June 2010. Our audit report on the financial report for the year was signed on 19 August 2010 and was not subject to any modification. The Australian 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 for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion, the concise financial report of Trafalgar Opportunity Fund No. 4 and its controlled entities for the year ended 30 June 2010 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

19 August 2010

Corporate Directory

Corporate/Responsible Entity

Trafalgar Corporate Group Limited
ACN 113 569 136

Trafalgar Managed Investments Limited
ACN 090 664 396
AFSL 221474

Level 4, 111 Harrington Street
Sydney NSW 2000
Telephone 02 9252 4211

Directors and Officers

Non-executive Directors

Garry R Sladden - Independent Chairman
Garry S Charny - Non-executive Director
John R Green - Independent Director
Tony R Pitt - Non-executive Director

Officers

Braith H Williams - Chief Executive Officer
Peter J Norris - Chief Financial Officer & Company Secretary

Custodians

BNY Trust Company of Australia Limited
ACN 050 294 052
35 Clarence Street
SYDNEY NSW 2000

Australian Executor Trustees Limited

ACN 007 869 794
Level 22, 207 Kent Street
SYDNEY NSW 2000

Unit/Share Registry

Registries Limited
ACN 003 209 836
Level 7, 207 Kent Street
SYDNEY NSW 2000
Telephone (02) 9290 9600
Email registries@registriesltd.com.au

Bankers

Westpac Banking Corporation Limited

Auditor

KPMG

Disclaimer

All information in this report is as at 30 June 2010 and in Australian dollars, unless otherwise indicated. Whilst every effort is made to provide accurate and complete information, Trafalgar does not warrant or represent that the information in this Annual Report is free from errors or omissions or suitable for your intended use. Subject to any terms implied by law, Trafalgar accept no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation of information.

Trafalgar Corporate Group Limited

ACN 113 569 136

Trafalgar Managed Investments Limited

ACN 090 664 396

www.trafalgarcorporate.com