

23 February 2011

Trafalgar Corporate Group announces Interim Net Profit After-tax of \$2.3m

Listed property investment and development group, Trafalgar Corporate Group (ASX:TGP), today announced an operating profit (before impairments and unrealised gains) of \$0.64 million and an after-tax profit of \$2.32 million for the six months to 31 December 2010, after accounting for extraordinary items of \$1.7 million.

The after-tax profit per security for the period was 2.7 cents and net tangible assets per security as at 31 December 2010 were \$1.57, compared to \$1.54 as at 30 June 2010.

Results summary	1H11	1H10
Revenue (\$m)	<u>9.66</u>	<u>12.78</u>
Operating profit (before impairments and unrealised gains & losses) (\$m)	0.64	3.02
<i>Unrealised gains or losses (\$m)</i>		
Fair value adjustment of investment properties	1.04	-
Fair value adjustment of financial instruments	0.94	2.47
Impairment of Investments and Loans	(0.25)	-
Joint Venture write downs	(0.05)	(0.17)
Profit/(Loss) before tax (\$m)	<u>2.32</u>	<u>5.32</u>
Profit/(Loss) after tax (\$m)	<u>2.32</u>	<u>5.32</u>
Basic earnings per security (cents)	2.7	6.2
Interim distribution per security (cents)	0.0	0.0
Total assets (\$m)	217.3	293.9
Net tangible assets per security (\$)	1.57	1.57
Debt (\$m)	80.0	148.1
Gearing (%)	36.8	50.4

Revenue for the Group was down 24.4% from \$12.78 million for the first half of the 2010 financial year, to \$9.66 million for the current reporting period, reflecting the loss of revenue as a result of the sale of the Melbourne Broadcast Centre, sale of the interest in the Sydney Airport Centre, increased vacancies in the Fujitsu building and the expiry of the rental guarantee for the Goulburn building.

Further reductions in corporate overheads and employment costs were achieved, with costs being reduced by 27% to \$1.47 million for the 6 months to 31 December 2010, compared to \$2.02 million for the previous corresponding period.

The operating profit for the six months to 31 December 2010 declined by 78.8% to \$0.64 million, compared to \$3.02 million for the same period last year, largely as a result of investment property asset sales, higher finance costs associated with the extension of the Group's loan facilities and increased vacancies in the investment properties.

Operating profit will continue to vary as the Group continues with the orderly asset realisation strategy.

Substantial progress has been achieved in the debt reduction program with \$59.1 million repaid in the 6 months to 31 December 2010, reducing total debt from \$139.1 million at 30 June 2010, to \$80.0 million for the current reporting period. Gearing decreased from 49.9% as at 30 June 2010 to 36.8% as at 31 December 2010.

The \$59.1 million debt reduction during the reporting period was as a result of investment property sales, development mezzanine debt repayments and vendor finance repayments.

Group debt is currently fully hedged until 30 June 2011. The Group had undrawn committed facilities of \$5 million as at 31 December 2010 and available cash reserves of \$5.2 million.

Trafalgar has no committed finance facilities maturing in FY2011 and the existing committed finance facility has a maturity date of 31 March 2013.

The Group advised that its Brisbane buildings were largely unaffected by the recent flood event and only minor damage occurred in the basements of the Thiess Centre and Fujitsu building.

The Group also confirmed that a conditional contract to sell the Thiess Centre in Brisbane for \$63.3 million (book value \$61.5 million) has been exchanged, however, settlement of the contract is subject to a number of conditions being satisfied, including the execution and registration of a new 10 year lease with Thiess Pty Limited. Lease documentation is nearing finalisation and a further market update will be issued in relation to the Thiess Centre once the contract is unconditional.

'During the six months to 31 December 2010 the Group settled the sales of the Melbourne Broadcast Centre and the Sydney Airport Centre, as well as achieving a \$5.2 million reduction in development mezzanine debt and vendor finance, allowing a substantial reduction of debt.

The Group will continue to maximise the value of the investment assets by improving the lease maturity profile and pursue the opportunistic sale of assets.' said Braith Williams, Chief Executive Officer.

The value of the investment portfolio reduced by \$51.9 million from \$222 million as at 30 June 2010 to \$170 million as at 31 December 2010, largely as a result of the sale of the Melbourne Broadcast Centre.

The remaining commercial and industrial property assets are held primarily in Sydney, Brisbane and Canberra. Management has sought independent guidance regarding valuation parameters used to determine Directors' valuations. Based on current market indicators that commercial property values have stabilised and independent guidance on

valuation parameters, the Directors' have formed the view that investment property values would be maintained at the 30 June 2010 levels, except for the Thiess Centre, which has been re-valued upwards by \$1.0 million to reflect the price in the conditional contract and the Mort Street, Canberra building which has been re-valued upwards by \$1.2 million to reflect the capital improvements to bring the building up to a 4.5 NABER's rating. Independent valuations for all properties were undertaken as at 30 June 2010 and updated independent valuations will be obtained as at 30 June 2011.

Swaps – Interest rate swaps totalling \$81.0 million, with an effective rate (excluding margin) of 6.25%, remain in place. The majority expire in June 2011. The revaluation of the market value of the Group's interest rate swaps as at 31 December 2010 has generated an unrealised gain on the value of swaps of \$0.9 million, compared to an unrealised gain of \$2.5 million for the previous corresponding period.

Development Property Portfolio Valuations – There has been a minor impairment of \$0.3 million to the carrying value of the remaining developments for the 6 months to 31 December 2010. During the reporting period the Group achieved the following in relation to the development assets:

- The Rhodes joint venture entered into contracts for the sale of an additional superlot and also settled the sale of one superlot. All project debt associated with the Rhodes development has been fully repaid as a result of the settlement.
- Sale of the last lot in the Pendle Hill industrial land sub-division (settled February 2011).
- Repayment of the project debt associated with the Nudgee industrial unit development and commencement of repayment of the Group's mezzanine debt.
- Completion of the civil works for the Beverley industrial land sub-division and settlement of 5 pre-sale lots.

Strategy and Outlook

The strategy approved by security holders at the 2010 Annual General Meeting involves the continued orderly realisation of the Group assets on an opportunistic basis, as the value maximisation strategies for specific assets are completed.

The implementation of that strategy is continuing with the Thiess Centre conditional sale contract. The key focus of management is to improve the lease maturity profile and to reduce vacancy levels for the investment properties in order to maximise realisation values. The Group is in active negotiations with prospective tenants for the Fujitsu Centre in Brisbane and is pursuing opportunities for the Mort Street building in Canberra.

About Trafalgar

Trafalgar Corporate Group (ASX:TGP) is a property investment and development group with total assets of \$217.3 million. The Group has an investment portfolio valued at \$169.6 million across four markets – Brisbane, Sydney, Goulburn and Canberra.

At the last reporting date of 31 December 2010, TGP's net tangible asset backing was \$1.57 per security, up from \$1.54 as at 30 June 2010.

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