

Annual Report 2011

Trafalgar Corporate Group Limited



Trafalgar

Trafalgar Corporate Group Limited and its Controlled Entities
Annual Financial Report
For the year ended 30 June 2011

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	18
Security Holder Information	94
Trafalgar Platinum Fund No. 12 Concise Accounts	95
Trafalgar Opportunity Fund No. 4 Concise Accounts	109
Corporate Directory	123

Results at a Glance

Results Summary

Stapled Group

	30-Jun-11 \$'000s	30-Jun-10 \$'000s	30-Jun-09 \$'000s
Operations			
Property development (incl JVs)	895	3,327	1,826
Net Rent from investment properties	13,460	19,923	19,456
Fees, interest & other income	331	913	608
Total results from segments	14,686	24,163	21,890
Corporate costs	(1,631)	(1,862)	(2,056)
Employment costs ⁽¹⁾	(1,867)	(2,223)	(3,037)
	(3,498)	(4,085)	(5,093)
Operating profit before interest	11,188	20,078	16,797
Finance and borrowing costs	(8,119)	(11,155)	(11,910)
	3,069	8,923	4,887
Profit before tax & unrealised valuations	3,069	8,923	4,887
Inventory & development project impairments	(3,454)	(1,290)	(20,031)
Impairment of goodwill	0	0	(2,715)
Loss on disposal of investment properties	(38)	0	0
Unrealised gains/(losses) on fair value of swaps	1,285	3,089	(9,482)
Unrealised gains/(losses) on revaluation of investment in Sydney Airport Centre	(10)	(572)	(893)
Unrealised gains/(losses) from fair value adjustment of investment properties	(3,887)	(7,512)	(34,304)
	(3,035)	2,638	(62,538)
Profit/(Loss) before income tax	(3,035)	2,638	(62,538)
Income tax benefit/(expense)	0	0	0
	(3,035)	2,638	(62,538)
Net Profit/(Loss) after Tax before Distributions	(3,035)	2,638	(62,538)

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

Gearing (% of Total Assets)	29.80%	49.90%	53.60%
NTA (\$ per security)	1.24	1.54	1.51
Distributions (per security)	27.0	n/a	5.0

Chairman & CEO's Report

Overview

While the Australian economy continued to generally outperform the global markets throughout FY2011, it has largely been a two speed economy, driven by the continued strength of the resource sector. The Australian property markets also delivered variable performances during FY2011 in terms of geographic location and asset class.

Whilst the overall Australian property market has been relatively stable throughout FY2011 a number of trends continued to emerge:

- Demand from local and overseas buyers for good quality commercial properties with strong lease covenants and long lease duration continued to strengthen.
- Properties with short lease maturities or vacancies remain under price pressure.
- Demand for owner occupier style commercial and industrial properties, particularly in the small to medium enterprise sector continued to be subdued due to difficulties in obtaining finance to fund property acquisitions.
- Demand for commercial lease space from markets servicing the resources sector also strengthened during FY2011, particularly in the Brisbane and Perth markets.

The key focus of the Trafalgar Corporate Group over FY2011 was on continuing the strategies to realise the development assets, add value to the Group's investment properties and opportunistically realising the value of these properties.

As a direct result of the execution of these strategies, revenue fell by 37% from \$27.9 million in FY2010 to \$17.6 million in FY2011. The revenue decline largely reflected the sale of investment properties during the reporting period and, to a lesser extent, lower revenue from development activities as a result of the continued withdrawal from development activities. The decline in other income of \$1.9 million was primarily a result of the settlement of the Tallwoods golf course and residential estate sale at the end of FY2010.

The Group operating profit before tax, fair value adjustments and impairments and after finance costs, fell from \$8.9 million in FY2010 to \$3.1 million in FY2011. The decline in operating profit was a direct result of the sale of certain investment properties during FY2011.

The Group recorded a net loss after tax of \$3.0 million in FY2011, compared to a net profit of \$2.6 million for FY2010. The main contributing factors to the net loss were:

- Fair value adjustment of investment properties of \$3.9 million, of which \$1.4 million was attributable to the amortisation of the over rent associated with the ATO Hurstville building.
- Impairment of mezzanine debts amounting to \$2.4 million, the majority of which related to the Tallwoods project.
- A further writedown of the Group's investment in the Rhodes development of \$0.9 million.

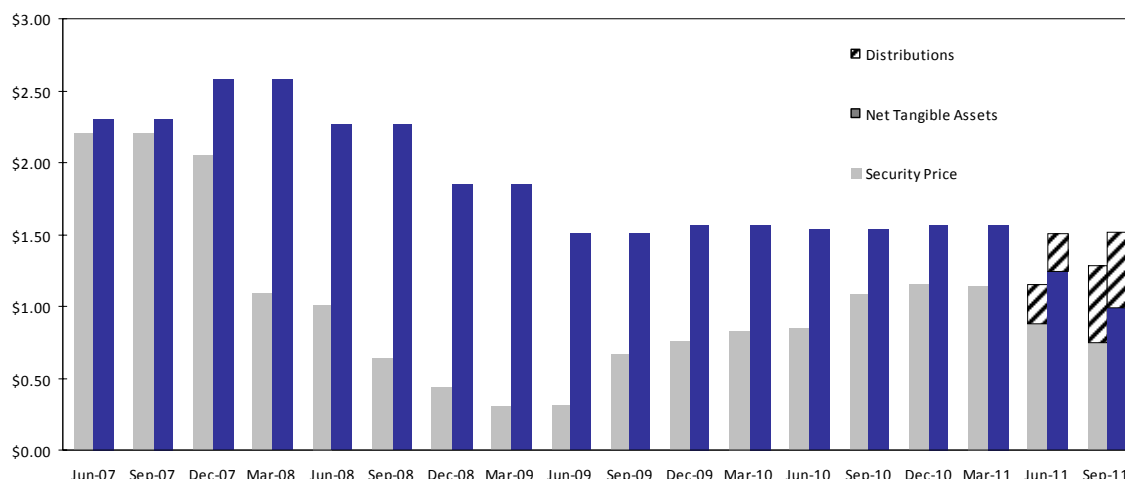
Partially offset by the impact of the writedowns, a positive fair value adjustment of financial instruments of \$1.3 million.

The basic loss for the year was 3.6 cents per security and net tangible assets (NTA) as at 30 June 2011 was \$1.24 per security (after distributions of 27 cents per security during FY 2011), compared to \$1.54 per security as at 30 June 2010.

The 30 cents per security decline in NTA in the past financial year was largely attributable to the 27 cents per security distributions made in FY 2011, with the balance attributable to unrealised revaluation losses.

The following graph demonstrates the positive impact of the Group's decision in FY2009/10 to initiate strategies to close the value gap for security holders:

Trafalgar Corporate Group
Security Price v Net Tangible Assets (Adjusted for Distributions)



In the above graph, the security price as at 30 June 2011 and 8 September 2011 are adjusted for the capital distributions made since December 2010 and measured against the pre-distribution NTA of \$1.51.

It is pleasing to report that, as a result of the value maximisation strategy implemented by the Board and management, and approved by the 2010 Annual General Meeting, Trafalgar's security price (adjusted for capital distributions) has improved from a 79.5% discount to NTA as at 30 June 2009, to a 23.8% discount to NTA as at 30 June 2011 and as at 8 September 2011 the adjusted security price was trading at a 15.9% discount to NTA.

Whilst there is more work to be done, the primary objective of closing the value gap is being achieved.

The 27 cents per security distributions paid during FY2011 were capital distributions as the Group had no taxable income during FY2011 due to tax losses being available to offset against income generated in FY2011.

The Board and management continued to focus on the Group's capital management during FY2011 to ensure that the objectives outlined at the FY2010 Annual General Meeting were achieved. The following was achieved during FY2011:

- Total debt was reduced from \$139.1 million as at 30 June 2010, down to \$45.8 million as at 30 June 2011.
- The Group gearing was 29.8% as at 30 June 2011, a significant improvement from 49.9% as at 30 June 2010.
- The reduction in gearing was achieved, notwithstanding the payment of 27 cents per security distributions during FY2011.

Subsequent to financial year end, debt has been reduced by a further \$12.5 million to \$33.3 million and gearing declined to 27.7%, following payment of the July 2011 20 cents per security capital distribution, the settlement of the Fujitsu Building sale in August 2011 and payment of the September 2011 5 cents per security capital distribution.

Investment Properties

Considerable progress was made during FY2011 in delivering on the value add strategy to investment properties as a result of the following:

- Extension of the Seven Network lease to 15 years and the subsequent sale of the building for \$54.22 million.
- Finalisation of the Qantas lease renewal over the Sydney Airport Centre for a further 10 year term and the subsequent sale of the buildings. The Group held a 6.813% interest.
- Extension of the Thiess Building lease to a new term of 10 years and the subsequent sale of the building for \$63.3 million.
- A Heads of Agreement was entered into with a major international services company to lease the balance of the vacant space in the Fujitsu Building in Brisbane.
- A Heads of Agreement was entered into with the Commonwealth Government to lease the balance of the vacant space in the Mort Street building in Canberra for an initial 12 month term, with an option to renew for 5 years 2 months.

Subsequent to year end the Group sold and settled the sale of the Fujitsu Building for \$22.75 million. Approximately \$12.5 million of the sale proceeds was applied in reduction of the Westpac debt, with the outstanding balance reduced to \$33.3 million as at 31 August 2011.

Development Properties

The Group continued its exit from development activities and the following was achieved during FY2011:

- The Group finalised the completion of the sale of the Tallwoods Golf Course and residential Estate after receiving the repayment of the vendor loans associated with the Tallwoods sale.
- The Rhodes joint venture completed remediation of the site in May 2011 and settled the sale of 3 super lots during the reporting period. This enabled all project debt to be repaid and remediation costs to be paid by the joint venture, without additional funding from the joint venture partners.
- The Group finalised its exit from the Pendle Hill industrial development
- The Group settled the sale of 7 lots and exchanged contracts on a further 3 lots in the Beverley, Adelaide industrial land sub-division during FY2011.
- The Group settled the sale of 5 units in the Nudgee, Brisbane office/warehouse development.
- The Group sold and settled 5 suites in the Redmyre Road building in Strathfield, Sydney.

Subsequent to year end, the Group has exchanged contracts for the sale of the 2 remaining Rhodes development sites and agreed terms for the sale of the remaining 3 strata suites in the Redmyre Road building. An additional industrial unit in the Nudgee development has also been sold.

Investment Portfolio Valuations

Updated directors valuations, supported by independent valuations (other than the Fujitsu building 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.

	FY2011	FY2010	FY2009
Total Valuation \$million	\$102.9	\$221.6	\$227.0
Weighted Core Capitalisation Rate	9.31%	8.54%	8.47%
Revaluation/(devaluation) \$million	(\$3.9)	(\$7.5)	(\$34.3)

The keys points in relation to the value of the investment portfolio are:

- The decrease in the total value of the investment properties and the increase in the weighted core capitalisation rate largely reflected the sale of the Melbourne Broadcast Centre and the Thiess Building in Brisbane.
- The fair value adjustments for the investment portfolio resulted in a \$3.9 million writedown for FY2011.
- Properties with vacancies and/or relatively short lease expiry dates were negatively impacted as a result of adverse movements in capitalisation rates (particularly for the Mort Street, Canberra building and the EDI Granville building in Sydney).

Development Property Portfolio Valuations

A review of the realisation value of the remaining direct and indirect development assets was undertaken and resulted in a \$2.0 million writedown of the carrying value. The Group's remaining investment in direct and indirect development assets amounted to \$25.7 million as at 30 June 2011, compared to \$27.1 million as at 30 June 2010. The majority, \$20.5 million, relates to the Group's investment in the Rhodes project.

Strategic Objectives

The strategic objectives of the Group remain consistent with the strategy approved at the 2010 Annual General Meeting, being the following:

- To continue to position the remaining investment assets to maximise the realisation values, with particular focus on the ATO Hurstville building and the Mort Street, Canberra building.
- To complete the Rhodes project and target a return of the investment in FY2012.
- To continue the exit from the remaining indirect development assets.
- To continue to repay bank debt with proceeds of asset sales.
- To continue to pay capital distributions as surplus funds become available.

Following the progress made in FY2011 with the lease renewal negotiations for a number of the Group's key investment assets and the subsequent sale of those assets, the Group has 4 investment assets left to reposition and sell. The Nudgee (Brisbane) and Beverley (Adelaide) indirect development projects are the only two remaining development assets to be finalised and represent 18% of the remaining development portfolio (including the Rhodes sites awaiting settlement, which account for 80% of the development portfolio). Although market conditions remain difficult, management will continue to focus on realisation of these projects during FY2012.



G R Sladden
Chairman



B H Williams
Chief Executive Officer

Dated at Sydney this 22nd day of September 2011

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 a property investment, development and funds management group. Garry is also Non-Executive Chairman of Folkestone Limited, Non-Executive Chairman of Ashton Manufacturing Pty Ltd, Non-Executive Director of the Melanoma Institute of Australia and Non-Executive Director of Endeavour Healthcare Limited.

Garry S Charny (Non Executive Director)

Garry is the Managing Director and Principal of Wolseley Corporate and Media, a Sydney based corporate advisory house. Prior to that he was joint Managing Director of Accord Capital. He also practised at the Sydney Bar for over a decade in the fields of commercial law and equity.

He is currently the President of Boost Media International LLC, a New York based media advisory company and a director of Boost Media International. He has sat on numerous boards over the past two decades including The Macquarie Radio Network, Manboom, Magic Millions, April Entertainment and The Apparel Group.

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

Tony is the founder and Managing Director of 360 Capital Property Group, a Sydney based property investment and funds management organisation with funds under management of approximately \$1.0 billion. Tony is also an Executive Director and major shareholder of Pentagon Property Group, a significant security holder in Trafalgar Corporate Group, with 23.43% of the Group's securities as at 30 June 2011. He has in excess of 15 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 holds a Bachelor of Commerce (Property) and a Graduate Diploma in Applied Finance and Investment.

John R Green Bsc. (Hons) in Quantity Surveying, Graduate Diploma in Urban Estate Planning (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.

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 and knowing the Chairman has a casting vote, the Board does not consider the cost associated with 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 9 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 2011 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 FY2011, 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.
- Any external consultant engaged to assist with the above is appointed by the Chairman and any report received is marked for the attention of the Chairman.

Directors' and executives' remuneration

Comprehensive information on Trafalgar's remuneration policies and practices are contained in the Remuneration Report on page 24 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. All other times are considered 'closed periods'.

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 achieving 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 2011

Contents

	Page
Directors' report	20
Auditors' independence declaration	31
Consolidated statement of comprehensive income	32
Consolidated statement of changes in equity	34
Consolidated statement of financial position	36
Consolidated statement of cash flows	38
Notes to the consolidated financial statements	
1 Statement of significant accounting policies	39
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 Employee benefits expense	56
8 Auditors' remuneration	56
9 Income tax expense	57
10 Disposal of shares in subsidiary	57
11 Assets held for sale	58
12 Segment reporting	58
13 Earnings per share	61
14 Cash and cash equivalents	62
15 Trade and other receivables	62
16 Other financial assets	63
17 Other current assets	63
18 Available for sale investments	63
19 Investment properties	64
20 Other financial liabilities	66
21 Investments accounted for using equity method	67
22 Property, plant and equipment	71
23 Other non current assets	72
24 Trade and other payables	72
25 Interest bearing loans and borrowings	72
26 Provisions	74
27 Other current liabilities	74
28 Issued capital	75
29 Derivative financial instruments	75
30 Financial instruments	77
31 Capital and other commitments	82
32 Contingent assets and liabilities	82
33 Consolidated entities	83
34 Business combinations	85
35 Reconciliation of net (loss) profit to net cash inflows from operating activities	85
36 Related parties	86
37 Parent entity disclosures	90
38 Events subsequent to balance date	90
Directors' declaration	91
Independent auditors' report	92

Trafalgar Corporate Group Limited and its Controlled Entities

Directors' Report

For the year ended 30 June 2011

The Directors present their report together with the annual financial report of Trafalgar Corporate Group Limited and the consolidated entities ("Trafalgar Corporate Group" or "Group") for the year ended 30 June 2011 and the independent auditor's report thereon. The financial report of Trafalgar Corporate Group comprises the consolidated financial reports of Trafalgar Corporate Group Limited (the deemed parent entity), Trafalgar Opportunity Fund No 4 and Trafalgar Platinum Fund No 12 and their respective controlled entities.

Directors

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

Trafalgar Corporate Group Limited	
Name	Period of Directorship
Non-Executive	
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
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 Securities 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 considered a range of options to close the gap between the security price and net tangible assets and 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. This was approved by shareholders at the AGM in November 2010. Significant progress has been made with the asset realisation process and closing the gap between security price and net tangible assets. 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.

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 2011 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:

	For the year ended 30 June 2011	For the year ended 30 June 2010
Revenue and other income (\$'000)	17,499	26,480
(Loss) profit attributable to Securityholders of Trafalgar Corporate Group (\$'000)	(3,035)	2,638
Basic loss per company share (¢)	(5.2)	(1.6)
Basic (loss) earnings per stapled security (¢)	(3.6)	3.1
Dividends and distributions provided or paid by Trafalgar Corporate Group (\$'000)	23,045	-
Weighted average number of stapled securities on issue ('000)	85,352	85,352
	As at 30 June 2011	As at 30 June 2010
Net assets (\$'000)	105,498	131,578
Number of fully paid stapled securities on issue ('000)	85,352	85,352
Net assets per fully paid stapled security (\$)	1.24	1.54

The Directors have undertaken an assessment of the fair value of the Group's investment property assets at 30 June 2011 having regard to independent valuations. The Directors have determined a decrease in the carrying amount of the investment property assets being brought to account in the statement of comprehensive income of \$3.89 million for the year. The weighted average capitalisation rate applicable to the investment property portfolio at 30 June 2011 is 9.31% (30 June 2010: 8.54%), while the weighted average lease expiry for current tenancies is 3.54 years (30 June 2010: 4.87 years). Further information is provided in note 19.

The following major financial transactions occurred during the financial year:

- (a) Settlement of the sale of the Melbourne Broadcast Centre occurred on 31 August 2010 with net proceeds being used for debt reduction within the Group.
- (b) The Group exchanged contracts for the sale of the Thiess Centre on 24 December 2010 for \$63.33 million. Settlement of the sale of the Thiess Centre occurred on 15 April 2011 with net proceeds being used for debt reduction within the Group and a capital distribution to Securityholders.
- (c) The Group exchanged contracts for the sale of the Fujitsu Centre on 30 May 2011 for \$22.75 million. Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.
- (d) The majority of the Group's interest rate swap contracts expired in June 2011 and the balance were terminated. The interest rate swap contracts were valued at each balance date and any gain or loss was brought to account through the statement of comprehensive income. During the year the market value of the interest rate swap contracts improved resulting in a gain of \$1.29 million (30 June 2010: \$3.09 million).

Review of Operations (continued)

- (e) The Rhodes joint venture completed the sale of Stages 3 and 5, with the majority of sale proceeds (\$33.9 million) utilised to meet the final remediation payment (\$31.8 million) to Thiess Services Pty Limited.
- (f) The Group's vendor finance loan provided at the time of the sale of the Tallwoods Estate was on sold to a third party following the borrower defaulting on a principal payment. The sale resulted in a loss of \$1.45 million being brought to account in the statement of comprehensive income.
- (g) The Group declared and paid a total of 27 cents per security in capital distributions during the year. Further information in regards to these capital distributions is provided below.

Dividends and Distributions

The Company & TOF 4 did not declare any dividends or distributions during the year ended 30 June 2011 or up to the date of this report (30 June 2010: Nil). Capital distributions declared by TPF 12, directly to Securityholders during the year were as follows:

	For the year ended 30 June 2011		For the year ended 30 June 2010	
	\$'000	CPU	\$'000	CPU
Capital distribution paid - 6 May 2011	17,070	20.00	-	-
Capital distribution paid - 22 June 2011	5,975	7.00	-	-
	23,045	27.00	-	-

Further, on 1 July 2011, TPF 12 declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The total capital distribution was \$17,070,383 and was funded from cash held within the Stapled Group.

Significant Changes in the State of Affairs

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

Financing Facilities

Trafalgar Twelve Four Finance Pty Limited

This loan facility is being provided by Westpac Banking Corporation and expires in March 2013. During the year the loan outstanding was reduced by \$85.82 million to \$45.77 million. The loan facility is fully drawn.

Trafalgar Corporate Group Limited - Tallwoods Facility

This loan facility was being provided by Westpac Banking Corporation. This loan facility was established to provide funds to repay the previous TC (Tallwoods) Pty Limited loan facility. During the year the loan facility of \$7.0 million was fully repaid.

Trafalgar Corporate Group Limited - Cash Advance Facility

This loan facility was being provided by Westpac Banking Corporation. The loan facility was established to supplement working capital if necessary. During the year the loan facility was cancelled.

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 or elsewhere in the Directors report.

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, CPA, FINSA

Independent Non-Executive Director, Independent 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 a property investment, development and funds management group. Garry is also a Non-Executive Chairman of Folkestone Limited, Non-Executive Director of the Melanoma Institute of Australia Limited, Chairman of Ashton Manufacturing Pty Limited and 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 commercial barrister. Garry is also a Director of Boost Media International, an international media advisory business.

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.

Tony R Pitt

Non-Executive Director

Tony is a founding Director of 360 Capital Property Group and has worked in the property and property funds management industries for 11 years. In his role as Managing Director of 360 Capital Property Group, Tony is responsible for the performance of the Group's various investments and funds, including the investment analysis, management, acquisitions and disposal and overall Group and investment strategy. Tony graduated from Curtin University with a Bachelor of Commerce (Property) and has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. Tony was formerly a Director of JF Meridian Trust (JFM) an ASX listed diversified trust and was responsible for growing JFM from \$530 million to \$1.1 billion in assets over a three year period including a repositioning strategy which comprised of \$800 million of acquisitions, disposals and redevelopments. This repositioning strategy provided investors with a strong asset base to grow investor returns. Tony was previously an Executive Director of James Fielding Funds Management Limited, JF Meridian Management Limited and Hotel Capital Partners Limited, Bankminster Properties Limited and Travelodge Hotel Group. Tony also held positions at Paladin Australia Limited, Jones Lang LaSalle and Richard Ellis. Tony is also a Director of Pentagon Property Group.

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 management 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
Garry R Sladden	9	9	4	4	1	1
Garry S Charny	9	9	4	4	-	-
John R Green	9	9	4	4	1	1
Tony R Pitt	9	9	-	-	-	-

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 2010	Acquisitions	Sales	Held at 30 June 2011
<i>Fully paid securities</i>				
<i>Directors</i>				
Garry R Sladden	-	-	-	-
Garry S Charny	-	-	-	-
John R Green	-	-	-	-
Tony R Pitt*	19,417,425	582,575	-	20,000,000

* 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 2011 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*.

Remuneration Report - Audited (continued)

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 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 with John Green the other Independent 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

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:
 - \$20,000 for Chairing the Audit and Risk Committee;
 - \$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.

Remuneration Report - Audited (continued)

1.1 Remuneration Principles (continued)

(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 may include payments and or allocations under the following categories:

- Fixed remuneration, which comprises cash salary
- Performance linked compensation
- 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.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. No key management personnel are currently receiving performance linked compensation as part of their remuneration package.

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. No bonuses will be paid with respect to Fiscal 2011.

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/Retention benefits

The Board is mindful that in order to carry out its strategy of opportunistically realising assets so as to maximise the capital returned to Securityholders, the Group must retain the staff that can implement this strategy. With this in mind, in September 2010, the Board made amendments to the employment contracts of key management personnel to include retention benefits. Under the amended terms of their employment contracts, Messrs Williams (CEO) and

Remuneration Report - Audited (continued)

1.1 Remuneration Principles (continued)

Norris (CFO & Company Secretary) become entitled to 9 months remuneration and 6 months remuneration respectively should their employment be brought to an end by Trafalgar for any reason other than misconduct, incapacity or performance, or where grounds for summary termination or serious misconduct exist. These changes were considered necessary in order to ensure their knowledge and expertise was retained, as Group asset sales were realised and the Group's activities are wound down.

2. Service Agreements

Service agreements are entered into for all persons employed by the Company. Notice periods of six months for the CEO, CFO/Company Secretary and Financial Controller, 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 agreed to pay Mr 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 Davidson as Managing Director. This fee was paid to Mr Williams in August 2010.

In July 2008, the Board 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 became 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.

Set out below is a summary of the terms of the service agreements for the key management personnel employed at 30 June 2011:

	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 - Trafalgar	6 months	4 months
Termination notice - Employee	6 months	6 months

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)

3. Details of Remuneration (continued)

Name	Year	Short-Term Employee Benefits					Long Service Leave	Total
		Cash Salary	Short-Term Cash Bonus	Non Monetary Benefits	Other Benefits	Superannuation		
		\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors								
Garry R Sladden (Chairman)	2011	145,000	-	-	-	13,050	-	158,050
	2010	136,667	-	-	-	12,300	-	148,967
Garry S Charny	2011	75,000	-	-	-	6,750	-	81,750
	2010	75,000	-	-	-	6,750	-	81,750
John R Green (Appointed 1/10/09)	2011	95,000	-	-	-	8,550	-	103,550
	2010	69,583	-	-	-	6,263	-	75,846
Tony R Pitt (Appointed 19/11/09)	2011	75,000	-	-	-	6,750	-	81,750
	2010	46,058	-	-	-	4,145	-	50,203
Brendan P Crotty (Resigned 31/10/09)	2011	-	-	-	-	-	-	-
	2010	34,947	-	-	-	3,145	-	38,092
Sub Total Non-Executive Directors	2011	390,000	-	-	-	35,100	-	425,100
	2010	362,255	-	-	-	32,603	-	394,858
Other Key Management Personnel								
Braith H Williams-Chief Executive Officer ¹	2011	434,801	-	8,638	168,750	15,199	12,669	640,057
	2010	408,437	-	9,274	212,500	14,461	6,708	651,380
Peter J Norris-Chief Financial Officer & Company Secretary ²	2011	237,401	-	3,314	66,150	15,199	14,546	336,610
	2010	168,139	-	967	72,975	14,461	2,703	259,245
Barry V Morris-Chief Financial Officer (Resigned 4/12/09)	2011	-	-	-	-	-	-	-
	2010	194,583	-	4,567	-	6,248	-	205,398
Totals by each component	2011	1,062,202	-	11,952	234,900	65,498	27,215	1,401,767
	2010	1,133,414	-	14,808	285,475	67,773	9,411	1,510,881
Totals by category	2011		1,309,054			65,498	27,215	1,401,767
	2010		1,433,697			67,773	9,411	1,510,881

¹ In July 2010 a Retention payment of \$425,000 was made. In August 2010 an Acting CEO payment of \$318,750 was made. Refer to Service Agreements for further information.

² In July 2010 a Retention payment of \$138,750 was made. Refer to Service Agreements for further information.

³ Prior year comparatives have changed to reflect remuneration based on an accruals basis rather than a cash/entitlement basis.

Indemnification and Insurance of Directors and Officers

In the 2011 financial year a premium of \$61,959 (30 June 2010: \$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 8 for details of amounts paid for audit services by the Group.

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 2011	30 June 2010
	\$	\$
Services other than statutory audit:		
Taxation services	71,465	92,415
Audit of regulatory returns	4,500	4,255
Property consulting services	-	4,000
Other assurance services	23,600	22,520

Events Subsequent to Reporting Date

On 1 July 2011, the Group declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The total capital distribution was \$17,070,383 and was funded from cash held within the Stapled Group.

Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.

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 31 and forms part of the Directors' report for the year ended 30 June 2011.

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 29th day of August 2011



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 2011 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

KPMG

Paul Thomas
Partner

Sydney

29 August 2011

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
Revenue and other income			
Rent from investment properties	4	16,099	22,916
Management fee income		18	110
Finance income	5	1,381	1,517
Other income	6	1	1,937
Total revenue and other income		17,499	26,480
 Rates, taxes and other property outgoings		(2,913)	(2,914)
Consultants and professional fees		(741)	(871)
Management and administration expenses		(847)	(1,120)
Depreciation	22	(43)	(55)
Employee benefits expense	7	(1,867)	(2,891)
Net loss on fair value adjustment of investment properties	19	(3,887)	(7,512)
Net gain on fair value adjustment of financial instruments	5	1,285	3,089
Net loss on disposal of investment properties		(38)	-
Impairment of available for sale investments	18	(109)	(88)
Impairment of equity accounted investments	21	(922)	(1,577)
Impairment of third party loans receivable	16	(2,423)	(197)
 Results from operating activities		4,994	12,344
 Finance expenses	5	(8,119)	(11,155)
Share of profit on investments accounted for using the equity method	21	90	1,449
 (Loss) profit before income tax expense		(3,035)	2,638
 Income tax expense	9	-	-
 (Loss) profit for the year		(3,035)	2,638
 Other comprehensive income for the year		-	-
 Total comprehensive (loss) income for the year		(3,035)	2,638

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Comprehensive Income (continued)
For the year ended 30 June 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
(Loss) profit attributable to:			
Equity holders of the company		(4,453)	(1,344)
Minority interest		1,418	3,982
(Loss) profit for the year		<u>(3,035)</u>	<u>2,638</u>
 Total comprehensive (loss) income attributable to:			
Equity holders of the company		(4,453)	(1,344)
Minority interest		1,418	3,982
Total comprehensive (loss) income for the year		<u>(3,035)</u>	<u>2,638</u>
 Basic and diluted (loss) per company share	13	(5.2)c	(1.6)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 2011

		Trafalgar Corporate Group Limited			Minority Interest TPF 12 and TOF 4		Total Equity \$'000
	Note	Capital \$'000	Retained earnings \$'000	Total equity \$'000	Capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2010		(3,092)	(50,161)	(53,253)	171,517	13,314	184,831
Total comprehensive (loss) income for the year		-	(4,453)	(4,453)	-	1,418	(3,035)
Transactions with Securityholders in their capacity as Securityholders							
Distributions to unitholders	3	-	-	-	(23,045)	-	(23,045)
Intergroup loans forgiven	36	-	53,294	53,294	-	(53,294)	(53,294)
		-	53,294	53,294	(23,045)	(53,294)	(76,339)
Balance at 30 June 2011		(3,092)	(1,320)	(4,412)	148,472	(38,562)	109,910

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Changes in Equity (continued)
For the year ended 30 June 2011

	Trafalgar Corporate Group Limited			Minority Interest TPF 12 and TOF 4			Total Equity \$'000
Note	Capital \$'000	Retained earnings \$'000	Total equity \$'000	Capital \$'000	Retained earnings \$'000	Total equity \$'000	
Balance at 1 July 2009	(3,092)	(48,817)	(51,909)	171,517	9,332	180,849	128,940
Total comprehensive (loss) income for the year	-	(1,344)	(1,344)	-	3,982	3,982	2,638
Balance at 30 June 2010	(3,092)	(50,161)	(53,253)	171,517	13,314	184,831	131,578

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 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
Current assets			
Cash and cash equivalents	14	22,903	8,161
Trade and other receivables	15	455	1,727
Available for sale investments	18	429	-
Assets held for sale	11	21,780	54,220
Other financial assets	16	5,397	22,301
Other current assets	17	476	1,121
Total current assets		<u>51,440</u>	<u>87,530</u>
Non current assets			
Available for sale investments	18	-	538
Investment properties	19	79,183	164,186
Investments accounted for using the equity method	21	20,540	23,177
Property, plant and equipment	22	227	270
Other non current assets	23	2,049	3,297
Total non current assets		<u>101,999</u>	<u>191,468</u>
Total assets		<u>153,439</u>	<u>278,998</u>
Current liabilities			
Trade and other payables	24	1,280	5,409
Interest bearing loans and borrowings	25	12,458	7,542
Provisions	26	77	67
Other financial liabilities	20	-	1,277
Other current liabilities	27	974	1,890
Total current liabilities		<u>14,789</u>	<u>16,185</u>
Non current liabilities			
Interest bearing loans and borrowings	25	33,006	130,994
Provisions	26	146	107
Other financial liabilities	20	-	134
Total non current liabilities		<u>33,152</u>	<u>131,235</u>
Total liabilities		<u>47,941</u>	<u>147,420</u>
Net assets		<u>105,498</u>	<u>131,578</u>

Trafalgar Corporate Group Limited and its Controlled Entities
Consolidated Statement of Financial Position (continued)
As at 30 June 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
Equity attributable to Shareholders of the Company			
Capital	28	(3,092)	(3,092)
Retained losses		(1,320)	(50,161)
Total Equity attributable to Shareholders of the Company		<u>(4,412)</u>	<u>(53,253)</u>
 Minority interests Equity attributable to Unitholders of TPF 12 and TOF 4			
Capital		148,472	171,517
Retained (losses) earnings		(38,562)	13,314
Total Minority interests Equity attributable to Unitholders of TPF 12 and TOF 4		<u>109,910</u>	<u>184,831</u>
 Total equity		<u>105,498</u>	<u>131,578</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 2011

	Note	30 June 2011 \$'000	30 June 2010 \$'000
Cash flows from operating activities			
Cash receipts from customers		18,910	27,006
Cash paid to suppliers and employees		(10,886)	(13,255)
Payments for development inventory		-	(417)
Distributions and dividends received		-	37
Interest received		1,359	1,059
Interest paid		(8,106)	(11,403)
Net cash from operating activities	35	<u>1,277</u>	<u>3,027</u>
Cash flows from investing activities			
Proceeds from sale of shares in subsidiaries		-	18,900
Payments for investment properties		(1,411)	(473)
Proceeds from sale of investment properties		115,032	-
Payments for plant and equipment		-	(47)
Payments for equity accounted investments		(663)	(4,757)
Proceeds from equity accounted investments		2,468	10,023
Development loan - advances		(788)	(639)
Development loan - repayments		1,067	4,056
Secured vendor finance loan - advances		-	(12,773)
Secured vendor finance loan - repayments		14,169	3,611
Net cash from investing activities		<u>129,874</u>	<u>17,901</u>
Cash flows from financing activities			
Proceeds from borrowings		57	9,165
Repayment of borrowings		(93,421)	(31,820)
Distributions and dividends paid		(23,045)	-
Net cash from financing activities		<u>(116,409)</u>	<u>(22,655)</u>
Net increase (decrease) in cash and cash equivalents held		14,742	(1,727)
Cash and cash equivalents at the beginning of the year		8,161	9,888
Cash and cash equivalents at the end of the year	14	<u>22,903</u>	<u>8,161</u>

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 2011 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 29th August 2011.

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 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 (Trafalgar Corporate Group Limited ("TCGL"), Trafalgar Platinum Fund No 12 ("TPF 12") and Trafalgar Opportunity Fund No 4 ("TOF 4")) 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 asset deficiency of \$4.4 million (30 June 2010: net asset deficiency of \$53.3 million).

As TPF 12 and TOF 4 have the capacity to guarantee the net liability, the Parent Entity disclosures in note 37 have 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.

1 Statement of Significant Accounting Policies (continued)

(b) Basis of Preparation (continued)

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. These reclassifications were not significant.

Certain new or amended Accounting Standards have been published that are not mandatory for this reporting period. Based on management's assessment, the recently issued or amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosures made in this financial report when restated for the application of the new or amended Accounting Standards.

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 37.

(c) Basis of Consolidation

Stapled group

Trafalgar Corporate Group, which is domiciled in Australia, was established for the purpose of facilitating a joint Australian Securities Exchange ("ASX") listing of the Company and its controlled entities, including Trafalgar Corporate Pty Limited ("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 entities 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 Securityholders 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.

1 Statement of Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

The purchase method of accounting is used to account for business combinations including the acquisition of controlled entities. 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

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup 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 (losses) 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.

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.

1 Statement of Significant Accounting Policies (continued)

(c) Basis of Consolidation (continued)

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

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.

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.

(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 TPF 12 and TOF 4 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.

1 Statement of Significant Accounting Policies (continued)

(e) Revenue and Other Income (continued)

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 or loss on the sale of non current assets

The net gain or loss on the sale of non current assets is included in the statement of comprehensive 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.

(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.

1 Statement of Significant Accounting Policies (continued)

(f) Income Tax (continued)

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.

(g) Derivative Financial Instruments

The consolidated entity is exposed to changes in interest rates from its activities and has used 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 remeasurement 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)

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.

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 revalued, 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 cash flows 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.

Reversals of impairment

Impairment losses 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.

(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.

1 Statement of Significant Accounting Policies (continued)

(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)).

(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.

(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.

1 Statement of Significant Accounting Policies (continued)

(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 comprise 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.

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)).

1 Statement of Significant Accounting Policies (continued)

(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. The assets must meet the following criteria:

- the asset is available for immediate sale in its present condition and is highly probable;
- an active program to locate a buyer and complete a sale must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be completed within 12 months from the date of classification.

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.

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

(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.

1 Statement of Significant Accounting Policies (continued)

(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 higher of fair value less costs to sell or value in use methods. In order to assess the investments the Group uses financial records available in regard to investments, independent valuations, underlying market value of their assets where available and financial forecasts to project financial outcomes.

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. Derecognition 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.

1 Statement of Significant Accounting Policies (continued)

(aa) Financial Instruments (continued)

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.

(ii) *Derivative financial instruments*

The Group held 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.

1 Statement of Significant Accounting Policies (continued)

(aa) Financial Instruments (continued)

(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.

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 majority of the Group's revenue is from one government agency, representing 63% of revenue (30 June 2010: 36%), other federal and state government departments, representing 16% of revenue (30 June 2010: 5%) and listed or large corporates representing 17% of revenue (30 June 2010: 56%). The Group is comfortable with its customer concentrations as the majority are Federal and State Government departments, rental income is partly secured by bank guarantees and receivables are being collected within payment terms.

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 \$2.8 million represents 1.8% of total group assets; the Group is comfortable with this exposure as the Group holds a 1st mortgage over the land and buildings

2 Financial Risk Management (continued)

(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 2011 the Group had no undrawn committed facilities and cash of \$22.9 million to cover short term funding requirements. On 1 July 2011, the Group declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The capital distribution paid was \$17.07 million. At balance date the debt maturity profile on the Group's financial liabilities was 1.8 years (30 June 2010: 2.6 years). Further information of the debt profile of the Group's financial liabilities is disclosed in notes 25 and 30.

(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 was to maintain fixed interest rate hedges in the range of 70-90% of borrowings. During the year, due to the Group significantly reducing external long term borrowings, the major interest rate swap contract held by the Group was not replaced when it expired in June 2011 and the balance were early terminated.

The Group entered 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 majority of the Group's interest rate swap contracts expired in June 2011 and the balance were terminated. There were no interest rate swap contracts at 30 June 2011. The fixed interest rate hedge maturity was 1.2 years at 30 June 2010. The Group maintained a portfolio of hedges, some of which were 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% 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 30.

Other markets risk

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

(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

2 Financial Risk Management (continued)

(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 custodians to hold all the scheme property and other assets of the registered schemes (i.e. TPF 12 and TOF 4) 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 - 30 June 2011: 29.8% (30 June 2010: 49.9%).

Investment properties constitute a significant proportion of the Group's assets constituting 67.1% of total assets at 30 June 2011 (30 June 2010: 78.8%). 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

The Company & TOF 4 did not declare any dividends or distributions during the year ended 30 June 2011 or up to the date of this report (30 June 2010: Nil).

Capital distributions declared by TPF 12, directly to the unitholders during the year were as follows:

	For the year ended 30 June 2011		For the year ended 30 June 2010	
	\$'000	CPU	\$'000	CPU
Capital distribution paid - 6 May 2011	17,070	20.00	-	-
Capital distribution paid - 22 June 2011	5,975	7.00	-	-
	23,045	27.00	-	-

Further, on 1 July 2011, TPF 12 declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The total capital distribution was \$17,070,383 and was funded from cash held within the Stapled Group.

4 Rental income

	30 June 2011 \$'000	30 June 2010 \$'000
Rental income	16,362	23,167
Amortisation of capitalised lease incentives	(263)	(4)
Amortisation of lease guarantee	-	(247)
	16,099	22,916

The group leases out its investment properties under operating leases.

5 Financial Income and Finance Expenses

	30 June 2011 \$'000	30 June 2010 \$'000
Interest income - banks	586	385
Interest income - property financing	795	1,132
Finance income	1,381	1,517
Interest paid and payable to other parties	7,803	10,491
Amortisation of financing costs	316	664
Finance expenses	8,119	11,155
Net gain on fair value adjustment of financial Instruments	1,285	3,089
Net financing costs	5,453	6,549

6 Other Income

	30 June 2011 \$'000	30 June 2010 \$'000
Forfeited share sale deposits and extension fees	-	592
Golf operations - Net revenue	-	628
Golf operations - Contribution to Tallwoods Golf *	-	365
Sales commission	-	176
Other	1	176
	1	1,937

* The Tallwoods Golf & Country Club was acquired by Tallwoods International Golf Resort Pty Limited (TIGR) on 18 September 2007. At the time, TIGR was a wholly owned subsidiary of Trafalgar Corporate Group Limited. 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.

7 Employee Benefits Expense

	30 June 2011 \$'000	30 June 2010 \$'000
Wages and salaries	1,384	2,302
Contributions to defined contribution superannuation funds	94	147
Other associated employee expenses	39	129
Increase (decrease) in liability for annual leave	10	(86)
Increase (decrease) in liability for long service leave	39	(26)
Provisions for retentions and or redundancies	301	425
	<u>1,867</u>	<u>2,891</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.

8 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:

	30 June 2011 \$	30 June 2010 \$
<i>Audit services</i>		
KPMG Australia		
Audit and review of financial reports	245,052	263,463
Other assurance services	28,100	61,775
	<u>273,152</u>	<u>325,238</u>
<i>Other services</i>		
KPMG Australia		
Taxation compliance services	71,465	92,415
Property consulting services	-	4,000
	<u>71,465</u>	<u>96,415</u>
	<u>344,617</u>	<u>421,653</u>

9 Income Tax Expense

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

	30 June 2011 \$'000	30 June 2010 \$'000
(Loss) profit before income tax expense	(3,035)	2,638
Tax (benefit) expense at the corporate rate of 30%	(911)	791
<i>Increase (decrease) in income tax due to:</i>		
Amortisation of IPO & Simplification costs	(19)	(195)
Inter corporate dividend	(30)	(54)
Non deductible expenses	2	3
Trust income exempt from tax	(425)	(1,194)
Tax losses and timing differences not brought to account	1,383	649
Income tax expense	-	-

The Trafalgar Corporate Group Limited tax group has carried forward tax losses of approximately \$18 million (30 June 2010: \$72 million). During the year the Directors resolved to forgive \$53.29 million of the Intergroup loan from TPF 12 to Trafalgar Corporate Group Limited. This loan forgiveness significantly reduced the carried forward tax losses in the Trafalgar Corporate Group Limited tax group. 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.

10 Disposal of Shares in Subsidiary

In the prior year, TC (Tallwoods) Pty Limited and Tallwoods International Golf Resort Pty Limited were wholly owned subsidiaries of the parent company Trafalgar Corporate Group Limited (TCGL). 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, 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. The sale included the provision of vendor finance of approximately \$12.6 million on commercial terms until June 2011. During the current year the vendor finance was on sold to a third party following the borrower defaulting on a principal payment. The sale resulted in a loss of \$1.45 million being brought to account in the statement of comprehensive income.

11 Assets Held for Sale

On 30 May 2011, the Group exchanged conditional contracts for the sale of the Fujitsu Centre for \$22.75 million. As a consequence, the Fujitsu Centre has been reclassified to an Asset held for sale at 30 June 2011. Prior to reclassification, the Directors undertook an assessment of the fair value of the Fujitsu Centre, resulting in a fair value of \$21.78 million and a net loss on fair value adjustment being brought to account in the statement of comprehensive income of \$1.39 million. The Group has agreed with Westpac Banking Corporation to use \$12.458 million of the net proceeds to repay debt (refer note 25). Settlement of the sale occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.

In the prior year, the Group offered for sale by expressions of interest the Melbourne Broadcast Centre. The property was sold for \$54.22 million during the current year, settlement occurred on 31 August 2010 with net proceeds being used for debt reduction within the Group.

	30 June 2011 \$'000	30 June 2010 \$'000
Reclassification of investment properties (refer note 19)	21,019	48,712
Reclassification of receivables - straight lining of rental income	761	3,868
Reclassification of other investment property balances	-	1,640
	<u>21,780</u>	<u>54,220</u>

12 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

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.

12 Segment Reporting (continued)

30 June 2011	Property Development \$'000	Property Investment \$'000	Unallocated \$'000	Consolidated \$'000
Primary reporting business segments				
Revenue				
External segment revenue	-	16,099	18	16,117
Total revenue	-	16,099	18	16,117
Other income				
Share of profit on investments accounted for using the equity method	100	(10)	-	90
Fair value adjustment of investment properties	-	(3,887)	-	(3,887)
Fair value adjustment of financial instruments	-	-	1,285	1,285
Finance income	795	274	312	1,381
Other income	-	-	1	1
Total other income	895	(3,623)	1,598	(1,130)
Result				
Segment result	(2,559)	9,226	1,616	8,283
Unallocated corporate expenses				(3,199)
Operating profit				5,084
Finance costs				(8,119)
Income tax expense				-
Loss for the year				(3,035)
Segment assets	5,826	113,631	-	119,457
Investments accounted for using the equity method	20,540	-	-	20,540
Unallocated assets				13,442
Total assets				153,439
Segment liabilities	-	1,661	-	1,661
Unallocated liabilities				46,280
Total liabilities				47,941
Net assets				105,498

12 Segment Reporting (continued)

30 June 2010	Property Development \$'000	Property Investment \$'000	Unallocated \$'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 profit on investments accounted for using the equity method	1648	(199)	-	1,449
Fair value adjustment of investment properties	-	(7,512)	-	(7,512)
Fair value adjustment of financial instruments	-	-	3,089	3,089
Finance income	1,107	25	385	1,517
Other income	1,770	167	-	1,937
Total other income	4,525	(7,519)	3,474	480
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 year				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				7,173
Total assets				278,998
Segment liabilities	238	4,835	-	5,073
Unallocated liabilities				142,347
Total liabilities				147,420
Net assets				131,578

13 Earnings per Share (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.

	30 June 2011 cents	30 June 2010 cents
Basic and diluted (loss) earnings per security	(3.6)	3.1

	30 June 2011 \$'000	30 June 2010 \$'000
Basic and diluted earnings		
(Loss) profit for the year attributable to the stapled Securityholders of Trafalgar Corporate Group Limited	(3,035)	2,638

	30 June 2011 000's	30 June 2010 000's
Weighted average number of stapled securities (basic and diluted)		
Weighted average number of stapled securities	85,352	85,352

Earnings per company share

The calculation of the basic and diluted earnings per company share is calculated using the profit (loss) attributable to the Shareholders of the Company and the weighted average number of stapled securities.

	30 June 2011 cents	30 June 2010 cents
Basic and diluted (loss) earnings per share	(5.2)	(1.6)

13 Earnings per Share (stapled security) (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Basic and diluted earnings		
Loss for the year attributable to the ordinary Shareholders of the Company	<u>(4,453)</u>	<u>(1,344)</u>
	30 June 2011 000's	30 June 2010 000's
Weighted average number of stapled securities (basic and diluted)		
Weighted average number of ordinary shares	<u>85,352</u>	<u>85,352</u>

14 Cash and Cash Equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Bank balances	<u>22,903</u>	<u>8,161</u>
Cash and cash equivalents in the statement of cash flows	<u>22,903</u>	<u>8,161</u>

On 1 July 2011, the Group declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The total capital distribution paid was \$17,070,383.

15 Trade and Other Receivables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade receivables	230	1,478
GST receivables	<u>225</u>	<u>249</u>
	<u>455</u>	<u>1,727</u>

16 Other Financial Assets

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Vendor property financing</i>		
Opening balance	16,754	6,551
Loan advances	-	12,946
Loan repayments	(14,304)	(2,906)
Impairment provision	(1,750)	163
Closing balance	700	16,754
<i>Development property financing</i>		
Opening balance	5,547	9,081
Loan advances	788	881
Loan repayments	(965)	(4,055)
Impairment provision	(673)	(360)
Closing balance	4,697	5,547
	5,397	22,301

17 Other Current Assets

	30 June 2011 \$'000	30 June 2010 \$'000
Prepayments	389	446
Other	87	675
	476	1,121

18 Available for Sale Investments

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Unlisted shares in corporations</i>		
Trafalgar Opportunity Fund No 5 Pty Limited	886	886
Impairment provision	(457)	(348)
	429	538

Trafalgar Corporate Group holds a 15% interest in Trafalgar Opportunity Fund No 5 Pty Limited. As at 30 June 2011 this investment is being carried at fair value and has been reclassified as current. The impairment loss has been recognised in the statement of comprehensive income. Total provision for impairment for the year ended was \$109,000 (30 June 2010: \$88,000).

19 Investment Properties

Property	Type	Ownership	Acquisition Date	Cost Including All Additions \$'000	Independent Valuer	Independent Valuation 30 June 2011 \$'000	Director's Valuation Date	Director's Valuation Amount \$'000	Consolidated Carrying Amount 30 June 2011 \$'000	Consolidated Carrying Amount 30 June 2010 \$'000
Thiess Centre, South Brisbane QLD ¹	A Grade office building*	100%	20 July 2005	-		-		-	-	61,500
DOTARS House, Canberra ACT	B Grade office building**	100%	20 July 2005	15,825	CB Richard Ellis	16,250	30 June 2011	16,250	16,250	15,650
Australian Taxation Office, Hurstville NSW	A Grade office building	100%	20 July 2005	50,105	CB Richard Ellis	52,800	30 June 2011	52,800	52,800	54,900
1 Breakfast Creek Road, Newstead QLD ²	A Grade office building	100%	20 July 2005	17,551		-		-	-	22,500
2B Factory Street, Granville NSW	Modern office and warehouse industrial complex	100%	20 July 2005	7,024	Jones Lang LaSalle	5,100	30 June 2011	5,100	5,100	5,850
158 Hume Street, Goulburn NSW	Logistic distribution centre	100%	1 July 2007	13,650	LandMark White	7,000	30 June 2011	7,000	7,000	7,000
Total				104,155		81,150		81,150	81,150	167,400
Less: amounts classified as Other assets (including straight lining rental income and lease incentives) Total investments properties adjusted for amounts classified as other assets									(1,967)	(3,214)
									79,183	164,186

* 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.

1 Thiess Centre was sold during the year.

2 1 Breakfast Creek Road, Newstead (Fujitsu Centre) was reclassified to assets held for sale during the year (refer to note 11).

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.

19 Investment Properties (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Balance at 1 July	164,186	176,392
Capital expenditure	1,411	468
Reclassification to assets held for sale*	(82,527)	(48,712)
Reclassification from assets held for sale	-	43,550
Fair value adjustments	(3,887)	(7,512)
Balance at 30 June	79,183	164,186

The carrying amount of investment properties is the fair value of the property, determined by the Directors, having regard to 30 June 2011 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 2011 is 9.31% (30 June 2010: 8.54%), while the weighted average lease expiry for current tenancies is 3.54 years (30 June 2010: 4.87 years).

The consolidated entity has commitments totalling \$62,324 excluding GST (30 June 2010: \$187,594), for the refurbishment of investment properties, contracted for as at 30 June 2011.

* Reclassification to assets held for sale includes Thiess Centre (\$61.508 million) and the Fujitsu Centre (\$21.019 million). As the Thiess Centre was sold during the year it is not an Asset held for sale at balance date.

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:

	30 June 2011 \$'000	30 June 2010 \$'000
Less than one year	11,246	20,275
Between one and five years	30,843	68,842
More than five years	1,401	17,172
	43,490	106,289

The schedule includes minimum lease payments for the Fujitsu Centre investment property totalling \$6.64 million. This investment property has been reclassified as an Asset held for sale, refer to note 11. Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011.

20 Other Financial Liabilities

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Current</i>		
Interest rate swap contracts	-	1,277
<i>Non current</i>		
Interest rate swap contracts	-	134
	-	1,411

The majority of the Group's interest rate swap contracts expired in June 2011 and the balance was terminated. As at 30 June 2011, the Group held no interest rate swap contracts.

21 Investments Accounted for Using Equity Method

	Ownership			
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	%	%	\$'000	\$'000
<i>Partnership interests</i>				
Renewing Homebush Bay Partnership	50	50	20,477	20,719
The Frances Park Partnership	50	50	63	330
			20,540	21,049
<i>Joint venture interests</i>				
Sydney Airport Centre Joint Venture	-	6.813	-	2,100
			-	2,100
<i>Associate interests</i>				
TW Property Developments Pty Limited	50	50	-	28
			-	28
			20,540	23,177

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

	30 June 2011 \$'000	30 June 2010 \$'000
Partnership interests	-	1,464
Joint venture interests	(10)	(199)
Associate interests	<u>100</u>	<u>184</u>
	<u>90</u>	<u>1,449</u>
Impairment of equity accounted investments	<u>(922)</u>	<u>(1,577)</u>

Impairment of equity accounted investments was due primarily to lower sale prices being achieved than previously projected on the residential super lots in the Rhodes project, being held through the Renewing Homebush Bay partnership.

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.

21 Investments Accounted for Using Equity Method (continued)

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

	30 June 2011 \$'000	30 June 2010 \$'000
Revenues from ordinary activities	8,759	8,060
Expenses from ordinary activities	(8,759)	(6,596)
Net profit - accounted for using equity method	-	1,464

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

	30 June 2011 \$'000	30 June 2010 \$'000
Balance Sheet		
Current assets	31,728	28,012
Total assets	31,728	28,012
Current liabilities	6,876	7,240
Total liabilities	6,876	7,240
Net assets of the partnership	24,852	20,772
Impairments not recognised in the partnership and other reconciling items	(4,312)	277
Net assets - accounted for using equity method	20,540	21,049

Movements in the carrying amount of investments in partnerships:

	30 June 2011 \$'000	30 June 2010 \$'000
Carrying amount at 1 July	21,049	23,977
Equity contributed during the year	663	4,033
Equity returned during the year	(250)	(6,853)
Impairment of equity accounted investment in partnerships	(922)	(1,572)
Share of partnership interests net profit	-	1,464
Carrying amount at 30 June	20,540	21,049

21 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, held a 6.813% interest in Sydney Airport Centre Joint Venture. The other 93.187% was held by a number of external investors. The principal activity of the joint venture was commercial property investment. The joint venture was wound up during the year.

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

	30 June 2011 \$'000	30 June 2010 \$'000
Revenues from ordinary activities	169	997
Expenses from ordinary activities	(179)	(624)
Revaluation decrement of investment property	-	(572)
Net loss - accounted for using equity method	(10)	(199)

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

	30 June 2011 \$'000	30 June 2010 \$'000
Balance Sheet		
Current assets	-	9,556
Total assets	-	9,556
Current liabilities	-	7,456
Total liabilities	-	7,456
Net assets - accounted for using equity method	-	2,100

Movements in the carrying amount of investments in joint ventures:

	30 June 2011 \$'000	30 June 2010 \$'000
Carrying amount at 1 July	2,100	2,327
Share of joint venture interests net loss	(10)	(199)
Drawings from joint venture interests	(2,090)	(28)
Carrying amount at 30 June	-	2,100

21 Investments Accounted for Using Equity Method (continued)

Investments in associates

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:

	30 June 2011 \$'000	30 June 2010 \$'000
Revenues from ordinary activities	164	3,958
Expenses from ordinary activities	(64)	(3,774)
Net profit - accounted for using equity method	100	184

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

	30 June 2011 \$'000	30 June 2010 \$'000
Balance Sheet		
Current assets	-	78
Total assets	-	78
Current liabilities	-	43
Total liabilities	-	43
Net assets - accounted for using equity method	-	35

Movements in the carrying amount of investments in associates:

	30 June 2011 \$'000	30 June 2010 \$'000
Carrying amount at 1 July	28	3,029
Equity returned during the year	-	(3,170)
Share of associate interests net profit	100	184
Dividend payments	(128)	(10)
Impairment of equity accounted investments	-	(5)
Carrying amount at 30 June	-	28

22 Property, Plant and Equipment

	Furniture & Fittings \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Total \$'000
30 June 2011				
Opening net book value - 1 July 2010	224	46	-	270
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charge	(27)	(16)	-	(43)
Closing net book value - 30 June 2011	197	30	-	227

Balance as at 30 June 2011

Cost	385	447	-	832
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation	(188)	(417)	-	(605)
Net book value	197	30	-	227

30 June 2010

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

23 Other Non Current Assets

	30 June 2011 \$'000	30 June 2010 \$'000
Receivable - straight lining of rental income	1,950	3,022
Deferred rental income	17	193
Deposits	82	82
	<u>2,049</u>	<u>3,297</u>

24 Trade and Other Payables

	30 June 2011 \$'000	30 June 2010 \$'000
Trade payables	181	220
Non trade payables	2	132
Accruals	795	4,455
GST payables	302	602
	<u>1,280</u>	<u>5,409</u>

25 Interest Bearing Loans and Borrowings

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Current</i>		
Cash advance facility	-	500
Secured borrowings	12,458	7,042
	12,458	7,542
<i>Non current</i>		
Secured borrowings	33,312	131,592
Capitalised finance costs	(306)	(598)
	<u>33,006</u>	<u>130,994</u>
	<u>45,464</u>	<u>138,536</u>

25 Interest Bearing Loans and Borrowings (continued)

Cash advance facility

This loan facility was being provided by Westpac Banking Corporation and had a facility limit of \$5.0 million. This facility was available to supplement working capital if necessary and was subject to floating interest rates.

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

Secured borrowings

Trafalgar Twelve Four Finance Pty Limited

This loan facility is being provided by Westpac Banking Corporation via a special purpose borrowing vehicle (Trafalgar Twelve Four Finance Pty Limited) which is 50% owned by each of TPF 12 and TOF 4. Through this vehicle the facility is available to both Funds and as at 30 June 2011 TOF 4 had no drawings and TPF 12 had drawn \$45.8 million. The facility limit is \$45.8 million.

On 30 May 2011, the Group exchanged conditional contracts for the sale of the Fujitsu Centre for \$22.75 million. The Group has agreed with Westpac Banking Corporation to use \$12.458 million of the net proceeds to repay debt under this loan facility. As such, \$12.458 million has been classified as a current liability. Settlement of the sale occurred on 8 August 2011 and the debt repayment was made at this time.

This facility is secured by a mortgage in favour of the Bank over each core investment property held by the Group and a fixed and floating charge over the present and future real property assets of the TPF 12 and TOF 4, their subsidiaries and Trafalgar Managed Investments Limited. The facility is subject to floating interest rates. The floating interest rate paid at 30 June 2011 was 7.31%. This facility expires in March 2013.

Trafalgar Corporate Group Limited

This loan facility was being provided by Westpac Banking Corporation. This loan facility was established to provide funds to repay the previous TC (Tallwoods) Pty Limited loan facility. During the year the loan facility of \$7.0 million was fully repaid.

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

Funding Covenants

At the date of this report, the Group complies with debt covenants for all facilities and did at all times during the year.

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.

26 Provisions

	30 June 2011 \$'000	30 June 2010 \$'000
<i>Current</i>		
Employee leave benefits	77	67
	<u>77</u>	<u>67</u>
<i>Non current</i>		
Employee leave benefits	146	107
	<u>146</u>	<u>107</u>

27 Other Current Liabilities

	30 June 2011 \$'000	30 June 2010 \$'000
Rent billed in advance	974	1,853
Other	-	37
	<u>974</u>	<u>1,890</u>

28 Issued Capital

	Number of Securities			
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
			\$'000	\$'000
<i>Ordinary Securities</i>				
Issued and fully paid	85,351,913	85,351,913	(3,092)	(3,092)
	85,351,913	85,351,913	(3,092)	(3,092)

		Number of Securities	Issue Price	\$'000
Movement of fully paid securities issued				
1 July 2010	Opening balance	85,351,913	-	(3,092)
30 June 2011	Closing balance	85,351,913		(3,092)
Movement of fully paid securities issued				
1 July 2009	Opening balance	85,351,913	-	(3,092)
30 June 2010	Closing balance	85,351,913		(3,092)

Minority interests - TOF 4 and TPF 12

As a result of the stapling in July 2005, TOF 4 and TPF 12 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 (now wholly owned by TCGL) was deemed the acquirer and the acquisition of TOF 4 and TPF 12 formed the minority interest.

29 Derivative Financial Instruments

	30 June 2011 \$'000	30 June 2010 \$'000
Current liabilities		
Interest rate swap contracts - cash flow hedges	-	1,277
	-	1,277
Non current liabilities		
Interest rate swap contracts - cash flow hedges	-	134
	-	134
Total derivative financial instruments liability	-	1,411

29 Derivative Financial Instruments (continued)

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. The majority of the Group's interest rate swap contracts expired in June 2011 and the balance was terminated. As at 30 June 2011, the Group held no interest rate swap contracts.

Interest rate swap contracts - cash flow

Bank loans of the Group currently bear a weighted average variable interest rate excluding establishment fees of 7.31% (30 June 2010: 7.63%). It was previously the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group entered into interest rate swap contracts under which it was obliged to receive interest at variable rates and to pay interest at fixed rates. The majority of the Group's interest rate swap contracts expired in June 2011 and the balance was terminated. As at 30 June 2011, the Group held no interest rate swap contracts.

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

At 30 June 2010, 73.8% of the gross debt outstanding was at fixed interest rates. The fixed interest rates on swaps in the ranged between 5.98% and 6.27%.

At 30 June 2011, the notional principal amounts and periods of expiry of interest rate swap contracts are as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Less than 1 year	-	96,145
1-2 years	-	1,669
2-3 years	-	1,813
3-4 years	-	1,813
4-5 years	-	1,300
More than 5 years	-	-
	-	102,740

30 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:

	Carrying Amount	
	30 June 2011 \$'000	30 June 2010 \$'000
Cash and cash equivalents	22,903	8,161
Trade and other receivables	455	1,727
Other financial assets - current		
Vendor property financing	700	16,754
Development property financing	4,697	5,547
	<u>28,755</u>	<u>32,189</u>

Ageing analysis

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

	Gross 30 June 2011 \$'000	Impairment 30 June 2011 \$'000	Gross 30 June 2010 \$'000	Impairment 30 June 2010 \$'000
Not past due	8,900	(3,120)	27,968	(4,116)
Past due 0-30 days	46	-	48	-
Past due 31-180 days	26	-	27	-
Past due 181-365 days	-	-	51	-
More than one year	-	-	50	-
	<u>8,972</u>	<u>(3,120)</u>	<u>28,144</u>	<u>(4,116)</u>

As at 30 June 2011, all loans and receivables were reviewed with 3 loans (30 June 2010: 4 loans) recognised as being impaired.

30 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
30 June 2011					
Trade and other payables	1,279	1,279	1,279	-	-
Interest rate swap contracts	-	-	-	-	-
Interest bearing loans	45,770	50,128	14,995	35,133	-
	<u>47,049</u>	<u>51,407</u>	<u>16,274</u>	<u>35,133</u>	<u>-</u>
30 June 2010					
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>

Interest rate hedging agreements

Refer to note 29 for details of the interest rate hedging instruments.

30 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
30 June 2011						
<i>Financial assets</i>						
Cash and cash equivalents	22,903					22,903
Trade and other receivables					455	455
Other financial assets					5,397	5,397
Total financial assets	22,903	0	0	0	5,852	28,755
Weighted average interest rate	4.71%					
<i>Financial liabilities</i>						
Trade and other payables					(1,279)	(1,279)
Other financial liabilities						-
Interest bearing loans	(45,770)					(45,770)
Interest rate swap contracts						-
Total financial liabilities	(45,770)	0	0	0	(1,279)	(47,049)
Weighted average interest rate	7.31%					
Net financial assets (liabilities)	(22,867)	0	0	0	4,573	(18,294)
30 June 2010						
<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)

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

30 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 2011 was Nil (30 June 2010: \$1.4 million liability).

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.

	Carrying amount	Change in interest rate		Change in interest rate	
		-1%		1%	
		Profit	Equity	Profit	Equity
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash and cash equivalents	22,903	(229)	(229)	229	229
<i>Financial liabilities</i>					
Interest bearing loans	(45,770)	458	458	(458)	(458)
Total increase (decrease)		229	229	(229)	(229)
 30 June 2010					
<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)

30 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 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Current assets</i>				
Available for sale investments	-	-	429	429
	-	-	429	429
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 2011 \$'000	30 June 2010 \$'000
Opening Balance 1 July	538	626
Fair value movement through statement of comprehensive income	(109)	(88)
Closing balance 30 June	429	538

30 Financial Instruments (continued)

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.

31 Capital and Other Commitments

	30 June 2011 \$'000	30 June 2010 \$'000
Capital expenditure commitments		
<i>Investment properties</i>		
Contracted but not provided for and payable		
Within one year	62	188
	62	188
Joint venture commitments		
<i>Share of capital commitments of the joint venture</i>		
Within one year	4,190	18,012
	4,190	18,012

Investment Properties

The consolidated entity has commitments totalling \$62,324 excluding GST (30 June 2010: \$187,594), for the refurbishment of investment properties contracted for as at 30 June 2011.

Share of capital commitments of the joint venture

Renewing Homebush Bay Pty Limited (a 50/50 Joint Venture with Brookfield Multiplex Group) has entered into various agreements, primarily involved with civil works and landscaping at the Rhodes Shoreline site, to be undertaken over the next 12 months totalling \$4.190 million (30 June 2010: \$18.012 million).

32 Contingent Assets and Liabilities

Beverley Project

Beverley is an industrial land sub-division located at 117 Main Street Beverly South Australia. Senior debt for the project has been provided by Bank of Adelaide 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 also severally guaranteed 50% of 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.

Group Obligations

In accordance with the Stapling Deed executed on 8 June 2005, each party to the deed (i.e. the Company, TPF 12 and TOF 4) have undertaken to guarantee the obligations of the other party and or its subsidiaries.

33 Consolidated Entities

Parent entity	Country of incorporation	Ownership Interest	
		30 June 2011	30 June 2010
Trafalgar Corporate Group Limited (TCGL)			
Subsidiaries of TCGL			
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%
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	0%	100%
TC RHB Stage 3 Lessor Pty Limited	Australia	0%	100%
TC RHB Stage 3 Contractor Holdings Pty Limited	Australia	0%	100%
TC RHB Stage 3 Contractor Pty Limited	Australia	0%	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	0%	100%
TC RHB Stage 5 Lessor Pty Limited	Australia	0%	100%
TC RHB Stage 5 Contractor Holdings Pty Limited	Australia	0%	100%
TC RHB Stage 5 Contractor Pty Limited	Australia	0%	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%

33 Consolidated Entities (continued)

	Country of incorporation	Ownership interest	
		30 June 2011	30 June 2010
Subsidiaries of TCL			
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	
		30 June 2011	30 June 2010
Subsidiaries of TMIL			
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

34 Business Combinations

There was no business acquisitions in the financial year ended 30 June 2011.

35 Reconciliation of Net (loss) Profit to Net Cash Inflows from Operating Activities

	30 June 2011 \$'000	30 June 2010 \$'000
Net (loss) profit	(3,035)	2,638
<i>Non cash flows in profit from ordinary activities</i>		
Amortisation	291	1,559
Depreciation	43	55
Impairment of equity accounted investments	922	1,577
Impairment of investments	109	88
Impairment of third party loans receivable	2,423	197
Net gain on fair value of financial instruments	(1,285)	(3,089)
Net gain on fair value of investment properties	3,887	7,512
Share of loss on equity accounted investments	-	(345)
Straight lining rental income and incentives	(522)	(117)
<i>Change in operating assets and liabilities</i>		
Decrease (increase) in assets	3,565	(7,235)
(Decrease) increase in liabilities	(5,121)	187
Net cash flow from operating activities	1,277	3,027

36 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

Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
John R Green	Appointed Director 1 October 2009
Tony R Pitt	Appointed Director 19 November 2009

Executives

Braith H Williams (Chief Executive Officer)
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:

	30 June 2011	30 June 2010
Short term employee benefits	1,309,054	1,433,697
Long term employee benefits	27,215	9,411
Post employment benefits	65,498	67,773
	<u>1,401,767</u>	<u>1,510,881</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.

36 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 2010	Acquisitions	Sales	Held at 30 June 2011
<i>Fully paid securities</i>				
<i>Directors</i>				
Garry R Sladden	-	-	-	-
Garry S Charny	-	-	-	-
John R Green	-	-	-	-
Tony R Pitt*	19,417,425	582,575	-	20,000,000
<i>Executives</i>				
Braith H Williams	33,000	-	-	33,000
Peter J Norris	-	-	-	-

	Held at 1 July 2009	Acquisitions	Sales	Held at 30 June 2010
<i>Fully paid securities</i>				
<i>Directors</i>				
Garry R Sladden	-	-	-	-
Garry S Charny	-	-	-	-
John R Green (Appointed 1/10/2009)	-	-	-	-
Tony R Pitt (Appointed 19/11/2009) *	19,270,931	146,494	-	19,417,425
Brendan P Crotty (Resigned 31/10/2009)	80,000	-	-	n/a
<i>Executives</i>				
Braith H Williams	33,000	-	-	33,000
Peter J Norris	-	-	-	-
Barry V Morris (Resigned 04/12/2009)	-	-	-	-

* 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.

36 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 (Substantial Securityholder of the Group). The lease expires in July 2012. During the year lease payments totalled \$335,671 (30 June 2010: \$326,600). The rent is reviewed annually and indexed to CPI increases.

Miller Street Partners Pty Limited

During the 2010 financial year, Trafalgar Corporate Group Limited appointed Miller Street Partners Pty Limited (MSP) to assist in the realisation of certain assets. The Directors and ultimate Shareholders of MSP are Messrs Mark Davidson (Substantial Securityholder of the Group) and Robert Whyte. 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 2010 financial year. This appointment ceased in the 2010 financial year.

(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 33 and 21 respectively.

(d) Transactions with related parties

Transactions with subsidiaries

The following transactions occurred with subsidiaries during the year.

	30 June 2011 \$'000	30 June 2010 \$'000
Loans advanced from the Company	32,883	32,769
Loans advanced to the Company	(60,993)	(112,170)
Dividend income	4,225	-
(Impairment) reversal of impairment on related party loans	(193)	25,940
Debt forgiveness benefit (expense) on related party loans	53,294	(40,132)

36 Related Parties (continued)

Related party loan between TCGL and its subsidiaries

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 in note 37. The Directors have assessed the net recoverability of loans with subsidiaries and have impaired the portion considered to be uncollectable at balance date being \$193,000. (30 June 2010: Reversal of prior year impairment of \$25.9 million).

Related party loan between TPF 12 and TCGL

In accordance with the Stapling Deed executed on 8 June 2005, each party to the deed (TCGL, TPF 12 and TOF 4) have undertaken to guarantee the obligations of the other party and or its subsidiaries. As such, an additional \$26.23 million was lent during the year to Trafalgar Corporate Group Limited from TPF 12 in support of its operations. 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. At balance date, as a consequence of reviewing the recoverability of the loan, the Directors decided to further impair the portion considered to be unrecoverable. This impairment amounted to \$15.32 million. The Directors also resolved to forgive \$53.29 million of loan debt (previously impaired) to Trafalgar Corporate Group Limited. The impairment has been eliminated on consolidation.

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 21). The following transactions occurred with joint ventures, partnerships and associates during the year:

	30 June 2011 \$'000	30 June 2010 \$'000
Management fees		
Sydney Airport Centre Joint Venture	18	110
Share of profit (loss)		
The Frances Park Partnership	-	1,464
Renewing Homebush Bay Partnership	-	-
Sydney Airport Centre Joint Venture	(10)	(199)
TW Property Developments Pty Limited	100	184
Other		
Sales commission		
Renewing Homebush Bay Partnership	-	176
Interest income		
Renewing Homebush Bay Partnership	-	24

37 Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2011, the parent company of the Group was Trafalgar Corporate Group Limited.

	Company	
	30 June 2011 \$'000	30 June 2010 \$'000
<i>Result of the parent company</i>		
Profit (loss) for the year	52,977	(13,259)
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	52,977	(13,259)
<i>Financial position of the parent company at year end</i>		
Current assets	16,004	23,270
Total assets	49,533	56,729
Current liabilities	8,604	16,375
Total liabilities	61,725	121,898
<i>Total equity of the parent company comprising of</i>		
Issued capital	(8,203)	(8,203)
Retained earnings (losses)	(3,989)	(56,966)
Total equity	(12,192)	(65,169)

Prior year comparatives have been restated to include the financial results of the parent company only. In the FY2010 financial statements the financial results included the parent entity and its subsidiaries.

Parent company contingencies

The parent company does not have any contingencies at 30 June 2011 (30 June 2010: 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, TPF 12 and TOF 4) have undertaken to guarantee the obligations of the other party and or its subsidiaries.

38 Events Subsequent to Balance Date

On 1 July 2011, the Group declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The total capital distribution was \$17,070,383 and was funded from cash held within the Stapled Group.

The Group exchanged contracts for the sale of the Fujitsu Centre on 30 May 2011 for \$22.75 million. Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.

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.

- 1 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 32 to 90, and the Remuneration report in the Directors' report contained in pages 24 to 28, 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 2011 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 2011.

Signed in accordance with a resolution of the Directors:



Garry R Sladden
Chairman



John R Green
Director

Dated at Sydney this 29th day of August 2011



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 Trafalgar Corporate Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, 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, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group'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 Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 pages 8 to 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Trafalgar Corporate Group Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul Thomas
Partner

Sydney

29 August 2011

Security Holder Information

The information below was prepared as at 6 September 2011

Largest 20 holders of ordinary fully paid securities

Holder Name	Number of securities	Percentage of issued fully paid securities
PENTAGON FINANCIAL SERVICES PTY LTD <PENTAGON INVESTMENT A/C>,	20,030,542	23.47%
WHYTE SUPERANNUATION CUSTODIAN PTY LIMITED <WARNEET MANAGE PL SF A/C>,	11,995,474	14.05%
GLADIATOR MEIF PTY LIMITED <WARNEET MGMT P/L S/F A/C> GPO BOX 4345	4,656,842	5.46%
MR ROBERT MICHAEL WHYTE GPO BOX 38 SYDNEY NSW 2001	4,170,742	4.89%
BATTERSEA (HOLDINGS) PTY	4,066,111	4.76%
NATIONAL NOMINEES LIMITED	3,187,171	3.73%
NETWORK INVESTMENT HOLDING PL	2,000,000	2.34%
PRUDENTIAL NOMINEES PTY LTD 26 FRANCIS STREET MELBOURNE VIC 3000	1,500,000	1.76%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3 GPO BOX 5302	1,387,219	1.63%
TANGIR PTY LTD	1,361,373	1.60%
MR WILLIAM JOHN BALLHAUSEN	1,000,000	1.17%
RBC DEXIA INVESTOR SERVICES	969,360	1.14%
FAVERMEAD PTY LTD <FUT A/C>	800,000	0.94%
STANBOX PTY LIMITED	640,000	0.75%
WILH WILHELMSSEN INVESTMENTS	620,000	0.73%
HILLMORTON CUSTODIANS PTY LTD	618,000	0.72%
FARALLON CAPITAL PTY LTD	500,000	0.59%
AUSTRALIAN EXECUTOR TRUSTEES	471,882	0.55%
HORRIE PTY LTD	444,300	0.52%
MR JAMES DOUGLAS CARNEGIE	435,000	0.51%
Total Securities held by top 20 holders	60,854,016	71.30%
Total Ordinary Fully Paid securities	85,351,913	

Distribution of Security Holders

	Number of Holders	Total Securities
1-1,000	97	69,345
1,001-5,000	442	1,445,567
5,001-10,000	297	2,390,501
10,001-100,000	456	13,280,771
100,001 and over	69	68,165,729
Totals	1,361	85,351,913

There were thirty six security holders with less than a marketable parcel of the above securities.

Substantial Security holders

Name of Security holder	Number of securities held
R M WHYTE	20,389,112
PENTAGON FINANCIAL SERVICES PTY LIMITED <PENTAGON INVESTMENT A/C>	20,030,542
MARK ASHTON DAVIDSON	4,682,510

Tax Statements

Capital Distributions were paid during FY2011 by Trafalgar Platinum Fund No. 12. While as at 30 June 2011 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, Tax Statements have been issued for the year ended 30 June 2011 to record the aforementioned Capital Distributions.

Trafalgar Platinum Fund No. 12

ARSN 104 552 598 and its Controlled Entity

Annual Concise Report

For the year ended 30 June 2011

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 2011. 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

Directors Report

The Directors of Trafalgar Managed Investments Limited, the Responsible Entity of Trafalgar Platinum Fund No 12 ("the Fund" or "TPF 12"), 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 2011 and the independent auditors report thereon. The consolidated entity forms part of the stapled entity, Trafalgar Corporate Group Limited ("the Group").

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	
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
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 Securities Exchange under the code TGP and comprise one unit in each of the consolidated entity and Trafalgar Opportunity Fund No 4 ("TOF 4") 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 2011 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:

Review of Operations (continued)

	For the year ended 30 June 2011	For the year ended 30 June 2010
Revenue and other income (\$'000)	14,095	18,818
(Loss) profit attributable to unitholders of the Fund (\$'000)	(11,576)	9,106
Distributions provided for or paid by the Fund (\$'000)	23,045	-
	As at 30 June 2011	As at 30 June 2010
Net assets (\$'000)	79,472	114,093
Number of fully paid ordinary units on issue	85,351,913	85,351,913

The Directors have undertaken an assessment of the fair value of the consolidated entity's investment property assets at 30 June 2011 having regard to independent valuations. The Directors have determined a decrease in the carrying amount of the investment property assets being brought to account in the statement of comprehensive income of \$1.73 million for the year (30 June 2010: decrease of \$0.29 million).

The following major financial transactions occurred during the financial year:

- (a) Settlement of the sale of the Melbourne Broadcast Centre occurred on 31 August 2010 with net proceeds being used for debt reduction within the Group.
- (b) The consolidated entity exchanged contracts for the sale of the Thiess Centre on 24 December 2010 for \$63.33 million. Settlement of the sale of the Thiess Centre occurred on 15 April 2011 with net proceeds being used for debt reduction within the Group and a capital distribution to Securityholders.
- (c) The loan facility with Westpac Banking Corporation, provided to the consolidated entity via a special purpose borrowing vehicle, was reduced from \$105.75 million to \$45.77 million during the year.
- (d) The consolidated entity's interest rate swap contract expired in June 2011. The interest rate swap contract was valued at each balance date and any gain or loss was brought to account through the statement of comprehensive income. During the year the market value of the interest rate swap contract improved resulting in a gain of \$1.24 million.
- (e) The Directors resolved to forgive \$53.29 million of loan debt to Trafalgar Corporate Group Limited during the year, which had previously been impaired. The Directors have also decided to further impair the portion of loan debt to Trafalgar Corporate Group Limited considered to be unrecoverable at balance date. This impairment amounted to \$15.32 million.
- (f) The Fund declared and paid a total of 27 cents per security in capital distributions during the year. Further information in regards to these capital distributions is provided below.

Distributions

Capital distributions declared and paid by TPF 12, directly to the unitholders during the year were as follows:

	For the year ended 30 June 2011		For the year ended 30 June 2010	
	\$'000	CPU	\$'000	CPU
Capital distribution paid - 6 May 2011	17,070	20.00	-	-
Capital distribution paid - 22 June 2011	5,975	7.00	-	-
	23,045	27.00	-	-

Strategy and Outlook

The key focus for the investment property portfolio is to improve the weighted average lease expiry. 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.

State of Affairs

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 or elsewhere in the Directors report.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the consolidated entity 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 consolidated entity.

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 \$61,959 was paid for the 12 months ended 30 June 2012. This policy indemnifies the Directors and Officers for up to \$20 million. The consolidated entity has not indemnified the auditor.

Events Subsequent to Reporting Date

On 1 July 2011, the Fund declared a capital distribution of 20 cents per security which was paid on 21 July 2011.

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 100 and forms part of the Director's report for the year ended 30 June 2011.

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 22nd of September 2011



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 2011 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

KPMG

A handwritten signature in black ink, appearing to read 'Paul Thomas'.

Paul Thomas
Partner

Sydney
22 September 2011

Trafalgar Platinum Fund No. 12 and its Controlled Entity
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Revenue and other income		
Rent from investment properties	13,831	18,791
Interest income - other parties	264	27
Total revenue and other income	14,095	18,818
 Rates, taxes and other property outgoings	 (1,625)	 (1,784)
Responsible entity fees	(792)	(1,106)
Management and administration expenses	(112)	(201)
Net loss on fair value adjustment of investment properties	(1,725)	(287)
Net gain on fair value adjustment of financial instruments	1,240	2,518
Net loss on disposal of investment properties	(38)	-
Impairment of related party loan	(15,316)	(1,344)
 Results from operating activities	 (4,273)	 16,614
 Finance expenses	 (7,303)	 (7,508)
 (Loss) profit for the year	 (11,576)	 9,106
 Other comprehensive income for the year	 -	 -
 Total comprehensive (loss) income for the year attributable to unitholders	 (11,576)	 9,106

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 2011

	Issued capital \$'000	Undistributed loss \$'000	Total equity \$'000
Balance as at 1 July 2010	131,255	(17,162)	114,093
Loss for the year / Total comprehensive loss	-	(11,576)	(11,576)
Distributions to unitholders	(23,045)	-	(23,045)
Balance as at 30 June 2011	<u>108,210</u>	<u>(28,738)</u>	<u>79,472</u>
 Balance as at 1 July 2009	 131,255	 (26,268)	 104,987
Profit for the year / Total comprehensive income	-	9,106	9,106
Balance as at 30 June 2010	<u>131,255</u>	<u>(17,162)</u>	<u>114,093</u>

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 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Current assets		
Cash and cash equivalents	10,007	1,827
Trade and other receivables	181	539
Assets classified as held for sale	-	54,220
Due from related entities	12,458	-
Other current assets	196	199
Total current assets	<u>22,842</u>	<u>56,785</u>
Non current assets		
Investment properties	67,093	129,039
Due from related entities	34,378	35,928
Other non current assets	1,957	3,012
Total non current assets	<u>103,428</u>	<u>167,979</u>
Total assets	<u>126,270</u>	<u>224,764</u>
Current liabilities		
Trade and other payables	486	2,485
Other financial liabilities	-	1,240
Interest bearing loans and borrowings	12,458	-
Other current liabilities	848	1,677
Total current liabilities	<u>13,792</u>	<u>5,402</u>
Non current liabilities		
Interest bearing loans and borrowings	33,006	105,269
Total non current liabilities	<u>33,006</u>	<u>105,269</u>
Total liabilities	<u>46,798</u>	<u>110,671</u>
Net assets	<u>79,472</u>	<u>114,093</u>
Issued capital	108,210	131,255
Undistributed loss	(28,738)	(17,162)
Total equity attributable to unitholders	<u>79,472</u>	<u>114,093</u>

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 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Cash flows from operating activities		
Cash receipts from customers	14,877	20,549
Cash paid to suppliers	(4,150)	(5,116)
Interest received	217	27
Interest paid	(7,260)	(7,743)
Net cash from operating activities	<u>3,684</u>	<u>7,717</u>
 Cash flows from investing activities		
Payments for investment properties and improvements	(1,287)	(398)
Net proceeds from sale of investment properties	115,032	-
Net cash from investing activities	<u>113,745</u>	<u>(398)</u>
 Cash flows from financing activities		
Repayment of borrowings	(59,980)	-
Amounts paid to related parties	(26,224)	(6,667)
Distributions paid	(23,045)	-
Net cash from financing activities	<u>(109,249)</u>	<u>(6,667)</u>
 Net increase in cash and cash equivalents held	 8,180	 652
 Cash and cash equivalents at the beginning of the year	 1,827	 1,175
 Cash and cash equivalents at the end of the year	 <u>10,007</u>	 <u>1,827</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 2011. 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 to 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 Events Subsequent to Reporting Date

On 1 July 2011, the Fund declared a capital distribution of 20 cents per security which was paid on 21 July 2011. The total capital distribution was \$17,070,383 and was funded from cash held within the Stapled Group.

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 2011.

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 2011 as set out on pages 101 to 105:

- 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 22nd day of September 2011



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

Report on the concise financial report

We have audited the accompanying concise financial report of the Group comprising Trafalgar Platinum Fund No. 12 (the Fund) and its controlled entities, which comprises the consolidated statement of financial position as at 30 June 2011, 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 and 2 derived from the audited financial report of Trafalgar Platinum Fund No. 12 for the year ended 30 June 2011. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

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* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Standards*. 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 2011. We expressed an unmodified audit opinion on the financial report in our report dated 29 August 2011. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design 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. Our procedures included 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* and whether the discussion.

The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.



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 2011 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

KPMG

Paul Thomas
Partner

Sydney
22 September 2011

Trafalgar Opportunity Fund No. 4

ARSN 107 416 348 and its Controlled Entities

Annual Concise Report

For the year ended 30 June 2011

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 2011. 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 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 "TOF 4"), present their report together with the consolidated financial report of Trafalgar Opportunity Fund No 4 and its controlled entities (together "the consolidated entity") for the year ended 30 June 2011 and the independent auditors report thereon. The consolidated entity forms part of the stapled entity, Trafalgar Corporate Group ("the Group").

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	
Garry R Sladden (Chairman)	Appointed Director 13 November 2008 Appointed Chairman 31 August 2009
Garry S Charny	Appointed Director 13 November 2008
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 Securities Exchange under the code TGP and comprise one unit in each of the consolidated entity and Trafalgar Platinum Fund No 12 ("TPF 12") 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 and industrial 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 2011 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:

Review of Operations (continued)

	For the year ended 30 June 2011	For the year ended 30 June 2010
Revenue and other income (\$'000)	2,280	4,326
Profit (loss) attributable to unitholders of the Fund (\$'000)	8,578	(6,468)
Distributions provided for or paid by the Fund (\$'000)	-	-
	As at 30 June 2011	As at 30 June 2010
Net assets (\$'000)	26,020	17,442
Number of fully paid ordinary units on issue	85,351,913	85,351,913

The Directors have undertaken an assessment of the fair value of the consolidated entity's investment property assets at 30 June 2011 having regard to independent valuations. The Directors have determined a decrease in the carrying amount of the investment property assets being brought to account in the statement of comprehensive income of \$2.16 million for the year (30 June 2010: decrease of \$7.23 million).

The following major financial transactions occurred during the financial year:

- (a) The consolidated entity exchanged contracts for the sale of the Fujitsu Centre on 30 May 2011 for \$22.75 million. Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.
- (b) The loan facility with Westpac Banking Corporation, provided to the consolidated entity via a special purpose borrowing vehicle, of \$24.85 million was repaid during the year.
- (c) The rental guarantee on the Goulburn Distribution Centre expired in June 2010 and the property remains vacant. The Fujitsu Centre had several lease expiries during the 2010 calendar year. These vacancies have caused a drop in rental income during the year.
- (d) During the year, Trafalgar Corporate Group Limited repaid loans made by the consolidated entity, including an amount of \$10.9 million previously considered non recoverable.
- (e) The consolidated entity's interest rate swap contract was terminated in June 2011. The interest rate swap contract was valued at each balance date and any gain or loss was brought to account through the statement of comprehensive income. During the year the market value of the interest rate swap contract improved resulting in a gain of \$0.04 million.

Distributions

TOF 4 did not declare any distributions during the year or up to the date of this report.

Strategy and Outlook

The key focus for the investment property portfolio is to lease vacant space in the Goulburn Distribution Centre. 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.

State of Affairs

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 or elsewhere in the Directors report.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the consolidated entity 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 consolidated entity.

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 \$61,959 was paid for the 12 months ended 30 June 2012. This policy indemnifies the Directors and Officers for up to \$20 million. The consolidated entity has not indemnified the auditor.

Events Subsequent to Reporting Date

Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.

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 114 and forms part of the Director's report for the year ended 30 June 2011.

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 22nd day of September 2011



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 2011 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

KPMG

Paul Thomas
Partner

Sydney
22 September 2011

Trafalgar Opportunity Fund No. 4 and its Controlled Entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Revenue and other income		
Rent from investment properties	2,268	4,126
Interest income - other parties	11	34
Other income	1	166
Total revenue and other income	2,280	4,326
 Rates, taxes and other property outgoings	(1,288)	(1,188)
Responsible entity fees	(442)	(532)
Management and administration expenses	(190)	(138)
Net loss on fair value adjustment of investment properties	(2,162)	(7,225)
Net gain on fair value adjustment of financial instruments	44	571
Reversal of prior year impairment of related party loan	10,900	-
Results from operating activities	9,142	(4,186)
 Finance expenses	(564)	(2,282)
Profit (loss) for the year	8,578	(6,468)
 Other comprehensive income for the year	-	-
Total comprehensive income (loss) for the year attributable to unitholders	8,578	(6,468)

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 2011

	Issued capital \$'000	Undistributed loss \$'000	Total equity \$'000
Balance as at 1 July 2010	40,262	(22,820)	17,442
Profit for the year / Total comprehensive income	-	8,578	8,578
Balance as at 30 June 2011	40,262	(14,242)	26,020
Balance as at 1 July 2009	40,262	(16,352)	23,910
Loss for the year / Total comprehensive loss	-	(6,468)	(6,468)
Balance as at 30 June 2010	40,262	(22,820)	17,442

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 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Current assets		
Cash and cash equivalents	88	278
Trade and other receivables	239	373
Assets classified as held for sale	21,780	-
Other current assets	61	59
Total current assets	<u>22,168</u>	<u>710</u>
Non current assets		
Investment properties	12,090	35,147
Due from related entities	-	7,987
Other non current assets	10	203
Total non current assets	<u>12,100</u>	<u>43,337</u>
Total assets	<u>34,268</u>	<u>44,047</u>
Current liabilities		
Trade and other payables	400	497
Other financial liabilities	-	37
Due to related entities	7,721	-
Other current liabilities	127	213
Total current liabilities	<u>8,248</u>	<u>747</u>
Non current liabilities		
Interest bearing loans and borrowings	-	25,724
Other financial liabilities	-	134
Total non current liabilities	<u>-</u>	<u>25,858</u>
Total liabilities	<u>8,248</u>	<u>26,605</u>
Net assets	<u>26,020</u>	<u>17,442</u>
Issued capital	40,262	40,262
Undistributed loss	(14,242)	(22,820)
Total equity attributable to unitholders	<u>26,020</u>	<u>17,442</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 2011

	30 June	30 June
Note	2011	2010
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts from customers	1,912	4,702
Cash paid to suppliers	(2,136)	(2,213)
Interest received	11	59
Interest paid	(619)	(2,308)
Net cash from operating activities	<u>(832)</u>	<u>240</u>
 Cash flows from investing activities		
Payments for investment properties and improvements	<u>(124)</u>	<u>(75)</u>
Net cash from investing activities	<u>(124)</u>	<u>(75)</u>
 Cash flows from financing activities		
Repayment of borrowings	(25,842)	(12,000)
Secured vendor finance loan - repayments	-	795
Amounts received from related parties	26,608	11,110
Net cash from financing activities	<u>766</u>	<u>(95)</u>
 Net (decrease) increase in cash and cash equivalents held	 (190)	 70
 Cash and cash equivalents at the beginning of the year	 278	 208
 Cash and cash equivalents at the end of the year	 <u>88</u>	 <u>278</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 2011. 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 to 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 Events Subsequent to Reporting Date

Settlement of the sale of the Fujitsu Centre occurred on 8 August 2011 with net proceeds being used for debt reduction and capital management purposes within the Group.

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 item, transaction or event of a material and unusual nature which has 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 2011.

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 2011 as set out on pages 115 to 119:

- c) 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 22nd day of September 2011



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

Report on the concise financial report

We have audited the accompanying concise financial report of the Group comprising Trafalgar Opportunity Fund No. 4 (the Fund) and its controlled entities, which comprises the consolidated statement of financial position as at 30 June 2011, 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 and 2 derived from the audited financial report of Trafalgar Opportunity Fund No. 4 for the year ended 30 June 2011. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

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* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Standards*. 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 2011. We expressed an unmodified audit opinion on the financial report in our report dated 29 August 2011. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design 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. Our procedures included 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* and whether the discussion.

The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.



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 2011 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Paul Thomas', with a stylized flourish at the end.

Paul Thomas
Partner

Sydney
22 September 2011

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
Level 15, 20 Bond Street
SYDNEY NSW 2000

Australian Executor Trustees Limited

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

Unit/Share Registry

Boardroom Pty Limited
ACN 003 209 836
Level 7, 207 Kent Street
SYDNEY NSW 2000
Telephone (02) 9290 9600
Email enquiries@boardroomlimited.com.au

Bankers

Westpac Banking Corporation Limited

Auditor

KPMG

Disclaimer

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www.trafalgarcorporate.com