Trafalgar Corporate Group Limited
2012 Annual General Meeting
15 November 2012

Chief Executive Officer's Address

Trafalgar's Year in Review

Good morning Ladies and Gentlemen, I am pleased to have the opportunity to present to you the CEO's report for FY2012.

I am pleased to report that the asset realisation program continued during FY2012, albeit at a slower pace than in FY2011, with key achievements, being:

- Settlement of the Fujitsu Building sale for $22.75 million in August 2011;
- Completion of the Rhodes residential superlot sales process, with the settlement of the 3 remaining lots in FY2012; and
- Finalisation of the exit from the Redmyre Road, Strathfield project.

Other key achievements were:

- Completion of the Rhodes project civil infrastructure works;
- Debt reduction of $13.2 million from $45.8 million, as at 30 June 2011, to $32.6 million as at 30 June 2012;
- Operating costs were further reduced by 14%, to $3.0 million in FY2012, with further cost reductions targeted for FY2013; and
- The Group also made a further 52 cents per security in distributions to security holders during FY 2012.

I will now comment on the 2012 financial year results.

Financial Year Results

Revenue from Group operations declined by 34%, or $6.0 million, from $17.6 million in FY2011, to $11.6 million in FY2012, primarily as a result of the sale of the commercial buildings in FY2010 and FY2011.

Given that a significant portion of the proceeds from the sale of the buildings was applied to debt reduction, finance and borrowing costs were reduced by $5.5 million, from $8.2 million for FY2011, to $2.7 million in FY2012.

As the asset base of the Group declines due to the successful realisation program, managing the business cost structure takes on even greater significance. During FY2012 corporate and employment costs were reduced by a further 14%, to $3.0 million, compared to $3.5 million in 2011. I will comment later on cost reduction initiatives which will be reflected in the 2013 financial year.

The operating profit before tax and fair value adjustments for the year improved by 19%, from $3.1 million in FY2011, to $3.7 million for FY2012. The improved profitability largely reflected the impact of cost reductions achieved during the reporting period.

The aggregate value of unrealised gains and losses resulted in a net writedown of $2.2 million in FY2012, compared to $6.1 million in FY2011.

The net fair value adjustments largely reflect a further writedown in the value of the Goulburn building of $1.0 million and the ATO Hurstville building of $1.1 million. The latter largely as a result of the reduction in capital value associated with lease over rent received during the reporting period.

Capital Management

The Group's capital position remains in a healthy condition with gearing at 33.4%, as at 30 June 2012, compared to 29.8% for the previous corresponding period. The gearing increased during FY2012, notwithstanding that bank debt was reduced by $13.2 million, due to the impact of significant capital distributions to security holders during FY2012.

Subsequent to financial year end, the Group has further reduced debt by $6.3 million and, as at yesterday's date, bank debt was $26.3 million.

Consistent with the Group's policy of managing the debt maturity profile in a timely manner, during FY2012, the Westpac debt facility maturity date was extended from March 2013, to March 2014. Apart from proceeds from the sale of commercial buildings being applied to debt reduction, the Group is also making quarterly loan repayments of $750,000.

The Group had available uncommitted cash funds held at balance date of approximately $5.2 million, and remains at $5.2 million as at close of business yesterday, following distributions to security holders totalling 2.5 cents per security paid yesterday.

The Group's NTA was $0.73 per security as at financial year end, compared to $1.24 as at 30 June 2011. The decline in NTA was due to the 52 cents per security capital distributions made to security holders during FY2012. Total distributions to our securityholders since May 2011 have been 81.5 cents per security, including the most recent distribution.

Post 30 June 2012 Events

I will now comment on the post 30 June 2012 events, which include:

- entering into a contract for the sale of the Granville building, subject to development approval for the intended use, which is within current planning guidelines;
- the Mort Street, Canberra building has been offered to the market and tenders will close in mid December 2012
- the remaining 5 industrial units in the Nudgee project are being auctioned in late November 2012;
- the Group is also pursuing a potential sale of the Goulburn building;
- as mentioned earlier, a further $6.3 million was applied to debt reduction; and
- a further 2.5 cents per security in capital distributions were made to security holders.

Outlook for Trafalgar's Asset Realisation Program

I will now comment on the outlook for the Group's asset realisation program. The overall intention of the Board and management is to finalise the asset realisation program for the remaining assets, except possibly the ATO Hurstville building, by June 2013.

Investment Portfolio – Overview

There are currently 4 properties in the Group's investment portfolio. The current intention, subject to market conditions, is to complete the sale of the Mort Street, Canberra building, the Granville office/warehouse building and the Goulburn warehouse building by June 2013.

In the case of the ATO Hurstville building, the intention is to continue to work with the tenant to put in place a new long term lease and the building will be offered for sale once this is achieved. The timing of this will depend upon when a transaction can be finalised with the tenant.

Development Portfolio – Overview

The company had $5.7 million invested in direct and indirect development projects as at 30 June 2012, down substantially from $25.7 million as at 30 June 2011. The reduction of funds invested in the development portfolio was predominately due to the Group receiving a $19.5 million distribution from the Rhodes Joint Venture. The Group expects to complete its exit from development projects by June 2013.

Operating Costs

Operating costs are expected to decrease by a further 25%, to 30% in FY2013, as a result of the reduction of the Board from 4 members to 3 and significant reductions in employment costs, compared to FY2012.

Summary

I would like to take this opportunity to formally acknowledge and express my appreciation to our staff for their loyalty and commitment, particularly during the past 5 years as we navigated through the global financial crisis in our quest to maximise security holder value. A heartfelt thank you to each of you.

Finally, the management and staff would like to thank our Chairman, John Green and his fellow directors, Garry Charny and Tony Pitt for their guidance and support throughout the year.

I will be updating you again in February next year, when we release our half year results announcement and report on progress with the asset realisation program.

Thank you.

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