

## **NOTICE OF MEETINGS**

### **GENERAL MEETING OF TRAFALGAR CORPORATE GROUP LIMITED and MEETINGS OF UNITHOLDERS OF TRAFALGAR OPPORTUNITY FUND NO. 4 and TRAFALGAR PLATINUM FUND NO. 12**

Notice is hereby given that a general meeting of the shareholders of Trafalgar Corporate Group Limited ("the Company") will be held in conjunction with meetings of Unitholders of both Trafalgar Opportunity Fund No. 4 and Trafalgar Platinum Fund No. 12 ("the Trusts") as follows:

Date: Wednesday 22 May 2013

Time: 9.30 am

Place: The Harbour Room 409  
Fourth Floor  
Shangri-La Hotel  
176 Cumberland Street  
Sydney NSW 2000

## **BUSINESS**

### **Securityholder approval for disposal of 4 Mort Street City Canberra ACT**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of each of the Company and the Trusts, collectively referred to as "the Group":

#### **Resolution 1**

**"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Group to dispose of 4 Mort Street City Canberra ACT to Gladiator Investments Pty Ltd ACN 147 199 586 a company associated with Mr Robert Whyte for the contract price of \$14,750,000 as described in the Explanatory Statement accompanying this Notice of Meeting."**

#### **Independent Expert's Report**

The attached report from Lonergan Edwards & Associates Limited has concluded that the Proposed Transaction is FAIR AND REASONABLE for those holders of the Group's securities not associated with Mr Robert Whyte.

This report can also be accessed on the Group's web site at:

[www.trafalgarcorporate.com](http://www.trafalgarcorporate.com)

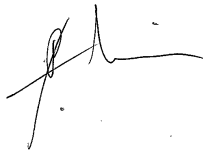
### **Voting Exclusion**

The Group will disregard any votes cast on this Resolution by Gladiator Investments Pty Ltd and any of its associates.

However, the Group need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or
- it is cast by the Chairman of the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

By order of the Board.

A handwritten signature in black ink, appearing to be 'Peter J Norris', written over a faint horizontal line.

Peter J Norris  
Company Secretary  
Trafalgar Corporate Group Limited  
Trafalgar Managed Investments Limited  
22 April 2013

## EXPLANATORY NOTES

### **Explanatory Statement for Resolution 1 - Securityholder approval for disposal of 4 Mort Street City Canberra ACT**

#### *Why Securityholder approval is being sought*

ASX Listing Rule 10.1 provides that before a listed entity disposes of a substantial asset to a substantial holder it must obtain the approval of Securityholders.

#### *Proposed transaction*

On 25 March 2013 the responsible entity and the custodian of Trafalgar Platinum Fund No. 12 entered into a contract for sale of the property at 4 Mort Street, Canberra, Australian Capital Territory (the "Property") to Gladiator Investments Pty Ltd ACN 147 199 586 ("Gladiator") for a price of \$14,750,000 (the "Proposed Transaction"). The contract for sale is subject to approval of Securityholders. The contract is based on the standard terms of the Law Society of the Australian Capital Territory and has no unusual or onerous terms

#### *The reason for the Proposed Transaction*

The Board's strategy for the Group involves the strategic realisation of its investment assets in an orderly and opportunistic basis, as and when the Directors see fit. Securityholder approval for this strategy was obtained at the 2010 AGM and the Board has been pursuing this strategy since that time.

#### *The sale process*

In October 2012, the Group offered the Property through selling agents, Raine & Horne Commercial and Colliers International seeking expressions of interest by 14 December 2012. On 9 January 2013, the Group entered into a leasing proposal with the Commonwealth of Australia (represented by the Department of Industry, Innovation, Science Research and Tertiary Education) for the unleased portion of the Property. The selling agents issued a further request for expressions of interest by 7 February 2013.

#### *The sale price*

The price for the Property is the highest price bid by a party with the financial capacity to complete the transaction, is more than 3% in excess of the book value of the Property and is consistent with an independent market valuation dated 25 March 2013 obtained by the Board from Knight Frank Valuations Canberra.

#### *The purchaser*

Gladiator is wholly owned by Audant Investments Pty Limited ACN 002 892 855. Mr Robert Whyte is a director of Audant and is Audant's controlling shareholder.

Mr Robert Whyte was an existing unitholder when the Group listed on the ASX in 2005 and has been a substantial shareholder until 19 March 2013. Mr Robert Whyte then had a substantial holding of 24.4% in the Group, but ceased to be a substantial holder in the Group by virtue of disposal on ASX of 19,545,586 stapled securities which then represented 22.9% of the Group. Mr Robert Whyte therefore had a relevant interest in the Group of more than 10% within the 6

months before the Proposed Transaction and is a "substantial holder" under ASX Listing Rule 10.1.

The Company leases its Head Office Premises at 111 Harrington Street, Sydney from Harrington Properties Limited, a company controlled by Mr Robert Whyte.

There is no other business relationship between Mr Robert Whyte and the Group.

Mr G Charny was appointed a Director of the Group in 2008 and declared himself a non-independent director as he represented the interests of Mr Robert Whyte.

In the Board's view, the relationship between Gladiator and Mr Robert Whyte is such that, even if technically Gladiator may not be an "associate" of Mr Robert Whyte, the transaction should be referred to Securityholders as if Gladiator was an associate of the substantial holder.

#### *The size of the transaction*

The purchase price for the proposed transaction represents 27.7% of the equity interests of the Group as set out in the consolidated financial statements in the Group's half yearly report ended 31 December 2012. The Property is therefore a "substantial asset" under ASX Listing Rule 10.2 as the sale price is 5% or more of the equity interests of the Group.

#### *Securityholder approval required*

The Property is a substantial asset and Gladiator should be regarded as an associate of Mr Robert Whyte, who is a substantial holder, so the Board therefore seeks Securityholder approval under ASX Listing Rule 10.1 to allow the sale of the Property.

#### *Report on the Proposed Transaction from an Independent Expert*

In accordance with the ASX listing rule.10.10.2, Lonergan Edwards & Associates Limited were engaged in the capacity of an Independent Expert to review the Proposed Transaction.

#### **Directors' recommendations**

The Independent Directors in relation to the Proposed Transaction (Mr T Pitt and Mr D van Aanholt) recommend Securityholders vote in favour of the Resolution. Mr G Charny has previously declared himself non-independent as he represents the interests of Mr Robert Whyte and has excluded himself from being present at Board meetings while the Proposed Transaction was considered and from voting on this matter at Board meetings.

No Independent Director has any interest in the Proposed Transaction other than as a Securityholder.

## **BACKGROUND INFORMATION**

### **Terminology**

Terms which are defined in the ASX Listing Rules, the Constitution of the Company or each Trust have the same meaning when used in this notice, unless the context requires otherwise.

### **Quorum**

The Constitution of the Company provides that three Shareholders present personally, or by representative, attorney or proxy, shall be a quorum for a general meeting of the Company.

The Constitution of each Trust provides that two Securityholders present personally, or by representative or proxy, shall be a quorum for a general meeting of each Trust.

### **Proxies**

A Securityholder entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member. A Securityholder entitled to cast 2 or more votes may appoint 2 proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Securityholder's voting rights. If a Securityholder appoints 2 proxies and the appointment does not specify the proportion or number of the Securityholder's votes each proxy may exercise, each proxy may exercise half the votes.

Proxies may be lodged:

BY MAIL            Share Registry – Boardroom Pty Limited,  
GPO Box 3993, Sydney NSW 2001 Australia

BY FAX             + 61 2 9290 9655

IN PERSON        Share Registry – Boardroom Pty Limited,  
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

ONLINE at:        [www.boardroomlimited.com.au/vote/trafalgargm2013](http://www.boardroomlimited.com.au/vote/trafalgargm2013)

### **Corporate Representatives**

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the Constitution of the Company or each Trust. Attorneys are requested to bring a copy of the Power of Attorney pursuant to which they have been appointed. Representatives will also be required to provide proof of identity.

### **Voting Entitlements**

The Board has determined that voting entitlements will be determined from the names of the Securityholders on the Register of Members as at 7.00 pm (Sydney time) on 20 May 2013.

### **Voting Procedure**

Voting on the resolution will be by a show of hands, whereby each Securityholder present, in person or by proxy or attorney, will have one vote on a show of hands. However, if a poll is validly demanded, each Securityholder present in person or by proxy or attorney will have one vote for each fully paid security.

### **Required Majority**

As the resolution to be put to the meeting is an ordinary resolution, it will be passed if more than 50% of the votes cast by Securityholders entitled to vote on the resolution (in person, by proxy, attorney or corporate representative) are in favour.

**Please note that the proxy form and any supporting documents must be received by Boardroom Pty Limited on behalf of the Company and the Trusts no later than 9.30 am on Monday 20 May 2013**



All Correspondence to:

✉ By Mail Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia  
Level 7, 207 Kent Street,  
Sydney NSW 2000 Australia  
📠 By Fax: +61 2 9290 9655  
💻 Online: www.boardroomlimited.com.au  
☎ By Phone: (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded before 9.30 AM on Monday 20<sup>th</sup> MAY 2013

### 🖥 TO VOTE ONLINE

STEP 1: VISIT [www.boardroomlimited.com.au/vote/trafalgargm2013](http://www.boardroomlimited.com.au/vote/trafalgargm2013)

STEP 2: Enter your holding/investment type:

STEP 3: Enter your Reference Number:

STEP 3: Enter your Voting Access Code:

PLEASE NOTE: For security reasons it is important you keep the above information confidential.

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chairman of the Meetings as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meetings as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meetings will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form must be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, at least one of the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form should be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, or has a Sole Director and no Company secretary this form must be signed by that Sole Director. Please indicate the office held by signing in the appropriate place.

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, that is before 9.30 am on Monday, 20<sup>th</sup> May 2013. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged:

💻 Online [www.boardroomlimited.com.au/vote/trafalgargm2013](http://www.boardroomlimited.com.au/vote/trafalgargm2013)  
📠 By Fax + 61 2 9290 9655  
✉ By Mail Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia  
👤 In Person Level 7, 207 Kent Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**Trafalgar Managed Investments Limited**  
ACN 113 569 136

**Trafalgar Corporate Group Limited**  
ACN 113 569 136

☐ **Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of Trafalgar Corporate Group Limited, Trafalgar Opportunity Fund No. 4 and Trafalgar Platinum Fund No. 12, being entitled to attend and vote hereby appoint:

☐

Appoint the Chairman of the Meetings (mark box)

OR if you are NOT appointing the Chairman of the Meetings as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meetings as my/our proxy at the General Meeting of Trafalgar Corporate Group Limited and meetings of Trafalgar Opportunity Fund No. 4 and Trafalgar Platinum Fund No. 12 to be held in the Harbour Room 409, Fourth Floor at the Shangri-La Hotel, 176 Cumberland Street Sydney, NSW 2000 on Wednesday the 22<sup>nd</sup> of May 2013 at 9.30 am and at any adjournment of those meetings, to attend on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chairman of the Meetings intends to vote undirected proxies in favour of all resolutions.

**STEP 2 VOTING DIRECTIONS**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

|              |                                                                         | For                      | Against                  | Abstain*                 |
|--------------|-------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Securityholder approval for disposal of 4 Mort Street City Canberra ACT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**STEP 3 SIGNATURE OF SHAREHOLDERS**

This form must be signed to enable your directions to be implemented.

|                                                            |                      |                              |
|------------------------------------------------------------|----------------------|------------------------------|
| Individual or Securityholder 1                             | Securityholder 2     | Securityholder 3             |
| <input type="text"/>                                       | <input type="text"/> | <input type="text"/>         |
| Sole Director and Sole Company Secretary/<br>Sole Director | Director             | Director / Company Secretary |

Contact Name.....

Contact Daytime Telephone.....

Date / / 2013



The Independent Directors  
Trafalgar Corporate Group Limited and  
Trafalgar Managed Investments Limited as responsible entity for  
Trafalgar Platinum Fund No.12  
Level 4, 111 Harrington Street  
Sydney NSW 2000

18 April 2013

**Subject: Sale of 4 Mort Street, Canberra**

Dear Independent Directors

- 1 On 25 March 2013 Trafalgar Corporate Group (Trafalgar)<sup>1</sup> announced that it had entered into a conditional contract for the sale of the 4 Mort Street, Canberra building for \$14.75 million cash (the Proposed Transaction) conditional on securityholder approval.
- 2 The proposed sale is to interests associated with Mr Robert Whyte, who until 19 March 2013 held a significant equity interest in Trafalgar of approximately 24.4%<sup>2</sup>.

### Scope

- 3 As Mr Whyte held his interest in Trafalgar within a period of six months from the date of entering into the conditional contract in respect of the Proposed Transaction, there is a requirement under the Australian Securities Exchange (ASX) Listing Rules for an independent expert's report (IER) to be prepared in relation to the Proposed Transaction.
- 4 The Independent Directors of Trafalgar have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER in accordance with ASX Listing Rule 10.10.2 stating whether, in our opinion, the Proposed Transaction is fair and reasonable to the holders of ordinary securities in Trafalgar.
- 5 The LEA report will accompany the Notice of Meeting and Explanatory Memorandum to be sent by Trafalgar to its securityholders in connection with the Proposed Transaction. LEA is independent of Trafalgar and Mr Whyte and has no other involvement or interest in the transaction.

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<sup>1</sup> Trafalgar Corporate Group is a stapled security comprising a share in Trafalgar Corporate Group Limited, a unit in Trafalgar Opportunity Fund No.4 and a unit in Trafalgar Platinum Fund No.12.

<sup>2</sup> On 19 March 2013 Mr Whyte advised the on market sale of the majority of his interest in Trafalgar.

## Summary of opinion

- 6 In LEA's opinion the Proposed Transaction is fair and reasonable to the securityholders of Trafalgar not associated with Mr Whyte. This is primarily because:
- (a) the value of the 4 Mort Street, Canberra building has been independently assessed by Knight Frank Valuations Canberra (Knight Frank) as at 25 March 2013 at \$14.7 million
  - (b) the agreed consideration payable by interests associated with Mr Whyte is \$14.75 million
  - (c) as a result of (a) and (b) the Proposed Transaction is fair when assessed under Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111)
  - (d) under ASIC RG 111 the Proposed Transaction is reasonable if it is fair. Consequently in our opinion, the Proposed Transaction is also reasonable.
- 7 We also note that:
- (a) the Proposed Transaction was entered into following an extensive marketing campaign in respect of the property
  - (b) the Proposed Transaction is consistent with the primary business objective of Trafalgar to realise the existing property portfolio<sup>3</sup> and apply the proceeds thereof either in reduction of group debt and/or by way of distributions to securityholders.

## General

- 8 The ultimate decision whether to approve the Proposed Transaction should be based on each securityholder's assessment of the Proposed Transaction. If securityholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, securityholders should seek independent professional advice.
- 9 For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that Trafalgar securityholders read the remainder of our report.

Yours faithfully



Wayne Lonergan  
Director



Martin Holt  
Director

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<sup>3</sup> This business objective has been pursued subsequent to the November 2010 AGM securityholder approved strategy to close the gap between the Trafalgar security price and net tangible assets.

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## I Scope of our report

### Purpose

- 10 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to, a substantial holder (of greater than 10% of the voting rights) or an associate of a substantial holder without the approval of holders of the entity's ordinary securities. Approval is required by resolution at a general meeting.
- 11 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity.
- 12 ASX Listing Rule 10.10 requires that the notice of general meeting includes a report from an independent expert stating whether the transaction is fair and reasonable to the holders of ordinary shares.
- 13 The Independent Directors of Trafalgar have requested LEA to prepare an IER to assist Trafalgar securityholders in making a decision whether or not to approve the Proposed Transaction. Accordingly, the IER sets out an independent assessment of whether the Proposed Transaction is fair and reasonable to Trafalgar securityholders not associated with Mr Whyte, together with the reasons for this opinion.
- 14 This report has been prepared by LEA for the benefit of Trafalgar securityholders to assist them in considering the resolution to approve the Proposed Transaction. Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to Trafalgar securityholders. The sole purpose of our report is to determine the opinion referred to above.
- 15 The ultimate decision whether to approve the Proposed Transaction should be based on each Trafalgar securityholder's assessment of the Proposed Transaction. If in doubt about the Proposed Transaction or matters dealt with in this report, securityholders should seek independent professional advice.

### Basis of assessment

- 16 In preparing our report we have given due consideration to the ASX Listing Rules and Regulatory Guidelines issued by ASIC, particularly RG 111.
- 17 The ASX Listing Rule requirements for acquisition and disposal of assets to related parties are triggered by circumstances that give rise to the potential for conflict of interest<sup>4</sup>.
- 18 Pursuant to RG 111, the Proposed Transaction is "fair" if the value of the assets sold is equal to or less than the consideration received.
- 19 Pursuant to RG 111 the Proposed Transaction is "reasonable" if it is fair. The Proposed Transaction may also be reasonable if, despite not being "fair" but after considering other significant factors, securityholders as a whole will be better off if the Proposed Transaction is completed.

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<sup>4</sup> Paragraph 31 of ASX Guidance Note 24 – *Acquisition and disposal of assets between related parties: Listing Rules 10.1 – 10.10*

- 20 In LEA's opinion the most appropriate basis upon which to evaluate the Proposed Transaction is to consider:
- (a) the independently assessed market value of the 4 Mort Street, Canberra building
  - (b) the purchase price of \$14.75 million as per the conditional contract of sale
  - (c) the difference between (a) and (b), in order to determine whether the Proposed Transaction is fair.
- 21 In addition we have had regard to:
- (a) the sale process undertaken by Trafalgar in respect of the 4 Mort Street, Canberra building
  - (b) the current primary objective of Trafalgar to realise its property portfolio
  - (c) other advantages and disadvantages of the Proposed Transaction.

### **Limitations and reliance on information**

- 22 Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 23 Our report is also based upon financial and other information provided by or on behalf of Trafalgar. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken.
- 24 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

## II Profile of Trafalgar

### Background

- 25 Trafalgar is a property investment and development group with investment assets in the Sydney, Canberra and Goulburn markets. Subsequent to a securityholder approved strategy in November 2010 to close the gap between the Trafalgar security price and net tangible assets, the group has pursued an orderly and opportunistic realisation of its investment property portfolio.

### Current property portfolio

- 26 A summary of the current investment property portfolio is set out below:

| Property            | Location | Asset type         | Major tenant                 | Initial lease duration | Lease start date | Book value <sup>(1)</sup> \$m |
|---------------------|----------|--------------------|------------------------------|------------------------|------------------|-------------------------------|
| ATO, Hurstville     | NSW      | A-grade office     | Commonwealth Government      | 10 years               | Feb 05           | 46.34                         |
| Mort St, Canberra   | ACT      | B-grade office     | Department of Infrastructure | 7 years                | Aug 10           | 14.18                         |
| EDI Rail, Granville | NSW      | A-grade industrial | EDI Limited                  | 2 years                | Sep 10           | 5.10                          |
| Goulburn            | NSW      | B-grade industrial | Vacant                       | N/A                    | N/A              | 4.41                          |
|                     |          |                    |                              |                        |                  | <u>70.03</u>                  |

**Note:**

- 1 Book value is as at 31 December 2012 and reflects directors' valuations.

- 27 Brief details of the respective properties, all of which are 100% owned, are set out below.

#### ATO regional office, Hurstville, NSW

- 28 The property is an A-grade suburban office building completed in 1994 to accommodate the ATO and is located close to Hurstville railway station. The building has a five star NABERS energy rating.
- 29 The building is fully leased to the ATO until February 2015, with two five year lease extension options.

#### Mort Street, Canberra, ACT

- 30 The property is a B-grade office building located in the heart of the Canberra CBD, which was significantly extended and upgraded in the early 1980s. The property has recently undergone a major refurbishment. It currently has a 4.5 star NABERS energy rating.
- 31 The building consists of a ground floor retail level and five levels of office space. The Department of Transport and Infrastructure leases approximately 55% of the building. The lease is over three floors and expires in July 2017.
- 32 In January 2013 a heads of agreement was entered into with the Department of Industry, Innovation, Science, Research and Tertiary Education to lease the remaining office space in the building.

### **EDI rail headquarters, Granville, NSW**

- 33 The property is an A-grade industrial building located in Granville, approximately 22km from the Sydney CBD.
- 34 The building is fully leased to EDI Rail, a subsidiary of Downer EDI Limited until September 2013 (this extension to the lease is currently subject to documentation).
- 35 Trafalgar has entered into an unconditional sale contract in respect of the property which is due for settlement by 30 June 2013.

### **Distribution centre, Goulburn, NSW**

- 36 The property is a large distribution facility located at 158 Hume Street, Goulburn. It is situated on a freehold 5.6 hectare site and comprises a 18,865sqm logistics distribution warehouse facility. The property is currently vacant.

### **Development property**

- 37 In addition Trafalgar holds a 50% interest in the Shoreline Waterfront Village, located on the Rhodes peninsula, Homebush Bay, NSW. The property has been sold as eight “super lots” to developers and is currently being developed by them for residential use, with infrastructure works having been completed. Trafalgar anticipates realising its remaining interest in the property by 30 June 2013.

### **Financial position**

- 38 The reported financial position of Trafalgar as at 31 December 2012 is set out below.

|                                       | <b>31 Dec 12</b> |
|---------------------------------------|------------------|
|                                       | <b>\$000</b>     |
| <b>Current assets</b>                 |                  |
| Cash and cash equivalents             | 8,144            |
| Trade and other receivables           | 197              |
| Assets held for sale <sup>(1)</sup>   | 23,690           |
| Other financial assets                | 1,455            |
| Other current assets                  | 420              |
| <b>Total current assets</b>           | <b>33,906</b>    |
| <b>Non-current assets</b>             |                  |
| Investment property <sup>(2)</sup>    | 46,336           |
| Development property <sup>(3)</sup>   | 500              |
| Property, plant and equipment         | 179              |
| <b>Total non-current assets</b>       | <b>47,015</b>    |
| <b>Total assets</b>                   | <b>80,921</b>    |
| <b>Current liabilities</b>            |                  |
| Trade and other payables              | 1,053            |
| Interest bearing loans and borrowings | 25,507           |
| Provisions                            | 171              |
| Other current liabilities             | 874              |
| <b>Total current liabilities</b>      | <b>27,605</b>    |

|                                      | <b>31 Dec 12</b> |
|--------------------------------------|------------------|
|                                      | <b>\$000</b>     |
| <b>Non-current liabilities</b>       |                  |
| Provisions                           | 71               |
| <b>Total non-current liabilities</b> | <u>71</u>        |
| <b>Total liabilities</b>             | <u>27,676</u>    |
| <b>Net assets</b>                    | <u>53,245</u>    |

**Note:**

- 1 Assets held for sale comprise the Canberra, Granville and Goulburn properties.
- 2 ATO regional office, Hurstville.
- 3 50% interest in Shoreline Waterfront Village, Rhodes.

- 39 Borrowings comprise a secured loan facility from Westpac, which as at 31 December 2012 was drawn down to its facility limit. The facility expires in March 2014<sup>5</sup>. Trafalgar intends to use the proceeds from the sale of investment properties (including the Mort Street, Canberra building) to pay down the Westpac loan.

**Issued securities**

- 40 Trafalgar currently has 85.35 million stapled securities on issue.
- 41 Significant security interests are held by Pentagon Financial Services Pty Limited and TT Investments Pty Limited (28.2% combined) and First Samuel Limited (19.9%).
- 42 As previously noted Mr Whyte held a significant interest of approximately 24.4% in Trafalgar, the majority of which was sold on 19 March 2013.

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<sup>5</sup> Trafalgar is currently negotiating an extension of this borrowing facility to March 2015.



### III Valuation of 4 Mort Street, Canberra

#### Valuation methodology

- 43 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

#### Methodology selected

- 44 In the case of the 4 Mort Street, Canberra building we have relied primarily on an independent valuation of the property undertaken by Knight Frank as at 25 March 2013.
- 45 We have also considered the recent extensive marketing campaign undertaken in respect of the property and the third-party offers received as part of the sale process.

#### Knight Frank valuation

- 46 In assessing a valuation of the 4 Mort Street property Knight Frank adopted the following valuation approaches:
- (a) capitalisation – under which the assessed market rental income of the property has been capitalised at an appropriate market yield to establish the market value of the property fully leased. Adjustments as appropriate in respect of items of a capital nature have been made to derive the market value at the valuation date. A capitalisation rate of 11.5% per annum was adopted
  - (b) DCF – under which the annual cash flows in respect of the property have been estimated over a 10 year time horizon, at the end of which a notional sale of the property has been assumed. A discount rate of 11.0% per annum was adopted
  - (c) comparable sales – identified on a \$ per square metre of lettable area basis. Whilst limited as regards comparable properties, a rate of \$2,600sqm was adopted.

- 47 The resultant values under all three bases of valuation were comparable, within a range of \$14.68 million to \$14.73 million. A value of \$14.7 million was adopted by Knight Frank.

### **Marketing campaign**

- 48 We set out below a chronology of the marketing campaign recently undertaken in respect of the 4 Mort Street property:
- (a) in October 2012 Trafalgar offered the building to the market for sale by way of tender, with a closing date of 14 December 2012. At the time of offering the building for sale the building had a vacancy of approximately 45%
  - (b) Trafalgar received two expressions of interest in respect of the property – one for \$10 million to \$11 million and a second for \$10.5 million
  - (c) the two offers were rejected and the selling agents were requested to negotiate with the parties to seek to improve the offers. A revised offer was received on 21 December 2012 from one party, increasing the offer to \$12 million
  - (d) no further action took place over the Christmas 2012 period in relation to the offers. However during this period Trafalgar entered into a Heads of Agreement with the Commonwealth Government to lease the remaining vacant office space in the building
  - (e) in early January 2013, following confirmation that the building was fully leased, the selling agents were requested to again approach all potential buyers to re-offer the building fully leased. New / revised offers were requested by 7 February 2013
  - (f) on 8 February 2013 the selling agents advised that the existing two bidders were not prepared to increase their offers. However a new indicative albeit highly conditional offer was received from a property syndicator at a price of approximately \$15.7 million. The terms of the offer included raising debt finance and equity capital, together with an associated lengthy due diligence period. Accordingly the terms of the indicative offer were deemed unacceptable to the Trafalgar management and Board
  - (g) on the same date, through its own contacts, Trafalgar procured a buyer for the building at a price and on terms that were acceptable. Trafalgar entered into a Heads of Agreement (HOA) for the sale of the building to the buyer (a property syndicator) for a sale price of \$14.5 million. The HOA required the purchaser to complete its due diligence and enter into a sale contract by 8 March 2013
  - (h) subsequently on 7 March 2013 and again on 8 March 2013 the purchaser advised that it was not in a position to complete its due diligence and requested an extension of time
  - (i) on the evening of 8 March 2013 Trafalgar received advice from one of its selling agents that an email offer had been received to purchase the property for \$14.75 million. The offer was from interests associated with Mr Whyte, who at that time controlled approximately 24.4% of the voting securities of Trafalgar
  - (j) whilst not providing the requested extension of time to the property syndicator, discussions continued with them and the interests associated with Mr Whyte
  - (k) on 25 March 2013 the Trafalgar Board accepted the offer from interests associated with Mr Whyte, subject to securityholder approval.

- 49 Based on the above, we consider it reasonable to conclude that the value of the 4 Mort Street, Canberra property is not greater than \$14.75 million, as a comprehensive sales process had not identified a willing purchaser (with the financial capacity to complete a transaction) prepared to pay more to acquire the property.

## IV Evaluation of the Proposed Transaction

50 In our opinion, the Proposed Transaction is fair and reasonable to the securityholders of Trafalgar. The reasons for this opinion are set out below.

### Fairness

- 51 As noted in Section III, LEA has valued the 4 Mort Street, Canberra building at \$14.7 million, based on the independent valuation of the property undertaken by Knight Frank.
- 52 The consideration of \$14.75 million payable by interests associated with Mr Whyte is consistent with this independently assessed valuation. We therefore consider the price to be received for the sale of the 4 Mort Street, Canberra building is fair when assessed based on guidelines set out in RG 111.

### Other qualitative factors

- 53 Pursuant to RG 111 a transaction is reasonable if it is fair. Consequently, in our opinion, the Proposed Transaction is also “reasonable”.
- 54 In assessing whether the Proposed Transaction is reasonable LEA has also considered:
- (a) the recent sale process undertaken by Trafalgar in respect of the 4 Mort Street, Canberra building
  - (b) the current business objective of Trafalgar to realise its property portfolio
  - (c) other advantages and disadvantages of the Proposed Transaction.
- 55 These issues are discussed below.

### Sale process

- 56 We have set out in Section III a chronology of the sale process undertaken in respect of the 4 Mort Street, Canberra property.
- 57 In respect of the sale process we note:
- (a) Trafalgar retained two nationally recognised selling agents, each with significant experience in the Canberra market
  - (b) the investment / acquisition opportunity was presented to a number of parties on two separate occasions, over an elapsed period of around four months
  - (c) a number of parties submitted conditional offers
  - (d) the offer from interests associated with Mr Whyte was considered by the Trafalgar Board to represent the best offer received in terms of value and certainty (from a funding, execution and timing perspective).

- 58 Given the process undertaken, the number of potential parties involved and the period over which the process has been undertaken, in our opinion, the resulting offer from interests associated with Mr Whyte reflects a fair market value of the property.

### **Business strategy**

- 59 At the November 2010 AGM Trafalgar securityholders approved a strategy to close what at the time was a significant gap between the Trafalgar security price and the underlying net tangible assets of the group. In implementing this strategy Trafalgar has subsequently pursued an orderly and opportunistic realisation of the investment property portfolio, which has resulted in significant progress being made towards achievement of the core objective.
- 60 We note that the Proposed Transaction is consistent with the current business objectives of Trafalgar.

### **Other considerations**

- 61 As at 31 December 2012 Trafalgar was fully drawn under a borrowing facility which was due to expire in March 2014<sup>6</sup>. Completion of the Proposed Transaction will provide Trafalgar with an opportunity to make a significant reduction in group borrowings.

### **Other matters**

- 62 The ultimate decision whether to approve the proposed sale should be based on each securityholder's assessment of the Proposed Transaction. If securityholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, securityholders should seek independent professional advice.

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<sup>6</sup> Trafalgar is currently negotiating an extension of this borrowing facility to March 2015.

## Appendix A

### Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

#### Financial Services Guide

- 3 The Corporations Act 2001 (Cth) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Trafalgar securityholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fixed fee of \$11,000 plus GST and disbursements.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

## Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

### Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27  
363 George Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports to shareholders.
- 2 This report was prepared by Mr Wayne Lonergan and Mr Martin Holt, who are each authorised representatives of LEA. Mr Lonergan and Mr Holt have over 37 years and 27 years experience respectively in the provision of valuation advice.

#### Declarations

- 3 This report has been prepared at the request of the Independent Directors of Trafalgar to accompany the Explanatory Memorandum to be sent to Trafalgar securityholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the proposed sale of the 4 Mort Street, Canberra building is fair and reasonable to Trafalgar securityholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Lonergan nor Mr Holt have any interest in the outcome of the Proposed Transaction. LEA is entitled to receive a fixed fee for the preparation of this report. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with Trafalgar prior to the preparation of this report.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Trafalgar agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Trafalgar which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.



## Appendix C

### Glossary

| Term                 | Meaning                                                                                            |
|----------------------|----------------------------------------------------------------------------------------------------|
| ASIC                 | Australian Securities & Investments Commission                                                     |
| ASX                  | Australian Securities Exchange                                                                     |
| DCF                  | Discounted cash flow                                                                               |
| FOS                  | Financial Ombudsman Services Limited                                                               |
| FSG                  | Financial Services Guide                                                                           |
| HOA                  | Heads of Agreement                                                                                 |
| IER                  | Independent expert's report                                                                        |
| Knight Frank         | Knight Frank Valuations Canberra                                                                   |
| LEA                  | Lonerган Edwards & Associates Limited                                                              |
| Proposed Transaction | Conditional contract for the sale of the 4 Mort Street, Canberra building for \$14.75 million cash |
| RG 111               | Regulatory Guide 111 – <i>Content of expert reports</i>                                            |
| Trafalgar            | Trafalgar Corporate Group                                                                          |