



Trafalgar Corporate Group Limited (ACN 113 569 136)
Trafalgar Opportunity Fund No. 4 (ARSN 107 416 348)
Trafalgar Platinum Fund No. 12 (ARSN 104 552 598)

Notice of Meetings and Explanatory Memorandum

MEETING DETAILS

Meeting Date:
24 September, 2013

Time: 11.00am (AEST)

Cambridge Room
Shangri-La Hotel
176 Cumberland Street
Sydney NSW 2000

ISSUED BY

TRAFALGAR CORPORATE GROUP LIMITED (ABN 18 113 569 136)

TRAFALGAR MANAGED INVESTMENTS LIMITED (ABN 15 090 664 396)
as responsible entity of Trafalgar Opportunity Fund No. 4 and
Trafalgar Platinum Fund No.12



This is an important document. Please read the information carefully. See in particular the Independent Expert's Report in Appendix 3 of this document. If you do not understand the information or are in any doubt about the action to be taken, you should seek your own professional advice.

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Key dates

Last date for proxy forms and election forms	11.00am (AEST) on 22 September 2013
Record date to determine entitlement to vote	7.00pm (AEST) on 20 September 2013
Securityholders' meeting	11.00am (AEST) on 24 September 2013

Certain terms used in this document are defined in the Glossary on the inside back cover.

This document is dated 26 August 2013.

Independent Expert's Report

The Independent Expert's Report from Lonergan Edwards & Associates Limited (see Appendix 3 of this document) has concluded that the Proposed Acquisition⁽¹⁾ is FAIR AND REASONABLE for TGP's non-associated securityholders⁽²⁾.

A copy of the Independent Expert's Report is available on TGP's website at www.trafalgarcorporate.com. Securityholders are encouraged to read the Independent Expert's Report in full.

Forward-looking statements

Certain "forward-looking statements" have been included in this document. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken with due care and attention; however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Issuer and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of TGP such that actual performance differs materially to any performance indicated in the forward-looking statements.

1. The scope of the Independent Expert's Report was restricted to the acquisition component of the overall Proposal. Specifically the scope of the Independent Expert's Report excludes consideration of the Capital Raising.
2. For the purposes of the Independent Expert's Report, non-associated securityholders refers to Securityholders other than those associated with Mr Tony Pitt.

26 August 2013

Dear Securityholder,

TGP announced during the 2010 financial year that the Board had considered a range of options to close the gap between TGP's security price and the net tangible assets ("NTA") of its investments and formed the view that it would be in the best interests of Securityholders to pursue an orderly and opportunistic realisation of TGP's investment assets – the "Main Undertaking" of TGP. This strategy was approved by Securityholders in November 2010.

Since July 2010, TGP has sold \$140.3 million in investment assets and realised \$41.7 million from development activities resulting in a reduction in debt of \$114.6 million and a return to Securityholders the amount of \$73.0 million (\$0.855 per security).

While the realisation strategy has been the main focus of the Board in maximising the value of Securities, the Board has also been considering other strategies to close the NTA gap and improve the Security price and which are otherwise in the best interests of Securityholders.

To this end, we are pleased to present to you this notice of meetings and an explanatory memorandum detailing and asking your approval for a proposed acquisition by TGP of 360 Capital Property Group ("360 Capital") ("Acquisition") for the equivalent enterprise value of approximately \$68.8 million, a 4.3% discount to pro forma total assets. To facilitate the Acquisition, an underwritten, \$70.8 million equity raising is being undertaken by TGP to institutional investors ("Capital Raising") at \$0.59 per Security, subject to approval by TGP Securityholders. Taken together, the Acquisition and the Capital Raising are known as the "Transaction" or "Proposal".

The Committee of Independent Directors of TGP believes that the Proposal is in the best interests of Securityholders. The Proposal is aimed at closing the gap between the TGP trading price and its NTA per Security and offers a value-creating strategy in comparison to the current asset sale strategy which does not create value and is inherently uncertain with regards to timing.

If approved by Securityholders, the Transaction will transform TGP into a diversified real estate investment and funds management group. Following completion, TGP will be renamed the "360 Capital Group". For clarity, any reference to TGP post-completion of the Transaction shall use the term "New 360".

As set out in section 3 of the accompanying PDS and Prospectus, New 360 will be a real estate business consisting of:

- Approximately \$860 million of assets under management including the ASX-listed 360 Capital Industrial Fund ("Industrial Fund") in 10 funds/syndicates owning 28 properties diversified across Australia and the key office and industrial sectors;
- \$90.9 million of co-investments in (including strategic loans to) predominantly managed funds to align New 360 with its fund investors; and
- \$48.8 million in direct real estate ownership primarily in one (1) direct real estate office building leased to the Australian Taxation Office (\$44.0 million value) with the opportunity to secure earnings through extending the current lease beyond February 2015.

New 360's income will be derived from three main sources from underlying real estate investments:

- Fees derived from the management of real estate funds (forecast to be \$4.7 million in FY14);
- Distributions from co-investments in (including strategic loans to) New 360's managed funds (forecast to be \$7.4 million in FY14); and
- Rental income from direct property investment (expected to be \$6.8 million in FY14).

It is expected that New 360's forecast earnings and distributions per Security will be attractive relative to the broader A-REIT sector³:

- FY14 operating earnings per New 360 Security are expected to be 5.9 cents which equates to a 10.0% yield on the Issue Price; and
- FY14 distribution per New 360 Security is expected to be 5.0 cents, which equates to an 8.5% yield on the Issue Price.

The advantages and disadvantages of the Transaction are set out in Section 1.9 of the following Explanatory Memorandum and section 6 of the accompanying PDS and Prospectus.

If approved, the Transaction is expected to be NTA neutral on a pro forma basis with NTA remaining at \$0.59 per Security, as set out in section 1.1 of the accompanying PDS and Prospectus. Importantly, FY14 distributions are forecast to increase 25% from 4.0 cents p.a. per Security to 5.0 cents p.a. per Security.

As you can see, the Proposal is expected to be a significant change of focus for TGP, with the diversification and de-risking of TGP's revenue streams from addition of funds management and co-investment businesses more than compensating for an increase in gearing from 9.3% to 12.9%.

Securityholders are asked to approve this change of activities. Securityholders are also being asked to approve new constitutions, a name change, a change of responsible entity, and an Employee Security Plan ("ESP") designed to align, incentivise and retain New 360's key management personnel and employees.

3. Forecast earnings and distributions are for FY14 only. Actual earnings and distributions may differ from these forecasts. Forecasts do not guarantee the availability or amount of future earnings. There is no guarantee that forecasts or earnings will be achieved beyond FY14.

Importantly, if all Resolutions are approved, Tony Pitt who currently owns 21.1% of 360 Capital and 28.2% of TGP will become Managing Director of New 360 and will lead the management team in executing the strategies of New 360. Post the Transaction and the proposed ESP, Mr Pitt will own approximately 20.7% of Securities and therefore has a strong alignment with all Securityholders, while new investors are expected to hold 48.2% of Securities.

If all Resolutions are approved, it is intended that two current directors of 360 Capital being Andrew Moffat and John Ballhausen will be invited to join the New 360 Board. Directors' experience is set out in section 3.9 of the accompanying PDS and Prospectus.

An Independent Expert's Report prepared by Lonergan Edwards & Associates Limited has concluded that the Proposed Acquisition is fair and reasonable for TGP's non-associated Securityholders (see Appendix 3). Securityholders are encouraged to read the Independent Expert's Report in full.

On behalf of the Board of Directors, I commend the Proposal to you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'David van Aanholt', with a stylized flourish at the end.

David van Aanholt

Independent Chairman,
Trafalgar Corporate Group Limited

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:

Time: 11.00am (AEST)

Date: 24 September, 2013

Place: Cambridge Room
Shangri-La Hotel
176 Cumberland Street, Sydney NSW 2000

Business

Resolution 1 – Approval of change in activities, acquisition of assets and issue of securities

This is an Ordinary Resolution

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 "TGP" or the "Group":

"That:

- 1. for ASX Listing Rule 11.1.2 and for all other purposes securityholders approve the change in nature and scale of activities of the Group consequent on the acquisition by the Group of 360 Capital Property Group as described in the explanatory memorandum in the notice of meetings;**
- 2. for ASX Listing Rule 10.1 and for all other purposes securityholders approve the acquisition by the Group of all shares and units in 360 Capital Property Group from AMB Property (Esplanade) Pty Ltd ACN 149 257 474 ("AMB") and TT Investments Pty Limited ACN 098 158 028 as trustee of the TT Investment Trust ("TT") (an entity controlled by Mr Tony Pitt, a director and major securityholder of the Group) on the terms described in the explanatory memorandum in the notice of meetings; and**
- 3. for ASX Listing Rule 10.11 and for all other purposes securityholders approve the issue of 21,380,603 TGP stapled securities to TT as consideration for the acquisition by the Group of 8,552,241 stapled securities in 360 Capital Property Group from TT who is a related party in respect of the Group on the terms set out in the explanatory memorandum in the notice of meetings."**

Independent Expert's Report

The Independent Expert's Report from Lonergan Edwards & Associates Limited (see Appendix 3 of this notice of meetings) has concluded that the Proposed Acquisition is FAIR AND REASONABLE for TGP's non-associated Securityholders.

Securityholders are encouraged to read the Independent Expert's Report in full.

Resolutions 2 to 10 (inclusive) will only be considered if Resolution 1 is approved by Securityholders. If Resolution 1 is not approved, the remaining Resolutions will not be put forward for consideration and the meeting will be closed.

Resolution 2 – Approval of placement

This is an Ordinary Resolution

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 "TGP" or the "Group":

"That for ASX Listing Rule 7.1 and for all other purposes securityholders approve the issue of up to 120,000,000 TGP stapled securities by placement on the terms described in the explanatory memorandum in the notice of meetings."

Resolution 3 – Approval as a related party transaction

This is an Ordinary Resolution

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 "TGP" or the "Group":

"That approval be given, under the general law and under Chapter 2E Division 3 of the Corporations Act for the acquisition by the Group of all shares and units in 360 Capital Property Group from AMB Property (Esplanade) Pty Ltd ACN 149 257 474 and TT Investments Pty Limited ACN 098 158 028 as trustee of the TT Investment Trust ("TT") pursuant to a Security Sale Agreement on the terms described in the explanatory memorandum in the notice of meetings and for the Company and Trusts to confer on AMB and TT the financial benefits the Company and each Trust are required to provide under the Security Sale Agreement."

Resolution 4 – To amend the constitution of Trafalgar Platinum Fund No. 12

This is a Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution of unit holders in Trafalgar Platinum Fund No.12:

“That the constitution of Trafalgar Platinum Fund No. 12 ARSN 104 552 598 be modified in accordance with the provisions set out in the supplemental deed poll tabled and initialled by the chairman for identification.”

Note: A copy of the supplemental deed poll setting out the proposed modifications to the current constitution is available on the Group’s website at www.trafalgarcorporate.com. A summary of the modified TPF12 constitution is summarised in the PDS and Prospectus accompanying this notice of meetings. A summary of the material changes to the current constitution are summarised in the explanatory memorandum in the notice of meetings.

Resolution 5 – To amend the constitution of Trafalgar Opportunity Fund No. 4

This is a Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution of unit holders in Trafalgar Opportunity Fund No. 4:

“That the constitution of Trafalgar Opportunity Fund No. 4 ARSN 107 416 348 be modified in accordance with the provisions set out in the supplemental deed poll tabled and initialled by the chairman for identification.”

Note: A copy of the supplemental deed poll setting out the proposed modifications to the current constitution is available on the Group’s website at www.trafalgarcorporate.com.

Resolution 6 – To replace the constitution of the Company

This is a Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution of shareholders in Trafalgar Corporate Group Limited:

“That the Company repeal its existing constitution and adopt instead the constitution tabled and initialled by the chairman for identification.”

Note: A copy of the proposed new constitution for the Company is available on the Group’s website at www.trafalgarcorporate.com.

Resolution 7 – To change the name of the Company

This is a Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution of shareholders in Trafalgar Corporate Group Limited (the “Company”):

“That the Company adopt a new name “360 Capital Group Limited”.”

Resolution 8 – To approve changing the Responsible Entity of Trafalgar Platinum Fund No. 12

This is an Ordinary Resolution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of unit holders in Trafalgar Platinum Fund No.12:

“That, upon the retirement of Trafalgar Managed Investments Limited as responsible entity of Trafalgar Platinum Fund No.12 (ARSN 104 552 598) in accordance with Section 601FL(1) of the Corporations Act 2001 (Cth), 360 Capital Investment Management Limited ACN 133 363 185 be appointed as the new responsible entity in its place.”

Resolution 9 – To approve changing the Responsible Entity of Trafalgar Opportunity Fund No. 4

This is an Ordinary Resolution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of unit holders of Trafalgar Opportunity Fund No. 4:

“That, upon the retirement of Trafalgar Managed Investments Limited as responsible entity of Trafalgar Opportunity Fund No. 4 (ARSN 107 416 348) in accordance with Section 601FL(1) of the Corporations Act 2001 (Cth), 360 Capital Investment Management Limited ACN 133 363 185 be appointed as the new responsible entity in its place.”

Resolution 10 – To approve Employee Security Plan

This is an Ordinary Resolution

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 “TGP” or the “Group”:

“That for ASX Listing Rule 10.14 and for exception 9 to ASX Listing Rule 7.1 and for Section 200E of the Corporations Act 2001 and for all other purposes the employee security plan described in the explanatory memorandum in the notice of meetings and the issue and vesting of TGP stapled securities pursuant to that plan to the persons described in the explanatory memorandum in the notice of meetings and the associated benefits and in addition for exception 9 to ASX Listing Rule 7.1 the issue of TGP stapled securities under that plan to such other persons as determined by the board of the Company and the Trusts be approved.”

Voting exclusion statement

Resolution 1

TGP will disregard any votes cast on Resolution 1 by:

- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of stapled securities in the Group, if Resolution 1 is passed; or
- AMB Property (Esplanade) Pty Ltd and TT Investments Pty Limited (or a party to the acquisition described in Resolution 1); or

- TT Investments Pty Limited (or a person who is to receive the stapled securities in the Group described in Resolution 1); and
- any associates of those persons.

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.

ASX has granted TGP a waiver from ASX Listing Rule 14.11 to permit TGP to count votes cast on Resolution 1 by persons who participated in the placement subject to Resolution 2 ("Placement") to the extent only that those persons ("Nominee Holders") are acting solely in a fiduciary, nominee or custodial capacity on behalf of beneficiaries who did not participate in the Placement ("Beneficiaries"). The waiver is subject to the following conditions:

- the Beneficiaries provide written confirmation to the Nominee Holders that they did not participate in the Placement, nor are they an associate of such a person who has participated in the Placement;
- the Beneficiaries direct the relevant Nominee Holder to vote for or against Resolution 1; and
- the Nominee Holders do not exercise discretion in casting a vote on behalf of the Beneficiaries.

Resolution 2

TGP will disregard any votes cast on this Resolution by a person who may participate in the proposed issue described in Resolution 2 and by TT Investments Pty Limited or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of stapled securities in the Group, if Resolution 2 is passed, and any associates of those persons.

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.

ASX has granted TGP a waiver from ASX Listing Rule 14.11 to permit TGP to count votes cast on Resolution 2 by Nominee Holders to the extent only that those persons are acting solely in a fiduciary, nominee or custodial capacity on behalf of Beneficiaries. The waiver is subject to the following conditions:

- the Beneficiaries provide written confirmation to the Nominee Holders that they did not participate in the Placement, nor are they an associate of such a person who has participated in the Placement;
- the Beneficiaries direct the relevant Nominee Holder to vote for or against Resolution 2; and
- the Nominee Holders do not exercise discretion in casting a vote on behalf of the Beneficiaries.

Resolution 3

Section 224 of the Corporations Act provides that a vote on Resolution 3 must not be cast (in any capacity) by or on behalf of:

- a related party of the Company (or of the Trusts) to whom Resolution 3 would permit a financial benefit to be given; or
- an associate of such a related party.

The Responsible Entity and its associates are not entitled to vote their interest on Resolution 3 if they have an interest in the resolution or matter other than as a unit holder.

Resolution 4

The Responsible Entity and its associates are not entitled to vote on Resolution 4 if they have an interest in the resolution or matter other than as a unit holder.

Resolution 5

The Responsible Entity and its associates are not entitled to vote on Resolution 5 if they have an interest in the resolution or matter other than as a unit holder.

Resolution 10

TGP will disregard any votes cast on Resolution 10 by:

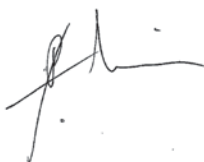
- a director of Trafalgar Corporate Group Limited or of the Responsible Entity except a director who is ineligible to participate in any employee incentive scheme in relation to TGP; and
- an associate of those persons.

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.

A person (other than the Chairman of the meeting) who is a member of the key management personnel of the Company or a closely related party must not vote on Resolution 10 pursuant to a proxy appointment unless the appointor specifies the way the proxy is to vote on Resolution 10 and the person votes in accordance with that direction.

By order of the Board.



Peter J Norris
Company Secretary
 Trafalgar Corporate Group Limited
 Trafalgar Managed Investments Limited

26 August 2013

Notes about the meetings and how to vote

This information forms part of the notice of meetings.

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.

Adjourning the Meetings

The Chair may decide to adjourn the Meetings to a later time or date. If the Chair makes such a determination, TGP will notify all Securityholders by lodging an announcement on the ASX and by placing an announcement on its website at www.trafalgarcorporate.com. TGP will endeavour to notify Securityholders of any such adjournment prior to the original date and time of the Meeting, however, the adjournment of the Meeting will not be invalidated by the failure to do so. If the Meeting is adjourned for one month or more, TGP will give new notice of the adjourned Meeting.

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.

Voting intentions of the Chairperson

The Chairperson intends to vote all undirected proxies appointing the chair as proxy in favour of the Resolutions on a poll (subject to the other provisions of the notice of meetings, including the voting exclusions).

Required Majorities

Resolutions 1, 2, 3 and 10

Resolutions 1, 2, 3 and 10 are ordinary resolutions of Shareholders in Trafalgar Corporate Group Limited and Unitholders in Trafalgar Opportunity Fund No. 4 and Unitholders in Trafalgar Platinum Fund No. 12 and will each be passed if more than 50% of the votes cast by Securityholders entitled to vote (in person, by proxy, attorney or corporate representative) are in favour.

Resolutions 4 and 5

Resolutions 4 and 5 are special resolutions of Unitholders in Trafalgar Opportunity Fund No. 4 and Unitholders in Trafalgar Platinum Fund No. 12 respectively and will each be passed if at least 75% of the votes cast by Unitholders entitled to vote (in person, by proxy, attorney or corporate representative) are in favour.

Resolutions 6 and 7

Resolutions 6 and 7 are special resolutions of Shareholders in Trafalgar Corporate Group Limited and each will be passed if at least 75% of the votes cast by Shareholders entitled to vote (in person, by proxy, attorney or corporate representative) are in favour.

Resolutions 8 and 9

Resolutions 8 and 9 are ordinary resolutions of Unitholders in Trafalgar Opportunity Fund No. 4 and Unitholders in Trafalgar Platinum Fund No. 12 respectively and each will be passed if at least 50% of the votes cast by Unitholders entitled to vote (in person, by proxy, attorney or corporate representative) are in favour.

Voting Procedure

Voting on each 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. A Securityholder entitled to two or more votes does not have to exercise its votes in the same way and does not have to cast all its votes.

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 two or more votes may appoint two 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 two proxies and the appointment does not specify the proportion or number of the Securityholders' votes each proxy may exercise, each proxy may exercise half the votes (ignoring fractions).

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. 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 7.00pm EST on 20 September 2013.

Lodgement of proxies and other authorities

Proxy Forms may be lodged:

Online:

www.boardroomlimited.com.au/vote/trafalgarmsept2013

Fax: +61 2 9290 9655

Mail: Use the enclosed reply paid envelope or send to:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

In person: Share Registry
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

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 11.00am (AEST) on 22 September 2013.

Explanatory Memorandum

This information forms part of the notice of meetings.

1. The Proposal

1.1 Summary

In summary, the Proposal involves:

- a preliminary internal restructure of the Trusts ("TOF4 Restructure") described in Section 2.5;
- the Acquisition and the Capital Raising described in Section 1.2; and
- changing the name of TGP to "360 Capital Group".

New 360 will be formed by implementing the Proposal if it is approved by Securityholders. The Prospectus and PDS accompanying this Notice of Meeting describes New 360.

Section 1 of this explanatory memorandum outlines the Proposal (including a description of New 360 if the Proposal is approved), Section 2 contains specific detail about Securityholder approvals and resolutions required to implement the Proposal and Section 3 outlines the proposed Employee Security Plan ("ESP"). Finally, Section 4 sets out some further formalities in relation to the Proposal.

1.2 The Acquisition and Capital Raising

Trafalgar Corporate Group ("TGP") has signed a conditional security sale agreement to acquire 360 Capital Property Group ("360 Capital") from AMB Property (Esplanade) Pty Ltd ("AMB") and TT Investments Pty Limited ACN 098 158 028 as trustee of the TT Investment Trust ("TT") (the "Acquisition"). The Acquisition will be effected by the Company acquiring all the shares in 360 Capital Property Limited ("360 Company") and the responsible entity of the Trafalgar Platinum Fund No. 12 ("TPF12") acquiring all the units in 360 Capital Investment Trust ("360 Trust"). Following completion of the Acquisition, if approved by Securityholders, the combined group ("New 360") will continue to trade on the ASX under the code "TGP".

The Acquisition is recorded in the Security Sale Agreement whose provisions are summarised in section 11.6(c) of the PDS and Prospectus.

Under the Security Sale Agreement, TGP has offered AMB and TT 2.5 Securities (comprising one fully paid share in the Company and one unit in TPF12) for each 360 Capital stapled security they own ("Scrip Offer"), with the option to elect to receive \$1.40 of cash in lieu of the Scrip Offer for each 360 Capital security they own ("Cash Election"). A copy of the Prospectus and PDS accompanies this notice of meetings. AMB has elected to make the Cash Election and TT has elected to accept the Scrip Offer.

The Cash Election will be funded via the proceeds of an underwritten, conditional \$70,800,000 institutional equity raising by TGP ("Capital Raising"). The remaining Capital Raising proceeds, along with new drawn debt from refinancing TGP will be used to repay all existing debt within both TGP and 360 Capital, fund the acquisition of the Lawson Loan, working capital and the payment of costs incurred in relation to the Acquisition.

Sources	(\$m)
Capital Raising proceeds	70.8
New 360 debt facility (drawdown)	22.5
Total	93.3

Uses	(\$m)
360 Capital securityholder Cash Election	44.9
Existing TGP loan repayment	5.4
360 Capital securityholder loans	11.3
Strategic loans	26.0
Working capital	0.7
Transaction costs	5.0
Total	93.3

1.3 Impact of the Proposal – formation of New 360

The Proposal, if approved by Securityholders, will significantly alter the nature and scale of TGP's activities. TGP's business operations will become diversified across additional income streams (property funds management and co-investments), across additional real estate asset classes (retail) and across Australian locations (all mainland States).

TGP's growth prospects are expected to become significantly enhanced as a result of the Proposal, resulting in greater earnings certainty and expected increase in distributions per Security. This is then expected to lead to a re-rating of TGP on the ASX and a reduction of the negative price gap to NTA per Security. See Section 1.9 for more details.

TGP's business will continue to have a simple business model, however it will provide a platform for growth with a focus on property investment and funds management activities only. New 360 will not undertake property development, overseas activities or residential investment.

Property investment will be:

- "on balance sheet" with New 360's direct ownership following a strategy of adding value and then disposing and recycling capital into higher returns to optimise cost of capital; and
- "off balance sheet" or co-investment, where New 360 is aligned with members in the underlying Funds via a longer term strategy to maintain between 15% and 20% of each managed fund to optimise capital returns from deployed capital.

Funds management will be both unlisted (property syndicates) and listed (the Industrial Fund is listed and a potential Office A-REIT listing) under a longer term strategy to focus on recurring and sustainable fund management fees over investment period rather than one off fees. There is also the potential for acquisition, disposal and other fees as other unlisted funds and syndicates are launched.

The following table provides a description of New 360, as extracted from the “Key Investment Highlights” section of the PDS and Prospectus. Its contents should be considered in light of the PDS and Prospectus as a whole, having particular regard to the Important Notices and Section 6: Risks.

Growth-oriented and market-aligned real estate and funds management platform	New 360 will be a diversified real estate investment and funds management business consisting of: • Approximately \$860 million of assets under management including the ASX-listed 360 Capital Industrial Fund with \$347.1 million in assets; • 10 funds/syndicates owning 28 properties diversified across Australia and the key of office and industrial sectors; • \$90.9 million of co-investments in (including loans to) predominantly managed funds to align New 360 with its fund investors; and • \$48.8 million in direct real estate ownership primarily in one (1) direct real estate office building leased to the Australian Taxation Office (\$44.0 million value, currently owned by TGP) with the opportunity to secure earnings through extending the current lease. New 360’s funds management platform provides the potential for New 360 to enhance return on equity and earnings growth through growing existing funds and establishment of new funds. New 360’s co-investments provide alignment of New 360 with underlying fund investors and, in combination with direct real estate ownership, provide stable recurring real estate investment income.
Stable and diversified income streams⁴	New 360 will derive income from three main sources from underlying real estate investments: • Fees derived from the management of real estate funds (forecast to be \$4.7 million in FY14); • Distributions from co-investments in (including loans to) New 360’s managed real estate funds (forecast to be \$7.4 million in FY14); and • Rental income from direct property investment (expected to be \$6.8 million in FY14). New 360’s revenue streams will be derived from a diversified portfolio of 30 real estate assets across Australia valued at \$764 million. In addition, New 360 will have accrued exit fees of \$5.0 million from underlying managed funds.
Attractive FY14 forecast earnings and distributions⁴	Forecast earnings and distributions per New 360 Security are considered attractive relative to the broader A-REIT sector. • FY14 operating earnings per New 360 Security are expected to be 5.9 cents which equates to a 10.0% yield on the Issue Price • FY14 distribution per New 360 Securities is expected to be 5.0 cents, which equates to a 8.5% yield on the Issue Price
Aligned and experienced management team	New 360’s strategy will be driven by the management team from 360 Capital which has an average of 16 years of experience across the Australian real estate and funds management sectors. Importantly, the management team will be led by Tony Pitt who will be Managing Director of New 360. Mr Pitt has accepted the Scrip Offer as consideration for TT Investments’ share of 360 Capital and will own approximately 20.7% of all TGP Securities post-Transaction and the ESP. The current TGP Chairman, David van Aanholt, will remain as Independent Chairman of New 360 with two 360 Capital directors (Andrew Moffat and John Ballhausen) to join the New 360 Board.

4. Forecast earnings and distributions are for FY14 only. Actual earnings and distributions may differ from these forecasts. Forecasts do not guarantee the availability or amount of future earnings. There is no guarantee that forecasts or earnings will be achieved beyond FY14.

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1.4 New 360

Overview

Following completion of the Transaction, TGP will be transformed into a diversified real estate investment and funds management group ("New 360").

New 360's funds management business will consist of 10 managed investment funds across office, retail and industrial sectors with total funds under management of approximately \$860 million.

The two (2) direct property investments, being the ATO building at Hurstville ("ATO Building") and the Goulburn industrial facility ("Goulburn Asset"), will be bolstered with the addition of co-investments in each of the managed funds totalling \$90.9 million including investments in loans to co-investment vehicles worth \$31.0 million, bringing the value of total investments to \$139.7 million.

For a pro forma balance sheet for New 360, please refer to section 4 of the PDS and Prospectus.

Furthermore, New 360 will benefit from the retention of 360 Capital's proven and experienced management team possessing an average of 16 years experience in Australian property and funds management.

If the Proposal proceeds, New 360's forecast FY14 earnings and distributions are as follows:

	FY2014
EPS (cents per Security)	5.9
DPS (cents per Security)	5.0 ⁵

New 360 will formulate a distribution policy in line with the distribution practices of the underlying funds in the 360 Capital Property Group. TGP does not currently have an adopted distribution policy given its current realisation strategy.

New 360 business model

Fund and asset management	Co-investments in managed funds	Direct real estate investments
Provides New 360 with additional return on its co-invested equity through generating fee revenue	Provides stability of income to New 360 through distributions from funds	Provides stable rental cashflow to New 360
Utilises New 360's key skill set and strong track record in managing funds on behalf of third party investors	New 360 will actively manage the assets and funds to ensure its co-investment equity value is maximised	Strategy to target well located assets with stable cash flows to complement New 360's existing investment activities and utilise New 360's expertise in active asset management
Captures continued market demand for well-managed real estate funds that demonstrate stable income yield and management by aligned and experienced fund managers	New 360 key investment philosophies of investing alongside fund investors, ensuring alignment of interests between New 360 and underlying fund investors	Acquire and add value to real estate assets with potential to drive funds management initiatives

Funds Management

The funds management strategy of New 360 will be reflective of the current 360 Capital business model:

- focus on scalable sector specific funds in the industrial and office sectors, listed on the ASX (such as the Industrial Fund);
- continue to manage New 360's suite of single real estate funds and aim to launch other unlisted funds/syndicates to meet continued demand for well-managed real estate funds with stable cash flows; and
- focus on recurring and sustainable fund management fees over investment period.

Integral to the funds management business is the co-investment strategy discussed below.

New 360 in FY14 is expected to receive \$4.7 million in responsible entity and other recurring fees. New 360 will be entitled to one-off fees of \$5.0 million from current funds/syndicates when they are due to expire/roll over.

Co-investments

A key part of New 360's business strategy and investment philosophy is to hold significant and meaningful equity co-investments in its managed funds, thereby investing alongside other investors in the funds it manages. The strategy of New 360 is to own between 15% and 20% of each managed fund, not only aligning the manager with its fund investors but also optimising returns from deployed capital.

New 360 will have co-investments valued at \$90.9 million with ownership interests ranging from 8.7% to 58.9% in each managed fund. New 360's co-investments will initially consist of the following investments:

- \$33.2 million (58.9% interest) investment in the Diversified Fund, an umbrella fund currently managed by 360 Capital which predominantly owns interests in managed funds, the largest of which is the interest in the listed Industrial Fund;

5. Forecast earnings and distributions are for FY14 only. Actual earnings and distributions may differ from these forecasts. Forecasts do not guarantee the availability or amount of future earnings. There is no guarantee that forecasts or earnings will be achieved beyond FY14.

- \$26.7 million (40.8% interest) direct and indirect co-investment in the 111 St George's Terrace Trust; and
- \$31.0 million in loans to managed co-investment vehicles, primarily comprising a \$27.5 million loan (Lawson Loan) to the 360 Capital Developments Income Fund ("Developments Income Fund"), together with a 9.6% stake in that fund. This loan and direct co-investment is a key part of New 360's strategy to restructure and simplify the Development Income Fund and Office Fund. Further details can be found in section 3.3 and 3.8 of PDS and Prospectus.

Direct real estate investments

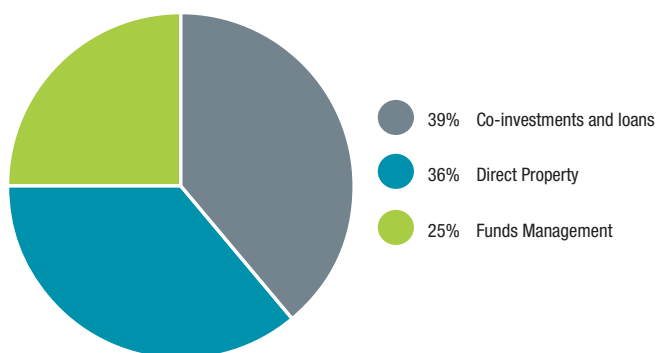
Direct real estate assets valued at \$48.8 million consisting of the Australian Taxation Office building in Hurstville NSW ("ATO Building") and the industrial facility in Goulburn NSW ("Goulburn Asset"). In the short to medium term, New 360 will look to utilise its strong asset management capability to add value to these current direct investment assets through a releasing and renewal strategy, New 360 will investigate potentially redeploying the capital into higher returns through funds management activities and/or direct assets which will produce secure cash flow and greater risk adjusted returns.

As New 360 recycles its capital, the longer term strategy is for New 360 to maintain a level of direct ownership in real estate assets to balance New 360's earnings with direct, stable rental income and optimise New 360's cost of capital.

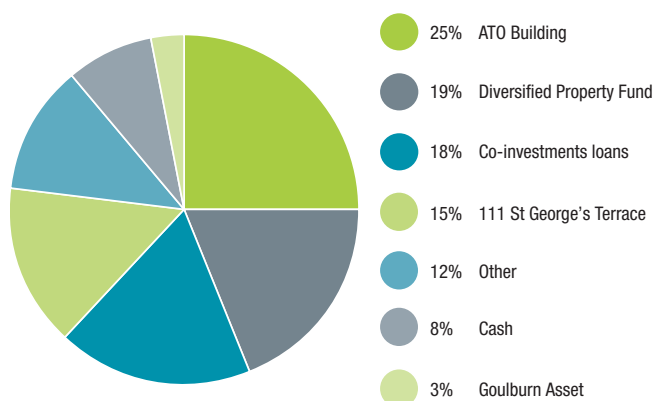
For more information see section 3.8 of the PDS and Prospectus.

New 360 Forecast Revenue and Total Asset Snapshot

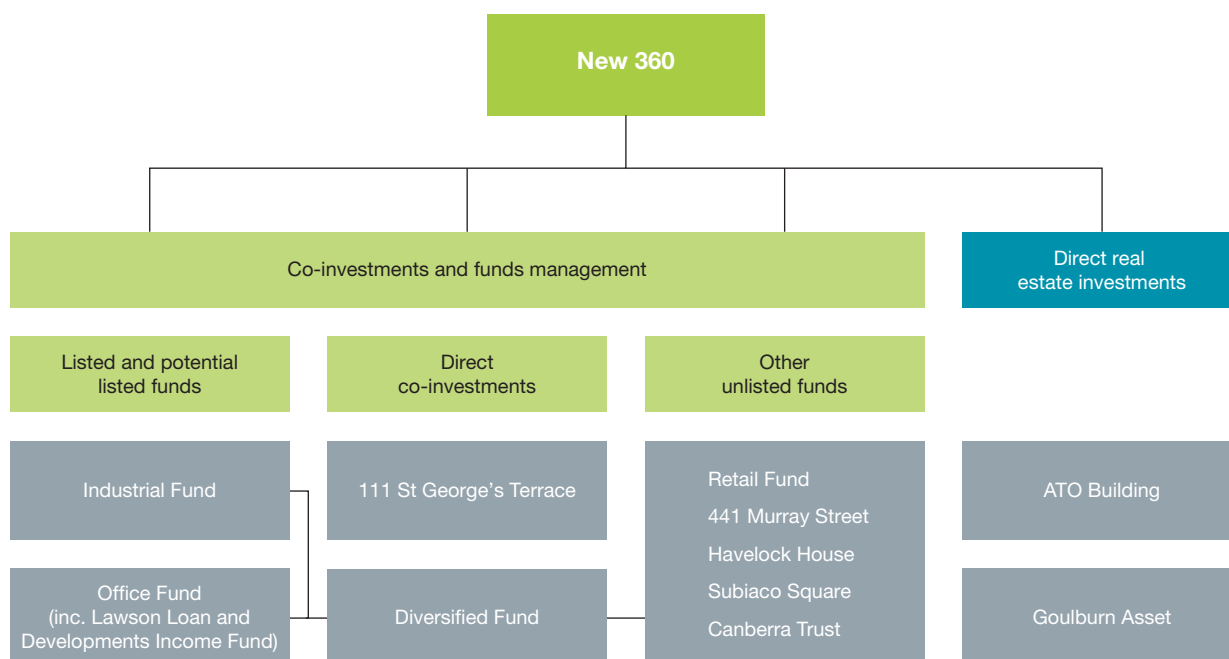
FY14 total revenue of \$19.0 million^{6,7}



Pro forma total assets as at 31 May 2013 of \$174.7 million⁶



Summary of New 360's Investments

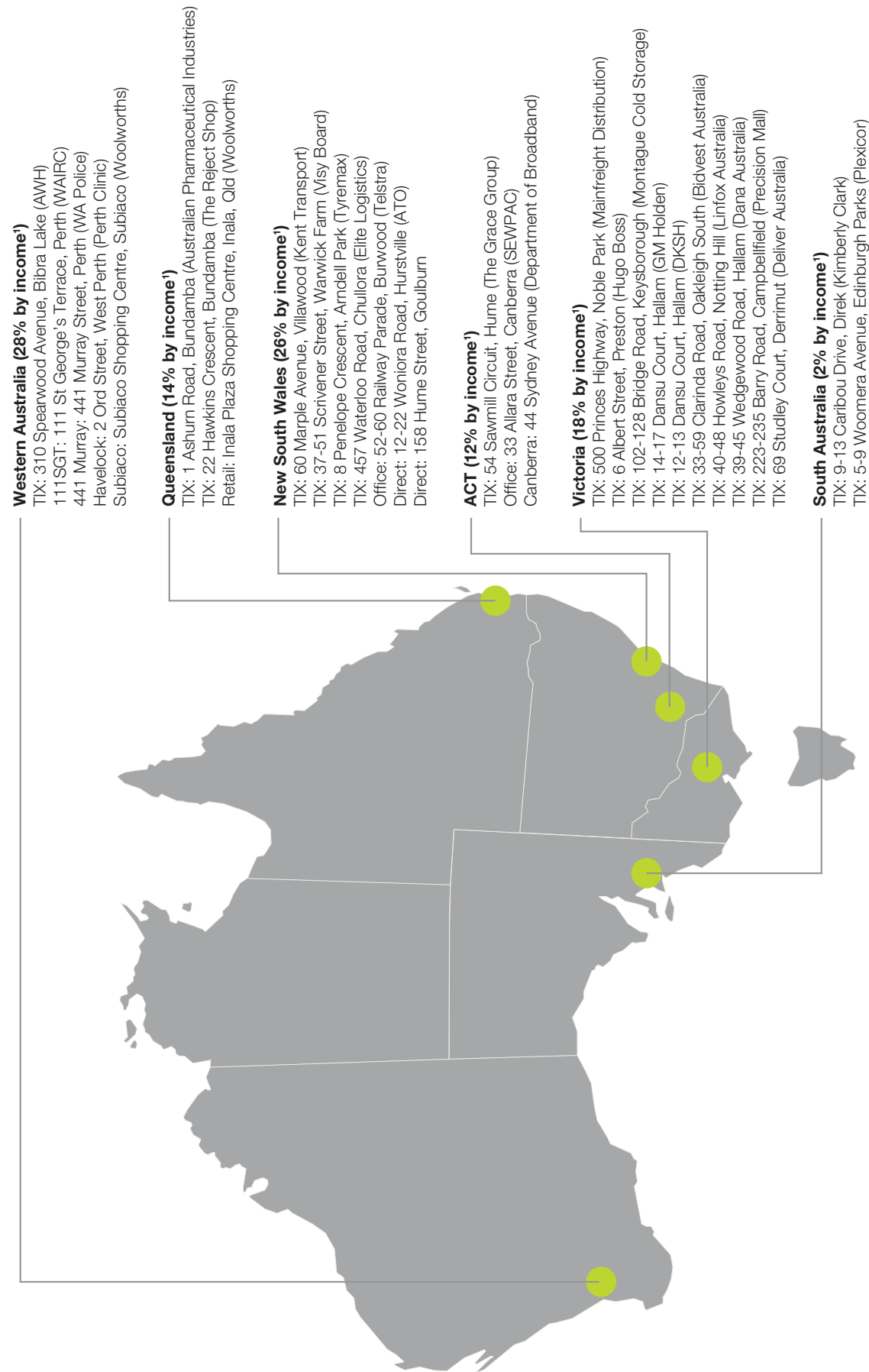


6. Figures adjusted to remove the effect of consolidating interests in Diversified Fund.

7. Adjusted to include the net rental income from the ATO Building.

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Well diversified \$764 million Real Estate Portfolio⁸



Note:
 1. By gross passing income.
 360 Capital Industrial Fund referred to by its ASX code "TIX"

8. For more information see section 3.8 of the PDS and Prospectus.

	FY14 Funds Management Fees ¹ (\$m)	Look Through FY14 Investment Income ² (\$m)	Combined Revenue ³ (\$m)	% of Total Revenue	Look Through Ownership interest ⁴	Fund Expiry	Fund LVR ⁵	Total Assets at fair value (\$m)
Direct Investments								
ATO Building	–	6.8 ⁶	6.8	36.0%	100.0%	N/A	N/A	44.0
Strategic loans	–	3.3	3.3	17.2%	100.0%	N/A	N/A	31.0
111 St George's Terrace	0.9	2.3	3.1	16.6%	40.8%	Jan 17	47.0%	138.4
Goulburn Asset	–	–	–	–	100.0%	N/A	N/A	4.8
Developments Income Fund	–	–	–	–	9.6%	Feb 83	53.7%	51.2
Diversified Fund	0.1 ⁶	See Managed Funds below	0.1	0.4%	58.9%	Open-ended	12.9%	70.3
Managed Funds								
Industrial Fund	2.2	1.1	3.3	17.3%	8.7%	Open-ended	46.9%	347.1
Office Fund	0.9	–	0.9	4.7%	25.8%	Apr 14	48.3%	98.7
441 Murray Street⁷	0.1	0.2	0.3	2.1%	21.0%	Oct 16	36.9%	26.9
Subiaco Square⁸	0.2	0.1	0.3	1.4%	14.2%	Dec 15	51.3%	27.7
Havelock House⁹	0.1	0.1	0.3	1.4%	15.7%	May 17	50.4%	22.7
Canberra Trust¹⁰	0.1	–	0.1	0.5%	12.8%	Jun 70 ¹¹	55.0% ¹²	42.0 ¹²
Retail Fund	0.1	–	0.1	0.5%	21.6%	Feb 14	59.0%	37.5
Other (externally managed)	–	0.4	0.4	1.9%	N/A	N/A	N/A	N/A
Total	4.7	14.3	19.0	100.0%				862.6¹³

Notes:

1. Funds management fees consists of management and custodian fee revenue.
2. Investment income consists of distributions, net real estate rent and interest income; distributions from managed funds are received by the Diversified Fund and therefore the Investment Income figure corresponding to each managed fund (in the table above) represents its proportional contribution to the total distributions received by New 360 from its interest (58.9%) in the Diversified Fund.
3. Combined revenue is the sum of the Funds management fees and investment income. There is no guarantee that these Forecasts will be achieved or continue beyond 2014.
4. Combined direct and indirect interest.
5. Net rental income.
6. Within the Diversified Fund, New 360 does not charge funds management fees of other 360 Capital-managed funds.
7. 360 Capital 441 Murray Street Property Trust (ARSN 097 139 207).
8. 360 Capital Subiaco Square Shopping Centre Property Trust (ARSN 094 189 732).
9. 360 Capital Havelock House Property Trust (ARSN 100 593 548).
10. 360 Capital Canberra Trust (ARSN 105 380 685).
11. February 14 review event.
12. On 14 August 2013 LVR increased to 58.6% following the adoption of a lower property valuation by the financier.
13. Funds under management; excludes ATO Building, loans to managed funds and Goulburn Asset.

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1.5 Pro forma capital structure on completion

The following table shows the pro forma capital structure of New 360 on completion of the Proposal and implementation of the ESP.

Existing Securities on issue at the date of the PDS and Prospectus (no.)	85,351,913
Securities to be issued under the Capital Raising (no.)	120,000,000
Securities to be issued to 360 Capital securityholders (no.)	21,380,603
Securities to be issued under the Employee Security Plan (no. up to)	22,000,000
Total ordinary Securities on issue after completion of the Transaction (no.)	248,732,516
Issue price of Securities under the Capital Raising (\$ per Security)	0.59
Equity value (\$m)	146.8
Debt on ATO Building (\$m)	22.5

1.6 Pro forma ownership structure on completion

The following table shows the pro forma ownership structure of New 360 on completion of the Proposal and implementation of the ESP.

	TGP		New 360	
	Securities ('000)	%	Securities ('000)	%
Tony Pitt/TT Investments Pty Ltd (incl ESP)	24,040	28.2%	51,421	20.7%
Other TGP Securityholders	61,312	71.8%	61,312	24.6%
New 360 employee share plan (excluding Tony Pitt)	0	0%	16,000	6.4%
New investors	0	0%	120,000	48.2%
Total	85,352	100.0%	248,733	100.0%

1.7 What is 360 Capital?

Source of information about 360 Capital

The information in this Section 1.7 has been provided to TGP by 360 Capital.

Structure

360 Capital is an unlisted property investment and funds management group comprising 360 Company and 360 Trust, currently 78.9% owned by AMB and 21.1% owned by TT (controlled by Tony Pitt).

360 Company undertakes all of the funds management activities over 10 funds and trusts containing 28 property assets in a diversified portfolio across office, retail and industrial sectors across Australia.

360 Trust holds the co-investments in these 10 funds and trusts, funds under management of approximately \$860 million and co-investments valued at \$59.9 million.

History

360 Capital was established by Mr Tony Pitt in June 2006 to focus on bottom-of-the-cycle property investment opportunities within Australia. During 2010, the business was restructured to form 360 Capital Property Group. In December 2010, 360 Capital completed the acquisition of Becton Property Group's \$1.0 billion property funds management platform and co-investment stakes.

Since 360 Capital took over management of the underlying funds in December 2010, the key active asset and funds management successes designed to maximise Unitholder returns include:

- Extending the expiry term for five single-asset funds.
- Refinanced 10 funds/trusts, with seven refinanced over FY12 for \$445.9 million, for an average term of three years.
- Offered two limited liquidity facilities in 111 St George's Terrace.
- Listed the Industrial Fund to provide liquidity and avoid significant impact on unitholder value through the forced windup of the Fund.
- Reduced overall fund level borrowings from circa \$670 million to less than \$500 million.
- Sold 24 investments including 10 industrial assets, 10 office assets and 4 retail assets for a total of \$340.5 million.

- Acquired four high quality distribution centres for \$80.4 million as part of the Industrial Fund's repositioning prior to listing and two further assets for \$37.2 million post listing of the Industrial Fund.
- Raised a total of \$88.0 million in equity since listing the Industrial Fund in December 2012 as part of the Fund's deleveraging and repositioning strategy.
- Reinstated and/or increased distributions in five funds/trusts.
- Re-leased in excess of 225,000 sqm across the portfolio of funds.

Management team

360 Capital has a management team with an average of over 16 years experience in Australian property and funds management. 360 Capital employs 15 people and manages approximately \$860 million of funds under management ("FUM") across 10 funds comprising 28 property assets. Details regarding key personnel are described in sections 3.9 and 3.10 of the PDS and Prospectus.

360 Capital believes that this funds management team could readily be scaled up to manage further acquisitions and/or undertake corporate initiatives and redeploy capital with the aim of maximising unitholder and 360 Capital securityholder returns.

Funds and trusts

The following table provides a summary of the information most recently published by 360 Capital for each of the funds or trusts managed by 360 Capital and the extent of 360 Capital co-investments:

	Total Assets (\$m)	Look Through Ownership interest ¹	LVR	Fund Expiry
Direct Investments				
111 St George's Terrace	138.4	40.8%	47.0%	Jan 17
Diversified Fund	70.3	58.9%	12.9%	Open-ended
Developments Income Fund	51.2	9.6%	53.7%	Feb 83
Managed Funds				
Industrial Fund	347.1	8.7%	46.9%	Open-ended
Office Fund	98.7	25.8%	48.3%	Apr 14
441 Murray Street	26.9	21.0%	36.9%	Oct 16
Subiaco Square	27.7	14.2%	51.3%	Dec 15
Havelock House	22.7	15.7%	50.4%	May 17
Canberra Trust	42.0 ²	12.8%	55.0% ²	Jun 70 ³
Retail Fund	37.5	21.6%	59.0%	Feb 14

Notes:

1. Combined direct and indirect interest.

2. On 14 August 2013, LVR increased to 58.6% following the adoption of a lower property valuation by the financier.

3. February 2014 review event.

For further information about each of the funds managed by 360 Capital and the extent of 360 Capital co-investments, please refer to section 3 of the PDS and Prospectus.

Financial Position

360 Capital's (unaudited) net assets attributable to stapled securityholders at 31 May 2013 were \$60.9 million. Further information on the historical financial position of 360 Capital can be found in sections 4.4 and 4.5 of the PDS and Prospectus.

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1.8 Capital Raising

The Acquisition will be funded by an underwritten, conditional institutional equity raising by TGP ("Capital Raising").

TGP has retained Moelis Australia Advisory Pty Ltd ("Moelis") as manager and underwriter for the Capital Raising. Just prior to the issue of this notice of meetings, Moelis conducted a book build among institutional investors and obtained commitments from institutional investors to subscribe for up to 120,000,000 Securities at an issue price of \$0.59 per Security to raise \$70.8 million.

The Securities to be issued pursuant to the Capital Raising will in all respects have the same rights as the Securities then on issue including full entitlement to the distribution for the quarter ending 30 September 2013 forecast to be 1.25 cents per Security. The issue will occur on or around 2 October 2013 or shortly thereafter, and in any event no more than three months after the meeting.

TGP has prepared the PDS and Prospectus for the Capital Raising and to satisfy the requirements of the ASX Listing Rules (see Section 2.2 below).

Existing Securityholders are not invited to participate in the Capital Raising. Thus existing Securityholders need not contribute further capital in connection with the Proposal. The Transaction (including the Capital Raising) is expected to be neutral to the NTA of Securityholders resulting in a pro forma NTA of \$0.59 per Security.

TGP believes that the increase in institutional investment in TGP will benefit all Securityholders.

1.9 Evaluation of the Proposal

The financial position, investments, business, personnel and prospects of New 360 are described in the PDS and Prospectus. Securityholders should refer to the PDS and Prospectus to assist them in deciding how to vote on the Proposal.

(a) Potential benefits of the Proposal

The Committee of Independent Directors believes that the Proposal offers the following potential benefits to Securityholders:

Expanded prospects for growth

New 360 will manage an expanded range of businesses, adding real estate investment management, real estate funds management and additional co-investment assets to its direct property portfolio and also adding capabilities in debt products. Since New 360 will manage a range of businesses over and above the existing investment portfolio, and each of these businesses has the opportunity to grow, implementation of the Transaction provides the potential to increase returns to Securityholders.

Diversification of income streams

TGP currently derives its income solely from the ownership of two assets, one of which is 100% vacant. The Transaction will result in Securityholders gaining interests in additional income streams over and above those currently held. This diversification is expected to strongly reduce TGP's risk profile.

Potential re-rating

New 360's net assets are forecast to increase to \$147.8 million and market capitalisation is expected to increase 255% from \$41.4 million⁹ to \$146.8 million (assuming a market price of \$0.59). New 360's enlarged scale and liquidity is likely to be of greater interest to institutional investors, and their greater interest could create increased demand for Securities and thereby potentially further increase liquidity and value for investors depending on various factors such as general market perceptions.

No impact of the Proposal on NTA per Security

The Capital Raising is being conducted at TGP's pre-Acquisition pro forma 31 May 2013 NTA per Security of \$0.59, as compared with past capital raising prices for illiquid A-REITs, which have often been set well below NTA per Security, resulting in significant value erosion for Securityholders.

(b) Potential disadvantages of the Proposal

The Committee of Independent Directors has identified the following potential disadvantages or risks of the Proposal, as set out in more detail in section 6 of the accompanying PDS and Prospectus:

- Completion risk
- Reliance on information provided
- Reliance on forecasts
- Assumption of 360 Capital's liabilities
- Replacement of responsible entities
- Change of control risk
- Integration risk
- Key personnel risk

Specific fund-level risks

In particular, risks within the Diversified Fund, Office Fund, Retail Fund and Canberra Trust.

Specific risks for New 360

These risks include those associated from investments in managed funds, leverage, debt refinancing and renewals, change in value of properties, property related risks, unforeseen environmental issues, the fixed nature of costs, capital expenditure, reliance on third party equity and funds, financial forecasts, insurance risk and the risk of litigation and disputes.

9. Calculated using TGP closing price on 15 August 2013 of \$0.485 and current TGP securities on issue of 85,352,000.

Dilution of current TGP ownership interests

Further to section 1.6, the Transaction is expected to reduce the ownership interest of TGP Securityholders not associated with Tony Pitt from 71.8% to 24.6%, with new investors expected to hold 48.2% of Securities. Notwithstanding, the Transaction is expected to be NTA-neutral (see section 1.1 of the accompanying PDS and Prospectus) and FY14 distributions are expected to increase 25.0% from 4.0cpu to 5.0cpu (see Section 1.4 of the notice of meetings and section 1 of the accompanying PDS and Prospectus).

Foreign holders

Securityholders whose registered address is outside Australia may be adversely affected because the TOF4 Restructure could involve the sale of their entire holding of Securities on market through a nominee if TGP considers that it would be unreasonable to make offers of TPF12 units to TOF4 Unitholders as part of the TOF4 Restructure. For more information in relation to this, please refer to Section 4.3.

1.10 Consequences if the Proposal is not approved

If the Proposal is not approved, TGP and 360 Capital will remain as separate entities and TGP will continue to operate as it currently does.

If this was to occur, TGP's asset sale strategy would remain in place and the expected improvements in Securityholder returns from the Proposal as listed above would not occur.

1.11 How has the TGP board evaluated the Proposal?

360 Capital is currently 78.9% owned by AMB and 21.1% by TT. TT, and entities associated with it, currently own 28.2% of TGP Securities on issue. TT is controlled by Tony Pitt, who is Managing Director and an Executive Director of 360 Capital as well as non-executive Director of TGP.

In adherence to appropriate corporate governance for the Proposal, TGP has established a Committee of Independent Directors to evaluate the Proposal to see whether it is a superior strategy to close the NTA gap and improve the trading price of Securities on the ASX as well as ensuring it is in the best interest of Securityholders. The Committee of Independent Directors comprises:

Mr David van Aanholt	Independent Chairman
Mr Graham Lenzner	Independent Director

Mr David van Aanholt considers that his role as an external director (for the purposes of section 601JA of the Corporations Act) of 360 Capital does not affect his independence in considering and making recommendations in relation to the Proposal. Mr Tony Pitt has previously declared he is not an independent director of TGP. Tony Pitt represents the interests of TT. Therefore Mr Pitt has declared his conflict and has excluded himself from decisions which the TGP Board makes in regard to the Proposal and is not a member of this Committee.

1.12 Directors' interests

Refer to section 11.7 of the PDS and Prospectus for details of the interests of directors in the Proposal.

1.13 Interests and Consent of experts

Loneragan Edwards & Associates Limited will receive fees of approximately \$155,000 in connection with the preparation of its Independent Expert's Report contained in Appendix 3.

Loneragan Edwards & Associates Limited has given and, at the date of this document, has not withdrawn its consent to be named in this document in the form and context in which it is named and to the inclusion of its Independent Expert's Report and statements based on that report in the context in which that report and those statements appear.

Ernst and Young will receive fees of approximately \$0.1 million in connection with the preparation of Taxation Report in Appendix 4.

Ernst and Young has given and, at the date of this document, has not withdrawn its consent to be named in this document in the form and context in which it is named and to the inclusion of its Taxation Report and statements based on that report in the context in which those statements report and that appear.

1.14 Directors' recommendation

The Committee of Independent Directors of TGP considers the Proposal to be in the best interests of Securityholders and recommends that Securityholders vote in favour of each of Resolutions 1 to 9 (inclusive).

1.15 Independent Expert's recommendation

An Independent Expert's Report has been prepared by Loneragan Edwards & Associates Limited. The report concluded that:

"The Proposed Acquisition is fair and reasonable for TPG's non-associated Securityholders."

The Independent Expert's Report is set out in full in Appendix 3.

Securityholders are encouraged to read the Independent Expert's Report in full.

1.16 Information about particular resolutions

Please refer to Section 2 for information about specific aspects of the Proposal (including a description of New 360 if the Proposal is approved) and Resolutions 1 to 9 (inclusive).

2. TGP Securityholder approval and resolutions

2.1 Approval of Acquisition

360 Capital is 78.9% owned by AMB and 21.1% owned by TT. AMB and TT are acting in concert in relation to the Acquisition. TT, directly and through a wholly owned subsidiary, currently owns 28.2% of TGP Securities on issue. TT is controlled by Mr Tony Pitt, who is managing director of 360 Capital and also a non-executive Director of TGP.

Two aspects of the Acquisition therefore require approval of Securityholders under the ASX Listing Rules about transactions with people of influence.

First, the acquisition of all 360 Capital securities by TGP requires approval by ordinary resolution of Securityholders pursuant to ASX Listing Rule 10.1. The Independent Expert's report at Appendix 3 is also required by ASX Listing Rule 10.1.

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Second, the issue of Securities as part of the consideration for the Acquisition requires approval by ordinary resolution of Securityholders under ASX Listing Rule 10.11. For this approval, the following information is required by ASX Listing Rule 10.13:

- **The name of the person receiving the TGP Securities:** TT Investments Pty Limited ACN 098 158 028 as trustee of the TT Investment Trust.
- **The maximum number of securities to be issued:** 21,380,603 Securities.
- **The date by which TGP will issue the securities:** Securities are expected to be issued to TT on the second business day following Securityholder approval but in any case no later than one month after Securityholder approval.
- **The relationship that requires the approval to be obtained:** TT is a related party of TGP on the basis set out above.
- **The issue price of the securities and a statement of the terms of the issue:** Securities will be issued to TT at a ratio of 2.5 Securities for every 1 360 Capital security. Securities issued to TT will in all respects have the same rights as the Securities then on issue (including entitlement to TGP's quarterly distribution for the period ending 30 September 2013).
- **The intended use of the funds raised:** Funds raised by the issue of Securities to TT will be applied toward the acquisition by TGP of 8,552,241 stapled securities in 360 Capital from TT.

The Independent Expert's Report of Lonergan Edwards & Associates Limited (see Appendix 3) has concluded that the Proposed Acquisition is fair and reasonable for TGP's non-associated Securityholders. Securityholders are encouraged to read the Independent Expert's Report in full.

The Committee of Independent Directors of TGP has concluded that the Acquisition has a number of potential advantages for Securityholders that outweigh any potential disadvantages. Please see Section 1.9.

2.2 Change of nature and scale of activities

The Proposal involves a change of nature and scale of activities of TGP which requires approval by ordinary resolution of TGP securityholders under ASX Listing Rule 11.2.

TGP has been advised by ASX that TGP is required to prepare a product disclosure statement and prospectus pursuant to ASX Listing Rule 11. For further information in relation to this, please refer to Section 4.

Full information regarding the change in the nature and scale of TGP's change of activities and its effect on future potential earnings is set out in the PDS and Prospectus. A copy of the PDS and Prospectus accompanies this notice of meetings.

2.3 Related party transaction approval

Chapter 2E of the Corporations Act

TGP seeks member approval under Chapter 2E of the Corporations Act.

Chapter 2E prohibits the Company or the Trusts from giving a financial benefit to a related party of the Company or to a related party of the responsible entity of the Trusts without

member approval, unless member approval is not needed because the financial benefit is given on terms that would be reasonable in the circumstances if the Company and the Trusts were dealing at arm's length with the related parties.

Required information

Section 219 of the Corporations Act 2001 requires this explanatory memorandum to set out the following in connection with Resolution 3 to approve a benefit under Chapter 2E of the Corporations Act.

The related parties to whom the proposed resolution would permit financial benefits to be given

TT

Mr Tony Pitt is a non-executive director of TGP (ie of the Company and of the responsible entity of each Trust). Mr Pitt is therefore a related party.

TT Investments Pty Ltd as trustee of the TT Investment Trust ("TT") is controlled by Mr Tony Pitt and is therefore a related party.

It is also relevant that TT, directly and through a wholly-owned subsidiary (Pentagon Financial Services Pty Limited), currently owns 28.2% of TGP Securities on issue.

AMB

AMB has no direct connection with TGP and is not itself in a position to influence decisions of TGP.

However, AMB and TT are parties to a share and unitholders' agreement regulating their relationship and conferring management control of 360 Capital on entities controlled by Mr Tony Pitt.

TGP therefore considers that AMB and TT may together comprise an entity controlled by a related party, Mr Tony Pitt, so that AMB and TT comprise a related party of the Company and the Trusts, or alternatively, that AMB may be a related party of the Company and the Trusts because AMB acts in concert with TT (a related party of the Company and the Trusts) on the understanding that TT will receive a financial benefit if the Company and the Trusts give AMB a financial benefit.

The nature of the financial benefits

TT

TT will receive 21,380,603 Securities as consideration for the acquisition by TGP of 8,552,241 stapled securities in 360 Capital Group from TT. Based on a price of \$0.59 per Security, the value of this benefit is approximately \$12,614,556.

TT will also receive \$1,199,243 in loan repayments in connection with the Proposal.

AMB

AMB will receive \$44,899,265 in cash as consideration for the acquisition by TGP of 32,070,904 stapled securities in 360 Capital Group from AMB.

AMB (and related entities) will also receive \$11,350,000 in loan repayments in connection with the Proposal.

The recommendations of each director of the Company and responsible entities of the Trusts

Name of Director	Recommendation/ Availability	Reasons
David van Aanholt	Vote for Proposal	See reasons of Committee of Independent Directors below
Graham Lenzner	Vote for Proposal	See reasons of Committee of Independent Directors below
Tony R Pitt	Abstain	Mr Pitt supports the Proposal but cannot make a recommendation due to his conflict of interest in the Proposal

The interest of each director in the outcome of the resolution:

Name of Director	Whether Interested	Nature of Interest
David van Aanholt	No	Is a non-executive Director of 360 Capital. Not regarded as having an interest in the Proposal.
Graham Lenzner	No	An independent director of TGP. Not regarded as having an interest in the Proposal.
Tony R Pitt	Yes	A party to the Acquisition as described in this Notice of Meeting

Note: All directors could be regarded as having some personal interest in the Proposal in that if the Proposal is approved they have prospects of remaining as directors of New 360 and receiving directors' fees and potential participation in the ESP into the future. That interest is not regarded as material in completing the above table.

Refer to section 11.7 of the PDS and Prospectus for details of directors' interests in TGP.

All other information known and reasonably required

Why give the benefits to TT and AMB?

The giving of the benefits to TT and AMB is part of the Acquisition as the benefits are the consideration for the acquisition of 360 Capital. The reasons for entering into the Acquisition are explained in this notice of meetings.

The Committee of Independent Directors comprising David van Aanholt and Graham Lenzner refers Securityholders in particular to:

- Section 1.9 for the advantages and disadvantages to Securityholders of the Proposal; and
- Section 1.10 for the implications of not proceeding with the Proposal.

What features of the Acquisition are not on arms' length terms?

TGP has conducted due diligence on 360 Capital and the Committee of Independent Directors have formed the view that the Acquisition is in the best interest of Securityholders. However, the Committee of Independent Directors is concerned that the provisions of the Security Sale Agreement (summarised in Section 11.6(c) of the PDS and Prospectus) may not be regarded as equivalent to arm's length terms due to features such as the limited warranties given by AMB and TT and the short period for notification of claims; and, for the cash consideration to be paid to AMB, the absence of any escrow fund holding back part of the cash consideration as a source of payment for any claims by the Company or the Trusts.

Committee of Independent Directors' reasons for supporting the Proposal

The Committee of Independent Directors:

- is unanimously of the view that the Proposal is in the best interests of Securityholders and that the consideration for the Acquisition is a benefit that would be reasonable in the circumstances if the Company and the Trusts, and AMB and TT, were dealing at arm's length; and
- refers Securityholders to the report of the Independent Expert Lonergan Edwards & Associates Limited contained in Appendix 3. The Independent Expert has concluded that the Proposed Acquisition is fair and reasonable for TGP's non-associated Securityholders. Securityholders are encouraged to read the Independent Expert's Report in full.

2.4 Amendment of constitution of Trafalgar Platinum Fund No.12 ("TPF12")

It is proposed that the current constitution of TPF12 will be modified to insert provisions to implement the Proposal.

In addition, the Committee of Independent Directors of TGP believes that the current constitution should be replaced with a new constitution with provisions in line with recent developments in law and market practice.

The new constitution is summarised in Section 11.1 of the PDS and Prospectus. The material differences between the current constitution and the new constitution are summarised in Appendix 1, with some comments. The proposed new constitution is set out in the supplemental deed poll which is available for inspection on TGP's website at www.trafalgarcorporate.com.

2.5 Amendment of constitutions of Trafalgar Opportunity Fund No. 4 ("TOF4")

Outline of TOF4 Restructure

The Board sees advantages for TGP in simplifying TGP's stapled structure to comprise only the Company and TPF12 instead of the Company, TPF12 and TOF4 ("TOF4 Restructure"). If approved by Securityholders, the TOF4 Restructure will be implemented immediately prior to completion under the Security Sale Agreement and the issue and allotment of Securities under the Capital Raising.

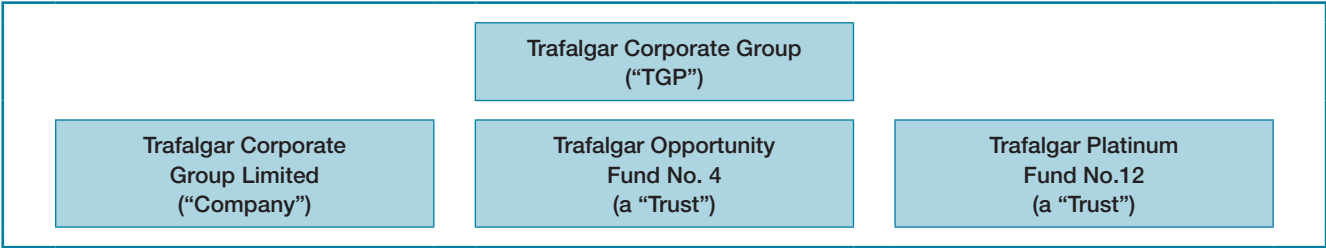
Explanatory Memorandum

Implementation of the TOF4 Restructure is conditional on Securityholders approving other aspects of the Proposal. As part of the TOF4 Restructure, it is proposed that:

- TOF4 be destapled; and
- TPF12 acquire from Securityholders all units in TOF4, in return for the issue by TPF12 of units in TPF12 (such units to be consolidated after issue to preserve TGP's 1:1 stapling ratio).

TOF4 will then become a subsidiary trust of TPF12. The TOF4 Restructure is shown in the following diagrams.

BEFORE



AFTER



It is proposed to modify TOF4's constitution to insert provisions to give effect to the TOF4 Restructure. The proposed provisions are set out in the supplemental deed poll which is available for inspection on TGP's website at www.trafalgarcorporate.com. For more information regarding the tax consequences of the TOF4 Restructure, please refer to the Taxation Report contained in Appendix 4.

Foreign TGP Securityholders

Securityholders whose registered address is outside Australia may be adversely affected by the TOF4 Restructure because the TOF4 Restructure could involve the sale of their entire holding of securities on market through a nominee if TGP considers that it would be unreasonable to make offers of TPF12 units to TOF4 unitholders as part of the TOF4 Restructure. For more information in relation to this, please refer to Section 4.3.

2.6 Replacement of Trafalgar Corporate Group Limited's constitution

If the Proposal is approved the Company's constitution will be replaced with a new constitution including provisions to implement the Proposal and also varying the current constitution in other ways.

The Committee of Independent Directors of TGP believes that the Company constitution should be replaced with a new constitution.

The current constitution and the proposed new constitution of the Company are available for inspection on TGP's website at www.trafalgarcorporate.com.

2.7 Approval of change of name of Company

It is proposed that Trafalgar Corporate Group Limited (the Company) will change its name to "360 Capital Group Limited".

The proposed name change follows the acquisition of 360 Capital by TGP.

2.8 Approval of change of Responsible Entity

To implement the proposal, Trafalgar Managed Investments Limited proposes to retire as responsible entity of TPF12 and of TOF4 so that 360 Capital Investment Management Limited (AFSL No 340304) can take its place.

360 Capital Investment Management Limited acts as responsible entity of some funds managed by 360 Capital. The change will facilitate amalgamating the existing banking facilities of TGP and 360 Capital upon implementation of the Proposal as well as reducing the cost of administering multiple responsible entities.

Resolutions 8 and 9 will not proceed unless 360 Capital Investment Management Limited has obtained the necessary modification to the terms of its Australian financial services licence prior to the meeting.

The Committee of Independent Directors of TGP believes that the change of responsible entity is in the interests of Securityholders and recommends that Securityholders vote in favour of this change.

3. Approval of Employee Security Plan

3.1 Summary

If the Proposal is approved, TGP proposes to adopt an Employee Security Plan ("ESP") which, amongst other things, allows TGP to lend funds to Eligible TGP Employees to acquire Securities. TGP is seeking Securityholder approval for the ESP as Resolution 10.

The issue of Securities under the ESP at or shortly after completion of the Proposal will be issued at \$0.59 per Security with Eligible TGP Employees also entering into a limited recourse loan from TGP for the same amount for a period of three years (which can be extended by the Board).

It is proposed to issue 6,000,000 Securities under the ESP to Mr Tony Pitt as Managing Director and 6,000,000 Securities to Mr Ben James as Chief Investment Officer simultaneously with the allotment of Securities under the Capital Raising. It is also proposed to issue 100,000 Securities to each current and proposed Independent Non-Executive Director under the ESP. The proposed Independent Non-Executive Directors are Mr John Ballhausen and Mr Andrew Moffat.

It is proposed that up to 9,600,000 Securities be issued under the ESP to employees who are not directors or the Chief Investment Officer. These employees include (but are not limited to) the key management (other than Mr Tony Pitt and Mr Ben James) described in Section 3.10 of the PDS and Prospectus.

For more information regarding remuneration of the proposed managing director and of non-executive directors, refer to section 11.7 and 11.8 of the PDS and Prospectus. For a more detailed summary of the ESP, please refer to Appendix 2. The proposed performance hurdles for the ESP are set out in section 11.3 of the PDS and Prospectus.

3.2 Information required by ASX Listing Rule 10.15A

ASX Listing Rule 10.15A requires the notice of meeting to include the following information:

- Mr David van Aanholt, Mr Graeme Lenzner and Mr Tony R Pitt are directors of TGP;

- **The maximum number of Securities that may be acquired by each of those persons is:** A total of 6,200,000 Securities, which represents 2.5% of the 248,732,516 Securities that are expected to be on issue immediately after the Capital Raising and implementation of the Proposal.
- **The price (including a statement whether the price will be, or be based on, the market price) or the formula for calculating the price, for each security to be acquired under the scheme will be:** The weighted average of the prices at which Securities were traded on the ASX during the one week period up to and including the day the Securities are issued or transferred to the eligible employee. The plan gives the Board the power to determine another issue price, but the Board will not exercise that power for these issues.
- **The names of all directors, associates of directors or other persons whose relationship is such that approval should be obtained who are to be entitled to participate in the scheme are:**

Directors	Number of Securities
Mr Tony R Pitt (continuing)	6,000,000
Mr David van Aanholt (continuing)	100,000
Mr Graeme Lenzner (continuing)	100,000
Mr John Ballhausen (proposed)	100,000
Mr Andrew Moffat (proposed)	100,000

- **The terms of any loan in relation to the acquisition are:** The Board may, in its discretion, invite any eligible participant to subscribe for or acquire Securities under the ESP and to apply for a loan in respect of part or all of the purchase price of the Securities. Interest on the loan will be an amount equivalent to distributions paid on the Securities and distributions must be applied in payment of that interest. Capital distributions (if any) must be applied in repayment of the loan. The loan must be repaid on the earlier of a sale of the Securities or the participant ceasing to be employed (unless the Board determines a later date). Any Securities that do not vest and are forfeited because performance conditions are not met are to be sold on market and the proceeds applied to repay the loan.

Details of any Securities issued under the ESP will be published in each year end report of TGP relating to a period in which Securities have been issued, with a statement that approval for the issue of Securities was obtained under ASX Listing Rule 10.14.

Any additional persons referred to in ASX Listing Rule 10.14 who become entitled to participate in the ESP after Resolution 10 has approved the employee security scheme and who are not named in this notice of meetings will not participate until further approval is obtained under ASX Listing Rule 10.14.

TGP will issue the Securities no later than three years after the date of the meeting.

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3.3 Information required by ASX Listing Rule 7.3

The following information is provided for ASX Listing Rule 7.3:

- A summary of the terms of the Employee Security Plan is set out in Appendix 2;
- The Securities issued pursuant to the Employee Security Plan will be issued in all respects on the same terms as Securities then on issue;
- Funds raised from the issue of Securities under the Employee Security Plan will be used for working capital purposes; and
- Securities will be issued under the Employee Security Plan on the date of implementation of the Proposal which is expected to be six business days after the meeting, and then progressively.

3.4 Information required under section 200E of the Corporations Act

Under sections 200B and 200E of the Corporations Act, the Company can only give a benefit to a member of key management personnel in connection with retirement from office or employment in the Company with prior Shareholder approval or if any of a number of exceptions apply. Accelerated vesting or automatic vesting of Share based payments may in some cases be a benefit of this kind. Resolution 10 provides for such approval.

Participants in the ESP may become entitled to accelerated vesting or automatic vesting of their Securities if there is a change in control of the Company or if there is a change in the nature and scale of TGP, or in other circumstances determined by the Board. However those participants in the ESP who are key management personnel may not be able to receive this benefit which is open to all other ESP participants unless the benefit is approved by Securityholders. Refer to Appendix 2.

Key management personnel are anticipated to include Mr Tony Pitt, each non-executive director and Mr Ben James (Chief Investment Officer), Ms Emma Shipley (Chief Financial Officer) and Mr Alan Sutton (Company Secretary).

Approval is sought for any of the directors and executives named in sections 3.9 and 3.10 of the PDS and Prospectus who retire from office or employment with the Company and are then or have been at any time in the three years before his or her retirement, a key management personnel so they may receive any benefit arising under the ESP that is a retirement benefit for Section 200B.

In relation to Tony Pitt and Ben James, they may elect for their Securities to immediately vest where there circumstances which are likely to result in a change of control of TGP. In addition, where their contracts are terminated by them or terminate following a change of control and they hold Securities under the Plan which have not vested, then those Securities will continue to be held subject to the Plan and the loan will continue as if their contracts did not terminate. This will also be the case where their contracts are terminated by the Company without cause or terminate following a change of circumstances unless the employees otherwise determine that their Securities should immediately vest. These benefits are in addition to Tony Pitt's entitlements under his employment agreement (see section 11.7(b) of the PDS and Prospectus).

The value of the benefit will depend on the number of Securities that may vest, and the market value of Securities at the time of cessation of employment, less the amount of any loan that must be repaid. The approval of the Employee Security Plan in respect of executive directors and employees is also intended to bring the Employee Security Plan within the exception for financial assistance in Section 260C(4) of the Corporations Act.

3.5 Evaluation of the ESP

The Committee of Independent Directors of TGP believes that the ESP offers the following potential advantages and disadvantages to Securityholders.

Potential advantages	Potential disadvantages
The issue of Securities to eligible employees of TGP offers the potential benefits to Securityholders of alignment of interests, an incentive for employees to maximise Securityholder returns and retention of key experienced staff.	The issue of Securities to eligible Employees at \$0.59 could disadvantage Securityholders by diluting overall ownership in New 360.

3.6 Recommendation of Independent Directors of TGP

The Directors decline to give a recommendation in relation to Resolution 10 because, consistent with ASIC guidance, the Directors consider it good practice not to make a recommendation on resolutions regarding other Directors' remuneration.

4. Other formalities

4.1 Backdoor listing

ASX considers the Proposal to be a backdoor listing and requires TGP to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if it were applying for admission to the official list. If Securityholders approve the resolutions required to implement the Proposal, then TGP will be suspended from quotation from the date of the meeting until TGP can demonstrate that it complies with Chapters 1 and 2 of the ASX Listing Rules. TGP expects that it will be able to satisfy ASX of this shortly after the meeting.

4.2 Chapters 1 and 2 of ASX Listing Rules

Among other things, Chapters 1 and 2 of the ASX Listing Rules require TGP to:

- (a) ensure that all Securities on issue after implementation of the Proposal each have a price of not less than \$0.20;
- (b) satisfy the spread test set out in the ASX Listing Rules;
- (c) prepare a prospectus/PDS;
- (d) demonstrate that it has an appropriate structure and appropriate operations;
- (e) satisfy either of the tests set out in the ASX Listing Rules in relation to profitability or asset value; and
- (f) demonstrate that the directors and proposed directors of TCGL and the Responsible Entity are of good fame and character.

While TGP expects that it will be able to satisfy ASX that it complies with Chapters 1 and 2 of the ASX Listing Rules shortly after the meeting, TGP will not will not issue Securities as part of the Transaction until it has received conditional confirmation from ASX that, subject to compliance with conditions imposed by ASX, TGP will comply with Chapters 1 and 2 of the ASX Listing Rules. There is a risk that TGP will be unable to comply with Chapters 1 and 2 of the ASX Listing Rules. Should this occur, Securities will not be traded on ASX until such time as those requirements can be met.

4.3 ASIC relief

In order to undertake the TOF4 Restructure, TGP has sought and obtained relief from the requirements of section 601FC(1)(d) of the Corporations Act in relation to the treatment of Securityholders whose registered address is outside of Australia ("Foreign Members"). The effect of this relief is that where TMIL considers that, in respect of Foreign Members, it would be unreasonable to make an offer of TPF12 units to TOF4 unitholders as part of the TOF4 Restructure, it may issue such units to a nominee for the Foreign Members. If the resolutions required to implement the Proposal are approved by Securityholders, then Foreign Members may have their entire holding of Securities sold on market by the nominee. If this is the case, then TCGL and TMIL are required to procure that the nominee sells such Securities in the ordinary course of trading on ASX as soon as is reasonably practicable but not later than 30 Business Days following the date of completion under the Security Sale Agreement. In addition, TCGL and TMIL are required to procure that the nominee remits the proceeds from any such sale to the Foreign Member as soon as is reasonably practicable after receipt by the nominee of the sale proceeds (rounded to the nearest cent) after deducting any applicable fees, brokerage, tax and other expenses. TCGL and TMIL have not yet entered into an agreement with a nominee so it is not possible to provide an estimate of any applicable fees, brokerage, tax or other expenses at this time. In respect of Foreign Members with a small holding of Securities, these costs may represent a significant amount of the current market value of your holding.

Appendix 1 – Summary of changes to the TPF12 constitution

The following table contains a summary of what are considered to be the material changes between the existing constitution of the Trafalgar Platinum Fund No. 12 and the proposed new constitution. Copies of the existing and proposed new constitutions for the Trafalgar Platinum Fund No. 12 may be found on TPG's website at www.trafalgarcorporate.com. Alternatively, please contact +61 2 9252 4211 for a copy of the existing and proposed new constitutions for the Trafalgar Platinum Fund No. 12.

Issue	Existing constitution	New constitution
Market Price	The market price of a security on a particular day means: - the weighted average price per security in that class for sales of that class on the ASX for the period of 10 ASX trading days prior to the relevant date; or - if: - securities in that class have not been quoted for at least 10 consecutive ASX trading days before the relevant day; or - in the responsible entity's opinion a determination as per the above would not provide a fair reflection of the current market valuation of the security, the price per security that an independent valuer determines to be the market price of the security on the relevant day.	The market price for an interest on a particular business day means: - the average of the daily weighted traded price for the period of 10 business days ending on the business day immediately prior to the relevant business day (this period can be extended, reduced or changed by the responsible entity if it believes the period is inappropriate in the circumstances); or - if a reputable investment bank or independent advisor determines that a measure of market price determined in accordance with the below is a more appropriate measure of market price for the purposes of ensuring a successful capital raising: - the price obtained pursuant to a bookbuild arranged by a reputable investment bank provided that the bookbuild is conducted in accordance with normal market practice for bookbuilds; or - an amount determined by an independent, qualified, experienced advisor as being the fair issue price.
Issue of units at other than Market Price	The Responsible Entity may issue units on a pro rata rights offer to all members at an issue price no less than 50% of the Market Price. The Responsible Entity may issue units upon the reinvestment of distributions at a discount of up to 10% of the otherwise applicable issue price.	A unit which forms part of a stapled security which is issued: - in accordance with the resolutions passed at the meeting to, amongst other things, approve the acquisition of the 360 Capital Property Group must be issued in the ratio of 2.5 stapled Securities for every stapled security in the 360 Capital Property Group; - in accordance with the resolution passed at the meeting to, amongst other things, approve the acquisition by the fund of the Trafalgar Opportunity Fund No. 4 must be issued at a price per Unit equal to the net asset value per Unit; and - in accordance with the resolution passed at the meeting to, amongst other things, conduct a capital raising for the Stapled Entity after the occurrence of the acquisitions set out immediately above must be issued at a price of \$0.59 per stapled Security.

Issue	Existing constitution	New constitution
Issue of units at other than Market Price <i>continued</i>	The Responsible Entity may issue units on a pro rata rights offer to all members at an issue price no less than 50% of the Market Price. The Responsible Entity may issue units upon the reinvestment of distributions at a discount of up to 10% of the otherwise applicable issue price.	in accordance with the resolution passed at the meeting to, amongst other things, approve and issue Stapled Securities under the ESP, must be issued at a price of \$0.59 per Stapled Security. <i>Comment: In accordance with the Corporations Act and ASIC policy, the Responsible Entity may issue units at other than their Market Price. This would enable the Responsible Entity to issue units at a price other than their Market Price in circumstances of a pro rata rights offer to all members, a placement, a security purchase plan and pursuant to the reinvestment of distributions. The Responsible Entity may determine the unit price in its discretion in these circumstances and there is no applicable maximum discount.</i>
Redemption and buy back of units	Members have no right to redeem. Any redemption opportunity offered to members will be at a redemption price based on the net asset value of the fund.	Members have no right to redeem. Any redemption opportunity offered to members will be at a redemption price based on the net asset value of the fund. <i>Comment: In accordance with applicable law and ASIC policy, the Responsible Entity may effect a buy back of units on or off market on terms as it determines.</i>
Valuation of scheme property	The Responsible Entity must have the fund property valued by a valuer at regular intervals appropriate to the nature of the fund property. The Responsible Entity must value the fund property at least once every three years.	The Responsible Entity may cause any of the scheme assets to be valued at any time (not limited to once a day).
Implementation of Restructure and other schemes, restructures and arrangements	The Responsible Entity may staple the Fund to another entity and operate the stapled entities as a single entity for all purposes and may unstaple the Fund from other entities with the approval of members.	The Responsible Entity has the power necessary to implement the TOF4 Restructure as described in Section 2.5 of this explanatory memorandum, including the power to issue units in the fund pursuant to the acquisition of TOF4, the acquisition of the 360 Capital Property Group and the capital raising. The Responsible Entity may also implement any scheme, restructure or other arrangement in respect of the Fund without the need for member approval. This may include stapling the Fund to other entities, transferring Fund assets, acquiring Fund assets, distributing Fund assets to members in specie or applying for and accepting transfer of securities in other entities or in the name of and on behalf of members. Each member appoints the Responsible Entity as its agent and attorney to effect any such scheme, restructure or arrangement.

Appendix 1 – Summary of changes to the TPF12 constitution

Issue	Existing constitution	New constitution
Implementation of Restructure and other schemes, restructures and arrangements <i>continued</i>	The Responsible Entity may staple the Fund to another entity and operate the stapled entities as a single entity for all purposes and may unstaple the Fund from other entities with the approval of members.	In connection with any scheme, restructure or other arrangement, the Responsible Entity may determine not to extend the offer or arrangement to foreign members to the extent the Responsible Entity considers that it would be unreasonable to do so or it cause any securities which would otherwise have been issued to foreign members as part of the consideration in respect of any scheme, restructure or arrangement to be issued to a nominee appointed by the Responsible Entity and arrange for that nominee to dispose of the securities and account to the foreign members for the net proceeds of such disposal. The liability of the Responsible Entity in implementing the TOF4 Restructure and any other scheme, restructure or arrangement is limited to its ability to be indemnified from the assets of the Fund.
Complying with anti-money laundering and other applicable laws	No existing provision.	At any time, the Responsible Entity may request from members, and members must promptly provide to the Responsible Entity, any information (including personal information and details) reasonably required by the responsible entity for the purposes of administering the scheme or complying with any relevant laws. Subject to the law, the Responsible Entity may in its discretion take such measures and exercise such powers as it considers necessary to enable the scheme and the responsible entity to comply with anti-money laundering laws
Process on winding up	As far as is reasonably practicable having regard to the interests of unitholders, the responsible entity must liquidate the Fund property within 180 days after the termination of the Fund but the responsible entity may extend that period if it thinks it is in the best interests of unitholders to do so.	The Responsible Entity is entitled to postpone the realisation of any of the Fund assets for the time that it thinks is desirable to do so in the interests of members and will not be responsible for any loss or damage attributable to that postponement unless it is caused by fraud, gross negligence or wilful default of the Responsible Entity.
Fee structure	The Responsible Entity is entitled to receive an application fee of 5% of the amount of all application monies. The Responsible Entity is entitled to a management fee of 0.6% per annum of the gross asset value. Upon sale of any property of the Fund, the Responsible Entity is entitled to a performance fee of 1.5% of the gross sale price of the relevant property where the sale price is at least 125% of the acquisition price of the relevant property.	The Responsible Entity is entitled to a management fee of 2% per annum of the gross asset value. In addition, upon the granting of a new lease or an extension of an existing lease of premises that form part of the Scheme Assets, the Responsible Entity will be entitled to a leasing fee of 15% of the Gross Income for the first year of any new or extended term of a lease. Subject to the Corporations Act and the ASX Listing Rules, the responsible entity may elect that for any period it considers appropriate it is to be issued units instead of cash in payment of any of its fees or payment of reimbursement of its expenses under the constitution. <i>Comment: The changes to the fee structure are not considered material in the context of New 360 as a stapled entity.</i>

Appendix 2 – Summary of the ESP

Purpose	The purpose of the Plan is to provide Eligible Employees with an opportunity to invest in securities in the Group and to share in the growth in value of the Group. They will be encouraged to improve the longer term performance of the Group and its returns to securityholders. It is intended that the Plan will assist the Group in attracting skilled and experienced employees.
Board	The Board means the board of directors of the Company, or a committee appointed by the board of directors of the Company for the purposes of this Plan.
Powers of the Board	The Board manages the Plan and is given express powers and discretions under the Plan.
Compliance	The Plan provides that Securities may not be issued, transferred or dealt with under the Plan if to do so would contravene the Corporations Act, the Listing Rules or any other applicable laws.
Eligible Employees	A director or secretary or other officer of the Group or a subsidiary or any other person who is determined by the Board to be an Eligible Employee for the purposes of the Plan.
Purchase Price of Securities	Unless otherwise determined by the Board, the Purchase Price of the Securities will comprise the "Issue Price" of a Security as defined in the Constitution of TPF12, plus brokerage and stamp duty costs (if any) incurred on the issue or transfer.
Loans	The Trust or such other entity as the Board determines may make a loan to an Eligible Employee of an amount not exceeding the Purchase Price of any Securities to be issued to or acquired by the Eligible Employee ("Participant") under the Plan.
Loan Interest	Interest will be payable on any Loan at an amount equal to any cash dividend or distribution of income (not capital) payable in connection with the Securities. Such distributions are paid to the Lender in satisfaction of the Interest.
Security	Until the Loan is repaid in full, the Group has a lien over all of the Securities held by a Participant to which the Loan relates. The Group will not require a Participant to give any mortgage or charge in respect of any Loan unless the Board determines otherwise.
Loan Repayment	The Loan must be repaid on the earlier of the Participant disposing of the Securities or the Participant ceasing to be employed by the Group or its Subsidiary, or such later date as the Board determines.
Non-Recourse	Subject to the Participant otherwise complying with the Plan Rules, the Group's recourse is limited to the proceeds of the disposal of the Securities.
Group can sell Securities	The Group may, acting on behalf of the Participant, dispose of the Securities of a Participant at the market value of those Securities: • if the Participant defaults in the repayment of any Loan; or • if Securities have not vested or a Loan remains outstanding, and the Participant either attempts to dispose of the Securities or ceases to be employed by the Group or a Subsidiary for any reason.
Exceptions	A Participant will be taken not to have terminated the Participant's employment if the Participant is then employed by, or holds an office with, another Subsidiary or the Group or is then seconded to a government department or instrumentality or to another company or is then employed by a joint venture company in which the Group holds a substantial interest.
Rights of Securities	Securities issued under the Plan will rank equally in all respects with all existing Securities from the date of allotment, including in relation to voting rights and entitlements to participate in distributions and dividends and in future rights issues and bonus issues.
Quotation	The Group must apply for quotation on the official list of the ASX of Securities issued in accordance with the Plan.
Disposal Restriction	A Participant must not, without the prior consent of the Board, dispose of any Securities until they have vested and until the Loan has been repaid in full and until any further period of restriction imposed by the Board has ended.
Holding Lock	The Group may instruct the share registry to apply a Holding Lock to the Securities while disposal restrictions apply.

Appendix 2 – Summary of the ESP

Performance Conditions	The Board may agree with a Participant from time to time the circumstances in which their Securities will vest. The Board may, subject to any agreement with a Participant to the contrary, impose and vary or waive such Performance Conditions as it determines.
Takeovers and Other Events	If a bidder serves a bidder's statement on the Group or the Board recommends that Securityholders accept any takeover bid or a takeover bid for Securities becomes unconditional or there are any other circumstances which the Board, in its absolute discretion, determines may affect any change of control of the Group; Or if there is a change in the nature or scale of the Group (as that is contemplated in Listing Rule 11.1) or a Court orders a meeting to be convened in relation to, or members approve, a proposed compromise or arrangement or constitution amendment for the purposes of, or in connection with: (i) a scheme which would, if it becomes effective, result in any person (whether alone or together with its related bodies corporate) owning all of the Securities of the Group; or (ii) a scheme for the reconstruction of the Group or its amalgamation with any other entity or entities; Or if any person becomes bound or entitled to acquire Securities under certain statutory provisions; then except to the extent the Board has already agreed with the relevant Participant, the Board may in its absolute discretion determine that, all or a specified number of a Participant's unvested Securities vest, having regard to all relevant circumstances, including whether performance is in line with any Performance Condition over the period of time from the date of acquisition of the Securities by the Participant to the date of the relevant event and the Board may impose conditions for payment of proceeds to reduce the Loan.
Overseas Employees	The Group, at the Board's discretion, may issue or transfer Securities to Eligible Employees who are resident outside of Australia and make rules, and determine procedures and documentation, for the operation of the Plan which are not inconsistent with these Rules to apply to Eligible Employees and Participants who are resident outside of Australia.
Custodian	The Board may appoint a Custodian to administer the Plan.
Policies	At all times Participants must comply with all policies of the Group relating to securities trading.
Termination	The Plan may be terminated at any time at the discretion of the Board and no compensation under any employment or services contract will arise as a result. In the event of any such termination, the Plan Rules will continue to operate with respect to any Securities issued or transferred under the Plan prior to that termination.
Acquisition Costs	Costs of acquisition and disposal of Securities are to be paid by Participants unless otherwise determined by the Board.
Taxes	The Group or a Subsidiary will have the power to withhold from amounts otherwise owing to the Participant, or to require the Participant to remit to it, an amount sufficient to satisfy all federal, state, local and foreign withholding tax requirements.
Agreement with participant	The Board has significant discretion in relation to the Plan and may agree with a Participant how the Plan will apply in respect of that Participant. This includes vesting conditions, acceleration of vesting, varying the circumstances in which participation in the Plan may lapse and determining the circumstances in which the Participant will receive the proceeds of sale in excess of their loan amount in circumstances where their Securities are sold where they cease to be employed.
Amendment	Subject the Listing Rules, the Board may amend, add to, delete or otherwise vary the Plan Rules at any time in any manner it thinks fit in its absolute discretion. With some exceptions, no amendment may be made which reduces the rights of Participants in respect of Securities acquired by them prior to the date of the amendment.
Governing Law	New South Wales

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The Independent Directors
Trafalgar Corporate Group Limited
Level 4, 111 Harrington Street
Sydney NSW 2000

19 August 2013

Subject: Proposed acquisition of 360 Capital Property Group

Dear Independent Directors

Introduction

- 1 We have been advised that Trafalgar Corporate Group (Trafalgar)¹ intends to enter into a conditional security sale agreement to acquire 100% of the securities on issue in 360 Capital Property Group (360 Capital)² (the Proposed Acquisition). The consideration to be offered by Trafalgar is:
 - (a) 2.5 Trafalgar securities for each 360 Capital security (Scrip Option); or
 - (b) \$1.40 cash per 360 Capital security (Cash Option).
- 2 360 Capital's two securityholders, AMB Property (Esplanade) Pty Limited (AMB) and TT Investments Pty Limited (TT Investments) as trustee of the TT Investment Trust (TT)³, will be given the option to elect to accept either the Scrip Option or Cash Option, not a combination of both. We understand that AMB will elect to take the Cash Option while TT will elect to take the Scrip Option. The Cash Option will be funded from the proceeds of a \$70.8 million fully underwritten institutional placement priced at \$0.59 per Trafalgar security (the Capital Raising).
- 3 Remaining proceeds from the Capital Raising, along with new drawn debt from refinancing Trafalgar's Australian Taxation Office (ATO) Regional Office Building (in Hurstville NSW) and existing cash will be used to fund the repayment of all existing debt within both Trafalgar and 360 Capital, the acquisition of the Lawson Loan⁴, working capital and the payment of transaction costs.

¹ 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.

² 360 Capital is a stapled security comprising a share in 360 Capital Property Limited and a unit in 360 Capital Investment Trust.

³ An entity controlled by Mr Tony Pitt, managing director of 360 Capital and non-executive director of Trafalgar.

⁴ An unsecured loan provided to the Developments Income Fund (which is described in Section IV).

Trafalgar

- 4 Trafalgar is an Australian Securities Exchange (ASX) listed property investment and development group with investment assets in Sydney and Goulburn. Pursuant to a strategy approved by securityholders in November 2010 to reduce the value gap between the Trafalgar security price and net tangible assets (NTA), the group has pursued an orderly and opportunistic realisation of its investment property portfolio. Trafalgar continues to position the two remaining assets of the group for sale.

360 Capital

- 5 360 Capital is an unlisted property investment and funds management group that concentrates on the strategic investment and active investment management of property and property related assets. Its independent Board of Directors and senior management team average over 16 years' experience in Australian property and funds management. 360 Capital currently employs 15 people with approximately \$860 million of funds under management (FUM) across 10 funds holding 28 properties⁵. It also holds significant co-investments in these funds (being direct or indirect investments in the funds).
- 6 360 Capital's securities are owned circa 79% by AMB and circa 21% by TT.

New 360

- 7 The Proposed Acquisition, if approved by Trafalgar securityholders, will significantly alter the nature and scale of Trafalgar's operations. Trafalgar's business operations will become diversified across additional income streams (property funds management and co-investments), across additional property asset classes (retail and industrial) and across Australian locations (all mainland States). Trafalgar will be renamed 360 Capital Group Limited (New 360).
- 8 Mr Tony Pitt will become the Managing Director of New 360 and lead the management team in executing New 360's strategy. He will also own approximately 20.7% of New 360 post completion of the Proposed Acquisition and Capital Raising (assuming that he accepts the Scrip Option and AMB exercises the Cash Option).
- 9 Mr David van Aanholt, will remain as Chairman.

Scope

- 10 AMB and TT are considered to be acting in concert in relation to the Proposed Acquisition. TT, directly and through a wholly owned subsidiary, currently owns 28.2% of Trafalgar's securities. TT is controlled by Mr Tony Pitt, who is managing director of 360 Capital and also a non-executive director of Trafalgar. As a consequence, the Proposed Acquisition is considered to be of a related party nature.

⁵ Excludes properties managed by Centuria.

- 11 Chapter 2E of the *Corporations Act 2001 (Cth)* (Corporations Act) and the ASX Listing Rules impose a requirement for related party transactions to be approved by those securityholders that are not considered a party to the transaction, i.e. the non-associated securityholders. The ASX Listing Rules also require an independent expert's report (IER) to be prepared⁶.
- 12 Accordingly, 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 Acquisition is fair and reasonable to Trafalgar's non-associated securityholders, together with the reasons for this opinion⁷.
- 13 Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent by Trafalgar to its securityholders in connection with the Proposed Acquisition. LEA is independent of Trafalgar, AMB, TT and Mr Tony Pitt and has no other involvement or interest in the transaction other than the preparation of this report.

Summary of opinion

- 14 LEA has concluded that the Proposed Acquisition is fair and reasonable to Trafalgar's non-associated securityholders. We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

- 15 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guideline 111 – *Content of expert reports* (RG 111), for the Proposed Acquisition to be "fair", the value of 360 Capital (on a 100% controlling interest basis) must be greater than or equal to the value of the consideration offered by Trafalgar. This comparison is set out below:

Assessment of fairness ⁽¹⁾			
	Low Cents	High Cents	Mid-point Cents
Value of 100% of 360 Capital	147	155	151
Value of consideration offered ⁽²⁾	135	144	140
Extent to which the value of 100% of 360 Capital exceeds (or is less than) the value of the consideration offered	12	11	11

Note:

- 1 Rounding differences may exist.
 2 Based upon 2.5 times our assessed range of the value of Trafalgar securities on a 100% controlling interest basis (which the Cash Option of \$1.40 lies within).

- 16 As the value of the securities acquired in 360 Capital (on a 100% controlling interest basis) exceeds the value of the consideration offered, in our opinion, the Proposed Acquisition is fair to Trafalgar's non-associated securityholders.

⁶ Chapter 2E of the Corporations Act does not require an IER to be prepared.

⁷ The scope of our report specifically excludes consideration of the Capital Raising to be undertaken by Trafalgar concurrent with the Proposed Acquisition. We note that existing Trafalgar securityholders will not be invited to participate in the Capital Raising.

Assessment of reasonableness

- 17 Pursuant to RG 111 the Proposed Acquisition is “reasonable” if it is “fair”. Consequently, in our opinion, the Proposed Acquisition is also reasonable to Trafalgar’s non-associated securityholders.
- 18 In considering whether the Proposed Acquisition is fair and reasonable to Trafalgar’s non-associated securityholders we have also had regard to other qualitative and strategic issues associated with the Proposed Acquisition and the extent to which, on balance, they may advantage or disadvantage Trafalgar’s non-associated securityholders. In summary, they are as follows:

Advantages

- (a) the effective issue price of Trafalgar securities under the Scrip Option component of the Proposed Acquisition approximates NTA value and reflects a premium of 18% to 24% as compared to recent ASX trading in Trafalgar securities
- (b) concurrent with the Proposed Acquisition, Trafalgar is undertaking a capital raising of up to \$70.8 million priced at \$0.59 per Trafalgar security. The issue price of \$0.59 per Trafalgar security represents a premium of 18% to the prevailing listed market price of Trafalgar of around \$0.50 per security
- (c) we consider it reasonable to conclude (at least in the immediate short-term) that subsequent to the Proposed Acquisition, Trafalgar will trade at or around the capital raising price of \$0.59 per security. For those Trafalgar securityholders wishing to realise their investment in the group, the Proposed Acquisition provides for an improved outcome relative to the current situation
- (d) in contrast, in the absence of the Proposed Acquisition, Trafalgar securityholders are primarily faced with a choice between:
 - (i) retaining their investment until such time Trafalgar is wound-up and the net proceeds distributed (and in the meantime implicitly subject to an effective single property risk and negatively impacted by ongoing Trafalgar corporate costs)
 - (ii) selling their relatively illiquid securities on market at prevailing prices (which are currently around \$0.50 per security)

Disadvantages

- (e) pursuant to the Proposed Acquisition (and associated Capital Raising) Trafalgar will move from a net cash to a net debt position. However, we consider the post transaction level of gearing to be conservative.

General

- 19 In preparing this report we have considered the interests of Trafalgar’s non-associated securityholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of Trafalgar’s individual securityholders.

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

Yours faithfully



Wayne Lonergan
Authorised Representative



Nathan Toscan
Authorised Representative

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I The Proposed Acquisition

Summary

- 22 We have been advised that Trafalgar intends to enter into a conditional security sale agreement to acquire 100% of the securities on issue in 360 Capital (the Proposed Acquisition). The consideration to be offered by Trafalgar is:
- (a) 2.5 Trafalgar securities for each 360 Capital security (Scrip Option); or
 - (b) \$1.40 cash per 360 Capital security (Cash Option).
- 23 360 Capital's two securityholders will be given the option to elect to accept either the Scrip Option or Cash Option, not a combination of both. We understand that AMB will elect to take the Cash Option while TT will elect to take the Scrip Option. The Cash Option will be funded from the proceeds of a \$70.8 million fully underwritten institutional placement priced at \$0.59 per Trafalgar security (the Capital Raising).
- 24 Remaining proceeds from the Capital Raising, along with new drawn debt from refinancing Trafalgar's ATO Regional Office Building (in Hurstville NSW) and existing cash will be used to fund the repayment of all existing debt within both Trafalgar and 360 Capital, the acquisition of the Lawson Loan⁸, working capital and the payment of transaction costs.

Conditions

- 25 The Proposed Acquisition is subject to a number of conditions, a summary of which follows:
- (a) Trafalgar securityholders approving all required resolutions by the requisite majorities at a duly convened meeting of securityholders
 - (b) Trafalgar receiving proceeds of not less than \$70.8 million pursuant to the Capital Raising; and
 - (c) all necessary regulatory approvals being obtained.
- 26 More detail on the above conditions is set out in the Notice of Meeting and Explanatory Memorandum (and Product Disclosure Statement and Prospectus) to be sent by Trafalgar to its securityholders in connection with the Proposed Acquisition.

⁸ An unsecured loan provided to the Developments Income Fund (which is described in Section IV).

II Scope of our report

Purpose

- 27 AMB and TT are considered to be acting in concert in relation to the Proposed Acquisition. TT, directly and through a wholly owned subsidiary, currently owns 28.2% of Trafalgar's securities. TT is controlled by Mr Tony Pitt, who is managing director of 360 Capital and also a non-executive director of Trafalgar.

Corporations Act

- 28 Chapter 2E of the Corporations Act prohibits (in all but limited circumstances) a public company from 'giving a financial benefit' to a 'related party' without the approval of the securityholders that are not considered a party to the transaction.
- 29 Giving a financial benefit to a related party includes buying an asset (e.g. 360 Capital) from a related party. Mr Tony Pitt is a non-executive director of Trafalgar and is therefore a related party. Trafalgar also considers AMB to be a related party due to the transaction structure of the Proposed Acquisition.
- 30 Whilst there is no specific requirement for an IER under the Corporations Act, the explanatory statement sent to securityholders must include all information that is reasonably required in order for securityholders to decide on whether or not it is in the entity's interests to pass the proposed resolution.

ASX Listing Rules

- 31 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.
- 32 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 as set out in the latest accounts provided to the ASX under the ASX Listing Rules. The value of the securities of 360 Capital that is proposed to be acquired by Trafalgar is considered substantial in this context.
- 33 ASX Listing Rule 10.10.2 requires that the notice of general meeting include a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated securityholders.

Our engagement

- 34 Given the above, the Independent Directors of Trafalgar have requested LEA to prepare an IER in accordance with ASX Listing Rule 10.10.2 stating whether, in our opinion, the Proposed Acquisition is fair and reasonable to Trafalgar's non-associated securityholders, together with the reasons for this opinion.
- 35 The scope of our report specifically excludes consideration of the Capital Raising to be undertaken by Trafalgar concurrent with the Proposed Acquisition. We note that existing Trafalgar securityholders will not be invited to participate in the Capital Raising.

- 36 This report has been prepared by LEA for the benefit of Trafalgar’s non-associated securityholders to assist them in considering the resolution to approve the Proposed Acquisition. 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.
- 37 The ultimate decision whether to approve the Proposed Acquisition should be based on each non-associated securityholders’ assessment of their own circumstances. If any non-associated securityholder is in doubt about the action they should take in relation to the Proposed Acquisition or matters dealt with in this report, they should seek independent professional advice.

Basis of assessment

- 38 In preparing our report, we have given due consideration to the ASX Listing Rules and Regulatory Guides issued by ASIC (in particular RG 111).
- 39 The ASX Listing Rules do not define the meaning of, or describe the test to be applied in determining whether a related party transaction is “fair and reasonable” to the non-associated securityholders. RG 111 however, expressly states that the assessment should not be based upon a composite test but rather on a separate assessment of whether the transaction is “fair” and “reasonable”. RG 111 further states that the transaction should not be assessed based simply upon a consideration of the advantages and disadvantages to the non-associated securityholders (as ASIC does not consider this to provide those securityholders with sufficient valuation information).
- 40 Pursuant to RG 111, a related party transaction such as that contemplated by Trafalgar:
- (a) is “fair” if the value of what is acquired by the entity from the related party is greater than or equal to the value of the consideration provided
 - (b) is “reasonable” if it is “fair”. It might also be “reasonable” if, despite being “not fair”, the expert believes there are sufficient reasons for the non-associated securityholders to vote in favour of the proposal.
- 41 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposed Acquisition is “fair and reasonable” to Trafalgar’s non-associated securityholders is to consider:

Fairness

- (a) the market value of 100% of the securities in 360 Capital
- (b) the market value of the consideration offered
- (c) the extent to which (a) and (b) differ, in order to assess whether the Proposed Acquisition is “fair” (i.e. whether the market value of 360 Capital is equal to or greater than the consideration offered by Trafalgar)

Reasonableness

- (d) the extent to which (if at all) the Related Parties are being issued securities in Trafalgar at a premium to the market price of Trafalgar
- (e) the Capital Raising being undertaken by Trafalgar concurrent with the Proposed Acquisition, in part to fund the Cash Option component of the Proposed Acquisition
- (f) the alternatives available to Trafalgar
- (g) the liquidity of the market in Trafalgar's securities
- (h) the impact of the Proposed Acquisition and associated Capital Raising on the ownership and control of Trafalgar
- (i) the financial position of Trafalgar post its acquisition of 360 Capital (for example, expected distributions per security, NTA per security, level of gearing etc)
- (j) other qualitative and strategic issues associated with the Proposed Acquisition and the extent to which, on balance, they may advantage or disadvantage Trafalgar's non-associated securityholders if the Proposed Acquisition proceeds or is rejected.

Limitations and reliance on information

- 42 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 43 Our report is also based upon financial and other information provided by or on behalf of Trafalgar and 360 Capital and their respective advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). 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.
- 44 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Acquisition. However, 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. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 45 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Acquisition, rather than a comprehensive audit or investigation of detailed matters.
- 46 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of 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.



- 47 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 48 In forming our opinion, we have also assumed that
- (a) the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects
 - (b) if the Proposed Acquisition becomes legally effective, it will be implemented in accordance with the terms set out in the Notice of Meeting and Explanatory Memorandum (and Product Disclosure Statement and Prospectus) to be sent by Trafalgar to its securityholders in connection with the Proposed Acquisition.

III Profile of Trafalgar

Overview

- 49 Trafalgar is an ASX listed property investment and development group with investment assets in Sydney and Goulburn.
- 50 Trafalgar securities (ASX Code: TGP) represent a stapled security comprising a share in Trafalgar, a unit in Trafalgar Opportunity Fund No.4 and a unit in Trafalgar Platinum Fund No.12.

Current activities

- 51 Pursuant to a securityholder approved strategy in November 2010 to reduce the value gap between the Trafalgar security price and NTA, the group has pursued an orderly and opportunistic realisation of its investment property portfolio. Trafalgar continues to position the two remaining assets of the group for sale.
- 52 A summary of the current investment and development property portfolio is set out below:

Trafalgar – current investment and development portfolio						
Property	Location	Asset type	Major tenant	Lease start date	Initial lease duration	Book value ⁽¹⁾ \$m
ATO, Hurstville	NSW	A-grade office	Cth Govt	Feb 05	10 years	44.00 ⁽²⁾
Goulburn	NSW	B-grade industrial	Vacant	n/a	n/a	4.75
Rhodes JV	NSW	Res development	n/a	n/a	n/a	0.80 ⁽³⁾
Subtotal (owned)						49.55
EDI Rail, Granville	NSW	A-grade industrial	EDI Limited	Sep 10	2 years	4.83
Total (owned plus sold but yet to settle as at 30 June 2013)						54.38

Note:

- 1 Book value is as at 30 June 2013.
- 2 Includes straight lined rent receivable which pursuant to accounting standards, Trafalgar is required to deduct from the assessed value of the property and separately categorise (as an “other asset”).
- 3 Represents Trafalgar’s 50% interest in the joint venture.

Source: Trafalgar. n/a – not applicable.

- 53 Brief descriptions of the respective properties are set out below.

ATO Regional Office, Hurstville, NSW

- 54 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 and is 100% owned by Trafalgar.
- 55 The building is fully leased to the ATO until February 2015, with two five year lease extension options. Trafalgar is presently engaged in discussions with the ATO regarding an extension of the lease. These discussions remain ongoing.
- 56 The latest independent valuation was conducted by Colliers International Consultancy & Valuation Pty Limited (Colliers) as at 30 June 2013 and valued the property at \$44.0 million.

Distribution centre, Goulburn, NSW

- 57 The property, which is 100% owned by Trafalgar, is a large distribution facility located at 158 Hume Street, Goulburn. It is situated on a freehold 5.6 hectare site and comprises an 18,685sqm logistics distribution warehouse facility. The property is currently vacant.
- 58 Currently there are parties who have expressed an interest in purchasing the property (discussions are very early stage and no offers have been made). Trafalgar is currently working with each party to seek a sale as soon as practicable. The latest independent valuation was conducted by LandMark White (as at 30 June 2013) and valued the property at \$4.75 million.

Rhodes JV

- 59 The Rhodes project is a 50:50 joint venture between Trafalgar and Brookfield Multiplex concerning the Shoreline Waterfront Village, located on the Rhodes Peninsula, Homebush Bay, NSW (Rhodes JV). The project (site remediation and infrastructure works) has been completed, with all eight “super lots” having now been sold to developers (who are developing the lots for residential use).
- 60 The remaining undistributed proceeds of the joint venture are yet to be received by Trafalgar because the Rhodes JV is presently engaged in a legal dispute (breach of contract) with a party that acquired one of the eight “super lots”. That party has filed a \$1.7 million claim against the Rhodes JV in the Federal Court. The Rhodes JV denies any legal liability. Notwithstanding this, Trafalgar management have adopted a conservative carrying value for the Rhodes JV that represents their current best estimate of the outcome should the matter not settle.

EDI Rail headquarters, Granville, NSW

- 61 This is an A-grade industrial building located in Granville, approximately 22km from the Sydney CBD. 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). Trafalgar has entered into a \$5.3 million unconditional sale contract in respect of the property. The 30 June 2013 carrying value represents the remaining net cash to be received upon settlement, i.e. contracted sale price less deposits received less transaction costs. The contract settled on 14 August 2013.

Statement of financial performance

- 62 The financial performance of Trafalgar for each of the three years ended 30 June 2012 together with the six months to 31 December 2012 is set out below:

Trafalgar – statement of financial performance ⁽¹⁾				
	FY10	FY11	FY12	1H13
	Audited	Audited	Audited	Reviewed
	\$000	\$000	\$000	\$000
Net rent from investment properties	20,002	13,186	8,584	3,724
Management fee income	110	18	-	-
Share of profits on investments (equity method)	1,449	100	11	-
Other income	1,937	1	237	-
Total net revenue	23,498	13,305	8,832	3,724
Employment costs	(2,891)	(1,867)	(1,743)	(639)
Corporate costs	(1,991)	(1,588)	(1,418)	(414)

Trafalgar – statement of financial performance⁽¹⁾

	FY10	FY11	FY12	1H13
	Audited	Audited	Audited	Reviewed
	\$000	\$000	\$000	\$000
Underlying EBITDA⁽²⁾	18,616	9,850	5,671	2,671
Depreciation	(55)	(43)	(35)	(17)
Underlying earnings before interest and tax (EBIT)	18,561	9,807	5,636	2,654
Interest income	1,517	1,381	602	173
Interest expense	(11,155)	(8,119)	(2,654)	(939)
Underlying profit before tax	8,923	3,069	3,584	1,888
Gain / (loss) on disposal of investment properties	-	(38)	67	-
Unrealised losses on fair value adj on investment properties	(7,512)	(3,887)	(2,377)	(8,399)
Unrealised losses on fair value adj on Syd Airport investment	(572)	(10)	-	-
Reversal / (impairment) of development projects	(1,290)	(3,454)	194	(693)
Unrealised gains on fair value adj on interest rate swaps	3,089	1,285	-	-
Profit / (loss) before tax	2,638	(3,035)	1,468	(7,204)
Tax	-	-	-	-
Net profit / (loss) after tax	2,638	(3,035)	1,468	(7,204)
<i>Earnings per security after tax (cents)</i>	<i>3.1</i>	<i>(3.6)</i>	<i>4.3</i>	<i>(8.4)</i>
<i>Distributions per security (cents)</i>	<i>-</i>	<i>27.0</i>	<i>52.0</i>	<i>2.5</i>
<i>Total assets (\$m)</i>	<i>279.0</i>	<i>153.4</i>	<i>97.4</i>	<i>80.9</i>
<i>NTA per security (\$)</i>	<i>1.54</i>	<i>1.24</i>	<i>0.73</i>	<i>0.62</i>
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	<i>48.1%</i>	<i>17.3%</i>	<i>25.0%</i>	<i>23.9%</i>

Note:

- 1 Rounding differences may exist.
- 2 Earnings before interest, tax depreciation and amortisation.
- 3 On a balance sheet, rather than see through basis.

63 In respect of the above we note that:

- (a) in accordance with the securityholder approved strategy in November 2010, Trafalgar has pursued an orderly and opportunistic realisation of its investment portfolio. Significant progress has been made on the asset realisation program during FY11, FY12 and 1H13, the outcome of which has enabled Trafalgar to reduce its debt facility and return capital to securityholders. Key milestones included:
 - (i) 15 year extension of the Seven Network lease and the subsequent sale of the Melbourne Broadcast Centre for \$54.2 million in August 2010. Proceeds from the sale were used to repay bank debt
 - (ii) renewal of the Thiess Pty Limited lease for 10 years and the subsequent sale of the Thiess building in Brisbane for \$63.3 million in April 2011. Proceeds from the sale were used to retire debt (\$31.2 million) and to pay a distribution of 20 cents per security (\$17.0 million). The remainder was used to provide for Trafalgar's share of the Rhodes JV site remediation payment obligation
 - (iii) leased the remaining vacant space in the Fujitsu Building and the subsequent sale of the building for \$22.8 million in August 2011. Proceeds from the sale were used to reduce debt
 - (iv) exit of the Beverley Industrial Land Estate and Nudgee Industrial Units in a series of stages over FY11, FY12 and 1H13

- (v) completed the sales processes on the Rhodes JV super lots
- (vi) sale of the Mort Street Canberra building for \$14.8 million in May 2013, with proceeds from the sale used to reduce Trafalgar's debt (this event occurred in 2H13, i.e. subsequent to 31 December 2012)
- (b) investment property fair value adjustments and development impairment resulted in a \$9.1 million write-down in 1H13. The fair value adjustments and impairments related to a write-down associated with the exit from development activities (\$0.7 million), write-down of the Mort Street Canberra building (\$1.8 million), write-down of the Goulburn building (\$1.6 million) and the write-down of the ATO Hurstville building (\$5.0 million)
- (c) underlying EBITDA has declined as a result of the above asset realisations
- (d) NTA per security also declined over the period as a result of capital being returned to securityholders (by way of distributions) and asset write-downs on those properties that remained to be sold
- (e) gearing in FY12 increased due to the very large distributions made to securityholders in that year, being 52 cents per security (\$44.3 million).

Statement of financial position

64 The financial position of Trafalgar as at 31 December 2012 and 30 June 2013 is set out below:

Trafalgar – statement of financial position ⁽¹⁾				
	31 Dec 12 Reviewed \$000	30 Jun 13 Unaudited ⁽²⁾ \$000	Adjustm't Unaudited ⁽²⁾ \$000	Pro forma ⁽³⁾ Unaudited ⁽²⁾ \$000
Cash and cash equivalents	8,144	7,516	(404)	7,112
Trade and other receivables	197	209	-	209
Property, plant and equipment	179	17	-	17
EDI Rail headquarters, Granville	5,098	4,833	(4,833)	-
Distribution Centre, Goulburn	4,412	4,750	-	4,750
Mort Street, Canberra	14,180	-	-	-
ATO Regional Office, Hurstville ⁽⁴⁾	46,336	44,000	-	44,000
Rhodes Development Project	500	800	-	800
Other financial assets	1,455	-	-	-
Other assets	420	663	-	663
Total assets	80,921	62,788	(5,237)	57,551
Trade and other payables	1,053	890	-	890
Interest bearing loans	25,562	10,261	(4,833)	5,428
Capitalised borrowing costs	(55)	(24)	-	(24)
Provisions	242	966	(854)	112
Other current liabilities	874	833	-	833
Total liabilities	27,676	12,926	(5,687)	7,239
Net assets	53,245	49,862	450	50,312
NTA	53,245	49,862	450	50,312
NAV per stapled security (\$)	0.624	0.584		0.589
NTA per stapled security (\$)	0.624	0.584		0.589
Gearing (net debt / total assets less cash) ⁽⁵⁾	23.9%	5.0%		(3.3%)

Note:

- 1 Rounding differences may exist.
 - 2 Based upon unaudited management accounts.
 - 3 As at 30 June 2013, adjusted for the July Trafalgar distribution, receipt of the sale proceeds in respect of the EDI Rail headquarters, Granville and the \$450,000 make good payment from the tenant.
 - 4 Includes straight lined rent receivable which pursuant to accounting standards, Trafalgar is required to deduct from the assessed value of the property and separately categorise (as an “other asset”).
 - 5 On a balance sheet, rather than see through basis.
-

65 In respect of the above we note that:

- (a) **Pro forma adjustments:**
 - (i) EDI Rail headquarters, Granville – Trafalgar has entered into a \$5.3 million unconditional sale contract in respect of the property which settled on 14 August 2013. The 30 June 2013 carrying value of the property of \$4.8 million represents the remaining net cash to be received upon settlement (i.e. contracted sale price of \$5.3 million less deposits received, less transaction costs)
 - (ii) Final distribution FY13 – on 19 June 2013, Trafalgar declared that it would pay a final distribution for FY13 of 1.0 cent per security. The amount was paid on 31 July 2013 (the distribution reinvestment plan did not operate for the distribution)
- (b) **Property, plant and equipment** – represents the depreciated value of furniture, fittings and office equipment (such as tables, chairs, computers, telephone system)
- (c) **Mort Street, Canberra** – Trafalgar entered into a conditional contract to sell its Mort Street Canberra property⁹ to a related party in March 2013. Securityholders approved the sale on 22 May 2013 and the property settled on 31 May 2013
- (d) **Other assets** – comprise mostly prepayments and some \$236,000 of capitalised transaction costs in respect of the proposed acquisition of 360 Capital as at 30 June 2013
- (e) **Trade and other payables** – include trade and non-trade payables, accruals and GST payable
- (f) **Borrowings** – represents a secured loan facility from Westpac. Trafalgar remains well within all debt covenants and the facility is due to mature in March 2014
- (g) **Provisions** – comprise current and non-current employee leave provisions (e.g. annual leave and long service leave) and a provision for the final distribution for FY13 of some \$854,000
- (h) **Other current liabilities** – comprise rental income paid in advance.

⁹ A B-grade office building located in the heart of the Canberra central business district, which was significantly extended and upgraded in the early 1980s.

Issued securities and ownership

- 66 Trafalgar currently has 85.352 million stapled securities on issue.
- 67 Significant security interests are held by TT and its wholly owned subsidiary Pentagon Financial Services Pty Limited (28.2% combined) and First Samuel Limited (19.9%).

Security price performance and liquidity

Security price performance

- 68 The price of Trafalgar securities from 1 July 2010 to 16 August 2013 is summarised below:

Trafalgar – security price performance table				
	High ⁽¹⁾ \$	Low ⁽¹⁾ \$	Close \$	Monthly Volume ⁽²⁾ 000
Quarter ended				
September 2010	1.10	0.85	1.08	851
December 2010	1.15	1.07	1.15	627
March 2011	1.18	1.12	1.14	693
June 2011	1.22	0.87	0.88	698
September 2011	1.04	0.73	0.75	513
December 2011	0.80	0.67	0.72	431
March 2012	0.74	0.66	0.67	669
June 2012	0.70	0.51	0.52	452
September 2012	0.59	0.52	0.53	376
Month ended				
October 2012	0.59	0.54	0.58	280
November 2012	0.54	0.52	0.52	204
December 2012	0.54	0.52	0.53	330
January 2013	0.58	0.52	0.52	208
February 2013	0.58	0.49	0.50	614
March 2013	0.50	0.47	0.50	404
April 2013	0.51	0.47	0.48	665
May 2013	0.56	0.48	0.49	348
June 2013	0.51	0.49	0.49	348
July 2013	0.50	0.48	0.48	566
August 2013 (up to and including 16 August 2013)	0.51	0.49	0.51	194

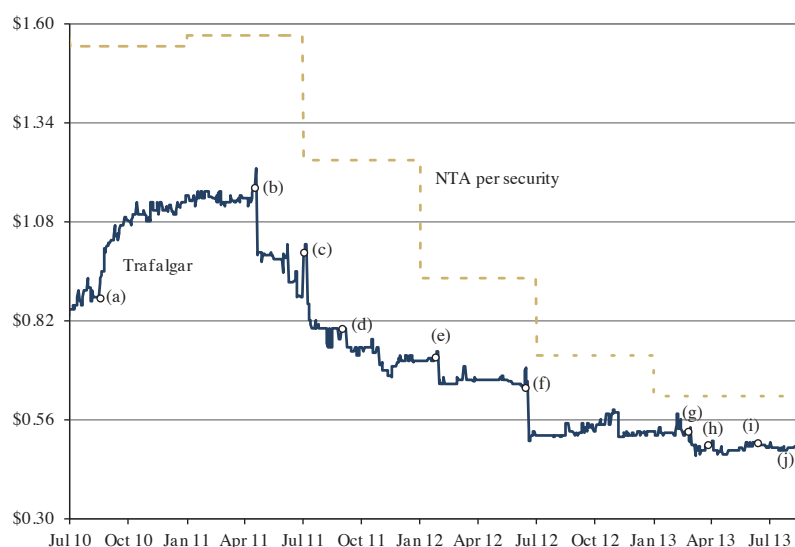
Note:

- 1 Based upon intraday trading.
- 2 Monthly volumes for the quarter ended represent average monthly volumes. Excludes the 19.5 million securities sold by Mr Robert Whyte on 19 March 2013.

Source: Bloomberg.

- 69 The following chart illustrates the movement in the Trafalgar security price over a three year period from 1 July 2010 to 16 August 2013:

Trafalgar – security price history⁽¹⁾⁽²⁾
1 July 2010 to 16 August 2013



Note:

- 1 Based upon closing prices.
2 NTA per security as per last reported balance sheet at the relevant time.
Source: Bloomberg.

- 70 The declining trend in Trafalgar's security price is primarily a function of the group realising its assets and distributing the proceeds thereof (in accordance with its November 2010 agreed strategy) as well as the impairment of the carrying value of certain investments that remain to be sold. The execution of the realisation program has reduced the value gap between Trafalgar's security price and its NTA per security. Key events over the period include:
- (a) **16 August 2010** – entered into an agreement with an Australian purchaser for the sale of the Melbourne Broadcast Centre for \$54.2 million
 - (b) **15 April 2011** – announced the completion of the settlement of the Thiess building in Brisbane and as a result, a 20 cents per stapled security capital distribution was declared
 - (c) **1 July 2011** – announced the completion of Stages 3 and 5 of the sale of the Rhodes JV for \$33.9 million with \$31.8 million to meet the final remediation payment to Thiess Services Pty Limited. Also, a tax deferred distribution of 20 cents per security was declared
 - (d) **30 August 2011** – reported an after-tax loss of \$3.04 million (for the year ended 30 June 2011), down from \$6.9 million operating profit and an after-tax profit of \$2.6 million in the prior corresponding period
 - (e) **23 January 2012** – announced a capital distribution of 7 cents per stapled security

- (f) **12 June 2012** – completed sales of Stages 7 and 8 of the Rhodes JV and received a \$15 million return of capital. The group also completed the sale of two lots of the Beverley Industrial Land Estate, extended the term on the Westpac debt facility (from March 2013 to March 2014) and declared a distribution of 13 cents per security
- (g) **22 February 2013** – announced an interim after-tax loss of \$7.20 million (for the six months to 31 December 2012), down from an interim after-tax profit of \$1.34 million in the prior corresponding period. Also, a 4 cents per security distribution to securityholders was declared
- (h) **25 March 2013** – announced that it had entered into a conditional contract for the sale of the Mort Street Canberra building for \$14.7 million subject to securityholder approval. This was subsequently approved by securityholders on 22 May 2013 (and settled on 3 June 2013)
- (i) **11 June 2013** – confirmed the media speculation that it had entered into discussions with 360 Capital about a transaction but that the discussions were incomplete and non-binding
- (j) **14 August 2013** – announced the settlement of the EDI Rail property in Granville.

Liquidity

- 71 The liquidity in Trafalgar securities based on trading on the ASX over the year to 16 August 2013 is set out below:

Trafalgar – liquidity analysis						
Period	Start date	End date	No of securities traded ⁽¹⁾ 000	WANOS Outstanding ⁽²⁾ 000	Implied level of liquidity Period ⁽³⁾ %	Annual ⁽⁴⁾ %
1 month	17 Jul 13	16 Aug 13	511	85,352	0.60	7.19
3 months	17 May 13	16 Aug 13	1,608	85,352	1.88	7.53
6 months	17 Feb 13	16 Aug 13	3,371	85,352	3.95	7.90
1 year	17 Aug 12	16 Aug 13	5,076	85,352	5.95	5.95

Note:

- 1 Excludes the 19.5 million securities sold by Mr Robert Whyte on 19 March 2013.
- 2 Weighted average number of shares / securities / units outstanding (WANOS) during relevant period.
- 3 Number of securities traded during the period divided by WANOS.
- 4 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- 72 Although turnover in percentage terms in Trafalgar's securities is increasing, the securities nonetheless remain relatively illiquid particular in comparison to the larger ASX listed A-REITs. For example, the implied annual liquidity in Westfield Group, Westfield Retail, and Stockland¹⁰ for the six months to 16 August 2013 was 68.7%, 112.8% and 115.74% respectively.

¹⁰ Being the largest three A-REITs by market capitalisation as at 16 August 2013.

IV Profile of 360 Capital

Overview

- 73 360 Capital is a property investment and funds management group operating across the Australian industrial, office and retail property sectors. 360 Capital comprises 360 Capital Property Limited (360 Capital Property), an unlisted public company, stapled to 360 Capital Investment Trust (360 Capital Investment), a managed investment trust.

History

- 74 360 Capital was formed by Mr Tony Pitt in 2006 as a property investment company concentrating on the strategic investment and active investment management of property and property related assets.
- 75 In December 2010, 360 Capital settled the purchase of Becton Property Group's (Becton) funds management business including Becton Investment Management Limited (BIML), the responsible entity (RE) to 360 Capital's portfolio at the time. Consideration for the transaction included an upfront payment and an agreed revenue share arrangement over the subsequent three years. The transaction also comprised a call option to purchase Becton's 58.9% interest in the Becton Diversified Property Fund. This option was exercised, with the fund subsequently renamed to 360 Capital Diversified Property Fund (Diversified Property Fund).
- 76 Following the acquisition, 360 Capital renamed BIML as 360 Capital RE Limited (360 Capital RE) and a new majority Board of 360 Capital RE was appointed. The new Board undertook a strategic review of every fund and trust in the portfolio, including an assessment of a number of alternatives to restructure and stabilise the funds and trusts and reinstate or increase distributions.
- 77 In the second half of 2012, unitholders in the 360 Capital Industrial Fund (Industrial Fund)¹¹ supported the listing of the fund on the ASX in order to avoid the fund being wound up upon trigger of its exit mechanism. The fund subsequently listed on the ASX in December 2012.

Current operations

- 78 360 Capital is located in Sydney and comprises some 15 staff. The organisational structure of 360 Capital as at 30 June 2013 is set out below:

¹¹ 360 Capital is the responsible entity of the Industrial Fund and also holds a co-investment in the fund.

The diagram illustrates the corporate structure and investment flows of the 360 Capital Property Group. At the top, a dashed box contains the corporate entities: 360 Capital RE Limited (100.0% owner of 360 Capital Property Limited), 360 Capital Investment Management Limited (100.0% owner of 360 Capital Property Limited), 360 Capital Diversified Property Fund (58.9% owner of 360 Capital Investment Trust), and 360 Capital Investment Trust. A note indicates that the Company and Trust stapled to form Stapled Security. The 360 Capital Property Group logo is also shown.

Below the corporate structure, the investment flows are detailed across four categories:

- Sector Specific Funds:**
 - 360 Capital Industrial Fund (14.8%¹)
 - 360 Capital Retail Fund (36.7%)
 - 360 Capital Office Fund (43.8%)
- 3rd Party Managed Funds:**
 - Centuria Diversified Property Fund (19.2%²)
 - Centuria Office Fund No.2 (1.2%³)
- Single Asset Funds:**
 - 360 Capital Havelock House Property Trust (26.7%)
 - 360 Capital 111 SGT Property Trust (1.1%)
 - 360 Capital Canberra Property Trust (21.7%)
 - 360 Capital 441 Murray Street Property Trust (35.7%)
 - 360 Capital Subiaco Square Property Trust (24.1%)
- Other Funds:**
 - Developments Income Fund (9.6%)

Additional information includes a "Loan" section with a dashed line and a "40.2%" investment link from the Single Asset Funds category to the Other Funds category.

- 1 The Diversified Property Fund increased its interest in the Industrial Fund to 15.1% in late July 2013
as a result of it participating in the fund's distribution reinvestment plan.
- 2 Interest is held through a wholly owned subsidiary Lachlan Property Income Fund.
- 3 Interest held directly and through holding a wholly owned subsidiary Lachlan Property Income Fund.

Source: 360 Capital.

Source: 360 Capital.

- ## Direct and indirect investment

- 81 As set out in paragraph 78 above, 360 Capital has three direct investments comprising:
- (a) a 58.9% interest in the Diversified Property Fund
 - (b) a 40.2% interest in the 360 Capital 111 St George's Terrace Property Trust (111 SGT Trust)
 - (c) a 9.6% interest in the Developments Income Fund.

- 82 360 Capital receives co-investment income by way of distributions from its direct investments. Through its interest in the Diversified Property Fund, 360 Capital also holds 10 indirect investments¹².
- 83 A brief overview of 360 Capital's direct and indirect investments is set out below (refer Appendix C to Appendix N for a detailed overview of each entity):

360 Capital – overview of direct and indirect investments			
Entity	Sector	Fund expiry	Description
Diversified Property Fund	Varied ⁽¹⁾	Open-ended	Core focus is to implement the strategies of the underlying investment funds managed by 360 Capital
Developments Income Fund	n/a	Feb 2083	Primary asset is a \$45 million ⁽²⁾ loan to the Office Fund
360 Capital Industrial Fund (Industrial Fund)	Industrial	Open-ended	Currently holds 20 industrial properties (across ACT, NSW, Qld, SA, Vic and WA) with a combined value of some \$340 million
360 Capital Retail Fund (Retail Fund)	Retail	Feb 2014	A single-asset fund with a 100% interest in the Inala Town Shopping Centre in Queensland
360 Capital Office Fund (Office Fund)	Office	Apr 2014	Holds two office properties located in NSW and ACT with a combined value of \$94.8 million. Currently in a negative net asset position due to net interest bearing liabilities of some \$120 million, including a \$45 million ⁽²⁾ loan from Developments Income Fund
360 Capital Havelock House Property Trust (Havelock House Trust)	Office	May 2017 ⁽³⁾	The sole property of the trust consists of four separate buildings and 77 basement car bays, collectively known as the Perth Clinic Hospital
111 SGT Trust	Office	Jan 2017	The sole property of the trust is 111 St George's Terrace, Perth, an A-grade commercial office building with a net lettable area (NLA) of 18,983 square metres over 20 levels
360 Capital Canberra Trust (Canberra Trust)	Office	Jun 2070 ⁽⁴⁾	Single asset trust which consists of a modern, A-grade commercial building constructed in 2003. The building has an NLA of 10,003 square metres comprising a ground level, foyer, three upper levels of offices and parking for 204 vehicles
360 Capital 441 Murray Street Property Trust (441 Murray Street Trust)	Office	Oct 2016	Single asset trust comprising a B-grade building with an NLA of 5,941 square metres. The building is situated in Perth, comprises nine levels of office accommodation and parking for 39 vehicles

¹² Including a 0.6% interest in 111 SGT Trust, in addition to the 40.2% direct investment.

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The Independent Directors
Trafalgar Corporate Group Limited
Level 4, 111 Harrington Street
Sydney NSW 2000

19 August 2013

Subject: Proposed acquisition of 360 Capital Property Group

Dear Independent Directors

Introduction

- 1 We have been advised that Trafalgar Corporate Group (Trafalgar)¹ intends to enter into a conditional security sale agreement to acquire 100% of the securities on issue in 360 Capital Property Group (360 Capital)² (the Proposed Acquisition). The consideration to be offered by Trafalgar is:
 - (a) 2.5 Trafalgar securities for each 360 Capital security (Scrip Option); or
 - (b) \$1.40 cash per 360 Capital security (Cash Option).
- 2 360 Capital's two securityholders, AMB Property (Esplanade) Pty Limited (AMB) and TT Investments Pty Limited (TT Investments) as trustee of the TT Investment Trust (TT)³, will be given the option to elect to accept either the Scrip Option or Cash Option, not a combination of both. We understand that AMB will elect to take the Cash Option while TT will elect to take the Scrip Option. The Cash Option will be funded from the proceeds of a \$70.8 million fully underwritten institutional placement priced at \$0.59 per Trafalgar security (the Capital Raising).
- 3 Remaining proceeds from the Capital Raising, along with new drawn debt from refinancing Trafalgar's Australian Taxation Office (ATO) Regional Office Building (in Hurstville NSW) and existing cash will be used to fund the repayment of all existing debt within both Trafalgar and 360 Capital, the acquisition of the Lawson Loan⁴, working capital and the payment of transaction costs.

¹ 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.

² 360 Capital is a stapled security comprising a share in 360 Capital Property Limited and a unit in 360 Capital Investment Trust.

³ An entity controlled by Mr Tony Pitt, managing director of 360 Capital and non-executive director of Trafalgar.

⁴ An unsecured loan provided to the Developments Income Fund (which is described in Section IV).

Note:

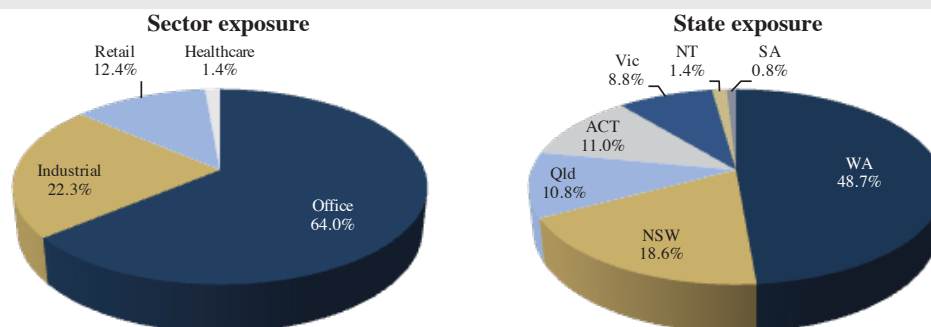
- 1 Most recent Directors' property valuations as at 30 June 2013, unless otherwise stated.
- 2 Being weighted average capitalisation rate.
- 3 As at 31 December 2012 unless otherwise stated. Weighted by gross income.
- 4 As at 31 December 2012 unless otherwise stated. Occupancy calculated based upon NLA.
- 5 Represents 360 Capital's direct interest plus the "see through" indirect interest in the respective fund.
- 6 Based upon indicative external property valuations as at 30 June 2013.
- 7 As at 30 June 2013.
- 8 As at 30 June 2013. The Diversified Property Fund increased its interest in the Industrial Fund from 14.8% to 15.1% in late July 2013 as a result of it participating in the fund's distribution reinvestment plan. This increased 360 Capital's economic interest in the Industrial Fund from 8.7% to 8.9%.
- 9 The Office Fund is currently in a negative net asset position (refer Appendix F).
- 10 As at 30 June 2013, adjusted to account for PwC vacating the premises in July 2013.
- 11 As at 31 December 2012 based upon external property valuations and Directors' property valuations, as described in Appendix M and Appendix N.

Source: 360 Capital.

Property exposure

- 85 360 Capital's portfolio is heavily weighted towards the Western Australian office property market, largely due to its interest in 111 SGT Trust. The sole property held by 111 SGT Trust represents some 37.5% of 360 Capital's "see through" property exposure¹⁴. A breakdown of 360 Capital's "see through" property exposure by state and by sector is set out below:

360 Capital – economic exposure (%) by state and property type⁽¹⁾



Note:

- 1 Based upon assessed values set out in this report (includes underlying properties that form part of Centuria).

Source: 360 Capital and LEA analysis.

Key tenants and lease expiry profile

- 86 As noted above, 360 Capital's largest single-asset exposure is the property held by 111 SGT Trust. This asset was 100% occupied¹⁵ as at 31 December 2012 with a WALE¹⁶ of some five

¹⁴ By value.

¹⁵ By area.

years. Further discussion regarding the key tenants and lease profile of each of the funds in which 360 co-invests can be found in Appendix C to Appendix N.

Funds management

- 87 360 Capital is the RE and custodian for the majority of the non-third party funds in which it co-invests. An overview of the types of fees received by 360 Capital in respect of providing such services are set out below:
- (a) **management fees** – payable to the RE in respect of the management of the trust property with a principle objective of maximising unitholder returns in the most efficient manner possible. Fees are calculated based upon a percentage of gross rental income¹⁷
 - (b) **leasing fees** – payable to the RE upon the granting of a new lease or an extension of an existing lease of premises. Fees are calculated as a percentage of the gross proceeds from the granted or renewed lease in the first year of the new or extended term
 - (c) **exit fees** – payable to the RE upon the sale of a property asset or wind-up of the fund. Fees are calculated based upon the sale price of the property and the capital gain upon the sale (if any)
 - (d) **custodian fees** – payable to the custodian in respect of being the legal owners of the assets¹⁸. Fees are calculated as a percentage of the gross assets of the fund.
- 88 Set out below is a summary of the funds in which 360 Capital is the RE and/or custodian, together with the respective management fees and custodian fees:

360 Capital – funds management fees					
	Gross assets ⁽¹⁾ \$m	360 Capital RE	360 Capital custodian	Management fees to 360 Capital ⁽²⁾ %	Custodian fees to 360 Capital ⁽³⁾ %
Diversified Property Fund	70,323	✓	✗	0.65 ⁽⁴⁾	n/a
Industrial Fund	347,128 ⁽⁵⁾	✓	✓	0.65 ^{(4),(6)}	0.05
Retail Fund	37,521	✓	✓	6.0	0.05
Office Fund	98,691	✓	✓	6.0	0.05
Havelock House Trust	22,747	✓	✓	5.0	0.05
111 SGT Trust	138,434	✓	✓	5.0	0.05
Canberra Trust	42,004	✓	✓	3.0	0.05
441 Murray Street Trust	26,904	✓	✓	5.0	0.05
Subiaco Square Trust	27,671	✓	✓	5.0	0.05
Developments Income Fund	51,182	✓	✗ ⁽⁷⁾	0.95 ⁽⁴⁾	n/a
Centuria Diversified Fund	n/a ⁽⁸⁾	✗	✗	n/a	n/a
Centuria Office Fund	n/a ⁽⁸⁾	✗	✗	n/a	n/a
Total	862,606				

¹⁶ By gross income.

¹⁷ In respect of the Diversified Property Fund, Industrial Fund and the Developments Income Fund, management fees are calculated as a percentage of the gross assets of the fund.

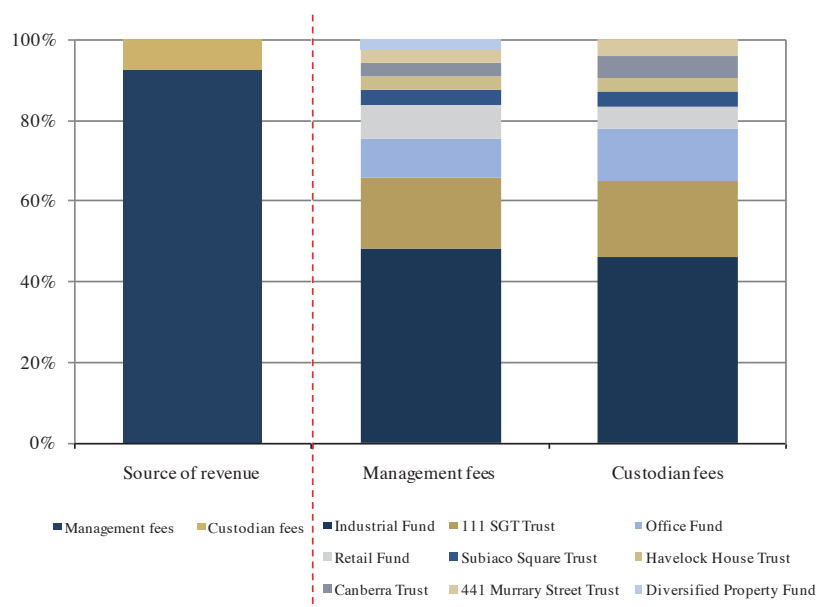
¹⁸ Note that whilst custodians are the legal owners of the assets, they are required to act on behalf of either the responsible entity or trustee that remains responsible for the investment management of the assets.

Note:

- 1 As at 31 May 2013, based upon unaudited management accounts unless otherwise stated.
 - 2 Management fees calculated as a percentage of gross rental income, unless otherwise stated.
 - 3 Custodian fees calculated as a percentage of gross assets.
 - 4 Calculated based upon the gross assets of the fund.
 - 5 As at 30 June 2013 based upon audited accounts.
 - 6 360 Capital has elected to reduce the management fee to 0.60% of the gross asset value of the trust for FY14. Prior to listing on the ASX, the RE fees were calculated as 6% of gross rental income. Upon listing, 360 Capital (as RE) permanently gave up its entitlement to exit fees, leasing fees and fees associated with the purchase of any property.
 - 7 Developments Income Fund does not currently have a custodian as it does not hold any 'real' assets.
 - 8 Assets are not managed by 360 Capital.
- n/a – not applicable
Source: 360 Capital.

- 89 Over 90% of 360 Capital's funds management revenue is sourced from management fees. The Industrial Fund and 111 SGT Trust are the primary contributors, together accounting for over 60% of total funds management revenue¹⁹. A breakdown of the source of 360 Capital's total funds management revenue for the half year to 31 December 2012 is set out below:

360 Capital –funds management revenue contribution⁽¹⁾
Half year to 31 December 2012



Note:

- 1 Excludes leasing fees, exit fee revenue and revenue from Development Fund No. 1, which was wound up in December 2012.
- Source:** 360 Capital and LEA analysis.

¹⁹ Excludes revenue from exit fees and leasing fees.

Statement of financial performance

- 90 The financial performance of 360 Capital for the year ended 30 June 2012 and six months ended 31 December 2012 is set out below:

360 Capital – statement of financial performance⁽¹⁾		
	FY12	1H13
	Unaudited⁽²⁾	Unaudited⁽³⁾
	\$000	\$000
Funds management revenue ⁽⁴⁾	4,843	2,440
Co-investment income	3,954	1,904
Underlying operating revenue	8,797	4,343
Employment Expenses	(3,263)	(1,579)
Commission Expenses	(11)	3
Admin Expenses	(979)	(324)
Underlying operating expenses	(4,252)	(1,900)
Underlying EBITDA	4,545	2,443
Depreciation	(10)	(7)
Underlying EBIT	4,534	2,436
Finance income	80	67
Finance expenses	(2,112)	(1,033)
Underlying profit before tax	2,509	1,470
Material non-recurring items ⁽⁴⁾	9,299	(7,417)
Reported profit / (loss) before tax	11,802	(5,948)
Tax expense	(1,232)	2,109
Reported profit / (loss) after tax	10,570	(3,839)
<i>Earnings per security after tax (cents)</i>	27.2	(9.5)
<i>Distributions per security (cents)</i>	9.0	-
<i>Total assets (\$m)</i>	83.1	82.8
<i>NTA per security (\$)</i>	1.50	1.43
<i>Gearing (net debt / total assets less cash)⁽⁵⁾</i>	12.1%	9.1%

Note:

- 1 Rounding differences may exist.
- 2 The accounts of the underlying entities that make up 360 Capital have been audited, however, the consolidated position as set out above has not and is based upon management accounts.
- 3 Based upon unaudited management accounts.
- 4 Exit fees and leasing fees have been included in material non-recurring items, as discussed in further detail below.
- 5 On a balance sheet, rather than see through basis.

- 91 In respect of the above we note that:

- (a) 360 Capital settled on the acquisition of Becton in December 2010. Prior to this 360 Capital did not earn any revenue from funds management
- (b) since the Becton transaction, funds in which 360 Capital is a RE have sold 24 properties for a total of \$340.5 million and have acquired 6 properties for a total of \$117.7 million. Given 360 Capital receives management fees based upon gross rental income, this decline in the number of properties held by entities for which 360 Capital is a RE has resulted in the recent decline in funds management revenue

- (c) material non-recurring items are discussed in further detail below.

Non-recurring items

92 A breakdown of the material non-recurring items is set out below:

360 Capital – material non-recurring items⁽¹⁾		
	FY12 Unaudited⁽²⁾ \$000	1H13 Unaudited⁽³⁾ \$000
Exit fee revenue / (expenses)	2,767	(7,117)
Leasing fee and other revenue	337	124
Fee on Industrial Fund transaction	4,020	-
Company Secretary services	24	-
Becton Private Trust No. 1	9	-
Development Fund No. 1 Fund	-	300
Net Development Income Fund revenue	2	-
GST recoveries from ATO	677	-
Staff Bonus	-	(500)
Net gain / (loss) on financial assets at fair value through profit or loss	201	161
Interest on Industrial Fund notes	21	151
Legal fees	-	(195)
Consultation fees	-	(200)
Provision for Investment - Private Trust No. 2	(126)	-
Becton transaction costs	657	-
Corporate loan establishment fees	(1,128)	-
Amortisation of borrowing costs	-	(146)
Other material non-recurring items	1,839	3
Total	9,299	(7,417)

Note:

- 1 Rounding differences may exist.
- 2 The accounts of the underlying entities that make up 360 Capital have been audited, however, the consolidated position as set out above has not and is based upon management accounts.
- 3 Based upon unaudited management accounts.

Source: 360 Capital.

93 In respect of the above, we note that:

- (a) 360 Capital RE agreed to waive its exit fee of \$7.1 million subsequent to the Industrial Fund listing on the ASX, with this amount reflected as a loss on 360 Capital's statement of financial performance (the fee had been booked as accrued income receivable in prior years)
- (b) 360 Capital received a \$4.0 million fee subsequent to the Industrial Fund listing on the ASX
- (c) 360 Capital received fees in FY12 for Company Secretary services. This arrangement has since been terminated
- (d) Development Fund No.1 was wound up in December 2012

- (e) 360 Capital initially recognised some \$708,000 in funds management revenue from the Developments Income Fund in FY12, recording it as a receivable. In June 2012, some \$706,000 of this receivable was impaired
- (f) changes in the carrying value of 360 Capital's investments are reflected in the statement of financial performance
- (g) legal fees of some \$195,000 were incurred in 1H13 in relation to an Industrial Fund dispute and costs associated with drafting of the Employee Share Plan
- (h) consultant's fees of some \$200,000 were incurred in 1H13 in relation to the Industrial Fund
- (i) some \$126,000 is due to Private Trust No. 2 (a trust previously managed by 360 Capital). We have been advised that this amount is unlikely to be received
- (j) establishment costs of \$1.1 million were incurred in FY12 in respect of an Optima corporate loan which has since been refinanced
- (k) other material non-recurring items relate to items that are commercially sensitive in nature.

Statement of financial position

- 94 The financial position of 360 Capital as at 31 December 2012 and 31 May 2013 is set out below:

360 Capital – statement of financial position⁽¹⁾		
	31 Dec 12 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽³⁾ \$000
Cash and cash equivalents	11,758	11,137
Investments	60,874	62,345
Accrued exit fees	4,928	4,971
Funds management receivables	291	467
Distributions receivable	562	324
Deferred tax assets	4,190	4,116
Other assets	158	70
Total assets	82,761	83,431
Interest bearing liabilities	18,192	15,692
Accruals and other creditors	2,936	3,091
Deferred tax liabilities	3,770	3,743
Capitalised borrowing costs	(32)	(88)
Total liabilities	24,866	22,438
Net assets	57,894	60,993
NTA	57,894	60,993
<i>NAV per stapled security (\$)</i>	<i>1.43</i>	<i>1.50</i>
<i>NTA per stapled security (\$)</i>	<i>1.43</i>	<i>1.50</i>
<i>Gearing (net debt / total assets less cash)⁽⁴⁾</i>	<i>9.1%</i>	<i>6.3%</i>

Note:

- 1 Rounding differences may exist.
- 2 The accounts of the underlying entities that make up 360 Capital have been audited, however, the consolidated position as set out above has not and is based upon management accounts.
- 3 Based upon unaudited management accounts.
- 4 On a balance sheet, rather than see through basis.

95 In respect of the above we note that:

- (a) **Cash and cash equivalents** – the cash received in respect of the securityholder loan of \$5.7 million is currently held as restricted cash due to ASIC’s NTA requirements, as discussed in further detail below in paragraph 105
- (b) **Investments** – represents the carrying value of 360 Capital’s interest in the Diversified Property Fund, 111 SGT Trust and the Developments Income Fund, as discussed in further detail below
- (c) **Accrued entitlement to exit fees** – entitlement to exit fees that will be received in the event that a fund that 360 Capital acts as a RE for winds up, as discussed in further detail below
- (d) **Funds management receivables** – comprise funds management revenue that has been earned but not yet received
- (e) **Distributions receivable** – comprise accrued distributions from Diversified Property Fund that have yet to be received
- (f) **Borrowings** – comprise a corporate loan from AMB and securityholder loans, as discussed in further detail below
- (g) **Accruals and other credits** – comprise \$1.2 million in respect of staff bonuses payable and \$1.25 million in respect of consultant’s fees payable to AMB, as well as GST payable, salary taxes and leave accruals, current tax liability and other operational accruals.

Investments

- 96 360 Capital holds a direct 58.9% interest in the Diversified Property Fund and a 40.2% direct interest in the 111 SGT Trust. The NTA of the underlying funds are used as the basis for 360 Capital’s carrying value of these investments. 360 Capital also holds a 9.6% interest in Developments Income Fund.
- 97 360 Capital also previously held \$2.5 million of convertible notes issued by Industrial Fund (360 Notes). In May 2013, the Industrial Fund repaid these notes.
- 98 A summary of the investments directly held by 360 Capital as at 31 May 2013 is set out below:

360 Capital – investments^{(1),(2)}				
As at 31 May 2013	Appendix reference⁽³⁾	Standalone NTA \$000	360 Capital direct interest %	Carrying value \$000
Diversified Property Fund	Appendix C	60,481	58.9	35,628
111 SGT Trust	Appendix H	66,477 ⁽⁴⁾	40.2	26,717
Developments Income Fund	Appendix L	21,723	9.6	— ⁽⁵⁾
Total investments				62,345

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 Refer to the respective appendix for a breakdown of the standalone NTA.
- 4 The carrying value of the 111 SGT Trust as at 31 May 2013 was calculated based upon the standalone NTA as at 30 April 2013.
- 5 Refer paragraphs 99 and 100 below.

- 99 The Developments Income Fund's primary asset is a \$45.0 million²⁰ loan to the Office Fund, which is currently in a forbearance arrangement as the Office Fund focuses on addressing this loan. The Developments Income Fund also has outstanding borrowings of some \$27 million in respect of a finance facility with the Lawson Trust.
- 100 Despite the Developments Income Fund being in a positive net asset position²¹, 360 Capital wrote-down its investment in the Developments Income Fund to nil²². The reasons underpinning this impairment were that the Developments Income Fund does not pay distributions and is unlikely to return capital to unitholders prior to its own debt to the Lawson Trust being repaid.

Accrued exit fees

- 101 Accrued exit fees receivable represent the value of exit fees to be received in the event that a fund that 360 Capital acts as RE for is wound up. The amount payable is based on a percentage of the property sale price and an additional performance fee calculated in accordance with the relevant constitution of the fund. A breakdown of these receivables is set out below:

360 Capital – accrued exit fees⁽¹⁾		
	31 Dec 12 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽³⁾ \$000
Exit fees from:		
441 Murray Street Trust	663	663
Havelock House Trust	207	225
Subiaco Square Trust	669	679
111 SGT Trust	3,390	3,404
Total accrued exit fees	4,928	4,971

²⁰ Excludes capitalised interest of \$31.9 million, of which \$25.8 million has been fully impaired.

²¹ As at 31 May 2013, the Developments Income Fund had positive net assets of some \$22 million.

²² This decision was reflected in 360 Capital's results for the year ended 30 June 2012. In the prior corresponding period, 360 Capital carried this investment at some \$1.2 million.

Note:

- 1 Rounding differences may exist.
- 2 The accounts of the underlying entities that make up 360 Capital have been audited, however, the consolidated position as set out above has not and is based upon management accounts.
- 3 Based upon unaudited management accounts.

- 102 In addition to the above, 360 Capital also has an accrued exit fee from the Office Fund of some \$3.9 million. Given the Office Fund's negative net asset position, 360 Capital has attributed nil value to this receivable.

Borrowings

- 103 360 Capital's debt facilities comprise securityholder loans, the breakdown of which is set out below:

360 Capital – borrowings⁽¹⁾		
	31 Dec 12 Unaudited⁽²⁾ \$000	30 May 13 Unaudited⁽³⁾ \$000
Optima corporate loan	10,000	-
Securityholder loans	8,192	15,692
Total borrowings	18,192	15,692

Note:

- 1 Rounding differences may exist.
- 2 The accounts of the underlying entities that make up 360 Capital have been audited, however, the consolidated position as set out above has not and is based upon management accounts.
- 3 Based upon unaudited management accounts.

- 104 In January 2013, 360 Capital replaced the existing Optima corporate debt facility with a \$10 million loan from AMB. The loan has a term of 12 months with interest payable monthly at a rate of 15% per annum. Pursuant to the Proposed Acquisition, Trafalgar / New 360 will be responsible for the full repayment of the principal of this loan.
- 105 In November 2012, 360 Capital RE and 360 Capital Investment Management together received a loan from existing securityholders of \$9.7 million²³ in order to meet the ASIC NTA requirements of a custodian²⁴. The cash received in respect of this loan is classified by 360 Capital as 'restricted cash'. Some \$4.0 million of this loan was repaid as at 31 May 2013, with a further \$4.4 million to be repaid prior to the Proposed Acquisition. Interest on this loan is 16% per annum, payable monthly. Pursuant to the Proposed Acquisition, Trafalgar / New 360 will be responsible for the repayment of the remaining \$1.3 million in principal.

Contingent liabilities

- 106 360 Capital management have advised us that there are no material contingent liabilities.

Issued securities and ownership

- 107 360 Capital currently has 40.623 million stapled securities on issue.

²³ Comprising a \$7.7 million loan from AMB and a \$2.0 million loan from Mr Tony Pitt.

²⁴ ASIC requires that each custodian is required to have an NTA of at least \$5 million.



108 360 Capital’s securities are not securities exchange listed and are owned 32.071 million by AMB and 8.552 million by TT respectively. TT is a private entity controlled by Mr Tony Pitt.

V Industry overview

Introduction

- 109 Real estate investment trusts (REITs) are specialised investment vehicles which provide investors with the opportunity to purchase an interest in a diversified and professionally managed portfolio of real estate. REITs, which can be publicly or privately held, generally adopt one of two structures:
- (a) **stand alone funds** – providing investors with a capital and interest income in the underlying real estate portfolio
 - (b) **stapled security** – providing exposure to property funds management, property development and/or other property related corporate activities in addition to an interest in a real estate portfolio.
- 110 360 Capital is an unlisted REIT of the second variety, with interests in trusts and funds with a total portfolio of 28 properties²⁵. Trafalgar is also of the second variety, but is presently in a wind-down phase with only two properties remaining to be sold.

Overview of A-REIT sector

- 111 There are 45 A-REITs listed on the ASX with a combined market capitalisation of around \$95 billion²⁶.
- 112 Australia's largest REIT, Westfield Group, accounts for 26% of the total market capitalisation, and the 10 largest A-REITs account for 85% of total market capitalisation²⁷.
- 113 The sectors and types of properties in which REITs typically invest are:
- (a) **healthcare** – investment in medical clinics
 - (b) **industrial** – investment in warehouses, industrial parks and distribution centres
 - (c) **office** – investment in large to medium scale office buildings and office parks
 - (d) **retail** – investment in shopping centres.

Historical performance

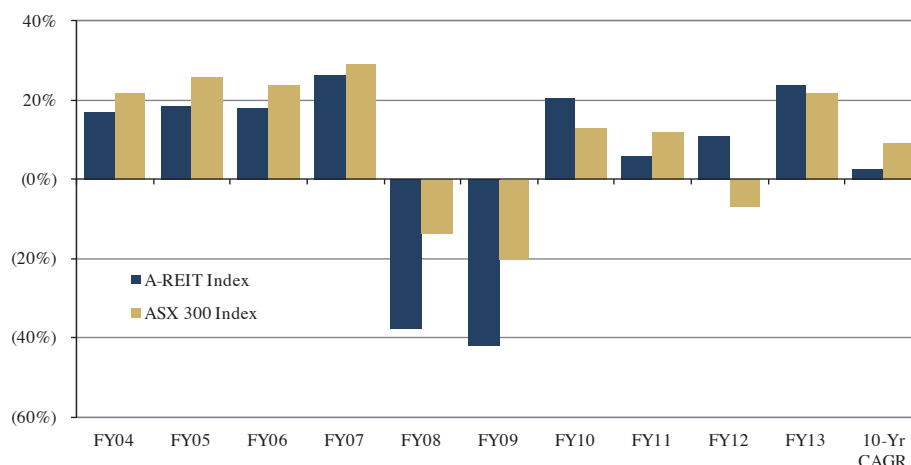
- 114 The A-REIT sector has underperformed the ASX 300 over the last 10 years, largely due to being heavily impacted by the global financial crisis (GFC) as shown in the following chart, which compares the trading performance of the S&P/ASX 300 A-REIT Accumulation Index (A-REIT Index) and the S&P/ASX 300 Accumulation Index (ASX 300 Index).

²⁵ Excluding Centuria (36 including Centuria).

²⁶ As at 30 June 2013. Source: ASX *ASX Funds Monthly update – June 2013*.

²⁷ As at 30 June 2013. Source: ASX *ASX Funds Monthly update – June 2013*.

A-REIT Index v ASX 300 Index
Year on year growth



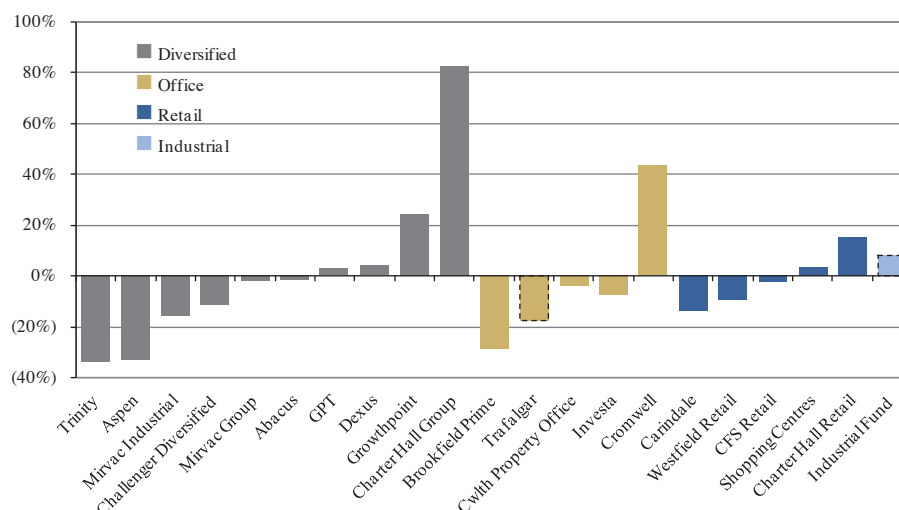
Source: Bloomberg.
CAGR, compound annual growth rate.

- 115 Whilst the A-REIT sector showed a similar growth trend to the ASX 300 Index from mid-2003 to mid-2007 the sector was adversely impacted earlier and more severely by the GFC than market sectors generally. From late 2007 the tightening of debt markets resulted in property trusts having to meet more stringent borrowing criteria. At the same time capitalisation rates of properties increased, resulting in large write-downs in balance sheet property values. As interest rates were higher and asset values lower, many property trusts had to raise funds by issuing securities at significant discounts to their NTA value per security in order to reduce their debt to the accepted levels specified under their funding agreements.
- 116 The A-REIT sector returned to growth in FY10 when it outperformed the ASX 300 Index. Property trusts performed strongly in FY12, and the growth continued in the 2013 financial year.

Price versus net tangible asset backing

- 117 It is not unusual for property trusts to trade at a discount to their NTA, however the GFC and post-GFC recovery periods saw a significant change in the number of property trusts trading below their NTA. Security prices of A-REITs tend to have a wide trading range from low to high each year, even though the NTA is generally unlikely to move by a material amount.
- 118 The following chart demonstrates the discount or premium of security prices to NTA per security for selected A-REITs in the key sectors in which 360 Capital and Trafalgar invest.

Security price premium / (discount) to NTA per security
As at 30 June 2013



Note: The NTA premium for Industrial Fund is as at 15 July 2013.

Source: ASX ASX Monthly Update – June 2013 and company reports and presentations.

- 119 Excluding Charter Hall Group (Charter Hall), which has a greater focus on external property funds management than the other entities shown, the average discount was 4.0%.
- 120 By comparison, as at 31 December 2011 all of the A-REITs shown above were trading at a discount to NTA per security, and the average discount was 21.4%²⁸ (excluding Shopping Centres Australasia and the Industrial Fund as they were not listed at the time).
- 121 Discounts were even larger for residential developers such as Australand, Devine, FKP and Sunland Group, whereas the large developers Goodman and Westfield Group were trading at premiums²⁹.
- 122 Property trusts performed strongly in the year to June 2013, with the A-REITs sector matching the performance of the ASX 300 Index. Increasing growth in the sector after the GFC has been due to a number of factors including:
- (a) securities in property trusts were considered cheap 18 months ago. In FY11 many property trusts were trading at a discount to NTA with little or no value assigned to any funds management or development operations contained within most trusts
 - (b) property trusts have added value over the past two years by selling non-core assets and buying back securities on market at a discount to reported NTA³⁰, or completing post-GFC restructuring

²⁸ Source: Bloomberg, company announcements and LEA analysis.

²⁹ These entities are not shown in the chart above as 360 Capital and Trafalgar do not undertake property development activities.

- (c) progressive interest rate reductions³¹ have increased demand for investments promising predictable income and high yield returns.

Property sectors to which 360 Capital and Trafalgar are exposed

123 The property sub-sectors to which 360 Capital and Trafalgar are exposed are as follows:

Economic exposure (%) by state and property type ⁽¹⁾								
	WA	NSW	Qld	ACT	Vic	NT	SA	Total
360 Capital⁽²⁾								
Office	43.5	10.5	0.3	9.1	0.6	–	–	64.0
Industrial	2.7	4.2	4.5	1.9	8.2	–	0.8	22.3
Retail	2.5	3.9	6.0	–	–	–	–	12.4
Healthcare	–	–	–	–	–	1.4	–	1.4
Total	48.7	18.6	10.8	11.0	8.8	1.4	0.8	100.0
Trafalgar⁽³⁾								
Office	–	90.0	–	–	–	–	–	90.0
Industrial	–	10.0	–	–	–	–	–	10.0
Total	–	100.0	–	–	–	–	–	100.0

Note:

- 1 Rounding differences may exist.
- 2 Based upon assessed values set out in this report (includes underlying properties that form part of Centuria).
- 3 As at 30 June 2013, based upon ATO Hurstville and Goulburn properties.

Source: 360 Capital and Trafalgar.

- 124 Set out below is a brief summary of the current state and outlook for each of the key abovementioned property sub-sectors.

Perth CBD office property sector³²

- 125 The Perth CBD office sector accounts for over 40% of 360 Capital's investment portfolio on a "see through" basis.
- 126 Key supply side factors influencing the Perth commercial property market are recent declines in commodity prices, particularly iron ore, and reduced mining activity generally have led to a decline in rent and occupancy levels.
- 127 Vacancies in Perth CBD properties reached 5.7% in early 2013 although no further significant new supply is expected before 2015.
- 128 Future income and occupancy prospects substantially depend on the mining industry.

³⁰ For example, in FY13 DEXUS sold its US industrial portfolio for around \$590 million, purchased Australian CBD office properties and bought back \$128.45 million of its own shares. Source: ASX announcements dated 20 December 2012, 2 April 2013 and 2 May 2013.

³¹ Since December 2010 the Reserve Bank of Australia (RBA) has reduced the official cash rate target from 4.75% to 2.50%, with the most recent reduction announced on 6 August 2013. Source: RBA website accessed 7 August 2013.

³² Source: Knight Frank *March 2013 Perth CBD Office Market Overview*.

- 129 The biggest increase in total vacancy has been in premium-grade buildings, with 4.5% of this stock vacant (up from 0.1% in January 2012). It is anticipated that the vacancy rate will fall by 2014.
- 130 WA remains well placed to benefit from continued growth in Asia where growth estimates remain positive, supporting the continuation of significant mining investment.

Australian office property sector³³

- 131 The national CBD office market vacancy rate increased by 1.6% to 8.8% over 2012. The downsizing of corporate Australia was a significant contributor to the rising vacancy rate, however limited development activity and positive net absorption have resulted in the majority of the 13 non-CBD office markets recording vacancy rates below their 10-year averages. In a global context the vacancy rate for the Australian CBD office markets is low. There were relatively few project commencements across Australian office markets between 2009 and 2012. With a construction lead time of between 24 and 36 months for office developments, supply additions are expected to remain below trend in 2013 and 2014³³.

Australian industrial property sector³⁴

- 132 In the metropolitan markets, demand for prime grade space remained at a healthy level in 2012. Colliers International expects these trends to continue in 2013 due to limited new supply of industrial stock in the development pipeline, primarily due to difficulties in obtaining finance and achieving sufficient rental returns. Development viability will remain a challenge in 2013 and, therefore, any buildings that do make it to project completion are likely to be purpose-built, with very little speculative development occurring. The “design and construct” approach has become the preferred option for most tenants with requirements for new, larger premises to accommodate their consolidation and/or expansion needs.
- 133 At a national level, there has been a limited supply of new prime grade speculative stock. The new speculative stock that was completed during 2011 and 2012 was mostly located in the Sydney and Melbourne markets, with a smaller amount added in Brisbane.
- 134 More than \$3.2 billion of industrial assets were transacted in 2012, with 25% of it purchased by offshore investors, compared to only 10% in 2008. During 2013, Australian prime grade industrial assets are expected to continue to represent a strong and stable investment for domestic and foreign investors alike. Colliers International also expects moderate rental increases and some opportunity for capital growth.

Retail property sector³⁵

- 135 Background indicators (interest rates, unemployment and consumer sentiment) during 2012 were favourable for stronger retail activity, but consumers remained cautious. Retail turnover remained weaker than broad consumer spending, despite household income growth running at between 5% and 6% per annum.

³³ Source: 360 Capital Property Group *2013 Fund and Trust Half Year Report*, page 3.

³⁴ Source: Colliers International *Property Outlook 2013*.

³⁵ Source: 360 Capital Property Group *2013 Fund and Trust Half Year Report*, page 3.

- 136 While retail spending received a boost mid-year thanks to fiscal stimulus payments, the consumer response to interest rate cuts was lukewarm. The impact appears to be taking longer to flow through to retail sales than in previous interest rate easing cycles. Stable petrol prices and lower interest rates (which lift household disposable income) were supportive for retail activity over the second half of 2012.
- 137 Overall there has been an underlying slowdown in momentum over the past year, and the short-term outlook for retail demand growth is subdued. It is expected that retail turnover will remain below long-term average levels in the near term, although some support is expected as interest rate cuts and reduced debt levels flow through to consumers and purchasing decisions.

Property funds management

- 138 Property fund managers generally provide services including managing listed property trusts, property debt funds, unlisted property funds including syndicates, infrastructure funds and property securities.
- 139 360 Capital's property funds management business is a multi-fund and multi-sector business, with FUM of approximately \$860 million across 10 funds holding 28 properties³⁶. The largest fund (Industrial Fund) represents 48%³⁷ of the business.

Overview of the sector

- 140 There are two broad types of institutions operating within the funds management sector, being³⁸:
- (a) **managed funds institutions** – financial intermediaries which operate in the managed funds market by acquiring and incurring financial assets and liabilities respectively on their own balance sheet. Typically these institutions arrange for the 'pooling' of funds from a number of investors for the purpose of investing in a particular type or mix of assets, with a view to receiving an ongoing return or capital gain. Such intermediaries includes life insurance companies, superannuation funds, public offer unit trusts, friendly societies, common funds and cash management trusts
 - (b) **investment managers** – organisations that specialise in the investment of a portfolio of assets on behalf of, and subject to directions given by clients, such as superannuation funds and life insurance corporations. The funds which investment managers invest remain the asset of their clients and are not brought to account on the balance sheet of the investment manager.
- 141 The latter, including 360 Capital, are employed on a fee for service basis, to manage and invest in approved assets on behalf of their clients.
- 142 The Australian managed funds industry, of which property funds management is a sub-sector, had total FUM of \$2.1 trillion as at 31 March 2013³⁹, of which around 80% comprised the consolidated assets of managed funds institutions⁴⁰.

³⁶ Excludes properties managed by Centuria.

³⁷ Based on the contribution of management fees and custodian fees for the half year ended 31 December 2012. Excludes exit fees and leasing fees.

³⁸ Source: ABS Glossary to 5655, *Managed Funds, Australia*.

- 143 Around 70% of Australian FUM are held by superannuation funds, and of this \$1.5 trillion around 10% is invested in property (8% direct, 2% listed). Over the last 10 years Australian superannuation FUM has grown at 11% per annum, despite the GFC, compared to nominal gross domestic product (GDP) growth of generally less than 6% per annum. This growth is expected to continue, with the compulsory superannuation surcharge having increased to 9.5% on 1 July 2013, and planned to increase further on an annual basis to 12.0% by 2019⁴¹.
- 144 An annual survey of Australian property fund managers⁴², conducted by Independent Investment Research Pty Ltd, has found that assets under management (AUM) have fallen annually since 2008 (from \$419 billion to \$279 billion) due to managers writing down or selling assets (particularly to overseas buyers who may not be captured in the survey), or exiting the industry. In 2012 the trend continued with gross AUM and debt both declining significantly from the prior year, largely due to the restructure of Centro Group. Leveraging across the sector has fallen to 26%, a level last seen in the mid-2000s.
- 145 A-REITs account for around half the sector's AUM, while unlisted wholesale funds (typically funds managed by large institutions such as AMP and Colonial) have increased to 29% of the sector.

Property funds management sector					
	Gross assets	Growth in	Leverage	Average	Distribution
	\$m	gross assets	%	fund size	/ net assets
		%	%	\$m	yield
A-REITS	139,242	(7)	31	3,763	4.8
Unlisted wholesale funds	82,140	9	22	797	4.3
Unlisted retail funds	8,145	(15)	50	131	6.5
Direct property syndicates	6,601	(24)	50	57	5.9
Mortgage schemes	8,750	(21)	n/r	243	n/r
Property securities funds	19,336	(28)	n/r	387	n/r

Note:

- 1 Data is affected by the level of industry participant responses to the survey each year. The 2012 survey mostly reflects book values recorded as at 31 December 2011.
n/r, not reported.

³⁹ Compared to \$802 million as at 31 March 2003.

⁴⁰ Source: ABS 5655.01, *Managed Funds, Australia*.

⁴¹ Source: Charter Hall Group presentation to Macquarie Australia Conference, 1 May 2013.

⁴² The PIR Property Funds Industry Survey, collated and published annually, covers Australian securitised real estate funds and their managers. The 2012 survey mostly reflects book values recorded as at 31 December 2011.

VI Valuation methodology

Valuation approaches

- 146 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 securityholders 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.
- 147 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 148 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 149 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 150 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. Investment holding companies are often valued using the net assets on a going concern basis method, whereby the market value of its investments and other net assets are determined less an allowance for deferred tax liabilities which will crystallise upon sale of the investments / assets. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed (in this instance, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets).

Methodologies selected

Valuation of 360 Capital

- 151 REIT's are primarily passive investment vehicles whose value is largely determined by the underlying property assets they hold. These property assets are generally carried on balance sheet at market value. Accordingly, REITs are valued by reference to net assets. It should be noted however, that 360 Capital also operates a real estate and property management business and incurs corporate costs associated with managing its investment portfolio. The value of these property management activities is not captured on 360 Capital's balance sheet.
- 152 On the basis of the above, our assessment of the market value of 360 Capital is therefore based upon a sum-of-the-parts approach, whereby we individually value each component on a going concern basis using an appropriate valuation methodology. We then deduct net debt from the aggregated values in order to determine the value of 360 Capital's securities.
- 153 We have adopted the following valuation methodologies to value each of 360 Capital's key business components:

Methods used to value 360 Capital		
Component	Method applied	Reason
Investments in listed and unlisted funds (i.e. co-investments)	Net assets (and value of tradeable securities where appropriate)	- Value of funds primarily lies in the underlying property assets for which current independent valuations are available - The listed market price can, where appropriate, provide a reasonable proxy for value
Funds / property management (and head office costs)	Capitalisation of earnings (using EBIT)	- Value not captured on balance sheet - Long-term cash flow projections which would enable a DCF valuation to be adopted are unavailable - Demonstrated history of earnings and expected ongoing profitability - Participants in the funds management / property investment sectors have varying levels of gearing and tax structures - There is sufficient transaction evidence available to determine an appropriate multiple
Exit fees	DCF	Exit fees are payable at future dates as and when underlying properties are sold
Other balance sheet assets / (liabilities)	Net assets (adjusted where necessary)	Remaining other assets / (liabilities) are already reflected on balance sheet but may need to be adjusted to reflect market value



- 154 We have cross-checked our valuation of 360 Capital for reasonableness by comparing the trading and transaction multiples of broadly comparable A-REITs against those implied by our valuation.

Valuation of consideration offered

- 155 Trafalgar is offering 360 Capital securityholders an option of cash or scrip in Trafalgar (but not a combination of both). In our opinion, the test for fairness pursuant to RG 111 should be assessed by reference to the higher of the two alternatives. To be able to make this assessment we have considered the value of Trafalgar’s securities.
- 156 Trafalgar, unlike 360 Capital, holds only a limited portfolio of property assets and incurs the corporate costs associated with managing them. Consistent with Trafalgar’s approved strategy we have assessed the market value of Trafalgar on a net assets basis assuming an orderly realisation and distribution of the proceeds. We have had regard, as appropriate, to the time, cost and taxation consequences of realisation of the properties.
- 157 We have cross-checked our assessed value of Trafalgar against the traded price of Trafalgar securities and against the trading and transaction multiples of broadly comparable A-REITs.

VII Valuation of 360 Capital

Overview

- 158 As stated in Section VI, our assessment of the market value of 360 Capital is based upon a sum-of-the-parts approach whereby we individually value each component of the business on a going concern basis using an appropriate valuation methodology. We then deduct net debt from the aggregated values in order to determine the value of 360 Capital's securities.
- 159 We have valued 360 Capital primarily by reference to net asset value as the majority of its value lies in its investment portfolio of property assets a large number of which have been independently valued by external property valuers⁴³. We have adopted the capitalisation of EBIT as our primary methodology for valuing the funds management component of the business.
- 160 We have cross-checked our valuation of 360 Capital for reasonableness by comparing the trading and transaction multiples of broadly comparable A-REITs against those implied by our valuation.

Direct and indirect investments

- 161 360 Capital holds three direct investments, being the Diversified Property Fund, the 111 SGT Trust and the Developments Income Fund. Through the Diversified Property Fund, 360 Capital also holds 10 indirect investments.
- 162 In considering the value of these respective investments we have had regard to a number of factors, including:
- (a) the Industrial Fund is listed on the ASX, the remaining investments are unlisted
 - (b) other than the investment in two funds externally managed by Centuria, 360 Capital is the RE for all the funds / trusts in which it has co-invested
 - (c) 360 Capital holds a controlling 58.9% interest in the Diversified Property Fund
 - (d) pursuant to its controlling interest in the Diversified Property Fund, the level of voting control of 360 Capital in the other unlisted property funds / trusts ranges from a 44% to a 22% interest⁴⁴, indicating that 360 Capital has either effective control or (at least) significant influence
 - (e) reflecting their unlisted nature, there is no ready market for the securities in these funds / trusts, with each of the funds having suspended redemptions and the trusts not providing a redemption facility.

⁴³ On an indicative basis. Final valuation reports had not been received as at the date of this report.

⁴⁴ 360 Capital's economic interest in the funds / trusts is in a lower range.

- 163 Notwithstanding that 360 Capital is the RE and holds relatively significant voting interests in the funds / trusts in which it has co-invested, for the purpose of our report we have conservatively adopted a discount of 10% to the pro-rata share of underlying NTA in respect of those funds / trusts where the voting interest of 360 Capital is below 35%⁴⁵. We have considered a number of factors in determining our discount. These include (in the absence of a takeover offer):
- (a) full minority interest discounts for equity holdings in industrial companies in Australia typically range between 23% and 26% (being the inverse of a control premium range of 30% to 35%)
 - (b) discounts applied to REITs are generally significantly less than those applied to industrial companies as they are quite different in character. For example, they generally passively hold a portfolio of properties (which are typically less volatile in nature than an operating business) and normally distribute a large proportion (and in some cases 100%) of their earnings
 - (c) the extent to which the discount is influenced by the size of minority interest held. For example, significant interests in industrial companies of say 20% to 40% can, depending upon the circumstances, attract minority interest discounts of as low as 10% to 15% (with similar holdings in REITs attracting a lower range of discounts)
 - (d) the composition of the register and the size of other securityholdings.
- 164 We have assessed the value of 360 Capital’s interest in its direct investments as follows:

360 Capital – value of direct and indirect investments⁽¹⁾				
Component	Para⁽²⁾	Bal sheet⁽³⁾	Assessed value	
		31 May 13	Low	High
		\$000	\$000	\$000
Diversified Property Fund (58.9% direct interest)	165	35,628	30,744	32,491
111 SGT Trust (40.2% direct interest)	206	26,717	27,167	27,187
Developments Income Fund (9.6% direct interest)	210	-	864	1,080
Total		62,345	58,775	60,758

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Carrying values as at 31 May 2013 based upon unaudited management accounts.

Diversified Property Fund

- 165 We have assessed the value of 360 Capital’s interest in the Diversified Property Fund as follows:

⁴⁵ This approach is consistent with that adopted in respect of Trafalgar securities, where the major asset (the ATO Regional Office in Hurstville) has been conservatively valued given the prevailing uncertainty regarding extension of the current lease.

360 Capital – value of Diversified Property Fund⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low \$000	High \$000
Investments	167	61,110	64,074
Net debt	201	(8,928)	(8,928)
Other assets / (liabilities)	202	9	9
Adjusted NTA for valuation purposes		52,191	55,156
 % interest held by 360 Capital	81	58.9%	58.9%
Value of interest held by 360 Capital (controlling interest)		30,744	32,491
Adopted discount to NTA (%)	163	-	-
Assessed value of interest held by 360 Capital		30,744	32,491

Note:

1 Rounding differences may exist.

2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.

166 We discuss each of the above components in the following section.

Investments

167 We have assessed the value of the Diversified Property Fund's direct investments as follows:

360 Capital – value of investments of Diversified Property Fund⁽¹⁾				
Component	Para⁽²⁾	Bal sheet⁽³⁾ 31 May 13	Assessed value	
		\$000	Low \$000	High \$000
Industrial Fund	173	30,351	28,196	30,311
Retail Fund	177	5,646	4,238	4,238
Office Fund	181	-	-	-
Havelock House Trust	185	3,139	2,737	2,749
111 SGT Trust	187	710	722	723
Canberra Trust	192	4,188	2,970	2,970
441 Murray Street Trust	195	5,705	5,921	5,939
Subiaco Square Trust	197	3,096	2,576	2,587
Centuria Diversified Fund	200	15,474	13,153	13,926
Centuria Office Fund	200	701	596	631
Total		69,010	61,110	64,074

Note:

1 Rounding differences may exist.

2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.

3 Carrying values as at 31 May 2013 based upon unaudited management accounts.

Industrial Fund

168 In determining the value of 360 Capital's interest in the Industrial Fund we have had regard to the recent prices at which the units in that fund have traded. This is principally because the listed market prices of the units in the Industrial Fund are likely to represent a reasonable proxy for the value that 360 Capital could expect to realise if it sold its interest either immediately or in the short-term.

169 In addition:

- (a) there are no (legal) restrictions on trading in the Industrial Fund’s units which would prevent sufficient trading to produce an unbiased price
- (b) in our opinion, sharemarket trading in the fund is sufficiently liquid enough to warrant the use of the recent market prices as a reasonable point of reference. This is further supported by a number of recent placements. The following table sets out the average turnover in the Industrial Fund’s units:

Industrial Fund – liquidity analysis						
Period	Start date	End date	No of units traded ⁽¹⁾ 000	WANOS Outstanding ⁽²⁾ 000	Implied level of liquidity Period ⁽³⁾ %	Annual ⁽⁴⁾ %
1 week	9 Aug 13	16 Aug 13	1,230	93,652	1.31	68.27
1 month	16 Jul 13	16 Aug 13	3,795	93,509	4.06	48.70
3 months	16 May 13	16 Aug 13	8,095	88,352	9.16	36.65
6 months	16 Feb 12	16 Aug 13	17,641	76,128	23.17	46.35

Note:

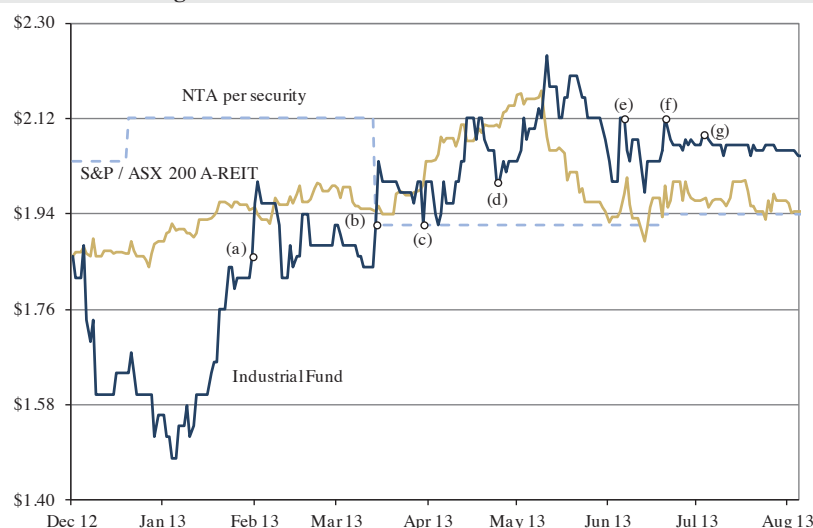
- 1 Units traded exclude the equity raisings announced on 26 March 2013 and 18 June 2013 and are adjusted for the 1 for 4 consolidation announced on 19 June 2013.
- 2 Weighted average number of shares / securities / units outstanding (WANOS) during relevant period adjusted for the 1 for 4 consolidation announced on 19 June 2013.
- 3 Number of units traded during the period divided by WANOS.
- 4 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- (c) significant information has been disclosed to the market about the Industrial Fund via, for example, financial reports and stock exchange announcements
- (d) there have been a large number of recent unit placements in the fund.

170 The following chart illustrates the movement in the Industrial Fund’s unit price since listing up to and including 16 August 2013:

Industrial Fund – unit price history⁽¹⁾⁽²⁾
13 December 2012 to 16 August 2013



Note:

- 1 Based upon closing prices. The S&P/ASX 200 A-REIT index has been rebased to the Industrial Fund's adjusted last traded price on 13 December 2012 (being \$1.86). Unit prices have been adjusted for the 1 for 4 consolidation announced on 19 June 2013.
- 2 NTA per security as per last reported balance sheet at the relevant time, adjusted for the 1 for 4 consolidation announced on 19 June 2013. NTA from 26 March 2013 to 30 June 2013 based upon announced 31 December 2012 pro forma position.

Source: Bloomberg, company announcements and LEA analysis.

171 Key events over the abovementioned time frame include:

- (a) **12 February 2013** – reported an after-tax profit of \$7.7 million (for the six months ended 31 December 2012), up from an after-tax loss of \$3.7 million in the prior corresponding period
- (b) **26 March 2013** – announced a fully underwritten \$63.7 million equity raising at \$0.45 per unit (\$1.80 post consolidation). The equity raising included two components, a \$12.3 million institutional placement and a \$51.4 million 1 for 1.6 pro-rata non-renounceable entitlement offer. Proceeds were used to reduce gearing by repaying a portion of its senior debt (\$34.4 million) and fully repaying the unsecured notes (\$26.0 million). All new units will rank equally with existing units on issue and be eligible for the June 2013 quarter distribution
- (c) **11 April 2013** – allotment and trading of new units issued under the institutional placement
- (d) **6 May 2013** – allotment and trading of new units issued under the entitlement offer
- (e) **18 June 2013** – announced a fully underwritten \$24.3 million institutional placement of 48.6 million units at \$0.50 per unit (\$2.00 post consolidation). Proceeds (together with existing cash and debt facilities) used to acquire two industrial properties, 69 Studley Court, Derrimut Victoria and 457 Waterloo Road, Chullora NSW, for a combined purchased price of \$37.2 million
- (f) **2 July 2013** – trading in consolidated units on a 1 for 4 deferred settlement basis commenced

- (g) **15 July 2013** – announced earnings for FY13 of 21.5 cents per unit, a 9.7% increase on previous guidance and an expected increase of NTA to \$1.94 per unit subject to finalisation of FY13 accounts. Distribution guidance for FY14 was also increased from 18.0 to 18.6 cents per unit (actual results, which were consistent with the guidance provided, were released on 12 August 2013).

- 172 Given the above events, in our opinion, the analysis of the recent trading in the units in the Industrial Fund should be restricted to the period subsequent to the announcement of 26 March 2013 equity raising (being the most recent significant event impacting NTA). The price of the Industrial Fund’s units over this more recent period is shown below:

Industrial Fund – unit price performance table ⁽¹⁾						
Period	Start date	End date	High \$	Low \$	VWAP ⁽²⁾ \$	Volume ⁽³⁾ 000
1 day	15 Aug 13	16 Aug 13	2.07	2.05	2.06	313
1 week	9 Aug 13	16 Aug 13	2.07	2.05	2.07	1,230
1 month	16 Jul 13	16 Aug 13	2.09	2.05	2.07	3,795
2 months	16 Jun 13	16 Aug 13	2.12	1.98	2.06	5,356
Since equity raising ⁽⁴⁾	26 Mar 13	16 Aug 13	2.26	1.84	2.06	16,541

Note:

- Unit prices and volume have been adjusted for the 1 for 4 consolidation announced on 19 June 2013.
- Volume weighted average price.
- Volume excludes the equity raisings announced on 26 March and 18 June 2013.
- Includes trading on 26 March 2013 post the announcement of the equity raising.

Source: Bloomberg and LEA analysis.

- 173 Based upon the above, for the purposes of this report we have adopted a value range of between \$2.00 and \$2.15 per Industrial Fund unit. Our assessed value of the Diversified Property Fund’s holding is therefore as follows:

360 Capital – value of Industrial Fund ⁽¹⁾			
Component	Para ⁽²⁾	Assessed value	
		Low \$m	High \$m
Assessed value per unit (\$)	173	2.00	2.15
Number of units held by Diversified Property Fund (m)	D15	14.1	14.1
Assessed value of interest held by Diversified Property Fund		28.2	30.3

Note:

- Rounding differences may exist.
- Paragraph cross reference. Includes references to appendices which are denoted by their letter.

- 174 In respect of the above, we note that:

- (a) the Industrial Fund’s NTA per unit is \$1.94⁴⁶. Although our valuation per unit exceeds the reported NTA per unit, in our opinion, the listed market price is the more relevant reference point (for the reasons discussed above)

⁴⁶ As at 30 June 2013 (refer Appendix D).

- (b) the Diversified Property Fund holds an interest of approximately 15.1% in the Industrial Fund⁴⁷. As our value has been determined by reference to share market trading, and already implicitly incorporates a discount for the absence of 100% control we have not applied any further discount (refer paragraph 163).

Retail Fund

- 175 The Retail Fund was established in January 2004 to purchase an initial portfolio of 11 retail properties. Following the completion of an asset sale program to stabilise the fund and reduce gearing levels, the Retail Fund now has one remaining asset, being Inala Plaza Shopping Centre in Queensland.
- 176 Following the refinancing and recent asset sales, 360 Capital has been exploring several strategies for the fund in light of its scheduled expiry in 2014. The strategies have included recapitalisation, merger and wind-up scenarios. Following a review of the fund, particularly its scheduled expiry and the outlook for the fund's single asset, a formal recommendation to sell the property and wind-up the fund has been provided to unitholders. 360 Capital has entered into a conditional contract with a potential purchaser of the property and the fund is forecast to be liquidated during FY14.
- 177 Given the circumstances we have assessed the value of the units in the Retail Fund, together with 360 Capital's interest therein, equivalent to net tangible asset backing, as set out below:

360 Capital – value of Retail Fund⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low \$000	High \$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	E9	15,379	15,379
Adjustment for 30 June 2013 property valuation	E10	(3,700)	(3,700)
Less capitalised borrowing costs	E9	(135)	(135)
Adjusted NTA for valuation purposes		11,544	11,544
 % interest held by Diversified Property Fund	E3	36.7%	36.7%
Value of interest held by Diversified Property Fund (controlling interest)		4,238	4,238
Adopted discount to NTA (%)	163	-	-
Assessed value of interest held by Diversified Property Fund		4,238	4,238

Note:

- 1 Rounding differences may exist.
2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.

Office Fund

- 178 The Office Fund was established in November 2003 to acquire and hold a portfolio of office buildings. The fund has two remaining assets, being 52-60 Railway Parade, Burwood, NSW and 33 Allara Street, Canberra, ACT.

⁴⁷ Based upon 93.7 million units on issue (post the distribution reinvestment plan in late July 2013), of which 14.1 million units are held by the Diversified Property Trust.

- 179 The Office Fund has an unaudited net asset backing of \$(0.18) per unit as at 31 May 2013. The fund currently has two loans in place, being a \$45.7 million senior debt facility with NAB and a \$45.0 million (plus \$31.9 million in capitalised interest) subordinated debt facility with Developments Income Fund.
- 180 As unitholders rank behind secured and unsecured creditors, and due to the fact that the short to medium term outlook for commercial property markets is unlikely to see asset values appreciate to levels sufficient to meet all the fund liabilities, 360 Capital has stated that it is unlikely that unitholders will receive any future income or capital returns.
- 181 Accordingly we have ascribed a \$nil value to the interest of 360 Capital in the Office Fund.

Havelock House Trust

- 182 The Havelock House Trust was established in July 2002 to acquire and hold property known as 29 Havelock Street and 2 Ord Street, West Perth (collectively Havelock House) for a period of 10 years. Havelock House consists of four separate buildings and 77 car bays and is located two kilometres west of the Perth CBD. The property comprises a 98 bed hospital, a three level office building and a mixture of other office, group therapy and communal rooms spread over a net lettable area of 4,856 square metres.
- 183 A six week sales campaign to sell Havelock House concluded unsuccessfully in July 2012 due to a problematic lease clause and its impact on property valuation.
- 184 In March 2013, the trust entered into a new 15 year lease on the property and a new financier, NAB, was found for a three year debt facility. The terms of the new lease included the removal of the problematic rent review clause in the previous lease. In April 2013 unitholders approved a proposal to extend the term of the trust to May 2017 in order to maximise the value of their investment.
- 185 We have assessed the value of the units in the Havelock House Trust, together with 360 Capital's interest therein, having regard to NTA backing, as set out below:

360 Capital – value of Havelock House Trust⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	G12	11,847	11,847
Adjustment for 30 June 2013 property valuation	G13	(500)	(500)
Adjustment for Exit Fee liability	220	100	150
Less capitalised borrowing costs	G12	(50)	(50)
Adjusted NTA for valuation purposes		11,397	11,447
 % interest held by Diversified Property Fund	 G6	 26.7%	 26.7%
Value of interest held by Diversified Property Fund (controlling interest)		3,041	3,054
Adopted discount to NTA (%)	163	10%	10%
Assessed value of interest held by Diversified Property Fund		2,737	2,749

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.

111 SGT Trust

- 186 The interest of 360 Capital in the 111 SGT Trust comprises a direct interest of 40.2% and an indirect interest of 1.1% held through the Diversified Property Trust.
- 187 The valuation of the units in 111 SGT Trust is considered in paragraphs 203 to 206 below. We have assessed the unit value having regard to NTA backing, and have assessed the value of the units in the trust held by the Diversified Property Trust as set out below:

360 Capital – value of 111 SGT Trust⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Reported Standalone NTA as at 31 May 2013 ⁽³⁾	H10	66,770	66,770
Adjustment for 30 June 2013 property valuation	H11	(100)	(100)
Adjustment for Exit Fee liability	220	1,500	1,550
Less capitalised borrowing costs	H10	(575)	(575)
Adjusted NTA for valuation purposes		<u>67,595</u>	<u>67,645</u>
% interest held by Diversified Property Fund	H4	1.1%	1.1%
Value of interest held by Diversified Property Fund (controlling interest)		<u>722</u>	<u>723</u>
Adopted discount to NTA (%)	163 ⁽⁴⁾	-	-
Assessed value of interest held by Diversified Property Fund		<u>722</u>	<u>723</u>

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.
- 4 No discount has been applied as 360 Capital also holds a direct interest of 40.2% in the 111 SGT Trust.

Canberra Trust

- 188 The Canberra Trust was established in September 2003. The sole property of the trust is 44 Sydney Avenue, Canberra which consists of a modern A grade commercial building constructed in 2003. The building has a net lettable area of 10,003 square metres and comprises a ground level foyer and three upper levels of office accommodation, in addition to two levels of basement car parking for 204 vehicles.
- 189 PricewaterhouseCoopers (PwC), the major tenant of the property, vacated the premises at the expiry of its lease in July 2013. The PwC tenancy accounted for some 36.5% of the property's income⁴⁸ and a campaign to market the tenancy for lease continues to be coordinated by leasing agents, Knight Frank.
- 190 The key strategic focus of the trust remains upgrading the property to a 4.5 NABERS rating. This upgrade in energy efficiency is considered by the trust to be essential in order to secure and retain tenants for the property.

⁴⁸ Based upon the six months to 31 December 2012.

- 191 Once the upgrade is complete and new leases signed with new tenants, 360 Capital (the responsible entity) proposes to provide alternative strategy recommendations to unitholders. The approval of unitholders regarding such strategies is required every three years and was last obtained in August 2011.
- 192 Given the circumstances we have assessed the value of the units in the Canberra Trust, together with 360 Capital's interest therein, having regard to the NTA backing, as set out below:

360 Capital – value of Canberra Trust⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	I11	19,478	19,478
Adjustment for 30 June 2013 property valuation ⁽⁴⁾	I12	(4,100)	(4,100)
Less capitalised borrowing costs	I11	(193)	(193)
Adjusted NTA for valuation purposes		15,185	15,185
 % interest held by Diversified Property Fund	15	21.7%	21.7%
Value of interest held by Diversified Property Fund (controlling interest)		3,300	3,300
Adopted discount to NTA (%)	163	10%	10%
Assessed value of interest held by Diversified Property Fund		2,970	2,970

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.
- 4 We understand that the indicative valuation reflects PwC's decision to vacate the premises upon expiry of its lease in July 2013. It should be noted that when the trust adopts this valuation (expected on or around 9 September 2013), it will be in non-compliance with its LVR covenant and has accordingly entered into discussions with its financier. We have been advised by 360 Capital management that a positive resolution with the financier is expected.

441 Murray Street Trust

- 193 The 441 Murray Street Trust was established in August 2001 to acquire and hold the property at 441 Murray Street, Western Australian for a period of 10 years. The property is a B grade building with an NLA of 5,941 sqm. In April 2011, unitholders approved the extension of the trust to October 2016.
- 194 The longer term strategic objective of the trust is the implementation of capital works programs at the property in order to lift building services and facilitate lease negotiations prior to the expiration of the trust. Capital expenditure projects include the installation of a second air conditioning unit and an electrical metering upgrade.
- 195 We have assessed the value of the units in the 441 Murray Street Trust, together with 360 Capital's interest therein, having regard to NTA backing, as set out below:

360 Capital – value of 441 Murray Street Trust⁽¹⁾

Component	Para ⁽²⁾	Assessed value	
		Low \$000	High \$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	J10	15,967	15,967
Adjustment for 30 June 2013 property valuation	J11	500	500
Adjustment for Exit Fee liability	220	250	300
Less capitalised borrowing costs	J10	(109)	(109)
Adjusted NTA for valuation purposes		16,608	16,658
 % interest held by Diversified Property Fund	J4	35.7%	35.7%
Value of interest held by Diversified Property Fund (controlling interest)		5,921	5,939
Adopted discount to NTA (%)	163	-	-
Assessed value of interest held by Diversified Property Fund		5,921	5,939

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.

Subiaco Square Trust

- 196 The Subiaco Square Trust was established in October 2000 to acquire and hold the Subiaco Square Shopping Centre for a period of 10 years. In November 2011, unitholders voted in favour of extending the term of the trust by four years to December 2014. The Centre comprises of a modern neighbourhood shopping centre with an NLA of 6,481 sqm.
- 197 We have assessed the value of the units in the Subiaco Square Trust, together with 360 Capital's interest therein, having regard to NTA backing, as set out below:

360 Capital – value of Subiaco Square Trust⁽¹⁾

Component	Para ⁽²⁾	Assessed value	
		Low \$000	High \$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	K8	12,903	12,903
Adjustment for 30 June 2013 property valuation	K9	(1,200)	(1,200)
Adjustment for Exit Fee liability	220	250	300
Less capitalised borrowing costs	K8	(67)	(67)
Adjusted NTA for valuation purposes		11,886	11,936
 % interest held by Diversified Property Fund	K2	24.1%	24.1%
Value of interest held by Diversified Property Fund (controlling interest)		2,862	2,875
Adopted discount to NTA (%)	163	10%	10%
Assessed value of interest held by Diversified Property Fund		2,576	2,587

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.

Centuria managed funds

- 198 In addition to the funds in respect of which 360 Capital is the RE, the Diversified Property Fund also holds units in two funds managed by Centuria Property Funds Limited, being the Centuria Diversified Fund and the Centuria Office Fund.
- 199 The Centuria Diversified Fund was established in 2005 and owns six properties across Australia spanning the retail, industrial, healthcare and office sectors. The Centuria Office Fund was established in 2002 and owns two office properties, one in Queensland and the other in Victoria.
- 200 We have assessed the value of the units held by 360 Capital in the respective Centuria managed funds, having regard to NTA backing, as set out below:

360 Capital – value of Centuria managed funds⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Centuria Diversified Fund			
Reported standalone NTA as at 31 Dec 2012 ⁽³⁾	M3	80,803	80,803
% interest held by Diversified Property Fund	M2	19.2%	19.2%
Value of interest held by Diversified Property Fund (controlling interest)		15,474	15,474
Adopted discount to NTA (%)	163 ⁽⁴⁾	15%	10%
Assessed value of interest held by Diversified Property Fund		13,153	13,926
Centuria Office Fund			
Reported Standalone NTA as at 31 Dec 2012 ⁽³⁾	N3	58,696	58,696
% interest held by Diversified Property Fund	N2	1.2%	1.2%
Value of interest held by Diversified Property Fund (controlling interest)		701	701
Adopted discount to NTA (%)	163 ⁽⁴⁾	15%	10%
Assessed value of interest held by Diversified Property Fund		596	631

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Based upon audited accounts (which we are advised is the latest information available).
- 4 We have adopted a higher discount factor of 15% as 360 Capital is not the RE of these funds.

Net debt

- 201 In assessing the net debt of the Diversified Property Fund we have adjusted for the distributions payable as at 31 May 2013. Our assessed value of the net debt of the Diversified Property Fund is set out below:

360 Capital – net debt of the Diversified Property Fund⁽¹⁾

Component	Para ⁽²⁾	Assessed value	
		Low \$000	High \$000
Reported cash and cash equivalents ⁽³⁾	C6	1,078	1,078
Reported interest bearing liabilities ⁽³⁾	C6	(9,456)	(9,456)
Less notional distribution payable ⁽³⁾	C6	(551)	(551)
Net debt for valuation purposes		(8,928)	(8,928)

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Carrying values as at 31 May 2013 based upon unaudited management accounts.

Other assets / (liabilities)

- 202 We have assessed the value of the other assets and liabilities of the Diversified Property Fund, as set out below:

360 Capital – value of other assets / (liabilities) of the Diversified Property Fund⁽¹⁾

Component	Para ⁽²⁾	Bal sheet ⁽³⁾ 31 May 13 \$000	Assessed value	
			Low \$000	High \$000
Trade and other receivables	C6	234	234	234
Trade and other payables	C6	(225)	(225)	(225)
Capitalised borrowing costs	C6	389	-	-
Total other assets / (liabilities)⁽⁴⁾		399	9	9

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Carrying values as at 31 May 2013 based upon unaudited management accounts.
- 4 Being assets / (liabilities) excluding investments and net debt held by the Diversified Property Fund.

111 SGT Trust

- 203 The 111 St George's Terrace Trust was established in January 2002 to acquire and hold the property at 111 St George's Terrace, Perth, Western Australia (111 St George's Terrace). 111 St George's Terrace has a net lettable area of some 19,040 square metres over 20 levels.
- 204 111 St George's Terrace has recently undergone a \$9.7 million refurbishment of the ground floor including the creation of new retail outlets. The capital expenditure program over the coming year includes further upgrades to plant and equipment in order to increase the property's NABERS rating and remain competitive in the market.
- 205 During the second half of 2012, the trust provided unitholders with a second opportunity to participate in a liquidity offer. Redemption applications for approximately 2.4 million units were received, equating to approximately 58% of the total number of units available for redemption. The redemption was funded using the undrawn finance facility and was completed in December 2012.

- 206 We have assessed the value of the units in the 111 SGT Trust, together with 360 Capital's interest therein, having regard to NTA backing, as set out below:

360 Capital – value of 360 Capital's direct interest in 111 SGT Trust⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	H10	66,770	66,770
Adjustment for 30 June 2013 property valuation	H11	(100)	(100)
Adjustment for Exit Fee liability	220	1,500	1,550
Less capitalised borrowing costs	H10	(575)	(575)
Adjusted NTA for valuation purposes		67,595	67,645
 % interest held by 360 Capital	H4	40.2%	40.2%
Value of interest held by 360 Capital (controlling interest)		27,167	27,187
Adopted discount to NTA (%)	163	-	-
Assessed value of interest held by 360 Capital		27,167	27,187

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.

Developments Income Fund

- 207 The Developments Income Fund is a subordinated lender to the Office Fund. As at 31 May 2013 the outstanding amount of the loan receivable was \$45.0 million (plus capitalised interest of \$31.9 million, of which \$25.8 million has been fully impaired).
- 208 The Developments Income Fund has entered into forbearance to allow the Office Fund time to investigate its own restructure and therefore increase any likelihood that the Office Fund might be able to repay the loan from the fund.
- 209 The Developments Income Fund also has an outstanding senior debt facility from Lawson Trust⁴⁹ of some \$27.5 million (i.e. the Lawson Loan). The loan expires in March 2014 and discussions progress between Lawson, the Office Fund and NAB (the Office Fund's financier). NAB has agreed to end the cash lock-up of the Office Fund, thereby releasing the Office Fund to service payments on its loan from the Developments Income Fund which, in turn, will allow the Developments Income Fund to service payments on its outstanding Lawson debt. The Lawson Loan will be acquired by Trafalgar as part of the Proposed Acquisition and Capital Raising.
- 210 Based on the property values adopted for the purposes of this report, capacity exists for the Office Fund to notionally repay around \$41.6 million of the loan from the Developments Income Fund. In turn this would allow the Developments Income Fund to notionally discharge the Lawson Loan, to leave aggregate unitholder funds of around \$12.5 million. In the circumstances, therefore, for the purposes of our report, we have ascribed a value to the interest of 360 Capital in the Developments Income Fund as set out below:

⁴⁹ On 7 July 2012, Lawson Trust, a consortium of institutional investors, acquired this debt facility from BOSI.

360 Capital – value of 360 Capital's direct interest in the Developments Income Fund⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Reported standalone NTA as at 31 May 2013 ⁽³⁾	L7	21,779	21,779
Adjustment for unrecoverable amount on loan to Office Fund ⁽⁴⁾		(9,475)	(9,475)
Indicative value of Developments Income Fund		12,304	12,304
Say ⁽⁵⁾		10,000	12,500
% interest held by 360 Capital	L5	9.6%	9.6%
Value of interest held by 360 Capital (controlling interest)		960	1,200
Adopted discount to NTA (%)	163	10%	10%
Assessed value of interest held by 360 Capital		864	1,080

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Standalone NTA as at 31 May 2013 based upon unaudited management accounts.
- 4 Assumed to be \$41.6 million not the carrying value of \$51.1 million.
- 5 Our low end figure includes a further contingency allowance of \$2.5 million.

Funds management

- 211 360 Capital is the RE and custodian for the majority of the non-third party funds in which it co-invests. Over 90% of 360 Capital's funds management revenue is sourced from management fees, with the Industrial Fund and the 111 SGT Trust the primary contributors.
- 212 We have adopted the capitalisation of EBIT as our primary methodology for valuing the funds management component of the business.
- 213 In assessing maintainable EBIT for valuation purposes we have had regard to:
- (a) the current and projected level of fees likely to be derived based on the funds and trusts for which 360 Capital currently acts as RE, together with the likely remaining term of the respective entities
 - (b) the potential for 360 Capital to provide alternative / replacement investment opportunities (managed by 360 Capital) to current unitholders in circumstances where existing managed funds / trusts are terminated
 - (c) the existing cost structure of the funds management business, together with the inherent capacity to grow funds under management.
- 214 Based on the above, we have assessed maintainable EBIT for valuation purposes at \$1.0 million.

- 215 We have adopted an EBIT multiple range of 5.0 to 6.0 as appropriate, given the current nature of the funds management business. This range includes a premium for control and reflects in particular:
- (a) the relative security of future earnings, given the respective tenure of 360 Capital as RE of the underlying funds / trusts and the extent to which it controls those entities which comprise the majority of management fee income
 - (b) the prospects for future growth in funds under management and the related inherent capacity to grow within the existing business structure
 - (c) the multiples at which comparable funds management companies have transacted in recent times (refer Appendix P).
- 216 Accordingly, we have assessed the value of the funds management business in the range of \$5.0 to \$6.0 million, as follows:

360 Capital – value of funds management business		
	Assessed value	
	Low	High
	\$000	\$000
Assessed maintainable EBIT	1,000	1,000
EBIT multiple (times)	5.0	6.0
Assessed value of funds management business	5,000	6,000

- 217 We note our assessed value represents around 0.6% to 0.7% of funds under management, which we consider reasonable given the size and established nature of the business, together with the history of the funds / trusts being managed.

Exit fees

- 218 Exit fees are received in the event that a fund / trust that 360 Capital acts as responsible entity for winds up. The amount receivable is based on a percentage of the property sale price, with an additional performance fee calculated in accordance with the relevant constitution. Details of exit fee entitlements based on the position as at 31 May 2013 are set out in Section IV of our report. These relate to the four single property trusts invested in the Perth market, with around 68% of the total entitlements being in respect of the 111 SGT Trust.
- 219 In considering a value of these receivables for the purpose of our report we have had regard to:
- (a) their inherent deferred nature, given the entitlement only arises on an eventual sale of the property and related wind-up of the trust
 - (b) the respective timing at which 360 Capital (as RE) is next required to provide a strategic update and related potential exit opportunity to unitholders
 - (c) the associated likely timing and quantum of future fees receivable
 - (d) tax payable by 360 Capital on receipt of the fees.

- 220 Based on the above we have attributed a value to future exit fees receivable of \$2.7 million to \$2.9 million, which reflects a discount rate of 7% post tax per annum⁵⁰.

Other assets / (liabilities)

- 221 The majority of other balance sheet assets / (liabilities) relate to working capital in relation to funds management business. These have implicitly been captured in the value of the funds management business via the capitalisation of earnings.

Net debt

- 222 In assessing the net debt of 360 Capital we have adjusted for the distributions receivable from the Diversified Property Fund as at 31 May 2013 and for the assumed repayment of outstanding securityholder loans. Our assessed value of the net debt of 360 Capital is set out below:

360 Capital – net debt⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low	High
		\$000	\$000
Reported cash and cash equivalents ⁽³⁾	94	11,137	11,137
Reported interest bearing liabilities ⁽³⁾	94	(15,692)	(15,692)
Less repayment of securityholder loans ⁽⁴⁾	105	-	-
Plus distribution from Diversified Property Fund ⁽⁵⁾	94	324	324
Less consultant's fees payable to AMB ⁽⁶⁾	95	(1,250)	(1,250)
Less payment for staff bonuses ⁽⁷⁾	95	(1,200)	(1,200)
Net debt for valuation purposes		(6,681)	(6,681)

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.
- 3 Carrying values as at 31 May 2013 based upon unaudited management accounts.
- 4 Some \$4.4 million of the \$5.7 million securityholder loan as at 31 May 2013 will be repaid from existing cash balances prior to the Proposed Acquisition. This has a nil effect on net debt for valuation purposes.
- 5 We have adjusted for the distribution receivable from the Diversified Property Fund when assessing the net debt of 360 Capital (a contra allowance was made in valuing the Diversified Property Fund).
- 6 We have accounted for the future payment of \$1.25 million in respect of consultant's fees payable to AMB when assessing the net debt of 360 Capital.
- 7 We have accounted for the future payment of staff bonuses of some \$1.2 million when assessing the net debt of 360 Capital.

⁵⁰ To allow for time value of money and the risk of timing in realisation (which 360 Capital as RE has significant influence over). It should be noted that the majority of the risk associated with the calculation of the exit fees is already reflected in the individual property valuations upon which the exit fees are based. We note that although we have used a single discount rate we have rounded the resultant values to the nearest \$50,000, thus producing a low and high (we did so because we considered it inappropriate for a single point estimate to be adopted).

Valuation summary

223 Based upon the above, the value of 100% of 360 Capital on a controlling interest basis is as follows:

360 Capital – valuation summary⁽¹⁾			
Component	Para⁽²⁾	Assessed value	
		Low \$000	High \$000
Diversified Property Fund	165	30,744	32,491
111 SGT Trust	206	27,167	27,187
Developments Income Fund	210	864	1,080
Funds Management	216	5,000	6,000
Exit fees	220	2,650	2,850
Other assets / (liabilities)	221	-	-
Enterprise value		66,425	69,608
Net debt	222	(6,681)	(6,681)
Equity value – 100% controlling interest basis		59,744	62,927
Securities on issue (000)	107	40,623	40,623
Value per security – 100% controlling interest basis (\$)		1.47	1.55

Note:

- 1 Rounding differences may exist.
- 2 Paragraph cross reference. Includes references to appendices which are denoted by their letter.

Cross-checks

224 We set out below the premiums / (discounts) to NTA and distribution yields implied by our valuation:

360 Capital – NTA and distribution cross-checks⁽¹⁾		
	Low \$	High \$
Assessed equity value per security – controlling interest basis	1.47	1.55
NTA as at 31 May 2013 ⁽²⁾	1.50	1.50
Premium / (discount) to pro forma NTA	(2.0%)	3.3%
Assessed equity value per security – controlling interest basis	1.47	1.55
Forecast distribution FY14 ⁽³⁾	0.048	0.048
Forecast distribution yield	3.3%	3.1%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts. Refer to Section IV.
- 3 Based upon information provided by 360 Capital management.

225 In respect of the above we note that:

- (a) **Premium / (discount) to NTA** – our valuation implies a mid-point premium that is less than those of the broadly comparable listed A-REITs (Appendix O) which are all

trading at premiums to their NTA backing (except for Abacus Property Group⁵¹ and Aspen Group⁵²).

We note that the range of discounts to NTA observed in the context of recent A-REIT transactions is between 30.7% and 1.5%, with a median discount of 9.6% (refer Appendix Q). However, we note that Valad Property Group, Mirvac REIT, MacarthurCook IPF and the Orchard IPF transactions were all of a distressed vendor nature (due mainly to excessive levels of gearing). If these transactions are excluded the range of observed discounts to NTA is between 12.9% and 1.5%, with a median discount of 4.2%.

We consider our valuation reasonable in the context of the above cross-checks

- (b) **Distribution yield** – the distribution yield implied by our valuation is marginally less than the range observed in respect of the broadly comparable listed A-REITs and the recent A-REIT transaction evidence. Given the circumstances of certain of the funds / trusts in which 360 Capital co-invests (which are not presently in a position to make annual distributions due to their ‘turn-around’ status), we consider the implied yields reasonable.

⁵¹ Which is trading at only a marginal discount.

⁵² Which is currently undergoing a transformational strategy (divesting non-core assets).

VIII Valuation of consideration offered

Approach

- 226 Trafalgar is offering 360 Capital securityholders an option of \$1.40 cash or 2.5 securities in Trafalgar for every 360 Capital security held (but not a combination of both).
- 227 As stated in Section VI, in our opinion, the test for fairness pursuant to RG 111 must be assessed by reference to the higher of the two alternatives. To be able to make this assessment we have considered the value of Trafalgar's securities.

Valuation of Trafalgar securities

Methodology

- 228 Consistent with Trafalgar's approved strategy we have assessed the market value of Trafalgar on a net assets basis assuming an orderly realisation and distribution of the proceeds. We have had regard, as appropriate, to the time, cost and taxation consequences of realisation of the properties.
- 229 We have cross-checked our assessed value of Trafalgar against the traded price of Trafalgar securities and against the trading and transaction multiples of (broadly) comparable A-REITs.

Property assets

ATO Regional Office, Hurstville

- 230 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 and is 100% owned by Trafalgar.
- 231 The building is fully leased to the ATO until February 2015, with two five year lease extension options. Trafalgar is presently engaged in discussions with the ATO regarding an extension of the lease, which remain ongoing.
- 232 In the case of the ATO Hurstville building we have relied primarily on an independent valuation of the property undertaken by Colliers as at 30 June 2013 (it should be noted that the Colliers valuation is based upon certain assumptions, qualifications and disclaimers).
- 233 In assessing a valuation of the ATO Hurstville property Colliers 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 considered appropriate by Colliers, in respect of items of a capital nature have been made to derive the market value at the valuation date. Capitalisation rates of 9.75% per annum (initial yield) and 9.00% per annum (reversionary yield) were 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 9.5% per annum was adopted.

- 234 The resultant values from each of the methodologies were comparable and a value of \$44.0 million was adopted by Colliers. We note that in undertaking their valuation, Colliers had particular regard to the pending lease expiry and the associated risk and uncertainty of lease renewal. Assumptions were made in respect of potential occupancy downtime, required tenant incentives and a refurbishment allowance, all of which had a negative impact on the overall value of the property.
- 235 The Colliers valuation does not include an allowance for selling costs. Based upon discussions with Trafalgar management, we understand that agent fees are likely to be in the order of 1.5% (other less material costs, such as legal fees, will also be incurred).
- 236 Given the above, for the purposes of our valuation we have adopted a range of between \$43.0 million and \$44.0 million.

Distribution centre, Goulburn

- 237 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 18,685sqm logistics distribution warehouse facility. The property is currently vacant.
- 238 Currently, there are parties who have expressed an interest in purchasing the property (discussions are very early stage and no offers have been made). Trafalgar is currently working with each party to seek a sale as soon as practicable.
- 239 Our assessment of the value of the distribution centre is primarily based upon the independent valuation of the property undertaken by LandMark White as at 30 June 2013.
- 240 In assessing a valuation of the property LandMark White adopted the following valuation approaches:
- (a) **direct comparison approach** – this approach utilises sales evidence for comparable sales (on a dollar per sqm of leasable area basis) which were then compared to the subject property and used to establish the property's current market value. Based upon the sales evidence obtained rates per sqm of between \$250 and \$275 were adopted
 - (b) **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. The capitalised value based upon an market rent of \$50 sqm and a capitalisation rate of 13.0% has been adjusted to allow for the fact that it may take up to two years to find a tenant (noting that the property has been vacant for six years).
- 241 The resultant values from each of the methodologies were comparable and a value of \$4.75 million was adopted by LandMark White. We note that in undertaking their valuation, LandMark White has considered the large size of the building and that there are very few tenants that require a facility of its size (in most market conditions) and some form of relatively minor subdivision may therefore be required. LandMark White also noted and considered the fact that the property has been on the market for approximately six years at steadily reducing asking prices.

- 242 The LandMark White valuation does not include an allowance for selling costs. Based upon discussions with Trafalgar management, we understand that agent fees are likely to be in the order of 3.0% (other less material costs, such as legal fees, would also be incurred). We have also made a present value allowance to account for the time that LandMark White expect to take to sell the asset, during which time Trafalgar is unlikely to earn any income due to the absence of a tenant⁵³.
- 243 Given the above, for the purposes of our valuation we have adopted a range of between \$4.25 million and \$4.75 million.

Rhodes JV

- 244 Although completed, the Rhodes JV (in which Trafalgar holds a 50% interest) is currently the subject of a \$1.7 million litigation claim filed in the Federal Court. The Rhodes JV denies any legal liability but has elected not to release the remaining undistributed proceeds of the joint venture to its investors until the litigation is resolved (the date of which is unknown).
- 245 Given the uncertainty of the outcome of the litigation, for the purposes of our report we have adopted a wide range of value for the Rhodes JV of between \$0.8 million and \$2.0 million. Our low end estimate is consistent with Trafalgar management's estimate of the likely downside outcome should the matter proceed to litigation, the high case represents the estimated outcome should the matter be settled⁵⁴.

Overheads until wound-up

- 246 Trafalgar will incur corporate operating expenses / overheads until such time that the group has realised all assets and discharged all liabilities and obligations. Corporate overheads and employee costs for the six months to 31 December 2012 were \$1.053 million before tax (implying annualised costs of \$2.106 million). However, further assets have been divested during FY13 with commensurate reductions in operating expenses / overheads. Trafalgar management expect annual corporate overheads and employee costs going forward to be within the range of \$1.4 million per annum.
- 247 Trafalgar holds only two remaining property assets, the ATO Regional Office in Hurstville and the Distribution centre in Goulburn. Although the group continues to position these assets for sale, the likely timing of sale remains uncertain:
- (a) **ATO Regional Office, Hurstville** – the ATO lease is due to expire in February 2015 but the ATO has an option to extend for a further five years (this option must be exercised 12 months prior to the expiry of the current term, i.e. February 2014). To date, Trafalgar has made an offer to extend the lease for 10 to 12 years and also provided an incentive to exercise the option early. No agreement has yet been reached and the decision on the lease renewal is unlikely to occur until after the impending Federal election (notwithstanding this, Trafalgar is confident that the ATO will remain at the property). For commercial reasons it is unlikely that Trafalgar will seek to realise this property until the current lease arrangements have been resolved

⁵³ We note that the LandMark White valuation already implicitly allows for a two year vacancy in its valuation but does not make an allowance for an orderly marketing period (as this is assumed to have already occurred).

⁵⁴ Given the status of the matter and the related commercial sensitivity thereof we are unable to make any further disclosure in our report.

- (b) **Distribution centre, Goulburn** – the property has been on the market for approximately six years at steadily declining asking prices. Although Trafalgar is currently in very early stage discussions with parties regarding the sale of this property, it is uncertain as to whether these discussions will eventuate in a sale.

248 Given the above, for the purposes of our valuation we have made an allowance for 18 months to 24 months of ongoing operating expenses / corporate overheads, being say, \$2.0 million to \$2.5 million (noting that costs will marginally decline over time⁵⁵).

Net other assets / (liabilities)

- 249 Other assets / (liabilities), other than cash and debt, recognised on balance sheet as at 30 June 2013 (on a pro forma basis) amounted to \$0.9 million (being other assets of \$0.9 million and liabilities of \$1.8 million).
- 250 Certain asset items have no cash value (or would have a very limited cash value upon wind-up). Our adjustments to the assets items are individually insignificant in nature and we have therefore not disclosed them in this report (however, in general they include the write-off of capitalised costs and certain prepayments as well as the write-off of the remaining office equipment).
- 251 We consider all of the other liabilities will be payable except for a small non-cash capitalised borrowing cost item. We note that other liabilities include an allowance for staff redundancies.
- 252 A summary of our adopted net asset / (liabilities) is as follows:

Trafalgar – net other assets / (liabilities)⁽¹⁾		
	Low	High
	\$000	\$000
Other assets	486	603
Other liabilities	(1,835)	(1,835)
Net other assets / (liabilities) adopted for valuation purposes	(1,349)	(1,232)

Note:

- 1 We note that other liabilities include an allowance for staff redundancies.

Net cash

253 As at 30 June 2013 Trafalgar had net cash (on a pro forma basis) of \$1.7 million.

Securities on issue

254 Trafalgar has 85.352 million stapled securities on issue.

Valuation summary

255 Based upon the above, the value of 100% of Trafalgar on a controlling interest basis is as follows:

⁵⁵ We note that certain costs relating to Trafalgar's listing cannot be avoided until such time as the wind-up is completed.

Trafalgar – valuation summary⁽¹⁾

	Low \$000	High \$000
ATO Regional Office, Hurstville	43,000	44,000
Distribution centre, Goulburn	4,250	4,750
Rhodes JV	800	2,000
Overheads until wound-up	(2,500)	(2,000)
Net other assets / (liabilities)	(1,349)	(1,232)
Enterprise value	44,201	47,518
Net cash / (debt)	1,684	1,684
Equity value – controlling interest basis	45,885	49,202
Securities on issue (million)	85.4	85.4
Equity value per security – controlling interest basis (cents)	53.8	57.6

Note:

1 Rounding differences may exist.

Cross-checks

Comparison with listed market price

- 256 Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers of industrial companies in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). However, REITs (which generally passively hold a portfolio of properties) are quite different in character to industrial operating businesses and there is normally little justification for the payment of any material premiums over NTA value / and, or pre bid prices.
- 257 We note that Trafalgar’s 1 month and 3 month VWAPs up to and including 16 August 2013 were 48.6 and 48.3 cents per security respectively⁵⁶. That said, Trafalgar’s securities are relatively illiquid and any comparison to the listed market price is therefore of limited relevance.
- 258 Our valuation implies premiums of 11% to 19% and 11% and 19% respectively over the 1 month and 3 month VWAPs. While the premiums implied by the high end of our valuation range appear high, we note that the high end of our range incorporates the benefit:
- (a) of the potential ‘upside’ for the Rhodes JV (particularly relative to the last reported carrying value for the asset); and
 - (b) the benefit associated with an ongoing reduction in operating expenses / overheads, which have been significantly reduced subsequent to the announcement of Trafalgar’s last reported results for the six months ended 31 December 2012.

⁵⁶ The 3 month VWAP has been adjusted to account for Trafalgar securities trading ex the final 1 cent per security distribution for FY13 (as at 24 June 2013).

259 Having regard to the above, we consider that our valuation range, and the premiums implied by our valuation range to be reasonable and appropriate in the circumstances.

Comparison against trading and transaction multiples of A-REITs

260 We set out below the premiums / (discounts) to NTA implied by our valuation:

Trafalgar – NTA cross-check⁽¹⁾		
	Low Cents	High Cents
Assessed equity value per security – controlling interest basis	53.8	57.6
Pro forma NTA as at 30 June 2013 ⁽²⁾	58.9	58.9
Premium / (discount) to pro forma NTA	(8.7)%	(2.2)%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts as at 30 June 2013, adjusted for the July distribution, receipt of the sale proceeds in respect of the EDI Rail headquarters, Granville and the \$450,000 make good payment from the tenant. Refer Section III.

261 We note that whilst the majority of listed A-REITs (set out at Appendix O) presently trade at a premium to NTA, many of these have significant property funds management operations, the value of which is not reflected on balance sheet. Given that Trafalgar does not have a similar business and will be required to incur corporate overheads until such time that the remaining assets are realised we consider our valuation to be reasonable.

262 The range of discounts to NTA observed in the context of recent A-REIT transactions (of a non-distressed nature) is 12.9% and 1.5%, with a median discount of 4.2%. Our valuation is consistent with these discounts.

263 Whilst we would also ordinarily consider the reasonableness of the distribution yield implied by our valuation, we do not consider this cross-check to be relevant in the case of Trafalgar. This is because Trafalgar is presently in a wind-up phase and its distributions are made on an ad-hoc basis as and when funds become available (thus making it difficult to compare to the trading and transaction evidence where the A-REITs generally operate on a going concern basis).

Conclusion on value of consideration offered

264 Trafalgar is offering 360 Capital securityholders an option of \$1.40 cash or 2.5 securities in Trafalgar for every 360 Capital security held (but not a combination of both).

265 The value of the Scrip Option based upon our assessed valuation range of Trafalgar securities on a 100% controlling interest basis is \$1.35 to \$1.44 for each 360 Capital security⁵⁷. As the Cash Option lies within this range, we have adopted our assessed range of value of Trafalgar securities as the value of the consideration offered for the purposes of our assessment of the Proposed Acquisition.

⁵⁷ Being 2.5 times 53.8 and 57.6 cents per Trafalgar security.

IX Evaluation of the Proposed Acquisition

Summary of opinion

266 In our opinion, the Proposed Acquisition is fair and reasonable to Trafalgar’s non-associated securityholders. We have formed this opinion for the following reasons.

Assessment of fairness

267 Pursuant to RG 111, for the Proposed Acquisition to be “fair”, the value of 360 Capital (on a 100% controlling interest basis) must be greater than or equal to the value of the consideration offered by Trafalgar. This comparison is set out below:

Assessment of fairness ⁽¹⁾			
	Low Cents	High Cents	Mid-point Cents
Value of 100% of 360 Capital	147	155	151
Value of consideration offered ⁽²⁾	135	144	140
Extent to which the value of 100% of 360 Capital exceeds (or is less than) the value of the consideration offered	12	11	11

Note:

- 1 Rounding differences may exist.
- 2 Based upon 2.5 times our assessed range of the value of Trafalgar securities on a 100% controlling interest basis (which the Cash Option of \$1.40 lies within).

268 As the value of the securities acquired in 360 Capital (on a 100% controlling interest basis) exceeds the value of the consideration offered, in our opinion, the Proposed Acquisition is fair to Trafalgar’s non-associated securityholders.

Assessment of reasonableness

269 Pursuant to RG 111 the Proposed Acquisition is “reasonable” if it is “fair”. Consequently, in our opinion, the Proposed Acquisition is also reasonable to Trafalgar’s non-associated securityholders.

270 In assessing whether the Proposed Acquisition is “reasonable” to Trafalgar’s non-associated securityholders, we have also had regard to the following factors.

Effective issue price of Trafalgar securities

271 Pursuant to the Scrip Option component of the Proposed Acquisition 2.5 Trafalgar securities are to be issued for each 360 Capital security. As set out in Section VII of our report, we have assessed the value of a 360 Capital security in the range of \$1.47 to \$1.55. The effective issue price of Trafalgar securities to be issued in settlement of the Scrip Option component of the Proposed Acquisition is therefore in the range of \$0.59 to \$0.62 per security, calculated as follows:

Effective issue price of Trafalgar securities under Scrip Option		
	Low	High
	\$	\$
Assessed value of 360 Capital per security – controlling interest basis	147	155
Divided by number of Trafalgar securities to be issued per 360 Capital security	2.5	2.5
Effective issue price of Trafalgar securities	58.8	62.0

- 272 In contrast, prior to the announcement of the Proposed Acquisition, Trafalgar securities have traded at around \$0.50 per security. The effective issue price under the Scrip Option component of the Proposed Acquisition therefore reflects a premium of 18 % to 24% as compared to recent ASX trading in Trafalgar securities.

Proposed capital raising

- 273 Concurrent with the Proposed Acquisition, Trafalgar is undertaking a capital raising of up to \$70.8 million priced at \$0.59 per Trafalgar security. These funds are being raised in part to finance the Cash Option component of the Proposed Acquisition.
- 274 We note that the capital raising is significant relevant to the current market capitalisation of Trafalgar and that the issue price of \$0.59 per Trafalgar security:
- (a) represents a premium of 18% to the prevailing listed market price of Trafalgar of around \$0.50 per security
 - (b) is consistent with the upper end of our assessed valuation range of Trafalgar securities on a controlling interest basis of \$0.54 to \$0.58 per security.
- 275 In contrast, large capital raisings of the size proposed by Trafalgar are generally priced at a discount to the prevailing share market price. The size of the discount is dependent on the circumstances of the particular issue, having regard to factors such as the amount of money being raised, the purpose of the issue and the size of the raising in percentage terms. Observed discounts can range between 5% and 20% (depending on market conditions and the above factors).

Alternatives to the Proposed Acquisition

- 276 Subsequent to a securityholder approved strategy in November 2010 to close the gap between the Trafalgar security price and NTA, the group has pursued an orderly and opportunistic realisation of its investment property portfolio. The outcome of this strategy is reflected in there being only one significant investment property remaining to be realised, the ATO Building in Hurstville.
- 277 For commercial reasons we do not consider it to be in the interests of Trafalgar securityholders to seek to realise this property at this time, a situation that is likely to continue for some 18 months or so (as discussed in Section VIII). In the absence of the Proposed Acquisition therefore Trafalgar securityholders are primarily faced with a choice between:
- (a) retaining their investment until such time as the ATO Hurstville property is able to be sold and the net proceeds distributed to securityholders (in the meantime being implicitly subject to an effective single property risk and negatively impacted by ongoing Trafalgar corporate costs)

- (b) selling their securities on market. In this regard we note that the prevailing Trafalgar price of around \$0.50 per security reflects a discount of 15% to pro forma NTA as at 30 June 2013 and 10% discount to the mid-point of our assessed value of Trafalgar securities on a 100% controlling interest basis. Furthermore, as set out in Section III of our report, share market trading in Trafalgar securities is relatively illiquid.

278 As noted above, concurrent with the Proposed Acquisition, Trafalgar is undertaking a significant capital raising of up to \$70.8 million priced at \$0.59 per Trafalgar security. In the circumstances, whilst it is not possible to accurately predict future security price movements, we consider it reasonable to conclude (at least in the immediate short-term) that Trafalgar will trade at, or around, the capital raising price of \$0.59 per security. For those Trafalgar securityholders wishing to realise their investment in the group, the Proposed Acquisition is likely to provide an improved outcome relative to the current situation.

Impact on ownership of Trafalgar

279 In considering the impact of the Proposed Acquisition on the ownership of Trafalgar we have initially had regard to the number of new securities in Trafalgar likely to be issued pursuant to the Proposed Acquisition. In this regard we have also allowed for the concurrent Capital Raising being undertaken by Trafalgar.

280 We set out in the table below the respective positions:

Enlarged number of Trafalgar securities on issue	
	Million
Number of existing Trafalgar securities on issue	85.35
Trafalgar securities to be issued pursuant to acceptance of the Scrip Option ⁽¹⁾	21.38
Trafalgar securities to be issued pursuant to the concurrent capital raising ⁽²⁾	120.00
Enlarged number of Trafalgar securities on issue ⁽³⁾	226.73

Note:

- 1 Assumes acceptance of Cash Option in respect of 78.9% interest in 360 Capital.
- 2 Capital raising of \$70.8 million at \$0.59 per security.
- 3 Excludes any Trafalgar securities that may be issued pursuant to the proposed employee securities plan.

281 Prior to the Proposed Acquisition and Capital Raising the major securityholders in Trafalgar comprise TT and its wholly owned subsidiary Pentagon Finance Services Pty Limited (28.2% combined) and First Samuel Limited (19.9%).

282 TT is controlled by Mr Tony Pitt, who also owns 21.1% of 360 Capital and intends to elect the Scrip Option pursuant to the Proposed Acquisition. Subsequent to the Proposed Acquisition and associated Capital Raising, Mr Tony Pitt will own approximately 20.7% of the enlarged capital of Trafalgar.

Gearing

283 As set out in Section III of our report, subsequent to the recent settlement of the Granville property, Trafalgar has a net cash position of around \$1.7 million (the outstanding bank borrowings of \$5.4 million being more than offset by cash).

- 284 In contrast, subsequent to the Proposed Acquisition and associated Capital Raising, New 360 is projected to have net debt of around \$12.9 million⁵⁸. Total assets (excluding cash) are projected to be in excess of \$189 million, comprising predominantly property related assets reported at recent independently assessed market values.
- 285 Whilst pursuant to the Proposed Acquisition (and associated Capital Raising) Trafalgar moves from a net cash to a net debt position, we consider the post transaction level of gearing to be relatively conservative.

Tax considerations

- 286 As part of the Proposed Acquisition, there will be a preliminary internal restructure of the Trafalgar group (disposal of TOF4 units). Capital gains tax (CGT) rollover relief may be available to eligible Trafalgar securityholders who elect to apply to defer any resulting capital gains arising out of their disposal of the TOF4 units. Rollover relief will not be available where a Trafalgar securityholder incurs a capital loss on disposal or where they hold their TOF4 units on revenue account. Further information on the taxation implications of this aspect of the Proposed Acquisition is set out in appendix 4 of the Notice of Meeting and Explanatory Memorandum.
- 287 Following completion of the Proposed Acquisition, Trafalgar securityholders will have an interest in a different mix of underlying assets. The new underlying assets will have different income tax and capital gains tax characteristics to those presently held. Accordingly, the mix of taxable and tax deferred annual distributions may change as will Trafalgar securityholder's exposure to capital gain tax liabilities. In particular, Trafalgar securityholders will, as a result of the Proposed Acquisition, obtain an interest in the 111 SGT Trust. This trust presently has significant unrealised capital gains⁵⁹. The future tax impost on Trafalgar securityholders of realising this asset depends on a number of factors, including:
- (a) date of sale (there is no present intention to sell 111 St George's Terrace)
 - (b) the future value of 111 St George's Terrace and the amount of capital gain actually realised
 - (c) the extent to which tax losses within the New 360 group will be available to offset the gain
 - (d) whether Trafalgar securityholders continue to retain their interest in New 360 at the time the capital gain is realised (and the individual circumstances of the securityholders at that time).
- 288 Whilst we note the above, as discussed at paragraph 278, the Proposed Acquisition is likely to provide those Trafalgar securityholders wishing to realise their investment in the group with an improved outcome relative to the current situation (i.e. provide for an opportunity to sell on market at \$0.59 per Trafalgar security rather than the current price of around \$0.50 per security). Any decision to continue to hold New 360 securities beyond the immediate to short-term is a separate investment decision which should be made by Trafalgar

⁵⁸ Being cash and equivalents of \$15.1 million (excluding Lawson Loan) less current and non-current interest bearing liabilities of \$5.5 million and \$22.5 million respectively (Refer Product Disclosure Statement and Prospectus, Section 4.2).

⁵⁹ Other capital gains tax cost base differences in other underlying trusts / funds are relatively minor.



securityholders having regard to, amongst other things, the taxation implications that will arise following completion of the Proposed Acquisition.

Conclusion

289 Based on the above, we summarise below the advantages and disadvantages of the Proposed Acquisition:

Advantages

- (a) the effective issue price of Trafalgar securities under the Scrip Option component of the Proposed Acquisition approximates NTA value and reflects a premium of 18% to 24% as compared to recent ASX trading in Trafalgar securities
- (b) concurrent with the Proposed Acquisition, Trafalgar is undertaking a capital raising of up to \$70.8 million priced at \$0.59 per Trafalgar security. The issue price of \$0.59 per Trafalgar security represents a premium of 18% to the prevailing listed market price of Trafalgar of around \$0.50 per security
- (c) we consider it reasonable to conclude (at least in the immediate short-term) that subsequent to the Proposed Acquisition, Trafalgar will trade at or around the capital raising price of \$0.59 per security. For those Trafalgar securityholders wishing to realise their investment in the group, the Proposed Acquisition provides for an improved outcome relative to the current situation
- (d) in contrast, in the absence of the Proposed Acquisition, Trafalgar securityholders are primarily faced with a choice between:
 - (i) retaining their investment until such time Trafalgar is wound-up and the net proceeds distributed (and in the meantime implicitly subject to an effective single property risk and negatively impacted by ongoing Trafalgar corporate costs)
 - (ii) selling their relatively illiquid securities on market at prevailing prices (which are currently around \$0.50 per security)

Disadvantages

- (e) pursuant to the Proposed Acquisition (and associated Capital Raising) Trafalgar will move from a net cash to a net debt position. However, we consider the post transaction level of gearing to be conservative.

290 For the reasons set out above, in our opinion, the Proposed Acquisition is fair and reasonable to Trafalgar's non-associated securityholders.

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* (Corporations Act) 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 Acquisition.
- 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 entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$155,000 plus GST.
- 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 many hundred independent expert's reports.
- 2 This report was prepared by Mr Lonergan and Mr Toscan, who are each authorised representatives of LEA. Mr Lonergan and Mr Toscan have over 35 years and 10 years experience respectively in the provision of valuation advice (and related advisory services).

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 Acquisition is fair and reasonable to Trafalgar's non-associated securityholders.

Interests

- 4 At the date of this report, neither LEA, Mr Lonergan nor Mr Toscan have any interest in the outcome of the Proposed Acquisition. 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 In May 2013, LEA prepared an IER for Trafalgar in respect of the acquisition of the Mort Street (Canberra) property by a related party. In May 2012, LEA provided 360 Capital with independent report on the series of transactions that ultimately led to the ASX listing of the Industrial Fund. LEA, in April 2011, also prepared an independent report for 360 Capital in connection with the restructure of the 111 SGT Trust. Other than these reports, LEA has had no prior business or professional relationship with Trafalgar or 360 Capital 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 and 360 Capital 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 Trafalgar's Explanatory Memorandum.

Appendix C

Diversified Property Fund

Overview

- 1 The Diversified Property Fund was established in February 2006 by Becton. It is an open-ended fund with a core focus of implementing the strategies within the underlying funds and trusts that form the fund’s investment portfolio.
- 2 The RE of the Diversified Property Fund is 360 Capital Investment Management, a wholly owned subsidiary of 360 Capital. In September 2011, all custodian services were transferred to Trust Company Australia Limited⁶⁰.
- 3 The Diversified Property Fund has investments in eight funds managed by 360 Capital and two funds managed by Centuria Property Funds⁶¹, with a total investment portfolio valuation of some \$69.0 million as at 31 May 2013. The “look through” occupancy rate of the Diversified Property Fund’s investments⁶² is around 98% with a WALE⁶³ of some 4.6 years.
- 4 A summary of the key statistics of the Diversified Property Fund is set out below:

Diversified Fund – key statistics

Fund commencement date	Feb 2006
Fund expiry	Open-ended
RE	360 Capital RE
Custodian	Trust Company Australia Ltd
Number of investments	10
360 Capital economic interest (%) ⁽¹⁾	58.9
Total assets as at 31 May 13 (\$m)	70.3
Forecast FY13 distribution (cpu)	1.60

Note:

1 Represents 360 Capital’s direct interest in the fund.

Source: 360 Capital.

Removal of RE

- 5 Removal of 360 Capital RE as RE of the Diversified Property Fund requires the vote of at least 50% of unitholders, excluding stakes associated with 360 Capital. 360 Capital or any of its associates may not participate in this vote.

⁶⁰ Prior to this, custodian services were provided by 360 Capital RE and Sandhurst Nominees.

⁶¹ An overview of each of the Diversified Property Funds investments is set out in the following appendices.

⁶² Excluding Centuria Funds.

⁶³ By gross income.

Appendix C

Statement of financial position

- 6 The financial position of Diversified Property Fund as at 31 December 2012 and 31 May 2013 is set out below:

Diversified Property Fund – statement of financial position ⁽¹⁾		
	31 Dec 12 Reviewed \$000	31 May 13 Unaudited ⁽²⁾ \$000
Cash and cash equivalents	1,213	1,078
Trade and other receivables	854	234
Investments	62,135	69,010
Total assets	64,202	70,323
Trade and other payables	348	225
Distributions payable	826	551
Interest bearing liabilities	9,456	9,456
Capitalised borrowing costs	(309)	(389)
Total liabilities	10,321	9,842
Net assets	53,881	60,481
<i>Units on issue (000s)</i>	206,518	206,518
<i>NTA per unit (\$)</i>	0.261	0.293
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	13.1%	12.1%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Investments

- 7 The investments of the Diversified Property Fund comprise the fund's relevant interests in funds in which it invests. We note that the carrying value of these funds as at 31 May 2013 is calculated based upon the standalone NTA of these funds as at 30 April 2013, as this was the most recent data available as at the date of preparation of the 31 May 2013 financial statements. The breakdown of the carrying value of these investments as at 31 May 2013 is set out below:

Appendix C

Diversified Property Fund – Investments as at 31 May 2013^{(1),(2)}				
Investment	Appendix reference⁽³⁾	Standalone NTA⁽⁴⁾ \$000	Interest⁽⁵⁾ %	Carrying value \$000
Industrial Fund	Appendix D	111,341	17.0 ⁽⁶⁾	30,351 ⁽⁷⁾
Retail Fund	Appendix E	15,378	36.7	5,646
Office Fund	Appendix F	(36,038)	43.8	- ⁽⁸⁾
Havelock House Trust	Appendix G	11,765	26.7	3,139
111 SGT Trust	Appendix H	66,477	1.1	710
Canberra Trust	Appendix I	19,268	21.7	4,188
441 Murray Street Trust	Appendix J	16,004	35.7	5,705
Subiaco Square Trust	Appendix K	12,856	24.1	3,096
Centuria Diversified Fund	Appendix M	80,803 ⁽⁹⁾	19.2	15,474
Centuria Office Fund	Appendix N	58,696 ⁽⁹⁾	1.2	701
Total				69,010

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 Refer to the relevant appendix for a breakdown of the NTA of the relevant fund and the Diversified Property Fund’s relevant interest in the fund.
- 4 Standalone NTA of each fund as at 30 April 2013, being the date upon which the calculated carrying value is based.
- 5 Being the Diversified Property Fund’s relevant interest in the fund.
- 6 As at 31 May 2013 the Diversified Property Fund held a 17.0% interest in the Industrial Fund. The Diversified Property Fund currently holds a 15.1% interest in the Industrial Fund as a result of a capital raising and the issue of units pursuant to a distribution reinvestment plan (refer Appendix D).
- 7 Calculated based upon the last traded price of the Industrial Fund as at 31 May 2013, being \$0.55.
- 8 The Diversified Property Fund carries its investment in the Office Fund at nil due to the negative NTA position of the Office Fund.
- 9 Calculated based upon the NTA of the fund as at 31 December 2012.

Source: 360 Capital and LEA analysis.

Distributions payable

- 8 Distributions payable comprise accrued distributions that have yet to be paid out in cash to unitholders.

Borrowings

- 9 The Diversified Property Fund has some \$9.5 million in outstanding debt from a short-term financier. The maturity of the debt was extended to December 2013 earlier this year and the fund is currently compliant with all debt covenants on the facility.

Appendix D

Industrial Fund

Overview

- 1 The Industrial Fund was established in August 2002 to acquire and hold a portfolio of industrial properties.
- 2 In accordance with the fund's product disclosure statement (PDS), the term of the fund is for 80 years, however a compulsory liquidity event needed to be considered in December 2012. In order to provide liquidity for unitholders and avoid the significant negative impacts to NTA stemming from a potential wind-up of the fund, 360 Capital proposed to list the fund on the ASX. Members voted in favour of this listing in November 2012 and the fund subsequently began trading on the ASX in December 2012.
- 3 At 31 December 2012, following the integration of the four properties acquired from Walker Corporation (Walker)⁶⁴ and the sale of six non-core assets during the half year⁶⁵, the fund's portfolio was characterised by 18 core industrial properties in established industrial locations across all mainland Australian states. The Walker portfolio acquisition was the first major step in repositioning the Industrial Fund by improving the quality of the portfolio, providing long-term stability to cashflow, increasing diversification and reducing capital expenditure.
- 4 In June 2013, the Industrial Fund acquired a further two properties in New South Wales and Victoria for a combined purchase price of \$37.2 million. The acquisition was partly funded by a \$24.3 million placement to institutional investors and further enhanced the portfolio's quality and stability of income, with the two properties having a combined WALE of some 10.0 years.
- 5 A summary of the key statistics of the Industrial Fund is set out below:

Industrial Fund – key statistics	
Fund commencement date	Aug 2002
Fund expiry	Open-ended
RE	360 Capital Investment Management
Custodian	360 Capital RE
Number of properties held ⁽¹⁾	20
Interest directly held by Diversified Property Fund (%) ⁽²⁾	14.8
360 Capital economic interest (%) ^{(2), (3)}	8.7
Total assets as at 30 June 13 (\$m)	347.1
Gross rental (12 mths to 30 Jun 13) (\$m)	35.6
FY13 distribution (cpu) ⁽⁴⁾	18.0

⁶⁴ These four assets were acquired for a combined value of \$80.4 million.

⁶⁵ These six assets were sold for a combined value of \$46 million.

Appendix D

Note:

- 1 Includes two properties acquired in June 2013.
- 2 As at 30 June 2013. The Diversified Property Fund increased its interest in the Industrial Fund to 15.1% in late July 2013 as a result of it participating in the fund's distribution reinvestment plan. 360 Capital's economic interest in the Industrial Fund increased to 8.9% as a result.
- 3 Represents 360 Capital's "see through" indirect interest in the respective fund.
- 4 On a post-consolidation basis.

Source: 360 Capital.

Removal of RE

- 6 Removal of 360 Capital Investment Management as RE of the Industrial Fund requires the vote of at least 50% of those that actually vote. 360 Capital or any of its associates may participate in this vote.

Portfolio overview

- 7 A summary of the Industrial Fund's properties as at 30 June 2013 is set out below:

Industrial Fund – portfolio overview					
As at 30 June 2013	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
60 Marple Avenue, NSW	18.7	18,529	100.0	3.4	9.50
37-51 Scrivener Street, NSW	20.9	27,599	100.0	5.0	9.75
457 Waterloo Road, NSW	17.3	16,051	100.0	9.7	9.25
8 Penelope Crescent, NSW	14.1	11,423	100.0	2.9	8.50
54 Sawmill Circuit, ACT	8.9	5,684	100.0	5.1	8.50
22 Hawkins Crescent, Qld	34.2	18,956	100.0	11.4	8.25
1 Ashburn Road, Qld	30.7	26,628	100.0	6.6	8.50
9-13 Caribou Drive, SA	9.2	7,023	100.0	6.3	8.75
5-9 Woomera Avenue, SA	5.0	10,580	100.0	0.2	10.25
102-128 Bridge Road, Vic	22.0	24,617	100.0	3.8	9.25
69 Studley Court, Vic	20.0	20,731	100.0	10.3	8.00
500 Princes Highway, Vic	19.0	13,714	96.9	2.6	9.25
6 Albert Street, Vic	17.0	20,517	90.9	4.9	10.00
14-17 Dansu Court, Vic	14.6	17,070	100.0	1.0	8.75
12-13 Dansu Court, Vic	11.4	11,542	100.0	3.0	8.75
33-59 Clarinda Road, Vic	10.1	10,774	100.0	2.5	9.25
40-48 Howleys Road, Vic	9.3	11,053	100.0	0.5	8.75
39-45 Wedgewood Road, Vic	8.4	10,631	100.0	1.9	9.00
223-235 Barry Road, Vic	5.0	11,092	69.0	2.9	11.25
310 Spearwood Avenue, WA	45.0	59,508	100.0	5.4	8.67
Total / weighted average	340.7	353,722	98.4	5.1	8.93

Note:

- 1 External property valuations as at 30 June 2013.
- 2 By area as at 30 June 2013.
- 3 By gross income as at 30 June 2013.

Source: 360 Capital.

Appendix D

External property valuations

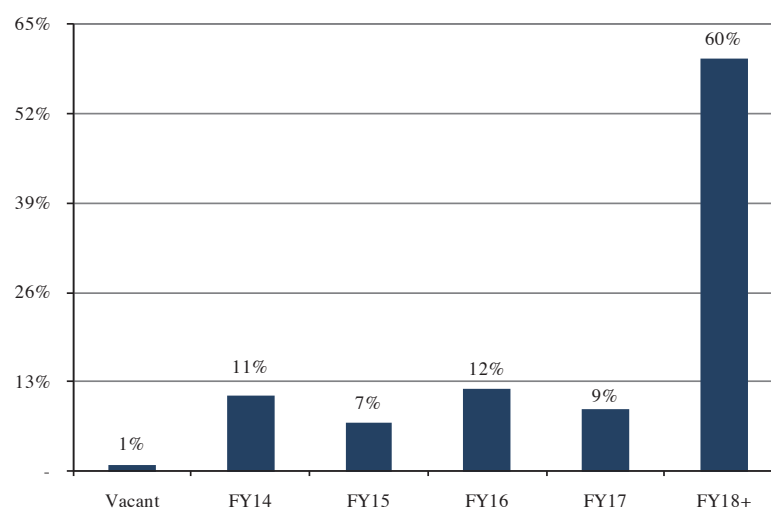
- 8 All properties held by the Industrial Fund were externally valued as at 30 June 2013, as reflected in the above table.

Lease profile

- 9 The Industrial Fund has a diversified tenant base with no single tenant representing more than 9% of total net income. The Reject Shop and Australian Pharmaceutical Industries are the top tenants by gross income, each contributing to 8.5% of gross income of the Industrial Fund with a lease expiry of February 2020 and November 2024, respectively. Some 15% of the Industrial Fund's portfolio was recently leased, reducing FY14 lease expiries to around 11% of the portfolio. A large portion of these pending FY14 lease expiries are currently under advanced negotiations.
- 10 A breakdown of the lease expiry profile of the Industrial Fund is set out below:

Industrial Fund – lease expiry profile⁽¹⁾

As at 30 June 2013



Note:

1 Based upon the passing income for the year to 30 June 2013.

Source: 360 Capital.

Appendix D

Statement of financial position

- 11 The financial position of the Industrial Fund as at 31 December 2012, 30 April 2013 and 30 June 2013 is set out below:

Industrial Fund – statement of financial position⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	30 Jun 13 Audited \$000
Cash and cash equivalents	1,582	911	4,820
Trade and other receivables	941	962	1,680
Properties	299,900	300,011	340,700
Total assets	302,423	301,884	347,128
Trade and other payables	3,748	2,681	3,813
Derivatives	5,163	496	74
Interest bearing liabilities	172,106	165,522	160,425
360 Notes	25,956	25,956	-
Capitalised borrowing costs	(2,381)	(2,115)	(1,983)
Capitalised 360 Notes raising costs	(1,072)	(774)	-
Distributions payable	2,055	-	3,648
Total liabilities	205,575	191,766	165,977
Net assets	96,848	110,118	181,151
<i>Units on issue (000s)⁽³⁾</i>	<i>45,667</i>	<i>52,519</i>	<i>93,222</i>
<i>NTA per unit (\$) ⁽³⁾</i>	<i>2.12</i>	<i>2.10</i>	<i>1.94</i>
<i>Gearing (net debt / total assets less cash)⁽⁴⁾</i>	<i>56.7%</i>	<i>62.4%</i>	<i>45.5%</i>

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 Units on issue and NTA per unit have been adjusted for the 1 for 4 consolidation announced on 19 June 2013.
- 4 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 12 The 30 June 2013 external property valuations represent an uplift of some \$40.7 million over the 30 April 2013 carrying value. This uplift reflects the two property acquisitions in June 2013 and the revised property valuations as at 30 June 2013 for the remaining properties held by the Industrial Fund.

Appendix D

Borrowings

- 13 The Industrial Fund has a long-term gearing target of 50%. Pursuant to the deleveraging strategy, a \$63.7 million equity raising was successfully completed post the 1H13 reporting period with the proceeds used to repay \$34.4 million of senior debt and fully repaying the \$26.0 million of unsecured 360 Notes. Exposure to interest rate fluctuations is currently some 97% hedged at a rate of 3% plus margin through an interest rate swap entered into in February 2013.
- 14 The Industrial Fund is currently compliant with all loan covenants.

Issued units and performance

- 15 As at 5 August 2013, the Industrial Fund had 93,652,435 securities on issue following the issue of 12.2 million units pursuant to the \$24.3 million institutional placement announced on 18 June 2013 and some 0.4 million units pursuant to the distribution reinvestment plan in late July 2013. It should be noted the units on issue were consolidated on a 1 for 4 basis on 19 June 2013. The Diversified Property Fund currently owns 14.1 million securities in the Industrial Fund.
- 16 The security price performance of Industrial Fund is discussed in Section VII of this report.

Appendix E

Retail Fund

Overview

- 1 The Retail Fund was established in January 2004 to purchase an initial portfolio of 11 retail properties. Following the completion of an asset sale program to stabilise the fund and reduce gearing levels, the Retail Fund now has one remaining asset, being Inala Plaza Shopping Centre in Queensland.
- 2 Following the refinancing and recent asset sales, 360 Capital has been exploring several strategies for the fund in light of its scheduled expiry in 2014. The strategies have included recapitalisation, mergers and wind-up scenarios. Following a review of the fund, particularly its scheduled expiry and the outlook for the fund's single asset, a formal recommendation to sell the property and wind-up the fund was provided to unitholders on 22 May 2013. 360 Capital has entered into a conditional contract with a potential purchaser of the property and the fund is forecast to be liquidated during FY14.
- 3 A summary of the key statistics of the Retail Fund is set out below:

Retail Fund – key statistics

Fund commencement date	Jan 2004
Fund expiry	Feb 2014
RE	360 Capital Investment Management
Custodian	360 Capital RE
Number of properties held	1
Interest directly held by Diversified Property Fund (%)	36.7
360 Capital economic interest (%) ⁽¹⁾	21.6
Total assets as at 31 May 13 (\$m)	37.5
Gross rental (12 mths to 31 Dec 12) (\$m)	7.0
Forecast FY13 distribution (cpu)	1.00

Note:

1 Represents 360 Capital's "see through" indirect interest in the respective fund.

Source: 360 Capital.

Removal of RE

- 4 Removal of 360 Capital Investment Management as RE of the Retail Fund requires the vote of 50% of unitholders, including stakes associated with 360 Capital. 360 Capital or any of its associates may participate in this vote.

Appendix E

Portfolio overview

- 5 A summary of the Retail Fund's sole property is set out below:

Retail Fund – portfolio overview						
As at 30 June 2013	Sector	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
Inala Town Shopping Centre, Qld	Retail	32.4	16,499	98.7	4.5	9.50

Note:

- 1 Directors' valuation as at 30 June 2013.
2 By area as at 31 December 2012.
3 By gross income as at 31 December 2012.

Source: 360 Capital.

External property valuations

- 6 The most recent external valuation of the Inala Town Shopping Centre was in November 2011, valuing the property at \$36.0 million. We have been advised that the Directors' valuation of the property of \$32.4 million as at 30 June 2013 reflects the amount at which the property is expected to be sold.

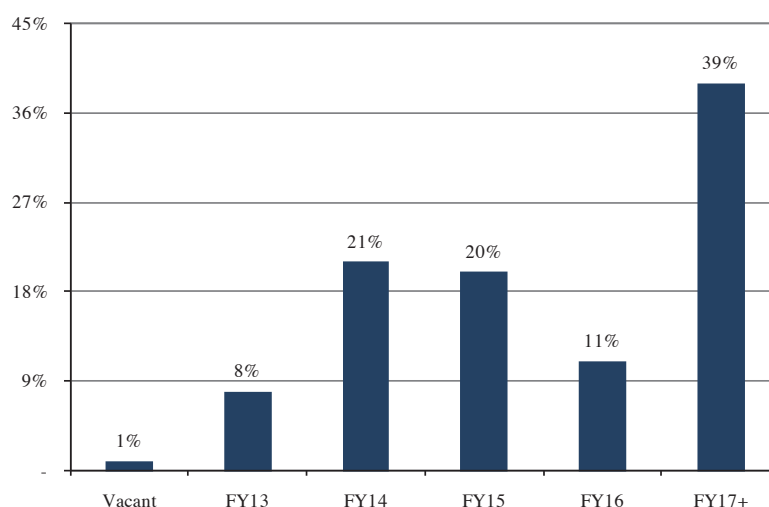
Lease profile

- 7 Woolworths Supermarkets (Woolworths) is the top tenant by gross income, contributing 15.6% of gross income of the Retail Fund and a lease expiry of December 2027. Coles Supermarkets (Coles) is the next highest tenant, contributing 10.7% of gross income and a lease expiry in June 2015. Coles has previously indicated that the Inala Plaza store is not performing as well as the national average for Coles' stores and it will therefore not be entering into new lease negotiations upon the expiry of its lease.

Appendix E

- 8 A breakdown of the lease expiry profile of the Retail Fund is set out below:

Retail Fund – lease expiry profile by gross income
As at 31 December 2012



Source: 360 Capital.

Statement of financial position

- 9 The financial position of the Retail Fund as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

Retail Fund – statement of financial position⁽¹⁾

	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
Cash and cash equivalents	1,441	1,014	1,299
Trade and other receivables	429	259	179
Properties	36,000	36,032	36,044
Total assets	37,870	37,305	37,521
Trade and other payables	1,127	648	841
Derivatives	286	178	182
Distribution payable	245	-	-
Interest bearing liabilities	21,255	21,255	21,255
Capitalised borrowing costs	(219)	(154)	(135)
Total liabilities	22,694	21,926	22,143
Net assets	15,176	15,378	15,379

Appendix E

Retail Fund – statement of financial position ⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited ⁽²⁾ \$000	31 May 13 Unaudited ⁽²⁾ \$000
<i>Units on issue (000s)</i>	98,168	98,168	98,168
<i>NTA per unit (\$)</i>	0.155	0.157	0.157
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	54.4%	55.8%	55.1%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 10 The 30 June 2013 Directors' property valuation represents a decline of some \$3.7 million over the 31 May 2013 carrying value.

Borrowings

- 11 The Retail Fund currently has a \$21.3 million loan facility with Bankwest. This facility expires in December 2013 with negotiations with the fund's financier to commence in the following months. The Retail Fund is currently compliant with all loan covenants.

Appendix F

Office Fund

Overview

- 1 The Office Fund was established in November 2003 to acquire and hold a portfolio of office buildings. Three buildings were sold during FY12 for an aggregate consideration of \$42.2 million. The fund has two remaining assets, being 52-60 Railway Parade, Burwood, NSW and 33 Allara Street, Canberra, ACT.
- 2 The Office Fund has an unaudited net asset backing of \$(0.18) per unit as at 31 May 2013. The fund currently has two loans in place, being a \$45.7 million senior debt facility with NAB and a \$45.0 million (plus \$31.9 million in capitalised interest) subordinated debt facility with Developments Income Fund.
- 3 As unitholders rank behind secured and unsecured creditors, and due to the fact that the short to medium term outlook for commercial property markets is unlikely to see asset values return to pre-GFC levels, 360 Capital has stated that it is unlikely that unitholders will receive any future income or capital returns.
- 4 The Office Fund is in discussions with financiers regarding the capital structure of the fund to consider how to maximise unitholder value, including structures that would allow unitholders to crystallise their losses and exit the investment. 360 Capital expects to be able to put the chosen strategy to unitholders ahead of the fund’s scheduled expiry in 2014.
- 5 A summary of the key statistics of the Office Fund is set out below:

Office Fund – key statistics

Fund commencement date	Nov 2003
Fund expiry	Apr 2014
RE	360 Capital RE
Custodian	360 Capital RE
Number of properties held	2.0
Interest directly held by Diversified Property Fund (%)	43.8
360 Capital economic interest (%) ⁽¹⁾	25.8
Total assets as at 31 May 13 (\$m)	98.7
Gross rental (12 mths to 31 Dec 12) (\$m)	12.1
Forecast FY13 distribution (cpu)	- ⁽²⁾

Note:

- 1 Represents 360 Capital’s “see through” indirect interest in the respective fund.
- 2 Given the financial position of the Office Fund, no distributions to unitholders are forecast to occur.

Source: 360 Capital.

Removal of RE

- 6 Removal of 360 Capital RE as RE of the Office Fund requires the vote of 50% of unitholders, including stakes associated with 360 Capital. 360 Capital or any of its associates may participate in this vote.

Appendix F

Portfolio overview

7 A summary of the Office Fund's two properties is set out below:

Office Fund – portfolio overview					
As at 30 June 2013	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
52-60 Railway Parade, NSW	60.3 ⁽⁴⁾	16,003	97.4	3.1	9.75
33 Allara Street, ACT	34.5 ⁽⁵⁾	9,900	100.0	2.4	10.75
Total / weighted average	94.8	25,903	98.4	2.7	10.11

Note:

1 Directors' valuations as at 30 June 2013.

2 By area as at 31 December 2012.

3 By gross income as at 31 December 2012.

4 Most recent independent external valuation was \$60.0 million as at December 2012.

5 Most recent independent external valuation was \$34.5 million as at December 2012.

Source: 360 Capital.

External property valuations

8 The most recent external valuation of both properties was in December 2012, valuing the NSW property at \$60.0 million and the ACT property at \$34.5 million.

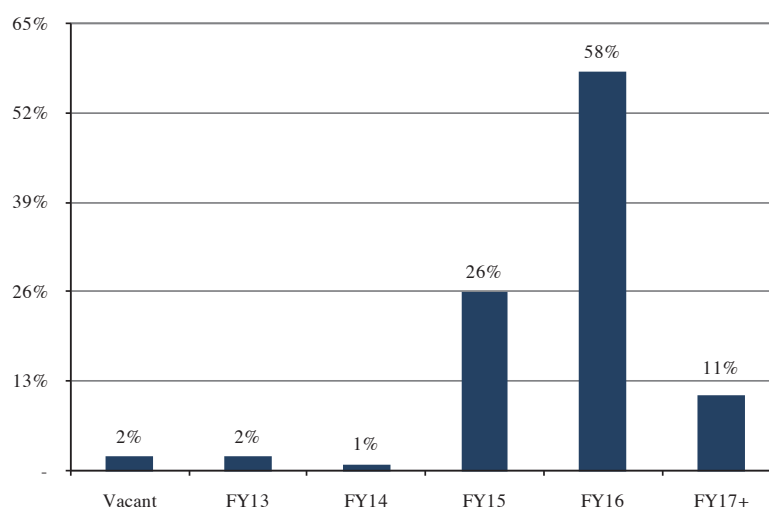
Lease profile

9 The Department of Sustainability, Environment, Water, Population and Communities is the top tenant by gross income, contributing 38.2% of gross income of the Office Fund with a lease expiry of December 2015. Telstra is the next highest tenant, contributing 26.3% of gross income and a lease expiry in June 2014. There was no leasing activity during the 1H13 and vacancy remains stable with only one tenancy available for lease at the NSW property. No major leases are set to expire in FY13.

Appendix F

- 10 A breakdown of the lease expiry profile of the Office Fund is set out below:

Office Fund – lease expiry profile⁽¹⁾
As at 31 December 2012



Note:

1 Based upon the gross income for the half year to 31 December 2012.

Source: 360 Capital.

Statement of financial position

- 11 The financial position of the Office Fund as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

Office Fund – statement of financial position⁽¹⁾

	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
Cash and cash equivalents	2,948	3,288	2,953
Trade and other receivables	107	(603)	920
Properties	94,500	94,725	94,818
Total assets	97,555	97,410	98,691
Trade and other payables	7,633	7,570	7,953
Derivatives	434	291	281
Exit fee liability	3,363	3,363	3,363
Interest bearing liabilities – Developments Income Fund	75,316	76,796	76,878
Interest bearing liabilities – Developments Income Fund	47,333	45,667	45,667
Capitalised borrowing costs	(354)	(237)	(207)
Total liabilities	133,725	133,449	133,934
Net assets	(36,170)	(36,038)	(35,244)

Appendix F

Office Fund – statement of financial position⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
<i>Units on issue (000s)</i>	198,986	198,986	198,986
<i>NTA per unit (\$)</i>	(0.182)	(0.181)	(0.177)
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	126.5%	126.6%	124.9%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 12 The 30 June 2013 Directors' property valuations do not reflect a material change from the 31 May 2013 carrying value.

Appendix G

Havelock House Trust

Overview

- 1 The Havelock House Trust was established in July 2002 to acquire and hold property known as 29 Havelock Street and 2 Ord Street, West Perth (collectively Havelock House) for a period of 10 years. Havelock House consists of four separate buildings and 77 car bays and is located two kilometres west of the Perth CBD. The property comprises a 98 bed hospital, a three level office building and a mixture of other office, group therapy and communal rooms spread over a NLA of 4,856 square metres.
- 2 In accordance with the trust’s constitution, the trust was due to expire in May 2012. In view of the trust’s termination date and coinciding expiry of the trust’s debt facility, in early 2012 360 Capital, as RE of the trust, proactively sought alternate finance providers to refinance the trust beyond the termination date. However a specific lease clause limiting the disclosure of the tenant’s financial performance, which underpins future market rent reviews, negatively affected refinancing negotiations.
- 3 As a result, a new strategy to sell Havelock House and wind-up the trust was implemented. A six week sales campaign to sell Havelock House concluded unsuccessfully in July 2012 due to the problematic lease clause and its impact on property valuation.
- 4 In March 2013, the trust entered into a new 15 year lease on the property and a new financier (NAB) was found for a new three year debt facility. The terms of the lease included the removal of the rent review clause in the previous lease.
- 5 In April 2013 unitholders approved a proposal to extend the term of the trust to May 2017 in order to maximise the value of their investment.
- 6 A summary of the key statistics of the Havelock House Trust is set out below:

Havelock House Trust – key statistics

Fund commencement date	Jul 2002
Fund expiry	May 2017 ⁽¹⁾
RE	360 Capital RE
Custodian	360 Capital RE
Number of properties held	1.0
Interest directly held by Diversified Property Fund (%)	n/a
360 Capital economic interest (%) ⁽²⁾	15.7
Total assets as at 31 May 13 (\$m)	22.7
Gross rental (12 mths to 31 Dec 12) (\$m)	2.7
Forecast FY13 distribution (cpu)	-

Note:

- 1 In April 2013, unitholders approved the extension of the trust’s term from May 2012 to May 2017.
- 2 Represents 360 Capital’s “see through” indirect interest in the respective fund.

Source: 360 Capital.

Appendix G

Removal of RE

- 7 Removal of 360 Capital RE as RE of the Havelock House Trust requires the vote of 50% of unitholders, excluding stakes associated with 360 Capital. 360 Capital or any of its associates may not participate in this vote.

Portfolio overview

- 8 A summary of the Havelock House Trust's sole property is set out below:

Havelock House Trust – portfolio overview						
As at 30 June 2013	Sector	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
Havelock House, WA	Office	22.0	4,856	100.0	4.6	10.75

Note:

- 1 Directors' valuation as at 30 June 2013.
2 By area as at 31 December 2012.
3 By gross income as at 31 December 2012.

Source: 360 Capital.

External property valuations

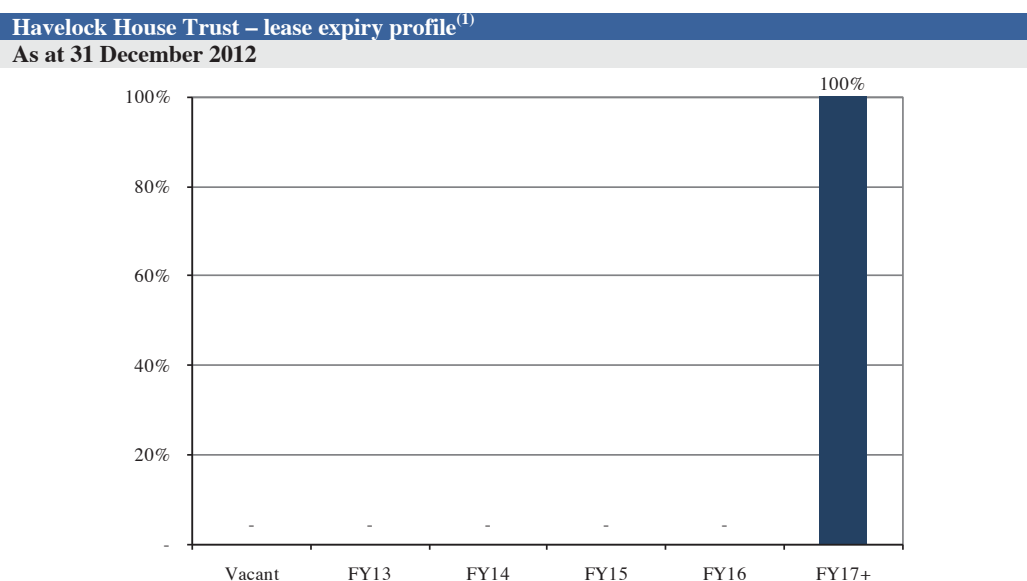
- 9 The most recent external valuation of Havelock House was in March 2013, valuing the property at \$22.0 million.

Lease profile

- 10 The sole tenant is Perth Clinic Pty Ltd and the lease is set to expire in July 2017. As discussed above, the terms included removal of the rent review clause in the previous lease which impeded the trust's ability to source new financing and negatively impacted the saleability of Havelock House. As a result, the new lease was restructured to remove the uncertainty associated with the previous lease and provides for annual CPI rent reviews plus two, ten year options to renew the lease.

Appendix G

- 11 A breakdown of the lease expiry profile of the Havelock House Trust is set out below:



Note:

1 Based upon the gross income for the half year to 31 December 2012.

Source: 360 Capital.

Statement of financial position

- 12 The financial position of the Havelock House Trust as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

Havelock House Trust – statement of financial position⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
Cash and cash equivalents	331	234	273
Trade and other receivables	127	158	(33)
Properties	20,650	22,501	22,507
Total assets	21,108	22,893	22,747
Trade and other payables	194	421	325
Exit fee liability	207	225	225
Interest bearing liabilities	10,900	10,500	10,400
Capitalised borrowing costs	(18)	(17)	(50)
Total liabilities	11,283	11,129	10,900
Net assets	9,825	11,765	11,847

Appendix G

Havelock House Trust – statement of financial position⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
<i>Units on issue (000s)</i>	9,200	9,200	9,200
<i>NTA per unit (\$)</i>	1.068	1.279	1.288
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	50.9%	45.3%	45.1%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 13 The 30 June 2013 Directors' property valuation represents a decline of some \$0.5 million over the 31 May 2013 carrying value.

Borrowings

- 14 As discussed above, the Havelock House Trust recently entered into a new three year debt facility with NAB subsequent to the renegotiations of the new lease which included the removal of the rent review clause that was present in the previous lease. The Havelock House Trust is currently compliant with all loan covenants.

Appendix H

111 SGT Trust

Overview

- 1 The 111 SGT Trust was established in January 2002 to acquire and hold the property at 111 St George’s Terrace, Perth, Western Australia (111 St George’s Terrace). The property has a NLA of some 19,040 square metres over 20 levels.
- 2 111 St George’s Terrace has recently undergone a \$9.7 million refurbishment of the ground floor including the creation of new retail outlets. The capital expenditure program over the coming year includes further upgrades to plant and equipment in order to increase the property’s NABERS rating and remain competitive in the market. To this end, the \$1.9 million lift refurbishment program was completed in December 2012 with further work planned in the coming months.
- 3 During the second half of 2012, the trust provided unitholders with a second opportunity to participate in a liquidity offer. Redemption applications for approximately 2.4 million units were received, equating to approximately 58% of the total number of units available for redemption. The redemption was funded using the undrawn finance facility and was completed in December 2012. All redeemed units were subsequently cancelled from the register.
- 4 A summary of the key statistics of the 111 SGT Trust is set out below:

111 SGT Trust – key statistics

Fund commencement date	Jan 2002
Fund expiry	Jan 2017
RE	360 Capital Investment Management
Custodian	360 Capital RE
Number of properties held	1.0
Interest directly held by Diversified Property Fund (%)	1.1
360 Capital economic interest (%) ⁽¹⁾	40.7
Total assets as at 31 May 13 (\$m)	138.4
Gross rental (12 mths to 31 Dec 12) (\$m)	13.9
Forecast FY13 distribution (cpu)	27.00

Note:

1 Represents 360 Capital’s “see through” indirect interest in the respective fund.

Source: 360 Capital.

Removal of RE

- 5 Removal of 360 Capital Investment Management as RE of the 111 SGT Trust requires the vote of 50% of unitholders, excluding stakes associated with 360 Capital. 360 Capital or any of its associates may not participate in this vote.

Appendix H

Portfolio overview

6 A summary of the 111 SGT Trust's sole property is set out below:

111 SGT Trust – portfolio overview						
As at 30 June 2013	Sector	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
111 St George's Terrace, WA	Office	136.0	19,040	100.0	5.1	8.50

Note:

1 Indicative external property valuation as at 30 June 2013.

2 By area as at 31 December 2012.

3 By gross income as at 31 December 2012.

Source: 360 Capital.

External property valuations

7 The 111 SGT Trust was externally valued as at 30 June 2013, as reflected in the above table.

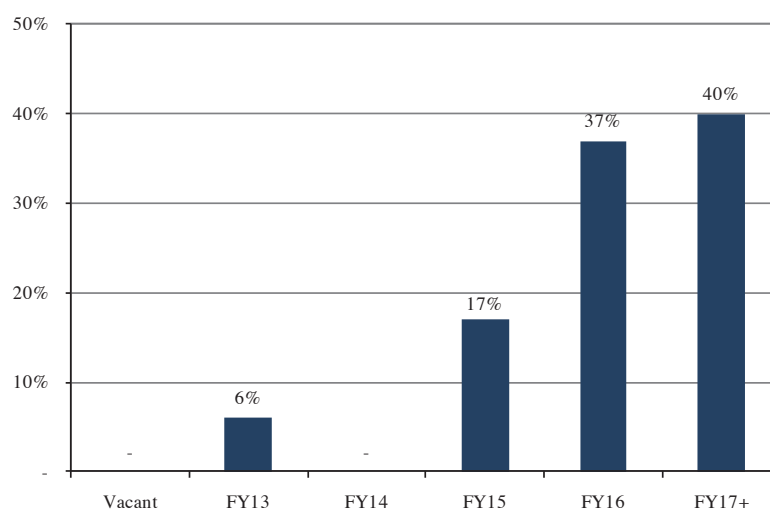
Lease profile

8 The WA Industrial Relations Commission is the top tenant by gross income, contributing 21.3% of gross income of the trust and a lease expiry of June 2024. The Ministry of Justice is the next highest tenant, contributing to 11.2% of gross income and a lease expiry in March 2016. The Australian Electoral Commission (669 sqm) and Australian Hearing Services (254 sqm) will both vacate in June 2013, with leasing agents currently marketing the space for new tenants.

Appendix H

- 9 A breakdown of the lease expiry profile of the 111 SGT Trust is set out below:

111 SGT Trust – lease expiry profile⁽¹⁾
As at 31 December 2012



Note:

1 Based upon the gross income for the half year to 31 December 2012.

Source: 360 Capital.

Statement of financial position

- 10 The financial position of the 111 SGT Trust as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

111 SGT Trust – statement of financial position⁽¹⁾

	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
Cash and cash equivalents	1,176	1,039	1,278
Trade and other receivables	795	972	1,031
Properties	135,600	136,174	136,124
Total assets	137,571	138,185	138,434
Trade and other payables	5,120	5,469	5,387
Derivatives	1,095	967	-
Exit fee liability	3,390	3,404	3,403
Interest bearing liabilities	62,153	62,153	63,449
Capitalised borrowing costs	(362)	(285)	(575)
Total liabilities	71,396	71,709	71,664
Net assets	66,175	66,477	66,770

Appendix H

111 SGT Trust – statement of financial position ⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited ⁽²⁾ \$000	31 May 13 Unaudited ⁽²⁾ \$000
<i>Units on issue (000s)</i>	17,469	17,469	17,469
<i>NTA per unit (\$)</i>	3.788	3.805	3.822
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	44.7%	44.6%	45.3%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 11 The 30 June 2013 external property valuation represents a decline of some \$0.1 million over the 31 May 2013 carrying value.

Borrowings

- 12 The trust has a \$74.3 million finance facility with Bankwest, of which \$62.2 million has been drawn down to fund a redemption of units, as discussed above. The facility is due to expire in June 2014 and is currently being extended to January 2017. The 111 SGT Trust is currently compliant with all loan covenants.

Appendix I

Canberra Trust

Overview

- 1 The Canberra Trust was established in September 2003. The sole property of the trust is 44 Sydney Avenue, Canberra which consists of a modern A grade commercial building constructed in 2003. The building has a NLA of 10,003 square metres and comprises a ground level foyer and three upper levels of office accommodation, in addition to two levels of basement car parking for 204 vehicles. On 24 August 2011, unitholders approved the extension of the property sale window and a review is required every three years.
- 2 PwC, the major tenant of the property, vacated the premises at the expiry of its lease in July 2013. The PwC tenancy accounted for some 36.5% of the property's income⁶⁶ and a campaign to market the tenancy for lease continues to be coordinated by leasing agents, Knight Frank.
- 3 The key strategic focus of the trust remains upgrading the property to a 4.5 NABERS rating. This upgrade in energy efficiency is considered by the trust to be essential in order to secure and retain existing tenants to the property.
- 4 Once the upgrade is complete and new leases signed with new tenants, 360 Capital (the RE) proposes to convene a unitholder meeting with a view to providing a recommendation to unitholders. Such strategies may include to sell the property and wind-up the trust or any other such strategy to provide unitholders with an exit from their investment. Notwithstanding the result of this meeting, the RE is obliged to convene a unitholder meeting at each three year anniversary of the August 2011 meeting to review the property sale window.
- 5 A summary of the key statistics of the Canberra Trust is set out below:

Canberra Trust – key statistics

Fund commencement date	Sep 2003
Fund expiry	Jun 2070 ⁽¹⁾
RE	360 Capital Investment Management
Custodian	360 Capital RE
Number of properties held	1.0
Interest directly held by Diversified Property Fund (%)	21.7
360 Capital economic interest (%) ⁽²⁾	12.8
Total assets as at 31 May 13 (\$m)	42.0
Gross rental (12 mths to 31 Dec 12) (\$m)	5.1
Forecast FY13 distribution (cpu)	4.25

Note:

- 1 On 24 August 2011, unitholders approved the extension of the property sale window. A review of the trust is required every three years with the first review due by February 2014.
- 2 Represents 360 Capital's "see through" indirect interest in the respective fund.

Source: 360 Capital.

⁶⁶ Based upon the six months to 31 December 2012.

Appendix I

Removal of RE

- 6 Removal of 360 Capital Investment Management as RE of the Canberra Trust requires the vote of 50% of unitholders, including stakes associated with 360 Capital. 360 Capital or any of its associates may participate in this vote.

Portfolio overview

- 7 A summary of the Canberra Trust's sole property is set out below:

Canberra Trust – portfolio overview						
As at 30 June 2013	Sector	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
44 Sydney Avenue, ACT	ACT	36.0	10,003	64.9	1.3	9.50

Note:

1 Indicative external property valuation as at 30 June 2013.

2 By area as at 30 June 2013, adjusted to account for PwC vacating the premises in July 2013.

3 By gross income as at 31 December 2012.

Source: 360 Capital.

External property valuations

- 8 The ACT property was externally valued as at 30 June 2013, as reflected in the above table. We understand that the valuation reflects PwC's decision to vacate the premises upon expiry of its lease in July 2013.

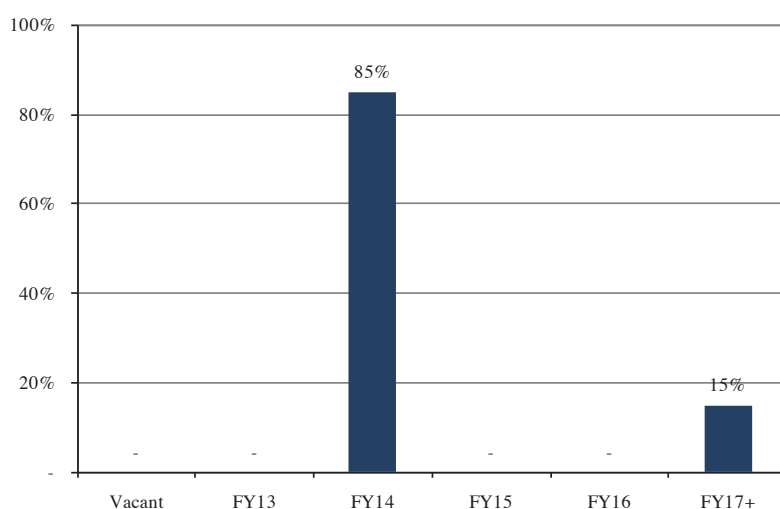
Lease profile

- 9 PwC was the top tenant by gross income, contributing 36.5% of gross income of the Canberra Trust. PwC has indicated that it will vacate the premises at the expiry of its lease in July 2013. The Department of Broadband, Communications and Digital Economy (DBCDE) is the next highest tenant, contributing 20.8% of gross income and also has a lease expiry of July 2013. The DBCDE has advised that it will relinquish approximately 978 sqm of its tenancy at this time.

Appendix I

- 10 A breakdown of the lease expiry profile of the Canberra Trust is set out below:

Canberra Trust – lease expiry profile⁽¹⁾
As at 31 December 2012



Note:

1 Based upon the gross income for the half year to 31 December 2012. FY14 lease expiry accounts for PwC vacating in July 2013.

Source: 360 Capital.

Statement of financial position

- 11 The financial position of the Canberra Trust as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

Canberra Trust – statement of financial position⁽¹⁾			
	31 Dec 12	30 Apr 13	31 May 13
	Reviewed	Unaudited⁽²⁾	Unaudited⁽²⁾
	\$000	\$000	\$000
Cash and cash equivalents	1,513	1,722	1,868
Trade and other receivables	39	46	69
Properties	40,000	40,049	40,067
Total assets	41,552	41,818	42,004
Trade and other payables	932	449	409
Derivatives	400	319	320
Interest bearing liabilities	21,990	21,990	21,990
Capitalised borrowing costs	(249)	(208)	(193)
Total liabilities	23,073	22,550	22,526
Net assets	18,479	19,268	19,478

Appendix I

Canberra Trust – statement of financial position ⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited ⁽²⁾ \$000	31 May 13 Unaudited ⁽²⁾ \$000
<i>Units on issue (000s)</i>	20,500	20,500	20,500
<i>NTA per unit (\$)</i>	0.901	0.940	0.950
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	51.1%	50.5%	50.1%

Note:

1 Rounding differences may exist.

2 Based upon unaudited management accounts.

3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 12 The 30 June 2013 external property valuation represents a decline of some \$4.1 million over the 31 May 2013 carrying value (and reflects the PwC's decision to vacate the premises upon expiry of its lease in July 2013).

Borrowings

- 13 The Canberra Trust has a \$22 million senior debt facility with NAB which is fully drawn. This facility expires in June 2014, with the interest rate on the facility hedged for 1.5 years. The most recent 30 June 2013 property valuation (which reflects PwC's departure from the building) has yet to have been adopted by the trust. This is expected to occur on or around 9 September 2013. As a result, the Canberra Trust will be in non-compliance with its LVR covenant and is in discussions with its financier. Distributions have been suspended and the trust is accumulating cash to fund refurbishment, fit out and incentive requirements for a new tenant.

Appendix J

441 Murray Street Trust

Overview

- 1 The 441 Murray Street Trust was established in August 2001 to acquire and hold the property at 441 Murray Street, Western Australian for a period of 10 years. The property is a B grade building with an NLA of 5,941 sqm. In April 2011, unitholders approved the extension of the trust to October 2016.
- 2 With the trust's term expiring in October 2016, the longer term strategic objective is the implementation of capital works programs at the property in order to lift building services and facilitate lease negotiations prior to the expiration of the trust. Capital expenditure projects include the installation of a second air conditioning unit and an electrical metering upgrade.
- 3 As a result of the continued strong performance, a special one-off distribution of 20.0 cents per unit was made in early March 2013.
- 4 A summary of the key statistics of the 441 Murray Street Trust is set out below:

441 Murray Street Trust – key statistics

Fund commencement date	Aug 2001
Fund expiry	Oct 2016
RE	360 Capital Investment Management
Custodian	360 Capital RE
Number of properties held	1.0
Interest directly held by Diversified Property Fund (%)	18.8
360 Capital economic interest (%) ⁽¹⁾	21.0
Total assets as at 31 May 13 (\$m)	26.9
Gross rental (12 mths to 31 Dec 12) (\$m)	2.7
Forecast FY13 distribution (cpu)	26.00

Note:

1 Represents 360 Capital's "see through" indirect interest in the respective fund.

Source: 360 Capital.

Removal of RE

- 5 Removal of 360 Capital Investment Management as RE of the 441 Murray Street Trust requires the vote of 50% of unitholders, excluding stakes associated with 360 Capital. 360 Capital or any of its associates may not participate in this vote.

Portfolio overview

- 6 A summary of the 441 Murray Street Trust's sole property is set out below:

Appendix J

441 Murray Street Trust – portfolio overview

As at 30 June 2013	Sector	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
441 Murray Street, WA	Office	27.0	5,941	100.0	3.9	9.50

Note:

1 Indicative external property valuation as at 30 June 2013.

2 By area as at 31 December 2012.

3 By gross income as at 31 December 2012.

Source: 360 Capital.

External property valuations

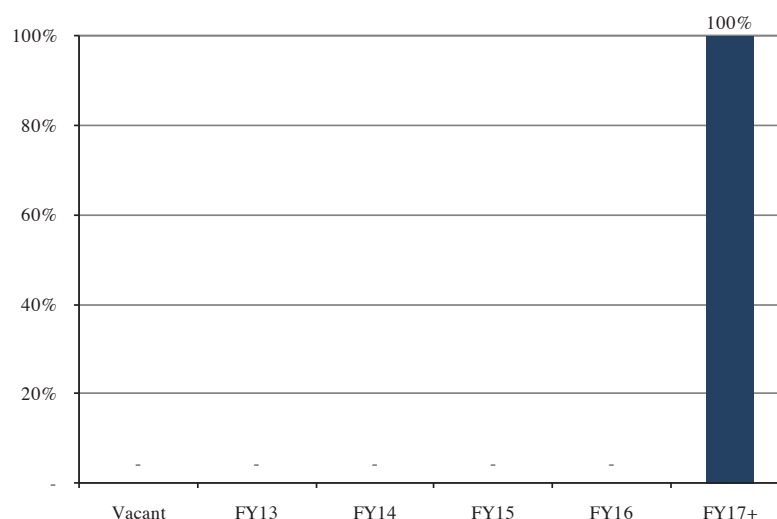
- 7 The WA property was externally valued as at 30 June 2013, as reflected in the above table.

Lease profile

- 8 The Minster for Works (WA Police) is the sole tenant of the property, with the lease expiring in December 2016. An initial approach has been made regarding a possible extension or negotiation of a new lease. Although WA Police has advised that the property meets its requirements, at this stage it is not ready to enter into early lease negotiations.
- 9 A breakdown of the lease expiry profile of the 441 Murray Street Trust is set out below:

441 Murray Street Trust – lease expiry profile⁽¹⁾

As at 31 December 2012



Note:

1 Based upon the gross income for the half year to 31 December 2012.

Source: 360 Capital.

Appendix J

Statement of financial position

- 10 The financial position of the 441 Murray Street Trust as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

441 Murray Street Trust – statement of financial position⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited⁽²⁾ \$000	31 May 13 Unaudited⁽²⁾ \$000
Cash and cash equivalents	1,294	306	346
Trade and other receivables	105	69	64
Properties	26,500	26,500	26,494
Total assets	27,899	26,874	26,904
Trade and other payables	689	636	673
Derivatives	186	165	21
Exit fee liability	663	663	662
Interest bearing liabilities	9,511	9,511	9,689
Capitalised borrowing costs	(120)	(104)	(109)
Total liabilities	10,929	10,871	10,937
Net assets	16,970	16,004	15,967
<i>Units on issue (000s)</i>	<i>5,203</i>	<i>5,203</i>	<i>5,203</i>
<i>NTA per unit (\$)</i>	<i>3.261</i>	<i>3.076</i>	<i>3.069</i>
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	<i>30.9%</i>	<i>34.6%</i>	<i>35.2%</i>

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 11 The 30 June 2013 external property valuation represents an uplift of some \$0.5 million over the 31 May 2013 carrying value.

Borrowings

- 12 The 441 Murray Street Trust has a \$13 million senior debt facility with Bankwest, of which some \$9.5 million has currently been drawn down. The facility expires in October 2014, with the undrawn component of the finance facility to be used to fund ongoing capital expenditure of the property. The 441 Murray Street Trust is currently compliant with all loan covenants.

Appendix K

Subiaco Square Trust

Overview

- 1 The Subiaco Square Trust was established in October 2000 to acquire and hold the Subiaco Square Shopping Centre for a period of 10 years. In November 2011, unitholders voted in favour of extending the term of the trust by four years to December 2014. The centre comprises of a modern neighbourhood shopping centre with an NLA of 6,481 sqm.
- 2 A summary of the key statistics of the Subiaco Square Trust is set out below:

Subiaco Square Trust – key statistics	
Fund commencement date	Oct 2000
Fund expiry	Dec 2014
RE	360 Capital Investment Management
Custodian	360 Capital RE
Number of properties held	1.0
Interest directly held by Diversified Property Fund (%)	24.1
360 Capital economic interest (%) ⁽¹⁾	14.2
Total assets as at 31 May 13 (\$m)	27.7
Gross rental (12 mths to 31 Dec 12) (\$m)	3.4
Forecast FY13 distribution (cpu)	8.00

Note:

1 Represents 360 Capital's "see through" indirect interest in the respective fund.

Source: 360 Capital.

Removal of RE

- 3 Removal of 360 Capital Investment Management as RE of the Subiaco Square Trust requires the vote of 50% of unitholders, excluding stakes associated with 360 Capital. 360 Capital or any of its associates may not participate in this vote.

Appendix K

Portfolio overview

- 4 A summary of the Subiaco Square Trust's sole property is set out below:

Subiaco Square Trust – portfolio overview						
As at 30 June 2013	Sector	Valuation ⁽¹⁾ \$m	NLA sqm	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
Subiaco Square Shopping Centre, WA	Retail	26.0	6,481	95.9	7.0	7.75

Note:

- 1 Indicative external property valuation as at 30 June 2013.
- 2 By area as at 31 December 2012.
- 3 By gross income as at 31 December 2012.

Source: 360 Capital.

External property valuations

- 5 The WA property was externally valued as at 30 June 2013, as reflected in the above table.

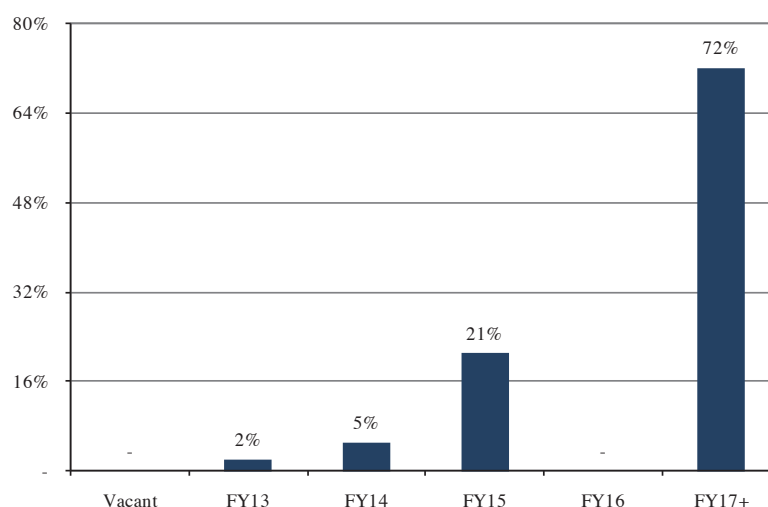
Lease profile

- 6 Woolworths is the top tenant by gross income, contributing some 41.8% of gross income of the trust with a lease expiry of November 2024. Scoop Publishing is the next highest tenant, contributing 11.2% of gross income with a lease expiry of December 2017. The centre had four vacant tenancies at 31 December 2012, one of which has since been leased to a new bakery operator. The remaining three shops are earmarked for consolidation to accommodate a new medical centre. This will require a change of consent from the council.

Appendix K

- 7 A breakdown of the lease expiry profile of the Subiaco Square Trust is set out below:

Subiaco Square Trust – lease expiry profile⁽¹⁾
As at 31 December 2012



Note:

1 Based upon the gross income for the half year to 31 December 2012.

Source: 360 Capital.

Statement of financial position

- 8 The financial position of the Subiaco Square Trust as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

Subiaco Square Trust – statement of financial position⁽¹⁾

	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited ⁽²⁾ \$000	31 May 13 Unaudited ⁽²⁾ \$000
Cash and cash equivalents	860	199	341
Trade and other receivables	71	322	159
Properties	26,750	27,171	27,171
Total assets	27,681	27,691	27,671
Trade and other payables	403	412	178
Derivatives	306	293	273
Exit fee liability	669	679	679
Interest bearing liabilities	13,522	13,523	13,705
Capitalised borrowing costs	(84)	(71)	(67)
Total liabilities	14,816	14,835	14,768
Net assets	12,865	12,856	12,903

Appendix K

Subiaco Square Trust – statement of financial position ⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited ⁽²⁾ \$000	31 May 13 Unaudited ⁽²⁾ \$000
<i>Units on issue (000s)</i>	8,400	8,400	8,400
<i>NTA per unit (\$)</i>	1.532	1.530	1.536
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	47.2%	48.5%	48.9%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Properties

- 9 The 30 June 2013 external property valuation represents a decline of some \$1.2 million over the 31 May 2013 carrying value.

Borrowings

- 10 The Subiaco Square Trust has a \$14.5 million senior debt facility with Bankwest, of which some \$13.5 million has currently been drawn down. The facility expires in December 2014 and Subiaco Square Trust is currently compliant with all loan covenants.

Appendix L

Developments Income Fund

Overview

- 1 The Developments Income Fund is a subordinated lender to the Office Fund. As at 31 May 2013 the outstanding amount of the loan receivable was \$45.0 million (plus capitalised interest of \$31.9 million, of which \$25.8 million has been fully impaired).
- 2 The Developments Income Fund has entered into forbearance to allow the Office Fund time to investigate its own restructure and therefore increase any likelihood that the Office Fund might be able to repay the loan from the fund.
- 3 The Developments Income Fund also has an outstanding senior debt facility from Lawson Trust⁶⁷ of some \$26.4 million. The loan is in monthly rollover whilst discussions progress between Lawson, the Office Fund and NAB (the Office Fund's financier). NAB has agreed to end the cash lock-up of the Office Fund, thereby releasing the Office Fund to service payments on its loan from the Developments Income Fund which, in turn, will allow the Developments Income Fund to service payments on its outstanding Lawson debt.
- 4 360 Capital is the RE to the Developments Income Fund and to the Office Fund, and therefore has a duty to treat all unitholders equally.
- 5 A summary of the key statistics of the Developments Income Fund is set out below:

Developments Income Fund – key statistics

Fund commencement date	Feb 2003
Fund expiry	Feb 2083
RE	360 Capital RE
Custodian	n/a ⁽²⁾
Number of properties held	18
Interest directly held by Diversified Property Fund (%)	9.6
360 Capital economic interest (%) ⁽¹⁾	9.6
Total assets as at 31 May 13 (\$m)	51.2
Gross rental (12 mths to 31 Dec 12) (\$m)	n/a
Forecast FY13 distribution (cpu)	-

Note:

- 1 Represents 360 Capital's "see through" indirect interest in the respective fund.
- 2 Developments Income Fund does not currently have a custodian as it does not hold any 'real' assets.

n/a – not applicable

Source: 360 Capital.

⁶⁷ On 7 July 2012, Lawson Trust, a consortium of institutional investors, acquired this debt facility from BOSI.

Appendix L

Removal of RE

- 6 Removal of 360 Capital RE as RE of the Developments Income Fund requires the vote of 50% of unitholders, excluding stakes associated with 360 Capital. 360 Capital or any of its associates may not participate in this vote.

Statement of financial position

- 7 The financial position of the Developments Income Fund as at 31 December 2012, 30 April 2013 and 31 May 2013 is set out below:

Developments Income Fund – statement of financial position ⁽¹⁾			
	31 Dec 12 Reviewed \$000	30 Apr 13 Unaudited ⁽²⁾ \$000	31 May 13 Unaudited ⁽²⁾ \$000
Cash and cash equivalents	69	55	72
Trade and other receivables	49,548	51,027	51,110
Total assets	49,617	51,083	51,182
Trade and other payables	1,751	1,915	1,958
Interest bearing liabilities	26,386	27,444	27,444
Total liabilities	28,137	29,360	29,403
Net assets	21,480	21,723	21,779
<i>Units on issue (000s)</i>	25,387	25,387	25,387
<i>NTA per unit (\$)</i>	0.846	0.856	0.858
<i>Gearing (net debt / total assets less cash)⁽³⁾</i>	53.1%	53.7%	53.6%

Note:

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 On a balance sheet, rather than see through basis.

Source: 360 Capital.

Appendix M

Centuria Diversified Fund

Overview

- 1 Centuria Diversified Fund was established in 2005 and is managed by Centuria Property Funds Limited. The fund owns six properties across Australia spanning the retail, industrial, healthcare and office sectors.
- 2 The Diversified Property Fund holds a 19.2% interest in the Centuria Diversified Fund.
- 3 As at 31 December 2012, Centuria Diversified Fund had NTA of some \$81 million, equating to an NTA of \$1.24 per unit⁶⁸.
- 4 A summary of the Centuria Diversified Fund's six properties is set out below:

Centuria Diversified Fund – portfolio overview					
As at 31 Dec 12	Sector	Valuation ⁽¹⁾ \$m	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
Beaudesert Fair Shopping Centre, Qld	Retail	17.0	na	na	8.50
2 Faulding Street, ACT	Industrial	18.0	na	na	10.50
Health House, NT	Healthcare	18.0	na	na	9.75
Burwood Plaza, NSW	Retail	51.0	na	na	7.50
85 Prosperity Place, Qld	Industrial	8.3	na	na	9.25
1 Devonshire Road, Vic	Office	6.0	na	na	10.00
Total / weighted average		118.3	98.5⁽⁴⁾	3.1⁽⁴⁾	na

Note:

- 1 Valuation as at 31 December 2012.
 - 2 By area.
 - 3 By gross income.
 - 4 Occupancy and WALE are only available on a total portfolio basis.
- na – not available

Source: Centuria.

External property valuations

- 5 Three of the six properties were externally valued as at 31 December 2012, being Burwood Plaza, 85 Prosperity Place and 2 Faulding Street. Beaudesert Fair Shopping Centre and 1 Devonshire Road were externally valued as at 30 June 2012, whilst Health House was externally valued as at 31 December 2011.

Liquidity

- 6 The fund currently has a term to December 2013, after which unitholders will vote on whether to continue the fund for a further period.

⁶⁸ Based upon audited accounts (which we are advised is the latest information available).

Appendix N

Centuria Office Fund

Overview

- 1 Centuria Office Fund was established in 2002 and is managed by Centuria Property Funds Limited. The fund owns two office properties across Queensland and Victoria, with a combined valuation of \$93.1 million.
- 2 The Diversified Property Fund holds a 1.2% interest in the Centuria Office Fund.
- 3 As at 31 December 2012, Centuria Office Fund had NTA of some \$59 million, equating to an NTA of \$0.82 per unit⁶⁹.
- 4 A summary of the Centuria Office Fund’s two properties is set out below:

Centuria Office Fund – portfolio overview				
	Valuation ⁽¹⁾ \$m	Occupancy ⁽²⁾ %	WALE ⁽³⁾ years	Cap rate %
As at 31 Dec 12				
158 Campbell Street, Qld	62.1	na	na	9.25
50 Queen Street, Vic	31.0	na	na	9.00
Total/weighted average	93.1	93.9⁽⁴⁾	3.2⁽⁴⁾	na

Note:

- 1 External property valuations as at 31 December 2012.
 - 2 By area.
 - 3 By gross income.
 - 4 Occupancy and WALE are only available on a total portfolio basis.
- na – not available

Source: Centuria.

External property valuations

- 5 Both properties within the portfolio were externally valued as at 31 December 2012.

Liquidity

- 6 The fund currently has a term to December 2013, after which unitholders will vote on whether to continue the fund for a further period.

⁶⁹ Based upon audited accounts (which we are advised is the latest information available).

Appendix O

Listed A-REIT trading multiples

- 1 We set out below the implied trading multiples of a number of selected ASX listed A-REITs:

Selected listed A-REIT multiples ⁽¹⁾						
	Market cap A\$m	Gearing ⁽²⁾ %	Distribution yield ⁽³⁾			Price / NTA ⁽⁴⁾ %
			Historic FY13 %	Forecast FY14 %	Forecast FY15 %	
Diversified A-REITs						
Dexus Property Group	4,937.1	22.6	5.7	5.8	6.0	1.9
Growthpoint Properties Australia	2,382.2	33.8	7.7	7.9	8.2	23.8
Abacus Property Group	1,850.6	31.0	7.4	7.6	7.7	(3.0)
Aspen Group	1,187.9	(6.7)	5.1	5.4	5.7	(30.2)
Charter Hall	1,010.3	32.4	8.3	na	na	85.4
Office A-REITs						
Cromwell Property Group	528.8	36.4	7.4	7.7	7.8	38.0
Retail A-REITs						
Federation Centres Limited	1,679.4	34.4	6.3	6.6	6.9	1.4

Note:

- 1 Above calculated as at 16 July 2013.
- 2 Gearing equals net debt (cash adjusted for the effect of share placements and buybacks, special dividends and option dilution) divided by enterprise value.
- 3 Excludes returns of capital and special distributions.
- 4 Based upon latest reported NTA.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.

na – not available.

- 2 A brief description of each of the above A-REITs follows.

Diversified REITs

Dexus Property Group (Dexus)

- 3 Dexus is one of Australia's largest real estate groups that owns, manages and develops office and industrial properties. The group currently has some \$13 billion of AUM and an office portfolio of over 900,000 square metres across Sydney (where it is the largest institutional owner of office buildings), Melbourne, Brisbane and Perth. Dexus has also recently announced the sale of its US property portfolio and is in the process of selling its European properties, in order to focus on the Australian market.

Appendix O

Growthpoint Properties Australia (Growthpoint)

- 4 Growthpoint invests in industrial and office properties within Australia. Growthpoint’s portfolio is located in New South Wales, Queensland, South Australia, Tasmania, Victoria, Western Australia and the Australian Capital Territory (ACT). In April 2011 Growthpoint acquired Rabinov Property Trust (Rabinov) that added some \$200 million in properties to the group’s portfolio.

Abacus Property Group (Abacus)

- 5 Abacus holds a diversified portfolio consisting of commercial, industrial, storage and retail properties. The group’s activities are divided into property investment, funds management and property ventures. As at 30 June 2012, Abacus had \$2.2 billion of assets under management, which comprised both properties owned by the group and properties in funds managed by Abacus. Abacus’ portfolio is geographically diverse, with properties located in New South Wales, Victoria, the ACT, South Australia, Queensland and New Zealand.

Aspen Group (Aspen)

- 6 Aspen is a diversified A-REIT with a portfolio of commercial assets (office, industrial and retail) located across Australia. Aspen also administers several funds management products and related investment services via its subsidiary, Aspen Funds Management Ltd. These managed funds have provided investment opportunities across a broad spectrum of property sectors including tourist parks, residential land subdivisions and CBD office developments. As at February 2013, Aspen had some \$1 billion of assets under management.

Charter Hall Group (Charter Hall)

- 7 With approximately \$10 billion of FUM, Charter Hall is one of Australia’s largest diversified property groups. Charter Hall’s activities are divided into investment in property funds (including Charter Hall Retail A-REIT which is listed on the ASX), property funds management and direct property investment. Properties held by the group cover office, retail and industrial and are located in New South Wales, Victoria, Queensland, South Australia and the ACT. The company is also involved in diversified property development activities.

Office REITs

Cromwell Property Group (Cromwell)

- 8 Cromwell is an A-REIT and a property fund manager that primarily invests in office buildings, with a smaller portfolio of industrial and retail properties. Cromwell’s property portfolio is spread across Victoria, the ACT, New South Wales, Queensland, South Australia and Tasmania. The group also provides property transactions, property and facilities management, finance, compliance, debenture issues, and debt management services.

Appendix O

Retail REITs

Federation Centres Australia

- 9 Federation Centres Australia is a retail REIT listed on the ASX. As at 31 December 2012, the group's portfolio consisted of 40 wholly owned properties that are diversified across Australia. Federation Centres Australia also operates a funds management business which manages properties owned by the trust as well as those owned by external parties. As at 31 December 2012 Federation Centres Australia had approximately \$6.8 billion of assets under management.

Appendix P

Transaction evidence – property and funds management rights

- Set out below are a selection of relevant significant transactions (for which financial information is available) from early 2009 (i.e. post the GFC) involving property and funds management rights primarily relating to Australian assets⁷⁰:

Transaction multiples – property management rights							
Date ⁽¹⁾	Target	Acquirer	EV ⁽²⁾	FUM	EV / FUM	EV / EBIT	
			\$m	\$m	%	Historic x	Forecast x
Jul 12	Austock Property	Folkestone Group	11.5	555	2.1	5.2 ⁽³⁾	na
Jun 12	PFA Div Prop Trust	Charter Hall	5.0	445	1.1	na	na
Dec 11	Orchard FM	Morgan Stanley Real Estate	13.0	1,200	1.1	na	na
Aug 11	Centro Services Business	Centro Retail Group	251.0	6,975	3.6	6.2	3.6
Jul 11	Trinity W'Sale Funds Mgmt ⁽⁴⁾	Jones Lang LaSalle	9.3	650	1.4	3.5	3.7
Jul 11	ING Healthcare	APN Property Group	3.3	190	1.7	6.9 ⁽⁵⁾	na
Dec 10	ING Industrial	Goodman	22.5	2,492	0.9	na	na
Oct 10	Becton	360 Capital	6.0 ⁽⁶⁾	900	0.7	1.3	na
May 10	Trinity W'Sale Funds Mgmt ⁽⁴⁾	Clarence	10.0	700	1.4	4.6	3.8
Apr 10	Westpac Office	Mirvac	15.0	1,147	1.3	na	na
Feb 10	Macquarie Group (RE Platform)	Charter Hall	108.0 ⁽⁷⁾	7,186	1.5	4.3	7.7
Jun 09	Macquarie Leisure Mgmt	Macquarie Leisure Trust					
		Group	17.0	843	2.0	7.7	na
May 09	MacarthurCook	AIMS Financial Group	9.9	1,171	0.8	5.1 ⁽⁸⁾	na
May 09	Orchard IPF	Growthpoint	6.2	671	0.9	na	5.2

Note:

- Date of announcement.
 - Implied value of 100% if transaction does not already involve a 100% acquisition.
 - Estimate based upon information disclosed by Austock in its 1H13 results.
 - Primarily based upon information disclosed in the 10 September 2012 IER on Trinity Limited's (Trinity) off-market buy-back.
 - Estimate based upon earnings disclosed by APN Group for FY12.
 - Based upon transaction analysis set out in the IER for Valad Property Group (Valad).
 - Excludes the deferred contingent consideration of \$15.0 million. If deferred consideration is included EV / FUM increases to 1.7% and EV / EBIT to 4.9 and 8.8 times historic and forecast respectively.
 - Based upon normalised FY08 and excludes earnings associated with units in underlying unit trusts.
- Source:** Bloomberg, Capital IQ, ASX announcements, IERs, press articles and LEA analysis.
na – not available.

- A brief description of each of the above transactions follows.

Folkestone's acquisition of Austock Property

- On 9 July 2012, Folkestone Limited announced that it would purchase all of Austock's shares in Austock Property. At the time of the acquisition, Austock Property was an investment management company with approximately \$555 million of assets under management across four listed and unlisted funds specialising in childcare, medical centres and police stations / courthouses.

⁷⁰ Other key transactions considered excluded on the basis that they related to the management of predominately foreign based property portfolios include the acquisition by Blackstone of Valad's European funds management business (April 2011), the sale of Macquarie's 50% interest in Macquarie DDR Management LLC (June 2010) and the internalisation of the management rights for the Babcock & Brown Japan Property Trust (April 2009). We note that the multiples implied by these transactions are broadly consistent with the transaction evidence set out above.

Appendix P

Charter Hall's appointment as RE to the PFA Diversified Property Trust (PFA)

- 4 On 28 June 2012, Charter Hall announced that it had entered into a contract with various entities of the Australian Property Growth Fund (APGF) to purchase the right to manage the PFA. As consideration, Charter Hall paid APGF a facilitation fee of \$5.0 million. The change in the RE was approved by PFA unitholders on 15 August 2012. At the time of acquisition, PFA was a diversified trust comprising \$444.5 million of predominately office assets located across Australia.

Morgan Stanley Real Estate Fund VII's acquisition of Orchard Funds Management (Orchard FM)

- 5 Morgan Stanley Real Estate Fund VII purchased Orchard FM for \$13 million in December 2011. Orchard FM was a funds management company that managed seven unlisted property funds with approximately \$1.2 billion of (mostly commercial Australian property) assets under management.

Centro Retail Group's acquisition of Centro Properties Group's Services Business

- 6 On 9 August 2011, Centro Group announced a restructure of the Group which consisted of Centro Retail Group⁷¹, Centro Properties Group⁷², Centro Direct Property Fund, Centro Australia Wholesale Fund and several other closed end property syndicates⁷³. Part of the restructure involved the internalisation of the management rights which were owned by Centro Properties Group within its Services Business. The Services Business consisted of a funds management business which managed internal funds of the Group as well as funds owned by external syndicates, and a property management business (services offered included day-to-day management of properties, leasing and property development management). At the time of the acquisition, the Services Business managed 31 funds and had \$6.975 billion of funds under management.

Jones Lang LaSalle's acquisition of Trinity Limited's (Trinity) wholesale funds management business

- 7 On 7 July 2011, Trinity announced that Jones Lang LaSalle had contracted to purchase 100% of Trinity's wholesale funds management business for \$9.25 million plus NTA (the business was owned 50% by Trinity and 50% by Clarence Property Corporation (Clarence)). At the time of acquisition, the wholesale funds management business had approximately \$650 million of (mostly commercial Australian property) assets under management.

APN Property Group's (APN) acquisition of ING Healthcare Pty Ltd

- 8 On 7 July 2011, APN announced that it had entered into an agreement to purchase 67.5% of ING Healthcare Pty Ltd, the manager of the ING Real Estate Healthcare Fund (Healthcare Fund) with a total of \$190 million of FUM. The transaction, which was subject to the approval of the Healthcare Fund's unitholders, would also result in a change of RE from ING Management Limited to APN. At the time of the acquisition, the Healthcare Fund owned private hospitals and clinics.

⁷¹ Stapled security structure which consisted of Centro Retail Trust and Centro Retail Limited.

⁷² Stapled security structure which consisted of Centro Properties Group and Centro Properties Limited.

⁷³ The Centro Group owns minority interests in these syndicates.

Appendix P

Acquisition of management rights in ING Industrial Funds by Goodman

- 9 On 23 December 2010, Goodman announced that it would acquire all the ordinary units on issue in the ING Industrial Fund. ING Industrial Fund was a real estate investment trust with a property portfolio (of 61 properties) located in Australia (86% by value, being industrial estates, warehouse distribution facilities and business parks located primarily in Sydney) and in Western Europe (14% by value, predominately warehouse distribution facilities located in Germany). At the time of the acquisition, FUM were approximately \$2.5 billion. Separately, Goodman entered into an arrangement with ING with respect to the transfer of the management rights for the ING Industrial Fund for a facilitation fee of \$22.5 million.

Acquisition of Becton Investment Management by 360 Capital

- 10 On 6 October 2010, Becton announced that it had entered into an agreement to sell its funds management business to 360 Capital. Becton had been considering options to recapitalise its managed funds since December 2009. However, it failed to achieve the recapitalisation and instead had to resort to a refinancing and sale of its assets (including the sale of its funds management operations). At the time of the sale, Becton managed some 14 investment vehicles and had approximately \$900 million of FUM.

Clarence's purchase of 50% of Trinity's wholesale funds management business

- 11 On 6 May 2010, Trinity announced the sale of 50% of its wholesale funds management business to Clarence. At the time, the business managed in excess of \$700 million in assets for investors. The consideration paid for the 50% stake was \$4 million plus \$1 million in deferred consideration.

Mirvac's acquisition of Westpac Office Trust

- 12 On 28 April 2010, Westpac Office Trust announced that it had entered into a scheme of implementation with Mirvac Group for the acquisition of all the units in the Westpac Office Trust. As part of the scheme, Westpac agreed to forgo future management rights for the trust in exchange for consideration of \$15.0 million. At the time of the acquisition, Westpac Office Trust owned and managed a portfolio of \$1.1 billion of assets (consisting of predominately commercial and retail properties based in NSW, Victoria and Queensland).

Charter Hall's acquisition of Macquarie's real estate management platform

- 13 On 12 February 2010, Charter Hall announced that it would acquire the Macquarie Group's real estate funds management business. The business had \$7,186 million of FUM, represented by the Macquarie Office Trust (office assets 44% Australia, 46% US), Macquarie Countrywide Trust (retail assets 47% Australia, 33% US), Macquarie Direct Property Fund (diversified but predominately office assets in Australia), Macquarie Martin Place Trust (one office asset, being No1 Martin Place in Sydney) and Macquarie Property Income (diversified property securities fund). As part of the transaction Charter Hall also acquired \$189 million of Macquarie Group's co-investments in the first of the three abovementioned trusts.

Appendix P

Internalisation of Macquarie Leisure Management Limited

- 14 On 25 June 2009, Macquarie Leisure Group announced that it would seek to internalise its management by way of the acquisition of Macquarie Leisure Management Limited. The total assets of Macquarie Leisure Group at the time of acquisition were some \$843 million (the majority of which were represented by the Dreamworld theme park located in Queensland).

Acquisition of MacarthurCook (MacarthurCook) Limited by AIMS Financial Group

- 15 On 15 May 2009, MacarthurCook announced that it had received an off-market takeover offer from AIMS Securities Holdings Limited for all those shares it did not already own⁷⁴. At the time of acquisition, MacarthurCook managed four funds (with underlying commercial, retail and industrial properties) located in Asia and Australia. It also managed five real estate securities funds (that invested in listed and unlisted property securities) and two mortgage funds. It also held a co-investment in a number of the managed funds.

Acquisition of management rights for Orchard Industrial Property Fund (Orchard IPF)

- 16 On 18 May 2009, Orchard IPF announced that it had entered into an implementation agreement with Growthpoint Properties Limited to recapitalise and restructure the fund via a \$200 million capital raising comprising a \$56 million placement and a \$144 million rights issue. Management of the fund was also to be internalised following the acquisition. At the time of acquisition, Orchard IPF held 23 industrial properties approximately 50% of which were located in Victoria.

⁷⁴ AIMS owned 19.97% of the shares in MacArthur Cook at the time of the offer.

Appendix Q

Transaction evidence – A-REITs

- 1 A selection of relevant transactions from early 2009 (i.e. post the GFC) involving A-REITs for which financial information is available is set out below:

Transaction multiples – A-REITs						
Date ⁽¹⁾	Target	Acquirer	Consideration 100% ⁽²⁾ A\$m	Distribution yield ⁽³⁾ Historic %	Forecast %	Price / NTA ⁽⁴⁾ %
Diversified A-REITs						
Apr 12	Thakral Holdings	Brookfield Asset Mgmt	506.7	na	7.9	(12.9)
Apr 11	Valad Property ⁽⁵⁾	Blackstone Real Estate	208.4	na	na	(22.4)
Apr 11	Rabinov	Growthpoint	49.6	9.2	na	(4.3)
Oct 09	Mirvac REIT	Mirvac	335.6	5.9	6.0	(29.9)
Non-diversified A-REITs						
Jan 12	Abacus Storage Fund	Abacus Property	132.6	7.4	na	(8.1)
Jan 12	Charter Hall	Consortium	1,228.4	8.1	5.8	(4.0)
Oct 10	ING Industrial Fund ⁽⁵⁾	Consortium (Goodman)	1,394.4	3.0	6.0	(3.9)
May 10	MacarthurCook IPF	CommonWealth REIT	43.3	4.5	4.5	(30.7)
Apr 10	Westpac Office Trust	Mirvac	399.0	8.0	na	(1.5)
May 09	Orchard IPF	Growthpoint Properties Australian Trust	255.4	20.6	8.8	(11.1)

Note:

- 1 Date of announcement.
- 2 Implied value of 100% if transaction does not already involve a 100% acquisition.
- 3 Excludes returns of capital and special distributions.
- 4 Based upon latest reported NTA.
- 5 Valad and ING Industrial Fund both had substantial funds management operations at the date of the transaction.

Source: Bloomberg, Capital IQ, ASX announcements, IERs, press articles and LEA analysis.
na – not available

- 2 A brief description of each of the above transactions follows.

Diversified A-REITS

Takeover offer for Thakral Holdings Group (Thakral) by Brookfield Asset Management Inc.

- 3 On 19 April 2012 Brookfield made a conditional off market all cash takeover offer for Thakral at \$0.70 per fully paid stapled security, less any dividend or distribution paid or declared by Thakral. Brookfield increased this to \$0.81 per fully paid stapled security on 27 August 2012, subject to reaching 90% acceptance of the offer. Thakral was an ASX listed property owner and developer. Its portfolio included hotels, retail and commercial assets and property development projects with a total book value of approximately \$1 billion.

Appendix Q

Blackstone Real Estate LLC's acquisition of Valad Property Group (Valad)

- 4 On 29 April 2011 Valad announced that it had entered into an agreement with Blackstone Real Estate LLC for the acquisition of all the stapled securities in Valad for \$1.80 per security by way of a scheme of arrangement. At the time of acquisition Valad was a diversified ASX listed real estate company that owned some \$0.7 billion of direct property, with a funds management operation that oversaw a real estate portfolio worth around \$7.2 billion (with some \$6.4 billion of this located in Europe).

Growthpoint Properties Australia Trust (Growthpoint Trust) acquisition of Rabinov

- 5 On 13 April 2011 Growthpoint Australia Limited in its capacity as RE for Growthpoint Trust made a takeover offer for all the units in Rabinov. Under the offer, Rabinov unitholders received 0.48 Growthpoint shares and a special distribution of 2.3 cents for each unit held in Rabinov. At the time of the acquisition Rabinov owned a diversified portfolio of office, retail and industrial properties across Victoria, Tasmania, South Australia and Queensland.

Mirvac Group's acquisition of Mirvac Real Estate Investment Trust (MREIT)

- 6 On 12 October 2009 MREIT announced that it had received a proposal from Mirvac Group for the acquisition of all the issued units in MREIT. MREIT Unitholders were provided with a choice of consideration, either all scrip (being one Mirvac share for every unit held) or a mix of cash and scrip (being \$0.50 cash per unit held, up to 20,000 units, plus one Mirvac share for every three units held in excess of 20,000 units). MREIT unitholders were also entitled to a special distribution of 1 cent per unit. At the date of acquisition MREIT was a diversified real estate investment trust with a portfolio consisting of commercial, retail, industrial and hotel properties.

Non-diversified A-REITS

Merger of Abacus and Abacus Storage Fund

- 7 On 13 January 2012 Abacus and Abacus Storage Fund announced that the two entities would merge, whereby Abacus Storage Fund unitholders received 0.538 stapled securities in the merged entity. The merger ratio was based on the relative NTA position of the two entities at the date of the merger. At this date Abacus owned and managed properties located in Australia and New Zealand while Abacus Storage Fund owned self-storage facilities in Australia and New Zealand.

Acquisition of Charter Hall Office REIT by a Consortium

- 8 On 3 January 2012 Charter Hall Office REIT announced that its RE, Charter Hall Office Management Limited had entered into a scheme implementation agreement with Reco Ambrosia Pte Ltd, the Public Sector Pension Investment Board of Canada and a member of Charter Hall for the acquisition of all the units in the Charter Hall Office REIT. At this date Charter Hall Office REIT was an ASX listed REIT with a portfolio of office buildings in Australia and the US. The consortium paid \$1.8332 cash unit in addition to a special distribution of \$0.65 for each Charter Hall Office REIT.

Appendix Q

Acquisition of ING Industrial Fund by a Consortium

- 9 On 28 October 2010 ING Industrial Fund announced that it had received a takeover offer from a consortium consisting of Goodman, Leader Investment Corporation, Canadian Pension Plan Investment Board and the All Pensions Group. The consideration paid was \$0.537975 per ING Industrial Fund unit. At the time of the acquisition, ING Industrial Fund had a portfolio of 61 properties located in Australia and Europe as well as some \$2.5 billion of FUM.

CommonWealth REIT's acquisition of MacarthurCook Industrial Property Fund (MacarthurCook IPF)

- 10 On 3 May 2010 MacarthurCook Fund Management Limited, the RE of MacarthurCook IPF announced that it had received a takeover offer from CommonWealth REIT to acquire all the units in MacarthurCook. At the time of acquisition, MacarthurCook owned a diversified industrial properties portfolio. The consideration paid by CommonWealth REIT was \$0.44 per MacarthurCook unit.

Mirvac Group's acquisition of Westpac Office Trust

- 11 On 28 April 2010 Westpac Office Trust announced that it had entered into a scheme of implementation with Mirvac Group for the acquisition of all the units in the Westpac Office Trust. At the time of the acquisition Westpac Office Trust owned and managed a portfolio of office assets worth approximately \$1.1 billion. Shareholders of Westpac Office Trust had the option to either participate in a cash option or a scrip option (up to a capped limit). Under the cash option, unitholders received \$0.86 Westpac Office Trust per unit and under the share option unitholders received 0.597 Mirvac shares per Westpac Office Trust unit.

Acquisition of Orchard IPF by Growthpoint Properties Limited

- 12 On 18 May 2009, Orchard IPF announced that it had entered into an implementation agreement with Growthpoint Properties Limited to recapitalise and restructure the fund via a \$200 million capital raising comprising a \$56 million placement and a \$144 million rights issue. Management of the fund was also to be internalised following the acquisition. At the time of acquisition, Orchard IPF held 23 industrial properties approximately 50% of which were located in Victoria.

Appendix R

Glossary

Term	Meaning
111 SGT Trust	360 Capital 111 St George's Terrace Property Trust
111 St George's Terrace	111 St George's Terrace, Perth, Western Australia
360 Capital	360 Capital Property Group, being a stapled security comprising a share in 360 Capital Property Limited and a unit in 360 Capital Investment Trust
360 Capital Investment	360 Capital Investment Trust
360 Capital Property	360 Capital Property Limited
360 Notes	\$2.5 million in convertible notes issued by the 360 Capital Industrial Fund that were held by 360 Capital
360 Capital RE	360 Capital RE Limited
441 Murray Street Trust	360 Capital 441 Murray Street Property Trust
Abacus	Abacus Property Group
ACT	Australian Capital Territory
AIFRS	Australian equivalent to International Financial Reporting Standards
AMB	AMB Property (Esplanade) Pty Ltd, a wholly owned subsidiary of AMB Holdings Pty Ltd
APGF	Australian Property Growth Fund
APN	APN Property Group
A-REIT Index	S&P/ASX 300 A-REIT Accumulation Index
ASIC	Australian Securities & Investments Commission
Aspen	Aspen Group
ASX	Australian Securities Exchange
ASX 300 Index	S&P/ASX 300 Accumulation Index
ATO	Australian Taxation Office
AUM	Assets under management
Austock Property	Austock Property Funds Management Pty Ltd
Becton	Becton Property Group
BIML	Becton Investment Management Limited
Canberra Trust	360 Capital Canberra Trust
CGT	Capital gains tax
Capital Raising	\$70.8 million fully underwritten institutional placement priced at \$0.59 per Trafalgar security to be undertaken in conjunction with the Proposed Acquisition
Cash Option	\$1.40 cash per 360 Capital security
Centuria Diversified Fund	Centuria Diversified Direct Property Fund
Centuria Office Fund	Centuria Office Fund No. 2
Charter Hall	Charter Hall Group
Clarence	Clarence Property Corporation
Coles	Coles Supermarkets Pty Ltd
Colliers	Colliers International Consultancy & Valuation Pty Limited
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Cromwell	Cromwell Property Group
DBCDE	Department of Broadband, Communications and Digital Economy
DCF	Discounted cash flow
Dexus	Dexus Property Group
Diversified Property Fund	360 Capital Diversified Property Fund
EBIT	Earnings before interest and tax
EBITA	earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide

Appendix R

Term	Meaning
FUM	Funds under management
GDP	Gross domestic product
GFC	Global financial crisis
Goodman	Goodman Group
Growthpoint	Growthpoint Properties Australia
Growthpoint Trust	Growthpoint Properties Australia Trust
Havelock House	29 Havelock Street and 2 Ord Street, West Perth
Havelock House Trust	360 Capital Havelock House Property Trust
Healthcare Fund	ING Real Estate Healthcare Fund
IER	Independent expert’s report
Industrial Fund	360 Capital Industrial Fund
LEA	Loneragan Edwards & Associates Limited
MacarthurCook	MacarthurCook Limited
MacarthurCook IPF	MacarthurCook Industrial Property Fund
MREIT	Mirvac Real Estate Investment Trust
New 360	Trafalgar post the acquisition of 360 Capital
NLA	Net lettable area
NPV	Net present value
NTA	Net tangible assets
Office Fund	360 Capital Office Fund
Orchard FM	Orchard Funds Management
Orchard IPF	Orchard Industrial Property Fund
PDS	Product disclosure statement
PFA	PFA Diversified Property Trust
Proposed Acquisition	Proposed acquisition by Trafalgar of 100% of the securities on issue in 360 Capital
PwC	PricewaterhouseCoopers
Rabinov	Rabinov Property Trust
RBA	Reserve Bank of Australia
RE	Responsible entity
REITs	Real estate investment trusts
Retail Fund	360 Capital Retail Fund
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Rhodes JV	A 50:50 joint venture between Trafalgar and Brookfield Multiplex concerning the Shoreline Waterfront Village, Rhodes Peninsula, Homebush Bay, NSW
Scrip Option	2.5 Trafalgar securities for each 360 Capital security
Subiaco Square Trust	360 Capital Subiaco Square Shopping Centre Property Trust
Thakral	Thakral Holdings Group
Trafalgar or the Group	Trafalgar Corporate Group, being 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.
Trinity	Trinity Limited
TT	TT Investment Trust
TT Investments	TT Investments Pty Limited
Valad	Valad Property Group
VWAP	Volume weighted average price
WALE	Weighted average lease expiry
Walker	Walker Corporation
WANOS	Weighted average number of shares / securities / units outstanding
Woolworths	Woolworths Limited

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16 August 2013

The Directors
Trafalgar Managed Investment Limited
As Responsible Entity of Trafalgar Platinum Fund No.12
and Trafalgar Opportunity Fund No. 4
Level 4, 111 Harrington Street
SYDNEY NSW 2000

Taxation Report

Dear Sirs

This report has been prepared at the request of Trafalgar Corporate Group Limited ("Company") and Trafalgar Managed Investment Limited as Responsible Entity for Trafalgar Platinum Fund No.12 ("TPF12") and Trafalgar Opportunity Fund No.4 ("TOF4") for inclusion in Appendix 4 of the Notice of Meetings and Explanatory Memorandum ("EM") to be dated on or about 21 August 2013 for investors in TGP Securities in relation to the Proposal.

This report provides information of a general nature only, in relation to the Australian income tax implications relating to the acceptance of the Proposal for Australian resident individual TGP Securityholders who hold their TGP Securities on capital account and not as trading stock or otherwise on revenue account. The information contained in this report is based on the taxation law, established interpretations of legislation, applicable case law and published Australian Taxation Office ("ATO") statements of administrative practice as at the date of this report. It is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every registered TGP Securityholder.

Australian Income Tax Legislation may be amended at any time and therefore the taxation consequences discussed in this report may alter if there is a change in the taxation law after the date of this report. We have not been retained nor are we obliged to monitor or update the information in this report for any future legislative changes which may affect the correctness of the information after the date of this report.

The taxation consequences for a particular TGP Securityholder may vary depending on their own specific circumstances. Accordingly, the information contained in this report, being of a general nature only, does not constitute taxation advice and cannot be relied upon as such. We disclaim all liability to any TGP Securityholder for all costs, loss, damage and liability that the TGP Securityholder may suffer or incur arising from or relating to the contents of our report or the provision of our report to the TGP Securityholder or the reliance on our report by the TGP Securityholder.

TGP Securityholders should seek appropriate independent professional taxation advice that considers the taxation implications of the Proposal to their own specific circumstances.

This report is confined to income taxation issues which are only one part of the many matters that investors need to consider when making a decision about their investments. Under the *Corporations Act 2001*, this advice is not required to be provided to investors by a holder of an Australian Financial Services License (“AFSL”). Before making a decision about their investments, investors should consider taking advice from a holder of an AFSL.

Capitalised terms used in this report have the same meaning as those in the Glossary in Appendix 5 of the EM, unless otherwise defined.

Background

Details of the Proposal are set out in the EM, and are therefore not repeated in detail here. Terms of the Proposal will mean investors who participate in the Capital Raising will acquire Securities in TGP, TGP will become a double stapled entity and TGP will acquire 360 Capital.

Australian income tax considerations

Disposal of TOF4 Units

As part of the Proposal, there will be a preliminary internal restructure of the Trusts known as the TOF4 Restructure. We understand that the TOF4 Restructure will be effected in the following manner:

- ▶ TOF4, TPF12 and the Company will be destapled.
- ▶ TPF12 will acquire all issued units in TOF4 from TGP Securityholders by issuing to those Securityholders units in TPF12 on the date of Completion (“Implementation Date”).

The destapling of TOF4, TPF12 and the Company should not result in any immediate Australian income tax consequences for TGP Securityholders.

Acceptance of the Proposal will result in a disposal of TOF4 Units by TOF4 unitholders and should trigger a CGT event on the Implementation Date. A CGT calculation will be required in respect of each TOF4 unit. TOF4 unitholders should:

- ▶ make a capital gain if the capital proceeds on disposal of their TOF4 Units are greater than the cost base of their TOF4 Units; or alternatively
- ▶ make a capital loss if the reduced cost base of their TOF4 Units is greater than the capital proceeds from the disposal of their TOF4 Units.

The cost base (or reduced cost base) of each TOF4 Unit to the TOF4 unitholders should generally be the acquisition cost (including incidental costs incurred on acquisition) of that unit. There are special rules in the Australian Income Tax Legislation which determine how to calculate the cost base (or reduced cost base) of assets in particular circumstances. For example, TOF4 unitholders will need to take into account any returns of capital and tax deferred distributions received in respect of those TOF4 Units. TOF4 unitholders should seek their own advice on the relevant cost base (or reduced cost base) of their unitholdings.



The capital proceeds attributable to each TOF4 Unit should be the market value of the TPF12 Unit received on the Implementation Date in respect of the disposal. We have been advised that TGP will make information available on its website to assist investors in determining the relevant market value of each TPF12 Unit on the Implementation Date.

We also note that TOF4 unitholders may be eligible for CGT scrip for scrip roll-over relief. This is discussed further below.

Capital Gains and Losses

Capital gains and capital losses of a taxpayer in an income year are aggregated to determine whether there is an overall net capital gain or net capital loss for that year. Any net capital gain is included in a taxpayer's assessable income and is subject to income tax at the taxpayer's applicable tax rate. A CGT discount may be available to reduce a capital gain for certain TOF4 unitholders.

TOF4 unitholders who are individuals, complying superannuation funds or trusts (conditions apply) who have held their TOF4 Units for at least 12 months before their disposal should be entitled to the CGT discount to the extent there is a net capital gain for the income year. Broadly, the CGT discount rules provide that TOF4 unitholders may reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts (conditions apply) and 33 1/3% for complying superannuation funds. The CGT discount is not available to TOF4 unitholders who are companies.

Capital losses may not be offset against other income for tax purposes, but may be carried forward to offset future capital gains made by a taxpayer. Specific capital loss utilisation rules apply to companies. TOF4 unitholders should seek their own tax advice in relation to the operation of these rules.

CGT scrip for scrip roll-over

For Australian tax resident TOF4 unitholders who hold their TOF4 Units on capital account, CGT roll-over relief under subdivision 124-M of the ITAA 1997 ("scrip for scrip roll-over") may be available (where certain conditions are satisfied) to defer any resulting capital gains (but not capital losses) arising from the disposal of their TOF4 Units. Scrip for scrip roll-over will not be available where a TOF4 unitholder makes a capital loss on the disposal of their TOF4 Units or where a TOF4 unitholder holds their TOF4 Units on revenue account.

Where scrip for scrip roll-over relief is available and elected, the capital gain that would otherwise arise from the disposal of the TOF4 Units would be disregarded and ultimately, the capital gain will be deferred until a future CGT event happens to the TPF12 Units acquired. In effect the attributable cost base of the TOF4 Units is transferred to the TPF12 Units.

Based on our understanding of the Proposal and the requirements of subdivision 124-M, the relevant conditions for scrip for scrip roll-over relief to apply should be satisfied. On this basis, scrip for scrip roll-over should be available to Australian resident TOF4 unitholders who would otherwise make a capital gain on the exchange of their TOF4 Units for units in TPF12.

Where scrip for scrip roll-over relief is available to TOF4 unitholders, they may elect to apply the relief. Broadly, to make the election, a TOF4 unitholder should prepare their tax return in a manner consistent with electing scrip for scrip rollover relief.

In the event that scrip for scrip roll-over relief is not available or, if available, is not chosen by a TOF4 unitholder, then the tax consequences on the disposal of their TOF4 Units are set out above under *“Capital Gains and Losses”*.

Cost base of TPF12 Units

Generally, the first element of the cost base (reduced cost base) of a CGT asset includes any money paid in acquiring the asset and the market value (at the time of acquisition) of any property provided for the acquisition of the asset.

Where roll-over relief is available and a TOF4 unitholder elects to apply scrip for scrip roll-over relief, the cost base (or reduced cost base) of the new TPF12 Units will be based on the historic cost base (or reduced cost base) of their TOF4 Units. The historic cost base (or reduced cost base) of the TOF4 Units will broadly include the acquisition cost (including incidental costs incurred on acquisition) of the TOF4 Unit reduced by any returns of capital or tax deferred distributions received by TOF4 unitholders. The new TPF12 Units will also be taken to have been acquired on the date that the TOF4 Units were initially acquired.

Alternatively, to the extent that scrip for scrip roll-over relief is not available (or has not been chosen), the cost base of the new TPF12 Units will be the market value of TOF4 Units (exchanged under the TOF4 Restructure) on the Implementation Date. The date of acquisition of the new TPF12 Units will be the Implementation Date.

Disposal of TOF4 Units held on revenue account

For completeness, we note that where an Australian resident TOF4 unitholder holds their TOF4 Units on revenue account (including as trading stock), the transfer of their TOF4 Units in exchange for units in TPF12 under the TOF4 Restructure may result in an assessable gain or deductible loss that may be included in the unitholder's taxable income.

Broadly, an assessable gain may arise where the market value of the TPF12 Units (as at the Implementation Date) exceeds the cost of the TOF4 Units transferred under the TOF4 Restructure. A deductible loss may arise where the market value of the TPF12 Units (as at the Implementation Date) received is less than the cost of the TOF4 Units.

Consolidation of TPF12 Units

Following the TOF4 Restructure, TPF12 intends to consolidate its units on issue so that the number of TPF12 Units and Company shares on issue after the TOF4 Restructure are equal in number.

The consolidation of TPF12 Units should not give rise to any CGT event under the Australian Income Tax Legislation.

Under the consolidation of TPF12 Units, the total cost base of those units should be equal to the sum of each element of the cost base and reduced cost base of the TPF12 Units originally held by Securityholders prior to the consolidation. The cost base of the original TPF12 Units should be calculated as outlined above at *“Cost base of TPF12 Units”*.



To the extent that each consolidated TPF12 Unit will consist of a parcel of TPF12 Units which have different acquisition dates, the acquisition date of each of the consolidated TPF12 Units may be determined by apportioning the acquisition dates across the consolidated units on a reasonable basis.

Acquisition of TGP Securities under the Capital Raising

Following the acquisition of TOF4 by TPF12, TGP Securities will consist of a share in the Company ("Company Shares") and a Unit in TPF12 ("TPF12 Units"). The Company Shares and TPF12 Units will remain destapled for the purposes of the Capital Raising under the Proposal. We understand that the funds raised through the Capital Raising will be allocated to acquire Company Shares and TPF12 Units.

New shares/units acquired

Each Company Share and TPF12 Unit is a separate CGT asset under Australian Income Tax Legislation. Under the Proposal, new investors who participate in the Capital Raising will acquire a new Company Share and a new TPF12 Unit. The Company Shares and TPF12 Units should be taken to have been acquired when they were issued or allotted to investors who participate in the Capital Raising (i.e. on the Implementation Date).

Cost base of new Company Shares and new TPF12 Units

Generally, the first element of the cost base (and reduced cost base) of the Company Shares and TPF12 Units will include the money paid in acquiring each CGT asset.

Broadly, as the Company Shares and TPF12 Units are destapled, the total Issue Price of \$0.59 per TGP Security is to be reasonably apportioned between each of the Company Shares and TPF12 Units in order to determine the first element of the cost base (and reduced cost base) for each of the CGT assets. The apportionment of the total Issue Price of \$0.59 between each of the Company Shares and TPF12 Units is to be determined by the application of the funds raised under the Capital Raising.

We have been advised that TGP will make information available on its website to advise investors of the apportionment of the Issue Price between each of the Company Shares and TPF12 Units.

Income tax consequences of the acquisition of 360 Capital

The acquisition of 360 Capital under the Proposal should not give rise to any immediate Australian tax consequences for Securityholders.

Income tax consequences of stapling each Company Share to a TPF12 Unit

After the acquisition of 360 Capital, each Company Share will be stapled to a TPF12 Unit. Following the stapling, the Company Shares and TPF12 Units will be traded jointly as New 360 securities. The stapling should not result in any immediate Australian income tax consequences for New 360 securityholders.

On-going distributions paid on New 360 securities

If the Proposal is approved, New 360 securityholders may in future receive trust distributions from the TPF12 Units and/or dividends in respect of the Company Shares.

Trust distributions

The net income of TPF12 will be calculated in accordance with the relevant provisions of the Australian Income Tax Legislation. Under Divisions 6B and 6C of the ITAA 1936, if applicable, the trustee is taxed on such net income and distributions to unitholders may qualify as frankable dividends (subject to the availability of franking credits). However, under Division 6 of the ITAA 1936, the trustee is not personally taxed on the net income of the trust provided unitholders are presently entitled to the income of the trust. We understand that it is intended that TPF12 will continue to be a flow through trust such that Divisions 6B and 6C should not apply to it. Accordingly, Division 6 should apply to the net income of TPF12. On this basis, New 360 securityholders will include their share of the net income of TPF12 in their assessable income in the year in which they become presently entitled to their share of the income of TPF12.

To the extent that a New 360 securityholder's share of the net income is attributable to a capital gain made by TPF12, the New 360 securityholder will be treated as having made a capital gain equal to that amount. Where the capital gain is a discount capital gain, the New 360 securityholder is treated as making a discount capital gain equal to twice the amount that is attributable to the discount capital gain. The New 360 securityholder may be entitled to apply their relevant discount percentage to the discount capital gain to the extent that it is included in a net capital gain made for the income year. Please see comments above under "*Capital Gains and Losses*" in relation to the applicable CGT discount.

Where the cash distribution that a New 360 securityholder receives exceeds their share of the net income of TPF12, the excess may include CGT concession or tax deferred amounts which will be non-assessable to the New 360 securityholder. However, the tax deferred distribution will result in a reduction in the New 360 securityholder's cost base on those TPF12 Units. The New 360 securityholder will make a capital gain equal to the amount by which the tax deferred distributions received for an income year exceed the New 360 securityholder's remaining cost base in those units.

Receipt of dividends

If dividends are paid in respect of the Company, Australian resident shareholders will be required to include the amount of any dividends distributed in their assessable income when paid.

The precise tax consequences arising from the receipt of the dividend will vary depending on the nature of the New 360 securityholder. Subject to our comments below, Australian resident New 360 securityholders (and other securityholders) may be required to gross up dividends included in their assessable income for any attached franking credits and may be entitled to a tax offset equal to the franking credit. Excess franking credits (that is, where franking offsets exceed income tax payable) may give rise to tax refunds for certain New 360 securityholders.

Under Australian Income Tax Legislation, an Australian resident New 360 securityholder must be a "qualified person" in order to be entitled to a tax offset in respect of the franked dividends received. The requirements of the qualified person test are complex and require, in broad terms, for the New 360 securityholder to hold the shares or an interest in the shares at risk for a continuous period of 45 days during the relevant qualification period before being required to gross up the dividend to include the attached franking credit in their assessable income or becoming entitled to a tax offset. New 360 securityholders should obtain their own advice based on their specific circumstances to confirm that they are entitled to the benefit of any tax offset in respect of any franked dividends received in respect of the Company.



Tax File Numbers and Australian Business Numbers

New 360 securityholders are not required by law to provide a Tax File Number ("TFN"), however, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld from any income distribution entitlement or unfranked dividend at the highest marginal tax rate plus Medicare levy (currently 46.5%).

An entity that makes their investment in the New 360 securities in the course of an enterprise carried on by it may quote their Australian Business Number rather than a TFN.

Goods and Services Tax ("GST")

The disposal and acquisition of New 360 securities as contemplated under the Proposal should not attract GST.

Yours faithfully

A handwritten signature in black ink that reads 'Ernst & Young' followed by a large, stylized flourish.

Ernst & Young

Term	Meaning
\$	Australian dollars
111 St George's Terrace Trust	360 Capital 111 St George's Terrace Property Trust (ARSN 098 126 660)
360 Company	360 Capital Property Limited (ACN 146 484 433)
360 Capital	360 Capital Property Group
360 Trust	360 Capital Investment Trust (ARSN 141 872 844)
Acquisition	Acquisition by TGP of 360 Capital
AMB	AMB Property (Esplanade) Pty Ltd (ACN 149 257 747) a wholly owned subsidiary of AMB Holdings Pty Ltd
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX
Capital Raising	The capital raising as described in Section 1.8
Committee of Independent Directors	See Section 1.11
Company	Trafalgar Corporate Group Limited (ACN 113 569 136)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
ESP	The Employee Security Plan described in Section 3
Developments Income Fund	360 Capital Developments Income Fund (ARSN 103 700 956)
Diversified Fund	360 Capital Diversified Property Fund (ARSN 117 509 921)
Group	See TGP
Independent Expert	Loneragan Edwards & Associates Limited
Independent Expert's Report	The Independent Expert's Report contained in Appendix 3
Industrial Fund	360 Capital Industrial Fund (ARSN 099 680 252)
Issue Price	\$0.59 per New 360 Security
Lawson Loan	A loan with a face value of \$27.5 million by the trustee of the Lawson Trust to the Developments Income Fund as described in section 3.3 and 3.8 of the accompanying PDS and Prospectus.
Lead Manager	Moelis Australia Advisory Pty Ltd
New 360	TGP in combination with 360 Capital following implementation of the Proposal, being the stapled entity consisting of the Company and TPF12
Non-associated Securityholders	Securityholders other than those associated with Mr Tony Pitt
Office Fund	360 Capital Office Fund (ARSN 106 453 196)
Proposal	Acquisition and Capital Raising
PDS and Prospectus	The product disclosure statement and prospectus prepared by TGP for the Proposal
Security	A stapled security in TGP
Securityholder	A holder of a stapled security in TGP
Taxation Report	The Taxation Report contained in Appendix 4
TGP	Trafalgar Corporate Group, being the stapled entity consisting of the Company, TOF4 and TPF12 prior to the implementation of the TOF4 Restructure and the stapled entity consisting of the Company and TPF12 following implementation of the TOF4 Restructure
TOF4	Trafalgar Opportunity Fund No. 4
TOF4 Restructure	The restructure described in Section 2.5
TPF12	Trafalgar Platinum Fund No. 12
Transaction	Proposed acquisition by TGP of 360 Capital and an underwritten conditional \$72.4 million equity raising will be undertaken by TGP
Trusts	Trafalgar Opportunity Fund No. 4 and Trafalgar Platinum Fund No. 12
TT	TT Investments Pty Limited (ACN 098 158 028) as trustee of the TT Investment Trust
Unit	A fully paid ordinary Unit in the Trust

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

David van Aanholt, *Independent Chairman*
Graham Lenzner, *Independent Non-executive Director*
Tony R Pitt, *Non-executive Director*

Officer

Peter J Norris
Chief Financial Officer and 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

Lead Manager

Moelis Australia Advisory Pty Ltd
Level 27, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

The Trafalgar logo consists of the word "Trafalgar" in a white, sans-serif font, positioned to the right of a solid teal square.