



# Investor Presentation

Financial Year Results - 2009

August 2009

**Trafalgar**

# About Trafalgar



Trafalgar Corporate Group (ASX:TGP) is a property investment and development group and as at 30 June 2009 had:

- Gross Assets of \$301.9m, comprising:
  - Investment Assets           \$227.0m
  - Development Assets       \$ 52.4m
  - Other Assets               \$ 22.5m
  
- Total Debt                    \$161.8m
  
- Net Assets of \$128.9m
  
- Net Tangible Assets per security of \$1.51

# Market Overview

The market environment in FY2009 featured:

- A global financial crisis resulting in an economic downturn in Australia
- A banking sector under stress leading to:
  - Collapse of global wholesale funds market
  - Local consolidation leading to reduced competition
  - Scarcity of money
  - Significant tightening of credit markets with major impact on commercial property sector
  - A negative impact on capitalisation rates and valuations
- A deteriorating Property Sector:
  - De-leveraging due to illiquid credit markets
  - Return to conservative gearing
  - \$15 billion in capital raising by the property sector in last 6 months
  - A significant reduction in demand for property assets resulting in falling asset prices

# Results Highlights – FY2009



## Summary

Results Summary	2009	2008	2008/2009 % Change	2007	2007/2008 % Change
Revenue from Operations (incl JVs) (\$m)	29.6	42.1	(29.7%)	42.2	(0.2%)
Operating Profit before Fair Value Adjustments (\$m)	4.9	7.9	(38.0%)	7.1	11.3%
Fair Value Adjustments (\$m)	(67.4)	9.1	(840.7%)	26.8	(66.0%)
(Loss)/Profit before tax (\$m)	(62.5)	17.0	(467.6%)	33.9	(49.9%)
(Loss)/Profit after tax (\$m)	(62.5)	10.2	(712.7%)	36.4	(72.0%)
Earnings per security (cents) before Fair Value Adjustments (fully diluted comparison) <sup>(2)</sup>	5.7	9.3	(38.7%)	8.3	12.0%
Earnings per security (cents) after tax (fully diluted comparison) <sup>(2)</sup>	(73.3)	12.0	(710.8%)	42.6	(71.8%)
Total distributions (cents) <sup>(1)</sup>	5.0	15.0	(66.7%)	27.9	(46.2%)
Total assets (\$m)	301.9	371.4	(18.7%)	360.9	2.9%
Net tangible assets per security (\$) (fully diluted comparison) <sup>(2)</sup>	1.51	2.26	(33.2%)	2.30	(1.7%)
Gearing (%)	53.6%	43.8%	22.4%	39.9%	9.8%

**Notes:**

1) The Distribution Support Guarantee ceased at 30 June 2007

2) NTA and EPS comparative are calculated on a Fully Diluted basis assuming all securities now on issue (i.e. 85,351,913) were issued at that time

# Results Highlights

## Segment Analysis FY2009 Results



### Results Summary

Stapled Group	30-Jun-09 \$'000s	30-Jun-08 \$'000s	30-Jun-07 \$'000s
<b>Operations</b>			
Property development (incl JVs)	1,826	5,849	5,568
Net Rent from investment properties	19,456	18,145	17,305
Fees, interest & other income	608	1,585	1,156
<b>Total results from segments</b>	<b>21,890</b>	<b>25,579</b>	<b>24,029</b>
Corporate costs	(2,056)	(2,720)	(3,093)
Employment costs <sup>(1)</sup>	(3,037)	(4,179)	(3,411)
	<b>(5,093)</b>	<b>(6,899)</b>	<b>(6,504)</b>
<b>Operating profit before interest</b>	<b>16,797</b>	<b>18,680</b>	<b>17,525</b>
Finance and borrowing costs	(11,910)	(10,751)	(10,403)
	<b>4,887</b>	<b>7,929</b>	<b>7,122</b>
<b>Profit before tax &amp; unrealised valuations</b>	<b>4,887</b>	<b>7,929</b>	<b>7,122</b>
Inventory & development project impairments	(20,031)	(15,620)	(2,397)
Impairment of goodwill	(2,715)	0	0
Unrealised gains/(losses) on fair value of swaps	(9,482)	1,495	1,929
Unrealised gains/(losses) on revaluation of investment in Sydney Airport Centre	(893)	(1,089)	642
Unrealised gains/(losses) from fair value adjustment of investment properties	(34,304)	24,254	26,600
	<b>(62,538)</b>	<b>16,969</b>	<b>33,896</b>
<b>Profit/(Loss) before income tax</b>	<b>(62,538)</b>	<b>16,969</b>	<b>33,896</b>
Income tax benefit/(expense)	0	(6,743)	2,464
	<b>(62,538)</b>	<b>10,226</b>	<b>36,360</b>
<b>Net Profit/(Loss) after Tax before Distributions</b>	<b>(62,538)</b>	<b>10,226</b>	<b>36,360</b>

**Notes:**

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

# Results Highlights

## Key Points of Segment Analysis

- The increase in rent from investment properties was largely due to the Thiess Building market rent increase of approximately \$2.2 million in June 2008
- Property Development revenue down 69% as a result of the strategic decision to exit property development (FY2008 included \$15.5 million from the sale of the Southbank Project)
- Corporate costs were reduced by 24% from FY2008
- Employment costs were reduced by 27% from FY2008
- Finance costs increased reflecting a peak debt level of \$170.8m as at 31 December 2008

# Results Highlights

## Key Points of Segment Analysis - Revaluation and Impairment

- Reduction in the fair value of \$34.3 million on investment properties reflects the adverse movement in the weighted property yield increasing from 7.29% in FY2008 to 8.47% in FY2009

	2009	2008	2007
Total Valuation \$m	\$227.0	\$261.7	\$234.9
Weighted Core Capitalisation Rate	8.47%	7.29%	7.08%
Revaluation/(devaluation) \$m	(34.3)	\$24.3	\$26.6

■ The net reduction in carrying values over the past two years (after allowing for property sales and acquisitions) was only \$11.2 million of 4.7%

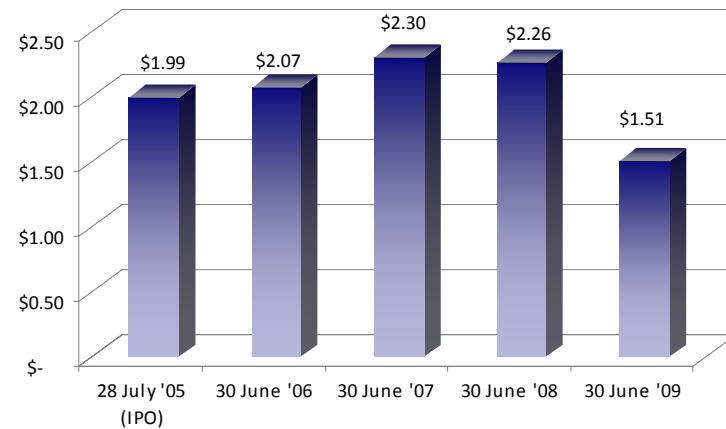
- Impairments relating to inventory and development projects amounted to \$20m, of which \$12.6m related to the Tallwoods golf and residential estate. The balance of the provision relates to various development projects
- Reduction in the fair value of swaps amounting to \$9.5m, reflects the impact of falling interest rates on the market value of the interest rate swaps
- Goodwill amounting to \$2.7m has been written-off following the decision to exit property development

# Results Highlights

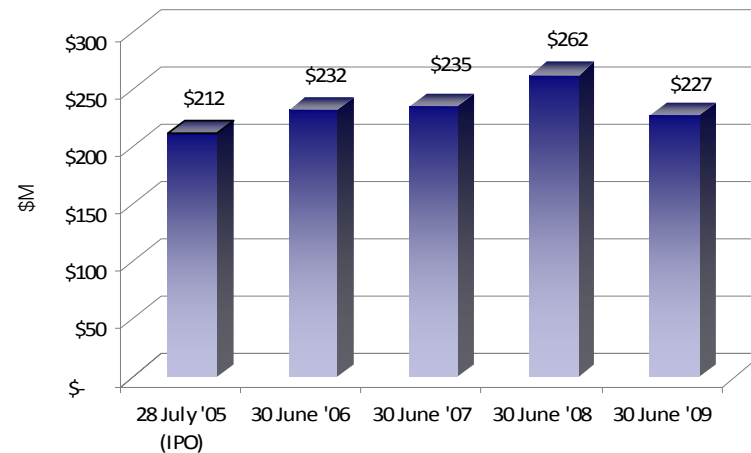
## Asset Movement

Trafalgar

- Net Tangible Assets<sup>(1)</sup> of the group have decreased to \$1.51



- The value of the Investment Portfolio has decreased to \$227m<sup>(2)</sup>



Notes:

1) Based on 85,351,913 ordinary securities on issue as at 30 June 2009

2) Excludes the Sydney Airport Centre investment



# Results Highlights

## Capital Management



	2009	2008	2007
Bank debt (\$m)	161.8	162.6	144.0
Gearing (debt/total tangible assets)	53.6%	43.8%	39.9%
Average debt maturity	2011	2011	2011
Percentage of debt hedged	77.3%	77.7%	88.5%
Total assets (\$m)	301.9	371.4	360.9

### Debt maturity profile:

- \$145m Facility - March 2011
- \$20.8m Facility - September 2011
- \$6.5m Facility - Working Capital At Call

- Gearing increased in FY2009 as a result of the devaluation of development and investment assets
- A key focus is on debt reduction to lower gearing to more acceptable levels
- Debt will be reduced from proceeds of sale of development assets and selective sale of investment assets
- The Group complied with its banking covenants as at 30 June 2009 as follows:

	Limit	Actual 2009	Actual 2008
Loan to Valuation (LVR)	65%	63.3% *	58.7%
Interest Coverage Rates - Trusts	1.5x's	1.78x's	1.79x's
- Group	1.3x's	1.83x's	N/A

\* If surplus cash of \$8.1m was applied to reduce debt, the adjusted LVR would have been 59.7%

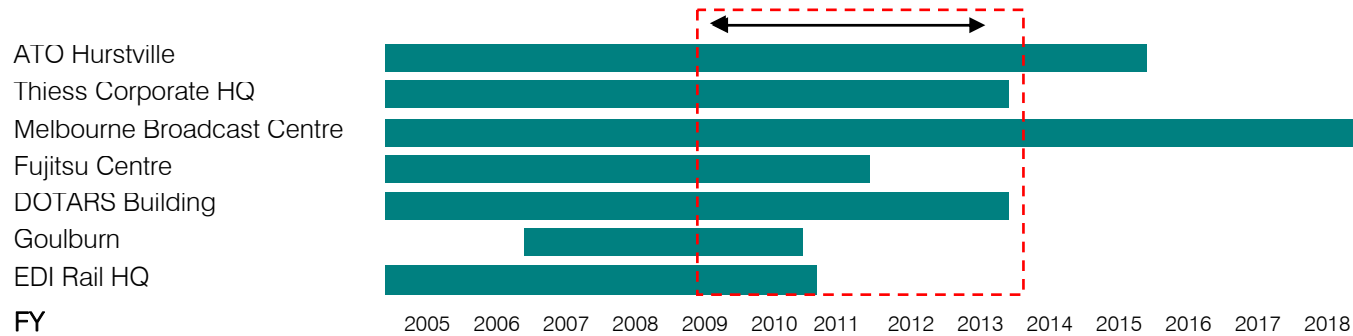
- Hedging was previously taken out during a rising interest rate environment

# Results Highlights

## Investment Property Portfolio – Overview



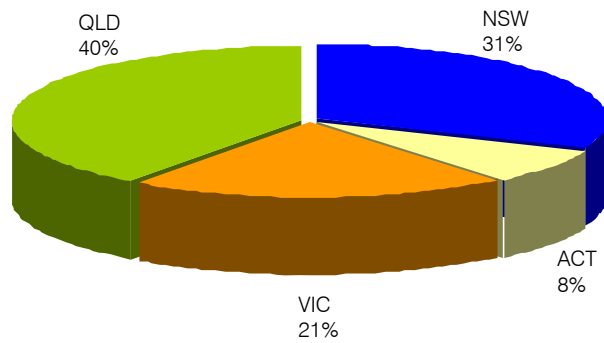
**Average Lease Duration weighted by Income 4.9 years**



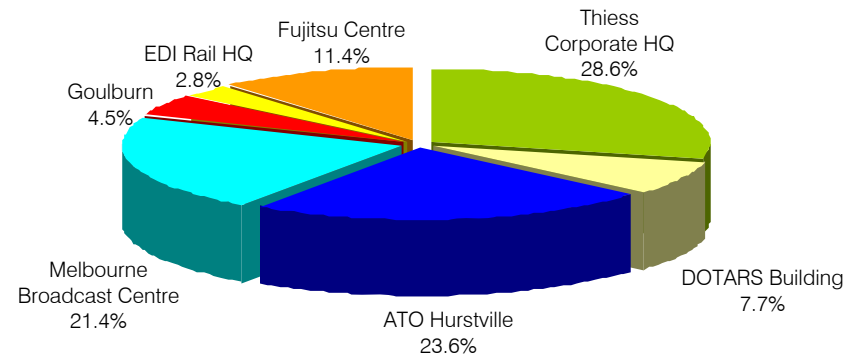
Note: Lease renewal negotiations to extend FY10 & 11 lease expiries are being actively pursued

Note: Whilst Goulburn is currently vacant, it has a Rental Guarantee in place until 30 June 2010

**State by Value**



**Building by Value**



# Investment Property Portfolio



## Valuation

Property	Location	Asset Type	Major Tenant	Initial Lease Duration	Lease Start Date	Valuation Base Capitalisation Rate	Directors' Valuation \$m <sup>(2)</sup>	Portfolio %
Thiess Corporate HQ	QLD	A-grade Office	A subsidiary of Leighton Holdings	10 years	Jun-03	8.25%	\$65.00	28.6%
Fujitsu Centre	QLD	A-grade Office	Fujitsu	6 years	May-04	9.00%	\$26.00	11.4%
ATO Hurstville <sup>(1)</sup>	NSW	A-grade Office	Commonwealth Government	10 years	Feb-05	8.75%	\$53.50	23.6%
Goulburn	NSW	B-grade Industrial	Vendor Rental Guarantee	3 years	Jul-07	10.50%	\$10.25	4.5%
EDI Rail HQ	NSW	A-grade Industrial	EDI Limited	10 years	Sep-00	9.50%	\$6.30	2.8%
DOTARS Building	ACT	B-grade Office	Department of Infrastructure	7 years	Jul-10	8.75%	\$17.40	7.7%
Melbourne Broadcast Centre	VIC	A-grade Office	Seven Network	15 years	Jun-03	7.50%	\$48.50	21.4%
<b>Totals</b>						<b>(Weighted Yield) 8.47%</b>	<b>\$226.95</b>	<b>100%</b>

- Investment property values have been adversely affected as a result of the significant shift in property yields (refer page 7). The weighted core yield has increased from 7.29% in FY2008 to 8.47% in FY2009, resulting in a \$34.3 million devaluation in investment assets in FY2009.
- The focus for investment properties is to renew expiring tenant leases. In this regard lease terms have been agreed with the Department of Infrastructure for a new 7 year lease over levels 3, 4 & 5 of the DOTARS building, commencing in July 2010 (the tenant has the option to hand back level 3 in 2013 or 2015). Lease terms have also been agreed for a new 6 year lease with Aerocare for the Fujitsu Centre.

### Notes:

- 1) ATO Hurstville – included in June 2009 Financial Report as “Asset Held for Resale”
- 2) Directors' Valuations are supported by independent valuations dated June 2009

# Results Highlights

## Development Portfolio - Overview



Direct Development Projects	% Interest	Type	Book Value \$m
Tallwoods	100%	Residential	\$15.8
Rhodes Shoreline	50%	Residential	\$17.5
Frances Park	50%	Residential	\$6.4
Bonnyrigg	50%	Residential	\$3.0
<b>Total Funds Invested in Direct Developments</b>			<b>\$42.7</b>

### Indirect Development Projects

Pendle Hill	Profit Participation	Industrial	\$4.5
Beverley	Profit Participation	Industrial	\$2.0
Nudgee	Profit Participation	Industrial	\$2.5
Redmyre Road	Profit Participation	Commercial	\$0.7
<b>Total Funds Invested in Indirect Development Projects</b>			<b>\$9.7</b>

Refer to the Appendix for detailed comments on each development project.

# Key Strategic Objectives

- Complete the disposal of the Group's development assets by 30 June 2010.
- Further reduce overheads
- Finalise negotiations to extend existing leases and/or replace departing tenants by 30 June 2010
- Opportunistically sell income producing assets until interest bearing debt is below \$90 million, in line with interest rate hedge levels in FY2010
- Reduce gearing to approximately 39%

# Board Changes

- Due to pressure of other commitments, Brendan Crotty will step down as Chairman to be replaced by Garry Sladden, effective from 31 August 2009
- Brendan Crotty will continue as a director until the AGM when up to 2 replacement directors may be appointed
- As the management team is very small, the Chairman is likely to play a greater role in pursuing certain key disposal objectives during the next 12 months and help restore security holder value

# Appendix

# Investment Portfolio



## Thies Corporate Headquarters, Brisbane QLD

- TGP owns 100% of Thies Corporate Headquarters
- The property is an A-grade suburban office building comprising 10 levels and located in Grey Street approximately 1.4km south of the Brisbane CBD
- The building is fully leased to Thies Pty Limited, a subsidiary of Leighton Holdings Limited, until June 2013 (with 3 x 5 year options)
- The property represents 28.6% of investment portfolio by value

	FY2009	FY2008	FY2007
Valuation \$m	65.0	75.0	57.5
Core Cap Rate	8.25%	7.0%	6.75%



## Fujitsu Centre, Brisbane QLD

- TGP owns 100% of the Fujitsu building
- The property is a modern A-grade suburban building located on Breakfast Creek Road at the gateway to Brisbane's CBD, an area undergoing significant development
- The building is primarily leased to Fujitsu Australia Limited (50.6%) until May 2010 (with a 2 year option) and the balance to a range of commercial tenants
- The property represents 11.4% of investment portfolio by value
- 88% leased investment property as at 30 June 2009

	FY2009	FY2008	FY2007
Valuation \$m	26.0	31.0	23.25
Core Cap Rate	9.0%	7.91%	7.12%



# Investment Portfolio



## Distribution Centre, Goulburn, NSW

- TGP owns 100% of this major distribution facility located at 158 Hume Street, Goulburn
- The property is a freehold 5.6 hectare site in the regional centre of Goulburn with a 19,475sqm logistics distribution warehouse facility building completed in 1986
- Originally purpose built as a distribution centre for Linfox to service Coles Supermarkets
- Rental guarantee from vendor to 30 June 2010 at 8.25% return
- The property represents 4.5% of investment portfolio by value
- Vacant from January 2008

	FY2009	FY2008	FY2007
Valuation \$m	10.25	13.25	13.5
Core Cap Rate	10.5%	9.0%	9.0%



## EDI Rail Headquarters, Granville NSW

- TGP owns 100% of the EDI Rail Regional Headquarters
- The property is an A-grade industrial building located in Granville, approximately 22 km from the Sydney CBD
- The building is fully leased to EDI Rail, a subsidiary of Downer EDI until 2010 (with 2 x 3 year options)
- The property represents 2.8% of investment portfolio by value

	FY2009	FY2008	FY2007
Valuation \$m	6.30	7.50	7.60
Core Cap Rate	9.5%	8.0%	8.0%

# Investment Portfolio

## Melbourne Broadcast Centre, Melbourne VIC



- TGP owns 100% of the Seven Broadcast Centre in Docklands, Melbourne
- The property is an A-grade office building located approximately 1km from the Melbourne CBD and adjoins Telstra Dome
- The building is fully leased to Seven Network (Operations) Limited, a wholly owned subsidiary of Seven Network Limited, until June 2018 (with 4 x 5 year options)
- The property represents 21.4% of the investment portfolio by value

	FY2009	FY2008	FY2007
Valuation \$m	48.50	52.20	51.20
Core Cap Rate	7.5%	6.75%	7.0%

## ATO Regional Office, Hurstville NSW



- TGP owns 100% of the ATO's regional office at Hurstville
- 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 is fully leased to the ATO until February 2015 (with 2 x 5 year options)
- The property represents 23.6% of the investment portfolio by value
- Property is currently held for sale

	FY2009	FY2008	FY2007
Valuation \$m	53.5	64.5	68.5
Core Cap Rate	8.75%	7.0%	7.0%

# Investment Portfolio



## DOTARS House, Canberra ACT

- TGP owns 100% of the Public Trustee Building
- The property is a B-grade office building located in the heart of Canberra's CBD
- Two Government agencies (Legal Aid Commission and DOTARS) lease approximately 98% of the building. DOTARS have extended their lease of 3 floors until 2017. Legal Aid lease renewal currently under negotiation.
- The property represents 7.7% of investment portfolio by value

	FY2009	FY2008	FY2007
Valuation \$m	17.4	18.2	16.6
Core Cap Rate	8.75%	8.5%	8.5%

# Investment Portfolio – Equity Investment



## Qantas Global Headquarters, Mascot NSW

- TGP owns 6.813% interest in the four properties comprising Qantas' global headquarters
- The properties are A-grade suburban office buildings, located near Charles Kingsford Smith Airport in Mascot, Sydney
- The buildings are leased to Qantas until December 2010. Lease renewal currently under negotiation. TGP is also the manager of the economic structure that owns the assets
- TGP's carrying value is \$2.3m

# Development Portfolio



## Tallwoods Estate, Mid North Coast NSW

- Residential master planned estate
- TGP hold 100% interest (in the undeveloped part of the estate)
- Situated on the Mid North Coast of NSW, 3 hours north of Sydney
- Purchased July 2005
- Development use – residential
- Site area of 237 ha (entire estate)
- Subdivision lots – 444 – 326 undeveloped, 65 developed lots, 2 medium density sites (53 dwellings)
- Operating costs have been significantly reduced in recognition of the need to effectively “mothball” land sales until the market recovers.



## Frances Park, Darwin NT

- Residential development comprising individual apartments and townhouses and single dwelling lots
- TGP holds 50% interest (Cbus holds remaining 50%)
- Situated at Dinah Beach Road, Darwin
- Purchased December 1999 and July 2005
- Development use – residential
- Site area of 8.52 ha
- Land subdivision, 93 residential lots – works completed December 2008 with 65% settled or due for settlement

# Development Portfolio



## Shoreline Waterfront Village, Rhodes NSW

- Residential development comprising apartments and townhouses
- TGP holds 50% interest (Brookfield Multiplex holds remaining 50%)
- Situated on Rhodes Peninsula, Homebush Bay, NSW
- Development use – residential
- Dwellings – 284 (TGP share)
- Settled sale of 1 super lot
- Further super lot sold, due to settle by October 2009
- Additional 2 super lots pre-sold are due to settle upon completion of remediation in second quarter calendar 2010



## Park View Estate, Bonnyrigg, NSW

- Residential infill land subdivision
- TGP holds 50% interest
- Situated in an established western suburb of Sydney
- Development – 42 land lots
- As at 21 August, 100% settled or under contract

# Development Portfolio



## Ashtan Place, Nudgee, QLD

- Industrial units
- TGP provides mezzanine funding and has a development profit share agreement
- Situated at Ashtan Place, Nudgee, Queensland
- Transacted December 2007
- Site area of 11.8ha
- 28 industrial lots
- As at 21 August 31% by area is settled or under contract



## Main Street, Beverley, SA

- Industrial estate
- TGP provides mezzanine funding and has a development profit share agreement
- Situated at Main Street, Beverley, Adelaide
- Transacted December 2007
- Site area of 3.39ha
- Proposed 21 industrial lots

# Development Portfolio



## Bungaree Road, Pendle Hill, NSW

- Industrial land subdivision
- TGP provides mezzanine funding and has a development profit share agreement
- Situated at Bungaree Road, Pendle Hill, Sydney
- Transacted December 2007
- Site area: 4.2ha
- 30 industrial lots
- As at 21 August, 59% by area is settled or under contract

# Indirect Development Portfolio



## Thomas St, Chatswood NSW

- 7 level refurbishment of commercial office building comprising 2,742sqm
- TGP hold 50% interest (private investors hold remaining 50%)
- Situated at Chatswood, NSW
- Purchased September 2001
- Development use – offices
- Site area of 771sqm
- The project was closed out, achieving a 22% pre tax IRR for investors



## Redmyre Road, Strathfield NSW

- 6 level commercial strata office development comprising 4,152sqm
- TGP hold 15% (balance held by TOF5 investors)
- Situated at 9-13 Redmyre Road, Strathfield, NSW
- Purchased May 2006
- Development use – strata offices
- Site area of 1,492sqm
- As at 21 August 2009, 63% settled or under contract



# Indirect Development Portfolio



## Southbank Towers, (Elm), South Melbourne VIC

- Existing commercial/warehouse building to be developed into residential home units
- Situated at South Melbourne
- Development use – residential/retail
- Site area of 1,886sqm
- Dwellings – 286 apartments
- Sold development rights to Fridcorp
- The project was sold in FY2008 and the mezzanine loan TGP provided was “sold” in June 2009, generating \$13m in cash flow.

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