

8 March 2006

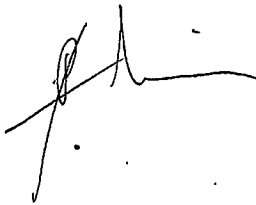
The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005
TRAFALGAR CORPORATE GROUP (TGP)**

Attached please find the above for release to the market.

Yours sincerely



Peter J Norris
Company Secretary

Name of Entity:

TRAFALGAR CORPORATE GROUP (TGP) COMPRISING:

- TRAFALGAR CORPORATE GROUP LIMITED (ACN 113 569 136) (TCGL)
- TRAFALGAR OPPORTUNITY FUND NO. 4 (TOF 4)
- TRAFALGAR PLATINUM FUND NO.12 (TPF 12)

Note

TGP was established as a result of approval of the merger of TCGL, TOF4 and TPF12 at separate meetings of these entities on 19 July 2005. The stapled securities issued under the initial public offering commenced trading on the Australian Stock Exchange on Tuesday 26 July 2005.

As such, as at 31 December 2004 TGP had not been formed. Therefore the results for the period to 31 December 2004 are only the activities of Trafalgar Corporate Limited and its controlled entities.

Refer Statement of Significant Accounting Policies – Principles of Consolidation for details

THE READER SHOULD THEREFORE EXERCISE CAUTION BEFORE FORMING ANY VIEWS ON THIS FINANCIAL INFORMATION

Details of the reporting period

Current Period: 1 July 2005 to 31 December 2005

Previous Corresponding period: 1 July 2004 to 31 December 2004

Results for announcement to the market
Highlights

	31 Dec 2005	31 Dec 2004	Change	%
Revenue from ordinary activities (\$000)	14,108	1,239	up	1038.66
Profit after tax from ordinary activities(\$000)	14,999	(977)	up	1635.21
Profit after tax per security (cents)	22.34	(97,700)	up	100.02
Dividends/Distributions per security (cents)	12.5	35,000.0	down	99.96
Franked/tax deferred amount per security (cents)	To be determined	35,000.0		
Record date for determining entitlements to dividend/distribution	30 Dec 2005	3 Dec 2004		
Distribution payment date	15 Mar 2006	10 Dec2004		
Number of securities on issue	67,132,756	1,000	up	
Number of Security holders	2,696	5	up	
Net tangible assets per security \$	2.64	3,610.91	down	
Details of entities over which control has been gained or lost	Refer to note 9 of the attached Consolidated Interim Financial Report			
Details of Dividend Reinvestment Plan	Not Operating	N/A		

Interests in Joint Ventures

	Activity	Ownership Interest		Share of Profits	
		31 Dec 2005 %	31 Dec 2004 %	31 Dec 2005 \$000	31 Dec 2004 \$000
The Frances Park Partnership	Residential Development	50.0	25.0	511	0
Renewing Homebush Bay Joint venture	Residential Development	50.0	50.0	0	0
Sydney Airport Centre Joint Venture	Property Investment	6.813	6.813	127	87
Thomas St (Chatswood) Pty Limited	Commercial Development	50.0	50.0	592	0
Centenary Square Trust	Property Investment	50.0	NIL	15	0
TOTAL				1,245	87

Trafalgar Corporate Group Limited

Consolidated Interim Financial Report
31 December 2005

Trafalgar Corporate Group Limited and its Controlled Entities
Interim Consolidated Financial Report for the six months
ended 31 December 2005

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Trafalgar Corporate Group Limited and its Controlled Entities

Directors' report

The directors present their report together with the consolidated Interim Financial Report of Trafalgar Corporate Group Limited and its controlled entities for the half year ended 31 December 2005 and the review report thereon. The consolidated Interim Financial Report of Trafalgar Corporate Group comprises the consolidated Financial Reports of Trafalgar Corporate Group Limited (deemed parent entity), Trafalgar Opportunity Fund No 4 and Trafalgar Platinum Fund No 12.

Directors

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

Name	Period of directorship
Trafalgar Corporate Group Limited (being a continuation of Trafalgar Corporate Limited)	

Non-executive

R J Grellman (Chairman)	Appointed 20 August 2002, Appointed Chairman 31 December 2005
G D Dunstan	Appointed 30 October 1997, Resigned 31 December 2005 (previous Chairman)
C M Brenner	Appointed 7 August 2003
M H Ford	Appointed 7 March 2005

Executive

M A Davidson	Appointed 30 October 1997
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Formation of Trafalgar Corporate Group

On 19 July 2005 the unitholders of Trafalgar Opportunity Fund No 4 (TOF 4) and Trafalgar Platinum Fund No 12 (TPF 12) approved the merger of TOF 4, TPF 12 and Trafalgar Corporate Group Limited (the "Company"). Under the merger arrangements a TOF 4 unit, a TPF 12 unit and a Company share were stapled so that the share and the units comprise one security, which is traded on the ASX.

Upon Stapling, the unitholders of TOF 4 received 0.410 stapled securities for each unit they held in TOF 4 (7,431,986 fully paid stapled securities) and the unitholders of TPF 12 received 0.394 stapled securities for each unit they held in TPF12 (22,031,387 fully paid stapled securities). The existing shareholders of Trafalgar Corporate Limited (TCL) received 2,519,157 partly paid stapled securities, 2,583,903 fully paid stapled securities and an associated entity of one of the existing shareholders received 2,200,000 fully paid stapled securities. The remaining 32,988,785 stapled securities were offered to new security holders upon listing on the Australian Stock Exchange.

Investors in Trafalgar Corporate Group are entitled to distributions from TOF 4 and TPF 12 and dividends from the Company.

Trafalgar Corporate Group Limited and its Controlled Entities

Directors' report (continued)

Review of operations

The Interim Financial Report for the half year ended 31 December 2005 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS").

The performance of Trafalgar Corporate Group, as represented by the results of operations for the period, was as follows:

	Consolidated	
	31 Dec 05	31 Dec 04
Revenue and other income (\$'000)	32,447	1,239
Profit attributable to Securityholders of Trafalgar Corporate Group (\$'000)	14,999	(977)
Basic earnings per Company share (¢)	(10.5)	(97,700)
Basic earnings per stapled security (¢)	24.9	-
Dividends and distributions provided for or paid by Trafalgar Corporate Group (\$'000)	8,392	350
Weighted average number of stapled securities in issue ('000)	60,201	100
	31 Dec 05	30 Jun 05
Net assets (\$'000)	179,691	2,866
Number of fully paid stapled securities on issue ('000)	67,133	1
Number of partly paid stapled securities on issue ('000)	2,519	-
Net tangible assets per fully paid stapled security (\$)	2.64	3,610.91

Dividends and Distributions

The Company did not declare any dividends during the six months ended 31 December 2005 or up to the date of this report (TCL for the half year ended 31 December 2004:- \$350,000).

Distributions declared by TOF 4 and TPF 12, directly to Securityholders during the period were as follows:

	Distribution cpu	Total amount \$'000	Date of payment
Distributions for the half year ended 31 December 2005			
TOF 4	1.0	678	15 March 2005
TPF 12	11.5	7,714	15 March 2005

Trafalgar Corporate Group Limited and its Controlled Entities

Directors' report (continued)

Review of operations (continued)

State of Affairs

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

a) Investment Portfolio Revaluation

Updated valuations of the investment portfolio were undertaken in February 2006 for the purposes of the 31 December, 2005 accounts. In accordance with the requirements of AIFRS a net gain of \$18.2 million from the book value of investment properties was recognised in the Income Statement for the period.

b) Tallwoods Residential Estate

The Tallwoods project sales rate has performed below forecast and in light of current market conditions for the residential market a revaluation of the value of the undeveloped land held for resale was undertaken. As a result of the revaluation the value of the property was written down by \$8.07 million.

c) Centenary Square Acquisition

Trafalgar Corporate Group acquired a 50% interest in a trust established in joint venture with Laing O'Rourke Australia Pty Limited to acquire the Centenary Square commercial office development in Brisbane for \$50.5 million. The joint venture plans to develop a new office building to adjoin the existing commercial tower on the site. The completed value of the development, including the existing building is expected to be in excess of \$100 million

d) Acquisition of 9-13 Redmyre Road, Strathfield

During the period the Trafalgar Opportunity Fund No 5 Pty Limited (TOF 5) investment vehicle managed by Trafalgar Managed Investments Limited made its first acquisition as a result of the purchase of the Redmyre Road, Strathfield commercial office building for \$16 million. TOF 5 intends refurbishing the building and selling commercial strata suites. Trafalgar Corporate Group holds a 15% interest in this project.

Strategy and Outlook

The outlook for the investment portfolio remains positive, particularly in the Brisbane market where the Consolidated Entity has significant investments.

The residential market in New South Wales is expected to remain soft for the immediate future and accordingly we will be focused on improving the sales rate performance of the Tallwoods project through marketing and product diversification initiatives.

We will continue to diversify our development activities and reduce the exposure of Trafalgar Corporate Group to the performance of the Tallwoods project.

The short term focus will be on completion of the Centenary Square development and the refurbishment and sale of the Redmyre Road, Strathfield project.

Further information as to other likely developments in the operations of Trafalgar Corporate Group and the expected results of these operations in future periods have not been included in the Financial Report because disclosure of the information would be likely to result in unreasonable prejudice of Trafalgar Corporate Group.

Trafalgar Corporate Group Limited and its Controlled Entities

Directors' report (continued)

Review of operations (continued)

Events Subsequent to Reporting Date

Subsequent to 31 December 2005 Trafalgar Corporate Group and its joint venture partner Multiplex Group Limited, entered into an agreement to sell two development stages of its Peninsula Keys project at Homebush Bay, Sydney, NSW for total consideration of \$33.9 million. The sale is conditional on the completion of the successful remediation works at the site being undertaken by Thiess Environmental Services, which are scheduled to be completed by October 2008.

In the opinion of the Directors, other than the matter discussed above, there has not arisen in the interval between the end of the period and the date of the Directors Report, any item, transaction or event of a material and unusual nature which has significantly affected the operations of Trafalgar Corporate Group, the results of those operations, or the state of affairs of Trafalgar Corporate Group, in the period subsequent to 31 December 2005.

External Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2005.

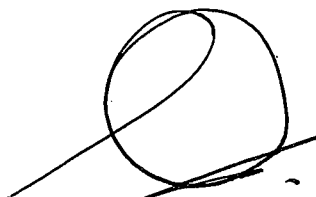
Rounding off

The Company is of a kind of entity referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



R J Grellman
Chairman



M A Davidson
Managing Director

Dated at Sydney this 7th day of March 2006



Trafalgar Corporate Group Limited and its Controlled Entities

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Trafalgar Corporate Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

7 March 2006

Trafalgar Corporate Group Limited and its Controlled Entities

Income Statement

For the half-year ended 31 December 2005

	Note	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Revenue and other income			
Property development sales		1,474	-
Rent from investment properties		9,512	-
Arrangement fee income		1,320	-
Management fee income		312	733
Interest income		282	121
Other revenue		1,208	385
Unrealised gain on financial instruments		103	-
Net gain from fair value adjustment of investment properties		<u>18,236</u>	<u>-</u>
Total revenue and other income		<u>32,447</u>	<u>1,239</u>
 Cost of property developments sold		1,287	-
Rates, taxes, and other property outgoings		1,179	-
Consultant and professional fees		531	584
Management, administration expenses		3,249	1,355
Depreciation		40	37
Impairment of inventory	6	8,073	-
Unrealised loss on financial instruments		273	-
Other expenses		<u>793</u>	<u>283</u>
Total expenses		<u>15,425</u>	<u>2,259</u>
 Profit before financing costs		17,022	(1,020)
 Finance expenses		6,215	479
Share of profits of investments accounted for using the equity method		<u>1,245</u>	<u>87</u>
Profit/(Loss) before income tax expense		12,052	(1,412)
 Income tax benefit		<u>(2,947)</u>	<u>(435)</u>
Profit/(Loss) for the interim period		<u>14,999</u>	<u>(977)</u>
 Attributable to:			
Equity holders of the parent		(6,308)	(977)
Minority interest		<u>21,307</u>	<u>-</u>
Profit/(Loss) for the period		<u>14,999</u>	<u>(977)</u>
 Basic earnings per Company share	3	(10.5)¢	(97,700)¢
Diluted earnings per Company share	3	(8.2)¢	-

Refer to note 3 for basic and diluted earnings per stapled security.

The Income Statement is to be read in conjunction with the notes to and forming part of the Interim Financial Report.

Trafalgar Corporate Group Limited and its Controlled Entities

Statement of Changes in Equity

For the half-year ended 31 December 2005

	Trafalgar Corporate Group Limited			Minority Interest – TOF 4 & TPF 12			Trafalgar Corporate Limited
Notes	Issued Capital \$'000	Retained Earnings \$'000	Total Equity \$'000	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Minority Interest \$'000
Balance at 1 July 2005	100	2,766	2,866	-	-	-	-
Total income and expenses for the period	-	(6,308)	(6,308)	-	21,307	-	-
Total recognised income and expenses for the half year	-	(6,308)	(6,308)	-	21,307	-	-
Transactions with equityholders in their capacity as equityholders	(7,492)	-	(7,492)	-	-	-	50
Reverse acquisition of Trafalgar Corporate Limited	2,154	-	2,154	-	-	-	2,856
Conversion of convertible notes held in - Trafalgar Corporate Limited	-	-	-	65,318	382	589	-
Acquisition of TOF 4 and TPF 12	7,349	-	7,349	105,661	-	-	-
Equity raised at Initial Public Offer	(535)	-	(535)	(6,535)	-	-	-
Initial Public Offer costs	-	-	-	13,849	(13,260)	(589)	-
Transfer to/from reserves	-	-	-	-	(8,392)	-	-
Distributions to unitholders	-	-	-	-	-	-	-
Cash flow hedges – effective change in fair value	-	-	-	-	-	421	-
Balance at 31 December 2005	1,576	(3,542)	(1,966)	178,293	37	421	2,906

Trafalgar Corporate Group Limited and its Controlled Entities

Statement of Changes in Equity

For the half-year ended 31 December 2005 (continued)

	Trafalgar Corporate Limited			
	Notes	Issued Capital '\$000	Retained Earnings \$'000	Total Equity '\$000
Balance at 1 July 2004		100	4,674	4,774
Total income and expenses for the period		-	(977)	(977)
Total recognised income and expenses for the half year		-	(977)	(977)
Transactions with equityholders in their capacity as equityholders				
Dividends to shareholders		-	(350)	(350)
Balance at 31 December 2004		100	3,347	3,447

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Interim Financial Report.

Trafalgar Corporate Group Limited and its Controlled Entities

Balance Sheet

As at 31 December 2005

	Note	31 Dec 2005 \$'000	30 June 2005 \$'000
Current assets			
Cash and cash equivalents		8,633	3,460
Trade and other receivables		3,023	123
Other current assets		<u>2,277</u>	<u>3,938</u>
Total current assets		<u>13,933</u>	<u>7,521</u>
Non-current assets			
Inventories	6	51,531	2,637
Investments		333	4,440
Investment properties	5	214,791	-
Other financial assets		494	-
Property, plant and equipment		273	196
Deferred tax assets		3,859	875
Investments accounted for using the equity method		21,845	6,766
Goodwill		2,715	-
Due from related entities		-	156
Other non-current assets		<u>17,385</u>	<u>5,754</u>
Total non-current assets		<u>313,226</u>	<u>20,824</u>
Total assets		<u>327,159</u>	<u>28,345</u>
Current liabilities			
Trade and other payables		3,555	8,137
Vendor finance		9,053	-
Income tax payable		10	-
Provisions		8,475	62
Other current liabilities		<u>1,839</u>	<u>2,180</u>
Total current liabilities		<u>22,932</u>	<u>10,379</u>
Non-current liabilities			
Interest-bearing loans and borrowings	7	103,329	9,955
Vendor finance		20,823	-
Due to related entities		-	5,085
Provisions		85	60
Other financial liabilities		242	-
Other non-current liabilities		<u>57</u>	<u>-</u>
Total non-current liabilities		<u>124,536</u>	<u>15,100</u>
Total liabilities		<u>147,468</u>	<u>25,479</u>
Net assets		<u>179,691</u>	<u>2,866</u>

The Balance Sheet is to be read in conjunction with the notes to and forming part of the Interim Financial Report.

Trafalgar Corporate Group Limited and its Controlled Entities

Balance Sheet

As at 31 December 2005 (continued)

	Note	31 Dec 2005 \$'000	30 June 2005 \$'000
Equity attributable to Shareholders of the Company			
Issued capital	8	1,576	100
Retained earnings		<u>(3,542)</u>	<u>2,766</u>
Total equity attributable to Shareholders of the Company		<u>(1,966)</u>	<u>2,866</u>
Minority interests - equity attributable to Unitholders of TOF 4 and TPF 12			
Issued capital		178,293	-
Reserves		421	-
Retained earnings		<u>37</u>	<u>-</u>
Total equity attributable to Unitholders of TOF 4 and TPF 12		<u>178,751</u>	<u>-</u>
Minority interests - TCL		<u>2,906</u>	<u>-</u>
Total equity		<u>179,691</u>	<u>2,866</u>

The Balance Sheet is to be read in conjunction with the notes to and forming part of the Interim Financial Report.

Trafalgar Corporate Group Limited and its Controlled Entities

Statement of Cash Flows

For the half-year ended 31 December 2005

	Note	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Cash flows from operating activities			
Cash receipts from customers		12,952	1,236
Cash paid to suppliers and employees		(7,177)	(2,959)
Dividends and distributions received		-	13
Income tax received		26	-
Interest received		226	124
Interest paid		(3,435)	(672)
Net cash provided by/(used in) operating activities		<u>2,592</u>	<u>(2,258)</u>
Cash flows from investing activities			
Payments for development inventory		(35,017)	-
Payments for investment properties		(7,735)	-
Payments for plant and equipment		(134)	(24)
Payments for equity accounted investments		(7,083)	-
Payments for investments		-	(740)
Payments for subsidiaries – net of cash acquired		(1,978)	-
Repayment of investment		<u>-</u>	<u>757</u>
Net cash used in investing activities		<u>(51,947)</u>	<u>(7)</u>
Cash flows from financing activities			
Proceeds from issue of securities		113,009	-
Transaction costs associated with equity raising		(9,785)	-
Proceeds from borrowings		29,616	700
Repayment of borrowings		(43,123)	(700)
Redemption preferred equity units		(33,884)	-
Distributions/dividends paid		<u>(1,305)</u>	<u>-</u>
Net cash provided by financing activities		<u>54,528</u>	<u>(350)</u>
Net decrease in cash and cash equivalents held		5,173	(2,616)
Cash and cash equivalents at the beginning of the half-year		<u>3,460</u>	<u>6,373</u>
Cash and cash equivalents at the end of the half-year		<u>8,633</u>	<u>3,757</u>

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Interim Financial Report.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

1 Statement of significant accounting policies

Trafalgar Corporate Group Limited ("the Company") is a company domiciled in Australia. The consolidated Interim Financial Report of the company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as 'Trafalgar Corporate Group') and Trafalgar Corporate Group's interest in associates and jointly controlled entities.

As detailed in Note 1(c) the Company's acquisition on 20 July 2005 of Trafalgar Corporate Limited and its controlled entities represented a reverse acquisition. Consequently Trafalgar Corporate Group represents the continuation of Trafalgar Corporate Limited ("TCL") and its controlled entities, which includes the Company.

The consolidated results of Trafalgar Corporate Group for the half year ended 31 December 2005 comprise the performance of the Company (being a continuation of the financial statements of TCL) from 1 July 2005 and the consolidation of Trafalgar Platinum Fund No 12 ("TPF 12") and Trafalgar Opportunity Fund No 4 ("TOF 4") and their subsidiaries from the date of effective control, being 20 July 2005. The comparative information represents TCL and its' controlled entities.

The consolidated interim financial report was authorised for issue by the directors on 7 March 2006.

The significant policies which have been adopted in the preparation of this consolidated Interim Financial Report are:

(a) Statement of compliance

The Consolidated Interim Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

This is Trafalgar Corporate Groups' first consolidated interim financial report prepared in accordance with AIFRS. AASB 1 *"First time adoption of Australian equivalents to International Financial Reporting Standards"* has been applied in preparing this report.

The consolidated interim financial report does not include all of the information required for a full annual financial report. This report must be read in conjunction with any public announcement made by Trafalgar Corporate Group during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and the Product Disclosure Statement and Prospectus dated 17 June 2005.

The effects of transition from previous Australian GAAP to AIFRS on the reported financial position, financial performance and cash flows of Trafalgar Corporate Group are set out in Note 12.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(b) Basis of preparation

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment properties.

The Company is an entity of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

This financial report has been prepared in accordance with Interpretation 1002 "Post-Date of Transition Stapling Arrangements" whereby there has been a business combination of the Company, TOF 4 and TPF 12 and their controlled entities.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which for the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This consolidated interim financial report has been prepared on the basis of AIFRS in issue that are effective, or available for early adoption at Trafalgar Corporate Group's first AIFRS annual reporting date, being 30 June 2006. Based on these AIFRSs the Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 30 June 2006.

With the exception of financial instruments, the comparative figures in the financial report have been restated to reflect the adjustments required under transition to AIFRS. Trafalgar Corporate Group however has adopted the exemption available under AASB 1 to apply AASB 132 "*Financial Instruments: Disclosure and Presentation*" and AASB 139 "*Financial Instruments: Recognition and Measurement*" from 1 July 2005.

The accounting policies set out below have been applied consistently to all periods presented in this consolidated interim financial report. They have also been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS, as required by AASB 1. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been applied consistently throughout Trafalgar Corporate Group for purposes of this consolidated interim financial report.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(c) Basis of consolidation

Reverse acquisition of the company

Effective 20 July 2005, the Company acquired 49.9% of TCL and its controlled entities from the existing shareholders for cash consideration of \$7.5million, which was funded from the proceeds of the Initial Public Offer. On the basis that the Company has a 100% economic interest in TCL, then 100% of TCL has been consolidated into Trafalgar Corporate Group. The Company exercises control over TCL, given that it is entitled to all rights to distributions of profit from TCL and has full control over the management and voting of TCL. When a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities is to be identified as the acquirer on the basis of pertinent facts and circumstances regarding control.

In this instance although the Company is the legal parent of TCL, TCL is the deemed acquirer. This is referred to as "reverse acquisition accounting". The fair value of net assets of the Company on acquisition was \$5.

Stapled group

Trafalgar Corporate Group, which is domiciled in Australia, was established for the purpose of facilitating a joint Australian Stock Exchange ("ASX") listing of the Company and its controlled entities, being a continuation of the financial statements of TCL, TOF 4 and TPF 12. The Constitutions of TOF 4 and TPF 12 and the Articles of Association of the Company ensure that, for so long as these entities remain jointly listed, the number of units in TOF 4 and TPF 12 and the number of shares in the Company shall be equal and that unitholders and shareholders be identical. Both the Responsible Entity of TOF 4 and TPF 12 and TCL must at all times act in the best interest of Trafalgar Corporate Group.

The stapling arrangement will cease upon the earliest of either the winding up of either TOF 4 and TPF 12 or TCL or any of the entities terminating the stapling arrangements.

On 20 July 2005, Trafalgar Corporate Group was formed by stapling together the shares of the Company and the units of TOF 4 and TPF 12. For the purpose of statutory reporting, the stapled entity reflects the consolidated entity being the Company (the deemed acquirer of TOF 4 and TPF 12 and the parent of the stapled entity) and its controlled entities being TOF 4 and its controlled entities and TPF 12 and its controlled entities. The net assets and profit or loss of TOF 4 and TPF 12 are disclosed as Minority Interest as the equity is 100% owned by stapled security holders not directly owned by the Company.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Stapled group (continued)

The purchase method of accounting is used to account for the acquisition of controlled entities (refer Note 9). The purchase method views a business combination from the perspective of the combining entity that is identified as the acquirer. The acquirer purchases net assets and recognises the assets acquired and liabilities and contingent liabilities assumed, including those previously recognised by the acquiree. As the stapling arrangement does not involve one of the combining entities obtaining an ownership interest in another combining entity no goodwill or excess of acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost is recognised in relation to the stapling arrangement. Goodwill is only recognised to the extent it represents costs incurred in relation to formation of the stapling arrangement.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing this consolidated financial report.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when an entity has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

(d) Investments

(i) *Joint ventures*

A joint venture is either an entity or operation over whose activities Trafalgar Corporate Group has joint control, established by contractual agreement.

Jointly controlled entities

In the consolidated interim financial report, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

Trafalgar Corporate Group's share of the joint venture entity's net profit or loss is recognised in the consolidated interim income statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in reserves.

Unrealised gains/(losses) resulting from transactions with joint ventures are eliminated to the extent of the group's interest.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(d) Investments (continued)

(i) Joint ventures (continued)

Jointly controlled operations and assets

The interest of Trafalgar Corporate Group in unincorporated joint ventures are brought to account by recognising its proportionate share of joint venture operations' assets, liabilities and expenses and its' share of income that it earns from the sale of goods or services by the joint venture.

(ii) Associates

Associates are those entities over which Trafalgar Corporate Group has significant influence, but not control, over the financial and operating policies. The consolidated interim financial report includes Trafalgar Corporate Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of Trafalgar Corporate Group's interest in the entity with adjustments made to the 'Investment accounted for using the equity method' and 'Share of profits accounted for using the equity method' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Segment reporting

A segment is a distinguishable component of Trafalgar Corporate Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(f) Revenue recognition

Revenues arising in the ordinary course of activities are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Revenue is recognised for the major business activities as follows:

Rental income

Rental income from investment properties is recognised in the Income Statement on a straight-line basis over the lease term. Rental income not received at balance date, is reflected in the Balance Sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of lease income.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(f) Revenue recognition (continued)

Property development sales

Revenue from residential land sales and property development sales are recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return, or there is continuing management involvement.

Interest income

Interest income is recognised on an accruals basis and if not received at balance date, is reflected in the Balance Sheet as a receivable.

Dividends/distributions

Revenue from dividends/distributions from controlled entities and other investments are recognised in the Income Statement on the date the entity's right to receive payment is established, being the date when they are declared by those entities.

Dividends/distributions received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Fee income

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance date. The share of services provided is assessed by reference to the work performed.

(g) Income tax

Income tax on the Income Statement for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(g) Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Under current Australian income tax legislation, the Trusts are not liable for income tax, provided that taxable income and taxable capital gains are fully distributed to unitholders each year. Accordingly income tax amounts disclosed in this financial report relates only to the companies within Trafalgar Corporate Group.

(h) Derivative financial instruments

Current period policy

Trafalgar Corporate Group is exposed to changes in interest rates from its activities and uses derivative financial instruments to hedge its exposure. In accordance with the treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss on the cash flow hedges is recognised directly in equity.

The fair value of interest rate swaps is the estimated amount that Trafalgar Corporate Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Trafalgar Corporate Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Trafalgar Corporate Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Comparative period policy

Trafalgar Corporate Group is exposed to changes in interest rates and uses derivative financial instruments to hedge these risks. Derivative financial instruments are not held for speculative purposes. The quantitative effect of the change in accounting policy is set out in note 12(d).

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(h) Derivative financial instruments (continued)

Cash flow hedges

Current period policy

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect the Income Statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts in the hedging reserve are recognised in the Income Statement in the periods when the hedged item is recognised in the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in the Income Statement.

Comparative period policy

Derivative financial instruments are not held for speculative purposes and are not recognised in the financial report on inception. The net payments or receipts due under swap agreements are accounted for on an accruals basis and included in borrowings cost expense. The quantitative effect of the change in accounting policy is set out in note 12(d).

(i) Investment properties

Investment properties are properties which are held for the purpose of producing rental income, capital appreciation, or both.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the Income Statement in the period.

Where a property is undergoing redevelopment, it is carried at fair value. Where property does not qualify as investment property but is to be redeveloped into investment property it is treated as property, plant and equipment and carried at cost until completion and then transferred to investment property at fair value. Finance costs incurred on investment properties undergoing redevelopment are included in the cost of the development.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(i) Investment properties (continued)

Lease incentives provided by Trafalgar Corporate Group to lessees, and rental guarantees which may be received from third parties are included in the measurement of fair value of investment properties and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using straight-line basis, or a basis which is representative to the pattern of benefits.

In assessing fair value of investment properties, valuations (whether internal or external/independent) are prepared by considering the aggregate of the net annual rents receivable from the properties and, when relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows then is applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

(j) Impairment of assets

The carrying amounts of Trafalgar Corporate Group's assets, other than investment properties (refer Note 1(i)), inventories (refer note 1(p)), and deferred tax assets (refer note 1(g)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset of its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

(k) Operating lease payments

Payments required under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(l) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment (see accounting policy (j)).

(m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received and are stated at amortised cost. Trade and other payables are stated at cost.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(n) Interest-bearing liabilities

Current period policy

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Comparative period policy

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of Trade and Other Payables.

Preference units which are redeemable at the option of the holder are included in liabilities as they are, in substance, borrowings. Distributions payable on these units are recognised in the Income Statement as interest on an accruals basis.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

(p) Inventory

Inventories comprising residential and commercial developments are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(q) Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted.

(r) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(s) Employee benefits

(i) *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised as current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*

The liability for long service leave expected to settle within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on notional government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) *Bonus entitlements*

A liability is recognised in other payables for employee benefits in the form of employee bonus entitlements which are determined before the time of completion of the financial report. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(t) Trade receivables

Trade and other receivables are stated at their cost less impairment losses (refer accounting policy (j)).

(u) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets is brought up to date in accordance with applicable accounting standards. Upon initial classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the Income Statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

Net gains from disposal of non-current asset sales are recognised in the Income Statement at the date control of the asset passes to the buyer.

(v) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

(w) Depreciation

All assets having limited useful lives are depreciated using the straight line method over their estimated useful lives. Land is not depreciated. Assets are depreciated from the date of acquisition and depreciation rates and methods are reviewed annually for appropriateness.

The depreciation rates of useful lives used for each class of asset are detailed in the table below. These rates are consistent with the prior period.

Plant and equipment:

Equipment	2.5% - 33%
Furniture & fittings	7% - 25%

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

1 Statement of significant accounting policies (continued)

(x) Provisions

A provision is recognised when a present legal, equitable or constructive obligation exists as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends and distributions

A provision for dividends and distributions payable is recognised in the reporting period in which the dividends and distributions are declared, determined, or publicly recommended by the Directors on or before the end of the financial period, but not distributed at balance date.

(y) Issued capital

Issued capital represents the amount of consideration received for stapled securities issued by Trafalgar Corporate Group. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(z) Vendor liabilities

Vendor liabilities are discounted to their present value at Trafalgar Corporate Group's cost of capital. Interest is accrued over the period it becomes due and is recorded as an increase to the vendor liability.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

2 Distribution/dividends

Distributions recognised in the half year are as follows:

Type	Cents per unit/share	Total amount \$'000	Date of payment	Franked %
2005				
TOF 4 distribution	1.0 c	678	15 March 2006	-
TPF 12 distribution	11.5 c	7,714	15 March 2006	-
Total	12.5 c	8,392		
2004				
Trafalgar Corporate Limited - dividend	35,000.0 c	350	10 December 2004	100%
	35,000.0 c	350		

3 Earnings per Stapled Security

	Consolidated	
	31 Dec 2005	31 Dec 2004
	cents	cents
Attributable to Stapled Securityholders of Trafalgar Corporate Group		
Basic earnings per security	24.9	N/A
Diluted earnings per security	19.6	N/A
Attributable to the Shareholders of the Company		
Basic earnings per share	(10.5)	(97,700)
Diluted earnings per share	(8.2)	N/A
	31 Dec 2005	31 Dec 2004
	\$'000	\$'000
Profit attributable to Stapled Securityholders of Trafalgar Corporate Group		
Profit from continuing operations for the period attributable to ordinary and diluted Stapled Securityholders	14,999	(977)
Loss attributable to the Shareholders of the Company		
Loss from continuing operations for the period attributable to ordinary and diluted Shareholders	(6,308)	(977)

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

3 Earnings per Stapled Security (continued)

	31 Dec 2005 '000	31 Dec 2004 '000
Weighted average number of ordinary stapled securities and company shares – basic earnings per share/security	60,201	1
Effect of partly paid stapled securities and company shares	2,259	-
Effect of stapled securities and company shares associated with Peninsula Keys project	14,079	-
Weighted average number of ordinary stapled securities and company shares – diluted earnings per share/security	76,539	1

4 Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of Trafalgar Corporate Group's business segments, which are the primary basis of segment reporting. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate expenses.

Business segments

Trafalgar Corporate Group comprises the following main business segments, based on its management reporting system:

- property development;
- property management and investment;
- consulting and professional advice; and
- other

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

4 Segment reporting (continued)

2005	Property Development \$'000	Property Management and Investment \$'000	Consulting and Professional Advice \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Primary reporting Business segments						
Revenue						
External segment revenue	1,474	9,512	1,632	1,593	-	14,211
Share of profits of investments accounted for using equity method	1,103	142	-	-	-	1,245
Inter segment revenue	-	-	219	3,015	(3,234)	-
Total segment revenue	2,577	9,654	1,851	4,608	(3,234)	15,456
Result						
Segment result	(7,594)	22,473	1,561	1,102	-	17,542
Unallocated corporate expenses						(2,701)
Operating profit						14,841
Finance costs						(2,789)
Income tax benefit						2,947
Profit for the period						14,999

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

4 Segment reporting (continued)

2004	Property Development \$'000	Property Management and Investment \$'000	Consulting and Professional Advice \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Business segments						
Revenue						
External segment revenue	29	14	732	464	-	1,239
Share of profits of investments accounted for using the equity method	-	87	-	-	-	87
Total segment revenue	<u>29</u>	<u>101</u>	<u>732</u>	<u>464</u>	<u>-</u>	<u>1,326</u>
Result						
Segment result	21	99	732	465	-	1,317
Unallocated corporate expenses						<u>(2,250)</u>
Operating loss						(933)
Finance costs						(479)
Income tax benefit						<u>435</u>
Loss for period						<u>(977)</u>

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

5 Investment properties

Property	Type	Ownership	Acquisition date	Cost including all additions \$'000	Independent valuation date	Directors' valuation amount \$'000 ****	Independent value	Consolidated Carrying Amount 31 Dec 2005 \$'000	Consolidated Carrying Amount 30 Jun 2005 \$'000
Thiess Centre, South Brisbane, QLD	A-grade office building*	100%	20 July 2005	34,377	31 December 2005	45,250	CB Richard Ellis (C) Pty Limited	44,535	-
The Public Trustee Building, ACT	B grade office building***	100%	20 July 2005	14,323	31 December 2005	15,250	CB Richard Ellis Pty Limited	14,964	-
Australian Taxation Office Hurstville NSW	A grade office building	100%	20 July 2005	48,422	31 December 2005	64,500 ⁽¹⁾	Knight Frank Valuations	50,842	-
Melbourne Broadcast Centre, Docklands Vic	A-grade office building**	100%	20 July 2005	43,196	31 December 2005	45,250	LandMark White (VIC) Pty Ltd	43,188	-
37 Epping Road, Macquarie Park (formerly North Ryde) NSW	A-grade office building	100%	20 July 2005	19,134	31 December 2005	19,350	LandMark White (NSW) Pty Ltd	19,165	-
111 Wicks Road, Macquarie Park (formerly North Ryde) NSW	B grade - Hi-tech industrial complex	100%	20 July 2005	9,212	31 December 2005	9,600	LandMark White (NSW) Pty Ltd	9,205	-
1 Breakfast Creek Road, Newstead QLD	A-grade office building	100%	20 July 2005	20,413	31 December 2005	26,200	LandMark White Brisbane Pty Ltd	25,892	-
2B Factory Street, Granville NSW	Modern office/warehouse industrial complex	100%	20 July 2005	6,981	31 December 2005	7,000	LandMark White (NSW) Pty Ltd	7,000	-
Total				196,058		232,400 (2)		214,791(2)	-

(1) Included in the valuation is \$13,393,155 attributable to that component of the rental income which exceeds market rent. This rental component which is included in other current and non-current assets is being amortised over the term of the lease.

* Leasehold interest for a term of 999 years. (The lease commenced on the 31 January 2000.)

** Leasehold interest for a term of 199 years. (The lease commenced on the 20 June 2003.)

*** Leasehold interest for a term of 99 years. (The lease commenced on the 10 August 2000.)

**** The valuations adopted by the Directors as at 31 December 2005 are based on valuations received from independent valuers subsequent to balance date.

(2) Differences between Directors valuation and consolidated carrying amounts represent impact of straight-lining rental income and lease incentives.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

5 Investment properties (continued)

The basis of valuation of the investment properties is fair value being the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for a similar property in the same location and condition and subject to a similar lease.

Reconciliation

Reconciliations of the carrying amounts of the investment properties at the beginning and end of the current financial period are set out below:

	31 Dec 2005 \$'000	30 June 2005 \$'000
Carrying amount at the beginning of the period	-	-
Cost of acquisition:		
- on acquisition of TPF 12	140,318	-
- on acquisition of TOF 4	48,759	-
- other acquisitions	6,981	-
Costs capitalised	497	-
Unrealised changes in fair value	18,236	-
Carrying amount at the end of the period	214,791	-

6 Inventories

During the six months ended 31 December 2005 the consolidated entity recognised a write down of inventory of \$8,073,438 relating to the Tallwoods residential development project. This is due to a marked slowdown in sales rates in the New South Wales residential market which has lead to an increase in the time the project will take to complete. As such the fair value of the inventory, based on independent valuation, has decreased.

There were no write downs of inventory recognised during the six months ended 31 December 2004.

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

7 Non-current liabilities – Interest-bearing loans and borrowings

	31 Dec 2005 \$'000	30 June 2005 \$'000
Cash advance facility	1,983	6,305
Secured borrowings	101,908	3,650
Finance costs	(562)	-
	<u>103,329</u>	<u>9,955</u>

Cash advance facility

TCL entered into a cash advance facility with Westpac Banking Corporation on 26 September 2003. On 26 July 2005 this was replaced with a new cash advance facility between the Company and Westpac Banking Corporation. The facility is secured by a fixed and floating charge over the present and future assets of the Company, a fixed and floating charge over the shares held in TC (Thomas St) Pty Limited (a subsidiary of TCL) which owns a 50% interest in the Thomas Street, Chatswood property, a first ranking mortgage over the property situated and known as the Southbank Tower property, a first ranking mortgage over the Tallwoods property and a guarantee from TCL. This facility is for a total of \$10,000,000 and as at December 2005 was drawn to \$1,983,387. This facility is used to supplement working capital with a maximum of \$2,000,000 able to be drawn for any one project. The facility is subject to floating interest rates.

Secured borrowings

Prior to the Initial Public Offer (IPO) in July 2005, the interest bearing borrowings for Trafalgar Corporate Group were as follows:

	TCL \$'000	TPF 12 \$'000	TOF 4 \$'000	Total
Debentures	-	74,330	31,119	105,449
Preferred equity units	-	33,884	-	33,884
Loan	3,650	-	-	3,650
Total	<u>3,650</u>	<u>108,214</u>	<u>31,119</u>	<u>142,983</u>

At the time of the IPO, being 20 July 2005, the debt facilities were restructured within Trafalgar Corporate Group. The proceeds from the IPO were used to reduce the total debentures by \$17,649,000 and repay all other outstanding borrowings. A \$20,000,000 facility with the Commonwealth Bank of Australia remained in place. As at 31 December 2005 this was drawn to \$14,107,000.

The debenture agreements are with the Commonwealth Bank of Australia and are secured by a first ranking mortgage over the investment properties. They are subject to floating interest rates and where possible derivative contracts have been entered into to minimise interest rate exposure.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

8 Issued capital

	31 December 2005	30 June 2005	31 December 2005	30 June 2005
	Number of securities	Number of securities	\$'000	\$'000
Ordinary Shares – Issued and fully paid	-	1,000	-	1
Redeemed preference shares	-	-	-	99
Ordinary Securities – Issued and fully paid	67,132,756	-	1,575	-
Partly Paid Securities	2,519,157	-	1	-
	<u>69,651,913</u>	<u>1,000</u>	<u>1,576</u>	<u>100</u>

Date	Details	Number of securities	Issue price	\$'000
<i>Movement of fully paid securities issued</i>				
1 July 2004	Opening balance TCL	1,000	\$1.00	1
1 July 2004	Redeemed Preference Units	-		99
30 June 2005	Balance TCL	<u>1,000</u>		<u>100</u>
1 July 2004	Opening balance the Company	-	-	-
29 March 2005	Shares issued	5	\$1.00	-
20 November 2005	Shares cancelled	(5)	\$1.00	-
20 July 2005	Reverse acquisition of TCL	-	-	(7,492)
20 July 2005	Conversion of convertible notes held in TCL	-	-	2,154
20 July 2005	Equity raised at Initial Public Offer	29,463,373	\$0.01	3
20 July 2005	Equity raised at Initial Public Offer	37,669,383	\$3.00	7,345
20 July 2005	Initial Public Offer costs	-	-	(535)
31 December 2005	Balance the Company	<u>67,132,756</u>		<u>1,575</u>

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

8 Issued capital (continued)

Date	Details	Number of securities	Issue price	\$'000
<i>Movement of partly paid securities issued</i>				
1 July 2004	Opening balance the Company	-	-	-
30 June 2005	Balance	-	-	-
20 July 2005	Securities issued for cash	2,519,157	\$0.0003	1
31 December 2005	Balance the Company	<u>2,519,157</u>	-	<u>1</u>

9 Business combinations

Business acquisitions

On 20 July 2005 the Company was deemed to acquire TOF 4 and TPF 12 resulting in the stapled entity Trafalgar Corporate Group. If these deemed acquisitions had occurred on 1 July 2005, the Trafalgar Corporate Group revenue and other income would have been \$30,642,352 and profit of \$21,652,037 for the six months ended 31 December 2005.

	2005 \$'000
Acquiree's net assets at the acquisition date	<u>66,289</u>
Cash and cash equivalents	5,465
Trade and other receivables	1,425
Other current assets	3,830
Investment properties	189,077
Other non current assets	19,421
Trade and other payables	(8,412)
Provisions	(1,305)
Other current liabilities	(3,018)
Borrowings	(139,332)
Other non current liabilities	(862)
Net identifiable assets and liabilities	<u>66,289</u>

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

9 Business combinations (continued)

Business acquisitions (continued)

Effective 20 July 2005, the Company acquired 49.9% of TCL and its controlled entities from the existing shareholders for cash consideration of \$7.5million, which was funded from the proceeds of the Initial Public Offer. On the basis that the Company has a 100% economic interest in TCL, then 100% of TCL has been consolidated into Trafalgar Corporate Group. The Company exercises control over TCL, given that it is entitled to all rights to distributions of profit from TCL and has full control over the management and voting of TCL. When a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities is to be identified as the acquirer on the basis of pertinent facts and circumstances regarding control.

In this instance although the Company is the legal parent of TCL, TCL is the deemed acquirer. This is referred to as "reverse acquisition accounting". The fair value of net assets of the Company on acquisition was \$5.

There were no acquisitions in the half year ended 31 December 2004.

10 Contingent liabilities and assets

On 6 May 2005, TCL and Multiplex Limited (Multiplex) entered into a Sponsor Credit Support Deed. Under this agreement TCL agreed to provide Multiplex with certain back to back credit support in relation to certain primary credit support obligations assumed by Multiplex on behalf of both itself and TCL in relation to the financing of the Renewing Homebush Bay project. TCL must procure in favour of Multiplex, by no later than 6 May 2006, a bank guarantee or a letter of credit or some other form of guarantee acceptable to Multiplex, in an amount equal to one half of the Multiplex exposure under these primary credit support obligations. TCL must reimburse Multiplex for 50% of any amounts paid out by Multiplex pursuant to the primary credit support obligations it has assumed on behalf of itself and TCL in relation to the project.

TCL received a performance fee of \$1,399,717 from Thomas St (Chatswood) Pty Limited during the 2003 financial year in accordance with the transaction documentation approved by the shareholders of Thomas St (Chatswood) Pty Limited at a general meeting held on 15 April 2003. As part of this transaction, in the event that the profit on sale of the remaining building held by Thomas St (Chatswood) Pty Limited does not achieve a rate of return to investors as set out in the transaction documents then TCL will be obliged to repay a portion of the fees already received

On the sale to United Super Investments (Frances Park) Pty Limited (Cbus) of half of its interest in The Frances Park Partnership, TCL provided a number of warranties and representations to (Cbus).

On the 26 July 2005 the Company purchased the 25% interest held by Reisig Pty Ltd (Reisig) in The Frances Park Partnership. As a result of this transaction the Company assumed a number of warranties and representations to (Cbus) previously held by Reisig Pty Ltd.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

10 Contingent liabilities and assets (continued)

Up until the purchase by the Company of Reisig's interest, TCL had a liability for 50% of any claim made by Cbus. As a result of the purchase of Reisig's interest Trafalgar Corporate Group now assumes 100% of any claim made by Cbus. Cbus must make a claim within 6 years after the completion date of its purchase, being December 2003 for any tax claim. The total liability is limited to the purchase amount paid by Cbus, namely \$3.8m.

Westpac Banking Corporation has issued bank guarantees for the amount of \$5.8m and \$20.1m in favour of Tallwoods Pty Limited (the vendor) to support deferred payments due to the vendor on the 30 June 2006 and 30 June 2007 respectively. A contingent liability exists of \$2.2m being the difference between the book value of the vendor finance as at 31 December 2005 and the amount of the bank guarantees. This difference represents the interest component of the vendor finance not yet brought to account.

Trafalgar Corporate Group has the benefit of a Distribution Support Guarantee from ANZ Bank which will support Distributions in the years ending 30 June 2006 and 30 June 2007 in the following manner:

- It will be available to meet any potential shortfall in distributable profits below the level forecast for the year ended 30 June 2006 up to an amount of \$18.7m.
- In respect of the year ending 30 June 2007, the Distribution Support Guarantee is available, except to the extent that it has already been called, to support distributions during that year up to a maximum amount of 27.9 cents per security.

Audant Investments Pty Limited (Audant), a company associated with one of the original shareholders of TCL, has provided credit support, at no cost to the consolidated entity to ANZ Bank in relation to the guarantee.

The Distribution Support Guarantee will lapse in circumstances where:

- A takeover offer is made for Trafalgar Corporate Group (which becomes unconditional) under which offers are made for all the securities and holders of at least half of the securities have accepted the offer; or
- The securities are the subject of a merger by scheme of arrangement which then takes effect.

During the period in which Trafalgar Corporate Group has the benefit of the Distribution Support Guarantee, it shall not make, agree to make or announce any issue of securities or any securities convertible into or exchangeable for securities that is not forecast to be earnings accretive over that period without the prior written consent of Audant.

11 Events subsequent to balance date

Subsequent to 31 December 2005 Trafalgar Corporate Group and its joint venture partner Multiplex Group Limited, entered into an agreement to sell two development stages of its Peninsula Keys project at Homebush Bay, Sydney, NSW for total consideration of \$33.9 million. The sale is conditional on the completion of the successful remediation works at the site being undertaken by Thiess Environmental Services, which are scheduled to be completed by October 2008.

In the opinion of the Directors, other than the matter discussed above, there has not arisen in the interval between the end of the period and the date of the Directors Report, any item, transaction or event of a material and unusual nature which has significantly affected the operations of Trafalgar Corporate Group, the results of those operations, or the state of affairs of Trafalgar Corporate Group, in the period subsequent to 31 December 2005.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

12 Explanation of transition to AIFRSs

As stated in note 1(a), these are Trafalgar Corporate Group's first consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with AIFRS's.

The accounting policies in Note 1 have been applied in preparing the interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (Trafalgar Corporate Group's date of transition).

In preparing its opening AIFRS Balance Sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, Trafalgar Corporate Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous Australian GAAP).

An explanation of how the transition from previous Australian GAAP to AIFRSs has affected Trafalgar Corporate Group's Balance Sheet and Income Statement is set out in the following tables and the notes that accompany the tables. There has been no impact on cashflows from transition to AIFRS.

Reconciliation of equity reported under previous Australian GAAP to equity under AIFRS.

		As at 1 July 2004 \$'000	As at 31 December 2004 \$'000	As at 30 June 2005 \$'000
	Notes			
Total assets (AGAAP)		15,451	14,065	29,074
Investments accounted for using the equity method	(b)	-	(234)	(446)
Total assets (AIFRS)		15,451	13,831	28,628
Total liabilities (AGAAP)		10,677	10,455	25,896
Deferred tax liability	(a)	-	(70)	(134)
Total liabilities (AIFRS)		10,677	10,385	25,762
Reconciliation of equity:				
Total equity (AGAAP)		4,774	3,611	3,178
Retained earnings	(c)	-	(164)	(312)
Total equity (AIFRS)		4,774	3,447	2,866

Trafalgar Corporate Group Limited and its Controlled Entities
Notes to and forming part of the Interim Financial Report
For the half-year ended 31 December 2005

12 Explanation of transition to AIFRSs (continued)

Reconciliation of profit reported under previous Australian GAAP to profit under AIFRS.

		Half Year ended 31 December 2004 \$'000	Year ended 30 June 2005 \$'000
	Notes		
Net profit (AGAAP)		3,511	3,078
Share of net profits accounted for using the equity method	(b)	(234)	(446)
Income tax benefit	(a)	70	134
Net profit (AIFRS)		3,347	2,766

(a) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting in accordance with AASB 112 'Income Taxes' will be adopted, rather than the income statement liability method applied currently under Australian GAAP.

The net movements in deferred tax liabilities and income tax benefit arising from these adjustments are reconciled as follows:

	As at 1 July 2004 \$'000	As at 31 December 2004 \$'000	As at 30 June 2005 \$'000
Deferred tax liabilities	-	(70)	(134)
Income tax benefit	-	70	134

(b) Investments accounted for using the equity method

Under Australian GAAP, profits arising from a joint venture residential development were recognised in accordance with UIG 53 "Pre-Completion Contracts for the Sale of Residential Development Properties". Under AIFRS, AASB 118 "Revenue", such profits are not recognised until legal title is transferred, unless risks and rewards of ownership have passed to the buyer.

The impact of applying AIFRS results in a reduction to 'Investments accounted for using equity method' of \$234,363 for the half year ended 31 December 2004 and \$446,238 for the year ended 30 June 2005.

Trafalgar Corporate Group Limited and its Controlled Entities

Notes to and forming part of the Interim Financial Report

For the half-year ended 31 December 2005

12 Explanation of transition to AIFRSs (continued)

(c) Retained earnings

Adjustments required on first time adoption of AIFRS are recognised directly in retained earnings at the date of transition to AIFRS. The cumulative effect of these adjustments for the Balance Sheet is Nil at transition being 1 July 2004, a decrease in retained earnings of \$164,054 representing the net AIFRS movements in total assets, total liabilities and reserves at 31 December 2004, and \$312,367 at 30 June 2005.

(d) Financial Instruments

Change in accounting policy

Under AGAAP, derivative financial instruments that were effective hedges were not recognised in the financial report on inception. The net payments or receipts due under swap agreements were accounted for on an accruals basis and included in borrowing cost expense.

On adoption of AASB 139 'Financial Instruments: Recognition and Measurement' at 1 July 2005, derivatives and hedged items are accounted for in accordance with significant accounting policies set out in Note 1 (h). This change has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 139.

The \$421,288 movement in reserves during the half year ended 31 December 2005 for cash flow hedges includes (Nil) for the affect of transition to AASB 139 'Financial Instruments: Recognition and Measurement' on 1 July 2005. Any gain or loss relating to ineffective hedges has been recognised immediately in the Income Statement.

Trafalgar Corporate Group Limited and its Controlled Entities

Directors' declaration

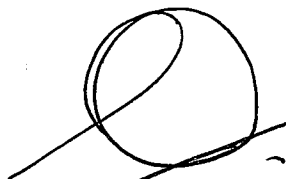
1 In the opinion of the directors of Trafalgar Corporate Group Limited

- (a) the financial statements and notes, set out on pages 6 to 38, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of the operations and cash flows, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Richard J Grellman
Chairman



Mark A Davidson
Managing Director

Dated at Sydney this 7th day of March 2006



Independent review report to the members of Trafalgar Corporate Group Limited

Scope

We have reviewed the financial report of Trafalgar Corporate Group Limited ("the Company") for the half-year ended 31 December 2005, consisting of the condensed consolidated interim statement of income, balance sheet, statement of cash flows, accompanying notes 1 to 12 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report including the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Trafalgar Corporate Group Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG


Eileen Hoggett
Partner

Place: Sydney

Date: 7 March 2006