

PRELIMINARY FINAL REPORT

Trustees Australia Limited – ACN 010 653 862

For the year ended 30 June 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET – (TAU)

The Reporting Period to which this report relates is the year ended 30 June 2011 and the previous corresponding period in the year ended 30 June 2010. Throughout this report these periods are designated by the terms June 2011 and June 2010 respectively. Reference to dollar amounts are in Australian dollars. References to “TAU” throughout this report relate to the Consolidated Entity.

	Movement	% Change	\$000 June 2011	\$000 June 2010
Revenues from ordinary activities	Down	-23%	4,668	6,064
Profit /(loss) from ordinary activities after tax attributable to members	Down	-694%	(9,442)	(1,189)
Net profit / (loss) for period attributable to members	Down	-694%	(9,442)	(1,189)
			cents	cents
Net tangible asset backing per security	Down	-47%	31.4	59.6

Dividend Information	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking
Final dividend	Nil	Nil	Nil
Interim dividend	Nil	Nil	Nil
Record date			Not Applicable

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COMMENTARY ON ANNUAL RESULTS

MANAGING DIRECTOR'S REPORT

This Managing Director's Report is for the information of shareholders and the market generally. It is not included in the audit review of the Financial Report for the year ended 30 June 2011.

OVERVIEW OF THE FINANCIAL PERIOD

During the financial year to 30 June 2011, the company has continued with its consolidation process and the development of its strategy for the next decade to become a significant participant in the custody and responsible entity market in Australia.

Unfortunately, the results for the year to 30 June 2011, particularly the significant write-down in values of property assets and deferred income tax benefit do not provide a good reflection of the hard work and effort that the management team at all levels of the company has put into positioning for future success.

There are several activities in progress, in relation to restructuring of existing business activities and preparations for restructure of the company group that are confidently expected to result in improved shareholder value and return on investment as they are progressively implemented. The directors of Trustees Australia believe that despite the impairment of asset market values, the last twelve months has been a pivotal year, which has established a sound base for growth in shareholder value and profits in coming years.

PROPERTY VALUES

The most significant matter addressed in the financial results for the financial year concern the diminution in carrying values of property assets of the company. These are all located at Airlie Beach. They comprise the property from which the Magnums Backpackers operations are conducted, the Airlie Central development land and a 43% interest in the Whitsunday Village Retail Property Trust, a Managed Investment Scheme holding retail shops adjacent to Airlie Central.

There has been widely published commentary that tourism dependent locations around Australia have been significantly adversely affected by the combination of regular adverse weather conditions and the dramatic slowdown in tourism visitation, as a result of the high Australian dollar and deteriorating global economic conditions.

Airlie Beach has depended heavily on tourism and much of the employment in the town and locality is tourism related. The company's Magnums Backpackers property was valued independently at 30 June 2010 based on the "going concern" value of its operations. During the intervening twelve months, revenues of Magnums Backpackers reduced by approximately 28% overall for the year (being 20% in the first half and 41% in the second half) resulting in a loss for the year to 30 June 2011.

As a result, the directors decided the "going concern" valuation methodology was no longer appropriate and adopted land and building market value assessments by Herron Todd White at 30 June 2010. This resulted in an impairment of \$5,917,551 being brought to account in the results for the year.

Similarly, the CBD of Airlie Beach, like other tourism related areas such as Noosa, Port Douglas and Cairns, has suffered from unprecedented vacancies and closing businesses with resultant negative effects on property values. An independent valuation of the WVRPT's assets by JD Dodds Property Valuers dated 26 August 2011 has resulted in a net reduction of \$1,325,828 in the current market carrying value of the company's 43% interest in the Trust.

As it is not known what the future near term prospects are for any recovery in tourism, the directors have adopted the independent valuer's assessment.

DEMERGER PROCESS

As noted in the Company update sent to shareholders in May 2011 as part of the notice of meeting held to consider the change of company name to Trustees Australia Limited, the directors acknowledged that the demerger of the property assets from the financial services activities remained high on the board's agenda.

The process for viable demerger is reasonably complex; however the various steps continue to be worked through by management. The directors are hopeful that a number of demerger related proposals will be sufficiently advanced in time to be considered at the company's AGM in late November 2011.

MANAGING DIRECTOR'S REPORT (cont'd)

OPERATIONS

The operating activities of the Consolidated Entity comprise the following:

A. Custody, Responsible Entity and Trustee Services

During the financial year Trustees Australia has continued to build the systems and capability necessary to enable it to become a meaningful participant in the custody and administration of financial assets. A detailed evaluation of available third party software and service providers has been undertaken and negotiations are in progress with a short list of providers.

The efficient development of the custody segment of the business is dependent on the availability of electronic systems that are able to process transactions securely with minimum handling by personnel. For this reason Trustees Australia is concentrating its market interest in asset custody and administration which is already substantially automated and complements other business segments such as Rim Securities and Admin Partners. The directors are planning to be in a position to inform shareholders of progress on this activity in coming months.

B. Magnums Airlie Beach Backpackers

While it remains the case that the Magnums backpacker operations continues as the market leader at Airlie Beach, tourism activity generally, throughout Australia is the most difficult since the national pilot's strike in Australia in late 1988 and 1989. As mentioned earlier, turnover has fallen by 28% overall during the financial year. The primary causes are the combined effects of the very strong Australian dollar, which makes Australia a comparatively expensive tourist destination, and the global financial crisis and associated consumer austerity, particularly in Europe and the UK.

C. Fixed income brokerage (RIM Securities Limited)

During the 2011 financial year, the performance of RIMsec showed improvement although not to the level of directors' expectations. Additional restructuring within the company was undertaken in June 2011 with the closure of the Adelaide office and reorganisation of personnel at Brisbane. As part of this process Trustees Australia acquired the shareholding interests of three RIMsec shareholders to increase its holding from 66% to 97% at 30 June 2011.

The restructuring changes have had an immediate effect on the financial and operational performance of RIMsec with positive results in July and August 2011, which are expected to continue during the current financial year, assisted by recent increased market volatility.

D. Superannuation administration (Administration Partners Pty Ltd)

AdminPARTNERS and MySuperSolution have operated in line with expectations during the period. These companies provide superannuation administration infrastructure for pooled superannuation funds. An independent report on the quality of the products offered was completed in December 2010, finding that the systems and capabilities of MySuperSolution were of high standard and offer very competitive solutions to the marketplace.

AdminPARTNERS has a small pipeline of prospective clients currently, although the process of securing new administrators and changing software takes considerable time. The company is also working on separate partnering opportunities with other administration providers to build scale of turnover in the business.

SUMMARY

The Board and management of Trustees Australia remain positive about the future opportunities for the company in the custody and administration areas. It is again stated that the challenges of growing the company into a mid-tier participant in the custody and responsible entity market are significant. Nevertheless, the opportunities are also real and with continued support from shareholders should be achievable.

MICHAEL HACKETT
Managing Director

31 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Consolidated	
		June	June
		2011	2010
		\$	\$
Revenue		4,469,255	5,971,086
Other income		199,001	92,518
Business operating expenses		(1,011,435)	(1,230,201)
Employment expenses		(3,248,280)	(3,860,577)
Finance costs		(28,427)	(37,200)
Property operating expenses		(1,036,678)	(1,028,270)
Impairment expenses		(6,088,831)	-
Other expenses		(564,360)	(482,438)
Share of profit / (loss) from associates		(1,325,827)	97,167
Profit / (loss) before income tax		(8,635,584)	(477,915)
Income tax benefit /(expense)	2	(811,396)	(703,845)
Profit / (loss) for the year	1	(9,446,980)	(1,181,760)
Other comprehensive income			
Net gain/(loss) on revaluation of financial assets		40,990	57,155
Net gain/(loss) on revaluation of land and buildings		-	(4,927,478)
Other comprehensive income / (loss) for the year, net of tax		40,990	(4,870,323)
Total comprehensive income / (loss) for the year		(9,405,990)	(6,052,083)
Profit/(loss) attributable to:			
Members of the parent entity		(9,442,152)	(1,189,328)
Non-controlling interest		(4,828)	7,568
		(9,446,980)	(1,181,760)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		(9,401,162)	(6,059,651)
Non-controlling interest		(4,828)	7,568
		(9,405,990)	(6,052,083)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
		June	June
		2011	2010
		\$	\$
Note			
Current Assets			
	Cash and cash equivalents	569,054	66,826
	Trade and other receivables	480,720	727,817
	Inventories	11,803	9,151
	Other current assets	118,005	104,518
	Total Current Assets	<u>1,179,582</u>	<u>908,312</u>
Non-Current Assets			
	Inventories	4,326,451	4,179,500
	Deferred tax assets	-	909,493
	Financial assets	134,274	1,257,364
	Intangibles	1,005,133	1,113,620
	Investments in associates	1,719,485	3,045,313
	Property, plant & equipment	4,858,660	10,895,123
	Total Non-Current Assets	<u>12,044,003</u>	<u>21,400,413</u>
	Total Assets	<u>13,223,585</u>	<u>22,308,725</u>
Current Liabilities			
	Trade and other payables	1,554,090	1,147,627
	Borrowings	74,109	82,426
	Current tax liabilities	-	(44,810)
	Provisions	112,076	96,143
	Total Current Liabilities	<u>1,740,275</u>	<u>1,281,386</u>
Non-Current Liabilities			
	Borrowings	32,510	45,702
	Deferred tax liability	-	81,645
	Provisions	36,674	57,902
	Total Non-Current Liabilities	<u>69,184</u>	<u>185,249</u>
	Total Liabilities	<u>1,809,459</u>	<u>1,466,635</u>
	Net Assets	<u>11,414,126</u>	<u>20,842,090</u>
Equity			
	Issued capital	4,058,525	4,058,525
	Reserves	49,508	(12,500)
	Retained earnings	7,301,933	16,668,963
	Parent entity interest	11,409,966	20,714,988
	Non-controlling interest	4,160	127,102
	Total Equity	<u>11,414,126</u>	<u>20,842,090</u>

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	\$	\$	\$	\$	\$	\$	\$
	Issued Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Financial Asset Revaluation Reserve	Option Reserve	Minority Interests	Total
Balance at 1 July 2009	4,058,525	17,866,668	4,927,478	(95,541)	4,868	111,157	26,873,155
Profit / (loss) attributable to members of parent entity	-	(1,189,328)	-	-	-	-	(1,189,328)
Amortisation of options for period	-	-	-	-	21,018	-	21,018
Transfer (to) / from retained earnings	-	(8,377)	-	-	-	8,377	-
Profit / (loss) attributable to non-controlling interests	-	-	-	-	-	7,568	7,568
Total other comprehensive income / (loss) for the period	-	-	(4,927,478)	57,155	-	-	(4,870,323)
Balance at 30 June 2010	4,058,525	16,668,963	-	(38,386)	25,886	127,102	20,842,090
Balance at 1 July 2010	4,058,525	16,668,963	-	(38,386)	25,886	127,102	20,842,090
Profit / (loss) attributable to members of parent entity	-	(9,442,152)	-	-	-	-	(9,442,152)
Amortisation of options for period	-	-	-	-	21,018	-	21,018
Transfer (to)/ from retained earnings	-	75,122	-	-	-	(118,114)	(42,992)
Profit / (loss) attributable to non-controlling interests	-	-	-	-	-	(4,828)	(4,828)
Total other comprehensive income / (loss) for the period	-	-	-	40,990	-	-	40,990
Balance at 30 June 2011	4,058,525	7,301,933	-	2,604	46,904	4,160	11,414,126

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Consolidated	
		June	June
		2011	2010
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		5,077,030	6,347,763
Payments to suppliers and employees		(5,584,565)	(6,753,451)
Trust distributions		-	163,561
Interest received		31,088	77,354
Dividend received		41,942	64,402
Income tax received		44,810	-
Finance costs		(28,427)	(37,200)
Net operating cash flows	8(a)	<u>(418,122)</u>	<u>(137,571)</u>
Cash Flows from Investing Activities			
Payment for property, plant & equipment		(78,602)	(194,394)
Payment for acquisition of minority interests	8(b)	(10)	-
Payment for development costs		(146,951)	(109,027)
Payment for subsidiaries, net of cash acquired		-	(474,751)
Purchase of intangible assets - development software		(123,170)	(33,271)
Proceeds from sale of financial investments		1,290,593	721,710
Purchase of available for sale financial investments		-	(136,413)
Net investing cashflows		<u>941,860</u>	<u>(226,146)</u>
Cash Flows from Financing Activities			
Proceeds from commercial bill facility		-	350,000
Proceeds from other borrowings		143,124	126,397
Repayment of borrowings		(164,634)	(420,355)
Net financing cash flows		<u>(21,510)</u>	<u>56,042</u>
Net increase / (decrease) in cash held		<u>502,228</u>	<u>(307,675)</u>
Cash at the beginning of the period		<u>66,826</u>	<u>374,501</u>
Cash at the end of the financial period		<u>569,054</u>	<u>66,826</u>

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. PROFIT / (LOSS) FOR THE YEAR

	Consolidated	
	June 2011	June 2010
	\$	\$
Revenue		
Rendering of services	1,970,554	2,741,879
Financial services income	2,155,705	2,721,478
Management fees received	18,044	20,735
Sale of goods	78,562	161,940
	4,222,865	5,646,032
Other revenue:		
Dividends received - other corporations	44,094	66,775
Interest received - related parties	15,153	65,455
Interest received - other persons	15,935	36,440
Rental revenue	-	3,900
Grant funding	9,232	8,456
Other revenue	161,976	144,028
	246,390	325,054
Total revenue	4,469,255	5,971,086
Other income:		
Gain on remeasurement of investment on conversion to associate	-	70,986
Gain on acquisition of minority interests	42,981	-
Net gain on disposal of non-current investments	156,020	21,532
	199,001	92,518
Expenses		
Finance costs		
Bank Loans and overdrafts	(17,454)	(28,063)
Finance charges payable under finance leases and hire purchase contracts	(10,973)	(9,137)
	(28,427)	(37,200)
Depreciation and amortisation of non current assets		
Trademarks	(547)	(548)
Software	(107,940)	(80,291)
Buildings	(81,348)	(90,298)
Leasehold improvements	(6,451)	(6,375)
Plant and equipment	(99,936)	(139,100)
Leased plant and equipment	(9,780)	(9,780)
	(306,002)	(326,392)
Employee benefits expense		
Wages and salaries costs	(2,969,386)	(3,426,813)
Superannuation	(254,329)	(294,645)
Employee benefits provisions	(3,547)	(118,101)
Share based payments - options	(21,018)	(21,018)
	(3,248,280)	(3,860,577)
Foreign currency translation loss	(126)	(9)
Rental expense on operating leases	(349,563)	(374,083)
Cost of sales	(38,821)	(85,792)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

1. PROFIT / (LOSS) FOR THE YEAR (cont'd)

	Consolidated	
	June 2011	June 2010
	\$	\$
Impairment expenses		
Impairment of intangibles	(123,170)	-
Impairment of financial assets	(48,110)	-
Impairment of land and buildings	(5,917,551)	-
Total impairment expenses	(6,088,831)	-

2. INCOME TAX EXPENSE

	Consolidated	
	June 2011	June 2010
	\$	\$
(a) Income tax expense / (benefit)	811,396	703,845
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:		

Prima facie tax payable / (benefit) on profit / (loss) from ordinary activities before income tax at 30% (2010: 30%):	(2,590,675)	(143,374)
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Add /(less)

Tax effect of:

- current period tax losses not recognised	406,017	123,851
- non-deductible / (assessable) component of distribution from associate	416,412	(17,893)
- franking credit tax loss offset	(5,669)	(38,934)
- research and development claim	-	(44,811)
- non-deductible option expense	6,305	6,305
- non-deductible impairment expense	1,826,649	-
- other non-deductible items	341,934	(11,100)
- other deductible items	(446,933)	-
- recognition of prior year tax losses not previously brought to account	-	(53,842)
- write-back of future income tax benefit of tax losses not recognised	-	1,503,600
- write back of deferred tax liability of capitalised development costs	-	(627,811)
- capital gains on sale of shares	46,806	-
- prior year tax losses utilised	(846)	-
- write-back of prior period deferred tax balances	811,396	7,854
Income tax expense / (benefit) attributable to entity	811,396	703,845

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	3,678,756	-
Potential tax benefit at 30%	1,103,627	-

(d) Write back of deferred tax

The directors have reviewed the carrying value of the deferred tax balances at 30 June 2011. There is no certainty that future taxable profit will be available to allow the deferred balances to be recovered in the immediate future. In accordance with AASB 112 *Income Taxes* the group has not recognised deferred tax in its financial report. The directors will continue to assess the application of AASB 112 at each future reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

3. INVENTORIES

		Consolidated	
		June 2011	June 2010
		\$	\$
Current			
Stock in trade at cost		11,803	9,151
Total current inventories		<u>11,803</u>	<u>9,151</u>
Non-Current			
Development property at lower of deemed cost and NRV	(a)	4,326,451	4,179,500
		<u>4,326,451</u>	<u>4,179,500</u>
Total		<u>4,338,254</u>	<u>4,188,651</u>
Development property			
Opening Balance as at 1 July		4,179,500	9,301,398
Transfer of development property to land and buildings		-	-
Development costs capitalised		146,951	109,027
Write back of asset revaluation reserve	(a)	-	(5,230,925)
Total development property as at 30 June		<u>4,326,451</u>	<u>4,179,500</u>

(a) Included in Inventories is the Airlie Central development property at Airlie Beach. In the year ended 30 June 2010, in view of adverse conditions in the real estate market globally and in Australia, the directors decided to write-back the property value to cost. The effect of this was to reduce the value of the property by \$5,230,925, comprising asset revaluation reserve of \$4,179,500 and deferred tax liability of \$1,051,425. In recent years, there have been no reported sales of comparable property and despite favourable changes to the local authority's planning scheme, market conditions for development remain depressed. Herron Todd White Valuers (Mackay) (HTW) were commissioned to undertake a current market value assessment of the property's value on an *in globobasis* and assessed the value at 30 June 2010 to be \$4,179,500. Based on this advice the directors have assessed the value of the land at 30 June 2011 at \$4,326,451, including capitalised costs of \$146,951 in 2011, which relate to planning and development negotiations for development of the property, which remains prospective.

4. FINANCIAL ASSETS

		Consolidated	
		June 2011	June 2010
		\$	\$
NON-CURRENT			
Available-for-sale financial assets	(a)	133,274	1,256,364
Other investments	(b)	1,000	1,000
Total other financial assets		<u>134,274</u>	<u>1,257,364</u>
Available-for-sale financial assets comprise:			
(a) Listed investments, at fair value			
- shares in listed corporations	(i)	133,274	1,256,364
Total available for sale financial assets		<u>133,274</u>	<u>1,256,364</u>
(b) Unlisted Investments, at cost			
- shares in other corporations		1,000	1,000
Total other investments		<u>1,000</u>	<u>1,000</u>
Total available-for sale financial assets		<u>134,274</u>	<u>1,257,364</u>

(i) On 30 December 2010 the Group sold 430,000 shares of its holding in the ROK Building Society Limited through an irrevocable exercise of a call option. Proceeds from the sale of \$1,290,000 were received on 7 January 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. INTANGIBLE ASSETS

	Consolidated	
	June 2011	June 2010
	\$	\$
Goodwill - at cost	253,878	253,878
less accumulated impaired losses	(27,562)	(27,562)
	226,316	226,316
Software - at cost	950,318	964,857
less accumulated amortisation	(173,692)	(80,291)
	776,626	884,566
Trademarks and patent - at cost	4,382	4,382
less accumulated amortisation	(2,191)	(1,644)
	2,191	2,738
Total Intangible Assets	1,005,133	1,113,620

6. INVESTMENTS IN ASSOCIATES

	Consolidated	
	June 2011	June 2010
	\$	\$
Investment in associates	1,719,485	3,045,313

Interests are held in the following associated entities:

Name	Principal Activities	Country of Incorporation	Type	Ownership Interest		Carrying Amount of Investment	
				2011 %	2010 %	2011 \$	2010 \$
Unlisted:							
Whitsunday Village Retail Property Trust No. 1	Investment Property Management	Australia	Units	42.92	42.92	1,324,149	2,649,977
Listed:							
APA Financial Services Limited	Asset Investment Portfolio Administration	Australia	Shares	33.58	33.58	395,336	395,336
						1,719,485	3,045,313

(i) Whitsunday Village Retail Property Trust No. 1

The Group has a 42.92% (2010: 42.92%) interest in the Whitsunday Village Retail Property Trust No.1, which is an unlisted property trust which holds retail property located in Airlie Beach. Income distributions from the Trust have reduced during the current financial year to 30 June 2011 as a result of asset revaluations and the continuing difficult retail and tourism trading conditions at Airlie Beach.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENTS IN ASSOCIATES (cont'd)

(ii) APA Financial Services Limited ("APA")

The Group has a 33.58% (2010: 33.58%) interest in APA, which is an ASX listed entity with an interest in One Vue Holdings Limited, a portfolio administration platform provider for participants in the financial services industry. Although APA recorded a small loss in 2011, the group will not record any change in the carrying value of this investment unless the group's share of accumulated losses is greater than the equity accounted carrying value of the investment.

(a) Summarised presentation of aggregate assets, liabilities and performance of associates:

	Consolidated	
	June 2011	June 2010
	\$	\$
Current assets	433,106	669,299
Non-current assets	6,505,631	9,765,706
	6,938,737	10,435,005
Current liabilities	162,376	144,962
Non-current liabilities	2,833,500	3,201,199
	2,995,876	3,346,161
Net assets	3,942,861	7,088,844
Revenue	699,204	1,139,098
Profit / (loss) after income tax of associates	(110,951)	490,575

(b) Movements during the year in equity accounted Investment in associated entities:

	Consolidated	
	June 2011	June 2010
	\$	\$
Balance at beginning of the financial year	3,045,313	2,716,370
Add:		
New investments during the year	-	395,336
Share of associates reserves as a result of asset revaluation	(1,302,492)	-
Share of associates profit / (loss) after income tax	(23,336)	97,168
Less:		
Distribution from associated entity	-	(163,561)
Balance at end of the financial year	1,719,485	3,045,313

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	June	June
	2011	2010
	\$	\$
Land and buildings		
Freehold land:		
- at directors' valuation 2011	1,870,052	-
- at independent valuation 2010	-	7,307,432
Total land	1,870,052	7,307,432
Buildings		
- at directors' valuation 2011	2,561,223	-
- at independent valuation 2010	-	3,122,741
Total buildings	2,561,223	3,122,741
Total land and buildings, net	4,431,275	10,430,173
	(a)	
Plant and equipment owned		
- at cost	1,781,430	1,753,719
less accumulated depreciation	(1,430,847)	(1,381,802)
Total plant and equipment, net	350,583	371,917
Motor Vehicles		
- at capitalised cost	65,200	65,200
less accumulated depreciation	(21,355)	(11,575)
Total plant and equipment under lease, net	43,845	53,625
Leasehold improvements		
- at cost	59,916	59,916
Less accumulated amortisation	(26,959)	(20,508)
Total Leasehold improvements, net	32,957	39,408
Total property, plant and equipment, net	4,858,660	10,895,123

(a) The Group's land and buildings were independently valued at 30 June 2010 by Herron Todd White (Mackay) (HTW). The valuation was assessed on a going concern, current market value basis. HTW's assessment was \$10,570,500 and the directors adopted \$10,430,173 after other adjustments. The total write-down of that adjustment in 2010 was \$1,193,399, comprising asset revaluation reserve of \$747,978 and deferred tax liability of \$445,421. In the current financial year, tourism revenue has declined significantly with commensurate adverse effect on the valuation of land and buildings on a going concern basis. Consequently, the directors have adopted the valuation of the land and buildings assessed on an *in globo* basis by HTW at 30 June 2010 of \$4,431,275 and recorded an impairment expense of \$5,917,521 in 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

8(a). RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER TAX

	Consolidated	
	June	June
	2011	2010
	\$	\$
Profit/ (loss) after income tax	(9,446,980)	(1,181,760)
Adjustment of non cash items		
Amortisation & depreciation	306,002	326,392
Bad debts	1,340	-
Gain on remeasurement of investment on conversion to associate	-	(70,986)
Share of associated company's net profit after income tax and dividends	1,325,828	66,394
Gain on acquisition of minority interests	(42,981)	-
(Profit) / loss on sale of investments	(156,020)	(21,052)
Employee option expense	21,017	21,018
Dividend re-investment plan	(2,152)	(29,371)
Interest on loan converted to equity in associate	-	(24,539)
Impairment of intangibles	123,170	-
Impairment of financial assets	48,110	-
Impairment of land and buildings	5,917,551	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
Increase/ (decrease) in provisions	(5,291)	19,065
(Increase)/ decrease in trade debtors and receivables	232,270	(6,208)
(Increase)/ decrease in inventories	(2,652)	2,910
Increase/ (decrease) in trade creditors	406,460	32,226
Increase/ (decrease) in current tax payable	44,810	(44,810)
(Increase)/ decrease in deferred tax assets and liabilities	811,396	773,150
Net operating cash flows	<u>(418,122)</u>	<u>(137,571)</u>

8(b). LOSS OR GAIN OF CONTROL OVER OTHER ENTITIES

(i) On 10 November 2010 TAU voluntarily deregistered dormant subsidiaries Best Deposits Pty Ltd and Rimsec Unit Trust.

(ii) On 30 June 2011 TAU acquired an additional 31% of the equity in Rim Securities Limited from other shareholders, raising its total holding from 66% to 97% for a purchase consideration of \$10 and releases from restrictive covenants.

	Fair Value
	\$
(a) Rim Securities Limited identifiable net assets:	
Current assets	525,151
Non-current assets	389,631
Current liabilities	(765,592)
Non-current liabilities	(10,509)
	<u>138,681</u>
(b) Fair value calculations:	
Purchase consideration settled in cash	10
Fair value of TAU interest pre-acquisition (66%)	91,530
Non-controlling interest post acquisition (3%)	4,160
	<u>95,700</u>
(c) Gain on acquisition of minority interests	<u><u>42,981</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

9. CONTINGENT LIABILITIES

Since the last annual reporting period, there has been no material change in the contingent liabilities of the Consolidated Entity except for the following:

Trustees Australia Limited and the following subsidiary companies have been parties to a Deed of Cross Guarantee since 17 June 1994. The deed provided that all parties to the deed would guarantee each creditor payment in full of any debt of each company participating in the Deed on the winding-up of that company. On 26 June 2011 all parties to the deed executed a Deed of Revocation of Cross Guarantee, which was lodged with the Australian Securities & Investment Commission on 30 June 2011 and advertised as required by the Corporations Act 2001.

- Corporate Solutions Pty Ltd
- QTI Managed Funds Limited
- Budget Traveller Group Pty Ltd
- Australian Share Registers Pty Ltd
- Queensland Resorts Pty Ltd
- Magnums Backpackers & Bar Pty Ltd

10. RELATED PARTIES

All arrangements with related parties continue to be in place. For details of these arrangements, refer to 30 June 2010 annual financial report.

11. DIVIDENDS

No dividend has been paid or recommended for the reporting period.

12. DIVIDEND REINVESTMENT PLAN

The company does not operate a dividend reinvestment plan.

13. EARNINGS PER SECURITY (EPS)

	Consolidated	
	June 2011 Cents	June 2010 Cents
Basic EPS	(28.5)	(3.6)
Diluted EPS	(28.5)	(3.6)

	Number of Shares	Number of Shares
Weighted average number of ordinary shares		
Used in the calculation of basic earnings per share	33,110,131	33,110,131
Used in the calculation of diluted earnings per share	33,110,131	33,188,679

14. NET TANGIBLE ASSET BACKING PER SECURITY

	Consolidated	
	June 2011 Cents	June 2010 Cents
Net tangible asset backing per ordinary security	31.4	59.6

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

15. LOSS OR GAIN OF CONTROL OVER OTHER ENTITIES

Refer to Note 8(b) for further details.

16. ASSOCIATES OR JOINT VENTURES

Refer to note 6 for further details.

17. OTHER SIGNIFICANT INFORMATION

Refer to Managing Director's statement attached.

18. FOREIGN ENTITIES

Not applicable.

19. COMMENTARY ON RESULTS FOR THE PERIOD

Refer to Managing Director's statement attached.

20. ORDINARY SECURITIES

	Consolidated	
	June	June
	2011	2010
	Number	Number
Fully Paid listed shares	33,110,131	33,110,131
Total at the end of the reporting period	<u>33,110,131</u>	<u>33,110,131</u>

21. AUDIT STATUS

This Appendix 4E has been prepared from accounts which are in the course of being audited however the process is not complete. There is no reason to believe that the Auditor's report, when complete, will contain any qualification or material amendment.