# ANNUAL REPORT 2012

well **versed** well **timed** well **considered**

Cromwell

PROPERTY GROUP

# CONTENTS

**Overview of Cromwell Property Group**

Cromwell Property Group is an internally managed Australian Real Estate Investment Trust (A-REIT) with an Australian property portfolio valued in excess of $1.7 billion and a funds management business that promotes and manages unlisted property investments.

Cromwell's income is underpinned by a focus on quality income producing office properties with strong tenant covenants. We aim for 4% annual growth in 'like for like' property income.

Cromwell's Australian property focus enables it to provide a full suite of property related services including deal sourcing, due diligence, property management, leasing and asset enhancement.

Cromwell internally manages all of its properties to ensure buildings operate efficiently, projects are delivered on time and on budget, and tenants are managed professionally.

**This document is issued by**

Cromwell Property Group consisting of Cromwell Corporation Limited ABN 44 001 056 980 and Cromwell Property Securities Limited AFS 238052 ABN 11 079 147 809 as responsible entity for Cromwell Diversified Property Trust ARSN 102 982 598 ABN 30 074 537 051


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**Securityholder Enquiries**

All enquiries and correspondence regarding securityholdings should be directed to Cromwell's registry provider:


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Brisbane QLD 4000 AUSTRALIA
Phone: 1300 550 841
Outside Australia: +61 2 8280 7124
Fax: +61 2 9287 0303
Web: www.linkmarketservices.com.au
Email: cmw@linkmarketservices.com.au


Cromwell PROPERTY GROUP

LISTED ON ASX CMW

MONEY MANAGEMENT | LONSEC
FUND MANAGER OF THE YEAR 2012
Winner: Property Securities (Australia)

# Chairman's review

Geoffrey H Levy, AO

In the 2012 financial year, we continued our strategy of working to improve our portfolio both through acquisition and refurbishment, while remaining consistent with the requirements of a disciplined approach to capital management.

Adherence to this strategy allowed us to achieve another year of strong earnings with an operating profit of $80.01 million, despite an economic environment characterised by low consumer and investor confidence, low inflation and sluggish growth.

The highlights of the year include the acquisition of three high quality assets, the Bundall Corporate Centre on the Gold Coast, the HQ North office tower in Brisbane, and the Ipswich City Heart project in Ipswich.

Ipswich City Heart has been offered to investors through the Cromwell Ipswich City Heart Trust, a 7-year single property syndicate which has much in common with its predecessor, the Cromwell Riverpark Trust, and recently closed oversubscribed.

As well as acquiring assets which suit our long-term vision for the Cromwell portfolio, we took the opportunity to sell the Masters Distribution Centre at Hoppers Crossing in Victoria which did not.

On the capital management front, our gearing levels continue to be within our preferred range of 35-55%. Cromwell has no material debt maturities until May 2014 and a weighted average debt expiry of 2.4 years. During the year we took advantage of the lower interest environment to extend our swap profile with a 2.6 year weighted average hedge term and 93% of debt hedged for FY13 at an average all-up cost of 6.6%. This will underpin the continued stability of our earnings and distributions.

*"The highlights of the year include the acquisition of three high quality assets, the Bundall Corporate Centre on the Gold Coast, the HQ North office tower in Brisbane, and the Ipswich City Heart project in Ipswich."*

Origin Fit out, Melbourne, VIC


Qantas HQ, Mascot, NSW

Consistent with our prudent approach to capital management, Cromwell also raised $131 million in new equity during the year, through placements and an entitlement offer, to fund the acquisition of HQ North and for working capital. I would like to thank all investors who took up their rights under the offer.

In another significant opportunity for the Group we recently offered to merge the Cromwell Property Group with the unlisted Cromwell Property Fund, with consideration to be paid on an NTA for NTA basis. The transaction was approved by fund unit holders recently and means that Cromwell has 100% ownership of the five properties held by the fund, which were valued at approximately $168 million as at 30 June 2012. We believe that this merger has reinforced our reputation as a manager that looks out for the interests of its investors and supports it's funds management business.

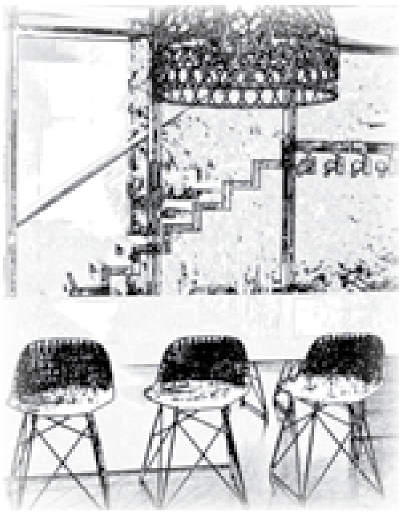
I would like to thank the management and staff of Cromwell for their tireless work through the year which has left us in a very strong position to continue to grow our earnings and capitalise on future opportunities.

I would also like to thank my fellow board members for their insights and their efforts.

Finally, I would like to thank all of our investors for their continued support as we continue to reap the benefits of our discipline in these demanding times.

Geoffrey H Levy, AO
Chairman

*"...this merger will reinforce our reputation as an investment manager that looks out for the interests of its investors..."*



# Performance highlights

## FY12 results in line with guidance

- Operating profit increased by 23% to $80.0M or 7.5 cps
- Distributions maintained at 7.0 cps
- Statutory accounting profit of $23.1M impacted by fair value adjustments
- Increase in like-for-like property income of 6.8% over FY11
- Growth in operating earnings per security of 6% to 7.5 cents

## Financial Results Summary

| | FY11 | FY12 | Change |
|---|---|---|---|
| Operating profit ($'000)[1] | 65,297 | 80,010 | 23% |
| Operating profit (cents per security) | 7.1 | 7.5 | 6% |
| | | | |
| Distributions ($'000) | 64,988 | 75,019 | 15% |
| Distributions (cents per security) | 7.0 | 7.0 | 0% |
| Payout Ratio (%) | 98% | 93% | 5% |
| | | | |
| Statutory profit ($'000) | 88,102 | 23,077 | (74%) |
| Statutory profit (cents per security) | 9.6 | 2.2 | (77%) |

(1) Calculated as (total borrowings less cash)/(total tangible assets less cash)

## Operating Earnings and Statutory Profit

| | FY11 $000 | FY12 $000 | FY11 cps | FY12 cps |
|---|---|---|---|---|
| Operating Earnings | 65,297 | 80,010 | 7.1 | 7.5 |
| Adjustments | | | | |
| Fair Value - investment properties | 33,659 | (12,353) | 3.7 | (1.2) |
| Fair Value - interest rate swaps | (1,920) | (38,483) | (0.2) | (3.6) |
| Other items | (8,934) | (6,097) | (1.0) | (0.5) |
| Profit after tax | 88,102 | 23,077 | 9.6 | 2.2 |

## FY13 guidance

- Operating earnings expected to be at least 7.5 cps in FY13
- Distributions expected to be 7.25 cps in FY13
- Increase in funds management income expected

## Financial Position

| | FY11 | FY12 |
|---|---|---|
| Total assets ($'000) | 1,539,428 | 1,837,601 |
| Net assets ($'000) | 705,160 | 788,989 |
| Net tangible assets ($'000) [1] | 703,636 | 787,442 |
| Net debt ($'000) [2] | 737,037 | 905,024 |
| Gearing (%) [3] | 49% | 51% |
| Securities issued ('000) | 964,737 | 1,169,689 |
| NTA per security | $0.73 | $0.67 |
| NTA per security (excluding interest rate swaps) | $0.73 | $0.71 |

(1) Net assets less deferred tax asset and intangible assets.
(2) Borrowings less cash and cash equivalents and restricted cash.
(3) Net debt divided by total assets less cash and cash equivalents.

## Disciplined and effective capital management

- Gearing remains within target range of 35-55%
- No material debt maturities until FY14
- Weighted average debt maturity of 2.4 years
- High degree of certainty over interest expense in FY13 and FY14
- Debt diversified across seven different facilities and five major banks

# Continued outperformance

## Focus on performance[1]

Cromwell's focus is on delivering superior long term property and investment performance.

Returns to securityholders are measured by comparing Cromwell to the S&P/ASX A-REIT 300 Accumulation Index. This index is considered to be an appropriate benchmark as it broadly captures the total return performance of all major A-REITs, weighted by market capitalisation.

Cromwell aims to outperform this index over rolling 3 and 5 year periods reflecting Cromwell's focus on returns over the medium to long term.

Cromwell has significantly outperformed the index, with excess returns of 9.3% pa over 3 years and 12.7% pa over 5 years.

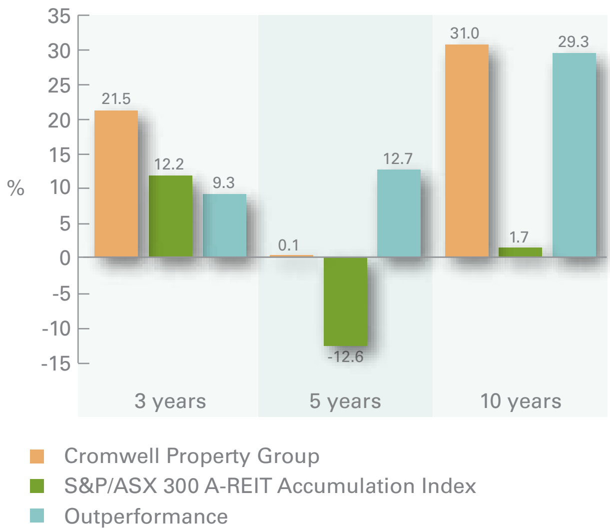
Cromwell measures its effectiveness as a property manager by comparing total annual returns from all Cromwell managed properties (including assets in unlisted funds) against the IPD Australian All-Fund Universe.

This benchmark is considered appropriate because it is a broad-based property index which measures total returns from a $134 billion portfolio of investment properties managed by over 70 managers including the majority of larger A-REITs and property fund managers.

Cromwell aims to outperform this index over rolling 3, 5 and 10 years and has successfully done so with excess returns of 2.0% pa, 2.5% pa and 2.6% pa respectively.

*"Cromwell has significantly outperformed the index, with excess returns of 9.3% pa over 3 years and 12.7% pa over 5 years."*

### TOTAL SECURITYHOLDER RETURNS TO JUNE 2012 (Annualised)




### DIRECT PROPERTY RETURNS TO JUNE 2012 (Annualised)


(1) Past performance is no indication of future performance

475-501 Victoria Avenue, Chatswood, NSW

HQ North Tower, Fortitude Valley, QLD

## Major ASX Announcements

**11**
NOV 2011

### Acquisition of Ipswich City Heart Property

Cromwell acquires Ipswich City Heart office property for new syndicate, seed funded from a $28 million institutional placement.

**22**
NOV 2011

### Acquisition of HQ North office tower

Cromwell acquires the award-winning HQ North office tower in Fortitude Valley, Brisbane for $186 million funded by a $31 million placement and a c. $75 million partially underwritten entitlement offer.

**20**
DEC 2011

### Ipswich City Heart Trust launched

Cromwell launches a PDS to raise up to $49.25 million for the unlisted Cromwell Ipswich City Heart Trust. The Trust owns the Ipswich City Heart Building.

HQ North Tower, Fortitude Valley, QLD

Synergy Building, Kelvin Grove, QLD

# 23 DEC 2011

## Re-acquisition of Bundall Corporate Centre

Cromwell announces re-acquisition of the Bundall Corporate Centre on the Gold Coast for $63.4 million. Cromwell had previously purchased the asset in December 2005 for $52.9 million and sold it in October 2007 for $106 million.

# 27 FEB 2012

## Strong First Half

Cromwell reports a 13% increase in first half operating earnings to $37 million.

# 30 MAY 2012

## Sale of Industrial Property

Cromwell sells the Masters Distribution Centre at Hoppers Crossing in Victoria for $35.35 million, in line with its carrying value.

# Property portfolio highlights

## Key transactions

- Acquisition of award-winning HQ North Tower, Brisbane for $186m. The building is near new with rent increases of 4.2%pa expected for the next 4 years.
- Acquisition of Bundall Corporate Centre, Gold Coast for $63m. Occupancy increased to 91% by June 2012 from 86% at purchase.
- Sale of Masters Distribution Centre at Hoppers Crossing Victoria for $39m due to low yield in low growth market.

## Continuing portfolio improvement

- Average asset value increased to $78.4m from $68.8m in FY11
- Weighted Average Capitalisation Rate increased slightly to 8.28% from 8.18% in FY11 due to higher yielding assets having been acquired
- NABERS Energy Rating up to 4.1 Stars from 3.8 Stars in FY11
- Office assets increased from 90% to 93% of portfolio

## Defensive portfolio characteristics

- WALE of 6.2 years is one of the longest in the sector
- 84% of gross income from government or listed company tenants
- Balanced exposure to Brisbane, Sydney, Melbourne, Canberra (89% of portfolio)
- Average of only 6.3% annual lease expiry FY13 – FY15

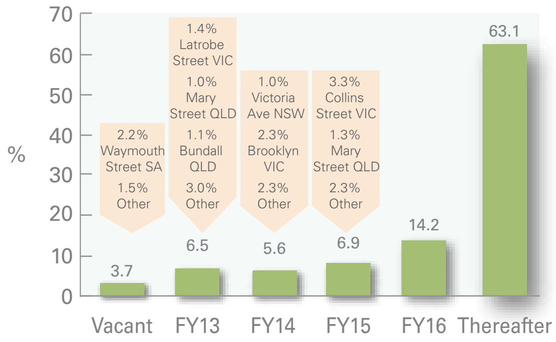
**$1.7 billion**
Portfolio value
(excluding unlisted fund assets)

**96.4%**
Occupancy

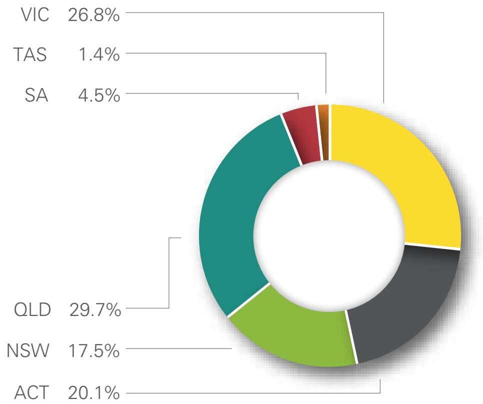
**6.2 yrs**
Weighted average lease term (WALT)

**½ million**
Square metres of net lettable area (NLA)

## Lease expiry profile
## % gross income by financial year



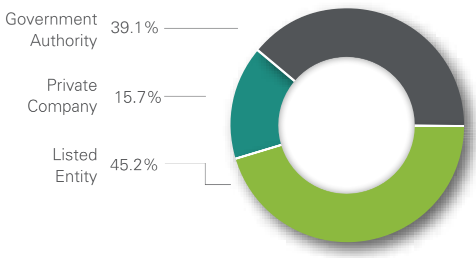

## Geographic diversification by gross income



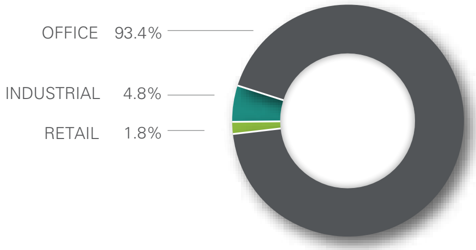

## Portfolio NABERS rating[1]


1 NABERS assessments are not undertaken for some assets where the tenant has full operational control and manages the total resource consumption.

## Tenant classification by gross income




## Sector diversification by gross income



# CEO's review

Paul Weightman

## Quality and diversification

Despite a challenging economic environment, FY12 was a rewarding and successful year for Cromwell. We achieved record earnings, continued to consolidate and improve our portfolio and grow our funds management business. Our operating earnings increased 23% to $80.01 million underpinned by a sustainable 28 per cent increase in net income from property to $150.97 million.

The key drivers of the revenue surge were renewed earnings from the 321 Exhibition Street office tower in Melbourne which was comprehensively refurbished in the previous financial year, and income from the newly-acquired HQ North Tower in Brisbane and Bundall Corporate Centre on the Gold Coast.

Excluding the impact of these new assets, our like-for-like net property earnings still increased by a solid 6.8% in 2012. This revenue growth demonstrates the value of Cromwell's strong leasing profile which, combined with our in-house management skills, enabled Cromwell to get the best out of each of our properties. As at 30 June, 2012, Cromwell's portfolio was 96.4% leased with a long Weighted Average Lease Term (WALT) of 6.2 years.

The quality and diversification of our assets is a key factor underpinning Cromwell's performance and these two new assets have considerably enhanced the overall portfolio.

The $63.5 million Bundall Corporate Centre acquisition in December, 2011, was an opportunistic step which we believe will provide significant benefits over time. We originally purchased the asset, which was then known as Corporate Centre One, for $52.9 million in December 2005 and later sold it in October 2007 for $106 million. We have reacquired the centre for approximately half that price, despite it being improved by the development of an additional building, the Wyndham Corporate Centre, which is a 5 star Green Star rated building with a net lettable area of approximately 8,000m$^2$.

The decision to acquire the Bundall Corporate Centre reflected our confidence not just in the asset but also in the South East Queensland market in general and the Gold Coast in particular where we believe there is substantial future upside.

Approximately two thirds of the land at the Bundall Corporate Centre is currently being used as car parking, this provides us with the opportunity for further substantial development over time for a range of commercial and residential uses. We know the property well, having previously owned and managed it, and are happy to have it back in our portfolio.

In Brisbane, our $186 million acquisition of the HQ North office tower on an initial yield of 8.26% was another significant step in the upgrading of our investment portfolio towards larger, high quality office assets in predominantly CBD core and fringe markets.

Since June 2008, Cromwell has acquired five assets with an average value of $132m, a cap rate of 8.2% and a WALT of 8.7 years. We have sold six assets with an average value of $9m, a cap rate of 9.1% and WALT of 3.4 years.

We plan to continue to upgrade the portfolio, with further smaller assets identified for sale over the medium term, and the capital recycled into higher quality assets.

HQ North, located in Fortitude Valley adjoining the CBD, also provides additional weighting to the Brisbane office market where we believe there is growth potential over the medium term. HQ North was completed in 2010 and was the winner of the national Urban Taskforce 2011 Development of the Year Award. It was also Awarded a 6 Star Green Star Office As Built rating, making it the largest development in Australia with this rating.

*"Cromwell Phoenix Property Securities Fund continued its strong record of outperformance, again winning Cromwell the title of Fund Manager of the Year (Australian Property Securities), from Money Management/Lonsec."*

As a part of our capital recycling process we also disposed of the Masters Distribution Centre at Hoppers Crossing in Victoria for $35.35 million, in line with its carrying value.

This has been an exciting year for our funds management business, with the launch of our latest back-to-basics unlisted property syndicate, the $49.25 million Cromwell Ipswich City Heart Trust (ICH). The trust owns the land and will fund construction of the $93 million Ipswich City Heart building in Ipswich, Queensland.

The ICH is a 7-year single property syndicate which commenced distributions at the attractive rate of 7.75% pa paid monthly. Distributions increased to 8.00% pa in July 2012.

Like the successful Cromwell Riverpark Trust before it, ICH's income is underpinned by a long term pre-commitment from a blue chip tenant, in this case the Queensland Government which has signed a 15-year lease over 91% of the building's net lettable area.

This year, Cromwell made its first move into wholesale funds management with the launch of Cromwell Real Estate Partners which will operate from our expanded Sydney office.

We are also pleased that the Cromwell Phoenix Property Securities Fund continued its strong record of outperformance, again winning Cromwell the title of Fund Manager of the Year (Australian Property Securities), from Money Management/Lonsec.

After the end of the financial year, Cromwell proposed a merger with the unlisted Cromwell Property Fund (CPF), with consideration to be paid in Cromwell securities on an NTA for NTA basis.

The transaction was subsequently approved overwhelmingly by CPF unitholders and the transaction has since been competed.

The transaction resulted in Cromwell effectively acquiring the five properties held by CPF, which were valued at approximately $168 million as at 30 June 2012. The transaction provides stable distributions and a liquidity option for CPF investors, while enabling Cromwell to acquire a portfolio of value-add properties with minimal transaction costs.

Looking forward, the outlook for the Group remains positive despite the continued sluggish pace of economic growth and the cautious mood of consumers and investors.

We expect to achieve at least modest growth in both operating earnings and distributions per security in 2013, underpinned by our strong property portfolio and continuing growth in our funds management business.

Paul Weightman
Managing Director / CEO

well versed well timed well considered

# FINANCIALS

## Cromwell Property Group
annual financial report 30 June 2012

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Cromwell Corporation Limited
ABN 44 001 056 980
Level 19, 200 Mary Street
Brisbane QLD 4000

Cromwell Diversified Property Trust
ARSN 102 982 598

Responsible Entity:
Cromwell Property Securities Limited
ABN 11 079 147 809 AFSL: 238052
Level 19, 200 Mary Street
Brisbane QLD 4000

# Directors report

The directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as Responsible Entity for the Cromwell Diversified Property Trust (collectively referred to as "the Directors") present their report together with the consolidated financial statements for the year ended 30 June 2012 for both:

- the Cromwell Property Group ("the Group") consisting of Cromwell Corporation Limited ("the Company") and its controlled entities and Cromwell Diversified Property Trust ("the CDPT") and its controlled entities; and
- the CDPT and its controlled entities ("the Trust").

The shares of the Company and units of the CDPT are combined and issued as stapled securities in the Group. The shares of the Company and units of the Trust cannot be traded separately and can only be traded as stapled securities.

## 1. Directors & Officers

### (a) Directors

The persons who were Directors at any time during the financial year and up to the date of this report (unless otherwise stated) were:

#### Mr Geoffrey Levy (AO) – Chairman

Mr Levy has extensive public company executive and directorship experience and is the former Chief Executive Officer and current Deputy Chairman of Investec Bank (Australia) Ltd. He is currently Chairman of ASX listed Speciality Fashion Group Limited, and Monash Private Capital. He was appointed an Officer in the Order of Australia in the Queen's Birthday Honours List in June 2005. He has also been appointed by the NSW State Government to chair its Property Asset Utilisation Taskforce.

#### Mr Robert Pullar – Non-Executive Director

Mr Pullar is a Director of the Brisbane based property development company operating in Australia, Citimark Properties. He was previously a partner with chartered accounting firm Douglas Heck and Burrell, specialising in property investment, taxation and corporate reorganisation. Mr Pullar is a member of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. He is Chairman of Cromwell's Nomination & Remuneration Committee, Chairman of Cromwell's Investment Committee and a member of Cromwell's Audit & Risk Committee.

#### Ms Michelle McKellar – Non-Executive Director

Ms McKellar has a wealth of property and portfolio management experience having held Chief Executive positions with CB Richard Ellis throughout Asia Pacific and subsequently the Jen Group of Companies overseeing the development and management of a significant commercial and retail portfolio. She is a senior member of the Property and Land Economy Institute, a member of the Australian Institute of Company Directors and operates her private property companies in Australia and NZ. Ms McKellar is a member of Cromwell's Nomination & Remuneration, Audit & Risk and Investment Committees.

#### Mr David Usasz – Non-Executive Director

Mr Usasz has 20 years experience as partner with PricewaterhouseCoopers and has been involved in merger and acquisition advice, accounting and financial consultancy, specialising in corporate re-organisations. He is Chairman of Queensland Mining Corporation Limited. He holds a Bachelor of Commerce and is a Fellow of the Institute of Chartered Accountants. Mr Usasz is Chairman of Cromwell's Audit & Risk Committee and a member of Cromwell's Nomination & Remuneration Committee.

#### Mr Richard Foster – Non-Executive Director

Mr Foster is a licensed real estate agent with substantial experience in the real property industry specialising in large-scale property acquisition for most of his professional life. He has also been closely involved with the acquisition and marketing of direct property investments valued in excess of $1.2 billion. He has had substantial input to the growth and development of the business and the Group's investment products. Mr Foster is a member of Cromwell's Nomination & Remuneration and Investment Committees.

#### Mr Marc Wainer – Non-Executive Director

Mr Wainer has more than 35 years experience in the property industry in South Africa, including founding Investec Property Group, Investec Bank's property division. Marc is Chief Executive Officer and an Executive Director of listed South African property group Redefine Properties which he founded, and a director of Redefine International plc, a listed property investment company which is a substantial securityholder of Cromwell Property Group. He also is a non-executive director of Hyprop Investments Limited, a South African listed retail property fund.

#### Mr Michael Watters – Non-Executive Director

Mr Watters was appointed in April 2011, is a registered professional engineer with a BSc Eng. (Civil) Degree and an MBA and has over 25 years experience in the investment banking and real estate industries. He has held directorships of some of South Africa's top rated listed property funds including Sycom Property Fund and Hyprop Investments Limited. He is the CEO of the Redefine International Group.

#### Mr Paul Weightman – Managing Director/ Chief Executive Officer

Mr Weightman practised as a solicitor for more than 20 years, and holds degrees in commerce and law. He has extensive experience in property development and investment, financial structuring, public listings, mergers and acquisitions, revenue matters and joint ventures. Mr Weightman was Cromwell's Executive Chairman from 1998 until the appointment of Mr Levy in April 2008, and has acted as Chief Executive Officer since that date. He has been a director of companies in the property, energy and retail sectors. Mr Weightman is a member of Cromwell's Investment Committee.

### Geoffrey H Levy, AO
NON-EXECUTIVE CHAIRMAN
5/29*

### Paul Weightman
MANAGING DIRECTOR / CEO
14/29*

### Daryl Wilson
DIRECTOR – FINANCE & FUNDS MANAGEMENT
13/22*

### Robert Pullar
NON-EXECUTIVE DIRECTOR
10/27*

### Michelle Mckellar
NON-EXECUTIVE DIRECTOR
6/29*

### Michael Watters
NON-EXECUTIVE DIRECTOR
3/27*

### Richard Foster
NON-EXECUTIVE DIRECTOR
14/44*

### Marc Wainer
NON-EXECUTIVE DIRECTOR
3/37*

### David Usasz
NON-EXECUTIVE DIRECTOR
6/35*

* YEARS WITH CROMWELL / YEARS EXPERIENCE

### Mr Daryl Wilson – Director – Finance & Funds Management

Mr Wilson joined Cromwell in August 1999 and has primary responsibility for the finance and funds management functions. Mr Wilson has lead the development of Cromwell's funds management capabilities, and has many years experience as a chartered accountant. He holds a Bachelor of Commerce and a Diploma of Financial Planning. Mr Wilson is a member of Cromwell's Investment Committee.

### Mr Michael Flax – Alternate Director

Mr Flax was an Alternate Director to Mr Marc Wainer and resigned on 1 August 2011.

### Mr Geoffrey Cannings – Alternate Director

Mr Cannings is an Alternate Director to Mr Michael Watters and was appointed on 1 August 2011.

All Directors of the Company are also Directors of Cromwell Property Securities Limited, the Responsible Entity of the CDPT.

## (b) Directorships of other listed entities in last 3 years

Mr Levy has been a Director of Specialty Fashion Group since 8 April 2005. Mr Levy was a director of STW Group Limited from 24 November 1993 until his resignation from the Board on 1 July 2008.

Mr Usasz has been a Director of Queensland Mining Corporation Limited since 15 June 2007.

Mr Wainer is a Director of Redefine International plc, a property investment company which is listed on the London Stock Exchange and a Director of Redefine Properties, a property group which is listed on the Johannesburg Stock Exchange.

Mr Watters is a Director of Redefine International plc, a property investment company which is listed on the London Stock Exchange.

No other Director has been a director of any other listed company during the 3 years preceding the end of the financial year, and up to the date of this report.

## (c) Company secretary

### Ms Nicole Riethmuller

Ms Riethmuller has over 15 years experience as a corporate lawyer having worked primarily in the financial services industry. Prior to joining Cromwell, Nicole was General Counsel at the Queensland Investment Corporation where she headed the in-house legal team. Before that she was a Senior Associate in the Funds Management team at Minter Ellison lawyers in Sydney. Nicole has also been a lawyer and Assistant Company Secretary at Queensland Sugar Corporation. She has a Bachelor of Laws and a Bachelor of Commerce from the University of Queensland.

### (d) Directors' Meetings

The number of Directors' meetings (including meetings of committees of the Board) and number of meetings attended by each of the Directors of the Company during the financial year were:

| Director | Board | | Nomination & Remuneration Committee | | Audit & Risk Committee | | Investment Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Geoffrey Levy | 12 | 15 | – | – | – | – | – | – |
| Robert Pullar | 14 | 15 | 3 | 3 | 4 | 5 | 2 | 4 |
| Michelle McKellar | 15 | 15 | 3 | 3 | 5 | 5 | 4 | 4 |
| David Usasz | 15 | 15 | 3 | 3 | 5 | 5 | – | – |
| Richard Foster | 15 | 15 | 3 | 3 | – | – | 2 | 4 |
| Marc Wainer | 10 | 15 | – | – | – | – | – | – |
| Michael Watters (1) | 15 | 15 | – | – | – | – | – | – |
| Paul Weightman | 15 | 15 | – | – | – | – | 4 | 4 |
| Daryl Wilson | 15 | 15 | – | – | – | – | 4 | 4 |

A – Number of meetings attended B – Number of meetings eligible to attend

(1) Includes attendance by alternate director Geoffrey Cannings.

## 2. Principal Activities

The principal activities of the Group and Trust during the financial year consisted of property investment. The principal activities of the Group also includes property management, management of property related managed investment schemes and property development.

There were no significant changes in the nature of the Group's or Trust's principal activities during the financial year.

## 3. Dividends/Distributions

| Group | Dividend per Security | Distribution per Security | Total per Security | Total $'000 | Franked amt per Security | Record Date | Payment Date |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Interim distribution** | **–** | **1.75¢** | **1.75¢** | **16,920** | **–** | **04/10/11** | **16/11/11** |
| **Interim distribution** | **–** | **1.75¢** | **1.75¢** | **17,602** | **–** | **30/12/11** | **15/02/12** |
| **Interim distribution** | **–** | **1.75¢** | **1.75¢** | **20,027** | **–** | **30/03/12** | **16/05/12** |
| **Final distribution** | **–** | **1.75¢** | **1.75¢** | **20,470** | **–** | **29/06/12** | **16/08/12** |
| | **–** | **7.00¢** | **7.00¢** | **75,019** | **–** | | |
| 2011 | | | | | | | |
| Interim distribution | – | 1.75¢ | 1.75¢ | 15,919 | – | 14/10/10 | 17/11/10 |
| Interim distribution | – | 1.75¢ | 1.75¢ | 15,943 | – | 23/12/10 | 16/02/11 |
| Interim distribution | – | 1.75¢ | 1.75¢ | 16,243 | – | 25/03/11 | 18/05/11 |
| Final distribution | – | 1.75¢ | 1.75¢ | 16,883 | – | 30/06/11 | 19/08/11 |
| | – | 7.00¢ | 7.00¢ | 64,988 | – | | |

| Trust | Dividend per Security | Distribution per Security | Total per Security | Total $'000 | Franked amt per Security | Record Date | Payment Date |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Interim distribution** | **–** | **1.75¢** | **1.75¢** | **16,925** | **–** | **04/10/11** | **16/11/11** |
| **Interim distribution** | **–** | **1.75¢** | **1.75¢** | **17,607** | **–** | **30/12/11** | **15/02/12** |
| **Interim distribution** | **–** | **1.75¢** | **1.75¢** | **20,032** | **–** | **30/03/12** | **16/05/12** |
| **Final distribution** | **–** | **1.75¢** | **1.75¢** | **20,474** | **–** | **29/06/12** | **16/08/12** |
| | **–** | **7.00¢** | **7.00¢** | **75,038** | **–** | | |
| 2011 | | | | | | | |
| Interim distribution | – | 1.75¢ | 1.75¢ | 15,923 | – | 14/10/10 | 17/11/10 |
| Interim distribution | – | 1.75¢ | 1.75¢ | 15,947 | – | 23/12/10 | 16/02/11 |
| Interim distribution | – | 1.75¢ | 1.75¢ | 16,249 | – | 25/03/11 | 18/05/11 |
| Final distribution | – | 1.75¢ | 1.75¢ | 16,888 | – | 30/06/11 | 19/08/11 |
| | – | 7.00¢ | 7.00¢ | 65,007 | – | | |

## 4. Review of Operations and Results

### (a) Financial performance

The Group recorded a profit after tax of $23,077,000 for the year ended 30 June 2012 compared with a profit of $88,102,000 for the previous year. The Trust recorded a profit after tax of $24,359,000 for the year ended 30 June 2012 compared with a profit of $92,361,000 for the previous year.

The statutory profit/(loss) for the year includes a number of items which are non-cash in nature, occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities and in the opinion of the Directors, need to be adjusted for in order to allow securityholders to gain a better understanding of the Group and Trust's underlying profit from operations.

The most significant of these items impacting the profit of the Group for 2012 were:

- A decrease in the fair value of investment properties of $12,353,000 (2011: increase of $33,659,000); and
- A decrease in the fair value of interest rate derivatives of $38,483,000 (2011: $1,920,000).

Underlying valuations for investment properties increased by $773,000 during the year, net of property improvements, leasing incentives and lease costs. However the effective writing off of costs of acquiring the HQ North and Bundall properties during the year and other adjustments led to an overall decrease in fair value of $12,353,000.

| | Group | |
|---|---|---|
| | 2012 $'000 | 2011 $'000 |
| Increase in valuations, net of property improvements, lease costs and incentives | **773** | 46,084 |
| Non-cash adjustments for straight-lining of rentals and lease amortisation | **813** | 890 |
| Acquisition transaction costs | **(13,939)** | (13,315) |
| **Gain/(loss) on fair value of investment properties** | **(12,353)** | 33,659 |

The financial result also included a decrease in fair value of the interest rate derivatives (contracts) held by the Trust of $38,483,000. This was as a result of decreases in future expectations for variable interest rates at June 2012, compared to June 2011.

The Group had hedged future interest rates through contracts over 97% of its debt at 30 June 2012 to minimise the risk of changes in interest rates in the future. These contracts expire between July 2012 and September 2017 and can be valued. Although the valuation process is relatively complex, the value is essentially determined by the difference between the actual interest rates which have been agreed under the contract and what the market forward interest rates are at the date of the valuation. Market rates, and hence valuations, change daily, but the value at the end of an interest rate contract will always be nil. Accounting standards require the Group to account for the value of any fixed rate interest hedges in the balance sheet as an asset or liability and to adjust for any difference in the income statements, even though if they are held to maturity the asset or liability will unwind over the term of the contract.

## (b) Operating profit

Profit from operations is considered by the Directors to reflect the underlying earnings of the Group and is a key metric taken into account in determining distributions for the Group and Trust, but is a measure which is not calculated in accordance with International Financial Reporting Standards ("IFRS") and has not been audited or reviewed by the Group and Trust's auditor.

Profit from operations has been calculated consistently since stapling of the Group in 2007.

A reconciliation of profit from operations, as assessed by the Directors, to the reported profit for the year is as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Profit from operations | **80,010** | 65,297 | **80,752** | 66,112 |
| *Reconciliation to profit for the year* | | | | |
| Loss on sale of investment properties | **(331)** | (195) | **(331)** | (195) |
| Loss on sale of other assets | **(44)** | – | **–** | – |
| Fair value net gains/(write-downs): | | | | |
| Investment properties | **(12,353)** | 33,659 | **(12,353)** | 33,659 |
| Interest rate derivatives | **(38,483)** | (1,920) | **(38,483)** | (1,920) |
| Investments at fair value through profit or loss | **(173)** | 604 | **(173)** | 604 |
| Property development inventories | **200** | (3,695) | **–** | – |
| Non-cash property investment income/(expense): | | | | |
| Straight-line lease income | **6,892** | 4,883 | **6,892** | 4,883 |
| Lease incentive and lease cost amortisation | **(7,705)** | (5,773) | **(7,705)** | (5,773) |
| Other non-cash expenses: | | | | |
| Amortisation of finance costs | **(2,560)** | (2,042) | **(2,833)** | (2,770) |
| Employee options expense | **(601)** | (333) | **–** | – |
| Amortisation and depreciation | **(604)** | (542) | **–** | – |
| Relating to equity accounted investments[1] | **(993)** | (1,594) | **(993)** | (1,594) |
| Net tax losses incurred/(utilised)[2] | **(178)** | (247) | **–** | – |
| Net profit/(loss) attributable to non-controlling interest | – | **–** | **(414)** | (645) |
| **Net profit for the year** | **23,077** | **88,102** | **24,359** | **92,361** |

(1) Comprises fair value adjustments included in share of profit of equity accounted entities.

(2) Comprises tax expense attributable to changes in deferred tax assets recognised as a result of carried forward tax losses.

Profit from operations for the year was $80,010,000 (2011: $65,297,000). This was derived entirely from property investment.

Net operating earnings from the property portfolio, after property outgoings costs was $150,158,000 for the year, an increase of 28% on the previous year. The majority of this increase was attributable to the HQ North and Bundall Corporate Centre investment properties acquired during the year.

The Group also measures the change in like for like net property earnings, taking into account only properties held in both the current and previous financial years. On this basis, net property earnings increased by 6.8% in 2012. This demonstrates the value of the strong leasing profile of the Group combined with the in house management which enables Cromwell to get the best out of each property.

The other key impact on profit from operations was an increase in interest expense to $61,963,000 (2011: $45,397,000). This increase occurred mostly as a result of the additional borrowings for properties acquired during the year, although the average interest cost fell slightly during the year from 7.05% to 6.93%. This fall in average rate reflected lower variable interest rates as the Reserve Bank reduced the cash rate during the year.

## (c) Earnings and Distributions per stapled security

Profit from operations on a per security basis is considered by the Directors to be the most important measure of underlying financial performance as it excludes certain volatile and non-cash items but includes the impact of changes in the number of securities on issue.

| | 2012<br>Cents | 2011<br>Cents |
|---|---|---|
| Profit per security | **2.2** | 9.6 |
| Profit from operations per security | **7.5** | 7.1 |
| Distributions per security | **7.0** | 7.0 |

Profit from operations attributable to stapled securityholders was 7.5 cents (2011: 7.1 cents) per weighted average stapled security. This represents an increase of approximately 6% which is considered a very satisfactory outcome given the somewhat difficult market environment over the year.

Distributions paid for the year were 7.0 cents (2011: 7.0 cents), including a June 2011 quarter distribution of 1.75 cents per stapled security paid on 16 August 2012. Although there was no growth in distributions per security in 2012, this remains a key priority in the future.

## (d) Financial Position

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Total assets ($'000) | **1,837,601** | 1,539,428 | **1,820,045** | 1,531,741 |
| Net assets ($'000) | **788,989** | 705,160 | **774,720** | 699,643 |
| Net tangible assets ($'000) (1) | **787,442** | 703,636 | **774,720** | 699,643 |
| Net debt ($'000) (2) | **905,024** | 737,037 | **913,156** | 742,532 |
| Gearing (%) (3) | **51%** | 49% | **52%** | 50% |
| Securities issued ('000) | **1,169,689** | 964,737 | **1,169,964** | 965,012 |
| NTA per security | **$0.67** | $0.73 | **$0.66** | $0.73 |
| NTA per security (excluding interest rate swaps) | **$0.71** | $0.73 | **$0.70** | $0.73 |

(1) Net assets less deferred tax asset and intangible assets.

(2) Borrowings less cash and cash equivalents and restricted cash.

(3) Net debt divided by total assets less cash and cash equivalents.

A total of 8 property assets were externally revalued at June 2012, representing approximately 48% of the property portfolio by value. The balance of the portfolio was the subject of internal valuations (determined by the directors to be fair value) having regard to previous external valuations and comparable sales evidence. The weighted average capitalisation rate (WACR) was 8.28% across the portfolio, compared with 8.18% at June 2011.

Net debt has increased due to the additional borrowings of $181,059,000 primarily relating to the acquisition of the HQ North and Bundall Corporate Centre investment properties. Gearing increased slightly during the year to 51% from 49% at June 2011 but remains within the preferred range of 35-55%.

Stapled securities on issue have increased by 204,951,628 during the year. This occurred through a combination of placements to institutional and other wholesale investors, a rights issue to existing securityholders and the distribution re-investment plan (DRP). The average issue price of all stapled securities during the year was 68 cents.

NTA per security has decreased during the year from $0.73 to $0.67, primarily as a result of the decreases in fair value of the interest rate derivatives. NTA per security excluding the value of interest rate contracts (which will have no value at the end of their term) fell slightly from $0.73 to $0.71 which is mostly attributable to stamp duty costs of acquiring HQ North and Bundall and costs of issuing stapled securities.

### (e) Outlook

The outlook remains positive for the Group, despite the continuing sluggish pace of economic growth.

The Groups' property portfolio is expected to continue to deliver consistent earnings. The performance of the investment property portfolio reflects the benefits of Cromwell's integrated property management and tenant relationship activities. The portfolio was 96.4% leased at year-end, with a 6.2 year weighted average lease term. Importantly, tenant quality is also exceptional, with 39% of rental income at balance date underpinned by Government or Government owned/funded entities, and a further 45% from listed companies or their subsidiaries.

The Group expects to achieve at least modest growth in both operating earnings and distributions per security in 2013, underpinned by this strong property portfolio and the funds management business, which has the potential to return to a period of significant growth in future years.

The Group also aims to grow net tangible assets per security in 2013 and to maintain gearing below 55%.

## 5. Significant Changes in the State of Affairs

Changes in the state of affairs of the Group during the financial year are set out within the financial report.

There were no significant changes in the state of affairs of the Group during the financial year other than as disclosed in this report and the accompanying financial report.

## 6. Subsequent Events

Other than as set out in note 40 of the financial report, no matter or circumstance has arisen since 30 June 2012 that has significantly affected or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

## 7. Likely Developments

The Group will continue to pursue activities which increase profitability of the Group, and create value for securityholders. Further information in relation to likely developments, and the impact on the operations of the Group, has not been included in this report as the Directors believe it would result in unreasonable prejudice to the Group.

## 8. Environmental Regulation

The Directors are not aware of any particular and significant environmental regulation under a law of the Commonwealth, State or Territory relevant to the Group.

## 9. Directors' Interests

The interests of current Directors in stapled securities of the Group at the date of this report are as follows:

| | Stapled Securities | Performance Rights | Options over Securities |
|---|---|---|---|
| Geoffrey Levy | 2,576,846 | – | – |
| Robert Pullar | 14,000,000 | – | – |
| Michelle McKellar | 454,500 | – | – |
| David Usasz | 2,320,000 | – | – |
| Richard Foster | 4,061,765 | – | – |
| Marc Wainer | – | – | – |
| Michael Watters | – | – | – |
| Geoffrey Cannings | 58,000 | – | – |
| Paul L Weightman | 15,921,167 | 4,000,000 | – |
| Daryl J Wilson | 1,972,200 | 1,740,000 | – |
| | **41,364,478** | **5,740,000** | **–** |

## 10. Options and Performance Rights

### (a) Securities under option through the Performance Rights Plan

The Group issues in-substance options over stapled securities through the issue of performance rights under the Performance Rights Plan ("PRP"). At the date of this report, performance rights on issue are as follows:

| Date granted | Exercise date | Exercise price | Expiry date | Number |
|---|---|---|---|---|
| 23/08/10 | 21/08/12 – 21/09/12 | $0.00 | 21/09/12 | 170,287 |
| 23/08/10 | 21/08/12 – 21/09/12 | $0.10 | 21/09/12 | 123,459 |
| 23/08/10 | 21/08/13 – 21/09/13 | $0.00 | 21/09/13 | 101,378 |
| 23/08/10 | 21/08/13 – 21/09/13 | $0.10 | 21/09/13 | 47,433 |
| 23/08/10 | 21/08/13 – 21/09/13 | $0.20 | 21/09/13 | 95,894 |
| 07/03/10 | 01/07/13 – 01/08/13 | $0.00 | 01/08/13 | 97,633 |
| 26/05/11 | 01/07/13 – 01/10/13 | $0.50 | 01/10/13 | 1,913,333 |
| 26/05/11 | 01/07/14 – 01/10/14 | $0.50 | 01/10/14 | 1,913,333 |
| 26/05/11 | 01/07/15 – 01/10/15 | $0.50 | 01/10/15 | 1,913,334 |
| 05/09/11 | 06/09/14 – 05/10/14 | $0.20 | 05/10/14 | 393,679 |
| 05/09/11 | 06/09/14 – 05/10/14 | $0.00 | 05/10/14 | 590,622 |
| 05/09/11 | 06/09/14 – 05/10/14 | $0.10 | 05/10/14 | 52,851 |
| | | | | **7,413,236** |

No holder has any right under the performance rights to participate in any other security or interest of the Company or any other entity, except that performance right holders have a matching in-substance option for units in Cromwell Diversified Property Trust as a result of the Group's stapling arrangement.

No other form of option is on issue at the date of this report.

### (b) Securities issued on the exercise of performance rights through the Performance Rights Plan

The following stapled securities were issued during the year ended 30 June 2012 on the exercise of performance rights granted under the PRP. No further securities have been issued as a result of the exercise of performance rights since that date. No amounts are unpaid on any of the securities.

| Date performance rights granted | Issue Price of Securities | No. of Securities Issued |
|---|---|---|
| 16 December 2009 | $0.20 | 659,600 |
| 8 February 2010 | $0.00 | 126,859 |
| | | **786,459** |

## 11. Remuneration Report

The remuneration report is presented for the financial year ending 30 June 2012. The report forms part of the Directors Report and has been prepared and audited in accordance with the requirements of the Corporations Act 2001.

This report outlines the remuneration for Non-Executive Directors, Executive Directors and other Key Management Personnel. The report is set out under the following headings:

(a) Remuneration principles

(b) Details of remuneration

(c) Performance assessment

(d) Equity based compensation

(e) Employment contracts and termination provisions

### (a) Remuneration principles

#### *(i) Governance*

The Group has appointed a nomination and remuneration committee ("Committee"). The Committee has overall responsibility for the remuneration strategy of the Group. The Committee also advises the Board on remuneration policy and practices. The Committee is chaired by Mr RJ Pullar, a Non-Executive Director. External consultants are appointed to advise the Committee as required.

### (ii) Remuneration policy

Cromwell Property Group is committed to a fair and transparent remuneration strategy. It is considered imperative that the remuneration strategy is aligned with the Group's overall strategy. The Group aims to deliver increases in operating earnings per security, distributions per security and net tangible asset value per security (excluding interest rate swaps) on an annual basis. The Group also aims to outperform the S&P/ASX 300 accumulation index over rolling 3 and 5 year periods. These aims are taken into account and this is reflected in the remuneration strategy and structure.

Key Management Personnel are rewarded with a mixture of fixed remuneration, short term incentives and long term incentives, designed to allow the Group to retain and motivate key employees.

The Board's policy on the nature and amount of remuneration encompasses the following objectives:

- **Fixed pay:** Key Management Personnel are remunerated at the market median level of their fixed pay adjusted for factors such as the external market environment and the employee's position, qualifications, period of service and responsibility within the Group. In assessing the level of fixed pay relative to the market, significant weighting is given to the employees period of service and their performance over the total employment period.
- **Short term incentives:** Short term incentives are generally included as part of the remuneration package for those employees that can have a material impact on the key marginal drivers of operating earnings in any given financial year. These include such factors as leasing outcomes and changes in property earnings, interest expense, funds management earnings and changes in the investment property portfolio. The Group does not generally take into account non-financial performance indicators in assessing short term incentives. Short term incentives are available to a number of employees and are generally paid as cash bonuses. For all Key Management Personnel except the Chief Executive Officer and Non-Executive Directors, the Chief Executive Officer is responsible for setting key performance indicator targets and assessing annually whether these targets have been met. The key performance indicator targets for the Chief Executive Officer are set, revised and reviewed annually by the Committee or the Board.
- **Long term incentives:** These are considered to be both a retention tool for employees who are considered key to the longer term succession of the Group and a reward for exceptional performance in a financial year. The maximum value of performance rights issued is generally limited to 25% of the annual fixed remuneration of any employee during the period from grant date to vesting date. Long term incentives are offered by way of the issue of performance rights which, if they vest, allow the employee to obtain stapled securities at a discount to market value. This allows employees to align themselves with securityholders by having a financial interest in the long term value of the Group's security price. For any given dollar value, a higher discount causes the number of the performance rights offered to decrease. The use of the discount is intended to reduce or avoid the need for employees to obtain significant funding or to sell a substantial number of securities to fund the exercise of performance rights on vesting.

The number of Key Management Personnel participating in the PRP during the year was 8 (2011: 9). The number of performance rights allocated to Key Management Personnel at balance date was 6,663,935 (2011: 6,842,136).

### (iii) External environment

The unemployment rate during the year remained below the 10-year median. This continues to cause labour market constraint which was evident in Brisbane where approximately 80% of the Groups' employees are based. The Brisbane market continues to remain very competitive, partly as a result of significant competition from the resource sector for employees.

### (iv) Non-executive directors remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board determines remuneration of Non-Executive Directors within the maximum amount approved by securityholders from time to time. This maximum currently stands at $1,000,000 per annum in total for fees, having been increased from $700,000 at the 2011 Annual General Meeting, to be divided among the Non-Executive Directors in such a proportion and manner as they agree.

Non-Executive Directors are paid a fixed remuneration, comprising base fees or salary and superannuation (if applicable). Non-Executive Directors do not receive bonus payments or participate in security-based compensation plans, and are not provided with retirement benefits other than statutory superannuation.

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Chairman | **185,000** | 150,000 |
| Non-Executive Director | **85,000** | 75,000 |
| Audit & Risk Committee – Chairman | **18,000** | 18,000 |
| Audit & Risk Committee – Member | **12,000** | 12,000 |
| Nomination & Remuneration Committee – Chairman | **7,500** | 7,500 |
| Nomination & Remuneration Committee – Member | **5,000** | 5,000 |
| Investment Committee | **–** | – |

The Non-Executive Directors' fees were reviewed during the year, and increases applied from 1 November 2011 to reflect the specific responsibility of each Non-Executive Director and market factors. The current and previous rates are shown above. Non-Executive Directors fees had not previously been increased since the 2008 financial year.

### *Use of remuneration consultant*

In August 2011, to assist with the review of Non-Executive Directors' fees the Board employed the services of AON Hewitt to undertake a market review covering the composition and market competitiveness of Non-Executive Directors' fees (for the Board and each Committee), meeting frequency and company practices in relation to Non-Executive Director remuneration. Under the terms of the engagement, AON Hewitt provided remuneration recommendations and was paid $7,420 for these services.

The following arrangements were made to ensure the remuneration recommendations were free from undue influence:

- AON Hewitt was engaged by and reported directly to the Chairman of the Board;
- The report containing the remuneration recommendations was provided by AON Hewitt directly to the Chairman of the Board; and
- AON Hewitt was given access to senior management throughout the engagement to understand board processes and meeting frequencies.

Based on the above arrangements the Board is satisfied the recommendations were made free from undue influence.

## (b) Details of remuneration

Remuneration paid, payable, or otherwise made available, directly or indirectly, to key management personnel is set out below.

Key management personnel during the year were:

### *Non-Executive Directors:*

| | |
|---|---|
| Mr GH Levy (AO) | Chairman |
| Mr RJ Pullar | Director |
| Ms MA McKellar | Director |
| Mr DE Usasz | Director |
| Mr M Wainer | Director |
| Mr WR Foster | Director |
| Mr M Flax | Director (Alternate to Mr Wainer – resigned 1 August 2011) |
| Mr M Watters | Director |
| Mr G Cannings | Director (Alternate to Mr Watters – appointed 1 August 2011) |

### *Executive Directors:*

| | |
|---|---|
| Mr PL Weightman | Managing Director/Chief Executive Officer |
| Mr DJ Wilson | Director – Finance & Funds Management |

### *Other Senior Executives:*

| | |
|---|---|
| Mr B Binning | National Leasing Manager |
| Mr MJ Blake | National Head of Sales |
| Ms JA Clark | Transactions Manager, Property Licensee, Director of controlled entity |
| Mr PJ Cowling | Associate Director Transactions, Director of controlled entity |
| Mr DA Gippel | Group Treasurer, Director of controlled entity |
| Mr PW Howard | Chief Operating Officer – resigned 26 October 2011 |
| Ms NE Riethmuller | General Counsel/Company Secretary |

| | Short-term benefits<br>Cash salary and fees<br>$ | Short-term benefits<br>Accrued leave (1)<br>$ | Short-term benefits<br>Cash bonus<br>$ | Short-term benefits<br>Non-cash benefits<br>$ | Post-employment<br>Super-annuation<br>$ | Long-term benefits<br>Long service leave (1)<br>$ | Share-based payments<br>Options<br>$ | Total Remuneration<br>$ | % of Remun. that is performance based |
|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | |
| **Non-Executive Directors** | | | | | | | | | |
| GH Levy | 159,021 | – | – | – | 14,312 | – | – | 173,333 | – |
| RJ Pullar | 92,813 | – | – | – | 8,353 | – | – | 101,166 | – |
| MA McKellar | 98,667 | – | – | – | – | – | – | 98,667 | – |
| DE Usasz | 96,024 | – | – | – | 8,642 | – | – | 104,666 | – |
| M Wainer | 81,667 | – | – | – | – | – | – | 81,667 | – |
| WR Foster | 79,511 | – | – | – | 7,156 | – | – | 86,667 | – |
| M Watters(2) | 43,333 | – | – | – | – | – | – | 43,333 | – |
| G Cannings(3) | 12,232 | – | – | – | 963 | – | – | 13,195 | – |
| **Executive Directors** | | | | | | | | | |
| PL Weightman | 770,252 | (29,417) | 200,000 | 163,973 | 15,775 | 21,790 | 180,210 | 1,322,583 | 29% |
| DJ Wilson | 434,225 | (28,008) | 120,000 | – | 15,775 | 12,127 | 78,391 | 632,510 | 31% |
| **Other key management personnel** | | | | | | | | | |
| B Binning | 275,000 | 11,232 | 25,000 | – | 15,775 | 7,492 | 37,485 | 371,984 | 17% |
| M Blake | 260,471 | 11,293 | 27,520 | – | 15,775 | 11,195 | 23,934 | 350,188 | 15% |
| JA Clark | 202,999 | (2,670) | – | – | 15,775 | 8,080 | – | 224,184 | – |
| P Cowling | 300,000 | (8,705) | – | – | 15,775 | 11,954 | 15,110 | 334,134 | 5% |
| D Gippel | 275,000 | 5,398 | 75,000 | 19,186 | 15,775 | 13,105 | 95,327 | 498,791 | 34% |
| P Howard(4) | 96,980 | (13,161) | – | – | 5,868 | (5,071) | (10,144) | 74,472 | – |
| N Riethmuller | 275,000 | 17,189 | – | 2,009 | 15,775 | 3,759 | 37,272 | 351,004 | 11% |
| | **3,553,195** | **(36,849)** | **447,520** | **185,168** | **171,494** | **84,431** | **457,585** | **4,862,544** | |

(1) Annual and long service leave are accounted for on an accruals basis. The amounts represent the change in accrued leave during the year.
(2) Mr Watters was appointed on 4 April 2011 and commenced receiving director's fees on 1 November 2011.
(3) Mr Cannings was appointed as an alternate director for Mr Watters on 1 August 2011 and received a share of Mr Watters directors fees for the year.
(4) Mr Howard resigned on 26 October 2011. Unvested performance rights on issue to Mr Howard were forfeited on his resignation.

| | Short-term benefits<br>Cash salary and fees<br>$ | Short-term benefits<br>Accrued leave [(1)]<br>$ | Short-term benefits<br>Cash bonus<br>$ | Short-term benefits<br>Non-cash benefits<br>$ | Post-employment<br>Super-annuation<br>$ | Long-term benefits<br>Long service leave [(1)]<br>$ | Share-based payments<br>Options<br>$ | Total Remuneration<br>$ | % of Remun. that is performance based |
|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | |
| **Non-Executive Directors** | | | | | | | | | |
| GH Levy | 137,615 | – | – | – | 12,385 | – | – | 150,000 | – |
| RJ Pullar | 86,697 | – | – | – | 7,803 | – | – | 94,500 | – |
| MA McKellar | 91,367 | – | – | – | 633 | – | – | 92,000 | – |
| DE Usasz | 89,908 | – | – | – | 8,092 | – | – | 98,000 | – |
| M Wainer | 75,000 | – | – | – | – | – | – | 75,000 | – |
| WR Foster | 73,395 | – | – | – | 6,605 | – | – | 80,000 | – |
| M Watters[(2)] | – | – | – | – | – | – | – | – | – |
| M Flax[(3)] | – | – | – | – | – | – | – | – | – |
| **Executive Directors** | | | | | | | | | |
| PL Weightman | 776,901 | 102,385 | 200,000 | 157,900 | 15,199 | 17,353 | 38,459 | 1,308,197 | 18% |
| DJ Wilson | 434,801 | 2,485 | 120,000 | – | 15,199 | 18,037 | 17,372 | 607,894 | 23% |
| **Other key management personnel** | | | | | | | | | |
| B Binning | 250,000 | (2,462) | 75,000 | – | 15,199 | 5,040 | 42,103 | 384,880 | 21% |
| MJ Blake | 248,068 | (2,226) | 37,208 | – | 15,199 | 7,585 | 17,873 | 323,707 | 14% |
| JA Clark | 171,180 | 918 | – | 5,264 | 14,495 | 7,007 | 1,998 | 200,862 | 5% |
| P Cowling | 275,019 | 3,566 | – | – | 15,199 | 7,755 | 5,240 | 306,779 | 2% |
| DA Gippel | 250,000 | 9,383 | 65,000 | 20,289 | 15,199 | 9,854 | 142,853 | 512,578 | 14% |
| PW Howard | 234,801 | (7,443) | – | – | 15,199 | 2,461 | 10,144 | 255,162 | 4% |
| NE Riethmuller | 257,500 | (6,516) | – | – | 15,199 | 2,020 | 26,710 | 294,913 | 9% |
| | **3,452,252** | **100,090** | **497,208** | **183,453** | **171,605** | **77,112** | **302,752** | **4,784,472** | |

(1) Annual and long service leave are accounted for on an accruals basis. The amounts represent the change in accrued leave during the year.

(2) Mr Watters was appointed on 4 April 2011 and commenced receiving director's fees on 1 November 2011.

(3) Mr Flax was appointed as an alternate director for Mr Wainer and Mr Watters, and resigned on 1 August 2011. Mr Flax did not receive any remuneration.

## (c) Performance assessment

The Group's performance conditions are chosen to support the sustainable operation of the Group. Financial performance metrics are chosen with the aim of supporting or enhancing the operating earnings per security in any given financial year in a way that does not unduly increase the risk profile of the Group. Short term cash incentives are focused wholly on financial metrics. The remaining performance criteria are intended to facilitate growth within an appropriate framework such that the Group can outperform its peers in the longer term.

Although the specific performance criteria may be different for each KMP the overriding principles involve assessment of performance according to a traditional balanced scorecard methodology. The balanced scorecard assigns key performance indicators (KPIs) across broad categories. The KPIs are designed to align securityholder interests with Group goals in the short and long term. Individual KPIs are aligned with the Group's long term objectives. The balanced scorecard methodology assigns performance and responsibility criteria for all employees across four broad categories. These categories are:

Financial Measures: Includes both the performance of the Group and the employees' business unit. The Group focuses on maintaining individual securityholder alignment by using operating earnings per security as the major short term financial metric. Other short term financial metrics include distributions per security and changes in NTA per security (excluding interest rate swaps). The key long term financial metric is Total Securityholder Return ("TSR") over rolling 3 and 5 year periods relative to the S&P/ASX 300-A-REIT Accumulation Index.

Internal Business Measures: Concentrate on improvement of systems and processes to create efficiency and accuracy to support long term business growth. The processes emphasise adherence to governance requirements.

Customer Measures: The Group surveys securityholders, tenants, fund investors and other stakeholders to ascertain customer relationship trends and set KPIs for employees to meet the needs identified by those trends, and to coincide with longer term corporate objectives.

Innovation & Learning Measures: Focuses on the growth of individuals, departments and corporate culture to innovate and extend current capabilities throughout the Group.

The weightings of these categories for any individual are set and assessed in consideration of their responsibility and role.

In 2012 there were no non-financial performance conditions in the short term (cash) incentive plans. All short term conditions related to financial metrics occurring within the financial year 2012. The key short term financial measures for the last 5 years were:

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Operating profit ($'000) (as assessed by the Directors – see part 4(b) above) | **80,010** | 65,297 | 64,630 | 63,761 | 70,791 |
| Change over previous year | **+23%** | +1% | +1% | (10%) | +93% |
| Operating earnings per security (as assessed by the Directors – see part 4(c) above) | **7.5 cents** | 7.1 cents | 8.5 cents | 9.1 cents | 10.1 cents |
| Change over previous year | **6%** | (16%) | (12%) | (10%) | 91% |
| Distributions per security | **7.0 cents** | 7.0 cents | 8.0 cents | 9.0 cents | 9.0 cents |
| Change over previous year | **0%** | (13%) | (11%) | 0% | 102% |
| NTA per security | **$0.67** | $0.73 | $0.71 | $0.76 | $1.01 |
| Change over previous year | **(8%)** | 3% | (7%) | (25%) | 5% |
| NTA per security (excl. interest rate swaps) | **$0.71** | $0.73 | $0.71 | $0.77 | $0.98 |
| Change over previous year | **(3%)** | 3% | (8%) | (21%) | 4% |

The Group has established a Performance Rights Plan. For KMP, the ability to exercise the Performance Rights is generally conditional on the executive meeting internal performance hurdles including remaining employed by the Group for a specified period. The Group believes this allows employees to align themselves with securityholders by having a financial interest in the long term value of the Group's security price, which acts to maximise TSR.

TSR over 1, 3 and 5 years relative to benchmark indices is shown below: Given the Group's focus on medium and long term returns, focus is on performance over 3 and 5 year periods. The 1 year TSR analysis has been included for comparison purposes:

| Total Securityholder Returns (annualised) | 1 Year | 3 Year | 5 Year |
|---|---|---|---|
| TSR – Group | **9.9%** | **21.5%** | **0.1%** |
| TSR – S&P/ASX 300 A-REIT accumulation index | **11%** | **12.2%** | **(12.6%)** |
| **Group performance against S&P/ASX 300 A-REIT accumulation index** | **(1.1%)** | **9.3%** | **12.7%** |
| | | | |
| TSR – All Ord's accumulation index | **(7.0%)** | **5.9%** | **(4.1%)** |
| **Group performance against All Ord's accumulation index** | **16.9%** | **15.6%** | **4.2%** |

## Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the tables in section (b) above, the percentage of the available bonus or grant that was paid, or that vested, in the year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The performance rights are subject to vesting conditions as outlined above. No performance rights will vest if the conditions are not satisfied, hence the minimum value of performance rights yet to vest is $nil. The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed at balance date. References to options in the table below relate to performance rights.

| Name | Cash Bonus Paid % | Cash Bonus Forfeited % | Financial Year Options Granted | Options Vested in 2012 % | Options Forfeited in 2012 % | Financial Years Options may vest | Maximum value of grant to vest $ |
|---|---|---|---|---|---|---|---|
| PL Weightman | 80% | 20% | 2011 | – | – | 2014/15/16 | 308,613 |
| DJ Wilson | 80% | 20% | 2011 | – | – | 2014/15/16 | 134,249 |
| B Binning | 100% | – | 2010/2012 | **100%** (1) | – | 2015 | 38,992 |
| MJ Blake | 100% | – | 2011/2012 | – | – | 2014/2015 | 45,610 |
| JA Clark | – | – | – | – | – | – | – |
| P Cowling | – | – | 2012 | – | – | 2015 | 40,141 |
| PW Howard | – | – | 2011 | – | **100%** | – | – |
| DA Gippel | 100% | – | 2010/2012 | **100%** (1) | – | 2015 | 85,781 |
| NE Riethmuller | – | – | 2011/2012 | – | – | 2013/2015 | 20,229 |

(1) Relates to performance rights issued in 2010.

## (d) Equity based compensation

Details of the PRP are set out in part (a)(ii) of the remuneration report.

All Executive Directors and employees of the Group are considered for participation in the PRP subject to a minimum period of service and level of remuneration, which may be waived by the Committee. Grants to Executive Directors are subject to securityholder approval.

Consideration for granting performance rights, grant periods, vesting and exercise dates, exercise periods and exercise prices are determined by the Board or Committee in each case. Performance rights carry no voting rights. When exercised, each performance right is convertible into one stapled security.

The terms and conditions of each grant of performance rights under the PRP affecting remuneration for Key Management Personnel in the current or future reporting periods are included in the table below:

| Grant Date | Expiry Date | Exercise Price | No of Performance Rights Granted | Assessed Value per Right at Grant Date |
|---|---|---|---|---|
| 16/12/2009 | 15/01/2012 | $0.20 | 659,600 | 41.5¢ |
| 08/02/2010 | 07/03/2012 | – | 126,859 | 59.1¢ |
| 23/08/2010 | 21/09/2013 | $0.20 | 192,218 | 37.0¢ |
| 23/08/2010 | 21/09/2013 | $0.10 | 123,459 | 50.6¢ |
| 26/05/2011 | 01/10/2013 | $0.50 | 1,913,333 | 13.9¢ |
| 26/05/2011 | 01/10/2014 | $0.50 | 1,913,333 | 12.6¢ |
| 26/05/2011 | 01/10/2015 | $0.50 | 1,913,334 | 11.5¢ |
| 05/09/2011 | 05/10/2014 | $0.20 | 393,679 | 32.3¢ |
| 05/09/2011 | 05/10/2014 | $0.10 | 52,851 | 41.1¢ |
| 05/09/2011 | 05/10/2014 | – | 590,622 | 50.0¢ |

Details of changes during the 2012 year in performance rights on issue to Key Management Personnel under the PRP are set out below.

| | Opening balance | Granted during year | Exercised during the year | Forfeited during the year | Lapsed during year | Closing balance |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| PL Weightman | **4,000,000** | – | – | – | – | **4,000,000** |
| DJ Wilson | **1,740,000** | – | – | – | – | **1,740,000** |
| DA Gippel | **659,600** | **236,248** | **(659,600)** | – | – | **236,248** |
| B Binning | **126,859** | **107,386** | **(126,859)** | – | – | **107,386** |
| M J Blake | **95,894** | **136,932** | – | – | – | **232,826** |
| JA Clark | – | – | – | – | – | – |
| P Cowling | – | **171,165** | – | – | – | **171,165** |
| P Howard | **96,324** | – | – | **(96,324)** | – | – |
| N Reithmuller | **123,459** | **52,851** | – | – | – | **176,310** |
| | **6,842,136** | **704,582** | **(786,459)** | **(96,324)** | – | **6,663,935** |

The assessed fair value at grant date of performance rights granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in part (b) of the remuneration report. Fair value at grant date for performance rights with no market based vesting conditions are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the performance right, the security price at grant date, expected price volatility of the underlying securities, the expected dividend/distribution yield and the risk-free interest rate for the term of the performance right.

A total of 1,037,152 performance rights were granted during 2012 (2011: 6,583,432) of which 704,582 (2011: 6,055,677) were issued to Key Management Personnel. The model inputs for Performance Rights granted during the 2012 year are disclosed in note 31.

Plan rules contain a restriction on removing the "at risk" aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the "at risk" aspect of an instrument before it vests without explicit approval from the Board.

At 30 June 2012 no performance rights on issue had vested.

Further details relating to performance rights are set out below.

| Name | Remuneration consisting of performance rights (1) | Value at grant date (2) $ | Value at exercise date (3) $ | Value at forfeit date (4) $ |
|---|---|---|---|---|
| PL Weightman | 14% | – | – | – |
| DJ Wilson | 12% | – | – | – |
| B Binning | 10% | 53,669 | 75,000 | – |
| MJ Blake | 7% | 44,201 | – | – |
| JA Clark | – | – | – | – |
| P Cowling | 5% | 55,251 | – | – |
| DA Gippel | 18% | 118,070 | 273,914 | – |
| PW Howard | 14% | – | – | 35,601 |
| NE Riethmuller | 11% | 21,716 | – | – |

(1) The percentage of total remuneration consisting of performance rights, based on the value of performance rights expensed during the year.

(2) The value of performance rights granted during the year as part of remuneration calculated at grant date in accordance with AASB 2 *Share-based Payment*.

(3) The value at exercise date of performance rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the performance rights at that date.

(4) The value at lapse date of performance rights that were granted as part of remuneration and were forfeited during the year because a vesting condition was not satisfied.

## (e) Employment contracts and termination provisions

### *(i) Employment contracts*

#### *PL Weightman*

Remuneration and other terms of employment for the Chief Executive Officer are formalised in an employment agreement. The Company may terminate the agreement without notice for gross misconduct; otherwise, the Company may terminate the agreement on six months notice, or payment of entitlements for this period in lieu of notice. Mr Weightman may terminate the agreement at any time with six months notice. Other major provisions of the agreement are as follows:

- Term of agreement – commencing 1 July 2006, no fixed termination date.
- Base salary, inclusive of superannuation, for the 2012 year of $950,000, to be reviewed annually by the remuneration committee. Since balance date it has been agreed the base salary will remain unchanged for the 2013 year.
- Performance cash bonus of up to $250,000 with targets to be reviewed annually by the remuneration committee.

The performance bonus payable to Mr Weightman for the 2012 year depended on performance criteria being met. The criteria were assessed as being met in part during the financial year, with 80% of the performance bonus amount being paid.

*DJ Wilson*

Remuneration and other terms of employment for the Director – Finance & Funds Management are formalised in an employment agreement. The Company may terminate the agreement without notice for gross misconduct; otherwise, the Company may terminate the agreement on six months notice, or payment of entitlements for this period in lieu of notice. Mr Wilson may terminate the agreement at any time with six months notice. Other major provisions of the agreement are as follows:

- Term of agreement – commencing 1 July 2006, no fixed termination date.
- Base salary, inclusive of superannuation, for the 2012 year of $450,000, to be reviewed annually by the remuneration Committee. Since balance date it has been agreed the base salary will remain unchanged for the 2013 year.
- Performance cash bonus of up to $150,000 with targets to be reviewed annually by the remuneration committee.

The performance bonus payable to Mr Wilson for the 2012 year depended on certain criteria being met. The criteria were assessed as being met in part during the financial year, with 80% of the performance bonus amount being paid.

*All other executives*

Remuneration and other terms of employment for other executives are contained under standard employment contracts. There are no termination payments due under the contracts other than statutory entitlements for accrued leave. Remuneration is reviewed annually.

*(ii) Termination provisions*

There are no fixed term conditions in executive employment contracts. Minimum termination periods for executives are outlined below and adhered to in all cases except in the case of serious breaches of the employment contract.

| | Notice Period Employee | Notice Period Group |
|---|---|---|
| Managing Director/CEO, Director – Finance & Funds Management | 6 months | 6 months |
| Group Treasurer | 3 months | 6 months |
| All other key management personnel | 1-2 months | 1-2 months |

On termination, a portion of short term incentives may also be paid at the discretion of the CEO, or the Board in the case of termination of the CEO. In addition, other statutory entitlements such as accrued leave may be taken as termination benefits.

# 12. Trust Disclosures

*Fees to Responsible Entity*

Total amounts paid/payable to the Responsible Entity or its associates during the year were $15,113,342 (2011: $14,107,206).

*Units held by Responsible Entity*

Cromwell Corporation Limited, the parent company of the Responsible Entity, held 275,106 (2011: 275,106) units in the Trust throughout the year. Pursuant to Australian Securities & Investments Commission relief, the units are not stapled to shares in Cromwell Corporation Limited.

The Responsible Entity held 1,517,000 (2011: 1,517,000) units in the Cromwell Mary Street Planned Investment, a subsidiary of the Trust, throughout the year. The holding represents approximately 8% (2011: 8%) of the issued units in the Cromwell Mary Street Planned Investment.

*Issued Units*

Units issued in the Trust during the year are set out in note 23 in the accompanying financial report. There were 1,169,964,049 (2011: 965,012,421) issued units in the Trust at balance date.

*Value of Scheme Assets*

The total carrying value of the Trust's assets as at balance date was approximately $1,820,045,000 (2011: $1,531,741,000). Net assets attributable to unitholders of the Trust were $769,400,000 (2011: $694,180,000) equating to $0.66 per unit (2011: $0.73 per unit).

The Trust's assets are valued in accordance with policies stated in note 1 of the financial statements.

## 13. Indemnifying Officers or Auditor

Subject to the following, no indemnity or insurance premium was paid during the financial year for a person who is or has been an officer of the Group.

The constitution of the Company provides that to the extent permitted by law, a person who is or has been an officer of the Company is indemnified against certain liabilities and costs incurred by them in their capacity as an officer of the Company.

Further, the Company has entered into a Deed of access, insurance and indemnity with each of the Directors and the company secretary. Under the deed, the Company agrees to, amongst other things:

- indemnify the officer to the extent permitted by law against certain liabilities and legal costs incurred by the officer as an officer of the Company and its subsidiaries;
- maintain and pay the premium on an insurance policy in respect of the officer; and
- provide the officer with access to board papers and other documents provided or available to the officer as an officer of the Company and its subsidiaries.

The Group has paid premiums for Directors and officers' liability insurance with respect to the Directors, company secretary and senior management as permitted under the *Corporations Act 2001*. The terms of the policy prohibit disclosure of the nature of the liabilities covered and the premiums payable under the policy.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Company or any of its controlled entities.

## 14. Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that Class Order.

## 15. Auditor

Johnston Rorke continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Company may decide to employ Johnston Rorke on assignments additional to their statutory duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Directors have considered the position and, in accordance with advice received from the Audit & Risk Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* as none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* and all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

Details of the amounts paid or payable to the auditor and its related parties for non-audit services provided to the Group are set out below:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Non-audit Services** | | |
| Other – review of pro forma balance sheets and forecasts | **70,000** | 76,000 |
| **Total remuneration for non-audit services** | **70,000** | **76,000** |

The auditor receives remuneration for audit and other services relating to other entities for which Cromwell Property Securities Limited and Cromwell Funds Management Limited, both controlled entities, act as responsible entity. The remuneration is disclosed in the relevant entity's financial reports and totalled $112,500 (2011: $78,000).

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this report. This report is made in accordance with a resolution of the Directors.

P.L. Weightman
Director
Dated this 22nd day of August 2012

JOHNSTON RORKE
CHARTERED ACCOUNTANTS
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The Directors
Cromwell Corporation Limited and
Cromwell Property Securities Limited as Responsible Entity for Cromwell Diversified Property Trust
Level 19
200 Mary Street
BRISBANE QLD 4000

Dear Sirs,

## Auditor's Independence Declaration

As lead auditor for the audit of the financial reports of Cromwell Corporation Limited and Cromwell Diversified Property Trust for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of both Cromwell Corporation Limited and the entities it controlled during the year and Cromwell Diversified Property Trust and the entities it controlled during the year.

JOHNSTON RORKE
Chartered Accountants

R.C.N. WALKER
Partner
Brisbane, Queensland
22 August 2012

# Consolidated Statements of Comprehensive Income

for the year ended 30 June 2012

| | Notes | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|---|
| **Revenue and other income** | | | | | |
| Rental income and recoverable outgoings | | **177,245** | 138,494 | **176,673** | 138,499 |
| Funds management fees | | **4,567** | 3,964 | **–** | – |
| Distributions | | **37** | 255 | **37** | 255 |
| Interest | | **4,713** | 4,984 | **4,452** | 5,192 |
| Other revenue | | **141** | 16 | **18** | 4 |
| Increase in recoverable amount: | | | | | |
| Property development inventories/provision | | **200** | – | **–** | – |
| Fair value net gain from: | | | | | |
| Investment properties | 12 | **–** | 33,659 | **–** | 33,659 |
| Investments at fair value through profit or loss | | **–** | 604 | **–** | 604 |
| **Total revenue and other income** | | **186,903** | 181,976 | **181,180** | 178,213 |
| **Expenses** | | | | | |
| Property expenses and outgoings | | **27,087** | 21,198 | **30,530** | 24,241 |
| Property development costs | | **638** | 819 | **–** | – |
| Responsible entity fees | | **–** | – | **8,497** | 8,674 |
| Administration and overhead costs | | **5,496** | 5,115 | **1,113** | 1,268 |
| Funds management costs | | **487** | 480 | **–** | – |
| Employee benefits expense | 5 | **13,347** | 11,680 | **–** | – |
| Finance costs | 5 | **64,523** | 47,439 | **64,796** | 48,167 |
| Amortisation and depreciation | 5 | **604** | 542 | **–** | – |
| Share of losses of equity accounted entities | 14 (d) | **140** | 713 | **131** | 742 |
| Loss on sale of investment properties | 5 | **331** | 195 | **331** | 195 |
| Loss on sale of other assets | 5 | **44** | – | **–** | – |
| Fair value net loss from: | | | | | |
| Interest rate derivatives | | **38,483** | 1,920 | **38,483** | 1,920 |
| Investment properties | 12 | **12,353** | – | **12,353** | – |
| Investments at fair value through profit or loss | | **173** | – | **173** | – |
| Decrease in recoverable amount: | | | | | |
| Property development inventories/provision | | **–** | 3,695 | **–** | – |
| **Total expenses** | | **163,706** | **93,796** | **156,407** | **85,207** |
| **Profit before income tax** | | **23,197** | 88,180 | **24,773** | 93,006 |
| Income tax expense | 6 | **120** | 78 | **–** | – |
| **Profit** | | **23,077** | **88,102** | **24,773** | **93,006** |
| Other comprehensive income, net of tax | | **–** | **–** | **–** | **–** |
| **Total comprehensive income** | | **23,077** | **88,102** | **24,773** | **93,006** |
| Profit/(loss) is attributable to: | | | | | |
| Company shareholders | | **(1,282)** | (4,259) | **–** | – |
| Trust unitholders | | **24,359** | 92,361 | **24,359** | 92,361 |
| Non-controlling interests | | **–** | – | **414** | 645 |
| **Profit** | | **23,077** | **88,102** | **24,773** | **93,006** |
| Total comprehensive income/(loss) is attributable to | | | | | |
| Company shareholders | | **(1,282)** | (4,259) | **–** | – |
| Trust unitholders | | **24,359** | 92,361 | **24,359** | 92,361 |
| Non-controlling interests | | **–** | – | **414** | 645 |
| **Total comprehensive income** | | **23,077** | **88,102** | **24,773** | **93,006** |
| Basic earnings/(loss) per company share/trust unit (cents) | 28 | **(0.1¢)** | (0.5¢) | **2.3¢** | 10.1¢ |
| Diluted earnings/(loss) per company share/trust unit (cents) | 28 | **(0.1¢)** | (0.5¢) | **2.3¢** | 10.0¢ |
| Basic/diluted earnings/(loss) per stapled security (cents) | 28 | **2.2¢** | 9.6¢ | | |

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statements of Financial Position

as at 30 June 2012

| | Notes | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash and cash equivalents | 7 | **59,153** | 46,572 | **51,021** | 40,805 |
| Trade and other receivables | 8 | **21,505** | 9,918 | **15,618** | 4,411 |
| Current tax assets | | **60** | 240 | **–** | – |
| Derivative financial instruments | 9 | **–** | 1,285 | **–** | 1,285 |
| Other current assets | 11 | **1,791** | 1,437 | **1,047** | 789 |
| **Total current assets** | | **82,509** | 59,452 | **67,686** | 47,290 |
| **Non-Current Assets** | | | | | |
| Trade and other receivables | 8 | **19,800** | 19,800 | **22,988** | 29,988 |
| Inventories | 10 | **3,000** | 3,000 | **–** | – |
| Investment properties | 12 | **1,724,400** | 1,444,850 | **1,724,400** | 1,444,850 |
| Investments at fair value through profit or loss | 13 | **266** | 4,177 | **266** | 4,177 |
| Investments in jointly controlled entity and associates | 14 | **4,752** | 5,492 | **4,705** | 5,436 |
| Property, plant and equipment | 15 | **1,327** | 1,133 | **–** | – |
| Deferred tax assets | 16 | **914** | 921 | **–** | – |
| Intangible assets | 17 | **633** | 603 | **–** | – |
| **Total non-current assets** | | **1,755,092** | 1,479,976 | **1,752,359** | 1,484,451 |
| **Total assets** | | **1,837,601** | 1,539,428 | **1,820,045** | 1,531,741 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 18 | **14,472** | 21,431 | **13,311** | 21,358 |
| Borrowings | 19 | **21,533** | 3,321 | **21,533** | 3,321 |
| Dividends/distributions payable | 20 | **20,470** | 16,883 | **20,474** | 16,888 |
| Derivative financial instruments | 9 | **15,127** | 3,430 | **15,127** | 3,430 |
| Provisions | 21 | **1,368** | 1,253 | **–** | – |
| Other current liabilities | 22 | **6,735** | 7,085 | **6,735** | 7,085 |
| **Total current liabilities** | | **79,705** | 53,403 | **77,180** | 52,082 |
| **Non-Current Liabilities** | | | | | |
| Borrowings | 19 | **942,644** | 780,288 | **942,644** | 780,016 |
| Derivative financial instruments | 9 | **25,501** | – | **25,501** | – |
| Provisions | 21 | **762** | 577 | **–** | – |
| **Total non-current liabilities** | | **968,907** | 780,865 | **968,145** | 780,016 |
| **Total liabilities** | | **1,048,612** | 834,268 | **1,045,325** | 832,098 |
| **Net assets** | | **788,989** | 705,160 | **774,720** | 699,643 |
| **Equity** | | | | | |
| Contributed equity | 23 | **66,344** | 57,073 | **827,989** | 702,090 |
| Reserves | 24 | **4,529** | 3,928 | **–** | – |
| Retained earnings/(accumulated losses) | 25 | **(51,562)** | (50,280) | **(58,589)** | (7,910) |
| **Equity attributable to shareholders/unitholders** | | **19,311** | 10,721 | **769,400** | 694,180 |
| **Non-controlling interests** | | | | | |
| Trust unitholders | 26 | **769,678** | 694,439 | **–** | – |
| Non-controlling interests | 26 | **–** | – | **5,320** | 5,463 |
| **Total equity** | | **788,989** | 705,160 | **774,720** | 699,643 |

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statements of Changes in Equity

## for the year ended 30 June 2012

| Group | Notes | Contributed Equity $'000 | Accumu-lated Losses $'000 | Available for Sale Reserve $'000 | Share Based Payments Reserve $'000 | Total $'000 | Non-controlling Interest (Trust) $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to Equity Holders of the Company | | | | | | |
| **Balance at 1 July 2011** | | **57,073** | **(50,280)** | **2,340** | **1,588** | **10,721** | **694,439** | **705,160** |
| **Total comprehensive income/(loss)** | | **–** | **(1,282)** | **–** | **–** | **(1,282)** | **24,359** | **23,077** |
| Transactions with equity holders in their capacity as equity holders: | | | | | | | | |
| Contributions of equity, net of transaction costs | 23 | **9,271** | **–** | **–** | **–** | **9,271** | **125,899** | **135,170** |
| Dividends/distributions paid/payable | 27 | **–** | **–** | **–** | **–** | **–** | **(75,019)** | **(75,019)** |
| Employee share options | 23/24 | **–** | **–** | **–** | **601** | **601** | **–** | **601** |
| **Total transactions with equity holders** | | **9,271** | **–** | **–** | **601** | **9,872** | **50,880** | **60,752** |
| **Balance at 30 June 2012** | | **66,344** | **(51,562)** | **2,340** | **2,189** | **19,311** | **769,678** | **788,989** |
| **Balance at 1 July 2010** | | 49,197 | (46,021) | 2,340 | 1,255 | 6,771 | 564,636 | 571,407 |
| **Total comprehensive income/(loss)** | | – | (4,259) | – | – | (4,259) | 92,361 | 88,102 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | | | |
| Contributions of equity, net of transaction costs | 23 | 7,876 | – | – | – | 7,876 | 102,430 | 110,306 |
| Dividends/distributions paid/payable | 27 | – | – | – | – | – | (64,988) | (64,988) |
| Employee share options | 23/24 | – | – | – | 333 | 333 | – | 333 |
| **Total transactions with equity holders** | | 7,876 | – | – | 333 | 8,209 | 37,442 | 45,651 |
| **Balance at 30 June 2011** | | 57,073 | (50,280) | 2,340 | 1,588 | 10,721 | 694,439 | 705,160 |

| Trust | Notes | Contributed Equity $'000 | Accumu-lated Losses $'000 | Total (CDPT) $'000 | Non-controlling Interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| | | Attributable to Equity Holders of CDPT | | | | |
| **Balance at 1 July 2011** | | **702,090** | **(7,910)** | **694,180** | **5,463** | **699,643** |
| **Total comprehensive income for the year** | | **–** | **24,359** | **24,359** | **414** | **24,773** |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity, net of transaction costs | 23 | **125,899** | **–** | **125,899** | **–** | **125,899** |
| Distributions paid/declared | 27 | **–** | **(75,038)** | **(75,038)** | **(557)** | **(75,595)** |
| **Total transactions with equity holders** | | **125,899** | **(75,038)** | **50,861** | **(557)** | **50,304** |
| **Balance at 30 June 2012** | | **827,989** | **(58,589)** | **769,400** | **5,320** | **774,720** |
| **Balance at 1 July 2010** | | 599,660 | (35,264) | 564,396 | 6,068 | 570,464 |
| **Total comprehensive income for the year** | | – | 92,361 | 92,361 | 645 | 93,006 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity, net of transaction costs | 23 | 102,430 | – | 102,430 | 2,520 | 104,950 |
| Distributions paid/declared | 27 | – | (65,007) | (65,007) | (519) | (65,526) |
| De-recognition on deconsolidation | | – | – | – | (3,251) | (3,251) |
| **Total transactions with equity holders** | | 102,430 | (65,007) | 37,423 | (1,250) | 36,173 |
| **Balance at 30 June 2011** | | 702,090 | (7,910) | 694,180 | 5,463 | 699,643 |

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statements of Cash Flows
## for the year ended 30 June 2012

| | Notes | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Receipts in the course of operations | | **197,506** | 160,303 | **193,533** | 151,553 |
| Payments in the course of operations | | **(58,484)** | (53,682) | **(54,808)** | (44,714) |
| Distributions received | | **637** | 989 | **637** | 989 |
| Interest received | | **5,243** | 4,142 | **5,219** | 4,116 |
| Finance costs paid | | **(61,528)** | (43,516) | **(61,528)** | (43,516) |
| Income tax paid | | **67** | (60) | **–** | – |
| **Net cash provided by operating activities** | 29 | **83,441** | 68,176 | **83,053** | 68,428 |
| **Cash Flows From Investing Activities** | | | | | |
| Payments for investment properties | | **(339,985)** | (298,889) | **(339,985)** | (298,889) |
| Proceeds from sale of investment properties | | **38,998** | 33,540 | **38,998** | 33,540 |
| Payments for property, plant and equipment | | **(464)** | (127) | **–** | – |
| Payments for controlled entity, net of cash acquired | 37 | **–** | (12,132) | **–** | (12,132) |
| Payments of property development provision | | **–** | (6,435) | **–** | – |
| Payments for investments at fair value through profit or loss | | **(577)** | (4,593) | **(577)** | (4,593) |
| Proceeds from sale of investments at fair value through profit or loss | | **4,315** | 1,757 | **4,315** | 1,757 |
| Payments for software and other intangible assets | | **(408)** | (393) | **–** | – |
| Loans to related entities | | **(19,786)** | (500) | **(19,786)** | – |
| Repayment of loans by related entities | | **7,000** | 17,724 | **14,000** | 18,372 |
| Repayment of loans by other persons | | **–** | 270 | **–** | – |
| **Net cash used in investing activities** | | **(310,907)** | (269,778) | **(303,035)** | (261,945) |
| **Cash Flows From Financing Activities** | | | | | |
| Proceeds from borrowings | | **364,509** | 142,400 | **364,509** | 142,400 |
| Repayment of borrowings | | **(183,450)** | (36,398) | **(183,450)** | (36,398) |
| Payment of loan transaction costs | | **(3,052)** | (3,994) | **(3,052)** | (3,994) |
| Proceeds from issue of units – controlled entity | | **–** | 2,519 | **–** | 2,519 |
| Proceeds from issue of stapled securities/units | | **133,695** | 110,844 | **124,615** | 102,504 |
| Equity issue transaction costs | | **(3,828)** | (4,114) | **(3,648)** | (3,653) |
| Payment of dividends/distributions | | **(66,129)** | (60,684) | **(67,078)** | (61,221) |
| Payment for derivative financial instruments | | **(1,698)** | (868) | **(1,698)** | (868) |
| **Net cash provided by financing activities** | | **240,047** | 149,705 | **230,198** | 141,289 |
| **Net (decrease)/increase in cash and cash equivalents** | | **12,581** | (51,897) | **10,216** | (52,228) |
| Cash and cash equivalents at 1 July | | **46,572** | 98,469 | **40,805** | 93,033 |
| **Cash and cash equivalents at 30 June** | 7 | **59,153** | 46,572 | **51,021** | 40,805 |

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements
for the year ended 30 June 2012

## 1. Summary of Significant Accounting Policies

Cromwell Property Group ("the Group") was formed by the stapling of Cromwell Corporation Limited ("the Company") and its controlled entities, and Cromwell Diversified Property Trust ("CDPT") and its controlled entities ("the Trust"). The Financial Reports of the Group and the Trust have been presented jointly in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange.

The Group was established for the purpose of facilitating a joint quotation of the Company and the Trust on the Australian Securities Exchange. The constitutions of the Trust and the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and the unitholders and shareholders are identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interests of the Group.

To account for the stapling, Australian Accounting Standards require an acquirer (Cromwell Corporation Limited) to be identified and an acquisition to be recognised. The net assets and net profit of the acquiree (the Trust and its controlled entities) are recognised as minority interest as they are not owned by the acquirer in the stapling arrangement.

The stapling arrangement will cease upon the earliest of either the winding up of the Company or the Trust.

The financial statements relate to the Group and the Trust as defined above. As a result of changes to the *Corporations Act 2001* separate financial statements of Cromwell Corporation Limited and Cromwell Diversified Property Trust as individual entities (parent entities) are no longer presented. Limited financial information for Cromwell Corporation Limited and Cromwell Diversified Property Trust, as individual entities, is disclosed in note 33 and has been prepared on the same basis as the consolidated financial statements.

The principal accounting polices adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group and Trust are for-profit entities for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

The financial report complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

#### *New and amended standards adopted by the Group and Trust*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

#### *Historical cost convention*

The financial report is prepared on the historical cost basis except for the following:

- investment properties are measured at fair value
- derivative financial instruments are measured at fair value
- investments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further below.

#### *Functional and presentation currency*

The financial report is presented in Australian dollars, which is the functional currency of the Group and Trust.

### (b) Principles of consolidation

#### *Stapling*

The stapling of the Company and CDPT was approved at separate meetings of the respective shareholders and unitholders on 6 December 2006. Following approval of the stapling, shares in the Company and units in the Trust were stapled to one another and are quoted as a single security on the Australian Securities Exchange.

Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company and CDPT, the Company is identified as having acquired control over the assets of CDPT. To recognise the in-substance acquisition, the following accounting principles have been applied:

(1) no goodwill is recognised on acquisition of the Trust because no direct ownership interest was acquired by the Company in the Trust;

(2) the equity issued by the Company to unitholders to give effect to the transaction is recognised at the dollar value of the consideration payable by the unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purposes of the Company acquiring an ownership interest in the Trust; and

(3) the issued units of the Trust are not owned by the Company and are presented as non-controlling interests in the Group notwithstanding that the unitholders are also the shareholders by virtue of the stapling arrangement. Accordingly, the equity in the net assets of the Trust and the profit/(loss) arising from these net assets have been separately identified in the statement of comprehensive income and statement of financial position.

The Trust's contributed equity and retained earnings/accumulated losses are shown as a non-controlling interest in this Financial Report in accordance with AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements* and AASB 3 *Business Combinations*. Even though the interests of the equity holders of the identified acquiree (the Trust) are treated as non-controlling interests the equity holders of the acquiree are also equity holders in the acquirer (the Company) by virtue of the stapling arrangement.

### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the business combinations by the Group (refer to note 1(n)).

Inter-entity transactions, balances and unrealised gains on transactions between the Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company. A list of subsidiaries appears in note 34 to the consolidated financial statements.

### *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Group's financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates are recognised in the Group's financial statements as a reduction of the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *Joint venture entities*

The interest in a joint venture entity is accounted for in the Group's financial statements using the equity method. Under the equity method, the share of the profits or losses of the joint venture entity is recognised in profit or loss, and the share of movements in reserves is recognised in reserves.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

## (c) Revenue recognition

### *Rental revenue*

Rental revenue from investment property is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

### *Funds management revenue*

Acquisition and capital raising fee revenue is recognised at settlement of the relevant property or proportionately as the equity interests are issued/sold to external investors as appropriate. Management fee revenue is recognised on a proportional basis over time as services are performed.

### *Other*

Property development sales revenue is recognised on settlement of the relevant property.

Interest revenue is recognised as it accrues using the effective interest method.

Gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the profit or loss in the year of disposal. Where revenue is obtained from the sale of properties, it is recognised when the significant risks and rewards have transferred to the buyer, which is normally when legal title passes to the buyer.

## (d) Income tax

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. The liability for capital gains tax that may arise if the properties were sold is not accounted for in this report.

The Group's income tax expense for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### *Tax consolidation*

The Company and its wholly-owned entities (this excludes the Trust and its controlled entities) have formed a tax-consolidated group with effect from 1 July 2003 and are, therefore, taxed as a single entity from that date. The head entity within the tax-consolidated group is Cromwell Corporation Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts referred to in the following section. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses, as a result of revised assessments of the probability of recoverability, is recognised by the head entity only.

*Nature of tax funding arrangements and tax sharing arrangements*

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement, which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts under the tax sharing agreement is considered remote.

## (e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## (f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment of receivables. Receivables relating to operating leases of investment properties are due on the first day of each month, payable in advance. Other receivables are usually due for settlement no more than 90 days from the date of recognition.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade and other receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term trade and other receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

## (g) Inventories

Development properties held for resale are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

## (h) Investment properties

Investment property is property which is held either to earn income or for capital appreciation or both. Investment property also includes properties that are under construction for future use as investment properties. Initially, investment property is measured at cost including transaction costs. The investment property is subsequently measured at fair value, with any change therein recognised in profit or loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties at least every two years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of the Group. In addition, the Group has utilised internal valuation processes for determining fair value at balance date.

These valuation processes are taken into consideration when determining the fair value of the investment properties. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the capitalisation of net income and the discounting of future cash flows to their present value. These methods incorporate assumptions of future rental income and costs, appropriate capitalisation and discount rates and also consider market evidence of transaction prices for similar investment properties.

Valuations reflect, where 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 other operating cost responsibilities between lessor and lessee; and
- the remaining economic life of the property.

Further information on assumptions underlying management's assessment of fair value is contained in note 2.

## (i) Investments and other financial assets

The Group classifies its investments as either financial assets at fair value through profit or loss or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss also includes financial assets which upon initial recognition are designated as such.

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in profit or loss in the period in which they arise. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains or losses from investment securities.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

## (j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost of assets, net of their residual values, over their estimated useful lives, as follows:

| Class | Rate |
|---|---|
| Plant and equipment | 10-67% |
| Furniture and fittings | 18% |
| Leased plant and equipment | 8-37% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(l)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (k) Intangible assets

Software assets have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of software over its estimated useful lives of 3 years on average.

### (l) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, and whenever events or changes in circumstances occur, the Group assesses whether there is any indication that any other asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (n) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired are recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (o) Lease incentives

Lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including up front cash payments, rent free periods, or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the statement of financial position as a component of the carrying amount of investment property and amortised over the lease period as a reduction of rental income.

### (p) Initial direct leasing costs

Initial direct leasing costs incurred by the Group in negotiating and arranging operating leases are recognised as an asset in the statement of financial position as a component of the carrying amount of investment property and are amortised as an expense on a straight-line basis over the lease term.

### (q) Repairs and maintenance

Repairs and maintenance costs and minor renewals are charged as expenses when incurred.

### (r) Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate derivatives to hedge these risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Group enters into interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates. The derivatives are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Group has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in profit or loss.

### (s) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the year and which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

### (t) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset the amount of borrowing costs capitalised is the actual borrowing costs incurred on that borrowing net of any interest earned on those borrowings. Where funds are borrowed generally the capitalisation rate used to determine the amount of borrowing costs to capitalise is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

### (u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less any cumulative amortisation.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

## (v) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

## (w) Employee benefits

### *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised 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.

### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations for long service leave and annual leave are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

### *Superannuation*

Contributions are made by the Group to defined contribution superannuation funds. Contributions are charged as expenses as they become payable.

### *Security-based payments*

The fair value of options and performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights.

The fair value at grant date is determined using a pricing model that takes into account the exercise price, the term, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term.

The fair value of the options or performance rights granted is adjusted to reflect the probability of market vesting conditions being met, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or performance rights that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options or performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

### *Bonus plans*

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## (x) Leases (as lessee)

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The depreciable assets acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## (y) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. The amortisation rate for leasehold improvements is set out in note 1(j).

## (z) Contributed equity

Ordinary shares and units are classified as equity. Incremental costs directly attributable to the issue of new shares, units or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the securityholders as treasury shares until the securities are cancelled or reissued. Where such ordinary securities are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to securityholders.

## (aa) Dividends/distributions

Provision is made for the amount of any dividend/distribution declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

## (ab) Earnings per share

*Basic earnings per share*

Basic earnings per share is calculated by dividing profit/(loss) attributable to equity holders of the Company/CDPT, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## (ac) Goods and services tax

Revenues, 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, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

## (ad) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## (ae) Rounding of amounts

The Company/CDPT is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## (af) New accounting standards and interpretations

Relevant accounting standards and interpretations that have been issued or amended during the current reporting period but are not yet effective and have not been adopted for the year are as follows:

| Standard/Interpretation | Application date of standard | Application date for the Group |
|---|---|---|
| AASB 119 *Employee Benefits – revised and consequential amendments to other accounting standards resulting from its issue* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 127 *Separate Financial Statements – revised* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 128 *Investments in Associates and Joint Ventures – revised* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 2011-4 - *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* | 1 Jul 2012 | 1 Jul 2012 |
| AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* | 1 Jan 2014 | 1 Jul 2014 |
| AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* | 1 Jan 2013 | 1 Jul 2013 |

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

**AASB 119** – The amendments apply to the calculation of provisions for employee benefits, including sick, annual and long service leave and payments upon termination. The amendments are expected to impact most significantly upon the calculation of employee provisions in respect of annual leave, with amounts not expected to be settled wholly within the subsequent 12 months being defined as being 'long-term employee benefits' and classified as non-current in nature. Further, these amounts will be discounted allowing for expected salary levels in the future period in which the leave is expected to be taken. The Group intends to adopt the new standard from 1 July 2013.

**AASB 127** – This is an amended version of the former AASB 127, which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from the former AASB 127 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in AASB 10 *Consolidated Financial Statements*. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 *Financial Instruments*. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. The Directors believe the adoption of this standard from 1 July 2013 will not result in any material changes to the Group's financial statements.

**AASB 128** – This standard supersedes former AASB 128 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The Directors believe the adoption of this standard from 1 July 2013 will not result in any material changes to the Group's financial statements.

**AASB 2011-4** – Amends AASB 124 *Related Party Disclosures* to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs and removes a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013. Early adoption of this amendment is not permitted. The Corporations Act requirements in relation to remuneration reports remain unchanged at present, however these requirements are currently subject to review and may also be revised in the future. The Group intends to adopt the new standard from 1 July 2013.

**AASB 2011-9** – This amendment to AASB 101 *Presentation of Financial Statements* requires entities to separate items presented in other comprehensive income into two groups, based upon whether they might be recycled to profit and loss in the future. The Directors anticipate this will not affect the measurement of any items recognised in the statement of financial position or profit and loss as the Group does not have other comprehensive income. The Group intends to adopt the new standard from 1 July 2012.

**AASB 2012-2** and **AASB 2012-3** – The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The amendments to AASB 7 increase the disclosure about offset positions, including the gross position and the nature of the arrangements. The Directors have not yet assessed the impact of the amendments, if any.

**AASB 2012-5** – These amendments introduce various changes to AASBs. The Directors have not yet assessed the impact of the amendments, if any.

The Group's assessment of certain other relevant accounting standards and interpretations, published during the previous financial period, but which are not yet effective and have not yet been adopted, remains unchanged from the previous year. These include:

| Standard/Interpretation | Application date of standard | Application date for the Group |
|---|---|---|
| AASB 9 *Financial Instruments – revised* and consequential amendments to other accounting standards resulting from its issue | 1 Jan 2013 | 1 Jul 2013 |
| AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* | 1 Jan 2012 | 1 Jul 2012 |
| AASB 10 *Consolidated Financial Statements* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 11 *Joint Arrangements* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 12 *Disclosure of Interests in Other Entities* | 1 Jan 2013 | 1 Jul 2013 |
| AASB 13 *Fair Value Measurement* | 1 Jan 2013 | 1 Jul 2013 |

# 2. Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

## Estimates of fair value of investment properties

The Group has investment properties with a carrying amount of approximately $1,724,400,000 (2011: $1,444,850,000) representing estimated fair value at balance date. In addition, the carrying amount of the Group's investments in jointly controlled entity/associate of approximately $4,705,000 (2011: $5,492,000) and the Trust's investments in jointly controlled entity/associate of approximately $4,705,000 (2011: $5,436,000) also reflect underlying investment properties of the jointly controlled entity/associate carried at fair value. These investment properties represent a significant proportion of the total assets of the Group and Trust.

Fair value is determined within a range of reasonable estimates utilising both capitalisation of net market income and discounted future cash flow methodologies and comparing the results to market sales evidence.

The best evidence of fair value is considered to be current prices in an active market for similar properties, however global economic and financial turmoil in recent years has had an impact on many classes of real estate, including commercial real estate in Australia. The most significant impact has been a reduction in the availability of capital (debt and equity) for real estate assets. This reduction in available capital has led to falls in asset values and a relatively low level of transactions in most markets, although in recent times there has been more stability in pricing and increases in transactional levels. Where sufficient market information is not available, or to supplement this information, management considers other relevant information including:

- Current prices for properties of a different nature, condition or location, adjusted to reflect those differences;
- Recent prices of similar properties in a less active market, with adjustments to reflect changes in economic conditions or other factors;
- Capitalised income calculations based on an assessment of current net market income for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustment for any differences between market rents and contracted rents over the term of existing leases and deductions for short term vacancy or lease expiries, incentive costs and capital expenditure requirements; and
- Discounted cash flow forecasts including estimates of future cash flows based on current leases in place for that property, historical operating expenses, reasonable estimates of current and future rents and operating expenses based on external and internal assessments and using discount rates that appropriately reflect the degree of uncertainty and timing inherent in current and future cash flows.

The fair values adopted for investment properties have been supported by a combination of independent external valuations and detailed internal valuations, which are considered to reflect market conditions at balance date.

Key factors which impact assessments of value at each balance date include capitalisation rates, vacancy rates and weighted average lease terms. Details of these factors at each balance date were as follows:

| | % Value of Portfolio by Sector | | Weighted Average Cap Rate | | Weighted Average Lease Term | | Occupancy | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Commercial | **94%** | 90% | **8.22%** | 8.09% | **6.4yrs** | 7.1yrs | **96.2%** | 99.6% |
| Industrial | **4%** | 8% | **9.36%** | 8.97% | **3.3yrs** | 4.9yrs | **100.0%** | 100.0% |
| Retail/Entertainment | **2%** | 2% | **9.12%** | 8.98% | **3.5yrs** | 4.5yrs | **98.5%** | 98.0% |
| **Total** | **100%** | 100% | **8.28%** | 8.18% | **6.2yrs** | 6.8yrs | **96.4%** | 99.6% |

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

### Estimates of fair value of interest rate derivatives

The fair value of interest rate derivatives has been determined using a pricing model based on discounted cash flow analysis and incorporating assumptions supported by market data at balance date including market expectations of future interest rates and discount rates, and taking into account estimates prepared by external counterparties. Whilst certain derivatives may not be quoted on an active market, management have determined a value for those derivatives using market data adjusted for any specific features of the derivatives. All counterparties to interest rate derivatives are Australian financial institutions.

## 3. Capital Risk Management

The Group's capital management strategy seeks to maximise securityholder value through optimising the level and use of capital resources and the mix of debt and equity funding.

The Group's capital management objectives are to:

- ensure that Group entities comply with capital and dividend/distribution requirements of their constitutions and/or trust deeds;
- ensure sufficient capital resources to support the Group's operational requirements;
- continue to support the Group's creditworthiness;
- comply with capital requirements of relevant regulatory authorities; and
- safeguard the Group's ability to continue as a going concern.

The Group monitors the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its overall strategic plan. The Group's capital structure is continuously reviewed to ensure:

- sufficient funds and financing facilities are available, on a cost effective basis, to implement the Group's strategies; and
- dividends/distributions to members are made within the stated policy.

The Group is able to alter its capital mix by:

- issuing new stapled securities;
- activating its dividend/distribution reinvestment plan;
- adjusting the amount of dividends/distributions paid to members;
- activating its security buyback program; and
- selling assets to reduce borrowings.

The Group also protects its equity in assets by taking out insurance cover with creditworthy insurers.

Certain entities within the Group hold Australian Financial Services Licences (AFSL) and act as responsible entities for managed investment schemes managed by the Group. The AFSL require these entities to maintain net tangible assets of approximately $6 million in aggregate. As such these entities are restricted from paying dividends to the parent entity that would breach their licence conditions and hold cash as part of their required minimum net tangible assets (see Note 29(c)). The entities monitor their net tangible assets on an ongoing basis to ensure they continue to meet their licence requirements. The entities complied with their AFSL requirements during 2012 and 2011.

One of the key ways the Group monitors capital adequacy is on the basis of the gearing ratio. The ratio is calculated as net debt divided by adjusted assets. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Adjusted assets are calculated as total assets less cash and cash equivalents, restricted cash and intangible assets. The gearing ratios for both the Group and the Trust at each balance date were as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Total borrowings | **964,177** | 783,609 | **964,177** | 783,337 |
| Less: cash and cash equivalents | **59,153** | 46,572 | **51,021** | 40,805 |
| **Net debt** | **905,024** | 737,037 | **913,156** | 742,532 |
| Total assets | **1,837,601** | 1,539,428 | **1,820,045** | 1,531,741 |
| Less: intangible assets and deferred tax assets | **1,547** | 1,524 | **–** | – |
| Less: cash and cash equivalents | **59,153** | 46,572 | **51,021** | 40,805 |
| **Adjusted assets** | **1,776,901** | 1,491,332 | **1,769,024** | 1,490,936 |
| **Gearing ratio** | **51%** | 49% | **52%** | 50% |

## 4. Financial Risk Management

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (interest rate risk and price risk). The overall risk management program focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate derivatives to hedge certain risk exposures. The Group seeks to deal only with creditworthy counterparties. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

The Group's management of treasury activities is centralised and governed by policies approved by the Directors who monitor the operating compliance and performance as required. The Group has policies for overall risk management as well as policies covering specific areas such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

The Group and the Trust hold the following financial instruments:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| **Financial Assets** | | | | |
| Cash and cash equivalents (1) | **59,153** | 46,572 | **51,021** | 40,805 |
| Trade and other receivables (1) | **41,305** | 29,718 | **38,606** | 34,399 |
| Derivative financial instruments (2) | **–** | 1,285 | **–** | 1,285 |
| Investments at fair value through profit and loss (3) | **–** | 4,177 | **–** | 4,177 |
| **Total financial assets** | **100,458** | 81,752 | **89,627** | 80,666 |
| **Financial Liabilities** | | | | |
| Trade and other payables (4) | **14,472** | 21,431 | **13,311** | 21,358 |
| Derivative financial instruments (2) | **40,628** | 3,430 | **40,628** | 3,430 |
| Borrowings (4) | **964,177** | 783,609 | **964,177** | 783,337 |
| Dividends/distributions payable (4) | **20,470** | 16,883 | **20,474** | 16,888 |
| **Total financial liabilities** | **1,039,747** | 825,353 | **1,038,590** | 825,013 |

(1) Loans and receivables

(2) At fair value – held for trading

(3) At fair value – designated

(4) At amortised cost

## (a) Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Group. The Group has exposure to credit risk on all financial assets included in the statement of financial position except investments at fair value through profit or loss.

The Group manages this risk by:

- establishing credit limits for customers and managing exposure to individual entities;
- monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality;
- derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions;
- providing loans to associates where the Group is comfortable with the underlying exposure;
- regularly monitoring loans and receivables on an ongoing basis; and
- regularly monitoring the performance of associates on an ongoing basis.

The maximum exposure to credit risk at balance date is the carrying amount of financial assets recognised in the statement of financial position of the Group. The Group holds no significant collateral as security. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Cash is held with Australian financial institutions. Interest rate derivative counterparties are all Australian financial institutions.

The ageing analysis of receivables past due at balance date but not impaired is as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| 1 to 3 months* | **767** | 2,139 | **505** | 2,439 |
| 3 to 6 months* | **452** | 266 | **–** | 266 |
| Over 6 months* | **1,369** | 2,147 | **1,369** | 2,147 |
| | **2,588** | 4,552 | **1,874** | 4,852 |

* Of the amounts above $2,269,000 (2011: $3,114,000) for the Group and $1,578,000 (2011: $2,133,000) for the Trust relates to the Cromwell Property Fund (refer note 8).

## (b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash reserves and finance facilities to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow. The Group monitors the maturity profile of borrowings and puts in place strategies designed to ensure that all maturing borrowings are refinanced in the required timeframes.

The current weighted average debt maturity of the Group and Trust is 2.4 years (2011: 2.9 years).

Contractual maturity of financial liabilities (borrowings and payables) of the Group and the Trust, including interest thereon, are as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Due within one year | **122,147** | 97,409 | **120,954** | 97,340 |
| Due between one and five years | **1,042,481** | 893,119 | **1,042,481** | 892,832 |
| Due after five years | **357** | 1,066 | **357** | 1,066 |
| | **1,164,985** | 991,594 | **1,163,792** | 991,238 |

## (c) Market Risk

### (i) Price risk

The Group and Trust are exposed to equity securities price risk. This arises from investments held by the Group and Trust classified on the balance sheet as investments at fair value through profit and loss. The Group and Trust are not exposed to commodity price risk. The majority of the Group's and Trust's equity investments are publicly traded and are included in the ASX All Ordinaries index.

*Group and Trust sensitivity*

Based on the financial instruments held at balance date, had the ASX All Ordinaries index increased/decreased by 20% (2011: 20%) with all other variables held constant and all the Group's and Trust's equity instruments moved in correlation with the index, the impact on the Group's and Trust's profit and equity for the year would have been $53,000 (2011: $835,000) higher/lower.

### (ii) Interest rate risk

The Group's interest-rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's policy is to effectively maintain hedging arrangements on not less than 50% of its borrowings. At balance date 97% (2011: 97%) of the Group's borrowings were effectively hedged.

The Group manages its cash flow interest-rate risk by using interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed or a limited range of rates. Generally, the Group raises long term borrowings at floating rates and hedges a portion of them into fixed or capped rates. Under the interest-rate derivatives, the Group agrees with other counter parties to exchange, at specified intervals (usually 30 days), the difference between contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The fixed or limited interest rates range between 3.18% and 5.95% (2011: 4.75% and 5.95%) and the variable rates are generally based on the 30 day bank bill swap bid rate which at balance date was 3.63% (2011: 4.96%). At balance date, the notional principal amounts and periods of expiry of the interest rate swap contracts are detailed as follows:

| Group and Trust | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Less than 1 year | **226,600** | – |
| 1-2 years | **380,000** | 500,000 |
| 2-3 years | **216,700** | 144,200 |
| 3-4 years | **31,730** | – |
| 4-5 years | **–** | 31,730 |
| Greater than 5 years | **86,450** | 86,450 |
| | **941,480** | 762,380 |

Because the Group's interest rate derivatives do not meet the accounting requirements to qualify for hedge accounting treatment, gains or losses arising from changes in fair value have been reflected in the profit or loss.

Information on borrowings and the maturity profile of borrowings including interest thereon is set out in Note 19.

*Group sensitivity*

At balance date, if interest rates for all relevant time periods had changed by +/- 100 basis points (1%) from the year end rates with all other variables held constant, profit would have been $25,097,000 higher/lower (2011 – change of 100 bps: $21,096,000 higher/lower), mainly as a result of increase/decrease in the fair value of interest rate derivatives. Equity would have been $25,097,000 higher/lower (2011: $21,096,000 higher/lower) mainly as a result of an increase/decrease in the fair value of interest rate derivates.

*Trust sensitivity*

At balance date, if interest rates for all relevant time periods had changed by +/- 100 basis points (1%) from the year end rates with all other variables held constant, profit would have been $25,016,000 higher/lower (2011 – change of 100 bps: $21,038,000 higher/lower), mainly as a result of increase/decrease in the fair value of interest rate derivatives. Equity would have been $25,016,000 higher/lower (2011: $21,038,000 higher/lower) mainly as a result of an increase/decrease in the fair value of interest rate derivates.

## (d) Fair Value Estimation

The table below analyses financial instruments carried at fair value, by the source of measurement inputs. The results are the same for both the Group and the Trust. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Group and Trust | 2012 Level 1 $'000 | 2012 Level 2 $'000 | 2011 Level 1 $'000 | 2011 Level 2 $'000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Derivative financial instruments | **–** | **–** | – | 1,285 |
| Investments at fair value through profit or loss | **266** | **–** | – | 4,177 |
| | **266** | **–** | – | 5,462 |
| **Financial Liabilities** | | | | |
| Derivative financial instruments | **–** | **40,628** | – | 3,430 |
| | **–** | **40,628** | – | 3,430 |

The carrying value of loans and receivables and financial liabilities at amortised cost are assumed to approximate their fair value due to either their short term nature or their terms and conditions including interest receivable/payable at variable rates.

# 5. Expenses

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Premises rental – minimum lease payments | **367** | 170 | **–** | – |
| **Loss on Sale of Investment Properties:** | | | | |
| Net proceeds from sale of investment properties | **38,998** | 33,540 | **38,998** | 33,540 |
| Carrying value of investment properties sold and other costs of sale | **(39,329)** | (33,735) | **(39,329)** | (33,735) |
| **Loss on sale of investment properties** | **(331)** | (195) | **(331)** | (195) |
| **Employee Benefits Expense:** | | | | |
| Wages and salaries including on costs | **11,515** | 10,746 | **–** | – |
| Contributions to defined contribution superannuation plans | **731** | 623 | **–** | – |
| Equity settled share-based payments | **601** | 333 | **–** | – |
| Increase/(decrease) in liability for long service and annual leave | **500** | (22) | **–** | – |
| **Employee benefits expense** | **13,347** | 11,680 | **–** | – |
| **Finance Costs:** | | | | |
| Total interest | **62,855** | 50,725 | **62,855** | 50,725 |
| Less: interest capitalised | **(892)** | (5,328) | **(892)** | (5,328) |
| Interest expense | **61,963** | 45,397 | **61,963** | 45,397 |
| Amortisation of loan transaction costs | **2,560** | 2,042 | **2,833** | 2,770 |
| **Finance costs** | **64,523** | 47,439 | **64,796** | 48,167 |
| **Depreciation/Amortisation:** | | | | |
| Depreciation of plant and equipment | **249** | 256 | **–** | – |
| Amortisation of intangibles | **355** | 286 | **–** | – |
| **Depreciation/Amortisation** | **604** | 542 | **–** | – |
| **Loss on disposal of other assets:** | | | | |
| Net loss on disposal of property, plant and equipment | **21** | – | **–** | – |
| Net loss on disposal of intangible assets | **23** | – | **–** | – |
| **Loss on disposal of other assets** | **44** | – | **–** | – |

# 6. Income Tax

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| **(a) Income tax expense** | | | | |
| Current tax | **58** | – | **–** | – |
| Deferred tax | **(121)** | (156) | **–** | – |
| Prior year tax losses written off | **178** | 247 | **–** | – |
| Adjustment in relation to prior periods | **5** | (13) | **–** | – |
| **Income tax expense** | **120** | 78 | **–** | – |

## (b) Numerical reconciliation of income tax expense to prima facie tax

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Profit/(loss) before income tax | **23,197** | 88,180 | **–** | – |
| Tax at the Australian tax rate of 30% (2011: 30%) | **6,959** | 26,454 | **–** | – |
| *Tax effect of amounts* which are not deductible/ (taxable) in calculating taxable income: | | | | |
| Non-taxable trust income | **(7,308)** | (27,708) | **–** | **–** |
| Non-deductible expenses | **189** | 117 | **–** | – |
| Loan write off | **–** | (932) | **–** | – |
| Non-deductible property development costs/impairment | **(92)** | 2,083 | **–** | – |
| Assessable income for tax | **189** | (170) | **–** | – |
| Losses written off (note 16) | **178** | 247 | **–** | – |
| Adjustment in relation to prior periods | **5** | (13) | **–** | – |
| **Income tax expense** | **120** | 78 | **–** | – |

## (c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| **Tax losses** | **18,702** | 18,518 | **–** | – |

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of certain tax losses (both revenue and capital) because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from the deferred tax assets. All unused tax losses were incurred by Australian entities.

## (d) Tax consolidation

Refer note 1(d) for details regarding the relevance of the tax consolidation system to the consolidated entity, the tax funding arrangements and other information.

No amounts were recognised during the year (2011: $nil) as tax consolidation contributions by, or distributions to, equity participants.

# 7. Cash and Cash Equivalents

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Cash at bank | **59,153** | 46,572 | **51,021** | 40,805 |
| **Cash and cash equivalents** | **59,153** | 46,572 | **51,021** | 40,805 |

# 8. Trade and Other Receivables

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| **Current Assets** | | | | |
| Trade debtors | **3,093** | 2,396 | **1,288** | 2,108 |
| Provision for impairment of trade debtors | **(127)** | – | **(127)** | – |
| Other receivables – associates | **1,691** | 3,460 | **1,671** | 2,303 |
| Loans: | | | | |
| Associate – CPF | **4,062** | 4,062 | **–** | – |
| Related party - Cromwell Ipswich City Heart Trust | **12,786** | – | **12,786** | – |
| **Trade and other receivables – current** | **21,505** | 9,918 | **15,618** | 4,411 |
| **Non-Current Assets** | | | | |
| Loans: | | | | |
| Amounts due from Cromwell Corporation Limited | **–** | – | **3,188** | 10,188 |
| Associate – CPF | **19,800** | 19,800 | **19,800** | 19,800 |
| **Trade and other receivables – non-current** | **19,800** | 19,800 | **22,988** | 29,988 |

Trade debtors mainly comprises of amounts owing by tenants of the Group's and Trust's investment properties and recoverable costs owing by external managed investment schemes. These amounts are usually non-interest bearing, unsecured and generally payable on no more than 30 day terms.

Other receivables – associates mainly comprises interest owing by the Cromwell Property Fund ("CPF") on its loan facilities (refer below).

Refer to note 32(d) for details on the loan to Cromwell Corporation Limited.

## (a) Loans – associates and related parties

### *Cromwell Property Fund*

In 2008 the Group and Trust provided CPF with a loan facility which was subsequently reduced to $19,800,000. During the current year the Group and Trust received repayments of $nil (2011: $10,200,000) from CPF under the facility. The loan is unsecured, repayable in cash on 30 September 2012 and earns interest at a floating rate plus margin of 2.40% (2011: 2.30%), which was 6.00% (2011: 7.17%) at balance date.

A subsidiary of the Company also provided loans to CPF during the 2008 year which have subsequently reduced to $4,062,000. During the current year the Group received repayments of $nil (2011: $7,462,000) and made further advances of $nil (2011: $500,000). The loans are unsecured, at call, repayable in cash, with no fixed repayment terms and earn interest at a variable rate (BBSW) plus a margin of 1.50%, which was 5.10% (2011: 6.37%) at balance date.

### *Loan to Cromwell Ipswich City Heart Trust*

On 8 December 2011 the Cromwell Ipswich City Heart Trust ARSN 154 498 923 ("ICH") an unlisted single property trust, for which Cromwell Funds Management Limited ("CFM"), a subsidiary of the Company, acts as responsible entity, settled the acquisition of land at 117 Brisbane Street, Ipswich, Queensland. A commercial building is currently being constructed on the land for the Queensland Government's Department of Public Works, who will occupy 91% of the property on completion under a 15 year agreement for lease.

CFM issued a product disclosure document ("PDS") on 16 December 2011 to raise $49,250,000 from investors for ICH.

The Group and Trust have provided a loan facility of $20,000,000 to ICH, which is unsecured, to enable settlement of the land and funding for initial construction. During the year, ICH received advances of $19,786,000 and made repayments of $7,000,000 under the facility. The loan is repayable by 31 December 2012. Funds raised under the PDS will be used to repay the advance to the extent they are not required to fund construction of the building. The Group and Trust earn interest equivalent to the ICH distribution rate (7.75% at balance date).

The Group and Trust have also entered into a unit subscription agreement with ICH. Under the terms of the loan facility and the subscription agreement any loan principal outstanding at 31 December 2012 will be effectively converted into units in ICH. The terms of the subscription agreement allow for ICH to call on the Group and Trust to subscribe for any remaining unissued units in ICH at 31 December 2012.

### (b) Past due but not impaired receivables

At balance date, the Group had $2,588,000 (2011: $4,552,000) and the Trust had $1,874,000 (2011: $4,852,000) of trade and other receivables which were past due but not impaired. These consist of $296,000 (2011: $1,437,000) for the Group and $296,000 (2011: $1,501,000) for the Trust which relate to a number of tenants for whom there is no recent history of default and of $2,269,000 (2011: $3,144,000) for the Group and $1,578,000 (2011: $2,133,000) for the Trust relating to CPF.

### (c) Impaired receivables

At at 30 June 2012 trade receivables of the Group and Trust with a nominal value of $127,000 (2011: $nil) were impaired. The amount of the provision was $127,000 (2011: $nil). The individually impaired receivable relates to a tenant which is in a difficult economic situation.

The ageing analysis of this receivable is as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| 1 to 3 months | **78** | – |
| 3 to 6 months | **49** | – |
| Over 6 months | **–** | – |
| | **127** | – |

Movements in the provision for impairment of receivables are as follows:

| | | |
|---|---|---|
| Balance at 1 July | **–** | – |
| Provision for impairment recognised during the year | **127** | – |
| **Balance at 30 June** | **127** | – |

The creation of the provision has been included in property expenses and outgoings in the statement of comprehensive income.

## 9. Derivative Financial Instruments

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| **Current assets** | | | | |
| **Interest rate derivatives – at fair value** | **–** | 1,285 | **–** | 1,285 |
| **Current liabilities** | | | | |
| **Interest rate derivatives – at fair value** | **15,127** | 3,430 | **15,127** | 3,430 |
| **Non-current liabilities** | | | | |
| **Interest rate derivatives – at fair value** | **25,501** | – | **25,501** | – |

# 10. Inventories

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Land held for development and resale | **3,000** | 3,000 | **–** | – |
| **Inventories** | **3,000** | 3,000 | **–** | – |

## Movement in inventories

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Balance at 1 July | **3,000** | 4,925 | **–** | – |
| Write down to net realisable value | **–** | (1,925) | **–** | – |
| **Balance at 30 June** | **3,000** | 3,000 | **–** | – |

During the 2010 financial year the Group acquired land located at Maidstone Street, Altona, VIC from CPF and terminated the related development agreement. The Group's property development obligation in respect of the remaining development agreement with CPF is set out in note 21.

# 11. Other Current Assets

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| **Prepayments** | **1,791** | 1,437 | **1,047** | 789 |

# 12. Investment Properties

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| **Investment properties at fair value** | **1,724,400** | 1,444,850 | **1,724,400** | 1,444,850 |

## (a) Movement in investment properties

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Balance at 1 July | **1,444,850** | 1,064,100 | **1,444,850** | 1,064,100 |
| Additions at cost | | | | |
| Purchase price of investment property | **249,483** | 234,090 | **249,483** | 234,090 |
| Acquisition of TGA Complex (refer note 37) | **–** | 75,000 | **–** | 75,000 |
| Acquisition transaction costs | **13,939** | 13,315 | **13,939** | 13,315 |
| Property improvements | **52,813** | 43,432 | **52,813** | 43,432 |
| Disposals | **(39,329)** | (33,735) | **(39,329)** | (33,735) |
| Straight-lining of rental income | **6,892** | 4,883 | **6,892** | 4,883 |
| Lease costs and incentives | **15,810** | 15,879 | **15,810** | 15,879 |
| Amortisation of lease costs and incentives | **(7,705)** | (5,773) | **(7,705)** | (5,773) |
| Net gain/(loss) from fair value adjustments | **(12,353)** | 33,659 | **(12,353)** | 33,659 |
| **Balance at 30 June** | **1,724,400** | 1,444,850 | **1,724,400** | 1,444,850 |

## (b) Amounts recognised in profit and loss for investment properties

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Rental and outgoings from investment properties | **177,245** | 138,494 | **176,673** | 138,499 |
| Direct operating expense from properties that generated rental income | **(27,087)** | (21,198) | **(30,530)** | (24,241) |
| | **150,158** | 117,296 | **146,143** | 114,258 |

## (c) Assets pledged as security

Borrowings (refer Note 19) are secured by fixed and floating charges over each investment property plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

### (d) Leases as a lessor

The investment properties are generally leased to tenants on long term operating leases with rentals payable monthly. Minimum lease payments under the non-cancellable operating leases of the investment properties not recognised in the financial statements are receivable as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Within one year | **157,012** | 134,100 | **157,818** | 137,392 |
| Later than one year but not later than five years | **510,596** | 476,507 | **510,692** | 479,799 |
| Later than five years | **226,143** | 257,750 | **226,143** | 257,750 |
| | **893,751** | 868,357 | **894,653** | 874,941 |

### (e) Valuation basis

Independent valuations of properties were carried out by qualified valuers with relevant experience in the types of property being valued. Independent valuations are mostly carried out at least annually but no later than every two years. The value of investment properties is measured on a fair value basis, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In assessing the value of the investment properties, the independent valuers have considered both discounted cash flow, and capitalisation methodologies. In addition, the Group has utilised similar internal valuation processes for determining fair value where independent valuations are not obtained. Further information on assumptions underlying management's assessment of fair value is contained in note 2.

### (f) Details of investment properties

| | Title | Acquisition Date (1) | Acquisition Price (1) $'000 | Independent valuation date | Independent valuation 2012 $'000 | Independent valuation 2011 $'000 | Carrying amount 2012 $'000 | Carrying amount 2011 $'000 | Fair value adjustment 2012 $'000 | Fair value adjustment 2011 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 200 Mary St, QLD | Freehold | Jun 2001 | 29,250 | Jun 2012 | **87,000** | 88,000 | **87,000** | 88,000 | **(2,485)** | 1,190 |
| Terrace Office Park, QLD | Freehold | Jun 1999 | 13,600 | Dec 2011 | **26,500** | 28,000 | **26,500** | 28,500 | **(1,807)** | (314) |
| Oracle Building, ACT | Leasehold | Nov 2001 | 23,550 | Jun 2012 | **28,500** | 33,000 | **28,500** | 33,000 | **(4,645)** | (1,860) |
| Scrivener Buildings, ACT | Leasehold | Jun 2000 | 10,750 | SOLD | **–** | – | **–** | – | **–** | (590) |
| NQX Distribution Centre, QLD | Freehold | Feb 2003 | 17,778 | Jun 2011 | **26,500** | 26,000 | **26,500** | 26,000 | **547** | 42 |
| Henry Waymouth Centre, SA | Freehold | Apr 2003 | 30,420 | Dec 2011 | **32,000** | 34,250 | **32,000** | 34,250 | **(2,691)** | 633 |
| Brooklyn Woolstore, VIC | Freehold | Jun 2004 | 34,000 | Dec 2011 | **34,400** | 36,250 | **34,400** | 36,500 | **(1,659)** | (290) |
| Village Cinemas, VIC | Freehold | Jun 2004 | 8,900 | Dec 2011 | **12,100** | 11,500 | **12,100** | 11,700 | **400** | 677 |
| Vodafone Call Centre, TAS | Freehold | Jun 2004 | 15,900 | Dec 2011 | **15,300** | 15,850 | **15,300** | 16,100 | **(858)** | (564) |
| Regent Cinema Centre, NSW | Freehold | Jun 2004 | 9,900 | Dec 2011 | **13,400** | 13,050 | **13,400** | 13,400 | **–** | 713 |
| 78 Mallard Way, WA | Freehold | Jun 2004 | 7,600 | SOLD | **–** | – | **–** | – | **–** | 88 |
| Elders Woolstore, SA | Freehold | Jun 2004 | 10,900 | Dec 2011 | **15,000** | 14,100 | **15,000** | 14,300 | **1,243** | 475 |
| 700 Collins Street, VIC | Freehold | Dec 2004 | 133,000 | Dec 2011 | **172,400** | 168,000 | **172,400** | 172,000 | **(913)** | 10,629 |
| Masters Distribution Centre, VIC | Freehold | Feb 2005 | 41,000 | SOLD | **–** | 38,800 | **–** | 38,800 | **230** | (2,065) |
| 19 National Circuit, ACT | Leasehold | July 2005 | 35,530 | Jun 2012 | **32,000** | 36,000 | **32,000** | 36,000 | **(4,062)** | (251) |
| 380 La Trobe St, VIC | Freehold | Dec 2005 | 88,000 | Jun 2012 | **107,000** | 103,000 | **107,000** | 103,000 | **3,977** | 8,262 |
| 101 Grenfell St, SA | Freehold | Jan 2006 | 30,375 | Dec 2011 | **43,200** | 41,000 | **43,200** | 41,000 | **2,155** | 3,425 |
| 475 Victoria Av, NSW | Freehold | Mar 2006 | 102,650 | Jun 2012 | **135,000** | 126,500 | **135,000** | 126,500 | **6,861** | (4,961) |
| Synergy, QLD | Freehold | Nov 2008 | 85,727 | Dec 2011 | **73,000** | 68,000 | **73,000** | 71,500 | **589** | (9,730) |
| Tuggeranong Office Park, ACT | Leasehold | Jun 2008 | 166,025 | Jun 2012 | **173,000** | 172,750 | **173,000** | 172,750 | **243** | 5,217 |
| TGA Complex, ACT (2) | Leasehold | Jul 2010 | 75,000 | Jun 2012 | **70,000** | 73,750 | **70,000** | 73,750 | **(3,937)** | (1,256) |
| 321 Exhibition Street, Melbourne, VIC | Leasehold | Jul 2010 | 90,200 | Dec 2011 | **170,000** | 137,800 | **170,000** | 137,800 | **970** | 7,781 |
| 203 Coward Street, Mascot, NSW | Leasehold | Aug 2010 | 143,891 | Dec 2011 | **172,400** | 143,500 | **198,800** | 170,000 | **(830)** | 16,408 |
| HQ North, QLD | Freehold | Dec 2011 | 186,000 | Jun 2012 | **194,000** | – | **194,000** | – | **(3,484)** | – |
| Bundall Corporate Centre, QLD | Freehold | Jan 2012 | 63,483 | Dec 2011 | **65,300** | – | **65,300** | – | **(2,197)** | – |
| **Total investment properties** | | | 1,453,429 | | **1,698,000** | 1,409,100 | **1,724,400** | 1,444,850 | **(12,353)** | 33,659 |

(1) Comprises original acquisition date and price for CDPT or the relevant Syndicate which was mostly prior to the merger and stapling transactions in December 2006.

(2) TGA was acquired in a business combination transaction, through the acquisition of a subsidiary of Cromwell Property Fund, when the building was valued at $75m. (See note 37).

# 13. Investments at Fair Value Through Profit or Loss

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Unlisted equity securities at fair value | **–** | 4,177 | **–** | 4,177 |
| Listed equity securities at fair value | **266** | – | **266** | – |
| **Investments at fair value through profit or loss** | **266** | 4,177 | **266** | 4,177 |

These investments are designated at fair value through profit or loss. Gains and losses are shown in profit or loss.

# 14. Investments in Jointly Controlled Entity and Associates

The Group has investments in two associates, Cromwell Property Fund ("CPF") and Phoenix Portfolios Pty Ltd ("Phoenix"). The Trust only has an investment in CPF. These entities were formed in Australia and their principal activities are property investment (CPF) and investment management (Phoenix).

The reporting dates of the associates are the same as for the Group and Trust. The proportion of voting power held equates to the proportion of ownership interest.

CPF does not recognise income tax expense or liabilities given its nature.

The Group and the Trust previously held an Investment in a jointly controlled entity, Cromwell TGA Planned Investment ("TGA"). The remaining units of TGA not owned by the Group and Trust were acquired during the prior year.

## (a) Investments

The investments are accounted for using the equity method of accounting. Information relating to the investments is detailed below:

| Group | Ownership Interest 2012 % | Ownership Interest 2011 % | 2012 $'000 | 2011 $'000 |
|---|---|---|---|---|
| Investments accounted for using the equity method: | | | | |
| CPF – associate | **18** | 18 | **4,705** | 5,436 |
| Phoenix – associate | **50** | 50 | **47** | 56 |
| | | | **4,752** | 5,492 |

| Trust | | | | |
|---|---|---|---|---|
| Investments accounted for using the equity method: | | | | |
| CPF – associate | **18** | 18 | **4,705** | 5,436 |

### TGA

The Group and Trust held a 67% interest in TGA at the beginning of the 2011 year. During the 2011 year the Group and Trust acquired the remaining 33% holding in TGA through a unit sale deed approved by securityholders. Details of the purchase consideration for the one-third interest in TGA are set out in note 37. As a result of the purchase the results, assets and liabilities of TGA are consolidated in the financial statements of the Group and of the Trust from the date of acquisition of the remaining interest.

### CPF

At balance date the Group and Trust held 18% (2011: 18%) of the issued units of CPF. The Group and Trust are considered to have significant influence over CPF due to it being the single largest investor in the CPF, with the next largest investor holding 1.3% (2011: 1.3%) of the issued units of CPF.

## (b) Movement in carrying amount of investments in jointly controlled entity and associates

| Group | Phoenix $'000 | CPF $'000 | TGA $'000 | Total $'000 |
|---|---|---|---|---|
| **2012** | | | | |
| Balance at 1 July 2011 | 56 | 5,436 | – | 5,492 |
| Share of profit/(loss) | (9) | (131) | – | (140) |
| Distributions received | – | (600) | – | (600) |
| **Balance at 30 June 2012** | 47 | 4,705 | – | 4,752 |
| **2011** | | | | |
| Balance at 1 July 2010 | 27 | 6,903 | 49,872 | 56,802 |
| Share of profit/(loss) (1) | 29 | (967) | 225 | (713) |
| Distributions received | – | (500) | (206) | (706) |
| Carrying value derecognised (2) | – | – | (49,891) | (49,891) |
| **Balance at 30 June 2011** | 56 | 5,436 | – | 5,492 |

| Trust | CPF $'000 | TGA $'000 | Total $'000 |
|---|---|---|---|
| **2012** | | | |
| Balance at 1 July 2011 | 5,436 | – | 5,436 |
| Share of profit/(loss) (1) | (131) | – | (131) |
| Distributions received | (600) | – | (600) |
| **Balance at 30 June 2012** | 4,705 | – | 4,705 |
| **2011** | | | |
| Balance at 1 July 2010 | 6,903 | 49,872 | 56,775 |
| Share of profit/(loss) (1) | (967) | 225 | (742) |
| Distributions received | (500) | (206) | (706) |
| Carrying value derecognised (2) | – | (49,891) | (49,891) |
| **Balance at 30 June 2011** | 5,436 | – | 5,436 |

(1) Share of profit/(loss) includes fair value gain/(loss) on investment properties and interest rate derivatives where applicable.

(2) The carrying amount of TGA was derecognised following the acquisition of the remaining units of TGA, resulting in TGA being fully consolidated by the Group and Trust.

## (c) Share of assets and liabilities of jointly controlled entity and associates

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Phoenix $'000 | CPF $'000 | TGA $'000 | Phoenix $'000 | CPF $'000 | TGA $'000 |
| **Assets** | | | | | | |
| Current assets | 162 | 532 | – | 70 | 656 | – |
| **Non-current assets** | | | | | | |
| Investment properties | – | 29,537 | – | – | 29,485 | – |
| Other | 4 | – | – | 3 | – | – |
| **Total non-current assets** | 4 | 29,537 | – | 3 | 29,485 | – |
| **Total assets** | 166 | 30,069 | – | 73 | 30,141 | – |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Borrowings | – | (23,802) | – | – | (23,617) | – |
| Other | (119) | (1,562) | – | (17) | (1,088) | – |
| **Total current liabilities** | (119) | (25,364) | – | (17) | (24,705) | – |
| **Total liabilities** | (119) | (25,364) | – | (17) | (24,705) | – |
| **Net assets** | 47 | 4,705 | – | 56 | 5,436 | – |

## (d) Share of revenues, expenses and results of jointly controlled entity and associates

| | | | | | | |
|---|---|---|---|---|---|---|
| Revenue (1) | 269 | 3,560 | – | 158 | 4,156 | 352 |
| Expenses (1) | (278) | (3,691) | – | (129) | (5,123) | (127) |
| **Share of profit/(loss)** | (9) | (131) | – | 29 | (967) | 225 |

(1) Includes share of fair value adjustment to investment properties and interest rate derivatives where applicable.

## (e) Assets pledged as security

Borrowings (refer note 19) are secured by a registered floating charge over the investments.

# 15. Property, Plant and Equipment

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Furniture and fittings at cost | **1,588** | 1,453 | **–** | – |
| Accumulated depreciation | **(792)** | (714) | **–** | – |
| | **796** | 739 | **–** | – |
| Plant and equipment at cost | **1,764** | 1,509 | **–** | – |
| Accumulated depreciation | **(1,233)** | (1,115) | **–** | – |
| | **531** | 394 | **–** | – |
| **Property, plant and equipment** | **1,327** | 1,133 | **–** | – |

## (a) Movement in property, plant and equipment

Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below.

| Group | Furniture and fittings $'000 | Plant and Equipment Owned $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2011 | **739** | **394** | **1,133** |
| Additions | **135** | **329** | **464** |
| Disposals | **–** | **(21)** | **(21)** |
| Depreciation | **(78)** | **(171)** | **(249)** |
| **Balance at 30 June 2012** | **796** | **531** | **1,327** |
| Balance at 1 July 2010 | 816 | 446 | 1,262 |
| Additions | 3 | 124 | 127 |
| Depreciation | (80) | (176) | (256) |
| **Balance at 30 June 2011** | 739 | 394 | 1,133 |

# 16. Deferred Tax Assets

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| **Deferred tax assets** | **914** | 921 | **–** | – |
| *Deferred tax assets and liabilities are attributable to the following:* | | | | |
| Interests in managed investment schemes | **(1,917)** | (1,895) | **–** | – |
| Payables | **84** | 34 | **–** | – |
| Employee benefits | **540** | 404 | **–** | – |
| Provisions | **278** | 196 | **–** | – |
| Other accruals and sundry items | **212** | 265 | **–** | – |
| Tax losses recognised | **1,717** | 1,917 | **–** | – |
| | **914** | 921 | **–** | – |
| *Movements* | | | | |
| Balance at 1 July | **921** | 791 | **–** | – |
| Reduction in current tax liability on use of tax losses previously recognised | **(23)** | – | **–** | – |
| (Debit)/credit to profit or loss | **121** | 156 | **–** | – |
| Tax losses written off | **(178)** | (247) | **–** | – |
| Adjustments in relation to prior periods | **73** | 221 | **–** | – |
| **Balance at 30 June** | **914** | 921 | **–** | – |

The benefit of temporary differences and prior year tax losses recognised as a deferred tax asset was based on projected earnings over a limited period that the Directors considered to be probable. Projected earnings are re-assessed at each reporting date. There remains a significant amount of tax losses that have not been recognised as a deferred tax asset (refer note 6).

## 17. Intangible Assets

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Software – at cost | **2,405** | 2,174 | **–** | – |
| Accumulated amortisation | **(1,772)** | (1,571) | **–** | – |
| **Intangible assets** | **633** | 603 | **–** | – |

Amortisation of software is included in amortisation expense in profit or loss.

### Reconciliations of the carrying amounts of software are set out below:

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Balance at 1 July | **603** | 496 | **–** | – |
| Additions | **408** | 393 | **–** | – |
| Disposals | **(23)** | – | **–** | – |
| Amortisation | **(355)** | (286) | **–** | – |
| **Balance at 30 June** | **633** | 603 | **–** | – |

## 18. Trade and Other Payables

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Trade payables and accruals | **9,575** | 8,453 | **8,625** | 7,478 |
| Lease incentives payable | **2,875** | 10,815 | **2,875** | 10,815 |
| Tenant security deposits | **106** | 158 | **106** | 158 |
| Amounts payable to Cromwell Corporation Limited and it's subsidiaries (refer note 32(d)) | **–** | – | **540** | 1,554 |
| Other payables | **1,916** | 2,005 | **1,165** | 1,353 |
| **Trade and other payables** | **14,472** | 21,431 | **13,311** | 21,358 |

Trade and other payables are generally unsecured, non-interest bearing and paid in cash within 30-60 days of recognition.

Lease incentives payable are generally unsecured, non-interest bearing and paid in cash within 6 months of recognition according to the terms of the underlying lease.

## 19. Borrowings

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| *Secured* | | | | |
| Loans – financial institutions | **21,533** | 3,321 | **21,533** | 3,321 |
| **Borrowings – current** | **21,533** | 3,321 | **21,533** | 3,321 |
| **Non-Current** | | | | |
| *Secured* | | | | |
| Loans – financial institutions | **947,018** | 784,171 | **947,018** | 784,171 |
| Unamortised transaction costs | **(4,374)** | (3,883) | **(4,374)** | (4,155) |
| **Borrowings – non-current** | **942,644** | 780,288 | **942,644** | 780,016 |
| **Total** | | | | |
| *Secured* | | | | |
| Loans – financial institutions | **968,551** | 787,492 | **968,551** | 787,492 |
| Unamortised transaction costs | **(4,374)** | (3,883) | **(4,374)** | (4,155) |
| **Total borrowings** | **964,177** | 783,609 | **964,177** | 783,337 |

Loans shown above are net of transaction costs which are amortised over the term of the loan.

## (a) Borrowing details

Borrowings of the Group and Trust are the same and details at balance date are set out below:

| Facility | Note | Secured | Maturity Date | Facility 2012 $'000 | Utilised 2012 $'000 | Facility 2011 $'000 | Utilised 2011 $'000 |
|---|---|---|---|---|---|---|---|
| Syndicated Facility | (i) | Yes | May 2014 | **376,172** | **376,172** | 397,815 | 397,815 |
| Tuggeranong (Tranche 1) | (ii) | Yes | June 2015 | **107,917** | **107,917** | 107,917 | 107,917 |
| Tuggeranong (Tranche 2) | (ii) | Yes | June 2013 | **3,321** | **3,321** | 6,641 | 6,641 |
| Multi Property (Tranche 1) | (iii) | Yes | July 2015 | **132,719** | **132,719** | 132,719 | 132,719 |
| Multi Property (Tranche 2) | (iii) | Yes | July 2015 | **100,000** | **98,653** | 80,000 | 80,000 |
| Multi Property (Tranche 3) | (iii) | Yes | Dec 2012 | **40,000** | **13,913** | – | – |
| Mascot (Tranche 1) | (iv) | Yes | Dec 2014 | **62,400** | **62,400** | 85,000 | 62,400 |
| Mascot (Tranche 2) | (iv) | Yes | Dec 2014 | **83,750** | **17,840** | – | – |
| Mascot (Tranche 3) | (iv) | Yes | Dec 2014 | **47,720** | **-** | – | – |
| HQ North (Tranche 1) | (v) | Yes | Dec 2014 | **116,400** | **116,400** | – | – |
| HQ North (Tranche 2) | (v) | Yes | June 2013 | **4,300** | **4,300** | – | – |
| Bundall Corporate Centre | (vi) | Yes | Jan 2015 | **34,916** | **34,916** | – | – |
| **Total facilities** | | | | **1,109,615** | **968,551** | 810,092 | 787,492 |

### *(i) Syndicated Facility*

The Syndicate finance facility is secured by first registered mortgages over a pool of the investment properties held by the Group and a registered floating charge over the assets of the Trust. Interest is payable monthly in arrears at variable rates based on the 30 day BBSY rate which was 3.63% at balance date plus a loan margin. Repayments of $21,643,000 (2011: $33,078,000) were made during the year from proceeds of the sale of investment properties.

### *(ii) Tuggeranong*

The loan is secured by a first registered mortgage over Tuggeranong Office Park. The first tranche of the loan matures in June 2015. The second tranche matures in June 2013 with $830,000 repayable each quarter until June 2013. The loan bears interest at a variable rate based on the 30 day BBSY rate plus a loan margin. An amount of $107,917,000 (Tranche 1) was effectively fixed at balance date through interest rate swap arrangements. Repayments of $3,321,000 (2011: $3,321,000) were made during the year.

### *(iii) Multi Property*

The loan is secured by first registered mortgage over the Synergy, Mary Street, TGA and Exhibition Street investment properties. The facility limit is $272,719,000 and has 3 tranches (previously only one).

Tranche 1 relates to the TGA Complex in Canberra and the 200 Mary Street and Synergy properties in Brisbane.

Tranche 2 relates to the Exhibition Street property. The facility is for $100,000,000, and is drawn to $98,653,000 with an additional $1,347,000 to be drawn down to fund further capital commitments.

Tranche 3 was utilised to $30,000,000 in January 2012 to partly fund the acquisition of the Bundall investment property. Repayments of $16,087,000 were made during the year and the facility was fully repaid, prior to its maturity date, post balance date.

All tranches bear interest at a variable rate based on the 30 day BBSY rate plus a loan margin.

### *(iv) Mascot*

The loan is secured by a first registered mortgage over the 203 Coward Street, Mascot property. The loan was refinanced in December 2011 and consists of 3 tranches.

Tranche 1, $62,400,000, was fully drawn at balance date and replaced a previous facility. Tranche 2, $83,750,000, will provide funding for additional committed capital expenditure. This facility was drawn down to $17,840,000 at balance date.

Tranche 3 will provide funding for additional committed capital expenditure and was undrawn at balance date.

The loan bears interest at a variable rate based on a margin over the 30 day BBSY rate. The interest rate was partially fixed at balance date through interest rate swap arrangements.

*(v) HQ North*

The loan is secured by a first registered mortgage over the HQ North investment property and bears interest at a variable rate based on the 30 day BBSY rate plus a margin. The interest rate was partially fixed at balance date through interest rate swap arrangements. Assuming the property does not change in value over the next 12 months, $4,300,000 of the facility is effectively repayable in June 2013. The remainder of the facility matures in December 2014.

*(vi) Bundall Corporate Centre*

The loan is secured by a first registered mortgage over the Bundall Corporate Centre investment property and bears interest at a variable rate based on the 30 day BBSY rate plus a margin. The interest rate was effectively fixed at balance date through interest rate swap arrangement.

### (b) Maturity Profile

Maturity profile of the principal amounts of current and non-current borrowings together with estimated interest thereon:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012<br>$'000 | 2011<br>$'000 | 2012<br>$'000 | 2011<br>$'000 |
| Due within one year | **75,610** | 58,244 | **75,610** | 58,244 |
| Due between one and five years | **1,023,554** | 888,554 | **1,023,554** | 888,266 |
| Due after five years | **–** | – | **–** | – |
| | **1,099,164** | 946,798 | **1,099,164** | 946,510 |

### (c) Unused Finance Facilities

At balance date the Group had unused finance facilities totalling $141,064,000 (2011: $22,600,000).

### (d) Interest Rate Risk

*Interest rate derivatives*

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and a portion of them into fixed or limited range of rates.

The Group's exposure to interest rates is provided in note 4.

## 20. Dividends/Distributions Payable

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012<br>$'000 | 2011<br>$'000 | 2012<br>$'000 | 2011<br>$'000 |
| **Dividends/distributions payable** | **20,470** | 16,883 | **20,474** | 16,888 |

Distributions payable relate to June quarter distributions declared in June and payable in August of each year.

# 21. Provisions

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Employee benefits | **1,140** | 825 | **–** | – |
| Property development | **228** | 428 | **–** | – |
| **Provisions** | **1,368** | 1,253 | **–** | – |
| **Non-Current** | | | | |
| Employee benefits | **662** | 477 | **–** | – |
| Make good | **100** | 100 | **–** | – |
| **Provisions** | **762** | 577 | **–** | – |

## Movement in provisions

| | Property Development | | Make Good | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July | **428** | 5,093 | **100** | 100 |
| Provision (reversed)/recognised | **(200)** | 1,770 | **–** | – |
| Payments during year | **–** | (6,435) | **–** | – |
| **Balance at 30 June** | **228** | 428 | **100** | 100 |

### *Property development obligations*

The Group entered into development agreements with CPF in respect of three properties leased from CPF. Under the development agreements the Group can develop the land on the basis that CPF would fully recover its cost. Duringthe current year the Group reversed $200,000 of the provision based on the property held by CPF increasing in value. During the prior year the Group assessed the recoverable amount of the properties held by CPF at less than CPF's cost and provided for the difference through an increase in the provision of $1,770,000. Also during the prior year the Group paid $6,435,000 to the CPF following the termination of the development agreement over one of the properties leased from CPF.

### *Make good*

The Group's operating leases of its premises requires the asset to be returned to the lessor in a lease stipulated condition. The operating lease payments do not include an element for the refurbishment costs. A provision for refurbishment costs (make good obligations) is recognised over the period of the lease, measured at each reporting date as the expected cost of returning the asset to its agreed condition.

# 22. Other Current Liabilities

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| **Unearned income** | **6,735** | 7,085 | **6,735** | 7,085 |

Unearned income primarily comprises rent paid in advance by tenants.

# 23. Contributed Equity

## (a) Equity attributable to shareholders/unitholders

| | Group | | Company | | CDPT | |
|---|---|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| **Contributed equity** | **894,058** | 758,888 | **66,344** | 57,073 | **827,989** | 702,090 |

### Movements in ordinary shares/ordinary units

| Date | Details | Group Number of Securities | Group Issue Price | Group $'000 | Company Issue Price | Company $'000 | CDPT Issue Price | CDPT $'000 |
|---|---|---|---|---|---|---|---|---|
| 01 July 10 | Opening balance | 807,834,934 | | 648,582 | | 49,197 | | 599,660 |
| 21 July 10 | Placement | 69,333,333 | 75¢ | 52,000 | 5.6¢ | 3,884 | 69.4¢ | 48,116 |
| 21 July 10 | Placement | 2,666,667 | 75¢ | 2,000 | 5.6¢ | 149 | 69.4¢ | 1,851 |
| 23 Aug 10 | Placement | 4,750,000 | 72¢ | 3,420 | 5.4¢ | 256 | 66.6¢ | 3,164 |
| 23 Aug 10 | Entitlement offer | 14,301,708 | 72¢ | 10,297 | 5.4¢ | 769 | 66.6¢ | 9,528 |
| 2 Sept 10 | Placement | 2,581,836 | 72¢ | 1,859 | 5.4¢ | 139 | 66.6¢ | 1,720 |
| 20 Sept 10 | Placement | 800,000 | 72¢ | 576 | 5.4¢ | 43 | 66.6¢ | 533 |
| 14 Oct 10 | Placement | 7,357,762 | 72¢ | 5,298 | 5.1¢ | 376 | 66.9¢ | 4,922 |
| 17 Nov 10 | Dividend reinvestment plan | 1,359,711 | 70¢ | 949 | 5.1¢ | 67 | 64.9¢ | 882 |
| 16 Feb 11 | Dividend reinvestment plan | 1,800,054 | 73¢ | 1,314 | 5.1¢ | 92 | 67.9¢ | 1,222 |
| 04 Mar 11 | Placement | 35,000,000 | 71¢ | 24,748 | 5.2¢ | 1,727 | 65.8¢ | 23,021 |
| 04 Mar 11 | Placement | 12,130,000 | 71¢ | 8,578 | 5.2¢ | 599 | 65.8¢ | 7,979 |
| 08 Mar 11 | Placement | 2,921,000 | 71¢ | 2,065 | 5.2¢ | 144 | 65.8¢ | 1,921 |
| 14 Mar 11 | Exercise of options | 8,600 | – | – | – | – | – | – |
| 18 May 11 | Dividend reinvestment plan | 1,891,710 | 70¢ | 1,316 | 5.3¢ | 92 | 64.7¢ | 1,224 |
| | Transaction costs | – | – | (4,114) | – | (461) | – | (3,653) |
| 30 June 11 | Closing balance | 964,737,315 | | 758,888 | | 57,073 | | 702,090 |
| 19 Aug 11 | Dividend reinvestment plan | **2,108,544** | **68¢** | **1,424** | **4.9¢** | **95** | **63.1¢** | **1,329** |
| 16 Nov 11 | Dividend reinvestment plan | **2,058,172** | **66¢** | **1,357** | **4.3¢** | **89** | **61.7¢** | **1,268** |
| 16 Nov 11 | Placement | **40,591,780** | **68¢** | **27,602** | **4.5¢** | **1,811** | **63.5¢** | **25,791** |
| 16 Dec 11 | Placement | **45,588,235** | **68¢** | **31,000** | **4.5¢** | **2,033** | **63.5¢** | **28,967** |
| 19 Dec 11 | Entitlement offer | **5,846,802** | **68¢** | **3,976** | **4.5¢** | **261** | **63.5¢** | **3,715** |
| 20 Dec 11 | Entitlement offer | **51,470,588** | **68¢** | **35,000** | **4.5¢** | **2,296** | **63.5¢** | **32,704** |
| 21 Dec 11 | Exercise of performance rights | **659,600** | **20¢** | **132** | **1.3¢** | **9** | **18.7¢** | **123** |
| 9 Feb 12 | Entitlement offer | **51,449,138** | **68¢** | **34,985** | **5.0¢** | **2,596** | **63.0¢** | **32,389** |
| 15 Feb 12 | Dividend reinvestment plan | **1,978,895** | **70¢** | **1,381** | **5.2¢** | **102** | **64.8¢** | **1,279** |
| 23 Feb 12 | Exercise of performance rights | **126,859** | **–** | **–** | **–** | **–** | **–** | **–** |
| 9 Mar 12 | Entitlement offer | **1,470,588** | **68¢** | **1,000** | **5.0¢** | **74** | **63.0¢** | **926** |
| 16 May 12 | Dividend reinvestment plan | **1,602,427** | **71¢** | **1,141** | **5.3¢** | **85** | **65.7¢** | **1,056** |
| | Transaction costs | **–** | **–** | **(3,828)** | **–** | **(180)** | **–** | **(3,648)** |
| | | **1,169,688,943** | | **894,058** | | **66,344** | | **827,989** |

The basis of allocation of the issue price of stapled securities issued post stapling is determined by agreement between the Company and the Trust as set out in the Stapling Deed.

The Company/CDPT has established a dividend/distribution reinvestment plan under which holders of ordinary stapled securities may elect to have all of their dividend/distribution entitlement satisfied by the issue of new ordinary stapled securities rather than being paid in cash. Securities are issued under the plan at a discount to the market price as determined by the Directors before each dividend/distribution. During 2012 all securities were issued at no discount (2011: all were issued at a discount of 3%).

## (b) Stapled Securities

The ordinary shares of the Company are stapled with the units of the Trust. These entitle the holder to participate in dividends and distributions as declared from time to time and the proceeds on winding up. On a show of hands every holder of stapled securities present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each stapled security is entitled to one vote.

A reconciliation of the stapled number of ordinary shares of the Company and ordinary units of the Trust is as follows:

| | 2012 Company Number | 2012 CDPT Number | 2011 Company Number | 2011 CDPT Number |
|---|---|---|---|---|
| Ordinary shares / ordinary units | **1,169,688,943** | **1,169,964,049** | 964,737,315 | 965,012,421 |
| Unstapled units (held by the Company) | **–** | **(275,106)** | – | (275,106) |
| | **1,169,688,943** | **1,169,688,943** | 964,737,315 | 964,737,315 |

# 24. Reserves

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Share based payments | **2,189** | 1,588 | **–** | – |
| Available-for-sale financial assets revaluation reserve | **2,340** | 2,340 | **–** | – |
| **Reserves** | **4,529** | 3,928 | **–** | – |

## Movements in reserves

| | | | | |
|---|---|---|---|---|
| *Share based payments* | | | | |
| Balance at 1 July | **1,588** | 1,255 | **–** | – |
| Options expensed | **601** | 333 | **–** | – |
| **Balance at 30 June** | **2,189** | 1,588 | **–** | – |

The share based payments reserve is used to recognise the fair value of options issued for employee services.

| | | | | |
|---|---|---|---|---|
| *Available-for-sale financial assets revaluation reserve* | | | | |
| Balance at 1 July | **2,340** | 2,340 | **–** | – |
| **Balance at 30 June** | **2,340** | 2,340 | **–** | – |

Changes in the fair value of investments classified as available-for-sale are taken to the available-for-sale financial assets revaluation reserve. Amounts are recognised in profit or loss when the associated assets are disposed/sold or impaired.

For the Group the balance at year end comprises a reserve of a subsidiary attributable to its pre-stapling interest in a Syndicate which continues to be held. For the Group there was no movement in the available-for-sale financial assets revaluation reserve over the last two financial years.

# 25. Retained Earnings/(Accumulated Losses)

| | | | | |
|---|---|---|---|---|
| Retained Earnings/(Accumulated Losses) | **(51,562)** | (50,280) | **(58,589)** | (7,910) |

## Movements in retained earnings/(accumulated losses)

| | | | | |
|---|---|---|---|---|
| Balance at 1 July | **(50,280)** | (46,021) | **(7,910)** | (35,264) |
| Profit/(loss) for the year | **(1,282)** | (4,259) | **24,359** | 92,361 |
| Distributions | **–** | – | **(75,038)** | (65,007) |
| **Balance at 30 June** | **(51,562)** | (50,280) | **(58,589)** | (7,910) |

# 26. Non-Controlling Interests

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Non-controlling interests | **769,678** | 694,439 | **5,320** | 5,463 |

## Movements in non-controlling interests

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Balance at 1 July | **694,439** | 564,636 | **5,463** | 6,068 |
| Units issued by subsidiary | **125,899** | 102,430 | **–** | 2,520 |
| Profit for the year | **24,359** | 92,361 | **414** | 645 |
| Distributions paid/payable | **(75,019)** | (64,988) | **(557)** | (519) |
| De-recognition on deconsolidation | **–** | – | **–** | (3,251) |
| **Balance at 30 June** | **769,678** | 694,439 | **5,320** | 5,463 |

Application of AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements* and AASB 3 *Business Combinations* requires, for stapling arrangements which do not involve one of the combining entities obtaining an ownership interest in another combining entity, the net assets and profit or loss of the consolidated acquiree to be identified as non-controlling interests. Even though the interests of the equity holders of the identified acquiree (the Trust) are treated as non-controlling interests (as above) the equity holders of the acquiree are also equity holders in the acquirer (the Company) by virtue of the stapling arrangement.

# 27. Dividends/Distributions

## Franking credits

| | Group 2012 $'000 | Group 2011 $'000 |
|---|---|---|
| Franking credits available for subsequent years based on a tax rate of 30% (2011 – 30%) | **1,410** | 1,599 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise/(decrease) from the payment/(receipt) of the amount of the provision/(receivable) for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## Dividends paid/payable by the Company

There were no dividends paid or payable by the Company in respect of the 2012 and 2011 financial years.

## Distributions paid/payable by the Group

| 2012 Date Paid | 2011 Date Paid | 2012 Cents (1) | 2011 Cents (1) | 2012 $'000 | 2011 $'000 |
|---|---|---|---|---|---|
| **16 November 2011** | 17 November 2010 | **1.75¢** | 1.75¢ | **16,920** | 15,919 |
| **15 February 2012** | 16 February 2011 | **1.75¢** | 1.75¢ | **17,602** | 15,943 |
| **16 May 2012** | 18 May 2011 | **1.75¢** | 1.75¢ | **20,027** | 16,243 |
| **16 August 2012** | 19 August 2011 | **1.75¢** | 1.75¢ | **20,470** | 16,883 |
| | | **7.00¢** | 7.00¢ | **75,019** | 64,988 |

(1) Cents per stapled security.

### Distributions paid/payable by the Trust

| 2012 Date Paid | 2011 Date Paid | 2012 Cents (1) | 2011 Cents (1) | 2012 $'000 | 2011 $'000 |
|---|---|---|---|---|---|
| **16 November 2011** | 17 November 2010 | **1.75¢** | 1.75¢ | **16,925** | 15,923 |
| **15 February 2012** | 16 February 2011 | **1.75¢** | 1.75¢ | **17,607** | 15,947 |
| **16 May 2012** | 18 May 2011 | **1.75¢** | 1.75¢ | **20,032** | 16,249 |
| **16 August 2012** | 19 August 2011 | **1.75¢** | 1.75¢ | **20,474** | 16,888 |
| | | **7.00¢** | 7.00¢ | **75,038** | 65,007 |

(1) Cents per unit.

All distributions from the Group and Trust are unfranked. The determination of the Trust's distributable income excludes unrealised gains/(losses) including fair value adjustments to investment properties and interest rate derivatives.

Dividends/distributions paid in cash, payable at balance date or satisfied by the issue of securities under the reinvestment plan during past two years were as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Paid in cash (1) | **66,129** | 60,684 | **66,520** | 60,702 |
| Satisfied by the issue of securities (1) (2) | **5,303** | 3,579 | **4,932** | 3,579 |
| Payable at balance date | **20,470** | 16,883 | **20,474** | 16,888 |
| | **91,902** | 81,146 | **91,926** | 81,169 |

(1) Includes June distributions from prior year paid in August.
(2) Pursuant to Distribution Reinvestment Plan.

# 28. Earnings/(loss) per Share

| Earnings/(loss) per share/unit | Group | | Trust | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Basic earnings/(loss) per share/unit** | **(0.1¢)** | (0.5¢) | **2.3¢** | 10.1¢ |
| **Diluted earnings/(loss) per share/unit** | **(0.1¢)** | (0.5¢) | **2.3¢** | 10.0¢ |

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Earnings used to calculate basic and diluted earnings/(loss) per share/unit: | | | | |
| Profit for the year | **23,077** | 88,102 | **24,773** | 93,006 |
| Profit attributable to non-controlling interests | **24,359** | 92,361 | **414** | 645 |
| **Profit/(loss) attributable to ordinary equity holders of the company/ trust used in calculating basic/diluted earnings/(loss) per share/unit** | **(1,282)** | (4,259) | **24,359** | 92,361 |

| | Number of Shares | Number of Shares | Number of Shares | Number of Shares |
|---|---|---|---|---|
| Weighted average number of ordinary shares/units used in calculating basic earnings/(loss) per share/unit | **1,069,526,714** | 918,318,875 | **1,069,801,820** | 918,593,981 |
| Effect of dilutive securities: | | | | |
| – Director and employee performance rights | **3,467,267** | 1,271,820 | **3,467,267** | 1,271,820 |
| **Weighted average number of ordinary shares/units and potential ordinary shares/units used in calculating diluted earnings/(loss) per share/unit** | **1,072,993,981** | 919,590,695 | **1,073,269,087** | 919,865,801 |

Performance rights granted under the Performance Rights Plan are considered to be potential ordinary shares/units and have been included in the determination of diluted earnings/(loss) per share/unit to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings/(loss) per share/unit. Details relating to the performance rights are set out in Note 31.

| Earnings/(loss) per stapled security | Group 2012 | Group 2011 |
|---|---|---|
| **Basic earnings/(loss) per stapled security** | **2.2¢** | 9.6¢ |
| **Diluted earnings/(loss) per stapled security** | **2.2¢** | 9.6¢ |
| | **$'000** | **$'000** |
| Earnings used to calculate basic and diluted earnings/(loss) per stapled security: | | |
| Loss for the year attributable to company shareholders | **(1,282)** | (4,259) |
| Profit for the year attributable to trust unitholders | **24,359** | 92,361 |
| **Profit attributable to stapled securityholders of the Group used in calculating basic/diluted earnings/(loss) per stapled security** | **23,077** | 88,102 |
| | **Number of Securities** | **Number of Securities** |
| Weighted average number of stapled securities used in calculating basic earnings/(loss) per stapled security | **1,069,526,714** | 918,318,875 |
| Effect of dilutive securities: | | |
| – Director and employee performance rights | **3,467,267** | 1,271,820 |
| **Weighted average number of ordinary stapled securities and potential ordinary stapled securities used in calculating diluted earnings/(loss) per stapled security** | **1,072,993,981** | 919,590,695 |

Performance rights granted under the Performance Rights Plan are considered to be potential ordinary stapled securities and have been included in the determination of diluted earnings/(loss) per stapled security to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings/(loss) per stapled security. Details relating to the performance rights are set out in Note 31.

# 29. Cash flow Information

## (a) Reconciliation of profit/(loss) to net cash provided by operating activities

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Net profit/(loss) | **23,077** | 88,102 | **24,773** | 93,006 |
| Amortisation and depreciation | **604** | 542 | **–** | – |
| Amortisation (loan transaction costs) | **2,560** | 2,042 | **2,833** | 2,770 |
| Amortisation of lease costs and incentives | **7,705** | 5,773 | **7,705** | 5,773 |
| Share of profits of associates (net of distributions) | **740** | 1,419 | **731** | 1,448 |
| (Gain)/loss on sale of investment properties | **331** | 195 | **331** | 195 |
| Share based payments | **601** | 333 | **–** | – |
| Fair value net (gain)/loss from: | | | | |
| Investment properties | **12,353** | (33,659) | **12,353** | (33,659) |
| Interest rate derivatives | **38,483** | 1,920 | **38,483** | 1,920 |
| Investments at fair value through profit or loss | **173** | (604) | **173** | (604) |
| (Increase)/decrease to recoverable amount: | | | | |
| Property development inventories/provisions | **(200)** | 3,695 | **–** | – |
| Straight-line rentals | **(6,892)** | (4,883) | **(6,892)** | (4,883) |
| Loss on disposal of property, plant and equipment and intangibles | **44** | – | **–** | – |
| Changes in operating assets and liabilities: | | | | |
| (Increase)/decrease: | | | | |
| Trade and other receivables | **1,199** | 776 | **1,579** | (1,903) |
| Prepayments | **(354)** | 829 | **(258)** | 624 |
| Tax assets | **187** | 19 | **–** | – |
| Increase/(decrease): | | | | |
| Trade payables and accruals | **2,680** | 1,215 | **1,592** | 3,274 |
| Provisions (employee benefits/restoration) | **500** | (5) | **–** | – |
| Unearned revenue | **(350)** | 467 | **(350)** | 467 |
| **Net cash provided by operating activities** | **83,441** | 68,176 | **83,053** | 68,428 |

## (b) Finance facilities

Refer to note 19 for details of unused finance facilities.

## (c) Cash held as part of minimum net tangible assets

At balance date cash held by controlled entities of the Company of $2,553,000 (2011: $1,014,000) was utilised to meet minimum net tangible asset requirements under their Australian Financial Services Licence (AFSL). As such, the cash is effectively restricted in its use as it cannot readily be used to meet expenses and obligations of other Group entities without consideration of the AFSL requirements.

## (c) Non cash items

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Shares/units issued on reinvestment of distributions | **5,303** | 3,579 | **4,932** | 3,579 |

# 30. Key Management Personnel Disclosures

## (a) Key management personnel compensation

| Group and Trust | 2012 $ | 2011 $ |
|---|---|---|
| Short-term employee benefits | 4,149,034 | 4,233,003 |
| Post-employment benefits | 171,494 | 171,605 |
| Other long-term benefits | 84,431 | 77,112 |
| Share-based payments | 457,585 | 302,752 |
| | 4,862,544 | 4,784,472 |

## (b) Equity instrument disclosures relating to key management personnel

### *(i) Performance rights*

The numbers of performance rights over ordinary shares in the Company (and units in the CDPT through the stapling arrangement) held during the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below.

| Name | Balance at 1 July | Granted during the year as compensation | Exercised during the year | Lapsed during the year | Balance at 30 June Vested | Balance at 30 June Not Vested |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| *Non-executive Directors:* | | | | | | |
| GH Levy | – | – | – | – | – | – |
| RJ Pullar | – | – | – | – | – | – |
| MA McKellar | – | – | – | – | – | – |
| DE Usasz | – | – | – | – | – | – |
| WR Foster | – | – | – | – | – | – |
| M Wainer | – | – | – | – | – | – |
| M Flax [1] | – | – | – | – | – | – |
| M Watters | – | – | – | – | – | – |
| G Cannings [2] | – | – | – | – | – | – |
| *Executive Directors:* | | | | | | |
| PL Weightman | 4,000,000 | – | – | – | – | 4,000,000 |
| DJ Wilson | 1,740,000 | – | – | – | – | 1,740,000 |
| *Other key management personnel of the Group:* | | | | | | |
| NE Riethmuller | 123,459 | 52,851 | – | – | – | 176,310 |
| PW Howard [3] | 96,324 | – | – | (96,324) | – | – |
| DA Gippel | 659,600 | 236,248 | (659,600) | – | – | 236,248 |
| JA Clarke | – | – | – | – | – | – |
| MJ Blake | 95,894 | 136,932 | – | – | – | 232,826 |
| B Binning | 126,859 | 107,386 | (126,859) | – | – | 107,386 |
| PJ Cowling | – | 171,165 | – | – | – | 171,165 |
| | 6,842,136 | 704,582 | (786,459) | (96,324) | – | 6,663,935 |

(1) M Flax ceased to be a KMP on 1 August 2011
(2) G Cannings became a KMP on 1 August 2011
(3) PW Howard ceased to be a KMP on 26 October 2011

| Name | Balance at 1 July | Granted during the year as compensation | Exercised during the year | Forfeited during the year | Balance at 30 June Vested | Balance at 30 June Not Vested |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| *Non–executive Directors:* | | | | | | |
| GH Levy | – | – | – | – | – | – |
| RJ Pullar | – | – | – | – | – | – |
| MA McKellar | – | – | – | – | – | – |
| DE Usasz | – | – | – | – | – | – |
| WR Foster | – | – | – | – | – | – |
| M Wainer | – | – | – | – | – | – |
| M Flax | – | – | – | – | – | – |
| M Watters (1) | – | – | – | – | – | – |
| *Executive Directors:* | | | | | | |
| PL Weightman | 738,733 | 4,000,000 | – | (738,733) | – | 4,000,000 |
| DJ Wilson | 344,200 | 1,740,000 | – | (344,200) | – | 1,740,000 |
| *Other key management personnel of the Group:* | | | | | | |
| NE Riethmuller | – | 123,459 | – | – | – | 123,459 |
| PW Howard | – | 96,324 | – | – | – | 96,324 |
| DA Gippel | 915,933 | – | – | (256,333) | – | 659,600 |
| JA Clark | 92,100 | – | – | (92,100) | – | – |
| MJ Blake | 338,000 | 95,894 | – | (338,000) | – | 95,894 |
| B Binning | 326,992 | – | – | (200,133) | – | 126,859 |
| PJ Cowling (2) | 227,800 | – | – | (227,800) | – | – |
| | 2,983,758 | 6,055,677 | – | (2,197,299) | – | 6,842,136 |

(1) M Watters became a KMP on 4 April 2011

(2) PJ Cowling became a KMP on 1 July 2010

### *(ii) Share holdings/unit holdings*

The numbers of shares in the Company and units in the CDPT held during the financial year by each director of Cromwell Corporation Limited and other key management personnel of the Group, including their personally related parties, are set out below.

| Name | Balance at 1 July | On exercise of options | Net purchases (sales) | Ceased to be KMP | Balance at 30 June |
|---|---|---|---|---|---|
| **2012** | | | | | |
| *Non-executive Directors:* | | | | | |
| GH Levy | 1,119,430 | – | 1,457,416 | – | 2,576,846 |
| RJ Pullar | 14,000,000 | – | – | – | 14,000,000 |
| MA McKellar | 363,000 | – | 91,500 | – | 454,500 |
| DE Usasz | 2,225,000 | – | 95,000 | – | 2,320,000 |
| WR Foster | 5,261,765 | – | (1,200,000) | – | 4,061,765 |
| M Wainer (1) | – | – | – | – | – |
| M Flax (2) | 416,666 | – | – | (416,666) | – |
| M Watters (3) | – | – | – | – | – |
| G Cannings (4) | – | – | 58,000 | – | 58,000 |
| *Executive Directors:* | | | | | |
| PL Weightman | 15,921,167 | – | – | – | 15,921,167 |
| DJ Wilson | 1,970,775 | – | 1,425 | – | 1,972,200 |
| *Other key management personnel of the Group:* | | | | | |
| NE Riethmuller | – | – | – | – | – |
| PW Howard (5) | – | – | – | – | – |
| DA Gippel | 547,264 | 659,600 | – | – | 1,206,864 |
| JA Clarke | 71,032 | – | – | – | 71,032 |
| MJ Blake | 1,775,612 | – | – | – | 1,775,612 |
| B Binning | 10,760 | 126,859 | 4,262 | – | 141,881 |
| PJ Cowling | 1,675,801 | – | – | – | 1,675,801 |
| | 45,358,272 | 786,459 | 507,603 | (416,666) | 46,235,668 |

(1) M Wainer is a director of Redefine International Plc which indirectly owns Redefine Australia Investments Limited, which at 30 June 2012 owned 270,580,778 (2011: 213,833,333) stapled securities in the Group. M Wainer is also CEO and a director of Redefine Properties which at 30 June 2012 owned 45,588,235 (2011: nil) stapled securities in the Group.
(2) M Flax resigned as an alternate director and ceased to be a KMP on 1 August 2011.
(3) M Watters is a director of Redefine International Plc which indirectly owns Redefine Australia Investments Limited, which owns 270,580,778 (2011: 213,833,333) stapled securities in the Group.
(4) G Cannings became an alternate director for M Watters and a KMP on 1 August 2011.
(5) PW Howard resigned and ceased to be a KMP on 26 October 2011.

No shares or units were received by the above persons as compensation during the 2012 year.

| Name | Balance at 1 July | On exercise of options | Net purchases (sales) | Ceased to be KMP | Balance at 30 June |
|---|---|---|---|---|---|
| **2011** | | | | | |
| *Non-executive Directors:* | | | | | |
| GH Levy | 370,000 | – | 749,430 | – | 1,119,430 |
| RJ Pullar | 14,000,000 | – | – | – | 14,000,000 |
| MA McKellar | 330,000 | – | 33,000 | – | 363,000 |
| DE Usasz | 1,927,580 | – | 297,420 | – | 2,225,000 |
| WR Foster | 5,261,765 | – | – | – | 5,261,765 |
| M Wainer | – | – | – | – | – |
| M Flax | – | – | 416,666 | – | 416,666 |
| M Watters | – | – | – | – | – |
| *Executive Directors:* | | | | | |
| PL Weightman | 15,464,167 | – | 457,000 | – | 15,921,167 |
| DJ Wilson | 1,955,744 | – | 15,031 | – | 1,970,775 |
| *Other key management personnel of the Group:* | | | | | |
| NE Riethmuller | – | – | – | – | – |
| PW Howard | – | – | – | – | – |
| DA Gippel | 547,264 | – | – | – | 547,264 |
| JA Clarke | 71,032 | – | – | – | 71,032 |
| MJ Blake | 1,775,612 | – | – | – | 1,775,612 |
| B Binning | 10,000 | – | 760 | – | 10,760 |
| PJ Cowling | 1,675,801 | – | – | – | 1,675,801 |
| | 43,388,965 | – | 1,969,307 | – | 45,358,272 |

No shares or units were received by the above persons as compensation or on the exercise of options or performance rights during the 2011 year.

At balance date the numbers above for the Directors and other key management personnel represent the number of stapled securities of the Group held.

### (c) Loans to key management personnel

No loans were made during the 2012 or 2011 year to key management personnel and no loans were outstanding at the reporting date.

### (d) Other transactions with key management personnel

The Group rents an apartment, located at 185 Macquarie Street, Sydney, which is owned by Mr. Paul Weightman, a director of the Company. Total rent paid during 2012 was $88,400 (2011: $88,400). The payment of rent is on normal commercial terms and conditions and at market rates.

## 31. Share Based Payments

### (a) Performance Rights Plan

A Performance Rights Plan (PRP) was established in September 2007 by the Company. All full-time and part-time employees who meet minimum service, remuneration and performance requirements, including executive Directors of the Company, are eligible to participate in the PRP at the discretion of the Board. Participation in the PRP by executive Directors is subject to securityholder approval. The PRP is designed to provide long-term incentives for employees to continue employment and deliver long-term securityholder returns.

Under the PRP, eligible employees are allocated performance rights. Each performance right enables the participant to acquire a stapled security in the Group, at a future date and exercise price, subject to conditions. The number of performance rights allocated to each participant is set by the Board or the Remuneration Committee and based on individual circumstances and performance.

The amount of performance rights that will vest under the PRP depends on a combination of factors which may include the Group's total securityholder returns (including price growth, dividends and capital returns), internal performance measures and the participant's continued employment. Performance rights allocated under the PRP generally vest in 3 years. Until performance rights have vested, the participant cannot sell or otherwise deal with the performance rights except in certain limited circumstances. It is a condition of the PRP that a participant must remain employed by the Group in order for performance rights to vest. Any performance rights which have not yet vested on a participant leaving employment must be forfeited.

Under AASB 2 "*Share based Payment*", the performance rights are treated as options for accounting purposes.

Set out below are summaries of the number of performance rights granted and exercised.

| Grant Date | Expiry Date | Exercise price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Balance at year end |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| 16/12/2009 | 15/01/2012 | **$0.20** | **659,600** | **–** | **–** | **(659,600)** | **–** |
| 08/02/2010 | 07/03/2012 | **$0.00** | **126,859** | **–** | **–** | **(126,859)** | **–** |
| 23/08/2010 | 21/09/2012 | **$0.00** | **170,287** | **–** | **–** | **–** | **170,287** |
| 23/08/2010 | 21/09/2012 | **$0.10** | **123,459** | **–** | **–** | **–** | **123,459** |
| 23/08/2010 | 21/09/2013 | **$0.00** | **101,378** | **–** | **–** | **–** | **101,378** |
| 23/08/2010 | 21/09/2013 | **$0.10** | **47,433** | **–** | **–** | **–** | **47,433** |
| 23/08/2010 | 21/09/2013 | **$0.20** | **192,218** | **–** | **(96,324)** | **–** | **95,894** |
| 07/03/2011 | 01/08/2013 | **$0.00** | **97,633** | **–** | **–** | **–** | **97,633** |
| 26/05/2011 | 01/10/2013 | **$0.50** | **1,913,333** | **–** | **–** | **–** | **1,913,333** |
| 26/05/2011 | 01/10/2014 | **$0.50** | **1,913,333** | **–** | **–** | **–** | **1,913,333** |
| 26/05/2011 | 01/10/2015 | **$0.50** | **1,913,334** | **–** | **–** | **–** | **1,913,334** |
| 05/09/2011 | 05/10/2014 | **$0.20** | **–** | **393,679** | **–** | **–** | **393,679** |
| 05/09/2011 | 05/10/2014 | **$0.00** | **–** | **590,622** | **–** | **–** | **590,622** |
| 05/09/2011 | 05/10/2014 | **$0.10** | **–** | **52,851** | **–** | **–** | **52,851** |
| | | | **7,258,867** | **1,037,152** | **(96,324)** | **(786,459)** | **7,413,236** |
| **Weighted average exercise price** | | | **$0.42** | **$0.08** | **$0.20** | **$0.17** | **$0.40** |
| **2011** | | | | | | | |
| 18/09/2007 | 19/01/2011 | $1.21 | 2,811,434 | – | (2,811,434) | – | – |
| 18/09/2007 | 19/01/2011 | $0.00 | 8,600 | – | – | (8,600) | – |
| 06/12/2007 | 07/04/2011 | $1.21 | 1,082,933 | – | (1,082,933) | – | – |
| 16/12/2009 | 15/01/2012 | $0.20 | 659,600 | – | – | – | 659,600 |
| 08/02/2010 | 07/03/2012 | $0.00 | 126,859 | – | – | – | 126,859 |
| 23/08/2010 | 21/09/2012 | $0.00 | – | 170,287 | – | – | 170,287 |
| 23/08/2010 | 21/09/2012 | $0.10 | – | 123,459 | – | – | 123,459 |
| 23/08/2010 | 21/09/2013 | $0.00 | – | 158,283 | (56,905) | – | 101,378 |
| 23/08/2010 | 21/09/2013 | $0.10 | – | 47,433 | – | – | 47,433 |
| 23/08/2010 | 21/09/2013 | $0.20 | – | 246,337 | (54,119) | – | 192,218 |
| 07/03/2011 | 01/08/2013 | $0.00 | – | 97,633 | – | – | 97,633 |
| 26/05/2011 | 01/10/2013 | $0.50 | – | 1,913,333 | – | – | 1,913,333 |
| 26/05/2011 | 01/10/2014 | $0.50 | – | 1,913,333 | – | – | 1,913,333 |
| 26/05/2011 | 01/10/2015 | $0.50 | – | 1,913,334 | – | – | 1,913,334 |
| | | | 4,689,426 | 6,583,432 | (4,005,391) | (8,600) | 7,258,867 |
| **Weighted average exercise price** | | | $1.03 | $0.45 | $1.18 | – | $0.42 |

At balance date nil Performance Rights (2011: nil) were vested and exercisable. The weighted average remaining contractual life of performance rights outstanding at the end of the year was 2.1 years (2011: 2.6 years).

The assessed fair value of performance rights granted is as follows:

| | | | Fair value (cents) | |
|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise price | Non-market based | Market based |
| 18/09/2007 | 19/01/2011 | $1.21 | 15.0¢ | 10.6¢ |
| 18/09/2007 | 19/01/2011 | $0.00 | 96.9¢ | – |
| 06/12/2007 | 07/04/2011 | $1.21 | – | 8.9¢ |
| 16/12/2009 | 15/01/2012 | $0.20 | 41.5¢ | – |
| 08/02/2010 | 07/03/2012 | $0.00 | 59.1¢ | – |
| 23/08/2010 | 21/09/2012 | $0.00 | 59.8¢ | – |
| 23/08/2010 | 21/09/2012 | $0.10 | 50.6¢ | – |
| 23/08/2010 | 21/09/2013 | $0.00 | 54.2¢ | – |
| 23/08/2010 | 21/09/2013 | $0.10 | 45.5¢ | – |
| 23/08/2010 | 21/09/2013 | $0.20 | 37.0¢ | – |
| 07/03/2011 | 01/08/2013 | $0.00 | 61.5¢ | – |
| 26/05/2011 | 01/10/2013 | $0.50 | 13.9¢ | – |
| 26/05/2011 | 01/10/2014 | $0.50 | 12.6¢ | – |
| 26/05/2011 | 01/10/2015 | $0.50 | 11.5¢ | – |
| 05/09/2011 | 05/10/2014 | $0.00 | 50.0¢ | – |
| 05/09/2011 | 05/10/2014 | $0.10 | 41.1¢ | – |
| 05/09/2011 | 05/10/2014 | $0.20 | 32.3¢ | – |

## Fair Value of Performance Rights Granted

The fair values at grant date for performance rights with no market based vesting conditions were determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the security price at grant date and expected price volatility of the underlying security, the expected dividend/distribution yield and the risk-free interest rate for the term of the option. The fair values at grant date for performance rights with market based vesting conditions were determined using a Monte Carlo simulation (TSR hurdle) and the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the security price at grant date and expected price volatility of the underlying security, the expected dividend/distribution yield and the risk-free interest rate for the term of the option.

The model inputs for performance rights granted during the year ended 30 June 2012 included:

**Non-market based vesting conditions**

| | | | |
|---|---|---|---|
| Exercise price | $0.00 | $0.10 | $0.20 |
| Grant date | 05/09/11 | 05/09/11 | 05/09/11 |
| Share price at grant date | $0.69 | $0.69 | $0.69 |
| Expected price volatility | 27% | 27% | 27% |
| Expected dividend yield | 10.22% | 10.22% | 10.22% |
| Risk free interest rate | 3.82% | 3.82% | 3.82% |
| Expiry date | 05/10/14 | 05/10/14 | 05/10/14 |

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The model inputs for Performance Rights granted during the year ended 30 June 2011 included:

**Non-market based vesting conditions**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Exercise price | $0.00 | $0.10 | $0.00 | $0.10 | $0.20 | $0.00 | $0.50 | $0.50 | $0.50 |
| Grant date | 23/08/10 | 23/08/10 | 23/08/10 | 23/08/10 | 23/08/10 | 07/03/11 | 26/05/11 | 26/05/11 | 26/05/11 |
| Share price at grant date | $0.73 | $0.73 | $0.73 | $0.73 | $0.73 | $0.74 | $0.69 | $0.69 | $0.69 |
| Expected price volatility | 32% | 32% | 32% | 32% | 32% | 26% | 25% | 25% | 25% |
| Expected dividend yield | 9.66% | 9.66% | 9.66% | 9.66% | 9.66% | 9.46% | 10.14% | 10.14% | 10.14% |
| Risk free interest rate | 4.55% | 4.55% | 4.59% | 4.59% | 4.59% | 5.12% | 4.97% | 5.09% | 5.19% |
| Expiry date | 21/09/12 | 21/09/12 | 21/09/13 | 21/09/13 | 21/09/13 | 01/08/13 | 01/10/13 | 01/10/14 | 01/10/15 |

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

### (b) Tax Exempt Plan

The Tax Exempt Plan enables eligible employees to acquire up to $1,000 of stapled securities on-market in a tax effective manner within a 12 month period. Eligibility for the Tax Exempt Plan is approved by the Board having regard to individual circumstances and performance. No Directors or KMP are eligible for the Tax Exempt Plan.

Expenses relating to the plan are recorded in employee benefits expense and all securities are purchased on-market.

### (c) Expenses arising from share based payment transactions

Total expenses arising from share based transactions recognised during the year as part of employee benefits expense were as follows:

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Performance rights issued under PRP | **601** | 333 | **–** | – |
| **Expenses arising from share based payments** | **601** | 333 | **–** | – |

## 32. Other Related Party Transactions

### (a) Parent entity and subsidiaries

Cromwell Corporation Limited is the ultimate parent entity in the Group. Cromwell Diversified Property Trust is the ultimate parent entity in the Trust. Details of subsidiaries for both parent entities are set out in Note 34.

### (b) Transactions with jointly controlled entity and associates

Transactions between the Group and its jointly controlled entity and associates also included:

- Loans between the Group and its associates (refer note 8). The Group received interest of $1,622,879 (2011: $1,785,335) from Cromwell Property Fund;
- The Group received $600,401 (2011: $706,000) in distributions from its jointly controlled entity and associate during the year (refer note 14);
- The Group charged Cromwell Property Fund $1,184,581 (2011: $868,824) acquisition, registry services, accounting services, property, facility management and project management fees and leasing commissions during the year; and
- The Group charged its jointly controlled entity and associates $241,150 (2011: $221,910) management fees during the year;
- During the 2011 year the Group and Trust acquired the remaining units in Cromwell TGA Planned Investment from Cromwell Property Fund (refer notes 14 and 37);
- During the 2011 year the Group and Trust acquired the 321 Exhibition Street investment property from Cromwell Property Fund for $90,200,000. The acquisition was partly funded by way of repayment of $10,200,000 of the loan receivable from Cromwell Property Fund (refer note 8).

### (c) Transactions with managed investment schemes (managed by the consolidated entity)

Cromwell Property Securities Limited ("cps") and Cromwell Fund's Management Limited ("CFM") both act as responsible entity for a number of managed investment schemes. The Group derives a range of benefits from schemes managed by cps and CFM including management and acquisition fees. The Group provided Cromwell Ipswich City Heart Trust ("ICH"), a scheme for which CFM acts as responsible entity, with a loan facility during the current year (refer note 8). The group earned $622,959 in interest from ICH under the loan facility in 2012.

### (d) Transactions between the Trust and Cromwell Corporation Limited and its subsidiaries (including the Responsible Entity)

| | Trust 2012 $ | Trust 2011 $ |
|---|---|---|
| *(i) Amounts paid/payable* | | |
| Expense | | |
| Funds management fees | **8,496,578** | 8,674,483 |
| Property management fees | **4,373,277** | 3,085,083 |
| Accounting fees | **280,980** | 273,909 |
| Investment properties | | |
| Project management fees | **369,864** | 486,986 |
| Leasing commissions | **1,592,943** | 1,586,745 |
| Distributions (1) | **576,835** | 481,783 |
| *(ii) Amounts received/receivable* | | |
| Revenue | | |
| Interest income | **460,910** | 872,163 |
| Rental income and recoverable outgoings | **4,249,096** | 5,158,496 |
| Aggregate amount payable to responsible entity and associates at balance date (included in trade and other payables) | **540,371** | 1,553,691 |
| Aggregate amount receivable from the responsible entity and associates at balance date (included in trade and other receivables) | **3,203,132** | 10,789,477 |

(1) Distributions paid/payable mostly relate to the Responsible Entity's 8% holding in Cromwell Mary Street Planned Investment.

The Responsible Entity holds 1,517,000 (2011: 1,517,000) units in a subsidiary of CDPT, Cromwell Mary Street Planned Investment.

*(iii) Loan to the Company*

During the year the Trust advanced $nil (2011: $nil) to the Company under the loan facility between CDPT and the Company and received repayments of $7,000,000 (2011: $8,172,000). The loan is unsecured, repayable on 1 July 2014 and earns interest at variable rates being the 30 day BBSW rate plus a margin of 2.20% (2011: 2.20%).

# 33. Parent Entity Disclosures

As at and throughout the financial year ending 30 June 2012 the parent entity of the Group was Cromwell Corporation Limited and the parent entity of the Trust was Cromwell Diversified Property Trust.

## (a) Summary financial information

The individual financial statements for the parent entities show the following aggregations.

| | Cromwell Corporation Limited | | Cromwell Diversified Property Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| **Results** | | | | |
| **Profit/(loss) for the year** | **(68)** | (5,961) | **32,022** | 59,840 |
| **Total comprehensive income/(loss)** | **(68)** | (5,961) | **32,022** | 59,840 |
| **Financial position** | | | | |
| Current assets | **12,495** | 11,534 | **61,898** | 40,015 |
| Total assets | **17,160** | 14,588 | **1,400,803** | 1,303,599 |
| Current liabilities | **59** | 290 | **68,979** | 44,845 |
| Total liabilities | **3,247** | 10,478 | **697,482** | 683,162 |
| **Net Assets** | **13,913** | 4,110 | **703,321** | 620,437 |
| **Total equity** | | | | |
| Contributed equity | **66,344** | 57,073 | **827,989** | 702,090 |
| Share based payments reserve | **2,189** | 1,588 | **–** | – |
| Retained earnings/(accumulated losses) | **(54,620)** | (54,551) | **(124,668)** | (81,653) |
| **Total equity** | **13,913** | 4,110 | **703,321** | 620,437 |

## (b) Commitments for capital expenditure

As at balance date, Cromwell Corporation Limited had no commitments (2011: no commitments) in relation to capital expenditure contracted for but not recognised as liabilities.

As at balance date, Cromwell Diversified Property Trust had commitments of $116,712,000 (2011: $54,400,000) in relation to capital expenditure contracted for but not recognised as liabilities.

## (c) Guarantees provided

During the years ended 2012 and 2011 neither parent had provided any guarantees to entities it controlled.

## (d) Contingent liabilities

Neither parent entity had contingent liabilities at year end (2011: $nil).

## 34. Investments in Controlled Entities

The Company's and CDPT's investment in controlled entities are shown below, all of which are domiciled in Australia.

| Name | Equity Holding 2012 % | Equity Holding 2011 % |
|---|---|---|
| Cromwell Property Securities Limited | **100** | 100 |
| Cromwell Property Services Pty Ltd | **100** | 100 |
| Marcoola Developments Pty Ltd | **100** | 100 |
| Votraint No. 662 Pty Ltd | **100** | 100 |
| Cromwell Capital Limited | **100** | 100 |
| Cromwell Finance Limited | **100** | 100 |
| Cromwell Operations Pty Ltd | **100** | 100 |
| Cromwell Paclib Nominees Pty Ltd | **50** | 50 |
| Cromwell Funds Management Limited | **100** | 100 |
| Cromwell Seven Hills Pty Ltd | **100** | 100 |
| Cromwell Holding Trust No 1 Pty Ltd | **100** | 100 |
| Cromwell Holding Trust No 2 Pty Ltd | **100** | 100 |
| Cromwell Altona Trust | **100** | 100 |
| Cromwell Real Estate Partners Pty Ltd [3] | **100** | – |
| Cromwell Project & Technical Solutions Pty Ltd [3] | **100** | – |

Trust and its controlled entities [1]

| Name | 2012 % | 2011 % |
|---|---|---|
| Cromwell CMBS Pty Ltd | **100** | 100 |
| Cromwell Loan Note Pty Ltd | **100** | 100 |
| Cromwell Holding Trust No 1 | **100** | 100 |
| Cromwell Holding Trust No 2 | **100** | 100 |
| Cromwell Holding Trust No 4 | **100** | 100 |
| Terrace Office Park Property Trust/Planned Investment | **100** | 100 |
| Cromwell Mary Street Property Trust/Planned Investment [2] | **92** | 92 |
| Cromwell Goulburn Street Property Trust/Planned Investment | **100** | 100 |
| Cromwell Northbourne Planned Investment | **100** | 100 |
| Tuggeranong Head Trust | **100** | 100 |
| Tuggeranong Trust | **100** | 100 |
| CDPT Finance Pty Ltd | **100** | 100 |
| EXM Head Trust | **100** | 100 |
| EXM Trust | **100** | 100 |
| Mascot Head Trust | **100** | 100 |
| Mascot Trust | **100** | 100 |
| Cromwell Phoenix Opportunities Fund [3] | **100** | – |
| Cromwell Property Fund Trust No 2 | **100** | 100 |
| Cromwell Property Fund Trust No 3 | **100** | 100 |
| Cromwell Diversified Property Trust No 2 | **100** | 100 |
| Cromwell Diversified Property Trust No 3 | **100** | 100 |
| Cromwell TGA Planned Investment | **100** | 100 |
| Cromwell HQ North Head Trust [3] | **100** | – |
| Cromwell HQ North Trust [3] | **100** | – |
| Cromwell Bundall Corporate Centre Head Trust [3] | **100** | – |
| Cromwell Bundall Corporate Centre Trust [3] | **100** | – |

(1) The Trust and its controlled entities listed above are consolidated as part of the Group as required under accounting standards (refer note 1(b)).

(2) The remaining 8% interest in Cromwell Mary Street Property Trust/Planned investment is held by Cromwell Property Securities Limited.

(3) Incorporated/formed during the 2012 year.

# 35. Segment Information

## (a) Description of segments

### *Reportable Group segments*

The Group has identified its operating segments based on its internal reports which are regularly reviewed and used by the chief executive officer in order to make decisions about resource allocation and to assess the performance of the Group. The chief operating decision maker has been identified as the chief executive officer. The segments offer different products and services and are managed separately.

### *Property Investment*

The ownership of properties located throughout Australia.

### *Funds Management*

The establishment and management of external property funds and the Trust.

### *Property Development*

Property development, including development management, development finance and joint venture activities.

### *Trust*

The Trust has one reportable segment. It holds properties in Australia. Revenue is derived from rentals and associated recoverable outgoings. The Trust's properties are leased on a commercial basis incorporating varying lease terms and conditions. These include the lease period, renewal options, periodic rent and, where applicable, indexation based on CPI, fixed and/or market reviews.

## (b) Other segment information

### *(i) Accounting policies*

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 1 and Accounting Standard AASB 8 *Operating Segments*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, investment properties, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other payables, employee benefits and provisions.

### *(ii) Inter-segment transactions*

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

### *(iii) Equity-accounted investments*

The Group had an investment in an Australian jointly controlled entity (Cromwell TGA Planned Investment) and two Australian associates (Cromwell Property Fund and Phoenix Portfolios Pty Ltd). Cromwell TGA Planned Investment and Cromwell Property Fund are accounted for using the equity method and included in the property investment segment. Phoenix Portfolios Pty Ltd is accounted for using the equity method and included in the funds management segment.

### *(iv) Major customers*

Revenue of approximately $54,115,000 (2011: $49,755,000) is derived from a single external customer (Commonwealth of Australia) and is part of the property investment segment.

## (c) Operating segments

| 2012<br>Segment results | Property Investment<br>$'000 | Funds Management<br>$'000 | Property Development<br>$'000 | Consolidated<br>$'000 |
|---|---|---|---|---|
| **Segment revenue and other income** | | | | |
| Sales – external customers | 176,686 | 4,567 | – | 181,253 |
| Sales – intersegmental | 772 | 13,151 | – | – |
| Profit of equity accounted entity (before adjustments) | 863 | – | – | 863 |
| Distributions | 37 | – | – | 37 |
| Interest | 3,991 | 722 | – | 4,713 |
| Other income | 18 | 122 | – | 140 |
| **Total segment revenue and other income** | 182,367 | 18,562 | – | 187,006 |
| **Segment expenses** | | | | |
| Property expenses and outgoings | 25,715 | – | – | 25,715 |
| Property development costs | – | – | 638 | 638 |
| Intersegmental costs | 13,151 | 772 | – | – |
| Funds management commissions | – | 487 | – | 487 |
| Employee benefits expense | – | 12,746 | – | 12,746 |
| Finance costs | 61,963 | – | – | 61,963 |
| Loss of equity accounted entity (before adjustments) | – | 9 | – | 9 |
| Administration and overhead costs | 1,113 | 4,383 | – | 5,496 |
| **Total segment expenses** | 101,942 | 18,397 | 638 | 107,054 |
| Income tax expense/(benefit) | – | (58) | – | (58) |
| **Segment profit/(loss)** [1] | 80,425 | 223 | (638) | 80,010 |
| **Reconciliation to reported profit/(loss)** | | | | |
| Loss on sale of investment properties | (331) | – | – | (331) |
| Loss on sale of other assets | – | (44) | – | (44) |
| Fair value adjustments/write downs: | | | | |
| Investment properties | (12,353) | – | – | (12,353) |
| Interest rate derivatives | (38,483) | – | – | (38,483) |
| Investments at fair value through profit and loss | (173) | – | – | (173) |
| Property development inventories/provision | – | – | 200 | 200 |
| Equity accounted investments | (993) | – | – | (993) |
| Other property investment income/(expense): | | | | |
| Straight-line lease income | 6,892 | – | – | 6,892 |
| Lease incentive and lease cost amortisation | (7,705) | – | – | (7,705) |
| Other expenses: | | | | |
| Amortisation of finance costs | (2,560) | – | – | (2,560) |
| Employee options expense | – | (601) | – | (601) |
| Amortisation and depreciation | – | (604) | – | (604) |
| Net tax losses utilised | – | (178) | – | (178) |
| **Total adjustments** | (55,706) | (1,427) | 200 | (56,933) |
| **Profit/(loss)** | 24,719 | (1,204) | (438) | 23,077 |
| **Segment assets and liabilities** | | | | |
| **Total assets** | 1,816,591 | 18,006 | 3,004 | 1,837,601 |
| **Total liabilities** | 1,045,322 | 3,042 | 249 | 1,048,613 |
| **Other segment information** | | | | |
| Investments in associates | 4,705 | 47 | – | 4,752 |
| Acquisitions of non-current segment assets | | | | |
| Investment properties | 316,235 | – | – | 316,235 |
| Investments at fair value through profit or loss | 266 | – | – | 266 |
| Property, plant and equipment | – | 464 | – | 464 |
| Intangibles | – | 408 | – | 408 |
| | 316,501 | 872 | – | 317,373 |

(1) Segment profit/(loss) is based on income and expenses excluding adjustments for unrealised fair value adjustments and write downs, gains or losses on sale of investments, non-cash income and expenses. The adjusting items may vary from time to time based on changes to accounting standards and management's assessment as to the nature of the item.

| 2011<br>Segment results | Property Investment<br>$'000 | Funds Management<br>$'000 | Property Development<br>$'000 | Consolidated<br>$'000 |
|---|---|---|---|---|
| **Segment revenue and other income** | | | | |
| Sales – external customers | 138,476 | 3,964 | – | 142,440 |
| Sales – intersegmental | 709 | 12,034 | – | – |
| Profit of equity accounted entities (before adjustments) | 852 | 29 | – | 881 |
| Distributions | 255 | – | – | 255 |
| Interest | 4,320 | 664 | – | 4,984 |
| Other income | 4 | 12 | – | 16 |
| **Total segment revenue and other income** | 144,616 | 16,703 | – | 148,576 |
| **Segment expenses** | | | | |
| Property expenses and outgoings | 20,292 | – | – | 20,292 |
| Property development costs | – | – | 819 | 819 |
| Administration and overhead costs | 957 | 4,156 | – | 5,113 |
| Intersegmental costs | 12,034 | 709 | – | – |
| Funds management commissions | – | 480 | – | 480 |
| Employee benefits expense | – | 11,347 | – | 11,347 |
| Finance costs | 45,397 | – | – | 45,397 |
| **Total segment expenses** | 78,680 | 16,692 | 819 | 83,448 |
| Income tax expense/benefit | – | (169) | – | (169) |
| **Segment profit/(loss)** (1) | 65,936 | 180 | (819) | 65,297 |
| **Reconciliation to reported profit/(loss)** | | | | |
| Loss on sale of investment properties | (195) | – | – | (195) |
| Fair value adjustments/write downs: | | | | |
| Investment properties | 33,659 | – | – | 33,659 |
| Interest rate derivatives | (1,920) | – | – | (1,920) |
| Investments at fair value through profit and loss | 604 | – | – | 604 |
| Property development inventories/provision | – | – | (3,695) | (3,695) |
| Equity accounted investments | (1,594) | – | – | (1,594) |
| Other property investment income/(expense): | | | | |
| Straight-line lease income | 4,883 | – | – | 4,883 |
| Lease incentive and lease cost amortisation | (5,773) | – | – | (5,773) |
| Other expenses: | | | | |
| Amortisation of finance costs | (2,042) | – | – | (2,042) |
| Employee options expense | – | (333) | – | (333) |
| Amortisation and depreciation | – | (542) | – | (542) |
| Net tax losses utilised | – | (247) | – | (247) |
| **Total adjustments** | 27,622 | (1,122) | (3,695) | 22,805 |
| **Profit/(loss)** | 93,558 | (942) | (4,514) | 88,102 |
| **Segment assets and liabilities** | | | | |
| **Total assets** | 1,521,553 | 14,860 | 3,015 | 1,539,428 |
| **Total liabilities** | 832,364 | 1,476 | 428 | 834,268 |
| **Other segment information** | | | | |
| Investments in associates | 5,436 | 56 | – | 5,492 |
| Acquisitions of non-current segment assets | | | | |
| Investment properties | 365,837 | – | – | 365,837 |
| Investments at fair value through profit or loss | 4,593 | – | – | 4,593 |
| Property, plant and equipment | – | 127 | – | 127 |
| Intangibles | – | 393 | – | 393 |
| | 370,430 | 520 | – | 370,950 |

(1) Segment profit/(loss) is based on income and expenses excluding adjustments for unrealised fair value adjustments and write downs, gains or losses on sale of investments, non-cash income and expenses. The adjusting items may vary from time to time based on changes to accounting standards and management's assessment as to the nature of the item.

Segment revenue and other income reconciles to total revenue and other income as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Total segment revenue and other income | **187,006** | 148,576 |
| Reconciliation to reported revenue and other income | | |
| Straight-line lease income | **6,892** | 4,883 |
| Lease incentive amortisation | **(6,332)** | (4,865) |
| Fair value net gain from investment properties | **–** | 33,659 |
| Fair value net gain from investments at fair value through profit or loss | **–** | 604 |
| Increase in recoverable amount of loans receivable | **200** | – |
| Share of operating profit of equity accounted entities | **(863)** | (881) |
| **Total revenue and other income** | **186,903** | 181,976 |

# 36. Commitments for Expenditure

| | Group | | Trust | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |

## (a) Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases in existence at the reporting date but not recognised as liabilities are payable as follows:

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Within one year | **410** | 51 | **–** | – |
| Later than one year but not later than five years | **1,172** | 101 | **–** | – |
| | **1,582** | 152 | **–** | – |

Operating leases primarily comprise the lease of the Group's premises. The Company has entered into a number of leases with the Trust and its subsidiaries and as such the commitment is not recognised on consolidation. Operating lease commitments of the Company are paid for and recognised as expenses by a controlled entity.

## (b) Capital expenditure commitments

Commitments in relation to capital expenditure contracted for at reporting date but not recognised as a liability are payable as follows:

| | Group 2012 $'000 | Group 2011 $'000 | Trust 2012 $'000 | Trust 2011 $'000 |
|---|---|---|---|---|
| Within one year | **73,848** | 31,800 | **73,848** | 31,800 |
| Later than one year but not later than five years | **42,864** | 22,600 | **42,864** | 22,600 |
| | **116,712** | 54,400 | **116,712** | 54,400 |

# 37. Business Combinations

## Acquisition of Cromwell TGA Planned Investment

On 20 July 2010 the Group and Trust acquired the remaining units in Cromwell TGA Planned Investment ("TGA") from the Cromwell Property Fund (refer to note 14).

Following the acquisition, the Group and Trust fully consolidate the assets and liabilities and performance of TGA, including the TGA Complex which has been valued at $75,000,000 (refer note 12) and additional borrowings of $12,973,000 secured against the TGA Complex (refer note 19). Prior to the acquisition, TGA was a jointly controlled entity (refer note 14).

The Group and the Trust have recognised the fair values of the identifiable assets and liabilities based upon the best available information at the acquisition date. The business combination accounting is as follows:

| | Recognised on Acquisition $'000 | Already Held $'000 | Balance on Consolidation $'000 |
|---|---|---|---|
| Investment in associate/controlled entity | 25,105 | 49,891 | – |
| Other assets | – | – | 22 |
| Investment Property | – | – | 75,000 |
| Other liabilities | – | – | (26) |
| Borrowings | (12,973) | (25,946) | (38,919) |
| **Net assets** | 12,132 | 23,945 | 36,077 |

| | $'000 |
|---|---|
| **Purchase consideration:** | |
| Cash paid | **12,132** |
| **Total purchase consideration** | **12,132** |

The carrying amount of assets and liabilities acquired was equivalent to their fair value.

The cash flows on acquisition were as follows:

| | |
|---|---|
| Cash acquired from business combination | **–** |
| Cash paid | **(12,132)** |
| **Payments for controlled entity, net of cash acquired** | **(12,132)** |

Had the acquisition occurred at the beginning of the reporting period, the consolidated statements of comprehensive income would not have been significantly impacted.

# 38. Contingent Liabilities

The Directors are not aware of any material contingent liabilities of the Group or the Trust (2011: nil).

## 39. Auditor's Remuneration

| | Group 2012 $ | Group 2011 $ | Trust 2012 $ | Trust 2011 $ |
|---|---|---|---|---|
| During the year the following fees were paid or payable for services provided by the auditor of the Group (Johnston Rorke) and its related entities: | | | | |
| **Audit Services** | | | | |
| *Johnston Rorke* | | | | |
| Auditing or reviewing financial reports | **235,000** | 248,500 | **155,000** | 159,000 |
| Auditing of controlled entities' AFS licences | **6,000** | 4,500 | **–** | – |
| Auditing of controlled entities' compliance plans | **30,000** | 32,500 | **30,000** | 32,000 |
| | **271,000** | 285,500 | **185,000** | 191,000 |
| **Other Services** | | | | |
| *Johnston Rorke* | | | | |
| Other – review of pro forma balance sheets and forecasts | **70,000** | 76,000 | **–** | – |
| | **70,000** | 76,000 | **–** | – |

The auditor receives remuneration for audit and other services relating to other entities for which Cromwell Property Securities Limited and Cromwell Funds Management Limited, both controlled entities, act as responsible entity. The remuneration is disclosed in the relevant entity's financial reports and totalled $112,500 (2011: $78,000).

## 40. Subsequent Events

The Group announced on 8 August 2012 that it was in negotiations for the potential acquisition of all the units in the unlisted Cromwell Property Fund ("CPF") that it does not already own. CPF has a portfolio of 5 properties valued at $168 million.

Cromwell Property Securities Limited ("cps"), the responsible entity of CPF and a wholly-owned subsidiary of the Group, has undertaken an extensive review to determine the most appropriate way to provide unitholders in CPF with both liquidity and an investment with stable distributions. While final terms are still to be settled and no decision on the transaction has been made, if Cromwell acquires all of the units in CPF that it does not already own, unitholders in CPF would receive Cromwell stapled securities in return. It is likely that the number of stapled securities that would be issued to unitholders in CPF would be calculated taking into account the value of the underlying net tangible assets (NTA) of the respective entities.

The units in CPF which would be acquired are expected to have a net tangible asset value of approximately $22 million.

The transaction would provide Cromwell with 100% ownership of CPF's properties, with minimal transaction costs. The transaction would also effectively eliminate Cromwell's existing $24 million loans to CPF. If the transaction proceeds, it is not expected to have a material impact on the earnings per security, distributions per security, NTA or gearing of the Group for 2013.

If a transaction proceeds, it is likely to be structured as a trust scheme and would require certain regulatory relief and the approval of unitholders in CPF. Details of the transaction, including conditions, would be set out in an explanatory memorandum accompanying the CPF meeting documents.

# Directors' Declaration

In the opinion of the Directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as Responsible Entity for the Cromwell Diversified Property Trust (collectively referred to as "the Directors"):

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the Group's and the Trust's financial position as at 30 June 2012 and of their performance, for the financial year ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note (1)(a); and

(c) there are reasonable grounds to believe that the Group and the Trust will be able to pay its debts as and when they become due and payable; and

The Directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2012 required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Directors.

P.L. Weightman
Director

Dated this 22nd day of August 2012

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## Independent Auditor's Report
## To the Securityholders of Cromwell Property Group
## To the Unit holders of
## Cromwell Diversified Property Trust

### Report on the Financial Report

Cromwell Property Group ("the Group") comprises Cromwell Corporation Limited and the entities it controlled at the end of the year or from time to time during the year and Cromwell Diversified Property Trust and the entities it controlled ("the Trust") at the end of the year or from time to time during the year.

We have audited the accompanying financial reports of the Group and the Trust, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for both Cromwell Corporation Limited and Cromwell Property Securities Limited as responsible entity for the Cromwell Diversified Property Trust.

### Directors' Responsibility for the Financial Report

The directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as responsible entity for the Cromwell Diversified Property Trust (collectively referred to as "the directors") are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## Opinion

In our opinion:

(a) the financial reports of the Group and the Trust are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's and Trust's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial reports also comply with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in part 11 of the directors' report for the year ended 30 June 2012. The directors of Cromwell Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion the Remuneration Report of Cromwell Corporation Limited for the year ended 30 June 2012 complies with Section 300A of the *Corporations Act 2001*.

JOHNSTON RORKE
Chartered Accountants

RCN WALKER
Partner
Brisbane, Queensland
22 August 2012

# Corporate governance statement

Cromwell Property Group through its Board, Board Committees and management is committed to meeting stakeholders' expectations of sound corporate governance, while seeking to achieve superior financial performance and long term prosperity.

The ASX Corporate Governance Council has Corporate Governance Principles and Recommendations which are designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. The recommendations are not prescriptive. However listed entities are required to disclose the extent of their compliance and, if any ASX recommendations have not been followed, must give reasons for not following them.

This statement sets out the extent to which the Group has followed the ASX recommendations during this financial year, identifies any of the ASX recommendations which were not followed and provides reasons.

## Principle 1 – Lay solid foundations for management and oversight

The Boards of Cromwell Corporation Limited and Cromwell Property Securities Limited each have common membership. Responsibility for corporate governance and the internal working of each Group entity rests with the relevant Board. The Board has adopted a formal charter which details the composition, values and functions of the Board.

The Board holds a scheduled meeting each month and additional meetings are convened as required. Board papers are designed to focus Board attention on key issues and standing items include major strategic initiatives, corporate governance, compliance, reports from each functional division and financial performance.

Day-to-day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to management under the direction of the CEO . This has been formalised in the Board Charter and a Delegations of Authority policy. The effectiveness of both these documents is reviewed by the Board annually.

Each director has received a letter of appointment which details the key terms of their appointment. The CEO and Director – Finance and Funds Management (both of whom are executive directors) have formal job descriptions and letters of appointment outlining the terms of their employment.

A formal induction program allows new senior executives to participate fully and actively in decision-making as soon as possible. The Group has an established process for the performance review of all staff. The performance of senior executives is evaluated at least annually, in addition to regular feedback during the performance period. At the time of the reviews, the professional development of the executive is also discussed, along with any training which could enhance their performance. Both qualitative and quantitative measures are used in the evaluation. A performance evaluation for each senior executive has taken place during the reporting period and was subject to the review process explained elsewhere in this report.

Cromwell Property Securities Limited acts as responsible entity for the Cromwell Diversified Property Trust. Cromwell Funds Management Limited acts as responsible entity for the Group's unlisted managed investment schemes. Both companies are wholly owned subsidiaries of Cromwell Corporation Limited. The roles and responsibilities of a responsible entity are set out in the relevant scheme's constitution and, if registered, its compliance plan. Day-to-day management of the schemes has been delegated to management, under the direction of the CEO. This has been formalised in the Delegations of Authority policy mentioned above.

A compliance committee comprised of a majority of external independent members monitors the extent to which the responsible entity complies with each registered managed investment scheme's compliance plan and reports findings to the responsible entity. The roles and responsibilities of the compliance committee are outlined in a formal charter which is reviewed annually by the committee and the Board.

What you can find on our website:

- Corporate Governance Statement
- Board Charter
- Compliance Committee Charter

## Principle 2 – Structure the board to add value

The Board is comprised of an independent Chairman (Geoff Levy), four other independent directors (David Usasz, Michelle McKellar, Richard Foster and Robert Pullar) and four non-independent directors (Paul Weightman, Daryl Wilson, Marc Wainer and Mike Watters). Profiles of each director, including details of their skills, expertise and experience can be found in the directors' report.

The Group recognises that independent directors are important in reassuring securityholders that the Board properly fulfils its role. The Board comprises a majority of independent directors. The independent directors (including the Chairman) are considered to meet the test of independence under the ASX Guidelines. Each year, their independence is assessed and the independent directors also confirm to the Board, in writing, their continuing status as an independent director. They have each undertaken to inform the Board as soon as practical if they think that their status as an independent director has or may have changed.

In assessing a director's independent status, the Board has adopted a materiality threshold of 5% of the Group's net operating income or 5% of the Group's net tangible assets (as appropriate).

Each director's qualifications, experience, special responsibilities and attendances at Board meetings are detailed in the directors' report. The Board considers that its members comprise directors with an appropriate mix of skills, personal attributes and experience that allow the directors individually, and the Board collectively, to discharge their duties effectively and efficiently. The Board comprises individuals who understand the business of the Group and the environment in which it operates and who can effectively assess management's performance in meeting agreed objectives and goals.

On an ongoing basis directors are provided with updates on legal and corporate developments relevant to the Group.

### Independent professional advice

If warranted, the Board may resolve to obtain professional advice about the execution of the Board's responsibilities at the Group's expense. Directors also have the right to seek independent professional advice. Subject to the Chairman's approval, which will not be unreasonably withheld, it will be at the Group's expense. Where appropriate, such advice is shared with the other directors.

### Board Committees

Three Board Committees have been established to assist in the execution of the Boards' responsibilities. The membership of each Committee and attendance at Board and Committee meetings during the financial year is set out in the directors' report.

It is the policy of the Board that the Investment Committee, Nomination and Remuneration Committee and the Audit and Risk Committee consist of a majority of independent directors (other than the Chairman). Each committee has a charter which includes a description of its duties and responsibilities.

The Board Charter has a description of the Board's policies and procedures for the selection, appointment and re-election of directors.

### Performance of the Board

The Board has undertaken its annual formal performance assessment, which includes an assessment of the Board, Board Committees and individual directors. Directors completed a questionnaire and were able to make comments or raise any issues they had regarding the Board or a Board Committee's operations. The results were compiled by the Company Secretary and discussed at a subsequent Board meeting. The CEO and Director – Finance and Funds Management also participated in an annual performance review with the Chairman (who had consulted with the other directors). The review process was the same as for senior executives.

As necessary, directors are provided with training sessions on key issues relevant to the Group's operations. Directors also have access to the internal training sessions provided by the Group's General Counsel and/or Compliance Manager.

If the appointment of another independent director was being considered, or should a director vacancy occur, the Board, through the Nomination and Remuneration Committee, would firstly identify any gaps or weaknesses in the skills and experience of the existing directors and then identify the particular skills, experience and expertise that would best complement Board effectiveness. Candidates would be identified using both established professional networks and professional intermediaries. The extent to which each candidate would address any identified gaps or weaknesses and provide an appropriate cultural and values fit for the Group would be the main factors taken into account in the selection process. Any relevant gender diversity objectives set by the Board would also be taken into account when identifying appropriate candidates. However, selection and appointment would occur on the basis of merit.

Appointment of directors is documented by way of a formal agreement between the Group and each director, dealing with such issues as performance expectations, conflicts of interest, disclosure obligations, remuneration and Group policies. The Board's policy and procedure for the selection, appointment and re-election of Directors are set out in the Board Charter.

### What you can find on our website:

- Remuneration and Nomination Committee Charter
- Board Charter

## Principle 3 – Promote ethical and responsible decision making

The Group's directors and staff are required to maintain high ethical standards of conduct. The various practices and policies of the Group reinforce this. All directors and staff are expected to act with integrity, striving at all times to enhance the reputation and performance of the Group.

To reinforce this culture the Group has established a Code of Conduct to provide guidance about the attitudes and behaviour necessary to maintain stakeholder confidence in the integrity of the Group and comply with the Group's legal obligations.

The Code of Conduct is made available to all staff and they are reminded of the importance of the Code of Conduct on a regular basis. Appropriate standards are also communicated and reinforced to all staff at induction programs and staff meetings.

The Board has approved a Breach Reporting Policy and a Whistleblower's Policy. The policies are on the Group's intranet site and all staff received training with regard to the policies. These policies actively encourage and support reporting to appropriate management of any actual or potential breaches of the Group's legal obligations and / or of the Code of Conduct.

The Board has also approved a Securities Trading Policy under which directors and staff are restricted in their ability to deal in the Group's securities. Appropriate black out periods are in place during which directors and staff are not permitted to trade. All staff are aware of the policy and receive training annually. The policy is reviewed annually.

Compliance with Board policies is monitored via monthly checklists completed by key management and by investigation following any report of a breach by an employee. Compliance monitoring is undertaken by the Legal & Compliance team under the direction of the Company Secretary / General Counsel who reports directly to the Board.

The Board has approved a Diversity Policy which sets out the framework the Group has in place and achieve appropriate diversity in its Board, senior executive and broader workforce.

The table below shows the gender diversity objectives set for the 2012 financial year and the Group's performance against those objectives as at 30 June 2012.

| | |
|---|---|
| 1. At least one female director and at least one female senior executive team member. | The Group has one female director and two female senior executive team members. |
| 2. Internal promotion of females to 50% of vacant management positions over the next three years. | There were no vacant management positions during FY12. However, four existing staff were promoted into new management positions and two of them were female. |
| 3. Female staff turnover not to exceed male staff turnover. | Female staff turnover exceeded male staff turnover. However, this was largely a result of a difficulty in finding an appropriate candidate for a particular role rather than a high number of existing female staff resigning. |
| 4. At least 1 female is interviewed for greater than 75% of vacant roles. | Females were interviewed for approximately 80% of vacant roles. |
| 5. Female participation in employee surveys is proportional to the number of female employees. | The nature of employee surveys undertaken meant that it would not have been possible to ensure anonymity of participants if they were asked to specify their gender. |
| 6. The Group will benchmark remuneration data without reference to gender, age or employment conditions. All roles will be benchmarked according to experience, qualifications and performance. | Demographics such as gender, age and race were not considered when benchmarking and reviewing salaries. |
| 7. Succession plans and leadership programs are designed to assist in the development of a diverse pool of future senior executives and managers. | Half of the key staff identified for succession planning purposes were female. Approximately half of the potential internal successors to key staff are female. Of the 14 staff being supported through tertiary education or other professional development, 8 are females. |
| 8. Each year at least one corporate event is held to which partners and children are encouraged to attend. | Staff were able to bring their partners and children to at least two corporate events. |
| 9. At least 60 full time equivalent flexible working days are used by Cromwell staff in any given financial year. | Most of the Group's flexible working arrangements are undocumented so it is difficult to measure the number of full time equivalent flexible working days used. However, 7 females work part-time and at least 2 full-time female staff have flexible working arrangements. |

For the 2013 financial year, the Group has the following diversity objectives:

1. The Group has at least 1 female director and at least 2 female senior executives.
2. If existing staff are promoted, at least 50% of those promoted will be females.
3. At least one female will be interviewed for all advertised management positions.
4. All staff regardless of gender, age and race are consulted annually via an engagement survey and are given the opportunity to provide feedback on issues and potential barriers to diversity.
5. Remuneration continues to be benchmarked against market data taking into consideration experience, qualification and performance and without regard to age, gender and race.
6. Succession plans and leadership programs are designed to assist in the development of a diverse pool of future senior executives and managers and are regularly reviewed.
7. At least one corporate event is held to which staff can bring partners and children.
8. Parents (or carers) are offered flexible work arrangements.
9. All employees undergo annual "equal employment opportunity" training.
10. At least 80% of females taking parental leave return to work.
11. At least 50% of staff undertaking Cromwell supported tertiary education and other professional development programs are female.

As at 30 June 2012, the Board had 1 female director (out of 9 directors), executive management comprised 10 people, including 3 females, senior management comprised 9 people, including 4 females and management comprised 8 people, 3 of which were female. The Group employs a total of 82 people, 38 of which are female.

### What you can find on our website:

- Code of Conduct
- Securities Trading Policy
- Breach Reporting Policy
- Whistleblower's Policy
- Diversity Policy
- FY2013 Gender Diversity Objectives

## Principle 4 – Safeguard integrity in financial reporting

The Board has responsibility for the integrity of the Group's financial reporting. To assist the Board in discharging this function the following process has been adopted

### Audit and Risk Committee

An Audit and Risk Committee has been appointed by the Board and has responsibility for overseeing the quality and integrity of the accounting, auditing, financial reporting and compliance and risk management practices of the Group. The Audit and Risk Committee is comprised of three independent directors. The names, qualifications and attendance at meetings of the members of the Audit and Risk Committee is detailed in the directors' report.

The responsibilities, roles, composition and structure of the Audit and Risk Committee are set out in its charter. The charter includes information on the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners.

Minutes are kept of all Committee meetings, including meetings of the Audit and Risk Committee, and presented at the next Board meeting. The Committee reports to the Board on all matters relevant to its role and responsibilities.

The external auditor has declared its independence to the Board and the Committee. The Board is satisfied that the standards for auditor independence and associated issues have been complied with. The auditor attends the Group's Annual General Meeting and is available to answer securityholder questions on the conduct of the audit and the content and preparation of the auditor's report.

The CEO and the Director – Finance and Funds Management state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial position and operational results and are in accordance with relevant accounting standards.

Details of the risk monitoring duties of the Audit and Risk Committee are set out in principle 7 on page 96.

### What you can find on our website:

- Audit and Risk Committee Charter

## Principle 5 – Make timely and balanced disclosure

The Group believes that all stakeholders should be informed of all the major business events and risks that influence the Group in a timely and widely available manner. In particular, the Group strives to ensure that any price-sensitive material for public announcement is lodged with the ASX before external disclosure elsewhere and posted on the Group's website as soon as practical after lodgement with the ASX.

The Group has a market disclosure protocol which includes polices and procedures designed to ensure compliance with the disclosure requirements in the ASX Listing Rules.

The ASX liaison person is the Group's Company Secretary.

### What you can find on our website:

- Market Disclosure Protocol

## Principle 6 – Respect the rights of shareholders

The Group has an investor relations strategy, approved by the Board, which has been designed to generate and foster a long term close association with securityholders and investors in the Group's financial products.

The Group aims to keep securityholders informed of the Group's performance and all major developments in an ongoing manner. In this regard, securityholders receive regular reports, and all documents that are released publicly are made available on the Group's website. The Group uses its website as a means of providing information to securityholders and the broader investment community.

Securityholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategies and goals. Notices of meetings are accompanied by explanatory notes on the items of business and together they will seek to accurately and clearly explain the nature of the business of the meeting.

A copy of the AGM notice is sent to the Company's external auditor as required by law. The current audit partner attends the AGM and is available to answer questions from securityholders about the audit. The Chairman reminds securityholders of this opportunity at each AGM.

## Principle 7 – Recognise and manage risks

The Group is exposed to various risks across its business operations and recognises the importance of effectively identifying and managing those risks. To this end, the Group has adopted an Enterprise Risk Management Policy, which is a general statement of the Group's philosophy with respect to risk management practices. There are also a wide range of underlying policies and procedures which are designed to mitigate the Group's material business risks.

Risks are identified and assessed so that informed decisions on risk issues can be made. The objective of the Group's approach to risk management is to manage the level of risk within acceptable parameters rather than seeking to eliminate risk.

Under the direction of the CEO, management is responsible for identifying relevant business risks, designing controls to manage those risks and ensuring those controls are appropriately implemented. The risk management system operates in accordance with Australian / New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management).

Although management is expected to identify new or emerging risks and put appropriate controls in place on an ongoing basis, at least annually the Legal & Compliance team will co-ordinate a formal review by all business divisions of their business risks and mitigating controls.

The Legal & Compliance team monitors the adequacy of the risk management system and fulfils the internal audit function within Cromwell Property Group. The Company Secretary reports on the risk management system (including internal audit) to the Audit and Risk Committee at throughout the year. The internal audit function involves both active testing of the adequacy of controls for those risks which are inherently extreme or high as well as having management (monthly, quarterly or annually as appropriate) confirm that the assessment of identified risks and their controls remain appropriate and identify any new controls or risks.

Under the direction of the Company Secretary, the Legal & Compliance team also implement and monitor compliance arrangements which have been designed to ensure that the Group meets its legal obligations. Those compliance arrangements include key management staff completing a compliance checklist each month and independent compliance testing. The Audit and Risk Committee is responsible for oversight of the risk management and internal control systems. Responsibilities include:

(a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;

(b) regularly reviewing and updating the risk profile; and

(c) monitoring the effectiveness of the internal risk control system.

Although the Board has delegated operational oversight of the compliance framework to the Committee, the Board will satisfy itself annually, or more frequently if required, that the risk management system is sound.

A compliance committee assists the Board of Cromwell Property Securities Limited in overseeing the risk management framework of the registered managed investment schemes for which it acts as the responsible entity. The compliance committee monitors compliance with the compliance plans and the underlying compliance framework. The Board receives regular reports from the compliance committee.

### Chief Executive Officer and Chief Financial Officer Declaration

The CEO and the Director – Finance and Funds Management (Cromwell's Chief Financial Officer) have provided the Board with written confirmation that:

(a) in their view, the Group is effectively managing its material business risks;

(a) their statement given to the Board on the integrity of the Group's statements (pursuant to section 295A of the Corporations Act) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

(b) the Group's risk management and internal compliance and control system is operating effectively in all material respects in relation to the Group's material business risks.

It should be noted that the declarations from the CEO and Director – Finance and Funds Management are reasonable rather than absolute assurances that the risk management and internal compliance and control system is operating effectively because it is impossible for all weaknesses to be detected. Their conclusions are based on their own observations and judgement and the outcome of the compliance and controls testing and reviews undertaken by the Legal & Compliance team.

### What you can find on our website:

- Audit and Risk Committee Charter
- Enterprise Risk Management Policy

## Principle 8 – Remunerate fairly and responsibly

The Group's remuneration policy is determined by the Nomination and Remuneration Committee which makes recommendations to the Board:

(a) in the case of non-executive directors, for consideration of any increase by securityholders at the AGM; and

(b) in the case of executives, for decision.

External professional advice is sought from experienced consultants, where appropriate, to assist in the committee's and the Board's deliberations.

The Group's remuneration policy links the nature and amount of executive directors' and officers' remuneration to the Group's financial and operational performance.

The Group operates a Performance Rights Plan and has issued performance rights (or options over Group securities) to a number of executives. The Group does not currently pay any other form of security-based remuneration.

### Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee operating under an approved written charter that incorporates various responsibilities, including reviewing and recommending compensation arrangements for the directors, the CEO and key executives and setting remuneration policy.

Meetings of the committee are attended, by invitation, by appropriate professional advisers from time to time.

Minutes of all committee meetings are available to the Board and the Chairman of the committee reports to the Board after each committee meeting. The committee has 4 members, all of which are independent directors.

Details of the number of committee meetings and attendances by directors are included in the directors' report.

### Non-executive director remuneration

The structure of non-executive directors' remuneration and that of executive directors is set out in the relevant section of the directors' report.

Details of the nature and amount of each element of the remuneration of each director of the Group and other key management personnel of the Group are disclosed in the relevant section of the directors' report.

There is no retirement benefit scheme for non-executive directors other than payment of statutory superannuation. The Boards undertake an annual review of their performance together with an assessment of the Group's executive management.

### Executive directors and senior executive remuneration

The Group's remuneration policies and practices in relation to executive directors and senior executives are disclosed in the directors' report. Further, details of the nature and amount of remuneration paid to those executives is set out in the directors' report.

For executive directors and key staff, formal performance objectives are set annually with discussion on their performance taking place at assessment time.

The CEO and the Director – Finance and Funds Management participate in the Performance Rights Plan discussed above.

Previous participation was approved by securityholders at an annual general meeting. Pursuant to the ASX Listing Rules, any further participation would also need to be approved by securityholders.

### Managed funds

Cromwell Property Securities Limited and Cromwell Funds Management Limited are entitled to various fees for acting as responsible entity of Cromwell managed funds. Further, various other Group entities are entitled to fees for providing services to managed funds such as property and asset management, accounting, registry and transactional management.

All related party transactions are tested by reference to whether they meet market standards.

Fees are calculated in accordance with a defined formula under the Constitution for the relevant schemes or agreements which have been assessed as being on arm's length or better terms. Fees are fully disclosed to investors at inception and continue to be disclosed to investors in regular reporting.

Cromwell Property Securities Limited and Cromwell Funds Management Limited are also entitled to be reimbursed from the relevant schemes for expenses incurred in the proper performance of their duties.

### What you can find on our website:

- Nomination and Remuneration Committee Charter

# Securityholder information

## 1. Securityholder Information

The securityholder information set out below was applicable as at 9 October 2012.

## 2. Spread of stapled securityholders

| Category (size of Holding) | Number of Holders | Number of Securities |
|---|---|---|
| 1 – 1,000 | 601 | 183,170 |
| 1,001 – 5,000 | 1,433 | 4,535,378 |
| 5,001 – 10,000 | 1,540 | 11,714,637 |
| 10,001 – 100,000 | 8,083 | 268,681,743 |
| 100,001 – 9,999,999,999 | 1,153 | 936,999,551 |
| | 12,810 | 1,222,114,479 |

## 3. Unmarketable Parcels

The number of stapled securityholdings held in less than marketable parcels was 452.

## 4. Substantial Securityholders

| Holder | Stapled Securities | Date of Notice |
|---|---|---|
| Redefine Properties Limited/Redefine Australian Investments Limited | 316,169,013 | 10 February 2012 |
| Coronation Asset Management (Pty) Ltd | 58,737,725 | 10 February 2012 |

## 5. Voting Rights

On a show of hands every securityholder present at a meeting in person or by show of proxy shall have one vote and upon a poll every securityholder shall have effectively one vote for every security held.

## 6. Twenty Largest Securityholders

| Rank | Investor | Number of Stapled Securities Held | % Held of Issued Stapled Securities |
|---|---|---|---|
| 1 | Redefine Australian Investments Limited | 177,276,857 | 14.51% |
| 2 | National Nominees Limited | 133,243,758 | 10.90% |
| 3 | Redefine Australian Investments Limited | 93,303,921 | 7.63% |
| 4 | RBC Investor Services Australia Nominees Pty Limited <APN A/c> | 46,374,211 | 3.79% |
| 5 | HSBC Custody Nominees (Australia) Limited | 43,147,224 | 3.53% |
| 6 | JP Morgan Nominees Australia Ltd | 23,865,820 | 1.95% |
| 7 | Hero Nominees Limited <Pooled A/c> | 16,911,765 | 1.38% |
| 8 | Aust Executor Trustees SA Ltd <Tea Custodians Limited> | 16,756,462 | 1.37% |
| 9 | Stara Investments Pty Ltd | 15,921,167 | 1.30% |
| 10 | Citicorp Nominees Pty Limited | 12,147,642 | 0.99% |
| 11 | RJP Family Pty Ltd <Robert J Pullar Family A/c> | 10,000,000 | 0.82% |
| 12 | JP Morgan Nominees Australia Ltd <Cash Income A/c> | 7,754,059 | 0.63% |
| 13 | Humgoda Investments Pty Ltd | 7,282,126 | 0.60% |
| 14 | Panmax Pty Ltd <Panmax Pty Ltd S/Fund A/C> | 5,703,707 | 0.47% |
| 15 | Kovron Pty Ltd <J M Creagh Super Fund A/c> | 5,570,769 | 0.46% |
| 16 | Mr Philip John Wallace & Mrs Bernadette Mary Wallace <Wallance Super Fund A/c> | 4,883,450 | 0.40% |
| 17 | Citicorp Nominees Pty Limited <Colonial First State Inv A/c> | 4,544,374 | 0.37% |
| 18 | Trial Developments Pty Ltd <Creagh Family A/c> | 4,196,480 | 0.34% |
| 19 | Mr Neal John Ambrose & Mrs Anne Christine Ambrose | 3,474,008 | 0.28% |
| 20 | Mr Humphrey Firkins & Mr Jamie Dorrington | 3,377,000 | 0.28% |
| | | **635,734,800** | **52.02%** |

## 7. Provision of information for Securityholders

Cromwell is committed to ensuring its securityholders are fully informed on the financial and operational status of the Group as well as its future prospects, in accordance with the rules and guidelines of the Australian Securitied Exchange (ASX) and other regulatory bodies. The following information can also be found on the Cromwell website at **www.cromwell.com.au.**

## 8. ASX Listing

Cromwell Property Group is listed as a Stapled Security on the ASX (Code: CMW).

## 9. Securityholding Details

Securityholders can access information on their holdings and update their details through Cromwell's share registry provider:

**Link Market Services Limited**
Level 15, 324 Queen Street
BRISBANE QLD 4000
Telephone: 1300 550 841
Outside Australia: +61 2 8280 7124
Fax: (02) 9287 0309
Web: www.linkmarketservices.com.au
Email: info@linkmarketservices.com.au

Securityholders can change or update details relating to their address, bank account and Tax File Number (TFN), Australian Business Number (ABN) or exemption in a number of ways:

– Send written authorisation to the Registry quoting your SRN / HIN and signing the request;

– Log on to **www.linkmarketservices.com.au**; or

– Call the Registry.

You will have to verify your identity by providing your personal details. Bank detail changes must be requested in writing or electronically and cannot be made over the phone.

Securityholders are not obliged to quote their TFN, ABN or exemption details. However, if these details are not lodged with the registry, Cromwell is obliged to deduct tax from unfranked portions of dividend payments and distribution payments and up to the highest marginal tax rate, depending on residency.

## 10. Distributions/Dividends

During the year the following distributions/dividends have been paid:

| Quarter Ending | Amount per Security | Ex Date | Record Date | Payment Date |
|---|---|---|---|---|
| 30 June 2012 | 1.75 cents | 25 June 2012 | 29 June 2012 | 16 August 2012 |
| 31 March 2012 | 1.75 cents | 26 March 2012 | 30 March 2012 | 16 May 2012 |
| 31 December 2011 | 1.75 cents | 22 December 2011 | 30 December 2011 | 15 February 2012 |
| 30 September 2011 | 1.75 cents | 27 October 2011 | 4 October 2011 | 16 November 2011 |

## 11. Further Information

The Cromwell website provides a comprehensive range of information on the company, past performance and products. The website address is **www.cromwell.com.au**. Requests for further information about the Group, its dealings and key securityholder communications should be directed to:

**Investor Relations Manager**
Cromwell Property Group
GPO Box 1093
Brisbane QLD 4001
Australia
Telephone: (07) 3225 7777
Facsimile: (07) 3225 7788
Email: invest@cromwell.com.au

## Board of Directors:

Geoffrey Levy (AO)
Robert Pullar
Michelle McKellar
David Usasz
Richard Foster
Marc Wainer
Michael Watters
Paul Weightman
Daryl Wilson

## Registered Office:

Level 19
200 Mary Street
BRISBANE QLD 4000
Tel: +61 7 3225 7777
Fax: +61 7 3225 7788
Web: www.cromwell.com.au

## Secretary:

Nicole Riethmuller

## Listing:

The company and the trust are stapled and listed on the Australian Securities Exchange (ASX code: CMW).

## Share Registry:

**Link Market Services Limited**
Level 15, 324 Queen Street
BRISBANE QLD 4000
Tel: 1300 550 841 (+61 2 8280 7124)
Fax: +612 9287 0309
Web: www.linkmarketservices.com.au

## Auditor:

Johnston Rorke
Chartered Accountants
Level 30, Central Plaza One
345 Queen Street
BRISBANE QLD 4000
Tel: +61 7 3222 8444
Fax: +61 7 3221 7779
Web: www.jr.com.au