



ASX Announcement
November 24, 2010

Meeting of Cromwell Corporation Limited - Annual General Meeting
Meeting of Cromwell Diversified Property Trust - General Meeting
Date: 24 November 2010

CHAIRMAN'S ADDRESS

The last few years have been challenging for both Cromwell and the broader A-REIT sector. However I'm proud to report that Cromwell has navigated this period successfully and as a result is well placed for future growth as confidence begins to return.

Cromwell has worked diligently, acquiring landmark assets and launching successful new products during what has been a difficult period for the industry.

Three key transactions illustrate the enhanced standing the Group has achieved during what has become known as the GFC, Global Financial Crisis: the acquisition of Tuggeranong Office Park for \$166 million in June 2008, the acquisition of the \$173 million Riverpark building, now the Energex HQ, in July 2009 and the related successful raising of \$91 million for the unlisted Cromwell Riverpark Trust in 2009, and the \$143 million acquisition of the Qantas Headquarters in August 2010.

Each of these transactions has been of industry-wide significance, and each includes embedded growth opportunities which will continue to deliver value for investors especially as the market recovers.

The success of these transactions and of our endeavours more broadly over recent years reflects that fact that Cromwell has maintained a long-term focus on delivering superior performance for securityholders throughout the ups and downs of the property cycle.

An important development for the Group was the introduction in December 2009 of Redefine Australia as a long-term cornerstone investor. This allowed us to raise \$73 million at a minimal discount to our trading price at the time and above our most recent net tangible asset value per security. This is in stark contrast to the giants of the listed A-REIT sector.

Like many of our investors, Redefine was attracted to the strong defensive nature of our property portfolio, coupled with our demonstrated ability to add value through internalised property expertise and our disciplined acquisition strategy.

The support of Redefine has already enabled us to make acquisitions that we believe will be of long-term value to all securityholders.

Since the end of the last financial year, we have raised a further \$75.4 million through a placement and rights issue, again on terms that were non-dilutive to existing investors. I would like to thank all of you who demonstrated your support by taking up your entitlements.

To conclude, I'd like to acknowledge that the management and staff of Cromwell have worked diligently on behalf of securityholders throughout the year and I congratulate Paul and his excellent team on the Group's positive achievements.

In addition to management, I would also like to thank my fellow board members for their valuable contribution and formally welcome new board member Marc Wainer from Redefine.



Thanks to all our investors for your ongoing support and we look forward to sharing in the fruits of an improving market.

I would now like to invite Chief Executive Officer Paul Weightman to run through the achievements of the 2010 financial year and share with you some of the progress the Group has made since balance date.



CEO's address

This has been a landmark year for Cromwell Group. We have worked to maximise our operating earnings while implementing a long-term strategy for growth in a capital-constrained market.

The key elements of our growth strategy have been the alliance with our new cornerstone investor Redefine and a portfolio rebalancing - recycling capital into quality assets.

We believe that the rebalancing of our portfolio will provide superior risk-adjusted returns in coming years when the price relativity between premium assets and other assets is restored. It also has the strategic benefit of being relatively sparing of our capital.

Although we continue to improve our portfolio, I note that our existing assets have performed very well, with operating earnings of \$64.6 million, or 8.5 cents per security, largely underpinned by recurring property income. This property income has allowed us to pay full-year distributions of 8.0 cents per security, in line with guidance.

This represents a fall from previous year's levels, and I acknowledge that any fall is disappointing. However, it is still significantly better than most of our peers in the A-REIT sector. We have been able to deliver this relatively strong earnings result mainly because our portfolio of Australian commercial office properties has generated steady cash flows in spite of soft rental markets around the country.

Another factor in the relatively stable distribution has been our decision not to raise capital on a dilutive basis to pay back debt, even at the height of market panic about gearing. By raising money the hard way, at a fair price, we have ensured that our distribution yield per security has not been significantly impacted by the \$143 million we have raised since 30 June 2009.

During the 2010 financial year, we completed valuations on all of our property assets with a decrease of 2.9% at 30 June 2010 compared to the same time last year. Again, any reduction in values is disappointing, but in this case there appears to be light at the end of the tunnel. Property valuation decreases during the second half were much smaller than the first half, at 0.6%, giving reason to believe that the property market has bottomed.

As a consequence of the decrease over the full year, Cromwell's NTA per security at 30 June 2010, was \$0.71, down from \$0.76 at 30 June 2009. This is broadly in line with our securities' trading price on the ASX.

After more than two years of downward revisions in valuations we believe the market for quality commercial property has fallen as far as it can and will start to recover in the medium term as the economy continues to grow. However, we are not anticipating rapid gains. Rather, we expect a slow recovery in property rentals and values as the economic recovery builds momentum and we do not discount the possibility of further setbacks along the way. We expect continued pressure on asset values for lower quality property in particular, as the traditional gap in yields between less-risky well-located, and higher-risk lower-quality property is restored.

Throughout the current property cycle we have maintained our consistent and disciplined approach to managing the Cromwell Group's portfolio by disposing of assets at the top of the market and acquiring a number of assets at market lows.

This strategy has served us well. The properties that were acquired for Cromwell Group and unlisted funds in 2008 and 2009 have delivered total returns in excess of 10% per annum to date.

During the second half of calendar year 2010, we made several major acquisitions. In July 2010, we acquired, from the unlisted Cromwell Property Fund, 321 Exhibition Street, Melbourne and the one third of the TGA Complex in Canberra we did not already own. Since balance date, we have also acquired the Qantas Global Headquarters in Mascot, NSW for approximately \$143 million.



These acquisitions have improved the tenancy profile of our portfolio, with the TGA Complex tenanted by the Federal Government, 321 Exhibition Street to be occupied by Origin Energy and Qantas occupying its headquarters in Mascot.

The result is a portfolio which is 95% occupied with a weighted average lease term of 6 years. Approximately 88% of the portfolio's income is from government or blue chip tenants. The portfolio also has an increased weighting to the office markets in Melbourne and Sydney where we expect to see the strongest growth in valuations in the short term.

This excellent leasing profile reflects the experience and quality of our leasing team and demonstrates the superiority of our internalised property management model which remains one of our key competitive advantages. Two major recent leases deserve to be highlighted as examples of our leasing team's work.

Firstly, the agreement with Origin Energy to lease 78% of 321 Exhibition Street and secondly, the retention of anchor tenant Reed Elsevier with more than 9,000 sqm at the 475-501 Victoria Avenue office complex in Sydney.

Another important event occurred last December, when we cemented our relationship with Redefine Properties Limited, a South African REIT, through a \$73.3 million placement of securities to a subsidiary, Redefine Australian Investments Limited.

The introduction of Redefine Australia as a long-term investor is expected to benefit Cromwell beyond the immediate impact of the placement. It is a strategic alliance which has and we hope will continue to allow us to leverage off Cromwell's strengths in an improving market.

In addition to that initial placement to Redefine Australia, since 30 June, we have also raised over \$75.4 million from a further placement and rights issue. This capital raising was used to fund the acquisition of the Qantas Global Headquarters I mentioned earlier.

The introduction of new securityholders through the placement should increase our share trading liquidity in the future, opening up the possibility of participation in the ASX 200 and ASX 300 indices over time. Participation in these market indices remains an important goal for the Group as it broadens the number of institutional fund managers who can potentially invest in Cromwell, improving our ability to raise capital and potentially increasing our security price.

I should also mention our debt position as we have already commenced negotiations on facilities expiring late in 2011. Based on preliminary discussions, we expect that we will be able to refinance these facilities well ahead of their due dates.

We also enjoyed a major success during the year in our funds management business - the finalisation in December 2009 of the Cromwell Riverpark Trust's acquisition of the Riverpark Building in Brisbane. This \$91 million capital raising was the largest retail unlisted property raising in Australia in the past two years, reflecting the strength of our funds management capabilities.

During the year, the funds management team also completed a strategic review of the unlisted Cromwell Property Fund, which has struggled since 2008 with higher gearing combined with falls in asset values. As a result of the review, we took the decision to sell a number of assets. These sales significantly reduced debt within the Fund and enabled an extension of its main debt facility, putting it on a better financial footing.

The stabilisation of the Cromwell Property Fund since balance date was an important step forward for investors in that Fund, after the Fund was frozen in 2008 as a result of market volatility. We will continue to work hard to restore further value for investors in that Fund over the years to come.



In further news for our funds management business, and the Group generally, we announced earlier this month that we have commenced exclusive due diligence of the Centro MCS direct property syndicate funds management business.

If we are satisfied with our due diligence investigations and the transaction proceeds it will be transformational for Cromwell; more than doubling Cromwell's current funds under management and increasing the Group's recurring income.

The Centro MCS direct property syndicate funds management business would be complementary to Cromwell's existing funds management business, adding scale by bringing together Centro's detailed knowledge of the existing syndicates with Cromwell's stable funds management platform and well respected brand.

The transaction would also create opportunities to bring a pipeline of unlisted products to market; creating the potential for additional funds management revenue for the Group and further strengthening Cromwell's position as a leading property funds manager.

If the transaction goes ahead, it is expected to take a significant period to implement given the number of syndicates involved, with approvals required from investors in each of the Centro syndicates. We will only proceed if we are confident the transaction would bring significant benefits to Cromwell securityholders.

Looking forward, we plan to continue our disciplined approach to growth this year, focusing on maximising the quality of our portfolio through selected acquisitions, while supplementing property earnings with increasing contributions from our funds management business.

Our focus on identifying and acquiring Australian assets with long lease profiles and quality tenants has served us very well over the last decade and should continue to give investors confidence about the future.

We remain well placed to deliver solid earnings in the coming year through continued strong underlying property earnings, supplemented by possible improving contributions from our funds management activities.

THANK YOU

ENDS:

Media Enquiries:

Paul Weightman
Managing Director/CEO
+61 411 111 028
paul.weightman@cromwell.com.au

Cromwell Securityholder Enquiries:

Investor Services Centre
1800 334 533 (within Australia)
+61 7 3225 7777 (outside Australia)
invest@cromwell.com.au