ASX Announcement
9 November 2011

Cromwell
PROPERTY GROUP

CHAIRMAN'S ADDRESS - ANNUAL GENERAL MEETING

The past year has been another challenging one for the Australian property sector with subdued growth and continuing capital constraints for many property owners.

Cromwell has dealt with these circumstances by focusing on delivering the best possible distribution yields to investors, on improving our property portfolio and on managing our capital with discipline.

This approach has delivered reasonable returns for securityholders during the 2011 financial year, with Cromwell reporting a statutory accounting profit of $88.1 million or 9.6 cents per security. However, our distribution of 7 cents per security was wholly funded out of our full-year cash operating earnings of $65.3 million. This 7.1 cents per security was earned almost entirely through recurring income from our investment properties, highlighting the benefits of our high-quality portfolio.

A focus on maximising operating earnings per security, combined with conservative portfolio positioning and astute acquisitions has seen Cromwell outperform our benchmark - the S&P/ASX 300 A-REIT Accumulation Index - over the past one, three and five years. Total securityholder returns – distributions plus change in security price - of 9% over one year, 8% per annum over 3 years and 4% per annum over 5 years are not overly impressive in isolation. But compared to the index returns of 6% for one year, and minus 10% per annum over both 3 and 5 years, it is clear we have achieved significantly more for our securityholders than most other A-REITs over both the short and long term.

The 2011 financial year was also an important one for Cromwell because we saw values for our property portfolio finally start to increase again for the first time since the 2008 financial year.

Cromwells' property portfolio delivered a solid total return of 11.5% over the financial year, including income of approximately 9% and increases in values of 2.5%. Highlighting the recovering trend in the market, most of the capital growth occurred in the second half of the financial year, giving us reason to remain optimistic.

During the year, Cromwell continued to take advantage of the constrained market to further improve our property portfolio, most notably through the $144 million acquisition of the Qantas Global Headquarters at Mascot in Sydney last year.

This asset was astutely bought and its value has been further enhanced by the agreement for a new long-term lease with Qantas in conjunction with a comprehensive expansion of the property. As a consequence, the asset has already delivered a very pleasing return on equity for security holders of 38%. Whilst Qantas has received a lot of publicity recently, it remains a well capitalised company which is being managed with a focus on delivering long term value for the company and its securityholders. Importantly, the agreement with Qantas, whilst clearly adding value for Cromwell, will also reduce the total occupancy costs for Qantas once the property expansion is complete and staff are relocated from other properties.

In line with our philosophy of protecting value for existing securityholders, the capital to fund the Qantas Global Headquarters was raised at net asset value, meaning there was no significant dilution in value for investors who did not wish to participate in the equity raising.

Following our refinancing of more than $500 million in debt in May, Cromwell had a weighted average debt maturity of 2.9 years at June 2011, with no material debt expiries until July 2013. Our gearing has been reduced to 49%, down from 53% at 31 December 2010.

It is intended that gearing will remain within the stated target range of 40-55%. This ensures the Group is well placed to benefit from any future increases in property valuations. We would expect to move more toward the lower end of this target range over the medium term.

While enhancing our property portfolio and balance sheet, we also focussed our efforts during 2011 on putting the building blocks in place for our funds management business to potentially deliver strong growth in future years.

We are especially pleased that the Cromwell Phoenix Property Securities Fund was this year named the Money Management / Lonsec Fund Manager of the Year for Australian property securities, making it an obvious first choice for anyone wanting to invest an A-REIT fund.

In the coming year, we will remain alert to opportunities for corporate acquisitions but we will also focus on organic growth of our funds management business through the launch of new property syndicate investment opportunities. This is the kind of investment fund which we have had great success with in the past and which we intend to continue developing in the future.

We recently announced to the market that Cromwell is in discussions with Leighton Properties regarding the potential acquisition of commercial office properties in Fortitude Valley (HQ North) and Ipswich (Ipswich City Heart) by Cromwell or its managed funds. These discussions are incomplete and there is no certainty that any transaction will occur. However, we are progressing well and we are hopeful that a transaction can be agreed. If these or other similar assets are identified for acquisition, it is likely the Group will undertake in due course some form of capital raising, whether it be a placement, rights issue or combination.

I would like to thank the management and staff of Cromwell for their hard work through the year and congratulate them on their many achievements. I would also like to thank my fellow board members for their valuable contribution.

Finally, I would like to thank all of our investors for their continued support in what has remained a difficult market.

Geoffrey H Levy, AO
Chairman

ENDS.