

Cromwell Property Group Half Year Financial Report

31 December 2011

consisting of the combined Financial Reports of

Cromwell Corporation Limited ABN 44 001 056 980
and its controlled entities and

Cromwell Diversified Property Trust ARSN 102 982 598 and
its controlled entities

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

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DIRECTORY

Board of Directors of the company and responsible entity:

Geoffrey Levy (AO)
Robert Pullar
Michelle McKellar
David Usasz
Richard Foster
Marc Wainer
Michael Watters
Geoffrey Cannings (Alternate for Marc Wainer)
Paul Weightman
Daryl Wilson

Registered Office:

Level 19
200 Mary Street
BRISBANE QLD 4000
Tel: +617 3225 7777
Fax: +617 3225 7788
Web: www.cromwell.com.au

Secretary of the company and responsible entity:

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
Fax: +612 9287 0303
Web: www.linkmarketservices.com.au

Auditor:

Johnston Rorke
Chartered Accountants
Level 30, Central Plaza One
345 Queen Street
BRISBANE QLD 4000
Tel: +617 3222 8444
Fax: +617 3221 7779
Web: www.jr.com.au

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Cromwell Corporation Limited and Cromwell Diversified Property Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The directors present their report together with the financial statements for the half-year ended 31 December 2011 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
- CDPT and its controlled entities ("the Trust").

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

1. Directors

The directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as responsible entity of CDPT ("Responsible Entity") during the half-year and up to the date of this report are:

Mr Geoffrey Levy, AO	(Non-Executive Chairman)
Ms Michelle McKellar	(Non-Executive Director)
Mr David Usasz	(Non-Executive Director)
Mr Robert Pullar	(Non-Executive Director)
Mr Richard Foster	(Non-Executive Director)
Mr Marc Wainer	(Non-Executive Director)
Mr Michael Watters	(Non-Executive Director)
Mr Michael Flax	(Alternate Director to Marc Wainer; resigned 1 August 2011)
Mr Geoffrey Cannings	(Alternate Director to Michael Watters; appointed 1 August 2011)
Mr Paul Weightman	(Chief Executive Officer)
Mr Daryl Wilson	(Finance Director)

2. Review of operations and results

(a) Financial Performance

The Group delivered a loss after tax of \$6,781,000 for the half-year ended 31 December 2011 compared with a profit of \$28,916,000 for the previous corresponding six month period.

The Trust delivered a loss of \$6,105,000 for the half-year ended 31 December 2011 compared with a profit of \$31,044,000 for the previous corresponding six month period.

Key items that impacted the financial results of the Group for the half-year included:

- Rental income and recoverable outgoings of \$81,187,000 increased by \$13,773,000 or 20% on the previous corresponding period. The increase is primarily as a result of rental income generated from occupancy of the Exhibition Street Property following refurbishment and Qantas rental income derived for the full six month period (2010: 4 months);
- Finance costs of \$29,332,000, increased by \$5,893,000 or 25% on the previous corresponding period mainly due to higher variable interest rates and the Group obtaining \$122,190,000 of additional borrowings during the half-year for properties acquired compared with the previous corresponding period;
- Decrease in the fair value of the Group's investment properties by \$14,225,000 of which \$10,373,000 reflected the expensing of stamp duty and other transaction costs related to the acquisition of the HQ North investment property;
- A decrease in fair value of the interest rate derivatives held by the Group of \$27,509,000 primarily due to the effect of the interest rate futures market reflecting an expectation of lower interest rates since June 2011;
- Funds management fees of \$2,232,000 a decrease of \$634,000 or 22% on the previous corresponding period mainly due to timing of leasing and project fee charges in the current half-year; and
- A total of 148,324,000 stapled securities were issued during the half-year, at an average issue price of \$0.68, to partly fund the acquisition of HQ North and provide new seed capital for a new managed fund launched in December 2011.

2. Review of operations and results (continued)

(b) Profit from Operations and Distributions

The profit/(loss) for the half-year includes a number of items which, 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. Profit from operations excludes certain items which are non-cash in nature, occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities. Profit from operations is a key metric taken into account in determining distributions for the Group and Trust. Profit from operations 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.

A reconciliation of profit from operations, as assessed by the Directors, to the reported profit/(loss) for the half-year is as follows:

	Group		Trust	
	Half-Year 31 Dec 2011 \$'000	Half-Year 31 Dec 2010 \$'000	Half-Year 31 Dec 2011 \$'000	Half-Year 31 Dec 2010 \$'000
Profit from operations	36,978	32,867	37,261	32,892
<i>Reconciliation to profit/(loss) for the half-year:</i>				
Gain/(Loss) on sale of investment properties	-	6	-	6
Fair value net gains/(write-downs):				
• Investment properties	(14,225)	(4,706)	(14,225)	(4,706)
• Interest rate derivatives	(27,509)	4,911	(27,509)	4,911
• Investments at fair value through profit or loss	(170)	333	(170)	333
• Property development inventories	200	(1,770)	-	-
Non-cash property investment income/(expenses):				
• Straight-line lease income	4,200	1,841	4,200	1,841
• Lease incentive and lease cost amortisation	(4,578)	(2,766)	(4,578)	(2,766)
Other non-cash income/(expenses):				
• Employee options expense	(323)	(174)	-	-
• Amortisation and depreciation	(257)	(249)	-	-
• Amortisation of finance costs	(1,095)	(925)	(1,418)	(1,290)
• Relating to equity accounted investments ⁽¹⁾	334	(177)	334	(177)
Net tax losses utilised ⁽²⁾	(336)	(275)	-	-
Profit/(loss) for the half-year	(6,781)	28,916	(6,105)	31,044
<i>Distributions for the half-year were as follows:</i>				
Distributions paid/payable	34,450	31,861	34,460	31,871

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

(2) Tax expense attributable to a change in the value of deferred tax assets as a result of tax losses available to the Group.

Profit from operations for the Group of \$36,978,000 and for the Trust of \$37,261,000 have both increased compared with the previous corresponding period. This was due to the increase in rental income partly offset by the increase in finance costs.

2. Review of operations and results (continued)**(c) Earnings and Distributions per Security**

	Group		Trust	
	Half-Year 31 Dec 2011 Cents	Half-Year 31 Dec 2010 Cents	Half-Year 31 Dec 2011 Cents	Half-Year 31 Dec 2010 Cents
Profit/(loss) per security	(0.7)	3.2	(0.6)	3.5
Profit from operations per security	3.8	3.7	3.8	3.6
Distributions per security	3.5	3.5	3.5	3.5

Profit from operations on a per security basis is considered by the Directors to be the key 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.

Profit from operations attributable to stapled securityholders of \$36,978,000 (2010: \$32,867,000) equated to 3.8 cents (December 2010: 3.7 cents) per weighted average stapled security. This represents an increase of approximately 3% which is considered an acceptable result given the somewhat difficult market environment over the period.

Distributions per stapled security for the half-year were 3.5 cents (December 2010: 3.5 cents).

Distributions for the current half-year comprised a September quarterly distribution of 1.75 cents paid on 16 November 2011 (2010: 1.75 cents paid on 17 November 2010), and a December quarterly distribution of 1.75 cents paid on 15 February 2012 (2010: 1.75 cents paid on 16 February 2011).

(d) Financial Position

The Group's and Trust's net asset position and key financial metrics at 31 December 2011 and 30 June 2011 are summarised below:

	Group		Trust	
	31 Dec 2011 \$'000	30 Jun 2011 \$'000	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Total Assets	1,757,990	1,539,428	1,743,518	1,531,741
Net Assets	761,697	705,160	750,168	699,643
Net Tangible Assets (NTA)	760,424	703,636	750,168	699,643
Net Debt ⁽¹⁾	874,591	737,037	882,208	742,532
Gearing ⁽²⁾	51%	49%	51%	50%
Stapled Securities Issued ('000)	1,113,061	964,737	1,113,336	965,012
NTA per security	\$0.68	\$0.73	\$0.67	\$0.73
NTA per security (excluding interest rate swaps)	\$0.71	\$0.73	\$0.70	\$0.73

(1) Borrowings less cash and cash equivalents

(2) Net debt/Total assets less cash and cash equivalents

A total of 13 property assets were externally revalued at December 2011, representing approximately 49% of the property portfolio by value (or 55% excluding the assets acquired during the half-year). The balance of the portfolio was the subject of internal valuations (determined by the directors to be fair value) having regard to external valuations and comparable sales evidence. The weighted average capitalisation rate (WACR) is 8.16% across the portfolio, compared with 8.18% at June 2011.

Net debt has increased due to the additional borrowings of \$122,190,000 primarily relating to the acquisition of the HQ North investment property. Gearing during the half-year increased to 51% from 49% at June 2011 and remains within the preferred range of 35-55%.

2. Review of operations and results (continued)

NTA per security has decreased by \$0.05 during the half-year, principally due to a decrease in the market valuation of interest rate swaps and the write off of transaction costs incurred in relation to the acquisition of the HQ North investment property.

NTA per security excluding the impact of interest rate hedges, which will have zero value at the end of the term of each hedge, was \$0.71 compared with \$0.72 at June 2011. This reflects the write-off of transaction costs in relation to the HQ North property, with no material change in the net value of other assets and liabilities. The NTA does not take into account any value for the Group's funds management business, which is expected to grow substantially over the medium term.

Stapled securities on issue have increased by 148,324,000 during the half-year. This is mostly due to a placement and an entitlement offer resulting in the issue of stapled securities at \$0.68 per security in November and December 2011.

3. Rounding of amounts

The Group is of the type referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and 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 in accordance with that Class Order, except where noted.

4. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

This report is made in accordance with a resolution of the directors.



P.L. Weightman
Director

27 February 2012

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 review of the financial reports of Cromwell Corporation Limited and Cromwell Diversified Property Trust for the half-year ended 31 December 2011, 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 review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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

JOHNSTON RORKE
Chartered Accountants



R.C.N. WALKER
Partner

Brisbane, Queensland
27 February 2012

CROMWELL PROPERTY GROUP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		Group		Trust	
	Notes	31 Dec 2011 \$'000	31 Dec 2010 \$'000	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Revenue and other income					
Rental income and recoverable outgoings		81,187	67,414	80,847	67,497
Funds management fees		2,232	2,866	-	-
Distributions		6	174	6	174
Interest		2,198	2,875	2,189	3,018
Share of profits of equity accounted entities	8	737	311	746	309
Gain on sale of investment property	4	-	6	-	6
Increase in recoverable amount:					
• Property development inventories		200	-	-	-
Fair value net gain from:					
• Interest rate derivatives		-	4,911	-	4,911
• Investments at fair value through profit or loss		-	333	-	333
Other income		9	1	9	1
Total revenue and other income		86,569	78,891	83,797	76,249
Expenses					
Property expenses and outgoings		11,956	10,352	13,463	11,891
Property development costs		249	409	-	-
Responsible entity fees		-	-	4,129	4,361
Administration and overhead costs		2,547	2,520	453	554
Funds management costs		240	248	-	-
Employee benefits expense		6,523	5,979	-	-
Finance costs	3	29,332	23,439	29,655	23,804
Amortisation and depreciation		257	249	-	-
Fair value net loss from:					
• Investment properties	7	14,225	4,706	14,225	4,706
• Interest rate derivatives		27,509	-	27,509	-
• Investments at fair value through profit or loss		170	-	170	-
Decrease in recoverable amount:					
• Property development inventories		-	1,770	-	-
Total expenses		93,008	49,672	89,604	45,316
Profit/(loss) before income tax		(6,439)	29,219	(5,807)	30,933
Income tax expense		(342)	(303)	-	-
Profit/(loss) for the half-year		(6,781)	28,916	(5,807)	30,933
Other comprehensive income for the half-year, net of tax		-	-	-	-
Total comprehensive income for the half-year		(6,781)	28,916	(5,807)	30,933
Profit/(loss) for the half-year is attributable to:					
Company shareholders		(676)	(2,128)	-	-
Trust unitholders		(6,105)	31,044	(6,105)	31,044
Non-controlling interests		-	-	298	(111)
Profit/(loss) for the half-year		(6,781)	28,916	(5,807)	30,933
Total comprehensive income for the half-year is attributable to:					
Company shareholders		(676)	(2,128)	-	-
Trust unitholders		(6,105)	31,044	(6,105)	31,044
Non-controlling interests		-	-	298	(111)
Total comprehensive income for the half-year		(6,781)	28,916	(5,807)	30,933
Basic/diluted earnings/(loss) per share/unit (cents)		(0.1)¢	(0.2)¢	(0.6)¢	3.5¢
Basic/diluted earnings/(loss) per stapled security (cents)		(0.7)¢	3.2¢		

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

CROMWELL PROPERTY GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	Group		Trust	
		31 Dec	30 Jun	31 Dec	30 Jun
		2011	2011	2011	2011
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents		28,483	46,572	20,917	40,805
Trade and other receivables	6	26,702	9,918	20,526	4,411
Current tax assets		331	240	-	-
Derivative financial instruments		-	1,285	-	1,285
Other current assets		7,047	1,437	6,615	789
Total current assets		62,563	59,452	48,058	47,290
Non-current assets					
Trade and other receivables	6	19,800	19,800	25,488	29,988
Inventories		3,000	3,000	-	-
Investment properties	7	1,663,920	1,444,850	1,663,920	1,444,850
Investments at fair value through profit or loss		-	4,177	-	4,177
Available for sale financial assets		170	-	170	-
Investments in associates	8	5,929	5,492	5,882	5,436
Property, plant and equipment		1,335	1,133	-	-
Deferred tax assets		640	921	-	-
Intangible assets		633	603	-	-
Total non-current assets		1,695,427	1,479,976	1,695,460	1,484,451
Total assets		1,757,990	1,539,428	1,743,518	1,531,741
Current liabilities					
Trade and other payables	9	35,057	21,431	34,000	21,358
Borrowings	10	3,321	3,321	3,321	3,321
Dividend/distributions payable		17,530	16,883	17,535	16,888
Derivative financial instruments		9,284	3,430	9,284	3,430
Provisions		1,257	1,253	-	-
Other current liabilities		9,036	7,085	9,036	7,085
Total current liabilities		75,485	53,403	73,176	52,082
Non-current liabilities					
Borrowings	10	899,753	780,288	899,804	780,016
Derivative financial instruments		20,370	-	20,370	-
Provisions		685	577	-	-
Total non-current liabilities		920,808	780,865	920,174	780,016
Total liabilities		996,293	834,268	993,350	832,098
Net assets		761,697	705,160	750,168	699,643
Equity					
Contributed equity	11/12	63,527	57,073	793,081	702,090
Reserves		4,251	3,928	-	-
Retained earnings/(Accumulated losses)		(50,956)	(50,280)	(48,475)	(7,910)
Equity attributable to shareholders/unitholders		16,822	10,721	744,606	694,180
Non-controlling interests					
Trust unitholders	11/12	744,875	694,439	-	-
Non-controlling interest		-	-	5,562	5,463
Total equity		761,697	705,160	750,168	699,643

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

Group	Notes	Attributable to Equity Holders of the Company				Total (Company)	Non- controlling Interest (Trust)	Total Equity
		Contributed Equity	Accumulated Losses	Available- for- Sale Reserve	Share Based Payments Reserve			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011		57,073	(50,280)	2,340	1,588	10,721	694,439	705,160
Total comprehensive income for the half-year		-	(676)	-	-	(676)	(6,105)	(6,781)
Transactions with equity holders in their capacity as equity holders:								
• Contributions of equity, net of transaction costs	11/12	6,454	-	-	-	6,454	90,991	97,445
• Dividends/distributions paid/declared	5	-	-	-	-	-	(34,450)	(34,450)
• Employee share options		-	-	-	323	323	-	323
Balance at 31 December 2011		63,527	(50,956)	2,340	1,911	16,822	744,875	761,697
Balance at 1 July 2010		49,197	(46,021)	2,340	1,255	6,771	564,636	571,407
Total comprehensive income for the half-year		-	(2,128)	-	-	(2,128)	31,044	28,916
Transactions with equity holders in their capacity as equity holders:								
• Contributions of equity, net of transaction costs	11/12	5,598	-	-	-	5,598	67,145	72,743
• Dividends/distributions paid/declared	5	-	-	-	-	-	(31,861)	(31,861)
• Employee share options		-	-	-	174	174	-	174
Balance at 31 December 2010		54,795	(48,149)	2,340	1,429	10,415	630,964	641,379

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

Trust	Notes	Attributable to Equity Holders of CDPT		Total (Trust)	Non- controlling Interests	Total Equity
		Contributed Equity	Accumulated Losses			
		\$'000	\$'000			
Balance at 1 July 2011		702,090	(7,910)	694,180	5,463	699,643
Total comprehensive income for the half-year		-	(6,105)	(6,105)	298	(5,807)
Transactions with equity holders in their capacity as equity holders:						
• Contributions of equity, net of transaction costs	11/12	90,991	-	90,991	-	90,991
• Distributions paid/declared	5	-	(34,460)	(34,460)	(199)	(34,659)
Balance at 31 December 2011		793,081	(48,475)	744,606	5,562	750,168
Balance at 1 July 2010		599,660	(35,264)	564,396	6,068	570,464
Total comprehensive income for the half-year		-	31,044	31,044	(111)	30,933
Transactions with equity holders in their capacity as equity holders:						
• Contributions of equity, net of transaction costs	11/12	67,145	-	67,145	2,520	69,665
• Distributions paid/declared	5	-	(31,871)	(31,871)	(273)	(32,144)
• De-recognition on deconsolidation		-	-	-	(3,251)	(3,251)
Balance at 31 December 2010		666,805	(36,091)	630,714	4,953	635,667

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

CROMWELL PROPERTY GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		Group		Trust	
		31 Dec	31 Dec	31 Dec	31 Dec
		2011	2010	2011	2010
	Notes	\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities					
Cash receipts in the course of operations		92,122	83,160	89,998	76,577
Cash payments in the course of operations		(27,608)	(22,151)	(26,125)	(16,375)
Distributions received		307	607	307	607
Interest received		2,560	1,727	2,771	1,871
Interest paid		(27,885)	(20,800)	(27,885)	(20,800)
Income tax paid		(151)	(282)	-	-
Net cash provided by operating activities		39,345	42,261	39,066	41,880
Cash Flows From Investing Activities					
Payments for investment properties		(220,182)	(277,989)	(220,182)	(277,989)
Proceeds from sale of investment properties	4	-	15,754	-	15,754
Payments for property, plant and equipment		(462)	(49)	-	-
Payments for investments at fair value through profit or loss		(170)	(4,537)	(170)	(4,537)
Proceeds from sale of investments at fair value through profit or loss		4,007	1,757	4,007	1,757
Payments for controlled entity, net of cash acquired		-	(12,132)	-	(12,132)
Payments for property development provision		-	(6,435)	-	-
Payments for software and other intangible assets		(180)	(164)	-	-
Repayment of loan by Cromwell Corporation Limited		-	-	4,500	-
Loan to related entity		(17,286)	(500)	(17,286)	-
Repayment of loan by related entity		-	17,661	-	16,850
Deposit for investment property		(3,474)	-	(3,474)	-
Net cash used in investing activities		(237,747)	(266,634)	(232,605)	(260,297)
Cash Flows From Financing Activities					
Proceeds from borrowings		122,190	142,400	122,190	142,400
Repayment of borrowings		(1,660)	(17,292)	(1,660)	(17,292)
Payment of loan transaction costs		(2,161)	(1,195)	(2,161)	(1,195)
Payment for derivative financial instruments		(1,698)	(783)	(1,698)	(783)
Proceeds from issue of stapled securities		100,491	76,398	93,898	70,715
Proceeds from issue of units – controlled entity		-	2,520	-	2,520
Equity issue transaction costs		(3,046)	(3,690)	(2,906)	(3,570)
Payment of distributions		(33,803)	(32,076)	(34,012)	(32,359)
Net cash provided by financing activities		180,313	166,282	173,651	160,436
Net (decrease)/ increase in cash and cash equivalents		(18,089)	(58,091)	(19,888)	(57,981)
Cash and cash equivalents at the beginning of the half-year		46,572	98,469	40,805	93,033
Cash and cash equivalents at the end of the half-year		28,483	40,378	20,917	35,052

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

1. Basis of Preparation of Half-Year Financial Report

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.

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Cromwell Property Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Group and the Trust are of the type referred to in ASIC Class Order 98/0100 and in accordance with that Class Order, amounts in the financial reports have been rounded to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

There are a number of new Accounting Standards issued by the Australian Accounting Standards Board which are applicable for reporting periods beginning on or before 1 July 2011. The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period.

There was no material impact on the Interim Financial Reports as a result of the mandatory new and amended Accounting Standards adopted.

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 and Trust have investment properties with carrying amounts of \$1,663,920,000 (June 2011: \$1,444,850,000) representing estimated fair value at balance date. In addition, the carrying amount of the Group's and Trust's investments in associates of \$5,929,000 (June 2011: \$5,492,000) also reflects underlying investment properties of an associate carried at fair value. These investment properties represent a very high proportion of the total assets of the Group and the 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.

1. Basis of Preparation of Half-Year Financial Report (continued)

The best evidence of fair value is considered to be current prices in an active market for similar properties, however in some circumstances, including during periods of economic instability or volatility, sufficient market information may not be available. 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 based on current leases in place for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustment 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	
	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011	31 Dec 2011	30 Jun 2011
Commercial	92%	90%	8.07%	8.09%	6.9yrs	7.1yrs	99.8%	99.6%
Industrial	7%	8%	9.13%	8.97%	4.8yrs	4.9yrs	100.0%	100.0%
Retail/Entertainment	1%	2%	9.25%	8.98%	4.1yrs	4.5yrs	98.3%	98.0%
Total	100%	100%	8.16%	8.18%	6.4yrs	6.8yrs	99.7%	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.

2. Segment Information

Reportable segments of the Group

The Group has the following reportable segments which are regularly reviewed by the chief executive officer in order to make decisions about resource allocation and to assess the performance of the Group.

Property Investment

The ownership of properties located throughout Australia.

Funds Management

The establishment and management of external funds, and the CDPT.

Property Development

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

Reportable segments of the Trust

The Trust has one reportable segment. It holds properties throughout Australia, except Northern Territory. Revenue is derived from rentals and associated recoverable outgoings. The 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.

2. Segment Information (continued)

Group	Property Investment \$'000	Funds Management \$'000	Property Development \$'000	Group \$'000
31 Dec 2011				
Segment revenue and other income				
Sales - external customers	80,899	2,232	-	83,131
Sales – intersegmental	388	6,146	-	6,534
Profit of equity accounted entities (before adjustments)	412	(9)	-	403
Distributions	6	-	-	6
Interest	1,847	351	-	2,198
Other income	9	-	-	9
Total segment revenue and other income	83,561	8,720	-	92,281
Segment expenses				
Property expenses and outgoings	(11,290)	-	-	(11,290)
Property development costs	-	-	(249)	(249)
Administration and overhead costs	(436)	(2,111)	-	(2,547)
Intersegmental costs	(6,146)	(388)	-	(6,534)
Funds management costs	-	(240)	-	(240)
Employee benefits expense	-	(6,200)	-	(6,200)
Finance costs	(28,237)	-	-	(28,237)
Total segment expenses	(46,109)	(8,939)	(249)	(55,297)
Income tax expense/(benefit)	-	6	-	6
Segment profit/(loss) ⁽¹⁾	37,452	(225)	(249)	36,978
Reconciliation to reported profit/(loss)				
Fair value adjustments/write downs:				
• Investment properties	(14,225)	-	-	(14,225)
• Interest rate derivatives	(27,509)	-	-	(27,509)
• Investments at fair value through profit or loss	(170)	-	-	(170)
• Property development inventories	-	-	200	200
Non-cash property investment income/(expense):				
• Straight-line lease income	4,200	-	-	4,200
• Lease incentive and lease cost amortisation	(4,578)	-	-	(4,578)
Other non-cash expenses:				
• Employee options expense	-	(323)	-	(323)
• Amortisation and depreciation	-	(257)	-	(257)
• Amortisation of finance costs	(1,095)	-	-	(1,095)
• Relating to equity accounted investments	334	-	-	334
• Net tax losses utilised	-	(336)	-	(336)
Total adjustments	(43,043)	(916)	200	(43,759)
Profit/(loss) for the half-year	(5,591)	(1,135)	(49)	(6,781)

(1) Segment profit/(loss) for the half-year is based on income and expenses adjusted for unrealised fair value adjustments and write downs, gains or losses on sale of investments and 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.

2. Segment Information (continued)

Group	Property Investment \$'000	Funds Management \$'000	Property Development \$'000	Group \$'000
31 Dec 2010				
Segment revenue and other income				
Sales - external customers	67,848	2,866	-	70,714
Sales – intersegmental	364	5,894	-	6,258
Profit of equity accounted entities (before adjustments)	486	3	-	489
Distributions	174	-	-	174
Interest	2,513	362	-	2,875
Other income	1	-	-	1
Total segment revenue and other income	71,386	9,125	-	80,511
Segment expenses				
Property expenses and outgoings	(9,861)	-	-	(9,861)
Property development costs	-	-	(409)	(409)
Administration and overhead costs	(553)	(1,740)	(226)	(2,519)
Intersegmental costs	(5,894)	(364)	-	(6,258)
Funds management costs	-	(248)	-	(248)
Employee benefits expense	-	(5,066)	(740)	(5,806)
Finance costs	(22,514)	-	-	(22,514)
Total segment expenses	(38,822)	(7,418)	(1,375)	(47,615)
Income tax expense/(benefit)	-	29	-	29
Segment profit/(loss) ⁽¹⁾	32,564	1,678	(1,375)	32,867
Reconciliation to reported profit/(loss)				
Gain on sale of investment property	6	-	-	6
Fair value adjustments/write downs:				
• Investment properties	(4,706)	-	-	(4,706)
• Interest rate derivatives	4,911	-	-	4,911
• Investments at fair value through profit or loss	333	-	-	333
• Property development inventories	-	-	(1,770)	(1,770)
Non-cash property investment income/(expense):				
• Straight-line lease income	1,841	-	-	1,841
• Lease incentive and lease cost amortisation	(2,766)	-	-	(2,766)
Other non-cash expenses:				
• Employee options expense	-	(151)	(23)	(174)
• Amortisation and depreciation	-	(217)	(32)	(249)
• Amortisation of finance costs	(925)	-	-	(925)
• Relating to equity accounted investments	(177)	-	-	(177)
• Net tax losses utilised	-	(275)	-	(275)
Total adjustments	(1,483)	(643)	(1,825)	(3,951)
Profit/(loss) for the half-year	31,081	1,035	(3,200)	28,916

(1) Segment profit/(loss) for the half-year is based on income and expenses adjusted for unrealised fair value adjustments and write downs, gains or losses on sale of investments and 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.

	Group		Trust	
	Half-year 31 Dec 2011 \$'000	Half-year 31 Dec 2010 \$'000	Half-year 31 Dec 2011 \$'000	Half-year 31 Dec 2010 \$'000
3. Finance Costs				
Total interest	28,237	25,128	28,237	25,128
Less: interest capitalised	-	(2,614)	-	(2,614)
Interest expense	28,237	22,514	28,237	22,514
Amortisation of loan establishment costs	1,095	925	1,418	1,290
Finance costs	29,332	23,439	29,655	23,804

4. Profit/(loss) for the Half-Year

Profit/(loss) for the half-year includes the following items:

Net loss on sale of investment properties

• Net proceeds from sale of investment properties	-	15,754	-	15,754
• Carrying value of investment properties sold	-	(15,748)	-	(15,748)
Net profit on sale of investment properties	-	6	-	6

5. Dividends/Distributions

Distributions paid/payable by the Group

2011 Half Year Date Paid	2010 Half Year Date Paid	2011 Cents*	2010 Cents*	2011 \$'000	2010 \$'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¢	17,530	15,942
		3.50¢	3.50¢	34,450	31,861

* Cents per stapled security

A distribution of \$16,883,000 provided for at 30 June 2011 was paid during the current period.

No dividends were paid by the company during the current or previous corresponding period.

Distributions paid/payable by the Trust

2011 Half Year Date Paid	2010 Half Year Date Paid	2011 Cents*	2010 Cents*	2011 \$'000	2010 \$'000
16 November 2011	17 November 2010	1.75¢	1.75¢	16,925	15,924
15 February 2012	16 February 2011	1.75¢	1.75¢	17,535	15,947
		3.50¢	3.50¢	34,460	31,871

* Cents per unit

A distribution of \$16,888,000 provided for at 30 June 2011 was paid during the current period.

	Group		Trust	
	31 Dec	30 Jun	31 Dec	30 Jun
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
6. Trade and Other Receivables				
Current assets				
Trade debtors	2,784	2,396	1,232	2,108
Other receivables – associates	2,570	3,460	2,009	2,303
Loans:				
▪ Associate – Cromwell Property Fund	4,062	4,062	-	-
▪ Related party – Cromwell Ipswich City Heart Trust	17,286	-	17,286	-
Trade and other receivables – current	26,702	9,918	20,526	4,411
Non-current assets				
Loans:				
▪ Associate – Cromwell Property Fund	19,800	19,800	19,800	19,800
▪ Amounts due from Cromwell Corporation Limited	-	-	5,688	10,188
Trade and other receivables – non-current	19,800	19,800	25,488	29,988

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 has provided a loan facility of \$20,000,000 to ICH, which is unsecured, to enable settlement of the land and funding for initial construction, of which \$17,286,000 had been drawn at balance date. The loan is repayable by 31 December 2012. Funds raised under the PDS will be used to repay the advance. In the meantime the Group will earn a return equivalent to the ICH distribution rate of 7.75%.

The Group has 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 to subscribe for any remaining unissued units in ICH at 31 December 2012.

	Group		Trust	
	31 Dec	30 Jun	31 Dec	30 Jun
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000

7. Investment Properties

Investment properties – at fair value	1,663,920	1,444,850	1,663,920	1,444,850
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(a) Details of investment properties

Property	Title	Acquisition Date ⁽¹⁾	Acquisition Price ⁽¹⁾ \$'000	Latest Independent Valuation Date	Fair Value		Fair Value Adjustment	
					31 Dec 2011 \$'000	30 June 2011 \$'000	31 Dec 2011 \$'000	31 Dec 2010 \$'000
NQX Distribution Centre, QLD	Freehold	Feb 2003	17,778	Jun 2011	26,200	26,000	224	18
Henry Waymouth Centre, SA	Freehold	Apr 2003	30,420	Dec 2011	32,000	34,250	(2,332)	726
Brooklyn Woolstore, VIC	Freehold	Jun 2004	34,000	Dec 2011	34,800	36,500	(1,488)	(656)
Village Cinemas, VIC	Freehold	Jun 2004	8,900	Dec 2011	11,725	11,700	25	477
Vodafone Call Centre, TAS	Freehold	Jun 2004	15,900	Dec 2011	15,300	16,100	(854)	(778)
Regent Cinema Centre, NSW	Freehold	Jun 2004	9,900	Dec 2011	12,950	13,400	(448)	354
78 Mallard Way, WA	Freehold	Jun 2004	7,600	SOLD	-	-	-	89
Elders Woolstore, SA	Freehold	Jun 2004	10,900	Dec 2011	14,400	14,300	154	236
700 Collins Street, VIC	Freehold	Dec 2004	133,000	Dec 2011	172,000	172,000	(623)	7,307
Masters Distribution Centre, VIC	Freehold	Feb 2005	41,000	Dec 2011	39,350	38,800	230	(1,439)
19 National Circuit, ACT	Leasehold	July 2005	35,530	Jun 2011	36,000	36,000	(59)	(194)
380 La Trobe St, VIC	Freehold	Dec 2005	88,000	Jun 2011	107,000	103,000	4,039	2,560
101 Grenfell Street, SA	Freehold	Jan 2006	30,375	Dec 2011	42,500	41,000	1,442	3,583
475 Victoria Avenue, NSW	Freehold	Mar 2006	102,650	Jun 2011	129,500	126,500	1,430	293
Synergy, QLD	Freehold	Nov 2008	85,727	Dec 2011	71,905	71,500	69	(10,010)
200 Mary Street, QLD	Freehold	Jun 2001	29,250	Jun 2011	88,500	88,000	(78)	(4,345)
Terrace Office Park, QLD	Freehold	Jun 1999	13,600	Dec 2011	27,000	28,500	(1,491)	(14)
Oracle Building, ACT	Leasehold	Nov 2001	23,550	Jun 2011	33,000	33,000	198	(649)
Scrivener Building, ACT	Leasehold	Jun 2000	10,750	SOLD	-	-	-	(590)
Tuggeranong Office Park, ACT	Leasehold	Jun 2008	166,025	Jun 2011	171,000	172,750	(1,750)	(1,522)
203 Coward Street, Mascot	Leasehold	Aug 2010	143,891	Dec 2011	171,490	170,000	(1,849)	(235)
TGA Complex, ACT	Leasehold	Jul 2010	75,000	Jun 2011	73,000	73,750	(846)	83
321 Exhibition Street, VIC	Freehold	Jul 2010	90,200	Dec 2011	168,300	137,800	155	-
HQ North, QLD	Freehold	Dec 2011	186,000	Oct 2011	186,000	-	(10,373)	-
			1,219,946		1,663,920	1,444,850	(14,225)	(4,706)

(1) Comprises original acquisition date and price for Cromwell Diversified Property Trust or the relevant Syndicate which was mostly prior to the merger and stapling transaction in December 2006.

(b) 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 and the Trust have utilised similar internal valuation processes for determining fair value where independent valuations are not obtained.

7. Investment Properties (continued)

(c) Movement in investment properties

A reconciliation of the carrying amounts of investment properties at the beginning and end of the financial period is set out below:

	Group		Trust	
	Half-Year 31 Dec 2011 \$'000	Half-Year 31 Dec 2010 \$'000	Half-Year 31 Dec 2011 \$'000	Half-Year 31 Dec 2010 \$'000
Carrying value at beginning of half-year	1,444,850	1,064,100	1,444,850	1,064,100
Acquisitions at cost:				
- Acquisition price	186,000	234,090	186,000	234,090
- TGA Complex, ACT	-	75,000	-	75,000
- Transaction costs	10,373	13,253	10,373	13,253
- Improvements	6,077	25,436	6,077	25,436
Disposals	-	(15,748)	-	(15,748)
Straight-lining rentals	4,200	1,841	4,200	1,841
Lease costs and incentives	31,223	5,210	31,223	5,210
Amortisation of leasing costs and incentives	(4,578)	(2,766)	(4,578)	(2,766)
Net gain/(loss) from fair value adjustments	(14,225)	(4,706)	(14,225)	(4,706)
Carrying value at end of half-year	1,663,920	1,395,710	1,663,920	1,395,710

8. Investments in 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 held.

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

(a) Equity accounting information

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

Group	Ownership Interest		31 Dec 2011 \$'000	30 Jun 2011 \$'000
	31 Dec	30 Jun		
	2011	2011		
	%	%		
Investments accounted for using the equity method:				
CPF – associate	18	18	5,883	5,436
Phoenix – associate	50	50	46	56
			5,929	5,492

8. Investments in Associates (continued)

(a) Equity accounting information (continued)

Trust	Ownership Interest			
	31 Dec	30 Jun	31 Dec	30 Jun
	2011	2011	2011	2011
	%	%	\$'000	\$'000
Investments accounted for using the equity method:				
CPF – associate	18	18	5,882	5,436
			5,882	5,436

(b) Movement in consolidated carrying amount of investment in jointly controlled entity and associates

Group	Phoenix \$'000	CPF \$'000	TGA \$'000	Total \$'000
Half-year 31 December 2011				
Carrying value at beginning of half-year	56	5,436	-	5,492
Share of profit	(9)	746	-	737
Distributions received	-	(300)	-	(300)
Carrying value at end of half-year	47	5,882	-	5,929
Half-year 31 December 2010				
Carrying value at beginning of half-year	27	6,903	49,872	56,802
Share of profit	2	84	225	311
Distributions received	-	(200)	(206)	(406)
Carrying value derecognised ⁽¹⁾	-	-	(49,891)	(49,891)
Carrying value at end of half-year	29	6,787	-	6,816
Trust				
		CPF \$'000	TGA \$'000	Total \$'000
Half-year 31 December 2011				
Carrying value at beginning of half-year		5,436	-	5,436
Share of profit		746	-	746
Distributions received		(300)	-	(300)
Carrying value at end of half-year		5,882	-	5,882
Half-year 31 December 2010				
Carrying value at beginning of half-year		6,903	49,872	56,775
Share of profit		84	225	309
Distributions received		(200)	(206)	(406)
Carrying value derecognised ⁽¹⁾		-	(49,891)	(49,891)
Carrying value at end of half-year		6,787	-	6,787

(1) The carrying amount of TGA was derecognised following the acquisition of the remaining units of TGA in July 2010, resulting in TGA being fully consolidated by the Group and Trust.

	Group		Trust	
	31 Dec 2011 \$'000	30 Jun 2011 \$'000	31 Dec 2011 \$'000	30 Jun 2011 \$'000
9. Trade and Other Payables				
Trade payables and accruals	11,067	8,453	9,474	7,478
Lease incentives payable	22,619	10,815	22,619	10,815
Tenant security deposits	93	158	93	158
Amounts payable to Cromwell Corporation Limited and it's subsidiaries	-	-	1,158	1,554
Other payables	1,278	2,005	656	1,353
Trade and other payables	35,057	21,431	34,000	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.

10. Borrowings

Current

Secured

Loans – financial institutions	3,321	3,321	3,321	3,321
Unamortised transaction costs	-	-	-	-
Borrowings - current	3,321	3,321	3,321	3,321

Non-current

Secured

Loans – financial institutions	904,701	784,171	904,701	784,171
Unamortised transaction costs	(4,948)	(3,883)	(4,897)	(4,155)
Borrowings – non-current	899,753	780,288	899,804	780,016

Details of borrowings of the Group at balance date are set out below:

Facility	Note	Secured	Maturity Date	Facility Dec 2011 \$'000	Utilised Dec 2011 \$'000	Facility Jun 2011 \$'000	Utilised Jun 2011 \$'000
Bank loan – Syndicate Finance	(i)	Yes	May 2014	397,815	397,815	397,815	397,815
Bank loan – Tuggeranong (Tranche 1)	(ii)	Yes	June 2015	107,917	107,917	107,917	107,917
Bank loan – Tuggeranong (Tranche 2)	(ii)	Yes	June 2013	4,981	4,981	6,641	6,641
Bank loan – Multi Property (Tranche 1)	(iii)	Yes	May 2014	132,719	132,719	132,719	132,719
Bank loan – Multi Property (Tranche 2)	(iii)	Yes	May 2014	100,000	80,000	80,000	80,000
Bank loan – Multi Property (Tranche 3A)	(iii)	Yes	Dec 2012	15,000	-	-	-
Bank loan – Multi Property (Tranche 3B)	(iii)	Yes	June 2013	25,000	-	-	-
Bank loan – Mascot (Tranche 1)	(vi)	Yes	Dec 2014	62,400	62,400	85,000	62,400
Bank loan – Mascot (Tranche 2)	(vi)	Yes	Dec 2014	83,750	1,490	-	-
Bank loan – Mascot (Tranche 3)	(vi)	Yes	Dec 2014	47,720	-	-	-
Bank loan – HQ North (Tranche 1)	(v)	Yes	Dec 2014	111,600	111,600	-	-
Bank loan – HQ North (Tranche 2)	(v)	Yes	June 2013	9,100	9,100	-	-
Total facilities				1,098,002	908,022	810,092	787,492

10. Borrowings (continued)

(i) *Bank Loan – Syndicate Finance*

The Syndicate finance facility of \$397,815,000 (June 2011: \$397,815,000) is secured by first registered mortgages over the majority of the investment properties held by the Group and a registered floating charge over the assets of the CDPT. Interest is payable monthly in arrears at variable rates based on a margin over the 30 day BBSY rate. The interest rate was effectively fixed at balance date through interest rate swap arrangements which expire between May 2012 and June 2014 (June: expired between July 2011 and September 2017). Repayments of \$nil (December 2010: \$15,663,000) were made during the half-year.

(ii) *Bank Loan – Tuggeranong*

The Group has a \$112,898,000 (June 2011: \$114,557,000) loan in relation to its investment in Tuggeranong Office Park. The loan is secured by a first registered mortgage over the investment property and a registered floating charge over the assets of Tuggeranong Trust, a controlled entity of CDPT. 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 a margin over the 30 day BBSY. The interest rate was effectively fixed at balance date through interest rate swap arrangements which expire between February 2016 and September 2017 (June: expired July 2012). Repayments of \$1,660,000 (December 2010: \$1,659,000) were made during the half-year.

(iii) *Bank Loan – Multi Property*

The Group has a \$212,719,000 loan (June 2011: \$132,719,000) in relation to its Synergy, Mary Street, TGA and Exhibition Street investment properties. The loan is secured by a first registered mortgage over the respective investment properties. The facility limit is \$272,719,000 and has 3 tranches (previously only one).

Tranche 1, for \$132,719,000, relates to the TGA Property in Canberra and the 200 Mary Street and Synergy properties in Brisbane. This facility was fully drawn at balance date and expires in May 2014.

Tranche 2 relates to the Exhibition Street property, was advanced in December 2011 and expires in May 2014. The facility is for \$100,000,000, and is drawn to \$80,000,000 with an additional \$20,000,000 to be drawn down to fund further capital commitments.

Tranche 3 is an 18 month facility of \$40,000,000. The facility, undrawn at balance date, was partly utilised to \$30,000,000 in January 2012 to fund the acquisition of the Bundall investment property. The facility is to reduce to \$25,000,000 by December 2012 and be fully repaid by June 2013.

The loan bears interest at a variable rate based on a margin over the 30 day BBSY rate. The interest rate was partially fixed (\$102,815,000) at balance date through interest rate swap arrangements which expire between May 2012 and June 2014 (June: expired between July 2012 and September 2013).

(iv) *Bank Loan – Mascot*

The Group has a \$63,890,000 (June 2011: \$62,400,000) loan in relation to the Qantas Headquarters. The loan is secured by a first registered mortgage over the 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 the capital expenditure on which Qantas will pay additional rent under the revised Qantas lease, which was signed during the half year. This facility was drawn down to \$1,490,000 at balance date.

Tranche 3 will provide funding for agreed fit-out works on which Qantas will pay additional rent.

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 which expire July 2012 (June: expired July 2012).

(v) *Bank Loan – HQ North*

The acquisition of the HQ North investment property was completed on 21 December 2011. This was partially funded through a new debt facility for \$120,700,000, with the entire facility drawn at balance date. The loan is secured by a first registered mortgage over that 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 which expire in October 2014. Assuming the property does not change in value over the next 18 months, \$9,100,000 of the facility is effectively repayable in June 2013. The remainder of the facility matures in December 2014.

10. Borrowings (continued)

Interest rate Swaps

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

Finance Facilities

At 31 December 2011 the Group had \$189,980,000 in unused finance facilities (June 2011: \$22,600,000).

11. Contributed Equity

(a) Equity attributable to stapled securityholders

	Group		Company		CDPT	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2011	2011	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contributed equity	856,333	758,888	63,527	57,073	793,081	702,090

Movements in ordinary shares/ordinary units

December 2011		Group			Company		CDPT	
Date	Details	Number of Securities	Issue Price	\$'000	Issue Price	\$'000	Issue Price	\$'000
1 July 11	Opening balance	964,737,315		758,888		57,073		702,090
19 Aug 11	Dividend reinvestment plan	2,108,544	68¢	1,424	4.5¢	95	63.5¢	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
	Transaction costs	-	-	(3,046)	-	(140)	-	(2,906)
		1,113,061,036		856,333		63,527		793,081
December 2010								
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
	Transaction costs	-	-	(3,656)	-	(85)	-	(3,571)
		910,985,951		721,325		54,795		666,805

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.

11. Contributed Equity (continued)

(a) Equity attributable to stapled securityholders (continued)

The Group has established a dividend/distribution reinvestment plan under which holders of stapled securities may elect to have all of their dividend/distribution entitlement satisfied by the issue of new stapled securities rather than being paid in cash. Stapled securities are issued under the plan at a discount to the market price as determined by the Directors before each dividend/distribution.

(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:

	Dec 2011 Company Number	Dec 2011 CDPT Number	Jun 2011 Company Number	Jun 2011 CDPT Number
Ordinary shares / ordinary units	1,113,061,036	1,113,336,142	964,737,315	965,012,421
Unstapled units (held by the Company)	-	(275,106)	-	(275,106)
	1,113,061,036	1,113,061,036	964,737,315	964,737,315

12. Non-controlling Interests

	Group		Trust	
	Dec 2011 \$'000	Jun 2011 \$'000	Dec 2011 \$'000	Jun 2011 \$'000
Non-controlling interests	744,875	694,439	5,562	5,463

Movements in non-controlling interests

	Group		Trust	
	Dec 2011 \$'000	Dec 2010 \$'000	Dec 2011 \$'000	Dec 2010 \$'000
Balance at 1 July	694,439	564,636	5,463	6,068
Units issued by subsidiary	90,991	67,145	-	2,520
(Loss)/profit for the year	(6,105)	31,044	298	(111)
Distributions paid/payable	(34,450)	(31,861)	(199)	(273)
De-recognition on deconsolidation	-	-	-	(3,251)
Balance at 31 December	744,875	630,964	5,562	4,953

13. Contingent Liabilities

As disclosed in the Group and the Trust's 30 June 2011 annual reports the directors are not aware of any material contingent liabilities and the directors are not aware of any material changes in contingent liabilities of the Group or the Trust since the last annual report.

14. Commitments

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

	Group		Trust	
	31 Dec	30 Jun	31 Dec	30 Jun
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Within one year	64,616	31,800	64,616	31,800
Later than one year but not later than five years	65,364	22,600	65,364	22,600
	129,980	54,400	129,980	54,400

Undrawn debt facilities totalling \$129,980,000 are in place and allocated to funding committed expenditure.

15. Subsequent Events

Purchase of Bundall Investment Property

On 31 January 2012, the Group acquired the Bundall Corporate Centre investment property located on the Gold Coast, Queensland for \$63,400,000. The acquisition was funded by a new debt facility specific to the asset and an existing available but undrawn facility.

Entitlement Offer Shortfall Facility Capital Raising

On 9 February 2012, the Group raised \$34,985,414 from the issue of 51,449,137 stapled securities at \$0.68 each under the Shortfall Facility available as a result of the Group's 1 for 6 Entitlement Offer, announced in November 2011. The participants in the Shortfall Facility were institutional and wholesale investors from Australia and offshore. Funds will be used to reduce debt and provide additional working capital. A further \$1,000,000 is expected to be raised on or before 9 March 2012 from the issue of a further 1,470,588 stapled securities.

In the opinion of the directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as Responsible Entity for Cromwell Diversified Property Trust (collectively referred to as "the directors") the attached financial statements and notes:

- (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of the Group's and the Trust's financial positions as at 31 December 2011 and of their performance, as represented by the results of their operations and their cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that the Group and Trust will be able to pay its debts as and when they become due and payable.

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



P.L. Weightman
Director

27 February 2012

Independent Auditor's Review Report

**To the Security holders of Cromwell Property Group and
To the Unitholders of Cromwell Diversified Property Trust**

Report on the Half-Year Financial Report

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

We have reviewed the accompanying half-year financial report of the Group and the Trust, which comprise the consolidated statements of financial position as at 31 December 2011, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the half-year ended on that date, 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 Half-Year Financial Report

The directors of Cromwell Corporation Limited and the directors of 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 half-year financial reports that gives 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's and Trust's financial positions as at 31 December 2011 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cromwell Corporation Limited and Cromwell Diversified Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial reports of the Group and the Trust are not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's and Trust's financial position as at 31 December 2011 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

JOHNSTON RORKE
Chartered Accountants



R.C.N. WALKER
Partner
Brisbane, Queensland
27 February 2012

Liability limited by a scheme approved under Professional Standards Legislation