



ANNUAL UPDATE 2012

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Cromwell

PROPERTY GROUP

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Well known for outperformance. Cromwell's focus is on delivering superior long term property and investment performance.

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CEO's Review

Cromwell was rewarded this year for our long-term strategy of consolidating and improving our portfolio, an approach which successfully positioned us to achieve record earnings despite an economic environment which continues to be challenging.

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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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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."





321 Exhibition Street, 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 its funds management business.

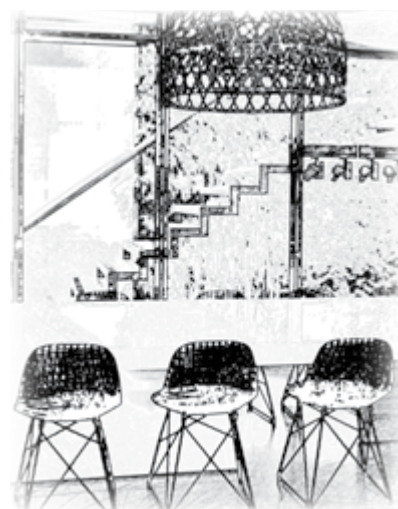
I would like to thank the management and staff of Cromwell for their tireless work through the year which has left us in a very strong position to continue to grow our earnings and capitalise on future opportunities.

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 performance¹

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)

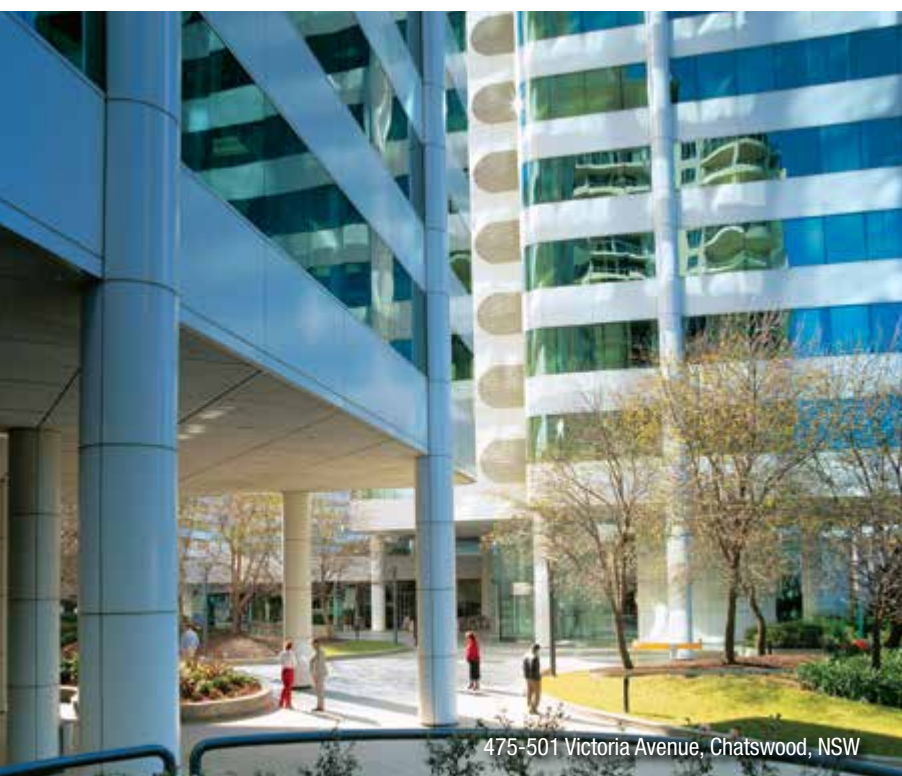


DIRECT PROPERTY RETURNS TO JUNE 2012 (Annualised)



(1) Past performance is no indication of future performance





475-501 Victoria Avenue, Chatswood, NSW



HQ North Tower, Fortitude Valley, QLD

Major ASX Announcements

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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.

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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.

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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

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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.

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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.

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 8,000m².

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 completed.

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

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.

\$1.7 billion

Portfolio value
(excluding unlisted fund assets)

96.4%

Occupancy

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

6.2 yrs

Weighted average
lease term (WALT)

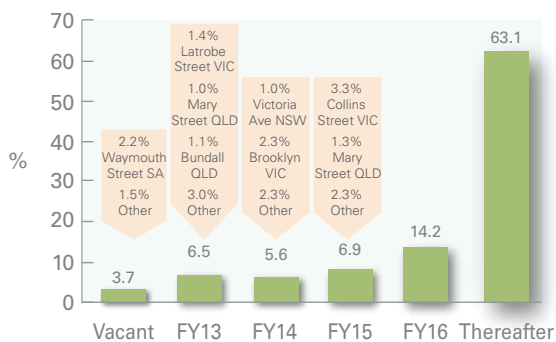
1/2 million

Square metres of net
lettable area (NLA)

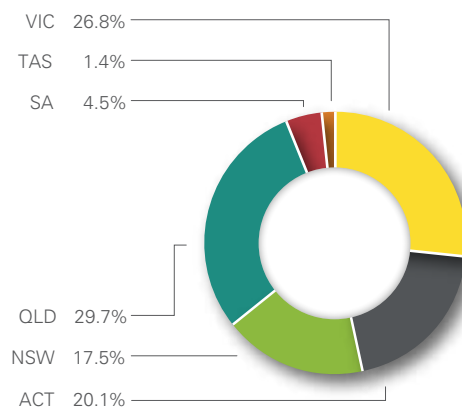
Defensive portfolio characteristics

- 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

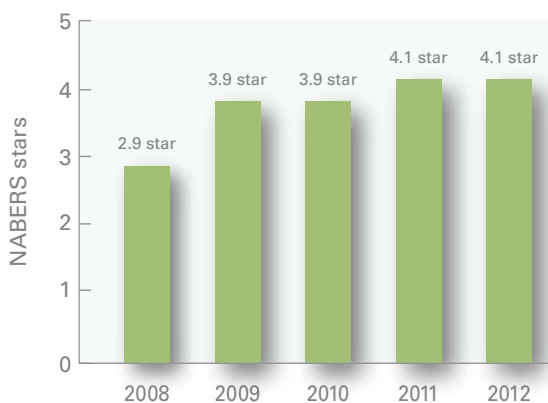
Lease expiry profile % gross income by financial year



Geographic diversification by gross income

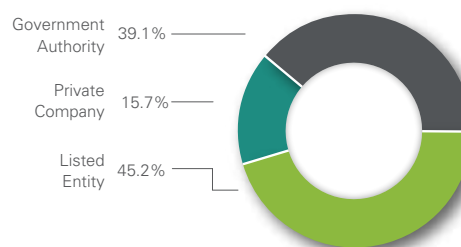


Portfolio NABERS rating¹

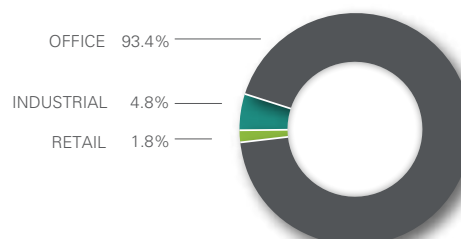


¹ NABERS assessments are not undertaken for some assets where the tenant has full operational control and manages the total resource consumption.

Tenant classification by gross income



Sector diversification by gross income



Sustainability

Highlights in FY12

Cromwell strives to be a responsible investment and property manager by actively pursuing excellence in sustainability for the benefit of all our stakeholders.

For us, sustainability means managing economic, environmental, social and corporate governance (ESG) issues as a foundation for 'best-practice' business operation within Australia.

Reducing our reliance on natural resources is central to our operations and long-term sustainability. As a business, we monitor our carbon usage and aim to be carbon neutral by 2014.

To reinforce our resolve, we have committed to transparent reporting of our activities with the adoption of the Global Reporting Initiative (GRI) guideline as the framework for reporting on the Group's ESG performance. In doing so, sustainability remains a constant and visible consideration for management and ensures our efforts are measurable, accountable and enduring.

Governance

- Signing of the Principles for Responsible Investment Initiative (UNPRI), and becoming a member of the Responsible Investment Association Australasia (RIAA).
- Creating an additional investment criteria for our funds management business which, if met, sees new products become part of the Cromwell Responsible Investment Series (CRIS).

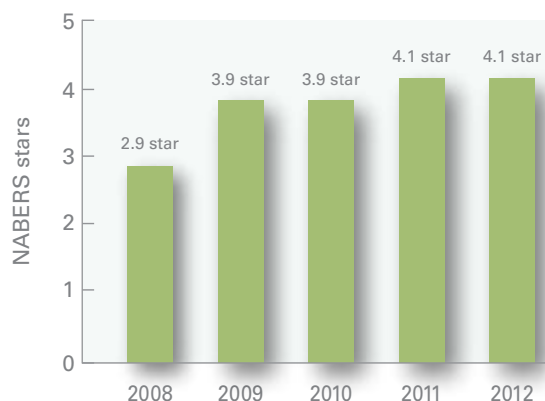
Community

- Jointly sponsoring the 2012 Ipswich Festival with our ICON Ipswich partners as our first step in supporting the Ipswich community.
- Funding the purchase of new helmets for the Mater Children's Hospital helicopter-borne Paediatric Retrieval Service, featuring integrated communication systems.
- Being major sponsor of Easts Rugby Union Club in Brisbane and the Parkinsons NSW Gold Classic which raises funds for the Parkinsons Counselling Service

Properties

- The National Australian Built Environment Rating System (NABERS) was recently revised to increase the maximum star rating from 5 stars to 6, with 6 stars representing a further 40% emission reduction over the previous 5-star rating. Subsequently, Cromwell has succeeded in having the Synergy and Energex buildings rated at 5.5 stars, representing a significant performance for the portfolio as well as supporting an improvement to the average rating.
- New targets for the coming financial year have been set for energy and water efficiency for commercial office properties. These will be tracked and reported against by the property and facilities teams.

Portfolio NABERS rating¹



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



Qantas HQ, Mascot, NSW

Cromwell trust certified as a responsible investment

- Cromwell's unlisted syndicate, the Cromwell Ipswich City Heart Trust (ICH), has been certified by the Responsible Investment Association of Australasia (RIAA).
- The Trust is the first single property investment vehicle to be certified as a Responsible Investment by the RIAA.
- Cromwell has demonstrated its commitment to incorporating environmental, social and corporate governance issues into its investment analysis and has adopted a series of criteria against which the Trust could be benchmarked.
- The environmental performance of our buildings is an important part of our property management strategy and so seeing this consideration flow through to the investment vehicles was a natural progression.
- Cromwell has demonstrated that sustainability can be a pathway to profitability at an asset level and we look forward to demonstrating that the same is true for investors in commercial property funds.
- With the addition of the ICH, investors who take into consideration RIAA certified products now have the option to include exposure to direct commercial property, providing further diversity to their investment portfolios.



Ipswich City Heart Building, Ipswich, QLD



321 Exhibition Street, Melbourne, VIC

FY12 Achievements

Cromwell Funds Management Awarded again

The Cromwell Phoenix Property Securities Fund earned Cromwell the title of Money Management / Lonsec Fund Manager of the Year for the Australian Property Securities category for the second year running. The award recognises the Cromwell and Phoenix Portfolios teams' experience and the strong outperformance of the fund.

Disposal of Non-Core Assets

Cromwell sold one of its few remaining industrial assets, the Masters Distribution Centre at Hoppers Crossing in Victoria for \$35.35 million.

Opportunistic Acquisition

Cromwell reacquired the Bundall Corporate Centre on the Gold Coast for \$63.4 million, substantially less than the \$106 million it had sold the property for in October 2007. This was despite the property being improved with the addition of an extra building, the Wyndham Corporate Centre. Approximately two thirds of the asset's total land area is being used as car parking and offers opportunity for further development.

Portfolio Improvement

Cromwell acquired the newly built HQ North office tower at Fortitude Valley in Brisbane from Leighton Holdings for \$186 million. The asset enhanced Cromwell's existing portfolio quality and provided additional weighting to the Brisbane office market, an area in which Cromwell believes there is significant growth potential over the medium term.

New Trust

Cromwell successfully launched a new single property syndicate, the unlisted Cromwell Ipswich City Heart Trust, which owns the \$92.955 million Ipswich City Heart Building. The Trust, which is managed by Cromwell, closed oversubscribed.

Capital Management

In February 2012, Cromwell raised approximately \$75 million through a 1 for 6 entitlement offer including almost \$36 million issued to institutional and wholesale investors under a Shortfall Facility. The capital raising did not result in any material change to Cromwell's key financial metrics, being its net tangible assets, gearing, earnings per security or distributions per security. Cromwell also raised \$28 million through an institutional placement in November 2011.

A photograph of a modern office interior. The ceiling is composed of numerous horizontal wooden slats, some of which are illuminated from within, creating a warm, glowing effect. Below the ceiling, there are glass-walled office spaces and a staircase with a wooden handrail. The overall design is clean and contemporary.

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

