

CorVal Industry House Trust
ARSN: 139 802 038

(Responsible Entity: CorVal Partners Limited ABN: 86 130 628 830)

Financial Statements

For the Half Year Ended 31 December 2013

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**CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038**

**RESPONSIBLE ENTITY REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

The Directors of CorVal Partners Limited, the Responsible Entity, present their half year report on the CorVal Industry House Trust ('the Trust') for the half year ended 31 December 2013.

The Trust was established on 23 April 2009. On 16 October 2009 the Trust was registered as a managed investment scheme. The Trust became a disclosing entity on 21 January 2010.

1. Directors

The names of Directors of the Responsible Entity in office at any time during or since the end of the half year are:

Ian O'Toole
Robert Rayner
Kevin Neville

The Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

2. Principal Activities

The principal activity of the Trust is investment in commercial real estate, for the purpose of earning revenue in the form of rent. The Trust seeks to offer a stable, tax effective income investment stream coupled with growth potential over the longer term, through the management of Industry House, a 14 storey commercial office building located at 10 Binara Street, Canberra. On 8 August 2013 the Trust entered into a contract for sale with Brompton Asset Management for the sale of the Trust's property at 10 Binara Street Canberra for a consideration of \$151.7m. The unitholders approved the transaction on 26 September 2013 and settlement occurred on 4 October 2013. The Directors of the Responsible Entity intend to eventually distribute all net residual value to the unitholders and commence the wind up of the Trust.

3. Review of Operations

On 4 October 2013, the Trust's property at 10 Binara Street, Canberra was sold for \$151.7m. As the fair value of the Trust's property was \$150.0m as at 30 June 2013, the total loss made on the sale after taking into consideration direct selling costs of \$3.8m amounted to \$2.1m. The net tangible asset ('NTA') of the Trust as at the end of the half year is \$0.60 per unit. The net loss for the half year ended 31 December 2013 was \$405,669 (31 December 2012: net profit \$2,939,622). During the period, the Trust distributed its first tranche of capital from the sale of the property to the unitholders.

4. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 2.

Signed in accordance with a resolution of the Board of Directors of CorVal Partners Limited by:


Rob Rayner
Director


Kevin Neville
Director

Dated in Sydney, this 25th day of February 2014



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**Auditor's Independence Declaration
To The Directors of CorVal Partners Limited, the Responsible Entity of
CorVal Industry House Trust**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of CorVal Industry House Trust for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M R Leivesley
Partner - Audit & Assurance

Sydney, 25 February 2014

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CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Half year	
		31 December 2013	31 December 2012
		\$	\$
Revenue and other income			
Property rental		3,374,341	6,330,483
Interest income		62,723	67,727
Total revenue and other income		3,437,064	6,398,210
Expenses			
Direct property expenses		349,919	765,029
Realised loss on sale of investment property	3(b)	2,111,378	-
Administration expenses			
- Management fees		202,274	372,210
- Custodian fees		13,103	14,765
- Registry fees		45,626	16,606
- Other administration expenses		89,878	24,745
Loss on fair value of investment property		11,812	38,579
Net loss on derivative financial instruments		109,097	381,560
		2,933,087	1,613,494
Finance costs		909,646	1,845,094
(Loss)/profit for the period		(405,669)	2,939,622
Other comprehensive income		-	-
Total comprehensive income for the period attributable to unitholders		(405,669)	2,939,622

These financial statements should be read in conjunction with the accompanying notes.

CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 December 2013	30 June 2013
		\$	\$
Current assets			
Cash and cash equivalents		645,158	2,281,159
Trade and other receivables		5,826	275,076
Other financial asset		3,009,213	1,224,545
Assets classified as held for sale		-	150,000,000
Total current assets		3,660,197	153,780,780
Non-current assets			
Investment property		-	-
Total non-current assets		-	-
Total assets		3,660,197	153,780,780
Current liabilities			
Trade and other payables		490,319	2,471,408
Interest-bearing liabilities		-	66,483,304
Derivative financial instruments		-	1,182,816
Total current liabilities		490,319	70,137,528
Non-current liabilities			
Derivative financial instruments		-	-
Interest-bearing liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		490,319	70,137,528
Net assets		3,169,878	83,643,252
Equity			
Issued capital	2	3,169,878	70,734,251
Retained earnings		-	12,909,001
Total equity		3,169,878	83,643,252

These financial statements should be read in conjunction with the accompanying notes.

CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2012	70,734,251	6,271,789	77,006,040
Total comprehensive income for the half year	-	2,939,622	2,939,622
Transactions with unitholders in their capacity as unitholders:			
Distributions paid/payable to unitholders	-	(3,178,314)	(3,178,314)
Balance at 31 December 2012	70,734,251	6,033,097	76,767,348
Total comprehensive income for the half year		10,002,297	10,002,297
Transactions with unitholders in their capacity as unitholders:			
Distributions paid/payable to unitholders	-	(3,126,393)	(3,126,393)
Balance at 30 June 2013	70,734,251	12,909,001	83,643,252
Total comprehensive income for the half year	-	(405,669)	(405,669)
Transactions with unitholders in their capacity as unitholders:			
Distributions paid/payable to unitholders	(26,787,963)	(12,503,332)	(39,291,295)
Redemption of 92.93% of units	(40,776,410)	-	(40,776,410)
Balance at 31 December 2013	3,169,878	-	3,169,878

These financial statements should be read in conjunction with the accompanying notes.

CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half year	
	31 December 2013	31 December 2012
	\$	\$
Cash flows from operating activities		
Property rental receipts	3,968,023	6,962,413
Interest received	66,512	67,727
Payments to suppliers	(4,870,505)	(1,865,347)
Finance costs paid	(1,299,310)	(1,861,009)
Net cash (used in) / provided by operating activities	(2,135,280)	3,303,784
 Cash flows from investing activities		
Proceeds from sale of investment property	151,700,000	-
Amounts deposited for retention	(3,000,000)	
Proceeds from/payment for financial assets	1,224,544	30,866
Payment of capital expenditure	(12,993)	(42,437)
Net cash provided by / (used in) investing activities	149,911,551	(11,571)
 Cash flows from financing activities		
Proceeds from/payment for financial derivatives	(1,291,913)	-
Repayment of borrowings	(66,500,000)	-
Payment for redemption of units	(40,776,410)	-
Distributions paid to unitholders	(40,843,949)	(3,085,288)
Net cash (used in) financing activities	(149,412,272)	(3,085,288)
 Net increase/(decrease) in cash and cash equivalents	(1,636,001)	206,925
Cash and cash equivalents at the beginning of period	2,281,159	1,849,527
Cash and cash equivalents at the end of period	645,158	2,056,452

These financial statements should be read in conjunction with the accompanying notes.

CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038

NOTES TO FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

NOTE 1: BASIS OF PREPARATION OF HALF YEAR REPORT

These general purpose financial statements for the half year ended 31 December 2013 have been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The Directors of CorVal Partners Limited, the Responsible Entity, present their half year report on the CorVal Industry House Trust ('the Trust') for the half year ended 31 December 2013.

The Trust was established on 23 April 2009. On 16 October 2009 the Trust was registered as a managed investment scheme. The Trust became a disclosing entity on 21 January 2010.

These interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the period ended 30 June 2013.

The accounting policies adopted are consistent with those of the most recent annual financial statements.

a) Realisation basis of accounting

As previously disclosed to unitholders, on 4 October 2013, the Trust's property at 10 Binara Street, Canberra was sold. The Directors of the Responsible Entity intend to wind up the Trust. The net realisable value of assets will eventually be fully distributed to unitholders. Accordingly the half year review accounts are prepared on a realisation basis. In adopting the realisation basis, assets are stated at their estimated net realisable values.

NOTE 2: ISSUED CAPITAL

(a) Issued capital	Half year 2013 Units	2012 Units	Half year 2013 \$	2012 \$
Opening balance	74,173,003	74,173,003	70,734,251	70,734,251
<u>Movements during the financial period:</u>				
Units issued during the period	-	-	-	-
Units redeemed during the period	(68,928,972)	-	(40,776,410)	-
Distributions reducing capital	-	-	(26,787,963)	-
Closing balance	5,244,031	74,173,003	3,169,878	70,734,251

As stipulated in the Trust's constitution, each unit represents a right to an individual unit in the Trust and does not extend to a right to the underlying assets of the Trust. Each unit has the same rights attaching to it as all other units of the Trust.

**CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038**

**NOTES TO FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

NOTE 3: SALE OF ASSET

a) Description

On 8 August 2013, Corval Partners Limited as Responsible Entity of the Trust entered into a contract for sale with Brompton Asset Management for the sale of the property at 10 Binara Street, Canberra. On 26 September 2013 the unitholders approved the transaction and settlement occurred on 4 October 2013. As a result of the sale, both the loan and the interest rate swap were discharged.

b) Details of the sale

	2013
Sale proceeds	151,700,000
Less:	
Fair value of the property	(150,000,000)
Direct selling costs:	
- Property sale fee	(3,034,000)
- Performance fee	(737,068)
- Legal fees	(40,310)
- Other direct costs of sale	-
Net loss on sale of asset	(2,111,378)

NOTE 4: SEGMENT INFORMATION

The Trust operated in one business segment in Australia during the period. The Trust was involved in the management of a commercial office building located in Canberra, until the sale on 4 October 2013.

NOTE 5: DISTRIBUTIONS PAID/PAYABLE TO UNITHOLDERS

The distributions for the financial period were:

	Half year	
	2013	2012
	\$	\$
Distributions paid/payable to unitholders	39,291,295	3,178,314
	39,291,295	3,178,314

NOTE 6: CONTINGENT LIABILITIES

The Trust has a \$3m contingent liability in relation to the retention funds held at settlement. The Purchaser can make claims against this amount for a twelve month period from the date of settlement if there is a breach of any warranty provided by the Trust in the contract of sale. The retention funds will reduce to \$1m and \$2m will be released to the Trust six months after the settlement date unless the Purchaser has made a claim prior to this time.

**CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038**

**NOTES TO FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events subsequent to the end of the financial reporting period that require additional disclosure.

NOTE 8: ESTIMATES

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

In preparing these half-year financial statements, the significant judgements made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2013.

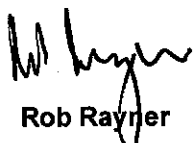
**CORVAL INDUSTRY HOUSE TRUST
ARSN 139 802 038**

**DIRECTORS DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

The directors of CorVal Partners Limited, the Responsible Entity, declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (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 Trust's financial position as at 31 December 2013 and of its performance for the half year ended on that date.
2. Notwithstanding the financial report is prepared under a realisation basis of accounting, in the directors' opinion, there are reasonable grounds to believe that the 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 Board of Directors and is signed for and on behalf of the directors of CorVal Partners Limited by:



Rob Rayner
Director



Kevin Neville
Director

Dated in Sydney, this 25th day of February 2014



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Independent Auditor's Review Report To the Unitholders of CorVal Industry House Trust

We have reviewed the accompanying half-year financial report of CorVal Industry House Trust ("Scheme"), which comprises the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the declaration made by the directors of the Responsible Entity of the scheme.

Directors' responsibility for the half-year financial report

The directors of CorVal Partners Limited, the Responsible Entity of CorVal Industry House Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls 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 the 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 CorVal Industry House Trust's financial position as at 31 December 2013 and its 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 CorVal Industry House Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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 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 report of CorVal Industry House Trust is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Scheme's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter – Realisation basis of accounting

Without modifying our opinion, we draw attention to the Basis of Preparation (realisation basis) in the notes to the financial report, which indicates that the directors of the Responsible Entity intend to commence the wind up of the Trust. Accordingly, the financial report has been prepared on a realisation basis.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M R Leivesley
Partner - Audit & Assurance

Sydney, 25 February 2014