

31 August 2012

## **CORVAL INDUSTRY HOUSE TRUST ("TRUST") FUND UPDATE – 2012 FINANCIAL YEAR**

Dear Investor,

### **Fund Update**

The audit of the Trust's accounts for the year ended 30 June 2012 has now been finalised and are available on our website at [www.corval.com.au](http://www.corval.com.au)

The Net Tangible Asset ("NTA") per unit as at 30 June 2012 is \$1.04, a slight decrease from \$1.06 per unit as at 30 June 2011 on account of market valuation adjustments for the Trust's interest rate swap.

Your annual tax statement was sent to you on 13<sup>th</sup> August 2012, with the tax-deferred % for the Trust being 82.4% for the year ended 30 June 2012.

### **Property Update**

The Trust's investment property was independently revalued by Jones Lang LaSalle at \$144.0 million as at 30 June 2012. There was no change from the previous valuation undertaken in June 2011.

A CPI catch-up rent review was completed over the lease to the Commonwealth Government of Australia on 1 January 2012, resulting in a rental increase of 5.84%. The next rent review is due in January 2013, whereby a fixed 3.00% uplift will be applied.

### **Debt Update**

The Trust's \$67.0 million debt facility with the Commonwealth Bank of Australia was refinanced during the year resulting in a new three year term expiring in October 2014. As part of the renegotiations, CorVal was able to secure a 0.3% reduction in the bank interest margin on the facility from 2.0% pa to 1.7% pa, resulting in an interest expense saving to Trust of \$201,000 per annum.

Subsequent to year end, CorVal entered into a new three year interest rate swap on behalf of the Trust to fix the base interest rate on the loan facility at 3.705% (excluding bank interest margin) per annum until July 2015. The new interest rate swap will generate an additional interest expense saving to the Trust of approximately \$450,000 per annum. The all-inclusive interest rate for the debt facility is now 5.405% pa.

The loan to valuation ratio ("LVR") is 46.5% as at 30 June 2012 (below the required limit of 60%) and the interest cover ratio ("ICR") is 2.40 times for the year ended 30 June 2012, also in compliance with the required limit of 1.85 times.

**Distributions**

As a result of the reduction in interest expense and rental uplift secured during the year, Trust distributions for the year ended 30 June 2013 will increase to 8.5 cents per unit, a 3% increase from the previous distribution rate of 8.25 cents per unit.

Surplus Trust cash earnings will be conservatively applied over the course of the year to reduce the Trust gearing level.

We thank you for your continued support of the Trust, and should you have any queries regarding your investment in the Trust, please contact Boardroom Pty Limited on 1300 737 760.

Yours sincerely

**CorVal Partners Limited**

A handwritten signature in black ink, appearing to read "Rob Rayner". The signature is written in a cursive, flowing style.

Rob Rayner

**Director**