AUSTRALIA

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27 February 2012

ASX Code: CNB

Companies Announcement Platform
Australian Stock Exchange Limited
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SYDNEY NSW 2000

LODGEMENT OF PRELIMINARY FINAL REPORT DECEMBER 2011 YEAR END ACCOUNTS DIVIDEND ANNOUNCEMENT

Pursuant to Listing Rules 4.3A and 4.5, CIC Australia Limited (CNB) would like to announce its 2011 year end results in the form of the attached Consolidated Financial Report and Appendix 4E for the 12 months ended 31 December 2011.

As noted in Appendix 4E, CNB will pay a final fully franked dividend of 3 cents per share on 18 May 2012 to all shareholders registered at 12 April 2012.

The Dividend Reinvestment Plan will be in operation for this dividend and the DRP shares will be issued at the weighted average market price during the five trading day period starting on the second business day after the Record Date.

The last date for receipt of election notices for the Dividend Reinvestment Plan for this dividend is 12 April 2012.

Yours faithfully
CIC AUSTRALIA LIMITED

Melanie Andrews
Company Secretary

CIC AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES
ABN 92 003 157 515

AUSTRALIAN STOCK EXCHANGE LIMITED

Appendix 4E

PRELIMINARY FINAL REPORT
PERIOD ENDED 31 DECEMBER 2011

1. Reporting period

Report for the year ended 31 December 2011. Previous corresponding period was the year ended 31 December 2010.

2. Results for announcement to the market

			$000
Revenue from ordinary activities	Up	201% to	92,763
Profit from ordinary activities after tax attributable to members	Up	24% to	12,431
Net profit attributable to members	Up	24% to	12,431

	Amount per security	Franked amount per security
Final dividend	3¢	3¢
Interim dividend declared and payable	1¢	1¢

Record date for determining entitlements to the dividend: 12 April 2012

For an explanation of any of the figures reported above, please refer to the attached Financial Statements.

3. Statement of financial performance
Please refer to the attached Financial Statements.

4. Statement of financial position
Please refer to the attached Financial Statements.

5. Statement of cash flows
Please refer to the attached Financial Statements.

6. Dividends

Date the dividend is payable	18 May 2012
If it is a final dividend, has it been declared?	Yes

Amount per security		**Amount per security**	**Franked amount per security**	**Amount per security of foreign source dividend**	**Date Paid/ Payable**
Final dividend:	Current	3¢	3¢	-¢	18/5/12
	Previous	3¢	3¢	-¢	15/4/11
Interim dividend:	Current	1¢	1¢	-¢	31/1/12
	Previous	1¢	1¢	-¢	19/10/10

Total dividend per security (interim plus final)	**Current year**	**Previous year**
Ordinary securities	4¢	4¢

7. Dividend Reinvestment Plan

CIC Australia Limited has a Dividend Reinvestment Plan which was established during 2005. The last date for receipt of election notices for the final dividend is 12 April 2012.

8. Statement of retained earnings

Please refer to the attached Financial Statements.

9. Net tangible assets per security

31 December 2011	$0.66
31 December 2010	$0.60

10. Entities over which control has been gained or lost during the period

Not Applicable

11. Associates and joint venture entities

Please refer to the attached Financial Statements.

12. Other relevant information

Please refer to the attached Financial Statements.

13. Accounting standards applied to foreign entities

Not Applicable

14. Commentary of results for the period

Please refer to the attached Financial Statements.

15. Audited Financial Statements

The Financial Statements have been audited. Please see attached Financial Statements for a copy of the Audit Report.

16. Audit dispute or qualification

None

CIC AUSTRALIA LIMITED

ABN: 92 003 157 515

Annual Financial Report
31 December 2011

Contents

Directors' Report

The directors present their report together with the financial report of CIC Australia Limited (the Company)(CIC) and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 31 December 2011 and the auditor's report thereon.

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Directors' Report (continued)

2011 A STRONG FINANCIAL RESULT – UP 24% ON LAST YEAR

The Group has posted a strong financial result for 2011. The Group achieved a net profit of $12.4 million up 24% on last year ($10.0 million in 2010). This equates to earnings per share of 10 cents. Our dividend will be unchanged at 4 cents per share, including the final 3 cents dividend.

CIC remains in a strong financial position having renewed its major Bank facilities through to February 2014. The Group has over the past year reduced debt significantly and remains modestly geared with net bank debt to project inventory of 40%. Interest cover for the year was 4.5 times.

We continue to maintain a high level of pre sales in most of our developments. At the time of writing this review we had 629 (Group share 323) unsettled sales totalling $168.9 million (Group share $93 million).

Our main ongoing constraint is access to bank debt funding and the tightening of loan to valuation ratios requiring most projects to be far more capital intensive. In the current economic climate, CIC accepts that previous levels of gearing are no longer achievable nor desirable. The other constraint in the shorter term is the continued concern about the impact of what might happen in Europe leading to overall poor consumer sentiment in Australia. Coupled with this, especially in the Canberra market, is the continued perceived poor performance of the Federal Government. All that aside, we still believe CIC can post strong financial results over the next three years.

Some of the most notable achievements during the year are listed below.

- During 2011 the Googong team achieved numerous major milestones and we are finally in a position to launch this major exciting project. The most notable achievement was bringing on board a new partner. Mirvac and CIC have now formed a Joint Venture to develop Googong. Plans are now well underway to commence construction in the first half of 2012 with first settlements of block sales in 2013.

- The Crace project is now well underway with some 150 terrace homes, 500 land allotments and 300 suburban homes completed as at 31 December 2011. During 2011, the last of the planning approvals were achieved to lock in the total project yield of around 1840 dwellings. Crace has managed to trade on its strong reputation and points of difference to maintain reasonable sales volumes in what has been a cautious market.

- Forde has completed all sales of land and civil construction work was completed in December 2011. Forde has continued to be an outstanding success, both as a new vibrant community in Canberra and also producing an excellent financial result.

- The Lightsview project continues to perform well above the competition in the greater Adelaide region. During 2011 land has been developed and sold both within the original JV parcel, as well as the additional land that was added to the project during the previous year. In 2011, Lightsview was recognised for its delivery of affordable housing with the highly coveted National Award presented at the UDIA National Congress. Commercially the project continues to deliver strong returns.

- The Ambassador was completed early in 2011 with only a few remaining apartments left to sell.

- Our Kingston Foreshore Quayside project has now been approved three times by the ACT Planning Authority, but is again being appealed by the adjoining developer. The third round of appeals will take up most of 2012, but we are confident we will be successful in gaining a final full approval and can commence construction soon thereafter.

- The Group is one of the development partners for the creation of a new residential project at the Palmerston campus of the Charles Darwin University. The Group has been pursuing a rezoning of the

Directors' Report (continued)

land and expects this should be achieved by the end of February 2012. The project is likely to yield in excess of 800 new dwellings.

PROJECTS

GOOGONG Township, NSW (CIC 50%)

The 2010 report noted the focus for 2011 would be to secure the myriad of statutory approvals required to get the new town of Googong off the ground. In parallel a JV partner would be procured.

Both these key project matters have been achieved.

Googong Township Pty Limited (GTPL) is the new Joint Venture entity established by CIC and Mirvac for the development of Googong.

These and the other primary achievements in 2011 have been:

- Securing Federal Government approval under the Environmental Protection and Biodiversity Conservation Act for the development of Googong;
- Executing the voluntary planning agreement with Queanbeyan City Council. This document is the legal agreement between Council and GTPL for the timely delivery of more than $283m of soft and hard infrastructure over the life of the project;
- Executing the voluntary planning agreement with the NSW government. This is the legal agreement between the Minister for Planning and GTPL for the timely delivery of land worth $8m for schools and a fire station at Googong;
- Securing approval from the NSW Planning Assessment Commission for the Part 3A Concept and Project Applications for the $87m water cycle infrastructure;
- Negotiation and agreement on bulk water supply for Googong via an ACT and Queanbeyan water supply network;
- Securing approval from the NSW Joint Regional Planning Panel for the Development Application for the first two stages of "Neighbourhood One". This approval is for 337 residential lots, a neighbourhood park, sports field and streetscape landscaping;
- Formation of the Googong Builders Guild and execution of the Guild Deed with 10 builders;
- Receiving the NSW UDIA "Concept Design Award" for Googong;
- Securing a $5.1m Federal Government grant for the innovative Googong Water Cycle infrastructure under the "Strengthening Basin Communities" program;
- Finalisation of the DA for the "Club Googong". Club Googong will comprise a 25 metre heated indoor pool, gymnasium, café and interim general store and sales and information centre (later a multi function meeting place);
- Re-branding Googong and launching the new Googong web site;
- Conducting commercial negotiations and detailed due diligence reviews with several nationally listed development companies to secure a JV partner; and
- Securing Mirvac as the JV partner for Googong and creation of Googong Township Pty Ltd as the company to develop Googong.

Directors' Report (continued)

Subject to securing sufficient pre-sales (which commence first quarter 2012) and project funding, the Group and Mirvac intend to commence civil, infrastructure and landscape works in the second quarter of 2012 with the first lots completed by end first quarter 2013.

CRACE, ACT (CIC 40%)

Crace Developments Pty Limited (CIC 80%, Defence Housing Australia 10%, CHC Affordable Housing Canberra (CHC) 5% and Tatebrook 5%) is the Joint Venture (JV) partner with the ACT Government's Land Development Agency (LDA), while CIC in its own right is the project manager and is also responsible for sales and marketing.

The project is now well underway with some 150 terrace homes, 500 land allotments and 300 suburban homes completed as at December 31 2011.

2011 saw the last of the planning approvals achieved to lock in the total project yield of around 1840 dwellings. Crace has managed to trade on its strong reputation and points of difference to maintain reasonable sales volumes in what has been a cautious market.

Planning approval for Crace's main recreation park, a 4.5Ha park with playing fields, sporting and BBQ facilities and a large wetland, has been achieved and construction is underway. Development approval has also been achieved for Crace's retail facilities which we hope will be completed by mid 2013.

The Joint Venture has sold a 1.3Ha parcel of land to Goodwin Aged Care Services for 150 independent living units. The independent living units will add another option to the already diverse mix of housing choices available at Crace and will further enhance the sustainability of the village centre. The Goodwin organisation is an award winning provider of aged care services and its development will include communal facilities that will also be available for the use of the wider community.

2011 has seen the last sale of the 310 terrace homes being constructed on behalf of Crace Developments. The terrace homes have been extremely popular with most selling within days/weeks of release. With 182 terraces sold under the affordable housing threshold, the terraces have played a major role in fulfilling the JV commitment to deliver affordable housing.

With the terraces now sold, the JV is turning its attention to even higher density development in the village centre with the designs for 40 apartments complete and due for release in early 2012.

With over 450 homes now occupied, Crace's community development program is in full swing, providing opportunities for the residents to make connections within their local community at Crace but also with the wider Gungahlin community. Crace's sponsorship and participation in Sustainable House Day continues to attract a lot of interest in the sustainability initiatives at Crace.

FORDE, ACT (CIC 25%)

Forde is another of CIC's JV projects, this time in conjunction with Delfin Lend Lease (DLL) and the ACT Land Development Agency. CIC has a 25% interest in the project and, with DLL, is the project, marketing and sales manager.

Forde has completed all sales of land and the greater majority of the affordable house and land packages being offered by the JV. Civil construction work was completed in December 2011 with landscaping due for completion in mid 2012.

Forde has continued to be an outstanding success, both as a new vibrant community in Canberra and as an excellent financial result for the partners.

Directors' Report (continued)

LIGHTSVIEW (ADELAIDE), SA (CIC 50%)

The Lightsview Joint Venture between CIC and the SA Government's Land Management Corporation continues to perform well above the competition in the greater Adelaide region.

During 2011 land has been developed and sold both within the original JV parcel, as well as in Precinct 2, which was added to the project during the previous year.

Agreement was also reached with LMC for further land to be provided to the Joint Venture from the adjoining vacant Ross Smith High School site for the construction of a new major entrance from Hampstead Road, a major North South Arterial. This is the first time that we have had the opportunity to create a "front door" for the project onto a main road.

In 2011, Lightsview was recognised for its delivery of affordable housing with the highly coveted National Award presented at the UDIA National Congress. We also received the Australian Civic Trust's highest award, The Hugh Stretton Award for Innovation in Residential Development. Perhaps though, the most remarkable characteristic of Lightsview is the fact that our award winning affordable housing (which occurs throughout all parts of the project) sits comfortably adjacent to homes across the full market spectrum, creating the basis of a truly outstanding and exciting community accessible to all.

During the year we were also granted Ministerial approval to undertake further rezoning of Lightsview that will result in a significant increase in allowable commercial floor space, therefore paving the way for the delivery of our vision for the Lightsview Town Centre. The new zoning will also allow much greater flexibility in designing and delivering further innovation in higher density housing.

Commercially the project continues to deliver strong returns for both Joint Venture Partners. In particular Lightsview has recorded a strong sales result for 2011 against the back drop of a very depressed real-estate market in Adelaide. For the full year Lightsview significantly out sold all other comparable projects within the market.

THE AMBASSADOR, DEAKIN, ACT (CIC 100%)

The Ambassador was completed early in 2011, with 110 of the 114 units settled to date. CIC, and importantly our buyers, are delighted with the outcome, with many buyers effusive over the quality of inclusions and finishes.

Of the four units remaining for sale, three are penthouses and the other is a two-bedroom unit. While the market is tight in this price bracket, our agents are still fielding interest and CIC expects to finalise these sales during 2012.

QUAYSIDE APARTMENTS, KINGSTON, ACT (CIC 100%)

Kingston Foreshore is a major redevelopment precinct in Canberra adjacent to Lake Burley Griffin. Quayside, the marketing name for this project, should have been well and truly under construction by now.

The proposal has now been approved three times by the ACT Planning Authority and is again being appealed by the adjoining developer. The first appeal was upheld. The second appeal was withdrawn and we are now dealing the third round of appeals in the ACAT and Supreme Court which take up most of 2012.

While economics of the project have been significantly compromised as a result of these delays, we still expect the project to return a reasonable margin to CIC.

Directors' Report (continued)

EASTERN INDUSTRIAL ESTATE, ACT (CIC 100%)

Stage 1 (36 lots) of the 125 lot project has been completed, with 31 of those lots now settled. Construction of the Stage 2A commenced during the year with lease registration of blocks anticipated in May 2012.

Sales rates at Eastern Industrial Estate have been extremely slow with a net of only three blocks sold last calendar year. Unfortunately, the ACT Government has oversupplied the market with industrial land, which when combined with global nervousness in manufacturing and other industrial activities, has hit demand really hard.

With increasing development costs and low demand, this project is expected to remain challenging over 2012.

LYONS, NT (CIC 50%)

CIC's Darwin Joint Venture at Lyons with partner Defence Housing Australia (DHA) has been a great success. The project is now complete, with all residential lots sold and settled. The last remaining allotment, set aside for a child care site has been sold and is expected to settle in April 2012.

THE HEIGHTS, DURACK NT (CHARLES DARWIN UNIVERSITY) (CIC 42.5%)

The Group, in conjunction with the Larrakia Development Corporation, are the development partners for the creation of a new residential community at the Palmerston campus of the Charles Darwin University.

The suburb of Durack (in which the University is located) is immediately adjacent to the Palmerston City Centre, and is perhaps the most sought after address in Palmerston. Part of the University's land has now been determined to be surplus to requirements, and is to be developed by the Group / LDC into a diverse new community in the heart of the City and surrounding the University's on site facilities.

The Group has been pursuing a rezoning of the subject land which will permit the proposed development. At the date of writing this report, the application has now been approved by the NT Minister for Planning, with gazettal of the rezoning expected by the end of February 2012.

The project is likely to yield between in excess of 800 new dwellings, and will take the lead in Darwin in the delivery of a percentage of a range of housing types, including a commitment to delivery of a minimum of 15% of the homes in the "affordable" bracket.

With increasing commercial and strategic interest in the "Top End", "The Heights" Durack is an exceptional opportunity for CIC, and allows the company to consolidate its presence and position in the Darwin housing market.

SUNDAY, ALDINGA BEACH, SA (CIC 100%)

CIC's "Sunday" is, like Lyons, now complete, with all lots sold and settled.

Sunday is considered to be an exemplar development in the southern suburbs of Adelaide and has helped CIC establish a very credible reputation within the Adelaide community and at all levels of government in the state.

Directors’ Report (continued)

GLEN MIA, BEGA, NSW (CIC 100%)

Our Glen Mia development is now complete with all remaining lots having been sold mid 2011.

BAY RIDGE, BATEMANS BAY, NSW (CIC 100%)

Bay Ridge is at the intersection of the Kings Highway and the Princes Highway, just 3 minutes from the CBD of Batemans Bay on the NSW South Coast. On completion, the project will comprise 140 large fully serviced lots, ranging upwards from 2,500 sq metres, with an average area of 5,000 sq metres, plus two un-serviced extra large lots.

The two un-serviced lots are sold and settled, and the first 23 lots stage of the subdivision proper has been constructed and is currently being marketed. No further construction is planned until sales status in the current stage improves.

Notwithstanding a variety of initiatives and marketing strategies, sales at Bay Ridge remain extremely difficult to achieve, reflecting general market conditions prevailing on the NSW South Coast. CIC is resigned to delivering this project over a number of years at a slow rate in response to market conditions.

Eurobodalla Shire Council has been working on revising its Local Planning Instrument for a protracted period, and the Group has been working in parallel to prepare a Planning Modification application to take advantage of the proposed reduction in minimum lot size from 2,500 sq m to 1,500sq m. This would produce an increase in lot yield which could in turn aid project viability by producing a larger range of lot diversity (and price point) in addition to the increased yield. We are working to a submission timeframe of early in second quarter 2012 and an approval period of three to six months.

Directors' Report (continued)

SUSTAINABILITY REPORT 2011

This report addresses the current status of the Company's sustainability practices, describes significant sustainability initiatives implemented over the course of 2011 and identifies the direction of the Company for 2012.

Sustainability at CIC

At CIC the business structure, systems and culture are aligned to drive the Company's sustainability initiatives, with a goal of continuous improvement. We can demonstrate this by analysing the Company and the communities we are developing from social, environmental and economic perspectives.

Socially Responsible and Culturally Rich

Our People and Policies

As reported in 2010, the Company's Terms and Benefits Policy sets out the entitlements and conditions for employees. Entitlements of note include:

- 12 weeks paid maternity leave to attract and maintain high calibre female employees;
- Financial support towards staff fitness and wellbeing costs to encourage employees to have healthy lifestyles;
- Study assistance to build the capacity of the organisation and grow employees; and
- A performance bonus plan to motivate employees to achieve outstanding results.

This policy provides the Company with a clear reference of responsibilities and entitlements for prospective and existing employees and assists in the attraction and maintenance of a balanced and enriched workforce.

To link this broad policy to our daily actions, and to better manage the training and development of our staff for the changing needs of the business, in 2011 a performance management system was implemented. Each staff member and their manager executed a performance management agreement including performance goals for the year ahead and details of support to be provided to assist in the achievement of performance goals.

There are now 63 permanent employees in the Group and two casual staff members. Females continue to be well represented in senior roles including the Chief Financial Officer, the Financial Controller, the National Marketing Manager and the Investment and Strategy Director.

With National Harmonisation of OH&S legislation now in full swing, the Group continues to invest in providing expert advice and assistance to all project staff to ensure the adoption and implementation of best practice across the company's operations. All Project Safety Plans are being updated, and further staff training is being provided. An independent expert has also been appointed to regularly review and report on the Group's OH&S policies, procedures and practices across all projects.

A number of staff in each office have been trained in first aid to provide immediate assistance in the case of emergencies.

Our Communities

There are three key actions we take to deliver more socially responsible and culturally rich communities, as listed and illustrated by the examples below:

Comprehensive planning and consultation to ensure development is appropriate for its context and that "community building" facilities and services are provided at the right time and are well received.

For Googong, (east of Canberra), a voluntary local planning agreement (LPA) is prepared with Queanbeyan City Council to deliver the public infrastructure for the township including open space, sporting facilities, community facilities, roads, water and sewer infrastructure. The nature, extent and timing of items to be delivered under the agreement have been informed by public submissions, demographic studies, technical models and experience. This will ensure the public infrastructure required for the future population is available when it's needed. The LPA was executed by the parties in early 2012.

A comprehensive community consultation and engagement strategy was also prepared to support the application for the rezoning of the Heights, Durack in Darwin which has recently been approved by the Minister for Planning. A key initiative of the project will be the delivery of a neighbourhood building which will be available for use by the entire Palmerston community.

Provision of new products and processes to deliver affordable housing

The Group continues to meet and exceed the government requirements for affordable housing. Affordable housing developed at Lightsview in Adelaide was awarded the 2011 Best Affordable Development Award by the Urban Development Institute of Australia. In 2011 the Group also built on its commitment to provide 15% affordable housing at Lightsview with an equivalent commitment at the Heights, Durack in Darwin with development partners Larrakia Development Corporation (LDC) and the Charles Darwin University.

At Crace in the ACT, up to December 2011 Crace Developments has sold 182 terrace homes under the ACT Government's Affordable Housing threshold. Furthermore, Crace Developments is now about to develop a number of contemporary apartments in keeping with the Crace character that will also be sold at prices under the same threshold.

Establishment of social networks through the hosting of events, organisation of activities and the provision of information

As noted in our 2010 report, work with new residents in the Group's major master planned communities commences prior to them moving in as part of a comprehensive community development program. Events like 'welcome' parties to introduce residents to one another and the provision of welcome packs including information on local facilities and services are common. Other activities provide further opportunities for residents to get together, such as 'National Neighbour Day' which was again celebrated at Forde in 2011 with a breakfast in Heritage Park. In many cases people from surrounding suburbs are invited to Christmas carols and sporting and social events to encourage integration with the broader community.

Directors' Report (continued)

Striving for Better Environmental Performance

In Our Communities

To better prepare communities for climate change and to improve environmental performance the Group works with partners, consultants, builders and customers to implement the following strategies, with examples provided to illustrate implementation:

At the inception of a new community, identify the opportunities to preserve and re-establish areas of environmental value / address environmental hazards

As discussed in their 2010 report, the master planning for Googong has been based on years of robust environmental investigations to ensure that this new township can be developed in a sustainable manner, and in fact deliver improvements to the quality of the local environment.

In addition, a working group comprised of representatives from the Company, Queanbeyan City Council, the Australian Government and Actew continued its efforts in 2011 to consider the best management regimes over the life of township development and beyond. Many of the commitments made have been captured as conditions of consent in the approval of the township under Environmental Protection Biodiversity and Conservation Act. Some of the key commitments include the establishment of a 60ha Conservation Area for the threatened Pink Tailed Worm Lizard and the making of financial contributions towards the implementation of the Googong Foreshores Plan of Management.

When planning essential and desired services for a new community, consider community wide solutions that address environmental challenges

In 2011 work commenced on the major Recreation Park at Crace which includes several recreation facilities alongside a large wetland and filtration system to cleanse and retain and reuse stormwater. Water harvested will then be recycled for irrigation purposes on adjacent parks.

In 2011 Googong's Integrated Water Cycle Project (IWCP) was approved by the NSW Planning and Assessment Commission. The IWCP will achieve potable water savings of up to 62% (compared to the average across traditional urban environments in the region) and provide recycled water for irrigation of public open spaces and home gardens as well as for toilet flushing. The design excellence and innovation of Googong's IWCP has been recognised by the Australian Government who have awarded a grant of $5M towards the implementation of the project.

At The Heights Durack and at Lightsview SA a comprehensive Water Sensitive Urban Design (WSUD) masterplan will see a series of vegetated wetlands constructed across the project to better manage stormwater and sediment runoff.

Prior to the construction of homes and their occupation, establish mechanisms to improve their environmental performance

At Lightsview, all homes were required to achieve a minimum 6 star rating ahead of the state government's requirement to do so. At Googong, all homes will exceed the NSW Government's requirements for water and energy savings. It is considered these measures will be an investment that will reward the purchaser with more comfort and lower running costs. Post occupancy of homes, sustainability education programs such as the 'Sustainable House Day' held at our Crace community in Canberra in 2011 educate residents about renewable energy options, recycling and water efficiency.

Directors' Report (continued)

Building Prosperous Communities

Our Philanthropy

In 2011 the Company made significant contributions to numerous charities and community organisations which supported organisations caring for people suffering chronic mental illness, and sufferers of cancer and cystic fibrosis. Contributions were also made to the Smith Family to support indigenous communities in Darwin and numerous other sporting, charitable and cultural groups across the regions where CIC is active.

Our Communities

To build prosperous communities we implement the following strategies:

Allow for a wide spectrum of uses so that people may learn, work and play in the community

The Group continues to strive for increased "containment" within the communities it creates. The phrase "live, work and play" underpins this objective, and while there are often town planning regulations that limit land use choice, the Group continues to strive to create places where car usage is reduced, where the appropriate infrastructure, land uses and technology are made available to enable work from homes of the neighbourhood, and where at least daily needs can be met within a 5 minute walk.

Design or control the design of facilities to achieve design excellence

In 2011 the Googong Builder's Guild was established comprising of some of the region's most respected builders who are committed to the Googong vision. The Builders Guild has committed to build homes of a character which we believe will make Googong a truly distinctive and desirable place to live, work and play. Key elements of this character are outlined in the Design Guidelines and include requirements for two rooms and a veranda or courtyard to the front of the house to better engage with the street. Guild Builders will have early access to the site so when the first residential lots are completed, the entry boulevard to Googong will be fully constructed with high quality homes demonstrating the desired future character to prospective purchasers.

Attract the right developers and operators of community and commercial facilities

It is essential to attract the right developers and operators who can add value and who share the Group's vision for communities. In 2011, the Canberra / Goulburn Anglican Diocesan Schools Council and the Church Property Trust committed to build a primary school in Googong's first neighbourhood. Schools run by the Diocesan Schools Council have an excellent reputation and their investment into Googong will be of great benefit to the community.

In 2012 Googong Township Pty Ltd will launch the Doing Business with Googong Strategy to continue the search for the appropriate community and commercial partners.

Directors' Report (continued)

RECONCILIATION UPDATE 2011

In June 2006 the Group entered into a Reconciliation Action Plan (RAP) with Reconciliation Australia which included several key commitments, notably:

- The offer of a cadetship to an indigenous student in a discipline relevant to the Group's business. In 2007 the cadetship was awarded to Patrick Murphy who was studying for a Bachelor of Land Economics at University of Queensland. Patrick has now successfully completed his studies and graduated in early 2011.

- A commitment to consider initiatives around indigenous employment and public art. The public art and job creation delivered via the Lyons JV project in Darwin clearly demonstrate our collective success.

More recently, a partnership was entered into with the Larrakia Development Corporation in respect of a major residential development project in Darwin. This arrangement will facilitate the direct involvement of the Larrakia people in this project both as a shareholder and as a potential contractor for some types of work.

In 2012 the Group intends to review and renew its commitment to reconciliation in consultation with Reconciliation Australia.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Directors' Report (continued)

2. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	***Experience, special responsibilities and other directorships***
Mr M Loomes B.Comm (Econ Hons), F Fin Chairman Independent Non-Executive Director	Extensive background in investment analysis and strategy and for a number of years was a senior executive with Guinness Peat Group plc. Mr Loomes has been a director of Ariadne Australia Limited since 2004 and Calliden Group Limited since 2000. He is a member of the Audit and Remuneration Committees. Appointed to the Board in 1994. Chairman since 1995.
Mr C Alexander OAM, B.A (Acc), FCPA Chief Executive Officer and Managing Director	Extensive corporate finance and accounting expertise and over 25 years experience in the land development and construction industry. He has been the Managing Director of the Company since its founding in 1986 and was appointed Chief Executive Officer (CEO) in 1995. He is Chairman of the Canberra MBA Fidelity Fund, Chairman of Community Housing Canberra Limited, a member of the Board of the ACT Property Council and a Council member of the Canberra Business Council.
Mr A Carey B.TP Executive Director – Chief Operating Officer	Extensive planning, development and management expertise over 25 years in the development industry. Mr Carey brings specialist expertise in the areas of urban planning and design, project investigation, project management and feasibility assessment. He oversees all development activities for the Company, and represents the Company on several of the Joint Venture Boards. Appointed to the Board in 1999.
Mr D Fox Dip T&CP Syd Independent Non-Executive Director	Extensive development, assessment, planning and business management expertise. Mr Fox has 40 years experience in the planning and development industries. Appointed to the Board on 12 September 2005. Member of the Audit Committee since November 2005. Appointed to the Remuneration Committee in May 2006 as Chairman.
Mr J Mackay AM, BA, FAIM, BA(Admin/Economics); Honorary Doctorate Independent Non-Executive Director	Extensive experience in constructing and managing major infrastructure in Australia and abroad. CEO/Chairman experience in several government, private and community organisations. Chairman of Audit Committee and member of the Remuneration Committee since 28 April 2009. Appointed to the Board 27 February 2009.
Mr P Tunstall CA Non-Executive Director	Extensive expertise and experience in the financial, management and business sectors. Mr Tunstall was appointed as Chief Financial Officer of Guinness Peat Group (Australia) Pty Limited in August 2009. Appointed to the Board 25 August 2009.

Directors' Report (continued)

3. COMPANY SECRETARY

Ms M Andrews B.Comm, CPA was appointed to the position of Company Secretary in November 1997 and is also the Chief Financial Officer of the Group.

4. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) and the number of meetings attended by each director during the financial year are:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
Director	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr M Loomes	10	11	3	3	4	5
Mr C Alexander	11	11	-	-	-	-
Mr A Carey	11	11	-	-	-	-
Mr D Fox	11	11	3	3	5	5
Mr J Mackay	10	11	3	3	5	5
Mr P Tunstall	11	11	-	-	-	-

Directors' Report (continued)

5. REMUNERATION REPORT

The remuneration report for the year ended 31 December 2011 outlines the remuneration arrangements of the Group in accordance with the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and senior executives of the Group including the five most highly remunerated Company and Group executives.

For the purposes of this report, the personnel identified as KMP are:

<u>Non – executive directors</u>
Mr M Loomes (Chairman)
Mr D Fox
Mr J Mackay
Mr P Tunstall

<u>Executive directors</u>
Mr C Alexander (CEO)
Mr A Carey (COO)

<u>Executives</u>
Mr G Smith (Regional Manager – SA/NT)
Mr M Leslie (Regional Manager–ACT/Sthn NSW)
Ms M Andrews (CFO / Company Secretary)

5.1 Principles of remuneration

The performance of the Company depends upon the quality of its directors and executives. Remuneration levels are competitively set to strike a balance between retaining, motivating and rewarding highly skilled and experienced executives whilst also aligning with business performance and shareholder return. The Remuneration Committee benchmarks the appropriateness of remuneration packages against comparative companies and by considering trends in the employment market and may obtain independent advice.

The remuneration structure is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration strategy provides a strong link between performance and reward so that executive reward outcomes are dependant on delivering results to shareholders.

Remuneration packages include a mix of fixed and variable remuneration, short and long term performance-based incentives and equity-based remuneration. This combination aims to motivate and retain highly skilled executives by providing market competitive fixed remunerations and an incentive framework that rewards for results delivered.

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.1 Principles of remuneration (continued)

Fixed remuneration

Fixed remuneration consists of a gross salary package amount, which employees are given the opportunity to receive in a variety of forms including cash, employer superannuation contributions and certain fringe benefits.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the Group. Where appropriate, external consultants provide analysis and advice to ensure remuneration is competitive in the market place.

Performance-based remuneration

Performance-based remuneration includes both short-term and long-term incentives and is designed to reward and retain key management personnel. The short-term incentive (STI) is an "at risk" cash bonus based on the operating performance of the Group. Long-term incentives (LTI) may be provided at the discretion of the Remuneration Committee as options or share appreciation rights over ordinary shares of CIC Australia Limited under the rules of the *Option Plan* or the *Awards Plan*.

Short-term incentive bonus

A formal annual STI plan operates within the Group and awards a bonus subject to the attainment of a pre-determined profit benchmark set by the Board. The benchmark is based on a return on shareholders' funds where a set level of profit before tax as a percentage of shareholders' funds is the trigger for the STI to commence. Formalised terms and conditions of the STI establish a formula for the calculation of the size of the bonus pool and the allocation of this pool among staff. If the profit target is not met, no STI will be paid.

The STI is set at a level to provide sufficient incentive to executives and staff to achieve the operational targets to provide a healthy return to shareholders and such that the cost to the Group is reasonable in the circumstances. The Remuneration Committee recommends the cash incentive to be paid to staff for approval by the Board. In the current year, the Group exceeded its profit target as a percentage of shareholders' funds, and as such a short-term incentive was paid.

Long-term incentive

Loan Backed Plan

Operation of the Executive Long-term Incentive Plan has now ceased and there are no outstanding shares or loans at reporting date. The final outstanding shares were returned to the Company during the reporting period in full settlement of the outstanding loans.

Option Plan

The terms of the Option Plan as a long term incentive were approved at the Annual General Meeting in 2008. The Option Plan assists in the recruitment, reward, retention and motivation of employees and officers of the Group. The Remuneration Committee believes this structure provides a robust link between executive reward and business performance, and that employee reward drives desired behaviours.

Unless otherwise determined by the Board, no payment is required for the grant of the options under the Option Plan. The options issued under the Option Plan may be exercised after the relevant exercise conditions set by the Board have been satisfied, but within the exercise period determined by the Board. The options are subject to a three year vesting period with the vesting condition being a three year service period. Executives can exercise options once vested and acquire shares in the Company, subject to paying the exercise price.

Unless otherwise determined by the Board, options issued under the Option Plan will lapse on any termination of employment of the holder that occurs prior to the exercise condition having been satisfied. There were no options issued under this plan during the reporting period.

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.1 Principles of remuneration (continued)

Employee Share Plan
During 2008, the Remuneration Committee introduced an Employee Share Plan to give employees the opportunity to share in the growth and value of the Group through an allocation of CIC shares.

Under the Plan, CIC grants each eligible employee $1,000 of CIC shares for no consideration, provided that the shares are subject to a three year Holding Lock and cannot be traded during this period. The Holding Lock lifts at the earlier of three years or termination of employment. There is no risk that employees will forfeit their shares. Over the three year Holding Lock period, employees have full voting and dividend rights equivalent to all other holders of CIC shares. No allocation of shares was made under this plan during the reporting period.

Awards Plan
During 2008, the Remuneration Committee introduced a cash-settled share based payment plan. Under this plan, the Company may grant share appreciation rights (SAR's) to employees as part of a remuneration package, whereby the employee will become entitled to a future cash payment, based on the increase in the Company's share price from a specified level over a specified period of time. The terms and conditions of this plan mirror those of the option plan however, at the exercise date the employee receives in cash the uplift in the share price instead of acquiring shares as per the Option Plan.

The rights issued under the Awards Plan may be exercised during the exercise period after the relevant exercise conditions have been satisfied. The rights are subject to a three year vesting period conditional on a three year service period.

Unless otherwise determined by the Board, rights issued under the Awards Plan will lapse on termination of employment prior to the exercise conditions of those awards having been satisfied. No allocation of SARs was made under this plan during the reporting period.

Consequences of performance on shareholders wealth
In considering the Group's performance and benefits for shareholders wealth, the Remuneration Committee has regard to the following indices in respect of the current year and the previous four financial years.

	2011	2010	2009	2008	2007
Profit/(loss) before tax ($m)	12.8	10.3	(21.7)	4.4	6.0
Profit/(loss) after tax ($m)	12.4	10.0	(14.4)	3.2	4.3
Dividends paid or declared (cents)	4.0	4.0	4.0	4.0	4.0
Return on opening capital (% p.a.)	15.7%	14.0%	(16.6%)	4.6%	6.6%

Return on capital is the key financial performance target in setting the STI.

Service contracts
The Group has not entered into any service contracts with any director or KMP. There are no termination payments payable to any director or KMP, except at the discretion of the Remuneration Committee.

Directors’ Report (continued)

5. REMUNERATION REPORT (continued)

5.1 Principles of remuneration (continued)

Non-executive directors

Total remuneration for all non-executive directors last voted upon by shareholders at the 2011 AGM is not to exceed $400,000 per annum and is set with reference to fees paid to other non-executive directors of comparable companies. Directors’ base fees are presently set at a package of $64,550 per annum.

The Chairman receives a package of $84,550 per annum as his base fee. Non-executive directors do not receive performance-related remuneration. Directors' fees cover all main Board activities and membership of two committees. Non-executive directors who are members of the Audit Committee or the Remuneration Committee receive $2,725 per annum for each committee on which they sit in addition to their base fees. Non-executive directors who are members of a Joint Venture Management Committee receive an additional payment for meetings attended.

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director and the five named executives of the Company and the Group including KMP are:

Table 2 – Remuneration for the year ended 31 December 2011

In AUD	Short-term			Post-employment	Other long-term	Share-based payments				
						Equity settled	Cash settled	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors	**Salary & fees $**	**STI Bonus $**	**Non-monetary benefits $**	**Superannuation benefits $**	**$**	**Value of options $ (A)**	**Value of SAR's $**			
Non-executive										
Mr M Loomes (Chairman)	82,569	-	-	7,431	-	-	-	90,000	-	-
Mr D Fox	71,500	-	-	6,435	-	-	-	77,935	-	-
Mr J Mackay	64,220	-	-	5,780	-	-	-	70,000	-	-
Mr P Tunstall	64,550	-	-	-	-	-	-	64,550	-	-
Executive										
Mr C Alexander (CEO)	584,855	444,998	7,173	15,487	1,537	-	13,613	1,067,663	42%	1.3%
Mr A Carey (COO)	412,797	341,695	50,259	15,487	5,178	29,479	-	854,895	40%	3.4%
Executives										
Mr G Smith	334,851	184,470	5,042	15,487	22,746	19,969	-	582,565	32%	3.4%
Mr M Leslie	270,465	184,470	47,441	15,487	6,937	19,969	-	544,769	34%	3.7%
Ms M Andrews	260,846	159,810	30,790	15,487	26,036	22,460	-	515,429	31%	4.4%

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.2 Directors' and executive officers' remuneration (continued)

Table 2 – Remuneration for the year ended 31 December 2010

In AUD	Short-term			Post-employment	Other long-term	Share-based payments – Equity settled	Share-based payments – Cash settled	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors	**Salary & fees $**	**STI Bonus $**	**Non-monetary benefits $**	**Superannuation benefits $**	**$**	**Value of options $ (A)**	**Value of SAR's $**			
Non-executive										
Mr M Loomes (Chairman)	65,000	-	-	5,850	-	-	-	70,850	-	-
Mr D Fox	54,358	-	-	4,892	-	-	-	59,250	-	-
Mr J Mackay	45,000	-	-	4,050	-	-	-	49,050	-	-
Mr P Tunstall	40,000	-	-	-	-	-	-	40,000	-	-
Executive										
Mr C Alexander (CEO)	578,667	324,154	6,686	14,830	19,972	8,624	24,952	977,885	33%	3.4%
Mr A Carey (COO)	383,382	248,904	47,833	14,830	11,255	41,015	-	747,219	33%	5.5%
Executives										
Mr G Smith	311,384	134,376	4,260	14,830	2,395	24,899	-	492,144	27%	5.1%
Mr M Leslie	281,406	134,376	42,070	14,830	9,494	24,788	-	506,964	27%	4.9%
Mr M Attiwill	294,136	124,038	1,753	14,830	3,392	15,766	-	453,915	27%	3.5%
Ms M Andrews	228,511	106,467	22,333	14,830	6,249	27,815	-	406,205	26%	6.8%

The five highest remunerated employees of the Company are also the five highest remunerated employees of the Group, and include the KMP of the Group and the Company.

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.2 Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' and executive officers remuneration.

A. The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated evenly to each reporting period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

Details of performance-related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance-related is discussed on page 16.

5.3 Equity Instruments

All options refer to options over ordinary shares of CIC Australia Limited under the Executive Long-term Incentive Plan and the Option Plan.

5.3.1 Options and rights over equity instruments granted as remuneration

No options over ordinary shares in the Company or share appreciation rights were granted as remuneration to KMP during the reporting period. Details on options and rights that vested during the reporting period are as follows:

	Number of options/rights vested during 2011
Directors	
Mr C Alexander	240,000
Mr A Carey	200,000
Executives	
Mr G Smith	140,000
Mr M Leslie	140,000
Ms M Andrews	150,000

No options or rights have been granted since the end of the financial year.

All options and share appreciation rights expire on the earlier of their expiry date or termination of the individual's employment. The options and rights are fully vested three years from grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on payment of the exercise price for share options under the Option Plan.

Further details regarding options and rights granted to executives are in Note 31 to the financial statements.

5.3.2 Exercise of options granted as remuneration

During the reporting period the loan relating to 726,668 options on shares issued previously under the Executive Long-term Incentive Plan became repayable by KMP. All of these shares were returned to the Company in full settlement of the loan.

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.3 Equity Instruments (continued)

5.3.3 Analysis of options and rights over equity instruments granted as remuneration

Details of the vesting profile of the options or rights granted as remuneration to each Director of the Company and each of the named Company and Group executives are detailed below.

	Options or rights granted		% vested in year	% forfeited in year	Financial years in which grant vests
Directors	**Number**	**Date**			
Mr C Alexander	240,000	15-Jul-2008	100	-	01-Jan-2011
Mr C Alexander	240,000	16-Jun-2009	-	-	01-Jan-2012
Mr C Alexander	240,000	21-Jun-2010	-	-	01-Jan-2013
Mr A Carey	200,000	15-Jul-2008	100	-	01-Jan-2011
Mr A Carey	200,000	16-Jun-2009	-	-	01-Jan-2012
Mr A Carey	200,000	21-Jun-2010	-	-	01-Jan-2013
Executives					
Mr G Smith	140,000	15-Jul-2008	100	-	01-Jan-2011
Mr G Smith	130,000	25-Mar-2009	-	-	01-Jan-2012
Mr G Smith	130,000	06-Apr-2010	-	-	01-Jan-2013
Mr M Leslie	140,000	15-Jul-2008	100	-	01-Jan-2011
Mr M Leslie	130,000	25-Mar-2009	-	-	01-Jan-2012
Mr M Leslie	130,000	06-Apr-2010	-	-	01-Jan-2013
Ms M Andrews	150,000	15-Jul-2008	100	-	01-Jan-2011
Ms M Andrews	150,000	25-Mar-2009	-	-	01-Jan-2012
Ms M Andrews	150,000	06-Apr-2010	-	-	01-Jan-2013

5.3.4 Analysis of movements in options and rights

The movement during the reporting period, by value, of options over ordinary shares in the Company and share appreciation rights held by each KMP are detailed below:

In AUD	Granted in year $	Lapsed in year $
Mr C Alexander	-	60,533
Mr A Carey	-	48,427
Mr G Smith	-	6,810
Mr M Leslie	-	6,053
Ms M Andrews	-	9,080

Directors' Report (continued)

5. REMUNERATION REPORT (continued)

5.3 Equity Instruments (continued)

5.3.4 Analysis of movements in options and rights (continued)

The value of options and rights granted in the year is the fair value calculated at grant date using an option pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

During the year, the term of the loans to KMP relating to 726,668 options under two issues of the Executive long-term incentive plan expired. The executives elected not to repay the loans and returned the shares to the Company in full settlement of the loan.

6. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the acquisition, subdivision, development, construction and sale of real estate. There were no significant changes in the nature of the activities of the Group during the year.

7. DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Declared or paid during the year	Cents Per share	Total amount $	Franked/ unfranked	Date of payment
2011				
Final 2010 ordinary	3.0	3,742,616	Franked	15 April 2011
Interim 2011 ordinary	1.0	1,252,369	Franked	31 January 2012
Total		4,994,985		

Franked dividends declared and paid during the year were franked at the rate of 30%.

Declared after end of year

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 December 2011 and will be recognised in subsequent reporting periods.

Final 2011 ordinary	3.0	3,760,959	Franked	18 May 2012

Directors’ Report (continued)

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 14 December 2011 the Group executed agreements with Mirvac Group to jointly develop the Googong Project which will create approximately 5,500 lots. The agreements involved the Group selling the non-current asset held for sale to Mirvac Group and selling the Googong land held as inventory into the joint structure. The completion of the agreements was conditional on a number of events occurring which were satisfied after year end allowing completion to occur on 17 January 2012.

Upon the sale of the Googong inventory into the joint structure the Group now has an investment in the Googong joint venture. In satisfaction of the asset held for sale the Group received cash and has a receivable for the balance of sale proceeds. The receivable is due in 2013.

Upon completion of the agreements the Group’s Multi-option Facility limit was reduced by $8m. In addition, separate borrowing facilities of $7.5m were repaid and not renewed. The remaining cash received upon satisfaction of the asset held for sale was applied to further reduce the Group’s borrowings.

9. LIKELY DEVELOPMENTS

The Group will continue to pursue its policy of increasing the profitability and market share of its business during the next financial year. This will require further investment in land development and other areas which have performed well over recent years and offer sound opportunities for future development.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10. DIRECTORS’ INTERESTS

The relevant interest of each director in the shares, rights and options of the Company, as notified by the directors to the Australian Stock Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	CIC Australia Limited Ordinary shares		
	Direct	**Indirect**	**Options and SAR’s over ordinary shares**
Mr M Loomes	-	883,878	-
Mr C Alexander	33,752	4,610,678	720,000
Mr A Carey	-	55,200	600,000
Mr D Fox	-	-	-
Mr J Mackay	-	-	-
Mr P Tunstall	-	-	-

Directors' Report (continued)

11. SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
15-Jul-2013	$1.10	1,310,000
25-Mar-2014	$0.42	900,000
16-Jun-2014	$0.51	160,000
6-Apr-2015	$0.70	1,040,000
21-Jun-2015	$0.52	200,000
		3,610,000

All options expire on the earlier of their expiry date or termination of the employee's employment. These options do not entitle the holder to participate in share issues of the Company.

No options have been granted since the end of the financial year.

No options were exercised during or since the end of the financial year and as such, no shares were issued as a result of the exercise of the options.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the directors and the Company Secretary of the Company and its controlled entities against all liabilities that may arise from their position as director or officer of any Group entity. Under the terms of the agreement the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

Since the end of the previous financial year the Company has paid insurance premiums of $38,503 in respect of directors' and officers' liability and legal expenses insurance for directors, the Company Secretary and officers including senior executives of the Company and its subsidiaries.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Directors' Report (continued)

13. NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2011	**2010**
Audit services:	**$**	**$**
Auditors of the Company		
Audit and review of financial reports	127,500	127,500
	127,500	127,500
Services other than statutory financial report audit:		
Auditors of the Company		
Other assurance services:		
Controls assurance services	32,971	20,000
Other services	12,100	-
Other services		
Taxation services and advice	206,151	-
	251,222	20,000

14. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for the financial year 2011.

This report is made with a resolution of the directors:

Dated at Canberra on this twenty-seventh day of February 2012.

Mr C Alexander
Managing Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of CIC Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Don Cross
Partner

Canberra

27 February 2012

Consolidated Financial Statements

Statement of Financial Position

As at 31 December 2011

In thousands of AUD

	Note	2011	2010
Assets			
Cash and cash equivalents	*11*	1,262	1,965
Trade and other receivables	*12*	15,798	1,697
Inventories	*13*	15,543	80,825
Assets classified as held for sale	*26*	24,996	-
Prepayments and accrued income		735	951
Total current assets		**58,334**	**85,438**
Trade and other receivables	*12*	-	15,751
Inventories	*13*	55,335	65,900
Investments in equity accounted investees	*15*	39,793	37,290
Other investments		25	-
Deferred tax assets	*14*	5,259	5,589
Property, plant and equipment	*16*	2,078	2,147
Total non-current assets		**102,490**	**126,677**
Total assets		**160,824**	**212,115**
Liabilities			
Trade and other payables	*17*	6,204	12,961
Loans and borrowings	*18*	16,086	60,042
Employee benefits	*19*	3,043	2,562
Provisions	*21*	1,252	377
Total current liabilities		**26,585**	**75,942**
Trade and other payables	*17*	245	-
Loans and borrowings	*18*	45,000	55,117
Employee benefits	*19*	334	273
Provisions	*21*	84	77
Total non-current liabilities		**45,663**	**55,467**
Total liabilities		**72,248**	**131,409**
Net assets		**88,576**	**80,706**
Equity			
Share capital	*22*	61,821	61,546
Reserves	*22*	578	627
Retained earnings		26,177	18,533
Total equity		**88,576**	**80,706**

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

Consolidated Financial Statements (continued)

Statement of comprehensive income

For the year ended 31 December 2011

In thousands of AUD	*Note*	2011	2010
Revenue	*6*	92,764	30,784
Cost of sales	*13*	(68,983)	(16,950)
Gross profit		23,781	13,834
Other income	*7*	884	545
Share of profit of equity accounted investees (net of tax)	*15*	13,189	17,356
Property selling and holding expenses		(751)	(1,373)
Corporate and administrative expenses	*8*	(16,440)	(14,696)
Project investigation expenses		(1,232)	(1,954)
Results from operating activities		19,431	13,712
Finance income	*9*	1,327	1,173
Finance expenses	*9*	(2,795)	(2,934)
Net finance (expense)		(1,468)	(1,761)
Impairment of inventory and asset classified as held for sale	*13,26*	(5,201)	(1,657)
Profit/(loss) before income tax		12,762	10,294
Income tax (expense)/benefit	*10*	(331)	(305)
Total comprehensive income/(loss) for the period		**12,431**	**9,989**
Earnings per share			
Basic earnings per share (AUD)	*23*	0.10	0.08
Diluted earnings per share (AUD)	*23*	0.10	0.08

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

Consolidated Financial Statements (continued)

Statement of changes in equity

For the year ended 31 December 2011

Consolidated *In thousands of AUD*	**Share capital**	**Share option reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2010	57,744	985	12,739	71,468
Profit for the period	-	-	9,989	9,989
Equity settled transactions	54	248	-	302
Transfers to retained earnings	-	(606)	606	-
Shares issued – DRP	3,748	-	-	3,748
Dividends to shareholders	-	-	(4,801)	(4,801)
Balance at 31 December 2010	61,546	627	18,533	80,706
Balance at 1 January 2011	61,546	627	18,533	80,706
Profit for the period	-	-	12,431	12,431
Equity settled transactions	-	160	-	160
Transfers to retained earnings	-	(209)	209	-
Shares issued – DRP	275	-	-	275
Dividends to shareholders	-	-	(4,996)	(4,996)
Balance at 31 December 2011	61,821	578	26,177	88,576

Amounts are stated net of tax

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

Consolidated Financial Statements (continued)

Statement of cash flows
For the year ended 31 December 2011

In thousands of AUD	*Note*	Consolidated 2011	2010
Cash flows from operating activities			
Cash receipts from customers		102,057	36,644
Cash paid to suppliers and employees		(52,397)	(84,746)
Cash generated from operations		49,660	(48,102)
Interest paid		(5,967)	(6,232)
Net cash from/(used in) operating activities	30	43,693	(54,334)
Cash flows from investing activities			
Interest received		320	90
Proceeds from sale of property, plant and equipment		-	46
Dividends from equity accounted investments		10,900	18,346
Acquisition of property, plant and equipment		(316)	(272)
Payments for other investments		(25)	-
Payments for JV entity		(574)	(363)
Loan to JV entity		-	(160)
Repayment of loan from JV entity		3,600	1,200
Net cash from investing activities		13,905	18,887
Cash flows from financing activities			
Repayment of borrowings		(90,941)	(35,487)
Proceeds from borrowings		36,107	70,203
Dividends paid		(3,467)	(1,053)
Net cash(used in)/ from financing activities		(58,301)	33,663
Net (decrease) in cash and cash equivalents		(703)	(1,784)
Cash and cash equivalents at 1 January		1,965	3,749
Cash and cash equivalents at 31 December	11	1,262	1,965

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

Notes to the Financial Statements

Notes to the Financial Statements

1. Reporting entity

CIC Australia Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

2. Basis of preparation

a) Statement of compliance

The general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 27 February 2012.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain share based payments which are recorded at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's and the Company's functional currency.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are in the areas of estimation probability of employee long service leave, measurement of share based payments and the recoverability of investments and inventories.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights. In assessing control, the existence and effect of potential voting rights that currently are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements

(a) Basis of consolidation (continued)

(ii) Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The consolidated financial statements includes the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The non-derivative financial assets of the Group consist of loans and receivables and cash and cash equivalents.

<u>Loans and receivables</u>

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Loans and receivables comprise trade and other receivables.

Notes to the Financial Statements

(b) Financial Instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the date the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities of the Group consist of loans and borrowings and trade and other payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount and are recognised net in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings — 4 - 40 years
- plant and equipment — 2 - 10 years
- fixtures and fittings — 3 - 10 years
- motor vehicles — 7 years
- office fit out — 10 years

Depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

Notes to the Financial Statements

(d) Inventories

Land/buildings held for development and resale are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs such as borrowing costs incurred in acquiring and bringing the inventory to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Current inventory is defined as land/buildings registered and available for sale, or intended to be available for sale within the next twelve months. Non-current inventory is all other inventory not classified as current.

(e) Impairment

(i) Financial assets

The Group assesses at each reporting date where there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably measured.

The Group considers evidence of impairment for receivables at both a specific asset and collective level, grouped by similar risk characteristics. All individually significant receivables are assessed for specific impairment.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

(f) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods, plus related on-costs. The benefit is discounted to determine its present value.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash basis if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(iv) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period that the employee unconditionally becomes entitled to the awards.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of any duties or taxes paid. Revenue is recognised for major business activities as follows:

(i) Sale of Inventory

Revenue from the sale of land, homes and apartments in the ordinary course of business is recognised when risks and rewards have been transferred and the Group retains neither continuing managerial involvement to the extent associated with ownership nor effective control over the property. This is usually considered to occur on settlement.

(ii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the work performed.

Notes to the Financial Statements

Revenue (continued)

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in the transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Rental income

Rental income is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense and spread over the term of the lease.

(j) Finance income and expenses

Financial income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs are recognised in profit or loss using the effective interest method and are expensed as incurred unless it relates to a qualifying asset. In these circumstances, borrowing costs are capitalised to the cost of the asset, using a weighted average capitalisation rate.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the Financial Statements

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is CIC Australia Limited.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees.

(n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, identified as the CEO.

The Group has one reportable segment, property development which is the Group's strategic business unit. The CEO reviews internal management reports for the strategic business unit on a monthly basis. This information is used to make decisions about resources to be allocated and assess its performance. Property development includes the acquisition, development and sale of real estate, predominantly in the residential sector.

(o) Non-current assets held for sale

Non current assets that are expected to the recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Notes to the Financial Statements

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. The Group has made an assessment of such standards and interpretations and has concluded that AASB 11 *Joint Arrangements* and AASB 10 *Consolidated Financial Statements* are likely to have an impact on the financial statements in future reporting periods.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The standard focuses on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint Ventures are accounted for using the equity method. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities proportionally. After initial review, it is likely that the Group will have arrangements that will be accounted for as joint operations which have been previously equity accounted. Management will continue to review the Group's arrangements in detail however, there is not expected to be any material effect on the Group. AASB 11 will be applicable to the Group from 1 January 2013.

AASB 10 introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. While the Group does not expect the standard to have a significant impact on its composition, it has not yet performed a detailed analysis of the new standard. AASB 10 will be applicable to the Group from 1 January 2013.

The Group's assessment of the impact of other new standards and interpretations is that there is not expected to be any material effect on the Group in future reporting periods.

The Group does not plan to adopt the above standards before their operative date.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Share-based payment transactions

The fair value of employee share options and share appreciation rights granted is measured using the Black Scholes formula at grant date. Measurement inputs include share price on measurement date, exercise price, expected volatility, expected dividends and the risk-free interest rate (based on national government bonds).

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the Financial Statements

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- interest rate risk; and
- operational risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Audit Committee is responsible for developing and monitoring the Group's risk management policies and procedures and reviews their adequacy.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor these risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group does not hold any credit derivatives to offset its credit exposure.

The Group minimises concentrations of credit risk by:

1. undertaking transactions with a large number of customers in various locations around Australia;
2. transacting with credit worthy counterparts that have an appropriate credit history;
3. performing ongoing checks to ensure settlement terms detailed in individual contracts are adhered to; and
4. regularly monitoring the performance of its associates, joint ventures and third parties.

The Group is not materially exposed to any individual customer.

The Group's primary receivables are customers who enter into binding contracts for the sale of property. Title on these properties does not pass to the customer until the contract has been paid in full. Receivables for these sales are not recognised until settlement of the property has occurred and as such there are no significant concentrations of credit risk within the Group. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Notes to the Financial Statements

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management involves maintaining sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Due to the dynamic nature of the underlying business, comprehensive cash flow reviews and forecasts are monitored monthly to ensure sufficient cash reserves are available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

Interest rate risk

Interest rate risk is the risk that changes in interest rates and market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of interest risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 18.

At balance date, the Group had cash and cash equivalents of $1,262 thousand and borrowings of $61,086 thousand exposed to Australian Variable Interest rate risk that are not designated in cash flow hedges. There were no borrowings on a fixed rate basis. The Group will continue to consider, in the next reporting period, managing its finance costs using a mix of fixed and variable rate debt in an attempt to limit its cash flow volatility arising from interest rate changes.

Capital management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders. The Board views total shareholders equity as capital incorporating share capital, retained earnings and reserves.

There were no changes in the Group's approach to capital management during the year.

6. Segment reporting

The Group has one reportable segment, being property development which is the Group's strategic business unit. The CEO reviews internal management reports for the strategic business unit on a monthly basis. Property development includes the acquisition, development and sale of real estate property, predominantly in the residential sector. The Group's operations are located in Australia only.

In thousands of AUD

Revenue from external customers is comprised of:	2011	2010
Sales	85,352	23,738
Services	7,412	7,046
	92,764	30,784

Notes to the Financial Statements

7. Other income

In thousands of AUD	*Note*	2011	2010
Forfeited deposits		122	2
Rental received		465	460
Design assessment fees		146	50
Builders panel		111	-
Other		40	33
		884	545

8. Personnel expenses

In thousands of AUD

The corporate and administrative expenses include the following personnel expenses:

- Wages, salaries, increase in employee liabilities and other miscellaneous personnel costs		10,586	8,532
- Contributions to defined contribution plans		844	982
- Share-based payment transactions	*20*	145	274
		11,575	9,788

9. Finance income and expense

In thousands of AUD

Interest income on bank deposits	261	89
Interest income on receivables	1,008	1,084
Interest - other	58	-
Finance income	1,327	1,173
Interest expense on financial liabilities measured at amortised cost	(6,728)	(8,170)
Less: interest capitalised	3,933	5,236
Finance expense	(2,795)	(2,934)
Net finance (expense)	(1,468)	(1,761)

10. Income tax expense

In thousands of AUD

Current tax expense		
Current period	5,236	1,994
Adjustment for prior periods	(85)	(4)
	5,151	1,990
Deferred tax expense		
Origination and reversal of temporary differences	(4,820)	(1,685)
	(4,820)	(1,685)
Total income tax expense	331	305

Notes to the Financial Statements

10. Income tax expense (continued)

In thousands of AUD	2011	2010
Reconciliation between tax expense and pre-tax accounting profit		
Profit before income tax	12,762	10,294
Income tax using the Company's domestic tax rate of 30% (2010:30%)	3,829	3,088
Non-deductible expenses	114	129
Tax offset converted to tax losses	(630)	(1,339)
Equity accounted (income) from investees	(608)	(1,412)
Adjustment for share of associate (loss)/profit	0	11
Other non-assessable income	(39)	17
Under provision prior year	(85)	(2)
Rebateable dividends	(2,250)	(187)
	331	305

11. Cash and cash equivalents

In thousands of AUD		
Cash at bank and in hand	1,262	1,965
Cash and cash equivalents	1,262	1,965
Cash and cash equivalents in the statement of cash flows	1,262	1,965

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24.

12. Trade and other receivables

In thousands of AUD		
Current		
Trade receivables	1,010	1,569
Other	1,861	128
Receivables due from equity accounted investees	12,927	-
	15,798	1,697
Non-current		
Other	-	359
Receivables due from equity accounted investees	-	15,392
	-	15,751

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 24.

The receivables from equity accounted investees are required to be repaid in full by the termination date outlined in the loan agreements.

Notes to the Financial Statements

13. Inventories

In thousands of AUD	2011	2010
Current		
Work in progress	7,819	70,554
Finished goods	7,724	10,271
	15,543	80,825
Non-current		
Work in progress	55,335	65,900
	70,878	146,725

For the year ended 31 December 2011, inventories recognised as cost of sales for the Group amounted to $68,983 thousand (2010: $16,950 thousand).

During the year a write down to net realisable value of $4,729 thousand (31 December 2010: $1,759 thousand) was recognised in relation to inventory. During the year reversal of a previous write down to net realisable value of $nil thousand (31 December 2010: $102 thousand) was recognised in relation to inventory.

14. Tax assets and liabilities

Current tax assets and liabilities

There was nil current tax asset / liability for the Group (2010: nil) representing the amount of income taxes recoverable in respect of current and prior periods.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2011	2010	2011	2010	2011	2010
Accruals	(139)	(100)	-	-	(139)	(100)
Capitalised interest	-	-	3,286	3,220	3,286	3,220
Share of Associate/JV entity retained earnings	-	-	4	3	4	3
Provisions	(926)	(753)	-	-	(926)	(753)
Other items	(2,817)	(1,225)	721	-	(2,096)	(1,225)
Tax loss carry-forwards	(5,388)	(6,734)	-	-	(5,388)	(6,734)
Tax (assets) / liabilities	(9,270)	(8,812)	4,011	3,223	(5,259)	(5,589)

Notes to the Financial Statements

14. Tax assets and liabilities (continued)

Movement in temporary differences during the year

In thousands of AUD	Balance 1 Jan 11	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 11
Accruals	(100)	(39)	-	(139)
Provisions	(753)	(173)	-	(926)
Other items	(1,225)	(871)	-	(2,096)
Tax loss carry-forwards utilised	(6,734)	1,346	-	(5,388)
Capitalised interest	3,220	66	-	3,286
Share of equity accounted investees' retained earnings	3	1	-	4
Net deferred tax (asset)/liability	(5,589)	331	-	(5,259)

In thousands of AUD	Balance 1 Jan 10	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 10
Accruals	(68)	(32)	-	(100)
Provisions	(358)	(395)	-	(753)
Other items	(763)	(462)	-	(1,225)
Tax loss carry-forwards utilised	(6,545)	(189)	-	(6,734)
Capitalised interest	1,835	1,385	-	3,220
Share of equity accounted investees' retained earnings	5	(2)	-	3
Net deferred tax (asset)/liability	(5,894)	305	-	(5,589)

15. Equity accounted investees

The Group's share of profit in its equity accounted investees for the year was $13,189 thousand (2010: $17,356 thousand). During the years ended 31 December 2011 and 31 December 2010, the Group received a dividend of $10,900 thousand and $18,346 thousand respectively from its investments in equity accounted investees. Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

2011 *In thousands of AUD*	Owner-ship	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Revenue	Expense	Profit
Lyons Joint Venture (JV)	50%	1,622	-	1,622	(1,141)	-	(1,141)	481	3,411	(414)	2,997
Forde Developments Pty Ltd (JV)	50%	2,734	6,164	8,898	(2,134)	(24)	(2,158)	6,740	13,166	(4,620)	8,546*
Crace Developments Pty Limited (JV)	80%	16,441	57,912	74,353	(27,681)	(9,547)	(37,228)	37,125	37,395	(30,830)	6,565*
Northgate Joint Venture (JV)	50%	20,429	184	20,613	(9,546)	-	(9,546)	11,067	21,333	(17,008)	4,325
CBT Joint Venture (associate)	40%	36	-	36	(2)	-	(2)	34	18	(11)	7
CIC & LDC SPP (JV)**	85%	-	1,156	1,156	(56)	-	(56)	1,100	-	-	-
2010 *In thousands of AUD*											
Lyons Joint Venture (JV)	50%	3,665	10	3,675	(4,391)	-	(4,391)	(716)	18,239	(9,393)	8,846
Forde Developments Pty Ltd (JV)	50%	5,128	12,893	18,021	(4,804)	(23)	(4,827)	13,194	19,439	(6,796)	12,643*
Crace Development Pty Limited (JV)	80%	13,165	54,238	67,403	(8,882)	(27,962)	(36,844)	30,559	22,671	(18,313)	4,358*
Northgate Joint Venture (JV)	50%	19,030	275	19,305	(7,562)	-	(7,562)	11,743	28,408	(22,147)	6,261
CBT Joint Venture (associate)	40%	48	-	48	(21)	-	(21)	27	-	(13)	(13)
CIC & LDC SPP (JV)**	85%	-	427	427	-	-	-	427	-	-	-

During the year no impairment losses were recognised by the Group for equity accounted investees (2010: loss of $nil). Each joint venture is established as a project specific entity to develop project land with external joint venture partners.

* The profit number reported above for these entities is post tax.

** Despite having 85% ownership of CIC&LDC SPP, this entity is equity accounted on consolidation as the partnership agreement requires joint control of the financial and operating activities of the entity.

In its capacity as shareholder in Crace Developments Pty Limited, CIC has provided a $9,000,000 guarantee to St George Bank in relation to the construction loan Crace Developments Pty Limited has in place at 31 December 2011.

Notes to the Financial Statements

16. Property, plant and equipment

In thousands of AUD	Leasehold improvements	Plant and equipment	Other fixed assets	Total
Cost				
Balance at 1 January 2010	2,331	61	1,611	4,003
Additions	30	-	241	271
Disposals	(318)	-	(208)	(526)
Balance at 31 December 2010	2,043	61	1,644	3,748
Balance at 1 January 2011	2,043	61	1,644	3,748
Additions	137	-	179	316
Disposals	(154)	-	(3)	(157)
Balance at 31 December 2011	2,026	61	1,820	3,907
Depreciation and impairment losses				
Balance at 1 January 2010	802	61	741	1,604
Depreciation for the year	211	-	271	482
Disposals	(317)	-	(168)	(485)
Balance at 31 December 2010	696	61	844	1,601
Balance at 1 January 2011	696	61	844	1,601
Depreciation charge for the year	153	-	232	385
Disposals	(154)	-	(3)	(157)
Balance at 31 December 2011	695	61	1,073	1,829
Carrying amounts				
At 1 January 2010	1,529	-	870	2,399
At 31 December 2010	1,347	-	800	2,147
At 1 January 2011	1,347	-	800	2,147
At 31 December 2011	1,331	-	747	2,078

Impairment loss

During 2011, no impairment loss was recognised in respect of property, plant and equipment by the Group (2010: nil impairment loss).

Leased motor vehicles

The Group leased a motor vehicle under a finance lease agreement, which expired during 2011. The motor vehicle was acquired upon expiry of the lease. At 31 December 2011, the Group held no leased motor vehicles. The net carrying amount of leased motor vehicles included in “other fixed assets” above in 2010 was $13 thousand.

Other fixed assets

Other fixed assets above comprise fixtures and fittings and owned motor vehicles.

Notes to the Financial Statements

17. Trade and other payables

In thousands of AUD

	2011	2010
Current liabilities		
Trade payables	121	779
Non-trade payables	178	766
Accrued expenses	5,905	11,416
	6,204	12,961
Non-current liabilities		
Non-trade payables	245	-
	245	-

The Groups exposure to liquidity risk related to trade and other payables is included in note 24.

18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see note 24.

In thousands of AUD	2011	2010
Current liabilities		
Secured bank loans	16,086	60,036
Finance lease liabilities	-	6
	16,086	60,042
Non-current liabilities		
Secured bank loans	45,000	55,117
	45,000	55,117

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of AUD			31 December 2011		31 December 2010	
	Nominal interest rate	Year of maturity	Face Value	Carrying amount	Face Value	Carrying amount
Secured bank loans	8.30%	2012-2014	61,086	61,086	115,153	115,153
Finance lease liabilities	7.50%	2011	-	-	6	6
Total interest-bearing liabilities			61,086	61,086	115,159	115,159

An analysis of the Group's unutilised finance facilities is shown below:

In thousands of AUD	Facility Limit	Used at balance date	Unused at balance date
Multi option facility	65,000	49,586*	15,414
Project specific funding	12,276	12,232	44
Leases/credit cards	632	21	611
	77,908	61,839	16,069

Note – additional facilities are held directly by CIC's equity accounted investees

* Included in the facility used at balance date are performance guarantees of $732 thousand.

Notes to the Financial Statements

18. Loans and borrowings (continued)

Financing arrangements

Bank loans

During the year, the Company's major banking facility was extended until February 2014. This facility is secured by a first registered fixed and floating charge over the assets and undertakings of the Company and its subsidiaries. Under this facility the Company is required to meet bank covenants relating to interest cover, tangible assets coverage and a gearing ratio. All bank covenants have been met during the financial year and as at 31 December 2011.

In line with the Group's strategy to lower gearing, the extension of the banking facility requires systematic reductions of the facility limit during 2012, reaching a limit of $45m by 31 December 2012. Subsequent to year end, this limit was further reduced to $37m by 31 December 2012 and to $30.5m by 31 December 2013 (refer to Note 33).

The bank loan amount in current liabilities comprises the portion of the Group's bank loans payable within one year of $16,086 thousand (2010: $60,036 thousand).

Finance lease facility

The Group has no lease liabilities as at 31 December 2011. Lease liabilities at 31 December 2010 were secured by the leased assets of $13 thousand.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

In thousands of AUD	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010
Less than one year	-	-	-	6	-	6
	-	-	-	6	-	6

19. Employee benefits

In thousands of AUD	2011	2010
Current		
Short term employee benefits	1,888	1,607
Liability for leave	1,134	941
Share-based payment liability	21	14
Total employee benefits – current	3,043	2,562
Non-current		
Liability for leave	327	246
Share-based payment liability	7	27
Total employee benefits – non-current	334	273

Defined contribution plans

The Group makes contributions to various superannuation plans, all defined contribution plans. The amount recognised as an expense was $844 thousand for the year ended 31 December 2011 (2010: $982 thousand).

Notes to the Financial Statements

20. Share-based payments

During 2011 the Group had the following share based payment arrangements aimed at the retention of senior staff by offering a reward opportunity to drive the growth strategy of the Group

Loan backed plan (equity-settled)

On 28 January 2004, the Group established an Executive Long-term Incentive Plan that entitles key management personnel and senior employees to purchase shares in the Company. During the year the remaining options under this plan lapsed and the shares were returned to the Company and cancelled. No further issues will be made under this plan.

Option plan (equity-settled)

An Option Plan was approved by members on 20 May 2008 and entitles KMP and senior employees to purchase shares in the Company. No grant was offered to employees under this plan during 2011. No share options that vested under this plan during the year were exercised. In accordance with the terms and conditions of this plan, options are exercisable at the market price of the shares at the date of grant. Once vested, the options remain exercisable for two years.

Share appreciation rights (cash-settled)

The Awards Plan under which share appreciation rights (SAR's) are issued was approved by members on 20 May 2008. During the year no SAR's were issued to employees under this plan. The SAR's issued as at 31 December 2011 entitle the holder to a future cash payment based on the increase in the share price of the Company between grant date and vesting date. No SAR's issued under this plan that vested during the year were exercised. Once vested, SAR's remain exercisable for two years.

All options are to be settled by the physical delivery of shares after receipt of the exercise price, while SAR's are settled in cash. The terms and conditions of the grants are as follows:

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to key management and senior employees on 15 July 2008 under Option Plan	1,310,000	3 years of service from grant date.	5 years
Options granted to key management and senior employees on 25 March 2009 under Option Plan	900,000	3 years of service from grant date.	5 years
Options granted to executive director on 16 June 2009	160,000	3 years of service from grant date.	5 years
Options granted to key management and senior employees on 6 April 2010 under Option Plan	1,040,000	3 years of service from grant date.	5 years
Options granted to executive director on 21 June 2010	200,000	3 years of service from grant date.	5 years
Total share options	**3,610,000**		

Notes to the Financial Statements

20. Share-based payments (continued)

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
SAR's granted on 15 July 2008	240,000	3 years of service from grant date.	5 years
SAR's granted on 16 June 2009	240,000	3 years of service from grant date.	5 years
SAR's granted on 21 June 2010	240,000	3 years of service from grant date.	5 years
Total SAR's	**720,000**		

The number and weighted average exercise prices of share options is as follows:

In thousands of options	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 January	$0.78	4,667	$0.81	4,195
Granted during the period	-	-	$0.67	1,280
Forfeited during the period	$0.79	(140)	$0.53	(100)
Expired during period	$0.88	(917)	$0.80	(708)
Outstanding at 31 December	$0.76	3,610	$0.78	4,667
Exercisable at 31 December	$1.10	1,310	$0.88	917

The options outstanding at 31 December 2011 have an exercise price in the range of $0.42 to $1.10 and a weighted average contractual life of 29 months (2010: $0.42 to $1.10 and life of 33 months). During the year, nil share options were exercised (2010: nil) and 140,000 options were forfeited (2010: 100,000).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted, measured using a Black-Scholes model with the following inputs:

Fair value of share options and assumptions	Executive Directors Options and SAR's 2011	KMP & Senior employees Options 2011	Executive Directors Options and SAR's 2010	KMP & Senior employees Options 2010
Fair value at grant date	-	-	$0.12, $0.13	$0.19
Share price	-	-	$0.54	$0.70
Exercise price	-	-	$0.52	$0.70
Expected volatility	-	-	45%	45%
Option life	-	-	5 years	5 years
Expected dividends	-	-	6.56%	6.45%
Risk-free interest rate (based on government bonds)	-	-	4.68%, 5.10%	5.59%

The expected volatility is based on the historic volatility (calculated based on the annualised standard deviation of returns), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition but have no performance conditions.

Notes to the Financial Statements

20. Share-based payments (continued)

Employee expenses

In thousands of AUD	*Note*	2011	2010
Share options granted in 2008		69	149
Expense arising from SAR's granted in 2008		(18)	5
Share options granted in 2009		45	46
Expense arising from SAR's granted in 2009		(13)	14
Share options granted in 2010		73	53
Expense arising from SAR's granted in 2010		(11)	7
Total expense recognised as employee costs		145	274
Carrying amount of liabilities for cash-settled arrangements	*19*	28	41

The fair value of SAR's at grant date is determined using the Black-Scholes formula. The fair value of the liability is remeasured at each reporting date and at settlement date. Expected volatility is estimated by considering historic average share price volatility.

21. Provisions

In thousands of AUD	Joint Venture entity	Fit out make good	Dividend	Total
Balance at 1 January 2011	359	95	-	454
Provisions made during the year	-	6	1,252	1,258
Provisions released during the year	(359)	(17)	-	(376)
Balance at 31 December 2011	-	84	1,252	1,336
Current	-	-	1,252	1,252
Non-current	-	84	-	84
	-	84	1,252	1,336

Fit-out make good

A provision was created to reflect the obligation to make good the fit out at the head office in Canberra and regional office in Adelaide.

Joint Venture entity

A provision was created in 2010 to reflect the obligation of the Group to inject funds into Lyons Joint Venture, which had, at 31 December 2010, a negative net asset position, in order for it to meet its day to day obligations as they arise. As at 31 December 2011 the net asset position of Lyons Joint Venture was positive.

Dividend

At the Board meeting in December 2011 the Board declared an interim dividend for 2011 of $0.01 payable in January 2012.

Notes to the Financial Statements

22. Capital and reserves

Share capital

In thousands of shares	Company Ordinary shares 2011	2010
On issue at 1 January	124,754	118,988
Issued for cash in Dividend Reinvestment Plan	483	5,689
Issued to staff under employee share plan	-	77
On issue at 31 December – fully paid	125,237	124,754

At the end of the reporting period, the Group had nil shares (2010: 917 thousand) on issue which are classified as share options (see note 20) and are not included in the totals above.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share option reserve

The share option reserve comprises the fair value of the options issued under the Option Plan and Awards Plan. The fair value is expensed in line with vesting conditions attached to the options and rights.

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of Payment
2011				
Interim 2011 ordinary	1 cent	1,253	Franked	31 January 2012
Final 2010 ordinary	3 cents	3,743	Franked	15 April 2011
Total amount		4,996		
2010				
Interim 2010 ordinary	1 cent	1,231	Franked	19 October 2010
Final 2009 ordinary	3 cents	3,570	Franked	30 April 2010
Total amount		4,801		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

After 31 December 2011 the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences to the Company.

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2011 ordinary	3 cents	3,761	Franked	18 May 2012

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 December 2011 and will be recognised in subsequent reporting periods.

Notes to the Financial Statements

22. Capital and reserves (continued)

Dividend franking account

In thousands of AUD	2011	2010
30% franking credits available to shareholders of CIC Australia Limited for subsequent financial years	14,870	13,804

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities/(receivables);
(b) franking debits that will arise from the payment/(receipt) of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated Group at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $1,612 thousand (2010: $1,595 thousand).

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of $12,431 thousand (2010:$9,989 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 125,098 thousand (2010: 122,120 thousand), calculated as follows:

Profit attributable to ordinary shareholders

	Consolidated	
In thousands of AUD	2011	2010
Net profit for the period	12,431	9,989
Net profit attributable to ordinary shareholders	12,431	9,989

Weighted average number of ordinary shares

In thousands of shares	*Note*		
Issued ordinary shares at 1 January	*22*	124,754	118,988
Effect of shares issued in Dividend Reinvestment Plan	*22*	344	3,074
Effect of shares issued in Employee share plan		-	58
Weighted average number of ordinary shares at 31 December		125,098	122,120

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of $12,431 thousand (2009: $9,989 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 125,257 thousand (2010: 122,460 thousand) calculated as the basic weighted average number of shares plus the effect of options issued under Incentive Plans. 2,710,000 (2010: 3,326,668) options were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

Notes to the Financial Statements

24. Financial instruments

Credit risk

The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various locations around Australia. The Group is not materially exposed to any individual customer. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet as shown below.

		Carrying Amount	
In thousands of AUD	***Note***	**2011**	**2010**
Trade and other receivables	*12*	2,871	2,056
Receivable due from equity accounted investees	*12*	12,927	15,392
Cash and cash equivalents	*11*	1,262	1,965
		17,061	19,413

The Group's maximum exposure to credit risk for trade receivables at reporting date were all located within Australia. The Group's maximum exposure to credit risk for trade receivables at reporting date totals $1,010 thousand (2010: $1,569 thousand). Based on historic default rates, the Group believes no impairment allowance is necessary in respect of trade receivables not past due date or past due date by up to 30 days.

The aging of the Group's loans and receivables at the report date was:

	Gross	
	2011	**2010**
Not past due	15,798	17,448
	15,798	17,448

Of the loans and receivables $12,927 thousand (2010: $15,392 thousand) is a receivable from equity accounted investees.

Notes to the Financial Statements

24. Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

In thousands of AUD	2011						2010				
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 Years	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years
Non-derivative financial liabilities											
Secured bank loans:											
Floating rate loan	61,086	(70,030)	(14,496)	(5,880)	(3,987)	(45,667)	115,153	(124,078)	-	(63,607)	(60,471)
Finance lease liabilities	-	-	-	-	-	-	6	(6)	(6)	-	-
Trade and other payables	6,449	(6,449)	(6,449)	-	-	-	12,961	(12,961)	(12,961)	-	-
	67,535	(76,479)	(20,945)	(5,880)	(3,987)	(45,667)	128,120	(137,045)	(12,967)	(63,607)	(60,471)

Notes to the Financial Statements

24. Financial instruments (continued)

Interest rate risk

Profile

At the reporting date the interest profile of the Group's interest-bearing financial instruments was:

In thousands of AUD	2011	2010
Fixed rate instruments		
Financial liabilities	-	(6)
	-	(6)
Variable rate instruments		
Financial assets	14,189	17,357
Financial liabilities	(61,086)	(115,153)
	(46,897)	(97,796)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (2010: 200 basis points) in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and that no part of the interest is capitalised into qualifying assets. The analysis is performed on the same basis for 2010.

Effect in thousands of AUD	Profit or loss before tax		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
31 December 2011				
Variable rate instruments - cash flow sensitivity	(369)	369	(258)	258
	200bp increase	200bp decrease	200bp increase	200bp decrease
31 December 2010				
Variable rate instruments - cash flow sensitivity	(707)	707	(494)	494

Notes to the Financial Statements

24. Financial instruments (continued)

Interest rate risk (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of AUD	*Note*	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Trade and other receivables	*12*	2,871	2,871	2,056	2,056
Loans to equity accounted investees	*12*	12,927	12,927	15,392	15,392
Cash and cash equivalents	*11*	1,262	1,262	1,965	1,965
Secured bank loans/bills	*18*	(61,086)	(61,086)	(115,153)	(115,153)
Finance lease liabilities	*18*	-	-	(6)	(6)
Trade and other payables	*17*	(6,449)	(6,449)	(12,961)	(12,961)
		(50,475)	(50,475)	(108,707)	(108,707)

The basis for determining fair values is disclosed in Note 4.

25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	Consolidated 2011	2010
Less than one year	1,146	1,095
Between one and five years	3,417	4,539
	4,563	5,634

The Group leases property for its head office under a non-cancellable operating lease expiring on 14 April 2016 with an option for a further 3 years and an office in South Australia expiring on 30 April 2012. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. The head office lease provides for an increase in rent of three and a half per cent per annum and the South Australia lease provides for an increase by CPI on the anniversary date of the lease.

Part of the head office lease has been sublet.

During the year ended 31 December 2011, $1,018 thousand was recognised as an expense in profit or loss in respect of operating leases (2010:$1,033 thousand).

26. Assets classified as held for sale

Part of the inventory of the Group is presented as an asset held for sale following the Board's commitment to sell part of the undeveloped Googong inventory. Efforts to sell the Googong inventory had commenced prior to 31 December 2011 and a sale was completed on 17 January 2012 (refer to subsequent events, note 33).

An impairment loss of $472 thousand on re-measurement of the Googong inventory to the lower of its carrying amount and its fair value less costs to sell has been recognised.

Assets classified as held for sale

In thousands of AUD	Consolidated 2011	2010
Inventories	24,996	-

Notes to the Financial Statements

27. Capital and other commitments

In respect of the Group's interest in various joint ventures, the Group is required to inject capital over the course of these projects as and when required. These joint venture entities are equity accounted into the Group.

The Group has a receivable commitment for 2011 for $1,441 thousand (2010: $1,745 thousand) for rental receivable under a lease.

There are no other commitments within the Group that do not relate to the purchase or development of inventory.

28. Contingencies

There were no significant material contingent liabilities as at reporting date.

29. Group entities

	Country of Incorporation	Ownership interest %	
		2011	2010
Parent entity			
CIC Australia Limited	Australia		
Significant subsidiaries			
CIC Projects Pty Limited	Australia	100	100
CIC Developments Pty Limited	Australia	100	100
CIC Unit Trust – wound up	Australia	-	100
CIC Deakin Pty Limited	Australia	100	100
Lyons Development Corporation Pty Limited	Australia	100	100
CIC (Port Geo) Pty Limited – liquidated	Australia	-	100
Googong Development Corporation Pty Limited	Australia	100	100
CIC Googong Pty Limited	Australia	100	-
CIC Googong Unit Trust	Australia	100	-
CIC Northgate Pty Limited	Australia	100	100
CIC Crace Pty Limited	Australia	100	100
CIC Employee Share Plan Pty Limited	Australia	100	100
Crace Realty Pty Limited	Australia	100	100
CIC Realty SA Pty Limited	Australia	100	100
Googong Pastoral Company Pty Limited	Australia	100	100
CIC (Palmerston) Pty Limited	Australia	100	100
CIC Realty (Palmerston) Pty Limited	Australia	100	100
CIC Project Management (Palmerston) Pty Limited	Australia	100	100

During the year CIC Googong Pty Limited was incorporated and CIC Googong Unit Trust was created.

Notes to the Financial Statements

30. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	2011	2010
Cash flows from operating activities			
Profit for the period		12,431	9,989
Adjustments for:			
Depreciation/Amortisation	*16*	385	482
Net write-down of non-current asset held for sale	*26*	472	-
Net write-down of inventory to NRV	*13*	4,729	1,657
Net finance costs	*9*	1,468	1,726
Share of (profit) of equity accounted investees	*15*	(13,189)	(17,356)
Loss on sale of property, plant and equipment		-	23
Share-based payment expenses	*20*	145	328
Income tax expense	*10*	331	305
Operating profit/(loss) before changes in working capital and provisions		6,772	(2,846)
Change in trade and other receivables		(732)	1,900
Net change in inventories / asset held for sale		49,582	(47,405)
Change in trade and other payables		(6,512)	(1,091)
Change in provisions and employee benefits		550	1,340
		49,660	(48,102)
Interest paid	*9*	(5,967)	(6,232)
Net cash from/(used in) operating activities		43,693	(54,334)

During the reporting period share capital increased by $275 thousand (2009: $3,802 thousand). Included in this amount are $275 thousand (2010: $3,748 thousand) shares issued via the Dividend Reinvestment Plan, a non cash transaction.

31. Related parties – KMP

Key management personnel remuneration

The KMP remuneration is as follows:

In AUD	Consolidated 2011	2010
Short-term employee benefits	3,602,800	3,479,330
Post-employment benefits	97,082	88,981
Share-based payments	105,490	167,859
Long-term benefits	62,433	52,757
	3,867,805	3,788,927

Individual directors and executives remuneration disclosures

Information regarding individual directors and executives remuneration and some equity instrument disclosures as permitted by the Corporations Regulation 2M3.03 are provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests at year-end.

Other KMP transactions

From time to time, key management personnel of the Group or their related entities, may purchase goods from the Group. Unless disclosed otherwise, these purchases are on the same terms and conditions as those entered into by other Group employees or customers.

Notes to the Financial Statements

31. Related parties – KMP (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options or rights over ordinary shares in CIC Australia Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 January 2011	Granted as remuneration	Other Changes*	Held at 31 December 2011	Vested during the year	Vested and exercisable at 31 December 2011
Directors						
Mr C Alexander	986,667	-	(266,667)	720,000	240,000	240,000
Mr A Carey	813,334	-	(213,334)	600,000	200,000	200,000
Executives						
Mr G Smith	580,000	-	(180,000)	400,000	140,000	140,000
Mr M Leslie	426,667	-	(26,667)	400,000	140,000	140,000
Ms M Andrews	490,000	-	(40,000)	450,000	150,000	150,000
	Held at 1 January 2010	**Granted as remuneration**	**Other Changes***	**Held at 31 December 2010**	**Vested during the year**	**Vested and exercisable at 31 December 2010**
Directors						
Mr C Alexander	1,080,000	240,000	(333,333)	986,667	266,667	266,667
Mr A Carey	880,001	200,000	(266,667)	813,334	213,334	213,334
Executives						
Mr G Smith	450,000	130,000	-	580,000	30,000	180,000
Mr M Leslie	330,001	130,000	(33,334)	426,667	26,667	26,667
Mr M Attiwill	160,000	90,000	-	250,000	-	-
Ms M Andrews	390,000	150,000	(50,000)	490,000	40,000	40,000

No options or rights were held by KMP related parties.

* denotes options expired during year

Movements in shares

The movement during the reporting period in the number of ordinary shares in CIC Australia Limited held, directly, indirectly, beneficially, by each KMP, including their related parties, is as follows:

Directors	Held at 1 January 2011	Issued under Employee Share Plan	Issued under Rights issue	Issued under DRP	Held at 31 December 2011
Mr M Loomes	883,878	-	-	-	883,878
Mr C Alexander	4,644,430	-	-	-	4,644,430
Mr A Carey	55,200	-	-	-	55,200
Executives					
Mr M Leslie	4,836	-	-	-	4,836
Mr G Smith	2,540	-	-	-	2,540
Ms M Andrews	2,540	-	-	-	2,540
Directors	**Held at 1 January 2010**		**Issued under Rights issue**	**Issued under DRP**	**Held at 31 December 2010**
Mr M Loomes	883,878	-	-	-	883,878
Mr C Alexander	4,642,479	-	-	1,951	4,644,430
Mr A Carey	55,200	-	-	-	55,200
Executives					
Mr M Leslie	3,275	1,429	-	132	4,836
Mr G Smith	1,111	1,429	-	-	2,540
Ms M Andrews	1,111	1,429	-	-	2,540
Mr M Attiwill	1,111	1,429	-	-	2,540

Notes to the Financial Statements

32. Other related parties

Other than KMP, the Group has a related party relationship with its subsidiaries (see note 29), equity accounted investees (see note 15) and with the ultimate parent entity, Guinness Peat Group plc incorporated in the United Kingdom.

Associates

During the year ended 31 December 2011, there were no loans between any associates and the Group (2010: nil). No dividends were received by the Group from associates in 2011 (2010: $ nil).

At the end of the reporting period, the Group had a receivable of nil (2010: nil) payable from the Associate.

Joint ventures

From time to time, to support the activities of the joint venture, the venturers inject equity into the joint venture and increase their investment in the joint venture. The Group received a total of $19,320 thousand (2010: $25,159 thousand) in management fees, marketing fees, distributions, dividends and interest from joint venture entities.

Transactions with joint ventures are priced on an arm's length basis. The Group occasionally loans funds to joint venture entities on a commercial basis. The balance of loans due from equity accounted investees at year end is shown as a current receivable of $12,927 thousand (2010: $nil thousand) and a non-current receivable of $nil thousand (2010: $15,392 thousand).

33. Subsequent events

Dividends

For dividends declared after 31 December 2011, see Note 22.

Sale of Googong Land and new Joint Venture

On 14 December 2011 the Group executed agreements with Mirvac Group to jointly develop the Googong Project which will create approximately 5,500 lots. The agreements involved the Group selling the non-current asset held for sale to Mirvac Group and selling the Googong land held as inventory into the joint structure. The completion of the agreements was conditional on a number of events occurring which were satisfied after year end allowing completion to occur on 17 January 2012.

Upon the sale of the Googong inventory into the joint structure the Group now has an investment in the Googong joint venture. In satisfaction of the asset held for sale the Group received cash and has a receivable for the balance of sale proceeds. The receivable is due in 2013.

Upon completion of the agreements the Group's Multi-option Facility limit was reduced by $8m. In addition, separate borrowing facilities of $7.5m were repaid and not renewed. The remaining cash received upon satisfaction of the asset held for sale was applied to further reduce the Group's borrowings.

Except for the dividend declared and events noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Notes to the Financial Statements

34. Auditors' remuneration

In AUD

	2011	2010
Audit services	$	$
Auditors of the Company		
Audit and review of financial reports	127,500	127,500
	127,500	127,500
Services other than statutory financial report audit		
Auditors of the Company		
Other assurance services:		
Controls assurance services	32,971	20,000
Other services	12,100	-
Other services		
Taxation services and advice	206,151	-
	251,222	20,000

35. Parent entity disclosures

As at, and throughout, the financial year ending 31 December 2011 the parent entity of the Group was CIC Australia Limited.

In thousands of dollars	2011	2010
Result of parent entity	$	$
Profit for the period	3,519	5,767
Total comprehensive income for the period	3,519	5,767
Financial position of parent entity at year end		
Current assets	20,610	8,979
Total assets	136,594	149,159
Current liabilities	14,397	12,651
Total liabilities	60,031	69,202
Total equity of the parent entity comprising of:		
Share capital	61,821	61,546
Reserve for own shares	578	627
Retained earnings	14,164	17,784
Total equity	76,563	79,957

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In thousands of dollars		
Indemnities and guarantees		
The Parent has guaranteed the bank facilities in relation to future development work to be undertaken by itself and its subsidiaries. These guarantees are secured by the finance facility	732	1,533

Directors' declaration

1 In the opinion of the directors of CIC Australia Limited ("the Company"):

(a) the financial statements and notes and the remuneration report in the directors' report, set out on pages 1 to 64, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Group as at 31 December 2011 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2011.

Signed in accordance with a resolution of the directors:

Dated at Canberra on this twenty-seventh day of February 2012.

Mr C Alexander
Managing Director

Independent auditor's report to the members of CIC Australia Limited

Report on the financial report

We have audited the accompanying financial report of CIC Australia Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report 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 financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 23 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of CIC Australia Limited for the year ended 31 December 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Don Cross
Partner

Canberra

27 February 2012

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with ASX Corporate Governance Council recommendations, unless otherwise stated. The Corporate Governance Statement is structured with reference to the ASX recommendations. Areas not fully complied with are disclosed under the relevant principle, together with reasons for the departure.

Copies of relevant charters and policies are available as the Company's website www.cicaustralia.com.au

Principle 1: Lay solid foundations for management and oversight

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, appointing directors, establishing and monitoring the achievement of management goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems.

It is also responsible for approving and monitoring financial and other reporting and dealing with approaches from external parties to take over the Company. Details of the Board's charter is located on the Company's website (**www.cicaustralia.com.au**).

The Board has delegated responsibility for the operation and administration of the Company to the Chief Executive Officer and executive management team. Responsibilities are delineated by formal authority delegations.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

The Board has established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Appraisals are conducted on an ongoing basis for all employees by the executive team and the Board. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management.

Principle.2: Structure of the Board to add value

Composition of the Board

The skills, experience and expertise held by each director in office at the date of the annual report is included in the Directors' Report.

The Board currently comprises six directors, the majority of which are non-executive directors. Three directors on the Board are independent and three are not independent. Given the size, nature and geographical spread of the Company, the relationship it holds with the parent entity and the fact that the majority of directors are non-executive, the Board does not believe it needs a majority of independent directors to be effective. The Chairman of the Board is selected by the full Board and is an independent non-executive director.

The full Board performs the duties of the Nomination Committee.The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the appropriate balance of skills, personal qualities, diversity and experience is maintained. When a vacancy exists or there is the need for particular skills, the Board determines the selection criteria based on the skills deemed necessary and identifies potential candidates with advice from external consultants where necessary. The Board will continue

CORPORATE GOVERNANCE STATEMENT

to monitor and review the composition of the Board to ensure it is providing sound governance and the best mix of skills.

The Board has established two committees to support the effective governance framework and to advise and support the Board in carrying out its duties. To this end, the Board has established the following committees:

- Remuneration Committee;
- Audit Committee.

These committees have a formal charter which is located on the Company's website. The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

Directors' independence

Directors are considered to be independent when they are independent from management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

When determining the materiality level, in the context of director independence, factors considered include whether the relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

Board evaluation

The Board undergoes periodic formal assessments as and when considered appropriate and informal self-assessment on an ongoing basis. Performance criteria are based on attendance at meetings, and each director's contribution to setting the direction, strategy and financial objectives of the Group and monitoring compliance with regulatory requirements and ethical standards.

The nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to Company and the current and future needs of the Board and Company. Directors displaying unsatisfactory performance are required to retire.

Director and executive education

The Board has a process to educate new directors about the nature of the business, current issues, the corporate strategy and expectations of the Board concerning the performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge as required.

The Group also has a process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations and risk management and other corporate policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

CORPORATE GOVERNANCE STATEMENT

Principle 3: Promote ethical and responsible decision-making

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Code of conduct

The code of conduct may be viewed on the Company's website and it covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets; and
- compliance with legislation.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists, the director concerned is not to receive the relevant Board papers and is not to be present at the meeting whilst the item is considered. Independent directors should provide all relevant information to allow the Board to regularly assess their independence. Details of related party transactions with the Group are set out in the Notes to the Financial Statements.

Trading in general Company securities by directors and employees

A Securities Trading Policy has been established by the Company detailing the process to be followed by Directors and employees in trading in shares. This policy is located on the Company's website. The key features of the policy are:

- Directors and employees are not permitted to trade in Company shares during the periods between the end of the half-year and financial year end and the date of lodgement of the half-year and year end results at the ASX;
- prohibits directors and employees from trading in Company securities whilst they are in possession of price sensitive information not yet released to the market;
- requiring details to be provided of intended trading in the Company's shares;
- requiring details to be provided of the subsequent confirmation of the trade; and
- requiring directors to provide details to the Company Secretary of all trades by themselves or an associate.

Diversity

The Board is committed to having an appropriate blend of diversity throughout the Company. The Board has established a policy regarding gender, age, ethnic and cultural diversity which is available on the Company's website.

The key elements of the diversity policy include:

- increasing the gender diversity at the Board and senior levels throughout the Group;
- objective is to achieve increased gender balance on a full-time equivalent basis on the Board and in management positions in the Group; and
- annual assessment by the Board of gender diversity objectives and performance against the objectives.

CORPORATE GOVERNANCE STATEMENT

The diversity position within the Group at 31 December 2011 on a full-time equivalent basis within the Group is:

Gender representation	Female (%)	Male (%)
Board representation	0%	100%
Executive team representation	33%	66%
Senior management representation	26%	74%
Group representation	46%	54%

The executive team includes the two executive directors and senior management level referred to above excludes the executive team.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The Audit Committee has a documented charter, approved by the Board. All members must be independent non-executive directors. The Chairman may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Committee during the year were:

- Mr J Mackay (Chairman);
- Mr M Loomes; and
- Mr D Fox.

The responsibilities of the Audit Committee include:

- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to the announcement of results;
- review the draft half-year and annual financial reports and recommend Board approval of the financial report;
- review the Company's accounting policies and principles and recommend to the Board approval of any changes thereto;
- review the integrity and reliability of the Company's reporting systems and accounting controls;
- recommend the appointment and removal of the external auditor; and
- annually review the effectiveness of the external auditor.

Other directors, external auditors, the Chief Executive Officer and the Chief Financial Officer, may be invited to Audit Committee meetings at the discretion of the committee. For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the directors' meetings table in the Directors' Report.

Senior management is required to sign off on the systems and processes within their area of responsibility. This procedure supports the CEO and CFO in their certification to the Board in effect stating that the Company's accounts present a true and fair view in all material respects of the Company's financial condition and operational results and accord with the relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available on the Company's website along with information on procedures for monitoring the performance of the external auditor.

External auditor

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss any unusual transactions and significant adjustments resulting from the audit;

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Principle 5: Make timely and balanced disclosure

The Group has policies and procedures in place to ensure compliance with continuous disclosure obligations.

The policy aims to identify matters that may have a material effect on the price of the Company's securities, notifying the ASX and posting it on the Company's website. More details of this policy are available on the Company's website.

All directors, executives and employees are required to notify the Chief Executive Officer in relation to any information that they believe could have a material effect on the price or value of the Company's shares. The Chief Executive Officer is then responsible for deciding whether that information falls within the disclosure obligation and then if so, inform the Company Secretary. The Company Secretary is primarily responsible for all communications and lodgements with the ASX.

All announcements made to the market, and related information, are placed on the Company's website after they are released to the market.

Principle 6: Respect the rights of shareholders

The Group respects the rights of its shareholders and is committed to providing a high standard of communication to shareholders so they have all available information reasonably required to make informed decisions in relation to the Group's value and prospects.

In accordance with the Shareholder Communication Policy and ASX Disclosure Policy, the Group will communicate with shareholders by way of:

- releases to the market via the ASX;
- the concise report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments. The full annual financial report is available to all shareholders who request it;
- the half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- all announcements made to the market, and related information, are placed on the Company's website after they are released to the ASX; and
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

CORPORATE GOVERNANCE STATEMENT

Principle 7: Recognise and manage risk

Oversight of the risk management system

The Board determines the Company's risk profile and is responsible for overseeing the establishment, implementation and annual review of the Company's Risk Management System which assesses, monitors and manages operational, financial reporting and compliance risks for the Group on an annual basis. The Company has in place internal controls intended to identify and manage significant business risks.

The CEO and CFO are required to provide the Board with a written statement in accordance with s295A of the Corporations Act to the effect that:

1. the Company's financial reporting risk management and associated compliance and control system have been assessed and found to be operating efficiently and effectively; and
2. The integrity of the financial statements is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the Board.

Risk profile

The Board receive an update on the status of risks throughout the year via an integrated risk management program aimed at ensuring risks are identified, assessed and appropriately managed. Further details of the Company's risk management policy are available on the Company's website.

Risk management and compliance and control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Comprehensive practices are in place to ensure:

- delegation limits have been established internally to limit capital expenditure and revenue commitments without Board approval;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Due to the size of the Company, no formal internal audit process is conducted. Management constantly assess the effectiveness of the compliance and control systems.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation. The Group is committed to achieving a high standard of environmental performance.

CORPORATE GOVERNANCE STATEMENT

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee to achieve the Board's objective of providing maximum stakeholder benefits from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive directors and the directors themselves. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the Remuneration Committee during the year were:

- Mr D Fox (Chairman);
- Mr M Loomes; and
- Mr J Mackay.

The Board policy is that the Remuneration Committee will comprise entirely of independent non-executive directors. The executive directors are invited to Remuneration Committee meetings, as required, to discuss senior executives' performance and remuneration packages but do not attend meetings involving matters pertaining to them.

There is no scheme to provide retirement benefits to non-executive directors.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the directors' meetings table in the Directors' Report. The Remuneration Committee charter is available on the Company's website.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report are set out below.

Shareholdings (as at 15 February 2012)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Ordinary
Guinness Peat Group plc and subsidiaries	91,606,394
Kyleast Pty Ltd and its associates	7,074,520

Voting rights

Ordinary shares

Refer to Note 22 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders at 31 January 2012

Category	Number of Shareholders	
	Ordinary Shares	*Options*
1 - 1,000	25	-
1,001 - 5,000	147	-
5,001 - 10,000	47	-
10,001 - 100,000	101	1
100,001 - and over	38	14

The number of shareholders holding less than a marketable parcel of ordinary shares is 25.

On-market buy-back

There is no current on-market buy-back.

ASX ADDITIONAL INFORMATION

Twenty largest holders of quoted equity securities at 15 February 2012

Name	No. of ordinary shares held	Percentage of capital held
GPG (No.1) Pty Limited	91,606,394	73.07%
Brazil Farming Pty Ltd	5,866,025	4.68%
JP Morgan Nominees Australia Limited	2,708,999	2.16%
Asknave Pty Limited	2,574,214	2.05%
Colkate Pty Limited	2,036,464	1.62%
Emorgo Foundation Pty Ltd	2,000,000	1.60%
David Morgan	1,413,750	1.13%
CRX Investments Pty Limited	1,271,402	1.01%
Donwood Pty Ltd	1,208,027	0.96%
Kyleast Pty Limited	1,000,000	0.80%
Kyleast Pty Limited	1,000,000	0.80%
M Loomes	883,878	0.71%
Consolidated Builders Limited	672,016	0.54%
Jennifer Stark	660,000	0.53%
Renilton Pty Ltd	650,000	0.52%
Custodial Services Limited	563,646	0.45%
Eric Morgan	500,770	0.40%
Marla Securities Pty Ltd	500,000	0.40%
Favermead Pty Ltd	373,066	0.30%
Perpetual Trustees Consolidated Limited	333,041	0.27%

ASX ADDITIONAL INFORMATION

Directors	Maurice William Loomes (Chairman) Colin John Alexander (Managing Director) Anthony Noel Carey Donald Arthur Fox John Angus Mackay Philip Adrian Tunstall
Secretary	Melanie Clare Andrews
Registered and Principal Office	Level 3 64 Allara Street CANBERRA ACT 2601 Tel: (02) 6230 0800 Fax: (02) 6230 0811
Auditors	KPMG 20 Brindabella Circuit Brindabella Business Park CANBERRA ACT 2609
Share Registry	Computershare Registry Services Pty Limited Level 3, 60 Carrington Street SYDNEY NSW 2000 Tel: 1300 137 328
Stock Exchange	The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.
Other Information	CIC Australia Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
Web site	www.cicaustralia.com.au