

# CROMWELL PROPERTY GROUP

## Appendix 4D – Half-Year Report

For the six months ended 31 December 2014

### 1. CROMWELL PROPERTY GROUP STRUCTURE

This report is for the Cromwell Property Group ("Cromwell"), consisting of Cromwell Corporation Limited (ABN 44 001 056 980) ("the Company"), and Cromwell Diversified Property Trust (ABN 30 074 537 051) ("the Trust").

Cromwell Property Group was formed in December 2006 by the Stapling of shares in the Company to units in the Trust. Each stapled security consists of one share in the Company and one unit in the Trust, which cannot be dealt with or traded separately.

The responsible entity of the Trust is Cromwell Property Securities Limited (ABN 11 079 147 809), a subsidiary of the Company.

### 2. REPORTING PERIOD

The financial information contained in this report is for the **six month period ended 31 December 2014**. The previous corresponding period is the six month period ended 31 December 2013. This report should be read in conjunction with Cromwell Property Group's annual report for the year to 30 June 2014 which is available from Cromwell's website at [www.cromwell.com.au](http://www.cromwell.com.au).

### 3. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year 31 Dec 2014 \$A'000	Half-year 31 Dec 2013 \$A'000	% Change
<b>Revenue and other income</b>	<b>163,579</b>	168,104	(3%)
<b>Profit from operations attributable to stapled security holders as assessed by the directors <sup>(1)</sup></b>	<b>72,861</b>	73,210	(1%)
<b>Basic/Diluted operating earnings per stapled security as assessed by the directors <sup>(1) (2)</sup></b>	<b>4.2 cents</b>	4.3 cents	(2%)
Other items (including fair value adjustments)	14,308	13,500	-
<b>Profit after tax attributable to stapled security holders</b>	<b>87,169</b>	86,710	1%
<b>Basic earnings per stapled security <sup>(2)</sup></b>	<b>5.0 cents</b>	5.1 cents	(2%)
<b>Diluted earnings per stapled security <sup>(2)</sup></b>	<b>5.0 cents</b>	5.0 cents	-
<b>Distributions per stapled security</b>	<b>3.9 cents</b>	3.8 cents	3%
	<b>31 Dec 2014 \$A'000</b>	<b>30 Jun 2014 \$A'000</b>	
<b>Total assets</b>	<b>2,397,683</b>	2,469,940	(3%)
<b>Net assets</b>	<b>1,290,350</b>	1,264,000	2%
<b>Net tangible assets <sup>(3)</sup></b>	<b>1,287,983</b>	1,261,608	2%
<b>Net debt <sup>(4)</sup></b>	<b>798,558</b>	983,894	(19%)
<b>Gearing (%) <sup>(5)</sup></b>	<b>36%</b>	42%	(14%)
<b>Securities issued</b>	<b>1,735,300</b>	1,727,281	-
<b>NTA per security</b>	<b>\$0.74</b>	\$0.73	1%
<b>NTA per security (excluding interest rate swaps)</b>	<b>\$0.76</b>	\$0.75	1%

- (1) Profit from operations is calculated after adjusting for certain items (including fair value adjustments, realised gains on sale and other items) as set out in the Directors Report of the December 2013 half-year financial report.
- (2) Earnings per stapled security calculated using weighted average number of stapled securities on issue during the relevant period.
- (3) Net assets less deferred tax asset and intangible assets.
- (4) Borrowings less cash and cash equivalents.
- (5) Net debt divided by total tangible assets less cash and cash equivalents.

#### 4. COMMENTARY ON THE RESULTS

Refer to the Directors' Report of the Cromwell Property Group's half-year financial report for a commentary on the results of Cromwell.

#### 5. DISTRIBUTIONS AND DIVIDENDS

Interim distributions/dividends declared during the current and previous half-year were as follows:

	Dividend per Security	Distribution per Security	Total per Security	Total \$'000	Franked amt per Security	Record Date	Payment Date
<b>31 Dec 2014</b>							
Interim distribution	-	1.9375¢	1.9375¢	33,580	-	30/09/14	12/11/14
Interim distribution	-	1.9375¢	1.9375¢	33,621	-	31/12/14	11/02/15
	-	3.8750¢	3.8750¢	67,201	-		
<b>31 Dec 2013</b>							
Interim distribution	-	1.8750¢	1.8750¢	32,234	-	30/09/13	13/11/13
Interim distribution	-	1.8750¢	1.8750¢	32,278	-	31/12/13	12/02/14
	-	3.7500¢	3.7500¢	64,512	-		

#### 6. DISTRIBUTION REINVESTMENT PLAN (DRP)

Cromwell Property Group operates a distribution reinvestment plan ("Plan") which enables security holders to reinvest dividends/distributions and acquire Cromwell Property Group stapled securities. The directors may specify a discount rate to be applied to the issue price of stapled securities for Plan participants, however currently no discount applies. The issue price is generally the average of the daily volume weighted average price of stapled securities sold on ASX for the 10 trading days immediately prior to the Plan Record Date to which the distribution relates. The Plan Record Date is generally 15 business days prior to the distribution payment date.

An election to participate in the Plan in respect of some or all of a holding can be made at any time. To participate in the Plan in respect of a specific distribution, the security holder must have lodged their Plan election notice on or before the record date for that distribution.

A total of 4,952,593 stapled securities were issued under the plan during the period.

#### 7. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS

Entity	Ownership Interest		Share of net profits/(losses)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	%	%	\$'000	\$'000
Cromwell Partners Trust	50%	50%	3,974	(7,371)
Phoenix Portfolios Pty Ltd	45%	45%	163	126
Oyster Property Group	50%	-%	337	-
			4,474	(7,245)

At balance date Cromwell had investments in three joint ventures, Phoenix Portfolios Pty Ltd ("Phoenix"), Cromwell Partners Trust ("CPA") and Oyster Property Funds Limited ("Oyster").

##### Phoenix

This entity was formed in Australia and its principal activity is investment management. The reporting date for Phoenix is the same as for Cromwell. During a prior period additional non-voting equity was issued to a third party which reduced Cromwell's ownership interest from 50% to 45% whilst preserving the Cromwell's 50% ownership of issued capital to which voting rights attach. The remaining 50% of issued capital to which voting rights attach is held by one other investor.

## 7. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS (Continued)

### *CPA*

During the prior year Cromwell acquired a 50% ownership interest in the CPA. CPA is the parent of Cromwell Northpoint Trust, which itself owns the Northpoint Building in the North Sydney CBD. The reporting date for CPA is the same as for Cromwell. Cromwell acts as the trustee for the trust. The remaining 50% of the units in the CPA are held by a single investor. A unit holder agreement between Cromwell and the other investor limits the power of the trustee such that Cromwell's investment in CPA has been determined to be a jointly controlled entity.

### *Oyster*

During the prior year Cromwell acquired a 50% ownership interest in Oyster. This entity was formed in New Zealand and its principal activity is investment and property management. The reporting date for Oyster is the same as for Cromwell. The remaining 50% ownership of Oyster is held by six investors. The board of Oyster comprises three representatives appointed by the six investors and three representatives from Cromwell with no deciding or "chairman's" vote. A shareholder agreement between Cromwell and the six investors outlines how Oyster will be managed. By virtue of the board arrangement and the shareholder agreement, Cromwell's investment in Oyster has been determined to be a jointly controlled entity.

## 8. CHANGES IN CONTROL OVER GROUP ENTITIES

There were no acquisitions or disposals of controlled entities during the period.

## 9. AUDIT REVIEW REPORT

The information contained in this report is unaudited. The financial report for the half-year ended 31 December 2014 has been reviewed by the auditors for the Cromwell Property Group.

This Report has been prepared in accordance with AASB Standards (including Australian Interpretations) and standards acceptable to ASX. This Report, and the financial reports upon which the report is based, use the same accounting policies unless otherwise stated in the notes to the financial report.

A copy of the Cromwell Property Group half-year financial report for the 6 months ended 31 December 2014 with the auditors review opinion has been lodged with ASX.



**Michael Wilde**  
Chief Financial Officer

17 February 2015

# **Cromwell Property Group Half-Year Financial Report**

31 December 2014

**consisting of the combined Financial Reports of  
Cromwell Corporation Limited (ABN 44 001 056 980)  
and its controlled entities  
and  
Cromwell Diversified Property Trust  
(ARSN 102 982 598) and its controlled entities**

Cromwell Corporation Limited  
ABN 44 001 056 980  
Level 19, 200 Mary Street  
Brisbane QLD 4000

Cromwell Diversified Property Trust  
ARSN 102 982 598

Responsible Entity:  
Cromwell Property Securities Limited  
ABN 11 079 147 809 AFSL: 238052  
Level 19, 200 Mary Street  
Brisbane QLD 4000

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## **DIRECTORY**

### **Board of Directors:**

Geoffrey Levy (AO)  
Robert Pullar  
Michelle McKellar  
Richard Foster  
Marc Wainer  
Jane Tongs  
Andrew Koenig  
Paul Weightman  
Daryl Wilson  
Geoffrey Cannings (Alternate Director for Marc Wainer and Andrew Koenig)

### **Registered Office:**

Level 19  
200 Mary Street  
Brisbane QLD 4000  
Tel: +61 7 3225 7777  
Fax: +61 7 3225 7788  
Web: [www.cromwell.com.au](http://www.cromwell.com.au)

### **Company Secretary:**

Nicole Riethmuller

### **Listing:**

The Cromwell Property Group is listed on the Australian Securities Exchange (ASX code: CMW)

### **Share Registry:**

Link Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000  
Tel: 1300 554 474 (+61 2 8280 7100)  
Fax: +61 2 9287 0303  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### **Auditor:**

Pitcher Partners  
Level 30, Central Plaza One  
345 Queen Street  
Brisbane QLD 4000  
Tel: +61 7 3222 8444  
Fax: +61 7 3221 7779  
Web: [www.pitcher.com.au](http://www.pitcher.com.au)

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Cromwell Corporation Limited and Cromwell Diversified Property Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as Responsible Entity for the Cromwell Diversified Property Trust (collectively referred to as "the Directors") present their report together with the consolidated financial statements for the half-year ended 31 December 2014 for both:

- the Cromwell Property Group ("Cromwell") consisting of Cromwell Corporation Limited ("the Company") and its controlled entities and Cromwell Diversified Property Trust ("the CDPT") and its controlled entities; and
- CDPT and its controlled entities ("the Trust").

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

## **1. Directors**

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

Mr Geoffrey Levy, AO	(Non-Executive Chairman)
Mr Robert Pullar	(Non-Executive Director)
Ms Michelle McKellar	(Non-Executive Director)
Mr David Usasz	(Non-Executive Director – resigned 26 November 2014)
Mr Richard Foster	(Non-Executive Director)
Mr Marc Wainer	(Non-Executive Director)
Ms Jane Tongs	(Non-Executive Director – appointed 26 November 2014)
Mr Michael J Watters	(Non-Executive Director – resigned 26 November 2014)
Mr Andrew Koenig	(Non-Executive Director – appointed 26 November 2014)
Mr Paul Weightman	(Managing Director/Chief Executive Officer)
Mr Daryl Wilson	(Director – Funds Management)
Mr Geoffrey Cannings	(Alternate Director for Marc Wainer, Andrew Koenig and Michael J Watters)

## **2. Review of Operations and Results**

### **(a) Financial performance**

Cromwell recorded a profit of \$87,169,000 for the half-year ended 31 December 2014 compared with a profit of \$86,710,000 for the previous corresponding six month period. The Trust recorded a profit of \$87,430,000 for the half-year ended 31 December 2014 compared with a profit of \$83,319,000 for the previous corresponding six month period.

The profit for the half-year includes a number of items which are non-cash in nature, occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities. In the opinion of the Directors, these items need to be adjusted for in order to allow securityholders to gain a better understanding of Cromwell's underlying profit from operations.

The most significant of these items impacting the profit of Cromwell for the half-year ended 31 December 2014 and not considered part of profit from operations were:

- An increase in the fair value of investment properties of \$27,869,000 (2013: \$16,615,000);
- A decrease in the fair value of interest rate derivatives of \$8,901,000 (2013: increase of \$6,024,000); and
- A loss relating to equity accounted investments of \$952,000 (2013: loss of \$7,656,000).

Cromwell recorded a profit from operations for the half-year of \$72,861,000 (2013: \$73,210,000).

Profit from operations is considered by the Directors to reflect the underlying earnings of Cromwell. It is a key metric taken into account in determining distributions for Cromwell, but is a measure which is not calculated in accordance with International Financial Reporting Standards ("IFRS") and has not been audited or reviewed by Cromwell's auditor.

## 2. Review of Operations and Results

### (a) Financial performance (continued)

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

	<b>Cromwell</b>	
	<b>Half-Year</b>	<b>Half-Year</b>
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit from operations	72,861	73,210
<i>Reconciliation to profit for the half-year:</i>		
Gain on sale of investment properties	1,070	3,146
Loss on disposal of other assets	-	(23)
Business combination costs	(727)	-
Fair value net gains/(write-downs):		
• Investment properties	27,869	16,615
• Interest rate derivatives	(8,901)	6,024
• Investments at fair value through profit or loss	279	11
Non-cash property investment income/(expense):		
• Straight-line lease income	3,269	2,291
• Lease incentive amortisation	(5,550)	(5,087)
• Lease cost amortisation	(588)	(815)
Other non-cash expenses:		
• Amortisation of finance costs	(1,085)	(1,344)
• Amortisation and depreciation	(353)	(356)
• Relating to equity accounted investments <sup>(1)</sup>	(952)	(7,656)
• Tax expense attributable to change in tax losses recognised <sup>(2)</sup>	(23)	694
<b>Profit for the half-year</b>	<b>87,169</b>	<b>86,710</b>

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

(2) Comprises tax expense attributable to changes in deferred tax assets recognised as a result of carried forward tax losses.

Profit from operations on a per security basis is considered by the Directors to be the most important measure of underlying financial performance for Cromwell as it reflects the underlying earnings of Cromwell and includes the impact of changes in the number of securities on issue. Profit from operations and distributions on a per security basis are shown below.

	<b>Cromwell</b>	
	<b>Half-Year</b>	<b>Half-Year</b>
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>
	<b>Cents</b>	<b>Cents</b>
Profit per security	5.03	5.05
Profit from operations per security	4.21	4.26
Distributions per security	3.88	3.75

Profit from operations per security for the half-year was 4.21 cents (2013: 4.26 cents). This represents a decrease of approximately 1.2% over the previous period which is considered a satisfactory result given the current market conditions. The change in profit from operations per security has arisen as a result of a number of key factors:

- A decrease in property earnings due to assets sold during the past 6 months and the resulting proceeds (after repayment of borrowings) being held in cash providing a lower return;
- An increase in earnings from the properties continuously held in the portfolio since the start of the previous half-year;
- An increase in employee benefits costs;
- A reduction in gearing resulting in a reduction in interest expense; and
- A decrease in Cromwell's earnings from external funds management.

## 2. Review of Operations and Results

### (a) Financial performance (continued)

Distributions paid for the half-year were 3.88 cents (2013: 3.75 cents), including a December 2014 quarter distribution of 1.9375 cents per stapled security paid on 11 February 2015. This represents a growth in distributions per security of 3.5% over the previous half-year. Growing distributions per security in a sustainable way remains a key priority for the future.

The contribution to profit from operations from each of the 4 segments of Cromwell's business for the half-year is shown below.

	Half-Year 31 Dec 2014 %	Half-Year 31 Dec 2014 \$'000	Half-Year 31 Dec 2013 %	Half-Year 31 Dec 2013 \$'000
Property Investment	97.9%	71,379	94.3%	69,074
Property/Internal Funds Management	1.7%	1,212	2.1%	1,522
External Funds Management	0.6%	417	3.6%	2,672
Property Development	(0.2%)	(147)	(0.0%)	(58)
<b>Profit from operations</b>		<b>72,861</b>		<b>73,210</b>

#### *Property Investment*

There have been several changes to the property portfolio compared with the previous half-year which means earnings between the two periods are not directly comparable.

During July 2014 Cromwell disposed of the property at 321 Exhibition Street, Melbourne, VIC. The disposal of this property led to a gain on disposal of \$1,070,000, being the net amount realised above the most recent carrying value. The sale of this asset was undertaken because we believe we can better deploy the proceeds into more productive assets in the future. Net proceeds of \$207,000,000 were received from this asset sale, with \$116,500,000 being used to repay associated debt facilities with the balance held in cash.

As a result of the sale, net earnings from the property portfolio after property outgoings costs but before interest expense were \$103,602,000, (2013: \$114,825,000) a decrease of 9.4% on the previous corresponding six month period.

Cromwell acquired a 50% interest in the Northpoint property in North Sydney in December 2013. In the corresponding prior period this impacted significantly on statutory profit as the initial costs of acquisition (stamp duty, etc) were effectively written off due to the operation of the relevant Australian Accounting Standards, while the interest in the property was acquired at the end of the period and hence was not earnings accretive. However, this property was 50% owned during the whole of the current period and hence had a more full and positive impact during the current period (share of operating profit of \$4,926,000; 2013 share of operating profit of \$285,000).

In making these types of acquisitions, Cromwell expects to maintain or improve the portfolio performance in the future through assets which are both complementary to the existing portfolio and have the ability to provide above average returns over the medium to long term.

In order to assist comparability between periods, Cromwell also measures the change in like for like net property earnings, taking into account only properties held in both the current and previous corresponding six month periods. On this basis, net property earnings increased by 1.9% during the current six month period. This reflects a continuing difficult leasing market. While the portfolio remains well leased, we have seen a small amount of persistent vacancy, concentrated most particularly in our Queensland assets. This has offset part of the increase in rentals from the balance of our portfolio. Although our vacancy levels remain slightly higher than our historical averages, they remain well below current levels for major office markets, demonstrating the ability of our internal property management team to deliver above average results despite a difficult market.

Valuations for investment properties increased by \$25,000,000 during the half year (2013: \$13,004,000), net of property improvements, leasing incentives and lease costs. This is equivalent to an increase in value of approximately 1.1% or 1.4 cents per stapled security from June 2014 valuations.

	<b>Cromwell</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Change in valuations, net of property improvements, lease costs and incentives	<b>25,000</b>	13,004
Non-cash adjustments for straight-lining of rentals and lease amortisation	<b>2,869</b>	3,611
<b>Increase/(decrease) in fair value of investment properties</b>	<b>27,869</b>	16,615



## 2. Review of Operations and Results

### (a) Financial performance (continued)

Increases were concentrated in properties with longer leases such as the Qantas Headquarters, 207 Kent Street and 2-24 Rawson Place, all in Sydney, as demand from investors for assets with secure cash flows continues. Decreases were generally seen in properties with short to medium-term lease expiries or current vacancies such as Terrace Office Park and 200 Mary Street in Brisbane, Keltie Street in Canberra and the Vodaphone Call Centre in Tasmania. This is reflective of the current soft economic conditions and the more difficult leasing market which Cromwell expects will persist over the next 1-2 years.

#### *Interest expense*

Interest expense for the half-year decreased to \$30,263,000 (2013: \$37,016,000). This decrease occurred as a result of reduced borrowings following the repayment of debt from the sale proceeds of the property at 321 Exhibition Street, Melbourne, VIC. The average interest rate fell from 5.99% for the year ended 30 June 2014 to 5.92% for the half-year ended 31 December 2014. This fall in average rate reflected the lower gearing of Cromwell following the debt repayment.

A decrease in fair value of interest rate derivatives of \$8,901,000 (2013: increase of \$6,024,000) arose as a result of Cromwell's policy to hedge a portion of future interest expense. Cromwell had hedged future interest rates through contracts over 100% of its debt at 31 December 2014 (2013: 87%) to minimise the risk of changes in interest rates in the future. Further, during the period Cromwell acquired an accreting interest rate cap which effectively hedges a significant proportion of debt, which will replace existing hedges as they expire, but which does not suffer the same downside impact of generic interest rate hedge products. All hedging contracts expire between May 2015 and May 2019 and can be valued. Although the valuation process is relatively complex, the value is essentially determined by the difference between the actual interest rates which have been agreed under the contracts and what the market forward interest rates are at the date of the valuation until maturity of the hedge contract. Market rates, and hence valuations, change daily, but the value at the end of an interest rate contract will always be nil and therefore the amounts recognised in the statements of comprehensive income are expected to reverse over time as the interest rate contracts expire.

#### *Property Management and Internal Funds Management*

Property management and internal funds management earnings decreased from \$1,522,000 in 2013 to \$1,212,000 in 2014 mostly reflecting additional property management fees from managing the properties acquired in the unlisted funds offset by a decrease in internal funds management fees.

#### *External Funds Management*

External funds management earnings decreased from \$2,672,000 in 2013 to \$417,000 in 2014, as a result of lower acquisition fees in the current period as fewer products were offered to the market, while recurring revenue from assets under management has been maintained. Despite the lower level of transactional earnings for the half year, Cromwell remains committed to increasing the size and diversification of its funds management business, which it believes is highly complementary to its internally managed property portfolio and property and facilities management activities.

At the very end of the half-year Cromwell launched an additional open ended fund, the Cromwell Phoenix Opportunities Fund. This fund is designed to provide a more diversified exposure to listed "small cap" equities and complements the existing suite of funds. This fund will take some time to reach a size where it can contribute materially to our financial results in the future, but we are confident it will do so in time. We also continue to invest in additional staff and a number of initiatives across our funds management business which will allow us to continually improve our service offering to investors in both Cromwell and our unlisted funds.

Cromwell Partners Trust ("CPA") was established to acquire the Northpoint property late in the prior corresponding period. CPA is owned 50% by Cromwell and 50% by Redefine Global (PTY) Limited, a subsidiary of our largest securityholder, Redefine Properties. Through our investment in CPA, Cromwell receives not only a share of returns from the Northpoint property, but also fee income from managing the fund on behalf of Redefine. Over time, we may expand CPA through both acquiring further assets and taking on a small number of carefully selected investing partners.

#### *Property Development*

Development activity during this half-year continued to be extremely limited, with a small amount of industrial land held for development or re-sale when the opportunity arises. Cromwell does not seek to undertake any material amount of speculative development.

## 2. Review of Operations and Results

### (b) Financial position

The key financial measures Cromwell considers when assessing our financial position are outlined below.

	Cromwell		Trust	
	31 Dec 2014	30 June 2014	31 Dec 2014	30 June 2014
Total assets (\$'000)	<b>2,397,683</b>	2,469,940	<b>2,329,650</b>	2,403,658
Net assets (\$'000)	<b>1,290,350</b>	1,264,000	<b>1,229,039</b>	1,203,631
Net tangible assets <sup>(1)</sup> (\$'000)	<b>1,287,983</b>	1,261,608	<b>1,229,039</b>	1,203,631
Net debt (\$'000) <sup>(2)</sup>	<b>798,558</b>	983,894	<b>847,126</b>	1,034,263
Gearing (%) <sup>(3)</sup>	<b>36%</b>	42%	<b>39%</b>	44%
Securities issued ('000)	<b>1,735,300</b>	1,727,281	<b>1,735,300</b>	1,727,281
NTA per security <sup>(1)</sup>	<b>\$0.74</b>	\$0.73	<b>\$0.71</b>	\$0.70
NTA per security (excluding interest rate swaps)	<b>\$0.76</b>	\$0.75	<b>\$0.72</b>	\$0.71

(1) Net assets less deferred tax asset and intangible assets.

(2) Borrowings less cash and cash equivalents.

(3) Net debt divided by total tangible assets less cash and cash equivalents.

A total of 12 property assets were externally revalued at December 2014, representing approximately 46% of the property portfolio by value. The balance of the portfolio is subject to internal valuations having regard to previous external valuations and comparable sales evidence. The weighted average capitalisation rate (WACR) was 7.98% across the portfolio, compared with 8.08% at June 2014.

Net debt has decreased due to the repayment of borrowings of \$116,500,000 from the proceeds of the investment property sold during the half year. As a consequence, gearing decreased from 42% to 36% during the half-year and remains within the preferred range of 35-55%.

An additional 8,019,000 stapled securities were issued during the half-year due to the continuing operation of the distribution reinvestment and performance rights plans.

NTA per security has increased during the half-year from \$0.73 to \$0.74, primarily as a result of increases in the valuations of investment properties. NTA excluding the value of interest rate contracts increased from \$0.75 to \$0.76 per security.

### (c) Outlook

The outlook for Cromwell remains positive, despite the current sluggish pace of economic growth.

Cromwell's property portfolio is expected to continue to deliver consistent earnings into the future. This expectation is a result of the strength of the underlying tenant and lease profile and the benefits of Cromwell's integrated property management and tenant relationship activities. The portfolio was 95.2% leased at balance date, with a 5.9 year weighted average lease term. Importantly, 46.8% of rental income at balance date was underpinned by Government or Government owned/funded entities, and a further 29.3% from listed companies or their subsidiaries.

Cromwell has provided guidance for the 2015 financial year of expected profits from operations of 8.3 cents per security, a decrease of 3% over 2014. This is mainly the result of Cromwell taking advantage of the current pricing of investment properties by selling the property at 321 Exhibition Street, Melbourne for an above market price. Cromwell has not yet recycled the capital realised from the sale into another investment, and holds the net proceeds in cash. The lower return on cash has resulted in lower earnings than the prior year but provides Cromwell with opportunities to invest in other income producing assets or to fund value adding initiatives within the portfolio.

Cromwell has been unwilling to compete aggressively for assets that could be syndicated or acquired by its managed funds. This has reduced the amount of external funds management earnings from these traditional sources. Cromwell has expanded its external funds management business to other asset classes, in particular, property securities. While relatively small at this stage these other funds have the potential for growth in years to come. Cromwell has also been investigating external funds management business opportunities outside Australia. This commenced in June 2014 with the 50% acquisition of Oyster and has continued subsequent to 31 December 2014 with the 100% acquisition of the Valad Europe funds management business. The acquisition of Valad Europe will have little overall impact to earnings in 2015 but is expected to contribute to Cromwell's external funds management business in future years.

## 2. Review of Operations and Results

### (c) Outlook (continued)

Distributions are expected to be 7.86 cents per security in the 2015 financial year, an increase of 3% on 2014 levels.

This result is expected to be underpinned by the rental income from Cromwell's strong property portfolio, continuing low interest rates and some growth in the funds management business. This, if it can be achieved, would be an exceptional outcome in the current climate and would reflect the continuing resilience of our business model.

Cromwell aims to continue to grow both profit from operations and distributions per security over the medium term. Future results will be somewhat dependent on how, and when, Australia's economy recovers from its current sluggish pace of growth.

Our expectation is that this will take some time to occur. In the meantime we will continue to make changes to the property portfolio if we believe they will enhance the likelihood of above average returns over the medium and long term. We will also continue to manage our largest cost, interest expense, with appropriate hedging to maximise short term predictability of interest costs and smooth out cyclical highs. Finally, we will focus on growing earnings from funds management in a sustainable way.

Cromwell seeks to maintain minimal short term lease expiries in its Portfolio and to maintain gearing within our target range of 35% – 55%, reducing gearing through the cycle to the lower end of that range as property values increase, and we take advantage of opportunities to realise assets at premia to long term values.

If we continue to execute these basic strategies well, we expect to deliver good long term securityholder returns by continuing to outperform the S&P/ASX 300 A-REIT accumulation index over rolling 3 and 5 year periods.

## 3. Subsequent Events

Other than as set out in note 17, no matter or circumstance has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- Cromwell's operations in future financial years; or
- the results of those operations in future financial years; or
- Cromwell's state of affairs in future financial years.

## 4. Rounding of Amounts

Cromwell and the Trust are of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that Class Order.

## 5. Auditor's Independence Declaration

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

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



P.L. Weightman  
Director

17 February 2015



**PITCHER PARTNERS**  
ACCOUNTANTS • AUDITORS • ADVISORS

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IAN JONES  
KYLIE LAMPRECHT  
NORMAN THURECHT  
BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON

The Directors  
Cromwell Corporation Limited and  
Cromwell Property Securities Limited as Responsible Entity for Cromwell Diversified Property Trust  
Level 19  
200 Mary Street  
BRISBANE QLD 4000

Dear Sirs,

### Auditor's Independence Declaration

As lead auditor for the review of the financial reports of Cromwell Corporation Limited and Cromwell Diversified Property Trust for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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

*Pitcher Partners.*

**PITCHER PARTNERS**

*N Batters*

**N BATTERS**

Partner  
Brisbane, Queensland  
17 February 2015

**CROMWELL PROPERTY GROUP**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

		Cromwell		Trust	
	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Revenue and other income</b>					
Rental income and recoverable outgoings		120,153	133,817	119,544	133,597
Funds management fees		6,315	5,539	-	-
Interest		3,110	2,319	2,423	1,518
Distributions		168	488	168	488
Gain on sale of investment properties		1,070	3,146	1,070	3,146
Other revenue		141	145	17	15
Share of profits of equity accounted entities	10	4,474	-	3,974	-
Fair value net gain from:					
• Investment properties	8	27,869	16,615	27,869	16,615
• Interest rate derivatives		-	6,024	-	6,024
• Investments at fair value through profit or loss		279	11	279	11
<b>Total revenue and other income</b>		<b>163,579</b>	<b>168,104</b>	<b>155,344</b>	<b>161,414</b>
<b>Expenses</b>					
Property expenses and outgoings		19,420	22,603	21,605	25,465
Funds management costs		798	628	-	-
Property development costs		147	58	-	-
Finance costs	5	31,348	38,360	31,348	38,360
Employee benefits expense		10,428	8,293	-	-
Administration and overhead costs		3,912	3,788	607	642
Responsible entity fees		-	-	5,367	6,127
Amortisation and depreciation		353	356	-	-
Loss on disposal of other assets		-	23	-	-
Fair value net loss from:					
• Interest rate derivatives		8,901	-	8,901	-
Share of losses of equity accounted entities		-	7,245	-	7,371
Business combination costs		727	-	-	-
<b>Total expenses</b>		<b>76,034</b>	<b>81,354</b>	<b>67,828</b>	<b>77,965</b>
<b>Profit before income tax</b>		<b>87,545</b>	<b>86,750</b>	<b>87,516</b>	<b>83,449</b>
Income tax (expense)/benefit		(376)	(40)	-	-
<b>Profit for the half-year</b>		<b>87,169</b>	<b>86,710</b>	<b>87,516</b>	<b>83,449</b>
<b>Other comprehensive income for the half-year, net of tax</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange difference on translation of foreign joint ventures		33	-	-	-
<b>Total comprehensive income for the half-year</b>		<b>87,202</b>	<b>86,710</b>	<b>87,516</b>	<b>83,449</b>
Profit for the half-year is attributable to:					
Company shareholders		(261)	3,391	-	-
Trust unitholders		87,430	83,319	87,430	83,319
Non-controlling interests		-	-	86	130
<b>Profit for the half-year</b>		<b>87,169</b>	<b>86,710</b>	<b>87,516</b>	<b>83,449</b>
Total comprehensive income for the half-year is attributable to:					
Company shareholders		(228)	3,391	-	-
Trust unitholders		87,430	83,319	87,430	83,319
Non-controlling interests		-	-	86	130
<b>Total comprehensive income for the half-year</b>		<b>87,202</b>	<b>86,710</b>	<b>87,516</b>	<b>83,449</b>
Basic earnings per company share/trust unit (cents)		0.0¢	0.2¢	5.1¢	4.9¢
Diluted earnings per company share/trust unit (cents)		0.0¢	0.2¢	5.0¢	4.8¢
Basic earnings per stapled security (cents)		5.0¢	5.1¢		
Diluted earnings per stapled security (cents)		5.0¢	5.0¢		

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

**CROMWELL PROPERTY GROUP**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	Notes	Cromwell		Trust	
		31 Dec	30 Jun	31 Dec	30 Jun
		2014	2014	2014	2014
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents		186,559	117,820	137,991	67,451
Trade and other receivables	7	10,897	4,702	6,234	1,981
Other current assets		4,858	2,714	4,064	1,686
<b>Total current assets</b>		<b>202,314</b>	<b>125,236</b>	<b>148,289</b>	<b>71,118</b>
<b>Non-current assets</b>					
Inventories		3,000	3,000	-	-
Investment properties	8	2,098,250	2,249,470	2,098,250	2,249,470
Investments at fair value through profit or loss	9	2,053	10,546	2,053	10,546
Equity accounted investments	10	78,592	77,526	73,441	77,524
Property, plant and equipment		3,490	1,770	-	-
Derivative financial instrument		7,617	-	7,617	-
Deferred tax assets		1,133	1,272	-	-
Intangible assets		1,234	1,120	-	-
<b>Total non-current assets</b>		<b>2,195,369</b>	<b>2,344,704</b>	<b>2,181,361</b>	<b>2,332,540</b>
<b>Total assets</b>		<b>2,397,683</b>	<b>2,469,940</b>	<b>2,329,650</b>	<b>2,403,658</b>
<b>Current liabilities</b>					
Trade and other payables	11	44,639	25,714	40,576	23,322
Borrowings	12	90,500	90,500	90,500	90,500
Dividend/distributions payable		33,621	33,466	33,621	33,466
Derivative financial instruments		13,814	15,332	13,814	15,332
Provisions		1,289	1,211	-	-
Current tax liability		17	1,127	-	-
Other current liabilities		11,393	11,240	11,393	11,240
<b>Total current liabilities</b>		<b>195,273</b>	<b>178,590</b>	<b>189,904</b>	<b>173,860</b>
<b>Non-current liabilities</b>					
Borrowings	12	894,617	1,011,214	894,617	1,011,214
Derivative financial instruments		16,090	14,953	16,090	14,953
Provisions		1,353	1,185	-	-
<b>Total non-current liabilities</b>		<b>912,060</b>	<b>1,027,352</b>	<b>910,707</b>	<b>1,026,167</b>
<b>Total liabilities</b>		<b>1,107,333</b>	<b>1,205,942</b>	<b>1,100,611</b>	<b>1,200,027</b>
<b>Net assets</b>		<b>1,290,350</b>	<b>1,263,998</b>	<b>1,229,039</b>	<b>1,203,631</b>
<b>Equity</b>					
Contributed equity	13	104,920	104,370	1,273,054	1,267,748
Reserves		6,457	5,929	-	-
Retained earnings/(accumulated losses)		(44,437)	(44,176)	(50,201)	(70,430)
<b>Equity attributable to shareholders/unitholders</b>		<b>66,940</b>	<b>66,123</b>	<b>1,222,853</b>	<b>1,197,318</b>
<b>Non-controlling interests</b>					
Trust unitholders	14	1,223,410	1,197,875	-	-
Non-controlling interests	14	-	-	6,186	6,313
<b>Total equity</b>		<b>1,290,350</b>	<b>1,263,998</b>	<b>1,229,039</b>	<b>1,203,631</b>

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

**CROMWELL PROPERTY GROUP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

Cromwell	Notes	Attributable to Equity Holders of the Company					Total (Company)	Non- controlling Interest (Trust)	Total Equity
		Contributed Equity	Accumulated Losses	Foreign Currency Translation Reserve	Available- for- Sale Reserve	Share Based Payments Reserve			
		\$'000	\$'000	\$'000	\$'000	\$'000			
Balance at 1 July 2014		104,370	(44,176)	-	2,340	3,589	66,123	1,197,875	1,263,998
Total comprehensive income for the half-year		-	(261)	33	-	-	(228)	87,430	87,202
Transactions with equity holders in their capacity as equity holders:									
• Contributions of equity, net of transaction costs	13/14	550	-	-	-	-	550	5,306	5,856
• Dividends/distributions paid/payable	6	-	-	-	-	-	-	(67,201)	(67,201)
• Employee share options		-	-	-	-	495	495	-	495
Total transactions with equity holders		550	-	-	-	495	1,045	(61,895)	(60,850)
Balance at 31 December 2014		104,920	(44,437)	33	2,340	4,084	66,940	1,223,410	1,290,350
Balance at 1 July 2013		103,323	(48,697)	-	2,340	2,858	59,824	1,141,028	1,200,852
Total comprehensive income for the half-year		-	3,391	-	-	-	3,391	83,319	86,710
Transactions with equity holders in their capacity as equity holders:									
• Contributions of equity, net of transaction costs	13/14	523	-	-	-	-	523	5,252	5,775
• Dividends/distributions paid/payable	6	-	-	-	-	-	-	(64,512)	(64,512)
• Employee share options		-	-	-	-	223	223	-	223
Total transactions with equity holders		523	-	-	-	223	746	(59,260)	(58,514)
Balance at 31 December 2013		103,846	(45,306)	-	2,340	3,081	63,961	1,165,087	1,229,048

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

**CROMWELL PROPERTY GROUP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

Trust	Notes	Attributable to Equity Holders of CDPT			Non-controlling Interests \$'000	Total Equity \$'000
		Contributed Equity	Accumulated Losses	Total (CDPT)		
		\$'000	\$'000	\$'000		
Balance at 1 July 2014		1,267,748	(70,430)	1,197,318	6,313	1,203,631
Total comprehensive income for the half-year		-	87,430	87,430	86	87,516
Transactions with equity holders in their capacity as equity holders:						
• Contributions of equity, net of transaction costs	13	5,306	-	5,306	-	5,306
• Distributions paid/payable	6	-	(67,201)	(67,201)	(213)	(67,414)
Total transactions with equity holders		5,306	(67,201)	(61,895)	(213)	(62,108)
Balance at 31 December 2014		1,273,054	(50,201)	1,222,853	6,186	1,229,039
Balance at 1 July 2013		1,257,707	(116,977)	1,140,730	4,732	1,145,462
Total comprehensive income for the half-year		-	83,319	83,319	130	83,449
Transactions with equity holders in their capacity as equity holders:						
• Contributions of equity, net of transaction costs	13	5,252	-	5,252	-	5,252
• Distributions paid/payable	6	-	(64,522)	(64,522)	(101)	(64,623)
Total transactions with equity holders		5,252	(64,522)	(59,270)	(101)	(59,371)
Balance at 31 December 2013		1,262,959	(98,180)	1,164,779	4,761	1,169,540

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



**CROMWELL PROPERTY GROUP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

		<b>Cromwell</b>		<b>Trust</b>	
		<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows From Operating Activities</b>					
Receipts in the course of operations		<b>138,923</b>	153,798	<b>130,905</b>	148,113
Payments in the course of operations		<b>(46,084)</b>	(40,981)	<b>(39,134)</b>	(37,924)
Distributions received		<b>3,280</b>	486	<b>3,280</b>	486
Interest received		<b>2,645</b>	1,465	<b>2,010</b>	665
Finance costs paid		<b>(28,767)</b>	(36,979)	<b>(28,767)</b>	(36,979)
Income tax paid		<b>(1,347)</b>	(345)	-	-
<b>Net cash provided by operating activities</b>		<b>68,650</b>	77,444	<b>68,294</b>	74,361
<b>Cash Flows From Investing Activities</b>					
Payments for investment properties		<b>(14,088)</b>	(47,615)	<b>(14,088)</b>	(47,615)
Proceeds from the sale of investment properties		<b>207,068</b>	253,161	<b>207,068</b>	253,161
Payments for property, plant and equipment		<b>(1,838)</b>	(406)	-	-
Payment for investment in equity accounted investment	10	<b>(85)</b>	(77,632)	-	(77,632)
Return of payment for investment in equity accounted investment	10	<b>470</b>	-	-	-
Payments for investments at fair value through profit or loss		<b>(1,916)</b>	(7,075)	<b>(1,916)</b>	(7,075)
Proceeds from sale of investments at fair value through profit or loss		<b>10,689</b>	4,215	<b>10,689</b>	4,215
Payments for software and other intangible assets		<b>(350)</b>	-	-	-
Loans to related entities		<b>(4,086)</b>	(33,089)	<b>(2,975)</b>	(33,089)
<b>Net cash provided by investing activities</b>		<b>195,864</b>	91,559	<b>198,778</b>	91,965
<b>Cash Flows From Financing Activities</b>					
Proceeds from borrowings		-	21,278	-	21,278
Repayment of borrowings		<b>(116,500)</b>	(143,947)	<b>(116,500)</b>	(143,947)
Payment of loan transaction costs		<b>(1,182)</b>	(148)	<b>(1,182)</b>	(148)
Proceeds from issue of stapled securities/units		<b>1,053</b>	993	<b>953</b>	900
Equity issue transaction costs		<b>(25)</b>	(453)	<b>(12)</b>	(430)
Payment of dividends/distributions		<b>(62,221)</b>	(58,060)	<b>(62,891)</b>	(58,625)
Payment for derivative financial instruments		<b>(16,900)</b>	-	<b>(16,900)</b>	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(195,775)</b>	(180,337)	<b>(196,532)</b>	(180,972)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>68,739</b>	(11,334)	<b>70,540</b>	(14,646)
Cash and cash equivalents at 1 July		<b>117,820</b>	125,933	<b>67,451</b>	75,126
<b>Cash and cash equivalents at 31 December</b>		<b>186,559</b>	114,599	<b>137,991</b>	60,480

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

## **1. Basis of Preparation of Half-Year Financial Report**

Cromwell Property Group ("Cromwell") was formed by the stapling of Cromwell Corporation Limited ("the Company") and its controlled entities, and Cromwell Diversified Property Trust ("CDPT") and its controlled entities ("the Trust"). The Financial Reports of Cromwell and the Trust have been presented jointly in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange.

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Cromwell and the Trust are for-profit entities for the purpose of preparing the financial statements.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Cromwell Property Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Cromwell and CDPT are of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### *Application of new accounting standards*

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of new and amended standards and interpretations mandatory for annual reporting periods beginning on or after 1 January 2014, which include:

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*;
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*;
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*;
- AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities*;
- AASB 1031 *Materiality* - revised and consequential amendments to other accounting standards resulting from its planned withdrawal.

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

## **2. Critical Accounting Estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

### *Estimates of fair value of investment properties*

Cromwell has investment properties with an aggregate carrying amount of approximately \$2,098,250,000 at balance date. These investment properties constitute a significant proportion of the total assets of Cromwell and the Trust.

The highest and best use of each investment property is taken into consideration when determining their fair values. The highest and best use of an investment property refers to the use of the investment property by a market participant that would maximise the value of that property. With respect to Cromwell's investment properties, the current use is considered to be the highest and best use. Within this construct, fair value is determined within a range of reasonable estimates utilising both capitalisation of net market income and discounted future cash flow methodologies and comparing the results to market sales evidence.

## 2. Critical Accounting Estimates (continued)

### *Estimates of fair value of investment properties (continued)*

The most appropriate evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar leases. Where sufficient market information is not available, or to supplement this information, management considers other relevant information including:

- Current prices for properties of a different nature, condition or location, adjusted to reflect those differences;
- Recent prices of similar properties in a less active market, with adjustments to reflect changes in economic conditions or other factors;
- Capitalised income calculations based on an assessment of current net market income for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustment for any differences between market rents and contracted rents over the term of existing leases and deductions for short term vacancy or lease expiries, incentive costs and capital expenditure requirements; and
- Discounted cash flow forecasts including estimates of future cash flows based on current leases in place for that property, historical operating expenses, reasonable estimates of current and future rents and operating expenses based on external and internal assessments and using discount rates that appropriately reflect the degree of uncertainty and timing inherent in current and future cash flows.

The fair value adopted for each investment property has been supported by an independent external valuation of that property undertaken usually within the past 12 months. As part of this process, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property, values each investment property usually at least every year or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of Cromwell.

The significant inputs associated with the valuation of Cromwell's investment properties are as follows:

	Dec 2014		Jun 2014	
	Range	Weighted Average	Range	Weighted Average
Annual Net Property Income (\$'000)	1,191 – 25,417	12,724	1,203 – 25,438	12,780
Capitalisation rate	6.63% - 12.00%	7.98%	6.50% - 12.25%	8.08%
Weight average lease term (years)	0.5 – 16.6	5.90	1.0 – 17.1	6.10
Discount rate	8.25% - 12.00%	8.95%	8.25% - 11.50%	9.04%
Occupancy	74.8% - 100.0%	95.2%	80.3% - 100.0%	98.1%

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

### *Estimates of fair value of interest rate derivatives*

A variety of methods are used to calculate the value of financial instruments and make assumptions that are based upon market conditions existing at balance date. Valuation of derivative financial instruments involves assumptions based upon quoted market rates adjusted for the specific features of the relevant instrument. The valuations of any financial instrument may change in the event of market volatility.

Refer to note 3 for more information in relation to the inputs and techniques used to derive the fair value of derivative financial instruments.

### 3. Fair value estimation

Cromwell measures and recognises the following financial assets and financial liabilities at fair value on a recurring basis:

- Investments at fair value through profit or loss; and
- Derivative financial instruments.

#### (a) Fair value hierarchy

The different levels of the fair value hierarchy have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents Cromwell's financial assets and financial liabilities measured and recognised at fair value at 31 December 2014 and 30 June 2014.

	Dec 2014			June 2014		
	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Financial Assets</b>						
Investments at fair value through profit or loss:						
• Listed equity securities	775	-	775	601	-	601
• Unlisted equity securities	-	1,278	1,278	-	9,945	9,945
Derivative financial instruments	-	7,617	7,617	-	-	-
<b>Total financial assets</b>	<b>775</b>	<b>8,895</b>	<b>9,670</b>	<b>601</b>	<b>9,945</b>	<b>10,546</b>
<b>Financial Liabilities</b>						
Derivative financial instruments	-	29,904	29,904	-	30,285	30,285
<b>Total financial liabilities</b>	<b>-</b>	<b>29,904</b>	<b>29,904</b>	<b>-</b>	<b>30,285</b>	<b>30,285</b>

There were no transfers between the levels of the fair value hierarchy during the half-year.

#### (b) Valuation techniques used to derive Level 1 fair values

*Fair value of investments at fair value through profit or loss*

Level 1 assets held by Cromwell include listed equity securities.

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Owing to the current composition of its portfolio, Cromwell relies on publicly available market information for the valuation of its Level 1 investments.

The quoted market price used for financial assets held by Cromwell is the current final closing price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### **3. Fair value estimation (continued)**

#### **(c) Valuation techniques used to derive Level 2 fair values**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

At initial recognition, Cromwell measures a financial asset or liability at its fair value. Transaction costs in relation to financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

##### *Fair value of investments at fair value through profit or loss*

Level 2 assets held by Cromwell include unlisted equity securities. The fair value of these financial instruments is based upon the net tangible assets as reported by the underlying unlisted entity, adjusted for inherent risk where appropriate.

##### *Fair value of derivative financial instruments*

Level 2 financial assets and financial liabilities held by Cromwell include "Vanilla" fixed to floating interest rate swap and cap derivatives (over-the-counter derivatives). The fair value of interest rate derivatives has been determined using a pricing model based on discounted cash flow analysis which incorporates assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivatives and counterparty or own credit risk. All counterparties to interest rate derivatives are Australian financial institutions.

#### **(d) Disclosed fair values**

The fair values of listed and unlisted equity securities and derivative financial instruments are disclosed in the statement of financial position.

The carrying amounts of trade and other receivables, other current assets, trade and other payables and distributions payable are assumed to approximate their fair values due to their short-term nature.

The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to Cromwell for similar financial instruments. The fair value of these borrowings is not materially different from their carrying value.

### **4. Segment Information**

#### **Cromwell**

Cromwell has identified its operating segments based on its internal reports which are regularly reviewed and used by the chief executive officer in order to make decisions about resource allocation and to assess the performance of Cromwell. The chief operating decision maker has been identified as the chief executive officer. The segments offer different products and services and are managed separately.

##### *Property Investment*

The ownership of properties located throughout Australia.

##### *Property/Internal Funds Management*

Property management includes property and facility management, leasing and project management for the Trust and all Cromwell managed investment schemes. Internal funds management includes the management of the Trust.

##### *External Funds Management*

The establishment and management of external funds.

##### *Property Development*

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

#### **Trust**

The Trust has one reportable segment. It holds properties in Australia. Revenue is derived from rentals and associated recoverable outgoings. The Trust's properties are leased on a commercial basis incorporating varying lease terms and conditions. These include the lease period, renewal options, periodic rent and, where applicable, indexation based on CPI, fixed and/or market reviews.

4. Segment Information (continued)

Half-year 31 December 2014	Property Investment	Property/ Internal Funds Management	External Funds Management	Property Development	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment results</b>					
<b>Segment revenue and other income</b>					
Sales - external customers	122,434	1,508	2,846	-	126,788
Sales – intersegmental	433	10,788	-	-	11,221
Profit of equity accounted entities	4,926	-	500	-	5,426
Distributions	-	-	168	-	168
Interest	2,423	570	117	-	3,110
Other income	17	124	-	-	141
<b>Total segment revenue and other income</b>	<b>130,233</b>	<b>12,990</b>	<b>3,631</b>	<b>-</b>	<b>146,854</b>
<b>Segment expenses</b>					
Property expenses and outgoings	18,832	-	-	-	18,832
Funds management costs	-	-	798	-	798
Property development costs	-	-	-	147	147
Finance costs	30,263	-	-	-	30,263
Intersegmental costs	9,427	1,735	59	-	11,221
Employee benefits expense	-	6,869	1,598	-	8,467
Administration and overhead costs	332	2,911	669	-	3,912
<b>Total segment expenses</b>	<b>58,854</b>	<b>11,515</b>	<b>3,124</b>	<b>147</b>	<b>73,640</b>
Income tax expense	-	263	90	-	353
<b>Segment profit/(loss) <sup>(1)</sup></b>	<b>71,379</b>	<b>1,212</b>	<b>417</b>	<b>(147)</b>	<b>72,861</b>
<b>Reconciliation to reported profit/(loss)</b>					
Gain on sale of investment properties	1,070	-	-	-	1,070
Business combination costs	-	-	(727)	-	(727)
Fair value adjustments/write downs:					
• Investment properties	27,869	-	-	-	27,869
• Interest rate derivatives	(8,901)	-	-	-	(8,901)
• Investments at fair value through profit or loss	-	-	279	-	279
Other property investment income/(expense):					
• Straight-line lease income	3,269	-	-	-	3,269
• Lease incentive and lease cost amortisation	(6,138)	-	-	-	(6,138)
Other income/(expenses):					
• Amortisation of finance costs	(1,085)	-	-	-	(1,085)
• Amortisation and depreciation	-	(318)	(35)	-	(353)
• Relating to equity accounted investments	(952)	-	-	-	(952)
• Net tax losses utilised	-	(17)	(6)	-	(23)
<b>Total adjustments</b>	<b>15,132</b>	<b>(335)</b>	<b>(489)</b>	<b>-</b>	<b>14,308</b>
<b>Profit/(loss) for the half-year</b>	<b>86,511</b>	<b>877</b>	<b>(72)</b>	<b>(147)</b>	<b>87,169</b>

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

**4. Segment Information (continued)**

Half-year 31 December 2013	Property Investment	Property/ Internal Funds Management	External Funds Management	Property Development	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment results</b>					
<b>Segment revenue and other income</b>					
Sales - external customers	136,614	783	3,921		141,318
Sales – intersegmental	459	10,654	-	-	11,113
Profit of equity accounted entity	285	-	126	-	411
Distributions	-	-	488	-	488
Interest	722	801	796	-	2,319
Other income	15	130	-	-	145
<b>Total segment revenue and other income</b>	<b>138,095</b>	<b>12,368</b>	<b>5,331</b>	<b>-</b>	<b>155,794</b>
<b>Segment expenses</b>					
Property expenses and outgoings	21,789	-	-	-	21,789
Funds management costs	-	-	628	-	628
Property development costs	-	-	-	58	58
Finance costs	37,016	-	-	-	37,016
Intersegmental costs	9,818	1,245	50	-	11,113
Employee benefits expense	-	6,334	1,124	-	7,458
Administration and overhead costs	398	3,001	389	-	3,788
<b>Total segment expenses</b>	<b>69,021</b>	<b>10,580</b>	<b>2,191</b>	<b>58</b>	<b>81,850</b>
Income tax expense	-	266	468	-	734
<b>Segment profit/(loss) <sup>(1)</sup></b>	<b>69,074</b>	<b>1,522</b>	<b>2,672</b>	<b>(58)</b>	<b>73,210</b>
<b>Reconciliation to reported profit/(loss)</b>					
Gain on sale of investment properties	3,146	-	-	-	3,146
Loss on disposal of other assets	-	(21)	(2)	-	(23)
Fair value adjustments/write downs:					
• Investment properties	16,615	-	-	-	16,615
• Interest rate derivatives	6,024	-	-	-	6,024
• Investments at fair value through profit or loss	-	-	11	-	11
Other property investment income/(expense):					
• Straight-line lease income	2,291	-	-	-	2,291
• Lease incentive and lease cost amortisation	(5,902)	-	-	-	(5,902)
Other income/(expenses):					
• Amortisation of finance costs	(1,344)	-	-	-	(1,344)
• Amortisation and depreciation	-	(320)	(36)	-	(356)
• Relating to equity accounted investments	(7,656)	-	-	-	(7,656)
• Net tax losses utilised	-	252	442	-	694
<b>Total adjustments</b>	<b>13,174</b>	<b>(89)</b>	<b>415</b>	<b>-</b>	<b>13,500</b>
<b>Profit/(loss) for the half-year</b>	<b>82,248</b>	<b>1,433</b>	<b>3,087</b>	<b>(58)</b>	<b>86,710</b>

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

	<b>Cromwell</b>		<b>Trust</b>	
	<b>Half-year</b>	<b>Half-year</b>	<b>Half-year</b>	<b>Half-year</b>
	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>5. Finance Costs</b>				
Interest expense	<b>30,263</b>	37,016	<b>30,263</b>	37,016
Amortisation of loan establishment costs	<b>1,085</b>	1,344	<b>1,085</b>	1,344
<b>Finance costs</b>	<b>31,348</b>	38,360	<b>31,348</b>	38,360

**6. Dividends/Distributions**

**Distributions paid/payable by Cromwell**

<b>2014 Half Year</b>	<b>2013 Half Year</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Date Paid</b>	<b>Date Paid</b>	<b>Cents*</b>	<b>Cents*</b>	<b>\$'000</b>	<b>\$'000</b>
<b>12 November 2014</b>	13 November 2013	<b>1.9375¢</b>	1.8750¢	<b>33,580</b>	32,234
<b>11 February 2015</b>	12 February 2014	<b>1.9375¢</b>	1.8750¢	<b>33,621</b>	32,278
		<b>3.8750¢</b>	3.7500¢	<b>67,201</b>	64,512

\* Cents per stapled security

A distribution of \$33,466,000 provided for at 30 June 2014 was paid during the current period.

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

**Distributions paid/payable by the Trust**

<b>2014 Half Year</b>	<b>2013 Half Year</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Date Paid</b>	<b>Date Paid</b>	<b>Cents*</b>	<b>Cents*</b>	<b>\$'000</b>	<b>\$'000</b>
<b>12 November 2014</b>	13 November 2013	<b>1.9375¢</b>	1.8750¢	<b>33,580</b>	32,239
<b>11 February 2015</b>	12 February 2014	<b>1.9375¢</b>	1.8750¢	<b>33,621</b>	32,283
		<b>3.8750¢</b>	3.7500¢	<b>67,201</b>	64,522

\* Cents per unit

A distribution of \$33,466,000 provided for at 30 June 2014 was paid during the current period.



	<b>Cromwell</b>		<b>Trust</b>	
	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>7. Trade and Other Receivables</b>				
Trade debtors	<b>7,161</b>	5,057	<b>3,139</b>	2,336
Provision for impairment of trade debtors	<b>(350)</b>	(355)	<b>(350)</b>	(355)
Loans:				
Related party - Director	<b>641</b>	-	-	-
Joint venture – Oyster Property Group	<b>3,445</b>	-	<b>3,445</b>	-
<b>Trade and other receivables – current</b>	<b>10,897</b>	4,702	<b>6,234</b>	1,981

#### **Loan to Director**

During the half-year, Cromwell provided \$641,000 to Mr. Paul Weightman, a director of the Company, under Cromwell's security loan plan. Under the security loan plan the loan is a one year, limited recourse, interest free facility.

#### **Loan to Oyster Property Group**

Cromwell and the Trust have provided Oyster Property Group with a NZD\$8,000,000 loan facility until 30 April 2015 for the purpose of property syndication. This facility was drawn to \$2,975,000 (NZD\$3,200,000) at 31 December 2014.

Cromwell and the Trust have provided Oyster Property Group with a NZD\$10,000,000 loan facility until 18 May 2015 for the purpose of property syndication. This facility was drawn to \$470,000 (NZD\$500,000) at 31 December 2014.

**CROMWELL PROPERTY GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

Cromwell		Trust	
31 Dec	30 Jun	31 Dec	30 Jun
2014	2014	2014	2014
\$'000	\$'000	\$'000	\$'000

**8. Investment Properties**

<b>Investment properties – at fair value</b>	<b>2,098,250</b>	<b>2,249,470</b>	<b>2,098,250</b>	<b>2,249,470</b>
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**(a) Details of investment properties**

Property	Title	Latest Independent Valuation Date	Independent valuation		Carrying amount		Fair Value Adjustment	
			31 Dec	30 June	31 Dec	30 June	31 Dec	31 Dec
			2014	2014	2014	2014	2014	2013
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
200 Mary Street, QLD	Freehold	Jun 2014	74,500	74,500	73,500	74,500	(2,101)	(1,363)
Terrace Office Park, QLD	Freehold	Dec 2014	22,000	23,500	22,000	23,500	(1,939)	(2,792)
Oracle Building, ACT	Leasehold	Jun 2014	29,400	29,400	29,400	29,400	207	23
Henry Waymouth Centre, SA	Freehold	Jun 2014	47,500	47,500	57,900	47,500	1,438	(1,071)
Village Cinemas, VIC	Freehold	Dec 2014	14,250	14,000	14,250	14,500	(242)	96
Vodafone Call Centre, TAS	Freehold	Dec 2014	10,000	14,300	10,000	14,000	(3,903)	(665)
Regent Cinema Centre, NSW	Freehold	Dec 2014	13,700	14,300	13,700	13,600	104	716
700 Collins Street, VIC	Freehold	Dec 2014	175,000	172,250	175,000	171,000	3,678	366
19 National Circuit, ACT	Leasehold	Jun 2014	31,000	31,000	31,000	31,000	80	85
475 Victoria Avenue, NSW	Freehold	Jun 2014	132,000	132,000	132,000	132,000	851	(67)
Synergy, QLD	Freehold	Dec 2014	71,000	72,000	71,000	72,000	(205)	(836)
Tuggeranong Office Park, ACT	Leasehold	Jun 2013	155,000	155,000	140,000	140,000	(832)	(5,185)
TGA Complex, ACT	Leasehold	Jun 2014	64,000	64,000	63,200	64,000	(1,671)	(930)
321 Exhibition Street, VIC	Freehold	SOLD	-	205,920	-	205,920	-	9,168
203 Coward Street, NSW	Freehold	Dec 2014	345,000	320,000	345,000	335,000	5,167	8,338
HQ North, QLD	Freehold	Jun 2014	197,500	197,500	197,500	197,500	(213)	(640)
Bundall Corporate Centre, QLD	Freehold	Dec 2014	71,000	70,000	71,000	70,000	545	(760)
43 Bridge Street, NSW	Freehold	Dec 2014	31,000	31,600	31,000	31,600	(418)	(282)
13 Keltie Street, ACT	Leasehold	Jun 2014	43,500	43,500	42,000	43,500	(1,535)	(1,700)
Sturton Road, SA	Freehold	Dec 2014	1,800	2,100	1,800	2,100	(300)	(375)
147-163 Charlotte Street, QLD	Freehold	Jun 2014	28,500	28,500	28,500	28,500	(7)	(71)
146-160 Mary Street, QLD	Freehold	Jun 2014	36,000	36,000	36,000	36,000	(8)	(1)
4-6 Bligh Street, NSW	Freehold	Dec 2014	62,000	56,000	62,000	59,000	2,985	2,942
117 Bull Street, NSW	Freehold	June 2014	16,700	16,700	17,300	16,700	594	477
11 Farrer Place, NSW	Freehold	June 2014	23,900	23,900	24,600	23,900	700	394
207 Kent Street, NSW	Leasehold	June 2014	174,000	174,000	190,500	174,000	7,733	4,130
84 Crown Street, NSW	Freehold	June 2014	26,500	26,500	27,900	26,500	987	793
2-24 Rawson Place, NSW	Freehold	Dec 2014	158,000	135,000	158,000	141,000	15,224	4,968
2-6 Station Street, NSW	Freehold	June 2014	31,250	31,250	32,200	31,250	950	857
<b>Total investment properties</b>			<b>2,086,000</b>	<b>2,242,220</b>	<b>2,098,250</b>	<b>2,249,470</b>	<b>27,869</b>	<b>16,615</b>

**(b) Valuation basis**

For further information refer to note 2

**8. Investment Properties (continued)**

**(c) Movement in investment properties**

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

	Cromwell		Trust	
	Half-Year 31 Dec 2014 \$'000	Half-Year 31 Dec 2013 \$'000	Half-Year 31 Dec 2014 \$'000	Half-Year 31 Dec 2013 \$'000
Balance at 1 July	2,249,470	2,396,000	2,249,470	2,396,000
Capital works				
▪ Property improvements	3,706	36,136	3,706	36,136
▪ Lifecycle	4,615	3,448	4,615	3,448
Disposals	(205,849)	(250,015)	(205,849)	(250,015)
Straight-lining of rental income	3,269	2,291	3,269	2,291
Lease costs and incentives	21,308	6,977	21,308	6,977
Amortisation of leasing costs and incentives	(6,138)	(5,902)	(6,138)	(5,902)
Net gain/(loss) from fair value adjustments	27,869	16,615	27,869	16,615
<b>Balance at 31 December</b>	<b>2,098,250</b>	<b>2,205,550</b>	<b>2,098,250</b>	<b>2,205,550</b>

**9. Investments at Fair Value Through Profit or Loss**

	Cromwell		Trust	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Listed equity securities at fair value	775	601	775	601
Unlisted equity securities at fair value	1,278	9,945	1,278	9,945
<b>Investments at fair value through profit or loss</b>	<b>2,053</b>	<b>10,546</b>	<b>2,053</b>	<b>10,546</b>

These investments are designated at fair value through profit or loss. Gains and losses are shown in profit or loss.

For further information in relation to the valuation of these investments see note 3.

**10. Equity Accounted Investments**

At balance date Cromwell had investments in three joint ventures, Phoenix Portfolios Pty Ltd ("Phoenix"), Cromwell Partners Trust ("CPA") and Oyster Property Funds Limited ("Oyster").

*Phoenix*

This entity was formed in Australia and its principal activity is investment management. The reporting date for Phoenix is the same as for Cromwell. During a prior period additional non-voting equity was issued to a third party which reduced Cromwell's ownership interest from 50% to 45% whilst preserving the Cromwell's 50% ownership of issued capital to which voting rights attach. The remaining 50% of issued capital to which voting rights attach is held by one other investor.

*CPA*

During the prior year Cromwell acquired a 50% ownership interest in the CPA. CPA is the parent of Cromwell Northpoint Trust, which itself owns the Northpoint Building in the North Sydney CBD. The reporting date for CPA is the same as for Cromwell. Cromwell acts as the trustee for the trust. The remaining 50% of the units in the CPA are held by a single investor. A unit holder agreement between Cromwell and the other investor limits the power of the trustee such that Cromwell's investment in CPA has been determined to be a jointly controlled entity.

*Oyster*

During the prior year Cromwell acquired a 50% ownership interest in Oyster. This entity was formed in New Zealand and its principal activity is investment and property management. The reporting date for Oyster is the same as for Cromwell. The remaining 50% ownership of Oyster is held by six investors. The board of Oyster comprises three representatives appointed by the six investors and three representatives from Cromwell with no deciding or "chairman's" vote. A shareholder agreement between Cromwell and the six investors outlines how Oyster will be managed. By virtue of the board arrangement and the shareholder agreement, Cromwell's investment in Oyster has been determined to be a jointly controlled entity.

**10. Equity Accounted Investments (continued)**

**(a) Equity accounting information**

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

Cromwell	Ownership Interest			
	31 Dec	30 Jun	31 Dec	30 Jun
	2014	2014	2014	2014
	%	%	\$'000	\$'000
Investments accounted for using the equity method:				
CPA – joint venture	50	50	73,441	72,524
Oyster – joint venture	50	50	4,582	4,596
Phoenix – joint venture	45	45	569	406
			<b>78,592</b>	<b>77,526</b>

**(b) Movement in consolidated carrying amount of equity accounted investments**

Cromwell	Phoenix \$'000	Oyster \$'000	CPA \$'000	Total \$'000
<b>Half-year 31 December 2014</b>				
Carrying value at 1 July 2014	406	4,596	72,524	77,526
Adjustment to initial investment	-	(384)	-	(384)
Share of profit/(loss) <sup>(1)</sup>	163	337	3,974	4,474
Distributions received	-	-	(3,057)	(3,057)
Exchange differences on translation of foreign operation	-	33	-	33
<b>Carrying value 31 December 2014</b>	<b>569</b>	<b>4,582</b>	<b>73,441</b>	<b>78,592</b>
<b>Half-year 31 December 2013</b>				
Carrying value at 1 July 2013	100	-	-	100
Cost of initial investment	-	-	77,632	77,632
Share of profit/(loss) <sup>(1)</sup>	126	-	(7,371)	(7,245)
Carrying value 31 December 2013	226	-	70,261	70,487
<b>Trust</b>			<b>CPA \$'000</b>	<b>Total \$'000</b>
<b>Half-year 31 December 2014</b>				
Carrying value at 1 July 2014	-	-	72,524	72,524
Share of profit/(loss) <sup>(1)</sup>	-	-	3,974	3,974
Distributions received	-	-	(3,057)	(3,057)
<b>Carrying value at 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>73,441</b>	<b>73,441</b>
<b>Half-year 31 December 2013</b>				
Carrying value at 1 July 2013	-	-	-	-
Cost of initial investment	-	-	77,632	77,632
Share of profit/(loss) <sup>(1)</sup>	-	-	(7,371)	(7,371)
Carrying value at 31 December 2013	-	-	70,261	70,261

(1) Share of profit/(loss) includes fair value gain/(loss) on investment properties and interest rate derivatives where applicable.

	<b>Cromwell</b>		<b>Trust</b>	
	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>11. Trade and Other Payables</b>				
Trade payables and accruals	19,470	16,705	16,455	15,285
Lease incentives payable	22,487	6,897	22,487	6,897
Tenant security deposits	955	954	955	954
Other payables	1,727	1,158	679	186
<b>Trade and other payables</b>	<b>44,639</b>	<b>25,714</b>	<b>40,576</b>	<b>23,322</b>

Trade and other payables are generally unsecured, non-interest bearing and paid in cash within 30-60 days of recognition.

Lease incentives payable are generally unsecured, non-interest bearing and paid according to the terms of the underlying lease.

## 12. Borrowings

<b>Current</b>				
Loans – financial institutions - secured	90,500	90,500	90,500	90,500
<b>Borrowings - current</b>	<b>90,500</b>	<b>90,500</b>	<b>90,500</b>	<b>90,500</b>
<b>Non-current</b>				
Loans – financial institutions - secured	902,500	1,019,000	902,500	1,019,000
Unamortised transaction costs	(7,883)	(7,786)	(7,883)	(7,786)
<b>Borrowings – non-current</b>	<b>894,617</b>	<b>1,011,214</b>	<b>894,617</b>	<b>1,011,214</b>
<b>Total</b>				
Loans – financial institutions - secured	993,000	1,109,500	993,000	1,109,500
Unamortised transaction costs	(7,883)	(7,786)	(7,883)	(7,786)
<b>Total borrowings</b>	<b>985,117</b>	<b>1,101,714</b>	<b>985,117</b>	<b>1,101,714</b>

Loans shown above are net of transaction costs which are amortised over the term of the loan.

Details of borrowings of Cromwell at balance date are set out below:

<b>Facility</b>	<b>Note</b>	<b>Secured</b>	<b>Maturity Date</b>	<b>Facility Dec 2014 \$'000</b>	<b>Utilised Dec 2014 \$'000</b>	<b>Facility Jun 2014 \$'000</b>	<b>Utilised Jun 2014 \$'000</b>
Tuggeranong	(i)	Yes	June 2015	90,500	90,500	90,500	90,500
Syndicated Facility - Tranche 1	(ii)	Yes	May 2018	325,507	325,507	422,000	422,000
Syndicated Facility - Tranche 2	(ii)	Yes	May 2019	576,993	576,993	597,000	597,000
<b>Total facilities</b>				<b>993,000</b>	<b>993,000</b>	<b>1,109,500</b>	<b>1,109,500</b>

### (i) Tuggeranong

The loan is secured by a first registered mortgage over Tuggeranong Office Park. The loan matures in June 2015. The loan bears interest at a variable rate based on the 30 day BBSY rate plus a loan margin. No repayments were made during the period (2013: \$nil).

### (ii) Syndicated Facility – Tranches 1 and 2

During the prior year a new Syndicated finance facility was established. The Syndicated finance facility is secured by first registered mortgages over a pool of the investment properties held by the Trust and is split into two tranches, one of \$325,507,000 which expires in May 2018 and one of \$576,993,000 which expires in May 2019. Interest is payable monthly in arrears at variable rates based on the 30 day BBSY rate which was 2.66% at balance date plus a loan margin. The facility was fully drawn during the prior year and the proceeds used to repay all debt facilities other than Tuggeranong. Repayments of \$116,500,000 were made during the current period.

### 13. Contributed Equity

#### (a) Equity attributable to shareholders/unitholders

	<b>Cromwell</b>		<b>Company</b>		<b>CDPT</b>	
	<b>31 Dec 2014 \$'000</b>	<b>30 Jun 2014 \$'000</b>	<b>31 Dec 2014 \$'000</b>	<b>30 Jun 2014 \$'000</b>	<b>31 Dec 2014 \$'000</b>	<b>30 Jun 2014 \$'000</b>
<b>Contributed equity</b>	<b>1,377,949</b>	<b>1,372,093</b>	<b>104,920</b>	<b>104,370</b>	<b>1,273,054</b>	<b>1,267,748</b>

#### Movements in ordinary shares/ordinary units

<b>Half-year 31 December 2014</b>		<b>Cromwell</b>			<b>Company</b>		<b>CDPT</b>	
<b>Date</b>	<b>Details</b>	<b>Number of Securities</b>	<b>Issue Price</b>	<b>\$'000</b>	<b>Issue Price</b>	<b>\$'000</b>	<b>Issue Price</b>	<b>\$'000</b>
1 July 14	Opening balance	1,727,280,850		1,372,093		104,370		1,267,748
14 Aug 14	Dividend reinvestment plan	2,784,973	99.2¢	2,764	9.4¢	262	89.8¢	2,502
15 Sep 14	Exercise of performance rights	646,185	-	-	-	-	-	-
15 Sep 14	Exercise of performance rights	52,851	10.0¢	5	1.0¢	1	9.0¢	4
15 Sep 14	Exercise of performance rights	317,039	20.0¢	63	1.9¢	6	18.1¢	57
25 Sep 14	Exercise of performance rights	136,932	20.0¢	27	1.9¢	3	18.1¢	24
25 Sep 14	Exercise of performance rights	1,913,333	50.0¢	957	4.8¢	91	45.2¢	866
12 Nov 14	Dividend reinvestment plan	2,167,620	95.1¢	2,061	9.1¢	196	86.0¢	1,865
	Transaction costs			(21)		(9)		(12)
		<b>1,735,299,783</b>		<b>1,377,949</b>		<b>104,920</b>		<b>1,273,054</b>
<b>Half-year 31 December 2013</b>								
1 July 13	Opening balance	1,713,721,456		1,360,755		103,323		1,257,707
1 Aug 13	Exercise of performance rights	153,194	-	-	-	-	-	-
1 Aug 13	Exercise of performance rights	60,292	20.0¢	12	1.6¢	1	18.4¢	11
15 Aug 13	Dividend reinvestment plan	3,064,282	97.9¢	2,999	8.0¢	245	89.9¢	2,754
4 Sep 13	Exercise of performance rights	580,000	50.0¢	290	4.7¢	27	45.3¢	263
4 Sep 13	Exercise of performance rights	95,894	20.0¢	19	1.9¢	2	18.1¢	17
4 Sep 13	Exercise of performance rights	47,433	10.0¢	5	0.9¢	1	9.1¢	4
4 Sep 13	Exercise of performance rights	101,378	-	-	-	-	-	-
19 Sep 13	Exercise of performance rights	1,333,333	50.0¢	666	4.7¢	62	45.3¢	604
13 Nov 13	Dividend reinvestment plan	2,325,881	96.2¢	2,237	9.0¢	209	87.2¢	2,028
	Transaction costs			(453)		(24)		(429)
		<b>1,721,483,143</b>		<b>1,366,530</b>		<b>103,846</b>		<b>1,262,959</b>

The basis of allocation of the issue price of stapled securities issued post stapling is determined by agreement between the Company and the Trust as set out in the Stapling Deed.

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

### 13. Contributed Equity (continued)

#### (b) Stapled securities

The ordinary shares of the Company are stapled with the units of CDPT. These entitle the holder to participate in dividends and distributions as declared from time to time and the proceeds on winding up. On a show of hands every holder of stapled securities present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each stapled security is entitled to one vote.

### 14. Non-controlling Interests

	<b>Cromwell</b>		<b>Trust</b>	
	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-controlling interests</b>	<b>1,223,410</b>	<b>1,197,875</b>	<b>6,186</b>	<b>6,313</b>

#### Movements in non-controlling interests

	<b>Cromwell</b>		<b>Trust</b>	
	<b>Half-Year</b>	<b>Half-Year</b>	<b>Half-Year</b>	<b>Half-Year</b>
	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	1,197,875	1,141,028	6,313	4,732
Units issued by subsidiary	-	5,252	-	-
Profit/(loss) for the year	87,430	83,319	86	130
Distributions paid/payable	(67,201)	(64,512)	(213)	(101)
<b>Balance at 31 December</b>	<b>1,223,410</b>	<b>1,165,087</b>	<b>6,186</b>	<b>4,761</b>

### 15. Contingent Liabilities

As disclosed in Cromwell and the Trust's 30 June 2014 annual reports the directors are not aware of any material contingent liabilities and the directors are not aware of any material changes in contingent liabilities of Cromwell or the Trust since the last annual report.

### 16. Commitments

#### (a) Capital expenditure commitments

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

	<b>Cromwell</b>		<b>Trust</b>	
	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within one year	1,242	2,657	-	-
	<b>1,242</b>	<b>2,657</b>	<b>-</b>	<b>-</b>

#### (b) Loan commitments

Cromwell and the Trust have provided Oyster Property Group with a NZD\$8,000,000 loan facility until 30 April 2015. This facility was drawn to NZD\$3,200,000 at 31 December 2014 and fully repaid on 3 February 2015.

Cromwell and the Trust have provided Oyster Property Group with a NZD\$10,000,000 loan facility until 18 May 2015. This facility was drawn to NZD\$500,000 at 31 December 2014.

## 17. Subsequent Events

### *Acquisition of Valad Europe*

On 27 January 2015, Cromwell entered into a conditional share purchase agreement to acquire Valad Europe from Blackstone Real Estate Partners VI and Valad Europe senior management for €145,000,000 (\$206,347,000). The acquisition remains conditional on Cromwell and Valad Europe receiving regulatory approvals from the UK Financial Conduct Authority and the Guernsey Financial Services Commission. These approvals are expected to be received by 9 April 2015, with settlement immediately thereafter.

The acquisition will be funded from the proceeds of a convertible bond (refer below).

### *Issue of convertible bond*

On 4 February 2015, Cromwell issued convertible bonds for the amount of €150,000,000. The convertible bonds rank as unsubordinated, unconditional and unsecured obligations of the issuer (Cromwell SPV Finance Pty Ltd, a newly formed subsidiary of the CDPT), are guaranteed by Cromwell and are listed on the Singapore Exchange Limited.

The convertible bonds have a five year term with a maturity date of 4 February 2020. The coupon rate of the convertible bond is 2.00% per annum paid semi-annually in arrears. The initial conversion price of the convertible bonds is \$1.1503 and each holder of a bond has the right to convert from 17 March 2015 up to seven business days prior to the final maturity date. Cromwell may choose to meet any conversion request by either the issue of stapled securities or via a cash alternative. If all the convertible bonds are converted to stapled securities, under the initial conversion price, this would result in approximately 185,571,000 stapled securities being issued by Cromwell.



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

- (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of Cromwell and the Trust's financial positions as at 31 December 2014 and of their performance, as represented by the results of their operations and their cash flows, for the half-year ended on that date.

In the Directors' opinion:

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

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



P.L. Weightman  
Director

17 February 2015



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BRETT HEADRICK  
WARWICK FACE  
NIGEL BATTERS  
COLE WILKINSON

## Independent Auditor's Review Report

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

### Report on the Half-Year Financial Report

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

We have reviewed the accompanying half-year financial report of Cromwell and the Trust, which comprise the consolidated statements of financial position as at 31 December 2014, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for both Cromwell Corporation Limited and Cromwell Property Securities Limited as responsible entity for the Cromwell Diversified Property Trust.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Cromwell Corporation Limited and the directors of Cromwell Property Securities Limited as responsible entity for the Cromwell Diversified Property Trust (collectively referred to as "the directors") are responsible for the preparation of the half-year financial reports that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Cromwell and the Trust's financial positions as at 31 December 2014 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cromwell Corporation Limited and Cromwell Diversified Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

#### *Conclusion*

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

- (a) giving a true and fair view of Cromwell and the Trust's financial position as at 31 December 2014 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*Pitcher Partners.*

**PITCHER PARTNERS**

*N Batters*

**N BATTERS**

Partner  
Brisbane, Queensland  
17 February 2015