Chairman's Address

Welcome securityholders and guests,

Cromwell's key objective is to provide a secure and growing distribution to our securityholders, and it was pleasing that we were able to continue to increase distributions per security by 3% to 7.86 cents per security in the 2015 Financial Year.

During the year we saw substantial competition for quality commercial property assets in Australia. Face yields remain relatively attractive by international standards and offshore capital continues to pursue opportunities aggressively. This has resulted in cap rate compression across all asset classes, particularly in prime office markets on the east coast.

In response to the high level of investment demand and accompanying market noise, Cromwell has stayed true to its well established strategic objectives. Our balance sheet property strategy remains consistent. We continue to internally manage a property portfolio that provides a solid base of dependable and defensive earnings, balanced by a smaller portfolio of active assets that can deliver outperformance.

During the year we sold a number of non-core active portfolio assets at premia to their book values and to what we consider to be their intrinsic values. The sales proceeds have been recycled into new value-add opportunities, used to reduce debt in accordance with our stated gearing strategy and held in cash for future opportunities.

We have been careful at this point in the investment cycle not to acquire or promote assets that may not offer appropriate risk adjusted returns. The rigorous assessment of potential acquisition opportunities and maintenance of investment disciplines in a consistent manner are of critical importance in ensuring that the interests of our investors are protected.

Investors and capital are increasingly global in nature and the acquisition of Valad Europe in March 2015 was an important initiative for Cromwell. The acquisition transformed Cromwell into a Global Real Estate Investment Manager with offices in 15 countries and investors and capital providers in many more.

The acquisition fits with our stated strategy of growing funds management with a long-term target of delivering 20% of earnings. We believe an 80:20 balance between direct investments and funds management earnings will be beneficial in helping deliver predictable, growing distributions to securityholders through the property cycle.

Importantly a global property platform allows us to build a network of international capital investors and to be in a position to provide them with opportunities that meet the objectives of their investment mandates. We are excited by the opportunities available to grow this part of our business.

I would like to take this opportunity to thank CEO Paul Weightman and all of Cromwell's staff for their collective efforts this year. I would also like to thank my fellow Board members for their support and acknowledge Mr Robert Pullar, who will retire from the Board today and also Mr Daryl Wilson who resigned in February of this year.

Daryl joined Cromwell in August 1999 and had primary responsibility for the finance and funds management functions. Robert joined the Board in 2002 and has been an active contributor to the Board and its Committees. Both Robert and Daryl have contributed enormously to Cromwell's success over the years and we wish them well with their future endeavours.

Finally I would like to thank you, our securityholders for your ongoing support. Cromwell exists for your benefit and I look forward to working with the whole Cromwell team over the next year to continue to serve your best interests.

I would now like to hand over to Managing Director and CEO Paul Weightman.

Thank you.

CEO's Address

Thank you Geoff and welcome securityholders and guests.

Cromwell's Board and management are pleased with the Group's performance in the 2015 Financial Year. Cromwell's operating profit was robust and reflected a clear focus on actively managing our balance sheet property portfolio and growing the funds management business.

During the 2015 Financial Year we saw increases in property investment segment income, property valuations and wholesale funds management earnings as a result of the $207 million acquisition of Valad Europe. Debt interest costs were also lower than in prior years.

We were again able to increase distributions per security by 3% to 7.86 cents per security, up from 7.6 cps in the previous year, and in line with market guidance.

Income from our core property investment segment increased 2.2% to $141.6 million. This was a robust result given soft rental market conditions.

Overall the property portfolio continues to exhibit a very strong tenant profile, with Government owned and funded tenants contributing 45% of rental income and listed companies or their subsidiaries a further 32% of rental income.

Portfolio property valuations increased by $25.4 million, net of capital expenditure and incentives and the portfolio had a Weighted Average Lease Expiry of 6.5 years and vacancy of 5.4%.

Cromwell has two different pools of assets within its property portfolio and maintains separate strategies for each pool:

The core portfolio consists of 14 assets worth $1.6 billion with a WALE of 7.9 years (8.7 if executed Heads of Agreements progress to final documentation). These assets display defensive characteristics and have delivered a weighted property ungeared IRR since acquisition of 13% and an average valuation uplift over costs of 11%.

Assets in our core portfolio have either been acquired at attractive prices at the bottom of a property cycle or are the products of the repositioning of an asset from our active portfolio.

The active portfolio consists of 11 assets worth $0.6 billion with a WALE of 2.4 years (2.6 if executed Heads of Agreements progress to final documentation). These assets offer opportunities for us to deliver outperformance either because of the prices at which they have been acquired, because they have been over-rented or because they can be improved, repurposed or repositioned to generate capital profits.

During the 2015 Financial Year we were a net seller of assets, selling two assets for $244 million and a further two assets for an additional $99 million post June 30. As Geoff mentioned, the proceeds of these sales have been used to reduce debt, have been recycled into other value adding opportunities, or held in cash awaiting the right investment opportunity.

Wholesale funds management earnings increased to $2.6 million as a result of increased activity from our Australian wholesale fund, Cromwell Partners Trust and a part year contribution from Valad Europe.

The acquisition of Valad Europe has provided Cromwell with ownership of an established, well respected European wholesale funds management business that has a broad range of international institutional, banking, assurance, sovereign wealth and pension fund customers.

Valad Europe is a strong cultural and strategic fit with Cromwell. It also has a clear strategy, good track record and a high level of recurring fee income. The business was also acquired on an attractive multiple and has been funded by a Euro denominated convertible bond to manage currency risk.

More importantly the acquisition provides us with local real estate capability in 15 countries and access to a broad range of international capital providers. Capital flows are increasingly global and we want to provide investors with a platform that can meet their objectives. We will focus on growing our funds, and footprint, over time.

Retail funds management earnings were $1.4 million, down from $3.5 million in the previous financial year, mainly due to lower transactional fees. The lower fees reflect our caution with regards to asset acquisitions on behalf of investors at this late stage of the property cycle.

Assets Under Management from the Group’s unlisted direct products and interests in Phoenix Portfolios (45% interest) and New Zealand’s Oyster Property Group (50% interest) still showed solid growth increasing by $0.3 billion to $1.5 billion.

During the year the funds management team scooped two awards at the 2014 Professional Planner/Zenith Fund Awards, picking up the A-REIT award for the second consecutive year and the Direct Property award for the first time.

In New Zealand, the Oyster Property Group continues to perform well. Three syndicates, the New Zealand Racing Board head office in Wellington, Cardinal Logistics Distribution Centre and Albany office building in Auckland, all closed oversubscribed during the year. Assets Under Management grew by 18% to over NZ$733 million reflecting the strong local demand for investment product.

I would also like to take this opportunity to mention the recent sale of the ATO Box Hill Building. We received an unsolicited offer for the building and Cromwell Box Hill Trust unitholders voted in favour of the resolution to sell.

The building was subsequently sold in September for $156 million, 18.6% above the March 2015 valuation of $131.5 million. Cromwell Box Hill Trust unitholders’ original $1.00 investment in December 2012 earned $0.21 per unit in monthly distributions over the life of the Trust and unitholders received a Special Distribution Payment of $1.335 per unit post settlement.

Cromwell continues to adopt a conservative approach to capital management. Group gearing as at 30 June 2015 was 45% up from 42% from 12 months previously, largely as a result of the issue of convertible bonds to fund the accretive acquisition of Valad Europe.

Asset sales post 30 June 2015 have reduced gearing to 42%. Property portfolio gearing, which removes the impact of the convertible bonds, was 36% or 32% on a pro-forma basis. This is towards the lower end of our target range and consistent with our previously stated gearing strategy.

We have hedged future interest rates through an interest rate cap to May 2019. Debt is also well diversified with a weighted average debt expiry of 3.5 years and with 64% not expiring until after the 2019 Financial Year. The debt platform and hedging program initiatives are designed to provide management with a high level of comfort on the quantum and cost of debt over the short and medium term, and provide certainty for our future distributions.

Australia now ranks as one of the world’s largest destinations for commercial real estate investment with Sydney the fourth most popular global gateway city behind only London, New York and Paris when considering international flows. Melbourne is not too far further behind.

This popularity has been driven by the expansionary policies of governments around the world. Their policies have led to record low interest rates and an unprecedented demand for yield. We believe these policies are unsustainable and will eventually, at some point, have to change.

In the short term in Australia, we expect that quality property assets with long leases will remain in high demand. Growth should slow during the year but will remain robust in Sydney and Melbourne. We are also seeing some improvement in the office leasing market in these two cities but the other capital cities remain soft. Our tenant profile partially insulates us from these conditions but we continue to carefully manage and derisk our lease expiry profile.

In Europe volumes are up. Investors are increasingly looking for value add, transformational opportunities in secondary locations, across all market sectors. With 22 offices in 13 countries our European business has the local knowledge and expertise to meet these requirements.

Our strategy remains consistent and we continue to look at opportunities to adjust and strengthen our portfolio. We have a strong balance sheet with low debt and sizable cash reserves, leaving us well positioned to take advantage of future, value adding, opportunities as and when they arise.

We have forecast 2016 Financial Year earnings to be not less than 9.00 cents per security and distributions to be not less than 8.10 cents per security. This is based on conservative assumptions on the level of transactional revenue including promotes and performance fees in our funds management business and on the returns from cash reserves which are assumed to remain on deposit for the full financial year.

I would like to thank the Board for their support over the last 12 months and also to acknowledge the hard work of all of our staff. With over 330 employees in 30 offices in 15 countries, success is very much the product of a team effort.

Thank you.

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About Cromwell Property Group
Cromwell Property Group (ASX:CMW) is a Global Real Estate Investment Manager. The Group is included in the S&P/ASX200. As at 30 June 2015 Cromwell had a market capitalisation in excess of $1.8 billion, a direct property investment portfolio in Australia valued at $2.1 billion, and total assets under management and investment capacity of $11.9 billion across Australia, New Zealand and Europe.