

CROMWELL PROPERTY GROUP

Appendix 4D – Half-Year Report

For the six months ended 31 December 2015

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 2015**. The previous corresponding period is the six month period ended 31 December 2014. This report should be read in conjunction with Cromwell Property Group’s annual report for the year to 30 June 2015 which is available from Cromwell’s website at www.cromwell.com.au.

3. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year 31 Dec 2015 \$A'000	Half-year 31 Dec 2014 \$A'000	% Change
Revenue and other income	301,843	163,579	85%
Profit from operations attributable to stapled security holders as assessed by the directors ⁽¹⁾	88,814	72,861	22%
Basic profit from operations per stapled security as assessed by the directors ^{(1) (2)}	5.1 cents	4.2 cents	21%
Other items (including fair value adjustments)	106,716	14,308	646%
Profit after tax attributable to stapled security holders	195,530	87,169	124%
Basic earnings per stapled security ⁽²⁾	11.2 cents	5.0 cents	124%
Diluted earnings per stapled security ⁽²⁾	11.2cents	5.0 cents	124%
Distributions per stapled security	4.0 cents	3.9 cents	3%
	31 Dec 2015 \$A'000	30 Jun 2015 \$A'000	
Total assets	2,668,837	2,589,094	3%
Net assets	1,432,582	1,294,211	11%
Net tangible assets ⁽³⁾	1,267,548	1,130,674	12%
Net debt ⁽⁴⁾	850,965	1,041,447	(18%)
Gearing (%) ⁽⁵⁾	38%	45%	(16%)
Securities issued	1,747,704	1,739,759	-
NTA per security	\$0.73	\$0.65	12%
NTA per security (excluding interest rate swaps)	\$0.74	\$0.67	10%

- (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 2015 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, intangible assets and deferred tax liabilities.
- (4) Borrowings less cash and cash equivalents and restricted cash.
- (5) Net debt divided by total tangible assets less cash and cash equivalents and restricted cash.

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
31 Dec 2015							
Interim distribution	-	1.9925¢	1.9925¢	34,716	-	30/09/15	11/11/15
Interim distribution	-	1.9925¢	1.9925¢	34,867	-	31/12/15	10/02/16
	-	3.9850¢	3.9850¢	69,583	-		
31 Dec 2014							
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	-		

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 5,423,020 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 2015 %	31 Dec 2014 %	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cromwell Partners Trust	50%	50%	906	3,974
Phoenix Portfolios Pty Ltd	45%	45%	233	163
Oyster Property Group	50%	50%	204	337
			1,343	4,474

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

Phoenix is a boutique equity investment manager jointly owned by Cromwell and Phoenix staff. Phoenix manages a number of Cromwell's unlisted funds. Phoenix was formed and operates in Australia. Cromwell's ownership interest is 45% and holds 50% of issued capital to which voting rights attach. Phoenix is classified as a joint venture as both Cromwell and the staff shareholder have an interest in the net assets of Phoenix Portfolios Pty Ltd and there is no deciding vote for any one investor with decisions for all relevant activities requiring unanimous consent from the shareholders.

7. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS (Continued)

CPA

Cromwell holds a 50% interest in the units of CPA that owns the \$280 million Northpoint Building in the North Sydney CBD. 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 to management of ongoing operations of CPA. All decisions about relevant activities of CPA require unanimous consent of the two unitholders. The entity is therefore classified as a joint venture.

Oyster

Oyster is a New Zealand based retail property fund syndicator that provides fund and property management services throughout New Zealand. Oyster is jointly owned by Cromwell and six original Oyster shareholders. Oyster is classified as a joint venture as 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.

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 2015 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 2015 with the auditors review opinion has been lodged with ASX.



Michael Wilde
Chief Financial Officer
19 February 2016



PROPERTY GROUP

Cromwell Property Group

Half-Year Financial Report

31 December 2015

Consisting of the combined consolidated financial reports of
Cromwell Corporation Limited (ABN 44 001 056 980) and
Cromwell Diversified Property Trust (ARSN 102 982 598)

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)
Michelle McKellar
Richard Foster
Jane Tongs
Marc Wainer
Andrew Konig
Paul Weightman

Secretary:

Lucy Laakso

Share Registry:

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Listing:

Cromwell Property Group is listed as
Stapled security on the Australian
Security Exchange (ASX: CMW)

Auditors:

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All ASX and media releases as well as company news can be found on our webpage www.cromwell.com.au

Directors' Report

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 2015 for both:

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

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
Ms Michelle McKellar	Non-executive Director
Mr Richard Foster	Non-executive Director
Ms Jane Tongs	Non-executive Director
Mr Marc Wainer	Non-executive Director
Mr Andrew Konig	Non-executive Director
Mr Paul Weightman	Managing Director / Chief Executive Officer
Mr Robert Pullar	Non-executive Director (resigned 25 November 2015)
Mr Geoffrey Cannings	Alternate Director for Mr Wainer and Mr Konig (resigned 7 December 2015)

Review of operations and results

Financial performance

Cromwell recorded a profit of \$195,530,000 for the half-year ended 31 December 2015 (2014: profit of \$87,169,000). The Trust recorded a profit of \$185,459,000 for the half-year ended 31 December 2015 (2014: \$87,430,000).

The profit for the half-year includes a number of items which are non-cash in nature or occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities and in the opinion of the Directors, 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 and not considered part of the underlying profit from operations were:

- An increase in the fair value of investment properties of \$105,457,000 (2014: increase of \$27,869,000);
- Net foreign exchange losses on foreign currency borrowings of \$6,020,000 (2014: \$nil); and
- An increase in the fair value of interest rate derivatives of \$3,457,000 (2014: decrease of \$8,901,000).

Cromwell recorded a profit from operations of \$88,814,000 for the half-year ended 31 December 2015 compared with a profit from operations of \$72,861,000 for the previous corresponding period. 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 reviewed by Cromwell's auditor.

Directors' Report

A reconciliation of profit from operations, as assessed by the Directors, to statutory profit is as follows:

	Cromwell	
	Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000
Profit from operations	88,814	72,861
<i>Reconciliation to profit for the year</i>		
Gain on sale of investment property	19,386	1,070
Loss on disposal of other assets	(201)	-
Business combination costs	-	(727)
Other transaction costs	(1,372)	-
Fair value net gain / (write-downs)		
Investment properties	105,457	27,869
Derivative financial instruments	3,457	(8,901)
Investments at fair value through profit or loss	3,567	279
Non-cash property investment income / (expense):		
Straight-line lease income	1,240	3,269
Lease incentive amortisation	(7,432)	(5,550)
Lease cost amortisation	(728)	(588)
Other non-cash expenses:		
Amortisation of finance costs	(3,457)	(1,085)
Net exchange gains / (loss) on foreign currency borrowings	(6,020)	-
Amortisation and depreciation, net of deferred tax expense ⁽¹⁾	(3,972)	(353)
Relating to equity accounted investments ⁽²⁾	(3,227)	(952)
Net foreign exchange gains	60	-
Net tax losses incurred / utilised ⁽³⁾	(42)	(23)
Profit for the half-year	195,530	87,169

(1) Comprises depreciation of plant and equipment and amortisation of intangible assets, including management rights and associated deferred tax liability recognised upon the acquisition of Valad Europe.

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

(3) 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 as well as the impact of changes in the number of securities on issue. Profit from operations and distributions on a per security basis are shown below.

	Half-year ended	
	31 December 2015 Cents	31 December 2014 Cents
	Profit per stapled security	11.21
Profit from operations per stapled security	5.09	4.21
Distributions per security	3.99	3.88

Profit from operations per security for the half-year was 5.09 cents (2014: 4.21 cents). This represents an increase of approximately 20.9% over the previous corresponding period and mainly reflects the increased contribution being made by the funds management business. The change in profit from operations per security has arisen as a result of a number of key factors:

- An increase in Cromwell's earnings from external funds management;
- 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 employee benefits costs and administration costs associated with the acquisition of Valad Europe; and
- A reduction in gearing resulting in a reduction in interest expense.

Directors' Report

Segment contributions

The contribution to profit from operations of each of the 5 segments of Cromwell was:

	Half-year ended 31 December		Half-year ended 31 December	
	2015 \$'000	2015 %	2014 \$'000	2014 %
Property investment (i)	70,404	79.3%	69,744	95.7%
Property / internal funds management (ii)	(1,043)	(1.2%)	2,803	3.8%
External funds management – retail (iii)	8,812	9.9%	168	0.2%
External funds management – wholesale (iv)	10,739	12.1%	293	0.4%
Property development (v)	(98)	(0.1%)	(147)	(0.2%)
Total profit from operations	88,814	100%	72,861	100%

(i) Property investment

During the half-year Cromwell continued to take advantage of the current high prices being paid for assets in the Australian commercial property market through the sale of four buildings. The sale of these buildings was undertaken as Cromwell believes the proceeds can be better deployed into more productive assets in the future. Earnings of the Property Investment segment for the current period are therefore not directly comparable to the previous corresponding period.

One building sold was the Henry Waymouth Centre in Adelaide. This building was acquired in 2003 for \$30,420,000 and was fully leased at the time to Workcover SA. When the lease to Workcover SA expired on 30 June 2012 the building was taken offline and completely refurbished for a cost of \$11,431,000. In July 2014 the building once again became fully leased with the main tenant (74% of NLA) being an ASX Listed entity with a 10 year lease. The building was sold in December 2015 for \$73,000,000 which was 18% above its 30 June 2015 valuation and resulted in a gain on sale of \$10,878,000. This demonstrates Cromwell's ability to reposition assets in order to maximise their value.

The other buildings sold during the half-year were:

- 43 Bridge Street, Hurstville, NSW sold in July 2015 for \$37,000,000 which was 19% above the property's last independent valuation;
- 4 Bligh Street, Sydney, NSW sold in August 2015 for \$68,000,000 which was 10% above the property's last independent valuation; and
- Terrace Office Park, Bowen Hills, QLD sold in September 2015 for \$31,000,000 which was 38% above the property's carrying value resulting in a \$8,507,000 gain on sale.

\$41,400,000 of sale proceeds from the sale of Terrace Office Park and Henry Waymouth Centre were used to repay debt with the balance held in cash.

As a result of the sales, net earnings from the property portfolio after property outgoings costs but before interest expense were \$98,588,000 (2014: \$103,602,000), a decrease of 4.8% on the previous corresponding six month period.

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 1.2% 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.

During the half-year construction commenced for a second and fully leased commercial office building on the surplus land of the Tuggeranong Office Park investment property. Total costs of construction are expected to be \$171,750,000 and will be funded from cash reserves and a new \$159,500,000 loan facility. The building, once completed, which is expected to be in August 2017, will have an NLA of 30,700sqm and be leased for 15 years to the Commonwealth of Australia.

Valuations for investment properties increased by \$98,537,000 during the half year (2014: \$25,000,000), net of property improvements, leasing incentives and lease costs. This is equivalent to an increase in value of approximately 4.7% or 5.6 cents per stapled security from June 2015 valuations.

	Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000
Change in valuations, net of property improvements, lease costs and incentives	98,537	25,000
Non-cash adjustments for straight-lining of rentals and lease amortisation	6,920	2,869
Increase in fair value of investment properties	105,457	27,869

Directors' Report

Increases were concentrated in properties in the Sydney and Melbourne metropolitan areas with long weighted average lease expiries ("WALE"). The single largest increase was for the Qantas Headquarters which has a WALE of 15.6 years. Other large increases were recorded at the 700 Collins Street, Melbourne, investment property where 7,500sqm of vacancies were successfully leased during the half-year, and the 475 Victoria Avenue, Sydney investment property where 9,000sqm of vacancies were successfully leased during the half-year.

Interest expense

Interest expense for the half-year decreased to \$24,805,000 (2014: \$30,263,000). This decrease occurred as a result of reduced borrowings following the repayment of debt from the sale proceeds of the Terrace Office Park and the Henry Waymouth Centre. The average interest rate fell from 5.73% for the year ended 30 June 2015 to 5.27% for the half-year ended 31 December 2015.

The fair value gain of interest rate derivatives of \$1,634,000 (2014: loss of \$8,901,000) arose as a result of Cromwell's policy to hedge a portion of future interest expense. Cromwell has hedged future interest rates through various types of swap contracts over 100% of its debt at 31 December 2015 (2014: 100%) to minimise the risk of changes in interest rates in the future. All hedging contracts expire between February 2016 and May 2019.

(ii) Property management and internal funds management

Property management and internal funds management recorded an operating loss for the half-year of \$1,043,000 (2014: profit of \$2,803,000). Segment revenue was impacted by the sale of four investment properties during the half-year. Staffing levels and associated costs increased compared with the previous corresponding period as a result of the new construction projects at Tuggeranong and Northpoint. In the short term this segment is expected to see subdued performance resulting from the continued sale of properties from the balance sheet.

(iii) External funds management – retail

External retail funds management profit increased to \$8,812,000 for the half-year ended 31 December 2015 from \$168,000 for the half-year ended 31 December 2014. The increased profit for the half-year is mainly attributable to \$6,972,000 earned in performance and disposal fees from Cromwell's unlisted fund, the Cromwell Box Hill Trust which sold its investment property at a 34% premium to its pre-construction "as-if-complete" valuation just after the property reached practical completion.

Total external retail funds under management remained steady at \$1.4 billion compared with 30 June 2015 despite the sale of the Box Hill property and subsequent return of that Trust's funds to its investors. Cromwell's current retail funds open to investors continued to grow. The Cromwell Direct Property Fund increased in invested funds by 12% over the period. The fund acquired its first investment property at 64 Allara Street, Canberra and added another development project to its portfolio being a Bunnings Home Improvements and Hardware Store at Munno Para, South Australia. The Cromwell Phoenix Opportunities Fund, which was launched by Cromwell in December 2014 and is designed to provide a more diversified exposure to listed "small cap" equities, also continued to gain investor interest with an increase in invested funds of almost 60% since 30 June 2015.

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. We continue to invest in a number of initiatives across our retail funds management business which will allow us to continually improve our service offering to investors in both Cromwell and our unlisted funds.

(iv) External funds management – wholesale

External wholesale funds management profit increased to \$10,739,000 (2014: \$293,000) mostly as a result of the contribution of Valad Europe, a pan-European wholesale fund manager which was acquired by Cromwell on 31 March 2015. The European funds management business contributed \$8,812,000, including convertible bond finance costs, for the half-year. The European funds management business has three funds which have investment capacity and during the half-year a total of €290,930,000 of investment properties were successfully acquired for two of the three funds. Other funds are in sell down mode and €960,998,000 of investment properties were sold during the half-year. The resulting acquisition and disposal fees amounted to \$7,273,000 out of total funds management fees of \$39,638,000.

The European funds management business also received a performance fee (promote) during the half-year of \$3,632,000 relating to the Gemini mandate. This workout mandate was awarded to the European business in 2012 by the fund's receiver in order to recover the maximum value from the portfolio which consisted of office, logistics, retail and leisure investment properties located throughout the United Kingdom.

As at 31 December 2015 the European funds management business had €3.65 billion (\$5.46 billion) assets under management and investment capacity of €992 million (\$1.14 billion).

Cromwell's Australian wholesale fund, Cromwell Partners Trust ("CPA") continued with its management of the Northpoint property. The property will undergo a major redevelopment of its retail space. Preliminary construction works associated with the major redevelopment have commenced and resulted in 16% lower earnings from CPA as a number of tenancies needed to be terminated or were not renewed to make way for the works.

(v) 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.

Directors' Report

Financial position

	Cromwell		Trust	
	As at		As at	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015
Total assets (\$'000)	2,668,837	2,589,094	2,573,742	2,489,356
Net assets (\$'000)	1,432,582	1,294,211	1,356,198	1,233,618
Net tangible assets (\$'000) ⁽¹⁾	1,267,548	1,130,674	1,356,198	1,233,618
Net debt (\$'000) ⁽²⁾	850,965	1,041,447	942,361	1,105,186
Gearing (%) ⁽³⁾	38%	45%	39%	45%
Stapled securities issued ('000)	1,747,704	1,739,759	1,747,704	1,739,759
NTA per stapled security	\$0.73	\$0.65	\$0.78	\$0.71
NTA per stapled security (excluding interest rate swaps)	\$0.74	\$0.67	\$0.79	\$0.72

(1) Net assets less deferred tax assets, intangible assets and deferred tax liabilities.

(2) Borrowings less cash and cash equivalents and restricted cash.

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

A total of 9 property assets were externally revalued at December 2015, representing approximately 55% 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 7.19% across the portfolio, compared with 7.84% at June 2015.

Net debt decreased by \$190,482,000 reflecting proceeds from investment property sales which were either used to repay debt or are held in cash at period end. Gearing decreased from 45% to 38% during the half-year as a result of a 4.7% increase in property valuations and \$42.5 million in debt repayments.

An additional 7,945,000 stapled securities were issued during the half-year at an average issue price of \$0.82, comprising the continuing operation of the distribution reinvestment plan which resulted in the issue of 5,423,000 securities during the half-year, whilst a further 2,522,000 were issued due to the exercise of performance rights.

NTA per security has increased during the half-year from \$0.65 to \$0.73, primarily as a result of an increase in property valuations which contributed 5.6 cents to the increase in NTA.

Outlook

Distributions are expected to increase to 2.1075 cents per security from the March 2016 quarter for a total annual distribution of 8.20 cents for the 2016 financial year with profit from operations of no less than 9 cents per stapled security. This result is expected to be underpinned by the performance of Cromwell's funds management business, which contributed 22% to Cromwell's half-year operating result, in line with a target of 20%, and resilient rental income from Cromwell's strong property portfolio. This outcome, if it can be achieved, is a strong endorsement of Cromwell's business model as a global real estate investment manager.

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 soon our cash reserves can be more productively allocated. 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.

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.

Directors' Report

Subsequent events

No matter or circumstance has arisen since 31 December 2015 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.

Rounding of amounts

Cromwell and the Trust are entities 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.

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 Weightman
Director

17 February 2016



PITCHER PARTNERS
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The Directors
Cromwell Corporation Limited and
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Dear Directors

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 2015, 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

N BATTERS
Partner

Brisbane, Queensland
17 February 2016

Consolidated Income Statements

For the half-year ended 31 December 2015

	Notes	Cromwell		Trust	
		Half-year ended		Half-year ended	
		31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Revenue and other income					
Rental income and recoverable outgoings		109,483	120,153	109,324	119,544
Funds management fees		55,726	6,315	-	-
Interest		1,983	3,110	3,797	2,423
Distributions		1,172	168	56	168
Other revenue		209	141	115	17
Gain on sale of investment properties		19,386	1,070	19,386	1,070
Share of profit of equity accounted investments		1,343	4,474	906	3,974
Fair value net gain from:					
Investment properties		105,457	27,869	105,457	27,869
Derivative financial instruments		3,457	-	1,634	-
Investments at fair value through profit or loss		3,567	279	-	279
Net foreign currency gain		60	-	5,442	-
Total revenue and other income		301,843	163,579	246,117	155,344
Expenses					
Property expenses and outgoings		17,815	19,420	20,453	21,605
Funds management costs		894	798	-	-
Property development costs		98	147	-	-
Finance costs		36,581	31,348	34,265	31,348
Employee benefits expense		29,211	10,428	-	-
Administration and overhead costs		11,154	3,912	718	607
Responsible entity fees		-	-	4,998	5,367
Amortisation and depreciation		4,777	353	-	-
Loss on disposal of assets		201	-	128	-
Fair value net loss from:					
Derivative financial instruments		-	8,901	-	8,901
Investments at fair value through profit or loss		-	-	18	-
Business combination costs		-	727	-	-
Other transaction costs		1,372	-	-	-
Total expenses		102,103	76,034	60,580	67,828
Profit before income tax		199,740	87,545	185,537	87,516
Income tax expense		(4,210)	(376)	-	-
Profit for the half-year		195,530	87,169	185,537	87,516
<i>Profit for the half-year is attributable to:</i>					
Company shareholders		10,071	(261)	-	-
Trust unitholders		185,459	87,430	185,459	87,430
Non-controlling interests		-	-	78	86
Profit for the half-year		195,530	87,169	185,537	87,516
Earnings per security					
Basic earnings per company share/trust unit (cents)	5	0.58¢	(0.02¢)	10.63¢	5.05¢
Diluted earnings per company share/trust unit (cents)	5	0.58¢	(0.02¢)	10.60¢	5.03¢
Basic earnings per stapled security (cents)	5	11.21¢	5.03¢		
Diluted earnings per stapled security (cents)	5	11.18¢	5.02¢		

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

Consolidated Statements of Comprehensive Income

For the half-year ended 31 December 2015

	Cromwell		Trust	
	Half-year ended		Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Profit for the year	195,530	87,169	185,537	87,516
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	5,505	33	575	-
Income tax relating to this item	-	-	-	-
Other comprehensive income, net of tax	5,505	33	575	-
Total comprehensive income	201,035	87,202	186,112	87,516
<i>Total comprehensive income for the half-year is attributable to:</i>				
Company shareholders	13,896	(228)	-	-
Trust unitholders	187,139	87,430	186,034	87,430
Non-controlling interests	-	-	78	86
Total comprehensive income	201,035	87,202	186,112	87,516

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

Consolidated Balance Sheets

As at 31 December 2015

	Notes	Cromwell		Trust	
		As at		As at	
		31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Current assets					
Cash and cash equivalents		255,695	108,963	182,395	48,559
Receivables		30,392	18,501	8,856	4,277
Other financial assets		-	23,793	-	-
Current tax assets		-	1,071	-	-
Other current assets		5,733	4,212	3,451	1,635
		291,820	156,540	194,702	54,471
Investment property classified as held for sale		-	36,600	-	36,600
Total current assets		291,820	193,140	194,702	91,071
Non-current assets					
Receivables		1,175	588	223,646	217,623
Investment property	6	2,083,219	2,101,048	2,083,219	2,101,048
Equity accounted investments	7	76,684	77,229	69,260	71,557
Investments at fair value through profit or loss	8	40,180	37,549	1,110	1,993
Inventories		3,000	3,000	-	-
Property, plant and equipment		3,279	3,600	-	-
Derivative financial instruments		1,805	6,064	1,805	6,064
Intangible assets	9	166,551	165,696	-	-
Deferred tax assets		1,124	1,180	-	-
Total non-current assets		2,377,017	2,395,954	2,379,040	2,398,285
Total assets		2,668,837	2,589,094	2,573,742	2,489,356
Current liabilities					
Trade and other payables		45,369	46,262	29,080	32,050
Dividends/distributions payable		34,867	34,708	34,867	34,852
Borrowings	10	6,667	64,293	6,667	40,500
Derivative financial instruments		24,720	28,452	-	14,273
Provisions		3,220	2,840	-	-
Current tax liability		1,404	-	-	-
Unearned income		9,888	10,250	9,763	10,120
Total current liabilities		126,135	186,850	80,377	131,795
Non-current liabilities					
Borrowings	10	1,099,993	1,093,467	1,118,089	1,113,245
Derivative financial instruments		7,104	10,698	19,078	10,698
Provisions		382	574	-	-
Deferred tax liabilities		2,641	3,339	-	-
Total non-current liabilities		1,110,120	1,108,078	1,137,167	1,123,943
Total liabilities		1,236,255	1,294,883	1,217,544	1,255,738
Net assets		1,432,582	1,294,211	1,356,198	1,233,618
Equity					
Contributed equity	11	106,008	105,382	1,283,351	1,277,443
Reserves		15,668	11,458	1,182	607
Retained earnings / (accumulated losses)		(42,243)	(52,314)	65,814	(50,062)
Equity attributable to shareholders / unitholders		79,433	64,526	1,350,347	1,227,988
Non-controlling interests					
Trust unitholders	12	1,353,149	1,229,685	-	-
Non-controlling interests	12	-	-	5,851	5,630
Total equity		1,432,582	1,294,211	1,356,198	1,233,618

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

For the half-year ended 31 December 2015

Cromwell		Attributable to Equity Holders of the Company				Non-controlling interests (Trust)	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
31 December 2015	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		105,382	11,458	(52,314)	64,526	1,229,685	1,294,211
Profit for the half-year		-	-	10,071	10,071	185,459	195,530
Other comprehensive income		-	3,825	-	3,825	1,680	5,505
Total comprehensive income		-	3,825	10,071	13,896	187,139	201,035
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	11	626	-	-	626	5,908	6,534
Dividends / distributions paid / payable	4	-	-	-	-	(69,583)	(69,583)
Employee performance rights		-	385	-	385	-	385
Total transactions with equity holders		626	385	-	1,011	(63,675)	(62,664)
Balance as at 31 December 2015		106,008	15,668	(42,243)	79,433	1,353,149	1,432,582

		Attributable to Equity Holders of the Company				Non-controlling interests (Trust)	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
31 December 2014	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014		104,370	5,929	(44,176)	66,123	1,197,875	1,263,998
Profit for the half-year		-	-	(261)	(261)	87,430	87,169
Other comprehensive income		-	33	-	33	-	33
Total comprehensive income		-	33	(261)	(228)	87,430	87,202
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	11	550	-	-	550	5,306	5,856
Dividends / distributions paid / payable	4	-	-	-	-	(67,201)	(67,201)
Employee performance rights		-	495	-	495	-	495
Total transactions with equity holders		550	495	-	1,045	(61,895)	(60,850)
Balance as at 31 December 2014		104,920	6,457	(44,437)	66,940	1,223,410	1,290,350

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

Consolidated Statements of Changes in Equity

For the half-year ended 31 December 2015

Trust		Attributable to Equity Holders of the CDPT				Non-controlling interests (Trust)	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
31 December 2015	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		1,277,443	607	(50,062)	1,227,988	5,630	1,233,618
Profit for the half-year		-	-	185,459	185,459	78	185,537
Other comprehensive income		-	575	-	575	-	575
Total comprehensive income		-	575	185,489	186,034	78	186,112
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	11	5,908	-	-	5,908	143	6,051
Dividends / distributions paid / payable	4	-	-	(69,583)	(69,583)	-	(69,583)
Total transactions with equity holders		5,908	-	(69,583)	(63,675)	143	(63,532)
Balance as at 31 December 2015		1,283,351	1,182	65,814	1,350,347	5,851	1,356,198

		Attributable to Equity Holders of the CDPT				Non-controlling interests (Trust)	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
31 December 2014	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014		1,267,748	-	(70,430)	1,197,318	6,313	1,203,631
Profit for the half-year		-	-	87,430	87,430	86	87,516
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	87,430	87,430	86	87,516
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	11	5,306	-	-	5,306	-	5,306
Dividends / distributions paid / payable	4	-	-	(67,201)	(67,201)	(213)	(67,414)
Total transactions with equity holders		5,306	-	(67,201)	(61,895)	(213)	(62,108)
Balance as at 31 December 2014		1,273,054	-	(50,201)	1,222,853	6,186	1,229,039

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

Consolidated Statements of Cash Flows

For the half-year ended 31 December 2015

	Cromwell		Trust	
	Half-year ended		Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities				
Receipts in the course of operations	182,440	138,923	123,676	130,905
Payments in the course of operations	(84,057)	(46,084)	(42,671)	(39,134)
Distributions received	4,480	3,280	3,207	3,280
Interest received	2,035	2,645	2,897	2,010
Finance costs paid	(27,372)	(28,767)	(27,535)	(28,767)
Income tax paid	(2,414)	(1,347)	-	-
Net cash provided by operating activities	75,112	68,650	59,574	68,294
Cash flows from investing activities				
Payments for investment properties	(30,728)	(14,088)	(30,728)	(14,088)
Proceeds from sale of investment properties	206,889	207,068	206,889	207,068
Payments for property, plant and equipment	(211)	(1,838)	-	-
Payment for equity accounted investments	(1,362)	(85)	-	-
Proceeds from adjustments to equity accounted investments	-	470	-	-
Payments for investments at fair value through profit or loss	(2,884)	(1,916)	(215)	(1,916)
Proceeds from investments at fair value through profit or loss	4,144	10,689	952	10,689
Payments for intangible assets	(541)	(350)	-	-
Loans to related parties and directors	(9,484)	(4,086)	(8,817)	(2,975)
Repayment of loans by related parties and directors	6,080	-	6,000	-
Transfer from restricted funds	23,793	-	-	-
Payment for other transaction costs	(1,372)	-	-	-
Net cash provided by investing activities	194,324	195,864	174,081	198,778
Cash flows from financing activities				
Proceeds from bank borrowings	7,535	-	7,535	-
Repayment of bank borrowings	(42,511)	(116,500)	(42,511)	(116,500)
Repayment of other borrowings	(23,793)	-	-	-
Payment of loan transaction costs	(1,242)	(1,182)	(1,242)	(1,182)
Proceeds from issue of stapled securities	1,031	1,053	933	953
Equity issue transaction costs	(17)	(25)	(15)	(12)
Payment of dividends / distributions	(63,905)	(62,221)	(64,434)	(62,891)
Payment for derivative financial instruments	-	(16,900)	-	(16,900)
Net cash used in financing activities	(122,902)	(195,775)	(99,734)	(196,532)
Net increase in cash and cash equivalents	146,534	68,739	133,921	70,540
Cash and cash equivalents at 1 July	108,963	117,820	48,559	67,451
Effects of exchange rate changes on cash and cash equivalents	198	-	(85)	-
Cash and cash equivalents at 31 December	255,695	186,559	182,395	137,991

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

Notes to the Financial Statements

For the half-year ended 31 December 2015

1 Basis of preparation

Cromwell Property Group ("Cromwell") was formed by the stapling of Cromwell Corporation Limited ("the Company") and its controlled entities, and the Cromwell Diversified Property Trust ("the 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 of Cromwell and the Trust for the interim half-year reporting period ended 31 December 2015 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 2015 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*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period.

Rounding of amounts

Cromwell and the CDPT are entities 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.

New and amended standards adopted by Cromwell

A number of amended standards became applicable for the current reporting period. However, Cromwell did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Cromwell has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical or professional experience and other factors such as expectations about future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgements made and the key sources of estimates for this half-year end were the same as those applied to the last annual financial report for the year ended 30 June 2015.

3 Segment information

(a) Description of segments

Cromwell has identified its operating segments based on its internal reports which are regularly reviewed and used by the chief executive officer, the chief operating decision maker of Cromwell, in order to make decisions about resource allocation and to assess the performance of Cromwell.

Property investment

The property investment segment represents the ownership of investment properties located throughout Australia. This includes investment properties held by the Trust and Cromwell's equity accounted joint venture investment in Cromwell Partners Trust. Property investment is the Trust's only reportable segment.

Property management and 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 - retail

The establishment and management of external funds for retail investors is considered external retail funds management. Cromwell currently manages nine external retail funds with combined assets under management of \$1.4 billion as at 31 December 2015. Cromwell's joint venture investments in Oyster Property Funds Limited and Phoenix Portfolios Pty Ltd are also reported as external retail funds management.

External funds management - wholesale

The establishment and management of external funds for wholesale investors is considered external wholesale funds management. Cromwell's main activities in this segment currently comprise Valad Europe, which was acquired in the 2015 financial year and the management of Cromwell Partners Trust. The operating segment has combined assets under management of \$5.7 billion as at 31 December 2015.

Property Development

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

Notes to the Financial Statements

For the half-year ended 31 December 2015

(b) Restatement of previously reported segment information

During the 2015 financial year Cromwell changed its internally reported segments, which are regularly reviewed and used by the chief executive officer, to report retail and wholesale funds management separately. Comparative information for the half-year ended 31 December 2014 has been re-stated to reflect the new structure.

(c) Segment results

31 December 2015

	Property investment \$'000	Property / internal funds management \$'000	Funds management – retail \$'000	Funds management – wholesale \$'000	Property development \$'000	Cromwell \$'000
Segment revenue and other income						
Sales – external customers	115,675	3,950	11,469	40,307	-	171,401
Sales – intersegmental	513	8,785	-	-	-	9,298
Operating profit of equity accounted investments	4,112	-	458	-	-	4,570
Distributions	-	-	56	1,116	-	1,172
Interest	1,478	400	73	32	-	1,983
Other revenue	100	104	-	5	-	209
Total segment revenue and other income	121,878	13,239	12,056	41,460	-	188,633
Segment expenses						
Property expenses and outgoings	17,087	-	-	-	-	17,087
Funds management costs	-	-	894	-	-	894
Property development costs	-	-	-	-	98	98
Finance costs	24,805	-	-	2,299	-	27,104
Expenses - intersegmental	8,785	464	44	5	-	9,298
Employee benefits expense	-	10,730	787	17,694	-	29,211
Administration and overhead costs	797	3,240	304	6,813	-	11,154
Total segment expenses	51,474	14,434	2,029	26,811	98	94,846
Income tax expense / (benefit)	-	(152)	1,215	3,910	-	4,973
Segment profit / (loss)⁽¹⁾	70,404	(1,043)	8,812	10,739	(98)	88,814
<i>Reconciliation to reported profit / (loss)</i>						
Gain on sale of investment properties	19,386	-	-	-	-	19,386
Loss on sale of other assets	(128)	(66)	(6)	(1)	-	(201)
Transaction costs not related to ongoing business	-	-	-	(1,372)	-	(1,372)
Fair value net gains / (write-downs):						
Investment properties	105,457	-	-	-	-	105,457
Derivative financial instruments	1,634	-	-	1,823	-	3,457
Investments at fair value through profit or loss	-	-	(18)	3,585	-	3,567
Equity accounted investments	(3,206)	-	(21)	-	-	(3,227)
Non-cash property investment income / (expense):						
Straight-line lease income	1,240	-	-	-	-	1,240
Lease incentive and lease cost amortisation	(8,160)	-	-	-	-	(8,160)
Other expenses:						
Non-operating finance costs	(1,137)	-	-	(8,340)	-	(9,477)
Amortisation and depreciation, net of deferred tax expense	-	(513)	(48)	(3,411)	-	(3,972)
Net foreign exchange gains	-	-	-	60	-	60
Net tax losses utilised	-	5	(39)	(8)	-	(42)
Total adjustments	115,086	(574)	(132)	(7,664)	-	106,716
Profit / (loss)	185,490	(1,617)	8,680	3,075	(98)	195,530

(1) Segment profit / (loss) 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.

Notes to the Financial Statements

For the half-year ended 31 December 2015

31 December 2014

	Property investment \$'000	Property / internal funds management \$'000	Funds management – retail \$'000	Funds management – wholesale \$'000	Property development \$'000	Cromwell \$'000
Segment revenue and other income						
Sales – external customers	122,434	3,469	2,229	617	-	128,749
Sales – intersegmental	434	10,788	-	-	-	11,222
Operating profit of equity accounted investments	4,926	-	500	-	-	5,426
Distributions	-	-	168	-	-	168
Interest	2,423	569	102	16	-	3,110
Other revenue	17	124	-	-	-	141
Total segment revenue and other income	130,234	14,950	2,999	633	-	148,816
Segment expenses						
Property expenses and outgoings	18,832	-	-	-	-	18,832
Funds management costs	-	-	798	-	-	798
Property development costs	-	-	-	-	147	147
Finance costs	30,263	-	-	-	-	30,263
Expenses - intersegmental	10,788	379	51	4	-	11,222
Employee benefits expense	-	8,726	1,521	181	-	10,428
Administration and overhead costs	607	2,884	391	30	-	3,912
Total segment expenses	60,490	11,989	2,761	215	147	75,602
Income tax expense / (benefit)	-	158	70	125	-	353
Segment profit / (loss)⁽¹⁾	69,744	2,803	168	293	(147)	72,861
<i>Reconciliation to reported profit / (loss)</i>						
Gain on sale of investment properties	1,070	-	-	-	-	1,070
Business combination costs	-	-	-	(727)	-	(727)
Fair value net gains / (write-downs):						
Investment properties	27,869	-	-	-	-	27,869
Derivative financial instruments	(8,901)	-	-	-	-	(8,901)
Investments at fair value through profit or loss	-	-	279	-	-	279
Equity accounted investments	(952)	-	-	-	-	(952)
Non-cash property investment income / (expense):						
Straight-line lease income	3,269	-	-	-	-	3,269
Lease incentive and lease cost amortisation	(6,138)	-	-	-	-	(6,138)
Other expenses:						
Non-operating finance costs	(1,085)	-	-	-	-	(1,085)
Amortisation and depreciation, net of deferred tax expense	-	(308)	(42)	(3)	-	(353)
Net tax losses utilised	-	(17)	(6)	-	-	(23)
Total adjustments	15,132	(325)	231	(730)	-	14,308
Profit / (loss)	84,876	2,478	399	(437)	(147)	87,169

(1) Segment profit / (loss) 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.

Notes to the Financial Statements

For the half-year ended 31 December 2015

4 Dividends and distributions

(a) Overview

Cromwell's aim is to provide investors with superior risk adjusted returns, including stable annual distributions. When determining distribution rates Cromwell's board considers a number of factors, including forecast earnings, anticipated capital and lease incentive expenditure requirements over the next three to five years and expected economic conditions.

(b) Distributions for the half-year

Distributions paid / payable by Cromwell and the Trust during the half-year were as follows:

Date paid for the half-year ended		Half-year ended		Half-year ended	
31 December 2015	31 December 2014	31 December 2015 cents	31 December 2014 cents	31 December 2015 \$'000	31 December 2014 \$'000
11 November 2015	12 November 2014	1,9925¢	1,9375¢	34,716	33,580
10 February 2016	11 February 2015	1,9925¢	1,9375¢	34,867	33,621
				69,583	67,201

The June 2015 distribution of \$34,708,000 provided for at 30 June 2015 was paid on 13 August 2015.

5 Earnings per share

(a) Earnings per share / unit

	Company		Trust	
	Half-year ended		Half-year ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Basic earnings per company share / trust unit (cents)	0.58	(0.02¢)	10.63	5.05¢
Diluted earnings per company share / trust unit (cents)	0.58	(0.02¢)	10.60	5.03¢
<i>Earnings used to calculate basic and diluted earnings per company share / trust unit:</i>				
Profit for the half-year (\$'000)	195,530	87,169	185,537	87,516
Less: Profit attributable to non-controlling interests (\$'000)	(185,459)	(87,430)	(78)	(86)
Profit attributable to ordinary equity holders of the company / trust (\$'000)	10,071	(261)	185,459	87,430

(b) Earnings per stapled security

	Cromwell	
	Half-year ended	
	31 December 2015	31 December 2014
Basic earnings per stapled security (cents)	11.21	5.03¢
Diluted earnings per stapled security (cents)	11.18	5.02¢
<i>Earnings used to calculate basic and diluted earnings per stapled security:</i>		
Profit for the half-year attributable to ordinary stapled security holders of Cromwell (\$'000)	195,530	87,169
<i>Weighted average number of stapled securities used in calculating earnings per company share / trust unit / stapled security:</i>		
Weighted average number of securities used in calculating basic earnings per company share / trust unit / stapled security (number)	1,744,398,480	1,731,633,678
Adjustment for calculation of diluted earnings per company share / trust unit:		
Performance rights (number)	4,485,274	5,107,287
Weighted average number of ordinary securities and potential ordinary securities used in calculating earnings per company share / trust unit / stapled security (number)	1,748,883,754	1,736,740,965

Notes to the Financial Statements

For the half-year ended 31 December 2015

6 Investment property

Title	Independent valuation date	Independent valuation		Carrying amount		Fair value adjustment	
		As at		As at		For the half-year ended	
		31-Dec 2015 \$'000	30-Jun 2015 \$'000	31-Dec 2015 \$'000	30-Jun 2015 \$'000	31-Dec 2015 \$'000	31-Dec 2014 \$'000
200 Mary Street, QLD	(1) Jun 2015	70,500	70,500	70,500	70,500	(1,886)	(2,101)
Terrace Office Park, QLD	(1) SOLD	-	22,000	-	22,000	-	(1,939)
Oracle Building, ACT	(2) Jun 2015	28,100	28,100	28,100	28,100	131	207
Henry Waymouth Centre, SA	(1) SOLD	-	62,100	-	62,100	-	1,438
Village Cinemas, VIC	(1) Dec 2015	14,500	14,250	14,500	14,500	20	(242)
Vodafone Call Centre, TAS	(1) Jun 2015	5,000	5,000	4,000	5,000	(861)	(3,903)
Regent Cinema Centre, NSW	(1) Dec 2015	14,000	13,700	14,000	14,350	(348)	104
700 Collins Street, VIC	(1) Dec 2015	218,000	175,000	218,000	195,000	23,227	3,678
19 National Circuit, ACT	(2) Jun 2015	28,500	28,500	28,500	28,500	80	80
475 Victoria Avenue, NSW	(1) Dec 2015	167,000	142,000	167,000	142,000	20,390	851
Synergy, QLD	(1) Dec 2015	75,000	71,000	75,000	70,000	5,956	(205)
Tuggeranong Office Park, ACT	(2) Jun 2015	107,000	107,000	122,689	109,298	(5,012)	(832)
TGA Complex, ACT	(2) Jun 2015	51,000	51,000	50,000	51,000	(1,005)	(1,671)
203 Coward Street, NSW	(2) Dec 2015	400,000	345,000	400,000	353,000	45,487	5,167
HQ North, QLD	(1) Jun 2015	200,000	200,000	201,800	200,000	(17)	(213)
Bundall Corporate Centre, QLD	(1) Dec 2015	80,000	71,000	80,000	71,000	8,848	545
43 Bridge Street, NSW	(1) SOLD	-	-	-	-	-	(418)
13 Keltie Street, ACT	(2) Jun 2015	53,600	53,600	53,600	53,600	(111)	(1,535)
Sturton Road, SA	(1) Dec 2015	1,630	1,800	1,630	1,800	(170)	(300)
147-163 Charlotte Street, QLD	(1) Jun 2015	35,000	35,000	39,000	35,000	3,656	(7)
146-160 Mary Street, QLD	(1) Jun 2015	39,500	39,500	39,000	39,500	(532)	(8)
4-6 Bligh Street, NSW	(1) SOLD	-	62,000	-	67,400	-	2,985
117 Bull Street, NSW	(1) Jun 2015	18,500	18,500	18,500	18,500	(8)	594
11 Farrer Place, NSW	(1) Jun 2015	24,700	24,700	24,700	24,700	-	700
207 Kent Street, NSW	(1) Jun 2015	200,000	200,000	201,000	200,000	171	7,733
84 Crown Street, NSW	(1) Jun 2015	29,200	29,200	29,200	29,200	(34)	987
2-24 Rawson Place, NSW	(1) Dec 2015	170,000	158,000	170,000	162,500	7,500	15,224
2-6 Station Street, NSW	(1) Jun 2015	32,500	32,500	32,500	32,500	(25)	950
Total investment properties		2,063,230	2,060,950	2,083,219	2,101,048	105,457	27,869

Title: (1) Freehold;
(2) Leasehold.

(a) Movements in investment property

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

	Cromwell		Trust	
	Half-year ended		Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Balance at 1 July	2,101,048	2,249,470	2,101,048	2,249,470
Capital works				
Property improvements	19,399	3,706	19,399	3,706
Lifecycle	1,421	4,615	1,421	4,615
Disposals	(150,903)	(205,849)	(150,903)	(205,849)
Straight-lining of rental income	1,240	3,269	1,240	3,269
Lease costs and incentives	13,717	21,308	13,717	21,308
Amortisation of leasing costs and incentives	(8,160)	(6,138)	(8,160)	(6,138)
Net gain / (loss) from fair value adjustments	105,457	27,869	105,457	27,869
Balance at 31 December	2,083,219	2,098,250	2,083,219	2,098,250

Notes to the Financial Statements

For the half-year ended 31 December 2015

(b) Investment properties sold

Details of investment properties sold are as follows:

31 December 2015	Gross sale price \$'000	Carrying amount at 30 June 2015 \$'000	Last independent valuation \$'000	Gain on sale recognised during the period \$'000
Terrace Office Park, QLD	31,000	22,000	22,000	8,507
Henry Waymouth Centre, SA	73,000	62,100	62,100	10,878
4-6 Bligh Street, NSW ⁽¹⁾	68,000	67,400	62,000	20
43 Bridge Street, NSW ⁽¹⁾	37,000	36,600	31,000	(19)
Total investment property sold during the half-year	209,000	188,100	177,100	19,386

⁽¹⁾ Both investment properties, 4-6 Bligh Street, NSW and 43 Bridge Street NSW, were carried at their expected sale price. The difference between the sale price and independent valuation amount was recognised as a fair value gain in the 2015 financial year. 43 Bridge Street, NSW was classified as investment property held for sale as at 30 June 2015 as the sale contract for the property was unconditional as at that date.

During the corresponding previous half-year ended 31 December 2014 Cromwell sold the investment property located at 321 Exhibition Street, VIC for \$208,000,000. This property was carried at \$205,920,000 at 30 June 2014. The last independent valuation prior to the sale of the property was \$190,000,000. A gain on sale of \$1,070,000 was recognised during the half-year ended 31 December 2014.

(b) Investment property under construction

In May 2015 Cromwell and the Trust commenced the construction of a second \$172 million building on the excess land at Tuggeranong Office Park in the ACT. The Commonwealth of Australia has agreed to a 15 year lease of the modern 30,700 square metre property due to commence in mid / late 2017. Cromwell and the Trust spent \$18,391,000 on construction costs (including interest on the project funding facility) during the half-year. These costs are included in the carrying amount of the Tuggeranong Office Park investment property.

7 Equity accounted investments

(a) Investment details

At balance date Cromwell had investments in the following joint ventures, Phoenix Portfolios Pty Ltd ("Phoenix"), Oyster Property Funds Limited ("Oyster") and Cromwell Partners Trust ("CPA") which is held by the Trust.

Phoenix

Phoenix is a boutique equity investment manager jointly owned by Cromwell and Phoenix staff. Phoenix manages a number of Cromwell's unlisted funds. Phoenix was formed and operates in Australia. Cromwell's ownership interest is 45% and holds 50% of issued capital to which voting rights attach. Phoenix is classified as a joint venture as both Cromwell and the staff shareholder have an interest in the net assets of Phoenix Portfolios Pty Ltd and there is no deciding vote for any one investor with decisions for all relevant activities requiring unanimous consent from the shareholders.

Oyster

Oyster is a New Zealand based retail property fund syndicator that provides fund and property management services throughout New Zealand. Oyster is jointly owned by Cromwell and six original Oyster shareholders. Oyster is classified as a joint venture as 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.

CPA

Cromwell holds a 50% interest in the units of CPA that owns the \$280 million Northpoint Building in the North Sydney CBD. The remaining 50% of the units in CPA are held by a single investor. A unit holder agreement between Cromwell and the other investor limits the power of the trustee to management of ongoing operations of CPA. All decisions about relevant activities of CPA require unanimous consent of the two unitholders. The entity is therefore classified as a joint venture.

Notes to the Financial Statements

For the half-year ended 31 December 2015

	Ownership interest as at		Carrying amount as at	
	31 December 2015 %	30 June 2015 %	31 December 2015 \$'000	30 June 2015 \$'000
Cromwell and Trust equity accounted investments:				
CPA – joint venture (owned by Trust)	50	50	69,260	71,557
Cromwell equity accounted investments:				
Oyster – joint venture	50	50	6,587	4,911
Phoenix joint venture	45	45	837	761
Total equity accounted investments			76,684	77,229

(b) Carrying amounts of equity accounted investments

	As at 31 December 2015			As at 30 June 2015		
	Phoenix \$'000	Oyster \$'000	CPA \$'000	Phoenix \$'000	Oyster \$'000	CPA \$'000
<i>Summarised balance sheets:</i>						
Total assets	2,662	8,010	286,231	2,392	4,249	290,479
Total liabilities	803	5,257	147,710	702	2,007	147,364
Net assets	1,859	2,753	138,521	1,690	2,242	143,115
<i>Carrying amount of investment:</i>						
Cromwell's share of equity (%)	45%	50%	50%	45%	50%	50%
Cromwell's share of net assets	837	1,376	69,260	761	1,121	71,557
Goodwill	-	5,211	-	-	3,790	-
Carrying amount	837	6,587	69,260	761	4,911	71,557

	Half-year ended 31 December 2015			Half-year ended 31 December 2014		
	Phoenix \$'000	Oyster \$'000	CPA \$'000	Phoenix \$'000	Oyster \$'000	CPA \$'000
<i>Movement in carrying amounts:</i>						
Opening balance at 1 July	761	4,911	71,557	406	4,596	72,524
Additional investment ⁽¹⁾	-	1,362	-	-	-	-
Adjustment to initial acquisition consideration	-	-	-	-	(384)	-
Share of profit	233	204	906	163	337	3,974
Less: dividends/distributions received	(157)	-	(3,203)	-	-	(3,057)
Foreign exchange differences	-	110	-	-	33	-
Carrying amount at 31 December	837	6,587	69,260	569	4,582	73,441

(1) Pursuant to the shareholder agreement between Cromwell and the initial shareholders, Cromwell was required to pay an additional NZD 1.5 million acquisition consideration, if Oyster met certain performance targets for the financial year ended 30 June 2015.

8 Investments at fair value through profit or loss

	Cromwell		Trust	
	As at		As at	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Investments in Cromwell unlisted funds	1,110	1,993	1,110	1,993
Investments in wholesale funds	39,070	35,556	-	-
Total investments at fair value through profit or loss	40,180	37,549	1,110	1,993

These investments are designated at fair value through profit or loss. Cromwell received distributions of \$1,172,000 during the half-year from these investments (2014: \$168,000). The Trust received distributions of \$56,000 during the half-year from its investments (2014: \$168,000).

For details about the fair value of financial instruments refer to note 13.

Notes to the Financial Statements

For the half-year ended 31 December 2015

9 Intangible assets

(a) Overview

Cromwell's intangible assets consist of:

- goodwill relating to Cromwell's acquisition of Valad Europe during the last financial year;
- management rights relating to Cromwell's acquisition of Valad Europe during the last financial year; and
- software assets.

Goodwill is an intangible asset with an indefinite useful life and is therefore not amortised. Goodwill is tested annually for impairment. The impairment test is generally performed on 30 June each year, being the financial year end.

Management rights relate to contractual rights to fund management fees in place at the date of acquisition of Valad Europe. Management rights are amortised over the length of the fund mandate.

Software is amortised on a straight-line basis over three years.

(b) Movements in intangible assets

	Goodwill \$'000	Management rights \$'000	Software \$'000	Total \$'000
Balance at 1 July 2015	147,683	16,695	1,318	165,696
Additions	-	-	540	540
Disposals	-	-	(19)	(19)
Amortisation	-	(4,027)	(244)	(4,271)
Foreign exchange differences	4,067	538	-	4,605
Balance at 31 December 2015	151,750	13,206	1,595	166,551
Balance at 1 July 2014	-	-	1,120	1,120
Additions	-	-	350	350
Amortisation	-	-	(236)	(236)
Balance at 31 December 2014	-	-	1,234	1,234

10 Borrowings

	Cromwell		Trust	
	As at		As at	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Current				
<i>Secured</i>				
Loans – financial institutions	6,667	40,500	6,667	40,500
<i>Unsecured</i>				
Loan notes	-	23,793	-	-
	6,667	64,293	6,667	40,500
Non-current				
<i>Secured</i>				
Loans – financial institutions	901,357	902,500	901,357	902,500
<i>Unsecured</i>				
Convertible bond	209,427	202,025	224,484	218,468
Unamortised transaction costs	(10,791)	(11,058)	(7,752)	(7,723)
	1,099,993	1,093,467	1,118,089	1,113,245
Total				
Secured loans – financial institutions	908,024	943,000	908,024	943,000
Loan notes	-	23,793	-	-
Unsecured convertible bond	209,427	202,025	224,484	218,468
Unamortised transaction costs	(10,791)	(11,058)	(7,752)	(7,723)
Total borrowings	1,106,660	1,157,760	1,124,756	1,153,745

Notes to the Financial Statements

For the half-year ended 31 December 2015

(a) Borrowing details

	Note	Secured	Maturity Date	As at 31 December 2015		As at 30 June 2015	
				Facility \$'000	Utilised \$'000	Facility \$'000	Utilised \$'000
Syndicated facility – Tranche 1	(i)	Yes	May-18	291,217	291,217	325,507	325,507
Syndicated facility – Tranche 2	(i)	Yes	May-19	569,883	569,883	576,993	576,993
Tuggeranong – Tranche A	(ii)	Yes	Jun-18	39,389	39,389	40,500	40,500
Tuggeranong – Tranche B	(ii)	Yes	Jun-18	159,500	7,535	-	-
Convertible bond	(iii)	No	Feb-20	224,484	224,484	218,468	218,468
Loan notes	(iv)	No	Sep-15	-	-	23,793	23,793
Total borrowing facilities				1,284,473	1,132,508	1,185,261	1,185,261

(i) Syndicated facility – tranche 1 and 2

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 \$291,217,000 which expires in May 2018 and one of \$569,883,000 which expires in May 2019. Interest is payable monthly in arrears at variable rates based on the 30 day BBSY rate which was 2.11% (30 June 2015: 2.09%) at balance date plus a loan margin. The facility was fully drawn at balance date.

(ii) Tuggeranong facility – tranche A and B

During the half-year Cromwell and the Trust refinanced the short-term extension of the Tuggeranong debt facility which expired in October 2015. The new facility, which expires in June 2018, is split into two tranches. Tranche A refinanced to existing \$40.5 million debt facility and requires monthly repayments of \$556,000 for 18 months. Tranche B with a total facility limit of \$159.5 million is used as project funding for the construction of a modern 30,700 square metre building on surplus land of the existing Tuggeranong Office Park property.

(iii) Convertible bond

At period end 1,500 (30 June 2015: 1,500) convertible bonds with a face value of €100,000 each were on issue with a gross face value of €150,000,000 or \$224,484,000 (30 June 2015: \$218,468,000). The bonds bear an interest rate of 2%. There have been no changes to the terms and conditions of the convertible bond since the last annual financial report for the year ended 30 June 2015.

The convertible bonds are presented in the balance sheets as follows:

	Cromwell		Trust	
	Half-year ended		Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Face value of bonds issued – February 2015	220,070	-	220,070	-
Derivative financial instruments – conversion feature	(17,892)	-	-	-
Convertible bond carrying amount at inception	202,178	-	220,070	-
Movements in exchange rate and amortisation of conversion feature – previous periods	(153)	-	(1,602)	-
Carrying amount at 1 July	202,025	-	218,468	-
Amortisation of conversion feature to account for effective interest rate – current period	1,882	-	-	-
Movements in exchange rate – current period	5,520	-	6,016	-
Carrying amount at period end	209,427	-	224,484	-

The conversion feature of the convertible bond represents an embedded derivative financial instrument in the host debt contract. The embedded derivative is measured at fair value and deducted from the carrying amount of the convertible bond (which is carried at amortised cost) and separately disclosed as a derivative financial liability on the face of the balance sheet. The conversion feature represents the parent entity's obligation under the convertible bond terms and conditions to issue Cromwell stapled securities should bond holders exercise their conversion option. The Trust's borrowing obligation in respect of the convertible bond is considered to be the gross amount payable of the convertible bond.

(iv) Loan notes

Pursuant to the Share Purchase Agreement to acquire Valad Europe the portion of the cash consideration paid to acquire the interests of two executives of Valad Europe, being €16,336,000, was lent back on a short-term basis to Cromwell via loan notes. These notes were repaid in full during the half-year.

Notes to the Financial Statements

For the half-year ended 31 December 2015

(b) Finance costs

	Cromwell		Trust	
	Half-year ended		Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Total Interest	27,487	30,263	27,433	30,263
Less: interest capitalised	(383)	-	(383)	-
Interest expense	27,104	30,263	27,050	30,263
Amortisation of loan transaction costs	3,457	1,085	1,195	1,085
Net exchange (gains) / losses on foreign currency borrowings	6,020	-	6,020	-
Total finance costs	36,581	31,348	34,265	31,346

The interest capitalised during the period relates to the Tuggeranong – Tranche B project facility for the construction of the second Tuggeranong Office Park building. Interest on this facility is capitalised until the project is completed which is expected to be in mid / late 2017.

11 Contributed equity

(a) Overview

The shares of Cromwell Corporation Limited (the "Company") and the units of Cromwell Diversified Property Trust (the "CDPT") are combined and issued as stapled securities. The shares of the Company and units of the CDPT cannot be traded separately and can only be traded as stapled securities.

Below is a summary of contributed equity of the Company and the CDPT separately and for Cromwell's combined stapled securities. The basis of allocation of the issue price of stapled securities to Company shares and CDPT units post stapling is determined by agreement between the Company and the CDPT as set out in the Stapling Deed.

	Cromwell stapled securities		Company shares		CDPT units	
	As at		As at		As at	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Contributed equity	1,389,334	1,382,800	106,008	105,382	1,283,351	1,277,443

(b) Movements in contributed equity

The following reconciliation summarises the movements in contributed equity. Issues of a similar nature have been grouped and the issue price shown is the weighted average. Detailed information on each issue of stapled securities is publicly available via the ASX.

	Number of securities	Cromwell stapled securities		Company shares		CDPT units	
		Issue price	\$'000	Issue price	\$'000	Issue price	\$'000
Opening balance 1 July 2014	1,727,280,850	-	1,372,093	-	104,370	-	1,267,748
Exercise of performance rights	3,066,340	34.3¢	1,052	3.3¢	101	31.0¢	951
Distribution reinvestment plan	4,952,593	97.4¢	4,825	9.3¢	458	88.1¢	4,367
Transaction costs	-	-	(21)	-	(9)	-	(12)
Balance at 31 December 2014	1,735,299,783	-	1,377,949	-	104,920	-	1,273,054
Distribution reinvestment plan	4,459,515	109.1¢	4,867	10.4¢	463	98.7¢	4,404
Transaction costs	-	-	(16)	-	(1)	-	(15)
Balance at 30 June 2015	1,739,759,298	-	1,382,800	-	105,382	-	1,277,443
Exercise of performance rights	2,522,034	40.9¢	1,031	3.9¢	98	37.0¢	933
Distribution reinvestment plan	5,423,020	101.8¢	5,520	9.8¢	530	92.0¢	4,990
Transaction costs	-	-	(17)	-	(2)	-	(15)
Balance at 31 December 2015	1,747,704,352	-	1,389,334	-	106,008	-	1,283,351

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.

Notes to the Financial Statements

For the half-year ended 31 December 2015

12 Non-controlling interests

(a) Overview

Non-controlling interests in Cromwell are the Trust unitholders. Non-controlling interests in the Trust is an 8% equity holding of the Company in a subsidiary trust of the Trust. There are no non-controlling interests external to Cromwell.

	Cromwell		Trust	
	As at		As at	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Non-controlling interests	1,353,149	1,229,685	5,851	5,630

(b) Movements in non-controlling interests

	Cromwell		Trust	
	Half-year ended		Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Balance at 1 July	1,229,685	1,197,875	5,630	6,313
Units issued by CDPT	5,908	5,306	-	-
Units issued by subsidiary	-	-	143	-
Profit for the half-year	185,459	87,430	78	86
Other comprehensive income for the half-year	1,680	-	-	-
Distributions paid / payable	(69,583)	(67,201)	-	(213)
Balance at 31 December	1,353,149	1,223,410	5,851	6,186

13 Fair value disclosures – financial instruments

(a) Fair value hierarchy

This note provides an update on the fair value measurements of financial instruments since the last annual financial report, including estimates and judgements made to determine the fair value of financial instruments.

Cromwell uses a number of methods to determine the fair value of its financial instruments as described in AASB 13 *Fair Value Measurement*. The methods comprise the following:

- 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 classification into different levels provides an indication about the reliability of the inputs used in determining fair value with level 1 measurements using the most reliable inputs and level 3 using the least reliable inputs as they are based on judgements and estimates.

Notes to the Financial Statements

For the half-year ended 31 December 2015

The table below presents Cromwell's and the Trust's financial assets and financial liabilities measured and carried at fair value at the end of the period:

Cromwell	As at 31 December 2015				As at 30 June 2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value								
Investments at fair value through profit or loss	-	1,110	39,070	40,180	-	1,993	35,556	37,549
Derivative financial instruments								
Interest rate swaps	-	1,805	-	1,805	-	6,064	-	6,064
	-	2,915	39,070	41,985	-	8,057	35,556	43,613
Financial liabilities at fair value								
Derivative financial instruments								
Interest rate swaps	-	19,078	-	19,078	-	24,791	-	24,791
Convertible bond	-	12,746	-	12,746	-	14,179	-	14,179
	-	31,824	-	31,824	-	38,970	-	38,970
Trust								
	As at 31 December 2015				As at 30 June 2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value								
Investments at fair value through profit or loss	-	1,110	-	1,110	-	1,993	-	1,993
Derivative financial instruments								
Interest rate swaps	-	1,805	-	1,805	-	6,064	-	6,064
	-	2,915	-	2,915	-	8,057	-	8,057
Financial liabilities at fair value								
Derivative financial								
Interest rate swaps	-	19,078	-	19,078	-	24,791	-	24,791
	-	19,078	-	19,078	-	24,791	-	24,791

There were no transfers between levels during the half-year.

(b) Valuation techniques

(i) 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.

Fair value of investments at fair value through profit or loss

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

Fair value of interest rate swaps

Level 2 financial assets and financial liabilities held by Cromwell include "Vanilla" fixed to floating interest rate swap 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.

Fair value of conversion feature – convertible bond

The fair value of the convertible bond conversion feature has been determined by comparing the market value of the convertible bond to the value of a bond with the same terms and conditions but without an equity conversion feature (bond floor). The difference between the two types of bonds is considered to represent the fair value of the conversion feature of the convertible bond.

Notes to the Financial Statements

For the half-year ended 31 December 2015

(ii) *Valuation techniques used to derive level 3 fair values*

If the fair value of financial instruments is determined using valuation techniques and if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Fair value of investments at fair value through profit or loss

Level 3 assets held by Cromwell include co-investments in Valad Europe managed wholesale property funds. The fair value of the investment is determined based on the value of the underlying assets held by the fund. The assets of the fund are subject to regular external valuations which are based on discounted net cash inflows from expected future income and/or comparable sales of similar assets. Appropriate discount rates determined by the independent valuer are used to determine the present value of the net cash inflows based on a market interest rate adjusted for the risk premium specific to each asset. The fair value is determined using valuation techniques that are not supported by prices from an observable market. The fair value of these investments recognised in the statement of financial position could change significantly if the underlying assumptions made in estimating the fair values were significantly changed.

(c) Movement in financial instruments measured at fair value using unobservable inputs (level 3)

The following table presents changes in level 3 financial instruments for the half-year ended 31 December 2015:

Cromwell	Investments at fair value through profit or loss \$'000
Opening balance at 1 July 2015	35,556
Additions	2,670
Disposals / returns	(2,332)
Fair value gains during the period	3,585
Foreign exchange differences	(409)
Closing balance at 31 December 2015	39,070

(d) Fair values of other financial instruments not measured at fair value

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 (other than the convertible bond) 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 the carrying value due to their relatively short-term nature.

The convertible bond is traded on the Singapore Exchange (SGX). At balance date the fair value of issued convertible bonds was €146,057,000 (\$218,583,000) compared to a carrying amount of €150 million (\$224,484,000).

14 Contingent liabilities

As disclosed in Cromwell and the Trust's 30 June 2015 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.

15 Commitments

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

	Cromwell		Trust	
	As at		As at	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Investment property	136,112	158,315	136,112	158,315

16 Subsequent events

No matter or circumstance has arisen since 31 December 2015 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.

Directors' Declaration

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"):

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of Cromwell and the Trust's financial positions as at 31 December 2015 and of their performance, as represented by the results of their operations and their cash flows, for the half-year ended on that date.

- (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 2016



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NORMAN THURECHT
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WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN

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 balance sheets as at 31 December 2015, 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 2015 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 2015 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
Partner

Brisbane, Queensland
17 February 2016

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