Chairman's Address

Welcome securityholders and guests,

Cromwell's key objective is to provide secure, stable and growing distributions for securityholders, and we are pleased that we were able to increase distributions per security by 4.3% to 8.20 cents per security in the 2016 Financial Year. These results were ahead of previous market forecasts and consistent with our trend of growing distributions through the property cycle.

The 2016 Financial Year saw continued heightened competition for quality commercial property assets throughout Australia. Offshore capital currently comprises approximately 50% of transaction volumes and international interest in investing in Australia remains high.

Cross-border capital is the 'market maker' in every major commercial real estate market bar the largest, the USA. Capital providers are now increasingly making allocation decisions on a global basis, trading off the pros and cons of investing in key destination cities from London to Paris, New York, Shanghai and Tokyo to Sydney and Melbourne. This is the market in which we now compete.

The last few months have also contained some surprises. In June Britain voted by a narrow majority to leave the European Union, and then, earlier this month Americans voted to elect Donald Trump as their next President.

These two results were unexpected by most and it is likely to take some time before their impact is fully understood. However, ten year Australian Government bond yields have already risen steeply from a low six months ago. With further increases forecast it will be interesting to see how many boats, lifted over the last few years by the rising tide of monetary stimulus and artificially low interest rates, are left high and dry by an outgoing tide.

As you have come to expect, Cromwell remains true to its strategic objectives. We continue to target an 80:20 balance between direct property investments and funds management earnings which we believe will help to provide secure, stable and growing distributions through the property cycle.

Our balance sheet direct 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.

Last year we achieved 18% of earnings from funds management. We will continue to integrate our global platform, talk to capital partners and develop new products. It was particularly pleasing to see the recent successful launch and first close of the Cromwell European Cities Income Fund and there are a number of other exciting initiatives in the pipeline that will help us achieve our target.

I would like to take this opportunity to thank my fellow Board members and all of Cromwell's staff for their collective efforts again this year. We are here for the simple purpose of continuing to deliver secure, stable and growing distributions for our securityholders and we will be doing our absolute utmost to make sure we deliver on this again next year.

I would now like to hand over to CEO and Managing Director 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 2016 Financial Year. Cromwell's operating profit of $164.5 million for the year to 30 June 2016 was a strong result boosted by a number of one-off transactional items.

Operating profit per security was 9.41 cents per security and as Geoff said, distributions per security increased 4.3% to 8.20 cents per security.

Cromwell's strategy of realising gains and recycling capital, and its internal management model, has created value from the active management of assets, generated performance fees, and allowed us to act opportunistically and to effectively manage downside risk.

During the last financial year property portfolio valuations increased by $250.3 million net of property improvements, leasing costs and incentives. Net property earnings, on a like for like basis, increased 1.6% with increases in rental income being offset by some vacancy in Brisbane and Canberra.

Overall tenant quality remains strong with Government and government related entities contributing 46% of gross income. As at 30 June 2016, the portfolio had a Weighted Average Lease Expiry of 6.3 years and a vacancy rate of 10.6% compared to the national CBD office average of 11.9%.

Our New South Wales and Victorian assets continue to perform well and we are actively managing the vacancy in our Queensland and Canberra assets. We expect tenant demand, outside of Sydney, to remain weak resulting in subdued growth in like for like property income in the next few years.

Cromwell was a net seller of assets in the financial year selling $209 million of assets with a net gain of $19.4 million, equivalent to 1.1 cents per security. The assets sold were:

- 43 Bridge Street, Hurstville, NSW which sold for $37 million in July 2015
- 4 Bligh Street, Sydney, NSW which sold for $68 million in August 2015
- Terrace Office Park, Brisbane, QLD which sold for $31 million in September 2015
- 100 Waymouth Street, Adelaide, SA which sold for $73 million in December 2015

A proportion of the proceeds were used to repay debt with the balance being held as cash. Given the heightened competition for assets in all markets, Cromwell's preference is to continue to recycle capital from disposals to value adding opportunities in its existing portfolio.

With that in mind we are continuing to invest $300 million for the future with the redevelopment of Northpoint Tower in North Sydney and the development of the new Department of Social Services national headquarters at Tuggeranong Office Park in ACT.

Both projects are on track and will contribute earnings growth and valuation uplifts in the near future. Construction is underway at Northpoint while construction has just finished at Tuggeranong. We are also delighted that Tuggeranong has just officially been awarded a 5 Star - Green Star rating representing 'Australian Excellence' in environmentally sustainable building practices.

External funds management earnings increased to $29.0 million from $4.0 million in 2015. The wholesale component of earnings increased substantially from $2.6 million to $19.0 million reflecting high trading activity and a full twelve months' contribution from Europe.

Total Assets Under Management increased to $10.3 billion. An increase in retail external AUM from the Group's unlisted direct products and interests in Phoenix Portfolios and New Zealand's Oyster Group offset lower wholesale AUM resulting from the realisation of assets in Europe.

During the year Cromwell's European business traded €2.4 billion in assets on behalf of investors and had investment capacity of €1.0 billion as at 30 June 2016. The high level of trading activity has generated good transactional fees even though we have been cautious in deploying the additional investment capacity especially where we do not see value for our investors.

Since its acquisition the European business has been progressively integrated into Cromwell's platform and the business will be officially rebranded to Cromwell Property Group in early 2017.

As we look to reposition it to have a broader, more discretionary focus, we expect a number of older funds will naturally wind-down. We are required to account for the impact of this change, and given prevailing market conditions, both now and into the near future, have decided to take a conservative approach and write down $86 million of goodwill associated with the business.

During the year we made a number of senior hires in Europe. There are a number of new products in the pipeline and earlier this month we also announced the launch and successful first close of the Cromwell European Cities Income Fund. Our European platform has a tremendous future.

Retail funds management earnings increased to $10.0 million from $1.4 million in the previous year. This was mainly attributed to $7 million in performance and disposal fees realised from the sale of the asset in the Cromwell Box Hill Trust. Unitholders voted to sell after Cromwell received an unsolicited bid for the asset, at a 34% premium to its pre-construction 'as-if-complete' valuation.

In New Zealand, Oyster Group increased AUM by 34% to NZD $983 million. Growth came from a broad range of initiatives including the NZD $100 million Cider building syndication which closed fully subscribed within a matter of days. Oyster's growth is a great testament to the strength of the business and the value they provide their investors.

Distributions of $6.0 million were received for the June quarter from the Group's 9.83% stake in Investa Office Fund (ASX:IOF). I would like to take this opportunity to refer to media speculation regarding Cromwell's intentions towards IOF.

Since acquiring a relevant interest in 9.83% of the units of IOF on Tuesday 12 April 2016, Cromwell has had an interest in IOF as a major unitholder. Cromwell submitted a proposal to the Board of Investa Listed Funds Management Limited in its capacity as responsible entity of IOF on Monday 14 November 2016 to make a fully funded cash offer to privatise IOF at $4.45 per IOF unit.

This Proposal was subject to a number of conditions including 40 days of due diligence and Foreign Investment Review Board approval. Cromwell made it clear that we would not be seeking exclusivity and would not be seeking a break fee. Following discussions with IOF's Independent Chairman, Cromwell submitted letters of support from debt and third party equity providers for the Proposal.

On Tuesday 29 November 2016, Cromwell received notice from the Directors of Investa Listed Funds Management Limited that they were ceasing discussions as they did not believe the framework or the price of the Proposal to be compelling or attractive to IOF unitholders and therefore they would not provide Cromwell with access to due diligence, and would not be considering the Proposal any further.

Shortly following Cromwell's receipt of this letter on the same day, Investa Wholesale Funds Management Limited in its capacity as responsible entity of the Investa Commercial Property Fund announced that on Friday 25 November 2016 it had entered into an agreement to acquire Morgan Stanley's 8.94% stake in IOF for $4.23 per IOF unit.

Cromwell feels this is a disappointing outcome for IOF unitholders. Cromwell is of the view that its Proposal is compelling in the current market environment, being:

- an all cash offer made to all unitholders
- a 5.7% premium to IOF's 30 day volume weighted average price of $4.21 per IOF unit
- a 5.2% premium to IOF's last stated net tangible assets of $4.23 per IOF unit, and to IWFML's recent IOF unit acquisition price from Morgan Stanley

Cromwell continues to seek the opportunity to undertake a limited period of due diligence in order to make an all cash proposal to all IOF unitholders.

Cromwell is a conservative business and has a clear focus on capital management, gearing levels and cash reserves. We place a priority on maintaining our ability to access diverse sources of capital at different points in the cycle.

As at 30 June 2016 we had cash and cash equivalents of $95.6 million, gearing was 43% down from 45% and Net Tangible Assets per security were $0.81 up from $0.65 at June 2015. Earlier in the year Moody's Investors Service assigned a Baa2 Secured Debt Rating for Cromwell's secured debt and a Baa3 Issuer Rating for Cromwell.

Cromwell's debt facilities continue to be well diversified across eight lenders and a Convertible Bond issue with varying maturity dates. Future interest rates are hedged through an interest rate cap to May 2019.

The average interest rate paid fell to 4.65% during the 2016 Financial Year. This resulted in a debt interest expense reduction of $4.9 million and this trend is likely to continue as existing out of the money interest rate hedges continue to expire.

During the year Cromwell continued to invest in its operational capabilities. In addition to integrating the European platform, Cromwell undertook a range of new sustainability initiatives including the adoption of a global sustainability framework.

Cromwell has been reporting on its sustainability initiatives and performance since 2009. We are committed to sustainable business practices and our new framework is designed to improve performance and support a responsible and balanced pathway to business success. Copies of the 2016 Corporate Sustainability Report are available here today.

Looking to the outlook for the 2017 Financial Year, Brexit has meant uncertainty for UK commercial real estate markets. However many of our private equity investors are hoping to be able to invest to take advantage of market dislocation.

In Europe, which we must remember is a broad and diversified market of 500 million people, there has been minimal impact so far. Indeed, we have seen increased investor demand in a number of areas that we operate in including Germany, the Netherlands and in the Nordic region.

Australia started the year with a domestic economy that is still in a transitional phase post mining boom, a property market that is pretty close to being fully valued, with oversupply in residential markets and general lacklustre tenant demand for office markets outside of Sydney.

Additionally the new U.S. President-Elect and a still slowing Chinese economy mean we remain cautious and focused on managing the downside risks that might impact our business.

Taking into account these risks and making conservative assumptions in transactional revenue and rental income, as well as the short term impact of the development programme on earnings, we expect 2017 Financial Year operating profit of not less than 8.40 cents per security and a distribution of not less than 8.34 cents per security.

I would like to thank the Board for their support over the last year and also acknowledge the hard work and efforts of all of our staff in the fifteen countries in which we operate. We are now an incredibly culturally diverse organisation and harnessing this diversity, and working together as one team, will enable us to create future value for our securityholders.

Thank you.

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Summary of events with regards to the Proposal.

Monday 14 November 2016	Cromwell submitted a conditional and non-binding cash offer for IOF to IOF's Board at $4.45 per IOF unit
Tuesday 15 November 2016	IOF's Chairman raised a number of questions and issues with the Proposal during a phone call
Wednesday 16 November 2016	Cromwell wrote to IOF addressing issues raised
Thursday 17 November 2016	IOF's Chairman requested Cromwell provide further details of Cromwell's proposed funding and a list of due diligence items
Tuesday 22 November 2016	Cromwell resubmitted the Proposal including letters of support from debt and third party equity providers accompanied by a list of due diligence items
Friday 25 November 2016	ICPF entered into an agreement to acquire an 8.94% stake in IOF from Morgan Stanley at $4.23 per IOF unit
Tuesday 29 November 2016	IOF's Board notified Cromwell of its intention not to consider the Proposal any further
Tuesday 29 November 2016	ICPF announced it had acquired the 8.94% stake in IOF

About Cromwell Property Group
Cromwell Property Group (ASX:CMW) is a Global Real Estate Investment Manager. The Group is included in the S&P/ASX 200. As at 30 June 2016, Cromwell had a market capitalisation of $1.8 billion, a direct property investment portfolio in Australia valued at $2.3 billion and total assets under management of $10.3 billion across Australia, New Zealand and Europe.

Ends