

Appendix 4E

Results for Announcement to the Market

CROMWELL PROPERTY GROUP

The Appendix 4E should be read in conjunction with the annual financial report of Cromwell Property Group for the year ended 30 June 2018.

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 (ARSN 102 982 598) ("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 year ended 30 June 2018. Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2018.

3. HIGHLIGHTS OF RESULTS

	30 Jun 2018 A\$'M	30 Jun 2017 A\$'M	% Change
Revenue and other income	539.8	478.0	13%
Operating profit attributable to stapled security holders as assessed by the directors ⁽¹⁾	156.8	152.2	3%
Operating profit per stapled security as assessed by the directors ⁽¹⁾⁽²⁾	8.36 cents	8.65 cents	(3%)
Other items (including fair value adjustments)	47.3	125.3	(62%)
Profit after tax attributable to stapled security holders	204.1	277.5	(26%)
Basic earnings per stapled security ⁽²⁾	11.22 cents	15.78 cents	(29%)
Diluted earnings per stapled security ⁽³⁾	11.19 cents	15.74 cents	(29%)
Distributions per stapled security	8.34 cents	8.34 cents	-
Total assets	3,466.3	3,410.9	2%
Net assets	1,901.5	1,639.9	16%
Net tangible assets ("NTA") ⁽⁴⁾	1,907.2	1,565.1	22%
Net debt ⁽⁵⁾	1,207.4	1,375.5	(12%)
Gearing (%) ⁽⁶⁾	37%	45%	(18%)
Securities issued (M)	1,985.3	1,762.4	13%
NTA per security	\$0.96	\$0.89	8%
NTA per security (excluding interest rate swaps)	\$0.98	\$0.89	10%

(1) Operating profit 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 2018 annual financial report.

(2) Earnings per stapled security calculated using weighted average number of stapled securities on issue during the relevant period.

(3) Earnings per stapled security calculated using weighted average number of stapled securities and potential stapled securities on issue during the relevant period.

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

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

(6) Net debt divided by total tangible assets less cash and cash equivalents, restricted cash and disposal group liabilities.

4. COMMENTARY ON THE RESULTS

Refer to the Directors' Report of the 2018 annual 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:

Cromwell	Dividend per Security	Distribution per Security	Total per Security	Total A\$'M	Franked amt per Security	Record Date	Payment Date
2018							
Interim distribution	-	2.085¢	2.085¢	36.8	-	29/09/17	17/11/17
Interim distribution	-	2.085¢	2.085¢	37.6	-	29/12/17	23/02/18
Interim distribution	-	2.085¢	2.085¢	41.3 ⁽¹⁾	-	29/03/18	25/05/18
Final distribution	-	2.085¢	2.085¢	41.4	-	29/06/18	24/08/18
	-	8.340¢	8.340¢	157.1	-		
2017							
Interim distribution	-	2.085¢	2.085¢	36.6	-	30/09/16	16/11/16
Interim distribution	-	2.085¢	2.085¢	36.7	-	30/12/16	15/02/17
Interim distribution	-	2.085¢	2.085¢	36.7	-	31/03/17	17/05/17
Final distribution	-	2.085¢	2.085¢	36.7	-	30/06/17	18/08/17
	-	8.340¢	8.340¢	146.7	-		

(1) Includes an amount of \$392,000 for both Cromwell and the Trust in excess of the pro-rata entitlement for the quarterly distribution paid to those securityholders who acquired securities in February 2018 as part of the Security Purchase Plan.

6. DISTRIBUTION REINVESTMENT PLAN

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.

7. INVESTMENTS IN JOINT VENTURES

Refer to Note 6 of the 2018 annual financial report for details of investments in joint ventures and associates.

8. CHANGES ON CONTROL OVER GROUP ENTITIES

Refer to Notes 14 and 15 of the 2018 annual financial report for details of entities over which control was gained or lost.

9. COMPLIANCE STATEMENT

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

The information contained in this Report is based on the attached audited financial report for the year ended 30 June 2018.



Michael Wilde
 Chief Financial Officer
 23 August 2018



Cromwell Property Group Annual Financial Report

30 June 2018

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
Jane Tongs
Marc Wainer
Leon Blitz
Paul Weightman
David Blight

Secretary:

Lucy Laakso

Securities Registry:

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

Registered Office:

Level 19
200 Mary Street
Brisbane QLD 4000
Tel: +61 7 3225 7777
Fax: +61 7 3225 7788
Web: www.cromwellpropertygroup.com

Listing:

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

Auditor:

Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: +61 7 3222 8444
Fax: +61 7 3221 7779
Web: www.pitcher.com.au

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

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 year ended 30 June 2018 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 year and up to the date of this report were:

Directors and officers

Directors

The persons who were Directors at any time during the financial year and up to the date of this report (unless otherwise stated) were:

Mr Geoffrey Levy (AO) - Non-Executive Chairman

Director and Chairman since: 17 April 2008
Board Committee membership: Chairman of the Nomination and Remuneration Committee,
Member of the Investment Committee
Independent: Yes

Listed Company Directorships (held within the last three years):

Non-executive Chairman – Specialty Fashion Group Limited (2005 – 2015)

Other listed Company Directorships (held more than three years ago):

Mirvac Limited, Mirvac Funds Limited, Ten Network Holdings Limited, STW Communications Group Limited, Investec Property Limited, Freedom Furniture Limited, Rebel Sport Limited

Skills and Experience

Mr Levy has extensive public company executive and directorship experience and is the former Chief Executive Officer of Investec Bank (Australia) Ltd and former Chairman and non-executive director of a number of ASX listed entities and has chaired various Federal and State Governments entities, taskforces and panels. He is the current Chairman of Monash Private Capital and its groups of companies and funds. He was appointed an Officer in the Order of Australia in the Queen's Birthday Honours List in June 2005. Mr Levy is Chairman of Cromwell's Nomination and Remuneration Committee and a member of Cromwell's Investment Committee.

Ms Michelle McKellar - Non-executive Director

Director since: 1 March 2007
Board Committee membership: Member of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee
Chairman of the Investment Committee
Independent: Yes

Skills and Experience

Ms McKellar has over 30 years of property and portfolio management experience throughout the Asia-Pacific. Ms McKellar was responsible for establishing the CBRE business in New Zealand and served as the Hong Kong-based Managing Director of the company's Greater China operations. She subsequently served as the CEO of Jen Group of Companies and is a founding Director of China-based Dash Brands. She is a senior member of the Property Institute of New Zealand, and a Fellow of the Australian Institute of Company Directors. Ms McKellar is also a Director of Oyster Property Group, Cromwell's joint venture Funds Management company in New Zealand.

Ms Jane Tongs - Non-executive Director

Director since: 26 November 2014
Board Committee membership: Chairman of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee
Independent: Yes

Listed Company Directorships (held within the last three years):

Non-executive Director – Netwealth Group Limited (2008 – current)

Directors' Report

Skills and Experience

Ms Tongs BBus (RMIT), MBA (Melb) has over 30 years of management expertise, serving on the boards of insurance, funds management and other financial services entities; prior to 2000 she was a Partner at PwC. She is currently Chairman of the ASX listed Netwealth Group, Chairman of the Lend Lease Australian Prime Property Fund Investors Committee and a Non-Executive Director of Catholic Church Insurances Ltd and Warakirri Asset Management Ltd. Ms Tongs also served as director of Run Corp Limited from 2005 until her resignation in 2014. Ms Tongs is a Fellow of Chartered Accountants Australia and New Zealand and of CPA Australia and a member of the Australian Institute of Company Directors.

Mr Marc Wainer - Non-executive Director

Director since: 29 January 2010

Independent: No

Skills and Experience

Mr Wainer has more than 40 years of experience in the property industry in South Africa. Marc is the Executive Chairman and an Executive Director of listed South African property group Redefine Properties Limited, which he founded. He is a Non-executive Director of Redefine International P.L.C., a listed property investment company in the United Kingdom, and also serves as a Non-executive Director of Redefine BDL Hotel Group which owns and manages a portfolio of hotels in the United Kingdom. Mr Wainer is a Non-Executive Director of Echo Polska Properties.

Mr Leon Blitz - Non-executive Director

Director since: 28 June 2017

Board Committee membership: Chairman of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Independent: Yes

Skills and Experience

Mr Blitz is the co-founder and CEO of Grovepoint, a London-based pan European investment firm specialising in private equity, investment management, and specialist debt and financing activities. His experience includes property, banking, risk management and fundraising, and he is the former Head of Principal Investments, Private Banking and Property Lending at Investec Bank. Mr Blitz has acted as a non-executive director of a number of operating, financial and investment companies throughout Europe. Mr Blitz is the chairman of a London-based chamber of commerce and plays a leadership role in a number of charitable and communal organisations. Mr Blitz is a Chartered Accountant and holds an honours degree in finance.

Mr David Blight - Non-executive Director

Director since: 1 June 2018

Independent: No

Listed Company Directorships (held within the last three years):

Non-executive Director – Japara Healthcare Limited (2014 – current)

Non-executive Director – Lifestyle Communities Limited (2018 – current)

Skills and Experience

Mr Blight is currently Director and CEO of ARA Australia, the Australian business of the Singapore based ARA Group, which is a substantial securityholder of Cromwell Property Group. He is also Non-Executive Director and Chairman of the Remuneration and Nomination Committee for Japara Healthcare Limited, an ASX listed residential aged care business and Non-Executive Director of Lifestyle Communities Limited. David has been in the real estate investment and development industry for nearly 35 years both in Australia and globally. He was previously Chairman & CEO of the global ING Real Estate Investment Management business and Vice Chairman of ING Real Estate, overseeing real estate assets of circa \$150 billion while based in The Netherlands.

Mr Paul Weightman - Managing Director / Chief Executive Officer

Director since: 6 August 1998

Board Committee membership: Member of the Investment Committee

Independent: No

Skills and Experience

Mr Weightman has been the key driver of Cromwell's success since inception in 1998. He has extensive experience in property development and investment, financial structuring, public listings, mergers and acquisitions, revenue matters and joint ventures. Mr Weightman was Cromwell's Executive Chairman from 1998 – 2008 and has acted as a director of companies in the property, energy and retail sectors. He practised as a solicitor for more than 20 years and holds degrees in commerce and law and is a Fellow of the Royal Institute of Chartered Surveyors.

Mr Richard Foster (retired) - Non-executive Director

Director since: 18 July 2005. Retired 29 November 2017.

Board Committee membership: Member of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee
Member of the Investment Committee

Independent: Yes

Directors' Report

Skills and Experience

Mr Foster has been a licensed real estate agent with substantial experience in the real property industry specialising in large-scale property acquisition for most of his professional life. He has also been closely involved with the acquisition and marketing of direct property investments valued in excess of \$1.2 billion. He has had substantial input to the growth and development of Cromwell's investment products.

Mr Andrew Konig (retired) - Non-executive Director

Director since: 26 November 2014. Retired 1 June 2018.

Independent: No

Skills and Experience

Mr Konig was appointed as Financial Director and to the board of listed South African property group Redefine Properties Limited in January 2011 and elected as Chief Executive Officer in August 2014. He is Chairman of the Executive Committee and a member of the Investment Committee and holds external appointments, including as Non-executive Director of Echo Polska Properties and an alternate Director to Marc Wainer on the Redefine International P.L.C Board. Mr Konig is a qualified Chartered Accountant with 25 years of commercial and financial experience, and was previously Group Financial Director of Independent News and Media. He is responsible for the management of Redefine and for ensuring the Board's strategy is implemented as well as all aspects of regulatory compliance, corporate activity and reputation management.

Ms Lucy Laakso – Company Secretary

Appointed since: 10 August 2015

Skills and Experience

Ms Laakso GAICD has over 18 years' experience in the financial services industry, having worked as a legal practitioner and in the areas of company secretariat, corporate governance, compliance and business banking. Prior to joining Cromwell, Lucy was an in-house lawyer at a fund manager and a manager in the company secretariat/compliance team at a private investment advisory firm. Before that, she worked at a Top 20 ASX-listed financial services company in areas including corporate secretariat, compliance and business banking. Lucy also has private practice experience at a top tier firm. She holds a Juris Doctor (First Class Honours), an MBA (specialising in Corporate Governance) and a Bachelor of Business.

Directors meetings

Directors	Board of Directors		Nomination & Remuneration Committee		Audit & Risk Committee		Investment Committee	
	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
G Levy	16	17	7	7	-	-	-	-
M McKellar	15	17	7	7	7	7	-	-
R Foster	8	8	2	2	3	3	-	-
J Tongs	16	17	6	7	7	7	-	-
M Wainer	10	17	-	-	-	-	-	-
A Konig	8	15	-	-	-	-	-	-
L Blitz	17	17	3	5	4	4	-	-
P Weightman	17	17	-	-	-	-	-	-
D Blight	1	2	-	-	-	-	-	-

Principal activities

The principal activities of Cromwell during the financial year consisted of property investment, funds management, property management and property development. The Trust's principal activity during the financial year was property investment.

There were no significant changes in the nature of Cromwell's or the Trust's principal activities during the financial year.

Directors' Report

Dividends / distributions

The table below shows details of Cromwell's and the Trust's quarterly dividends and distributions paid during the year:

	Dividend per security	Distribution per security	Total per security	Total \$M	Franked amount per security	Record date	Payment date
2018							
Interim distribution	-	2.085¢	2.085¢	36.8	-	29-Sep-17	17-Nov-17
Interim distribution	-	2.085¢	2.085¢	37.6	-	29-Dec-17	23-Feb-18
Interim distribution	-	2.085¢	2.085¢	41.3⁽¹⁾	-	29-Mar-18	25-May-18
Final distribution	-	2.085¢	2.085¢	41.4	-	29-Jun-18	24-Aug-18
	-	8.340¢	8.340¢	157.1	-		

(1) Includes an amount of \$392,000 for both Cromwell and the Trust in excess of the pro-rata entitlement for the quarterly distribution paid to those securityholders who acquired securities in February 2018 as part of the Security Purchase Plan.

2017

Interim distribution	-	2.085¢	2.085¢	36.6	-	30-Sep-16	16-Nov-16
Interim distribution	-	2.085¢	2.085¢	36.7	-	31-Dec-16	15-Feb-17
Interim distribution	-	2.085¢	2.085¢	36.7	-	31-Mar-17	17-May-17
Final distribution	-	2.085¢	2.085¢	36.7	-	30-Jun-17	18-Aug-17
	-	8.340¢	8.340¢	146.7	-		

Review of operations and results

Financial performance

Cromwell recorded a profit of \$204.1 million for the year ended 30 June 2018 (2017: \$277.5 million). The Trust recorded a profit of \$288.4 million for the year ended 30 June 2018 (2017: \$261.1 million).

The profit for the 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 operating profit. The most significant of these items impacting the profit of Cromwell for the year and not considered part of the underlying operating profit were:

- An increase in the fair value of investment properties of \$77.4 million (2017: increase of \$125.0 million);
- Gain on disposal of listed securities of \$15.7 million (2017: \$nil);
- Decrease of \$76.1 million in the recoverable amount of goodwill and other assets (2017: \$0.2m);
- Net non-operating gains in relation to equity accounted investments of \$94.8 million (2017: loss of \$1.7 million); and
- Net non-operating finance costs of \$21.2 million (2017: \$7.7 million).

Cromwell recorded an operating profit of \$156.8 million for the year ended 30 June 2018 compared with an operating profit of \$152.2 million for the previous corresponding period. Operating profit 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 operating profit, as assessed by the Directors, to statutory profit is as follows:

	Cromwell	
	2018 \$'M	2017 \$'M
Operating profit	156.8	152.2
<i>Reconciliation to profit for the year</i>		
Loss on sale of investment properties	(5.0)	(0.9)
Gain on sale of listed securities	15.7	-
Finance costs attributable to disposal group / other assets	(2.1)	-
Other transaction costs	(5.7)	-
Fair value net gain / (losses)		
Investment properties	77.4	125.0
Derivative financial instruments	(13.7)	17.1
Investments at fair value through profit or loss	(3.5)	14.2
Non-cash property investment income / (expense):		
Straight-line lease income	27.8	3.6
Lease incentive amortisation	(17.8)	(18.0)
Lease cost amortisation	(1.7)	(1.9)
Other non-cash expenses or non-recurring items:		
Amortisation of finance costs	(21.2)	(7.7)
Net exchange (loss) / gain on foreign currency borrowings	(10.3)	1.0
Net (decrease) / increase in recoverable amounts	(76.1)	0.7
Amortisation and depreciation, net of deferred tax expense ⁽¹⁾	(4.4)	(6.8)
Relating to equity accounted investments ⁽²⁾	94.8	(1.7)
Net foreign exchange gains / (losses)	(3.2)	(0.7)
Net profit from discontinued operations	1.5	0.3
Restructure costs ⁽³⁾	(4.7)	-
Net tax losses incurred / (utilised) ⁽⁴⁾	(0.5)	1.1
Profit for the year	204.1	277.5

(1) Comprises depreciation of plant and equipment and amortisation of intangible assets, including management rights and associated deferred tax liability.

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

(3) Relates to the transition of funds management responsibilities for the CEREIT portfolio from Europe to Singapore.

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

Operating profit 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. Operating profit and distributions on a per security basis are shown below.

	2018 Cents	2017 Cents
Profit per stapled security	10.89	15.78
Operating profit per stapled security	8.36	8.65
Distributions per security	8.34	8.34

Operating profit per security for the year was 8.36 cents (2017: 8.65 cents). This represents a decrease of approximately 3% over the prior year but was 0.11 cents (1%) above our expectations. The change in operating profit per security has arisen as a result of a number of key factors, mainly:

- An increase in the number of securities on issue following the 175 million new securities issued in December 2017 under the strategic placement to SingHaiyi Group Ltd and Haiyi Holdings Pte Ltd and 37 million new securities issued in February 2018 under the Security Purchase Plan;
- A decrease in earnings from Cromwell's property investment segment mainly as a result of the sale investment properties located in Queensland (147-163 Charlotte Street, 146-160 Mary Street, and Musk Avenue, Kelvin Grove "Synergy") and the vacancy at Tuggeranong Office Park in the ACT;
- A decrease in earnings from Cromwell's retail funds management segment. In the prior year a \$4.1 million one-off performance fee was earned from Cromwell's Riverpark Trust compared with none in the current period; and
- Increase in earnings from Cromwell's funds management segment. The successful listing of the Cromwell European Real Estate Investment Trust on the Singapore stock exchange saw approximately €1.0 billion of real estate assets managed by the European business and a further €400 million of new real estate assets be acquired by the newly listed vehicle. Cromwell received a \$10.1 million acquisition fee as a result of the transaction and remains the Manager of the resulting €1.4 billion real estate portfolio.

Directors' Report

Segment contributions

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

	2018 \$M	2018 %	2017 \$M	2017 %
Property investment (i)	115.0	73.3%	124.7	81.9%
Asset services (ii)	2.2	1.5%	(0.2)	(0.1%)
Funds management – internal (iii)	19.4	12.3%	2.6	1.7%
Funds management – retail (iv)	3.8	2.4%	8.2	5.4%
Funds management – wholesale (v)	16.4	10.5%	16.9	11.1%
Total operating profit	156.8	100.0%	152.2	100.0%

(i) Property investment

Summary information at 30 June 2018 about the property portfolio is included below:

Portfolio ⁽¹⁾	Portfolio %	Value (\$M)	Like for Like NOI Growth	WALE	Occupancy
2018					
Core	58%	1,413.3	4.6%	11.1 yrs	99.9%
Core+	36%	888.5	1.6%	3.8 yrs	96.1%
Active	6%	149.2	(14.8%)	2.9 yrs	79.8%
Total	100%	2,452.0	1.4%	7.4 yrs	94.5%
2017					
Core	54%	1,320.8	8.8%	12.1 yrs	99.4%
Core+	35%	846.3	1.9%	3.7 yrs	94.2%
Active	11%	260.2	(23.5%)	1.1 yrs	79.2%
Total	100%	2,427.3	(4.7%)	7.2 yrs	91.4%

(1) Includes 100% owned assets and assets classified as held for sale

Core Portfolio

Construction of the property at Soward Way, ACT was completed in September for a second and fully leased commercial office building on the surplus land of the Tuggeranong Office Park investment property. Total cost of construction was \$170 million and was funded from cash reserves and a \$159.5 million loan facility. The building is leased for 15 years to the Commonwealth of Australia.

As well as providing like for like NOI growth there was also a 6% increase in valuations across the core portfolio.

Core + Portfolio

The remaining portfolio is divided between assets which are vacant or have short WALE's but have repositioning potential ("active") and assets with medium term WALE's with leasing up potential ("core+"). Included in the core+ portfolio is 207 Kent Street, NSW, which increased in value during the year by \$26.0 million as a result of positive leasing outcomes.

During the year, Cromwell also saw positive leasing outcomes at the 19 National Circuit, ACT and HQ North, QLD investment properties. Leasing outcomes at 19 National Circuit, ACT has seen the property's WALE improve from 1.2 years at the end of last year to now being 8.9 years.

Active Portfolio

Active assets include Tuggeranong Office Park, ACT, 13 Keltie Street, ACT, the Oracle Building, ACT and Wakefield Street, SA.

13 Keltie Street, ACT is currently 44% occupied with a WALE of 0.6 years. Cromwell is in the process of identifying repositioning opportunities for the property. The Oracle Building, ACT is currently 70% occupied with a WALE of 3.6 years. Cromwell will continue to lease the building with a view to have it stabilised in the near term. Wakefield Street, SA is currently 100% occupied with a WALE of 1 year. Cromwell is in the process of identifying a repurpose opportunity for the property.

Cromwell obtained vacant possession of the buildings at Tuggeranong Office Park after the Department of Social Services decanted from the buildings into their newly constructed and Cromwell owned offices at Soward Way. Gaining possession of the buildings has allowed Cromwell to progress with its planned transformation of the buildings into 330 to 350 aged care and independent living units and associated facilities. Cromwell is partnering on the project with an aged care provider with over 20 years' experience and a solid track record of providing quality care and services to residents. The project will increase the value of the original buildings at Tuggeranong Office Park and provide another potential area of growth for Cromwell.

Directors' Report

Valuations for investment properties increased by \$85.7 million during the year (2017: \$108.7 million), net of property improvements, leasing incentives and lease costs. This is equivalent to an increase in value of approximately 3.6% or 4.6 cents per stapled security from June 2017 valuations.

	2018 \$M	2017 \$M
Change in valuations, net of property improvements, lease costs and incentives	85.7	108.7
Non-cash adjustments for straight-lining of rentals and lease amortisation	(8.3)	16.3
Increase in fair value of investment properties	77.4	125.0

Increases were concentrated in properties in the Sydney and Melbourne metropolitan areas with long weighted average lease expiries and reducing vacancy rates. The single largest increase was for 207 Kent Street, Sydney which had successful leasing outcomes leading up to 30 June 2018. The other largest increase was recorded at 700 Collins Street, Melbourne, which is now 99.7% occupied with a WALE of 7.1 years.

Northpoint

Cromwell owns 50% of the investment property located at 100 Miller Street, North Sydney (Northpoint) via a 50% ownership in the Cromwell Partners Trust. The investment property has just completed a major redevelopment of its retail space and development of a 187-room hotel resulting in an increase in value of Cromwell's 50% share of \$91.5 million. This has seen an increase in operating profit of Cromwell Partners Trust, of which, Cromwell receives a share, increasing Cromwell's return to \$5.4 million from \$4.2 million in the prior year.

Interest expense

Interest expense for the year decreased to \$37.1million (2017: \$41.5 million). The average interest rate fell from 3.96% for the year ended 30 June 2017 to 3.28% for the year ended 30 June 2018.

The fair value loss of interest rate derivatives of \$3.3 million (2017: gain of \$10.2 million) 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 interest rate swaps and caps with 81% of its debt at 30 June 2018 (2017: nil%) hedged or fixed to minimise the risk of changes in interest rates in the future. All hedging contracts expire between September 2018 and July 2021. Cromwell maintains its \$1.0 billion, 3.39% interest rate cap which expires in May 2019 and represented 48% of Cromwell's total drawn loan facilities at 30 June 2017.

(ii) Asset services

Asset services recorded an operating profit for the year of \$2.2 million (2017: loss of \$0.2 million). The increase in operating profit is due to the level of project management and leasing activity being done, particularly in relation to the Northpoint property.

Development activity during the year continued to be extremely limited.

(iii) Funds management – internal

Internal funds management recorded an operating profit for the year of \$19.4 million (2017: \$2.6 million). In October 2017, Cromwell disposed of its 9.83% stake in Investa Office Fund, achieving an internal rate of return of 18%. Cromwell received distribution income of \$nil from its investment during the 2018 year (2017: \$12.2 million). On 30 November 2017, the Cromwell European Real Estate Investment Trust ("CEREIT") was successfully listed on the Singapore Stock Exchange. The CEREIT was established to invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe. The investment was funded by a combination of borrowings, including a Euro bridging facility of \$214.4 million maturing in July 2019, and cash. The Euro bridging facility was repaid in full following the issue in March 2018 of the €230 million new convertible bond maturing in 2025. Cromwell owns 35% of CEREIT at the end of the year. Cromwell accounts for its holding in CEREIT as an equity accounted investment. The share of operating profit recorded for the year was \$22.0 million (2017: \$nil).

(iv) Funds management – retail

External retail funds management profit decreased to \$3.8 million for the year ended 30 June 2018 from \$8.2 million for the year ended 30 June 2017. In July of the previous year Cromwell earned a performance fee of \$4.1 million from Cromwell's unlisted fund, the Cromwell Riverpark Trust, following unitholders voting to extend the term of the Trust for a further 5 years. No equivalent performance fee was earned in the current year.

Total external retail funds under management increased to \$2.0 billion (2017: \$1.8 billion).

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.

Direct Property Funds

The Cromwell Direct Property Fund continued to receive support from investors during the year with a further 42.7 million units issued. In December 2017, the Fund acquired a property at 433 Boundary Street, Spring Hill on the fringe of the Brisbane CBD for \$42.0 million. Cromwell received a fee of \$840,000 as a result of the acquisition. The Fund now has a portfolio of 4 investment properties valued at \$119.2

Directors' Report

million and investments in other Cromwell unlisted investment schemes valued at \$57.2 million. At 30 June 2018 the Fund was ungeared with access to a \$35 million loan facility. Cromwell will continue to identify quality assets that fit into the Fund's target asset size and risk portfolio.

Cromwell's other three direct property funds, Cromwell Riverpark Trust, Cromwell Ipswich City Heart Trust and Cromwell Property Trust 12, continued to perform as expected and delivered distributions to their investors at annualised rates of 11.25cpu, 9.25cpu and 8.50cpu respectively.

The term of the Cromwell Ipswich City Heart Trust is set to expire in December 2018. Prior to expiry of the Trust, unitholders will be asked to vote on a proposal to extend the life of the Trust.

Property Securities Funds

Cromwell has two property securities funds, the Cromwell Phoenix Property Securities Fund and the Cromwell Phoenix Core Listed Property Fund. Cromwell also has a fund that is mostly invested in microcap securities, the Cromwell Phoenix Opportunities Fund.

The Cromwell Phoenix Property Securities Fund was launched in 2008 and since inception has delivered excess returns (after fees and costs) of 5.2% against its benchmark. The Fund currently has \$252.4 million (30 June 2017: \$222.0 million) assets under management.

The Cromwell Phoenix Opportunities Fund was launched in 2011 and since inception has delivered excess returns (after fees and costs) of 13.6% excluding franking credits. The Fund currently has \$39.4 million (30 June 2017: \$32.7 million) assets under management.

The Cromwell Phoenix Core Listed Property Fund was launched in 2015. The fund invests in ASX listed property and property related securities and had assets under management of \$20.0 million at 30 June 2018 (30 June 2017: \$16.8 million).

Oyster

Oyster Property Group's assets under management increased to NZD\$1.5 billion at 30 June 2018 (2017: NZD\$1.2 billion) an increase of 25%. Cromwell's share of profit from Oyster for 2018 was \$1.0 million (2017: \$1.7 million).

(v) Funds management – wholesale

External wholesale funds management profit remained steady at \$16.4 million (2017: \$16.9 million).

The European funds management business contributed \$15.5 million (2017: \$15.1 million) after convertible bond finance costs and tax, for the year. As previously described, this year saw the launch of CEREIF. This marks a significant shift in the focus and nature of the European business and a major step forward in securing a stable revenue base for the business. The CEREIF acquired three of the European business's Funds as well as the CECIF fund which was launched in the previous year. The management rights associated with the three Funds, included in intangible assets and recognised at the time of acquiring the European business, have been written off in full.

During the year the European business traded over €3.9 billion (2017: €1.8 billion) of real estate assets (including the assets rolled into CEREIF). The resulting acquisition and disposal fees amounted to \$20.3 million (2017: \$12.7 million) out of total funds management fees of \$80.5 million (2017: \$78.1 million). Acquisition fees included \$10.1 million for CEREIF. The European funds management business also received performance fees (promotes) during the year of \$8.3 million (2017: \$17.5 million).

As at 30 June 2018 the European funds management business had €3.86 billion (\$6.1 billion) assets under management (30 June 2017: €3.37 billion (\$5.01 billion)).

The investors of the European business's two largest remaining mandates, representing €1.1 billion of the €3.9 billion assets under management, have decided to take advantage of the current strong demand for stabilised assets in Europe. Accordingly, the assets in both these funds are being sold as complete portfolios within the next 12 months.

The movement in AUM for the European business for 2018 was as follows:

	CEREIF €'000	Mandate 1 (to be sold) €'000	Mandate 2 (to be sold) €'000	Other Mandates €'000	Total AUM €'000
Balance at 30 June 2017	-	667	487	2,215	3,369
CEREIF IPO	913	-	-	(913)	-
Acquisitions	427	-	-	725	1,152
Disposals	-	(147)	-	(788)	(935)
Revaluations	51	50	8	173	282
Balance at 30 June 2018	1,391	570	495	1,412	3,868

The European business will continue to broaden its focus from Private Equity Funds and Mandates and towards longer term and more secure revenue sources. During the year the successful listing of the CEREIF provided a stable mandate of €1.0 billion of existing AUM and €0.4 billion of new AUM. Despite the strong result for the year and the securing of more permanent and stable revenue, the transformation of the European business will see the assets under management underpinning the goodwill recognised on acquiring the business being recycled from the business much quicker than expected. Similarly, the value of revenues from new funds or mandates promoted or secured by Cromwell is not able to be recognised as goodwill under current accounting standards. These factors have resulted in all remaining goodwill recognised on the acquisition of the business being written off during the year.

Directors' Report

Cromwell's Australian wholesale fund, Cromwell Partners Trust ("CPA") continued with its management of the Northpoint property. The property has undergone a major redevelopment of its retail space and development of a 187-room hotel on site. Construction has completed and the hotel has been trading strongly since opening.

During 2017, via an income assignment deed, Cromwell acquired an effective 49% interest in an investment property in Campbell, ACT for \$15.2 million. The investment was valued at \$11.7 million at 30 June 2018. The property is leased to the Commonwealth of Australia. Cromwell receives 49% of the net cash flows from the property with the net cash flows representing the net rental income less interest expense on the borrowings secured against the property and less any required capital spending. Cromwell has the option to acquire a direct 49% interest in the property as well as an option to acquire the remaining 51%. Cromwell will work with the current owner of the property to negotiate a new lease with the Commonwealth of Australia that would also involve a major redevelopment of the existing building. Cromwell received distributions in the year of \$2.6 million (2017: \$nil) via the income assignment deed.

Financial position

	Cromwell		Trust	
	As at		As at	
	2018	2017	2018	2017
Total assets (\$M)	3,466.3	3,410.9	3,447.6	3,345.2
Net assets (\$M)	1,901.5	1,639.9	1,923.4	1,595.6
Net tangible assets (\$M) ⁽¹⁾	1,907.2	1,565.1	1,933.0	1,595.3
Net debt (\$M) ⁽²⁾	1,207.4	1,375.5	1,262.4	1,441.7
Gearing (%) ⁽³⁾	37	45	38	46
Stapled securities issued (M)	1,985.3	1,762.4	1,985.3	1,762.4
NTA per stapled security	\$0.96	\$0.89	\$0.98	\$0.91
NTA per stapled security (excluding interest rate derivatives)	\$0.98	\$0.89	\$1.00	\$0.91

(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, restricted cash and disposal group liabilities.

A total of 8 property assets were externally revalued at June 2018, representing approximately 49% 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 6.13% across the portfolio, compared with 6.47% at June 2017. All properties are externally valued on an annual basis.

Net debt decreased by \$168.1 million following the proceeds from the issue of new securities being used to repay the short-term bridging loans used to fund CECIF, the seed portfolio of CEREIT. Gearing decreased from 45% to 37% during the year as a result of the decrease in net debt combined with the increase in property valuations and asset acquisitions. On 29 June 2018, Cromwell successfully restructured all its Australian debt into bilateral loan facilities with a total limit of \$1.3 billion, drawn to \$1.0 billion at 30 June 2018. The facilities have evergreen extension rights with an initial expiry profile of five years. This refinance, along with the new €230 million convertible bond issued in March 2018 which matures in 2025 means Cromwell has a weighted average debt maturity of 5.2 years. At 30 June 2018, Cromwell held cash reserves of \$204.6 million and undrawn loan facilities of \$300 million. The earliest debt expiry is the initial €150 million convertible bond, now repaid down to €54.8 million, which matures in February 2020.

An additional 223.0 million stapled securities were issued during the year at an average issue price of \$0.96, comprising the 175.1 million securities issued under the placement to SingHaiyi Group Ltd and Haiyi Holdings Pte. Ltd., the 37.1 million securities issued under the Security Purchase Plan, the continuing operation of the distribution reinvestment plan which resulted in the issue of 8.0 million securities during the year, and a further 2.8 million securities issued following the exercise of performance rights.

NTA per security has increased during the year from \$0.89 to \$0.96, primarily as a result of an increase in property valuations which contributed 4.6 cents to the increase in NTA.

Cash flows from operations for the year were \$120.9 million versus operating profit of \$156.8 million, a difference of \$35.9 million. This is largely owing to the following:

- The timing difference between the recognition of Cromwell's share of profit of CEREIT and the receipt of distributions from CEREIT. The share of profit recognised by Cromwell will reflect the distribution to be received. CEREIT pays distributions every 6 months with the first distribution for the period to 30 June 2018 expected to be received in September 2018; and
- Cromwell received a \$10.1 million acquisition fee for the successful IPO of CEREIT. The fee was reinvested by Cromwell as units in the CEREIT rather than taken as cash.

Directors' Report

Outlook

Distribution and operating profit

Cromwell's strategy is to invest in the growth of our fund management business and in value creation opportunities in our existing portfolio. To that end Cromwell has raised capital, made long term investments, and carries balance sheet liquidity to make further investments. We have also assumed that some cash will be invested rather than paid out in distributions. Whilst these initiatives will have a short-term impact on Earnings and Distributions, they are likely to be accretive to portfolio value and enterprise value in the medium to long-term.

We have adopted assumptions for transactional and funds management revenue in 2019 that are consistent with performance in prior years. This includes assumptions that Cromwell will earn performance fees where we have a high degree of certainty of earning those fees. We have assumed conservative downtime assumptions for the property portfolio. The distribution amount is at the lower end of Cromwell's policy of distributing 85% - 95% of operating profit but will allow Cromwell to reinvest earnings for future growth.

We have not made any assumptions on revenues that may come from investment activities and have assumed that we maintain existing cash reserves for the full Financial year. Based on this conservative view we expect that Earnings will be not less than 8.0c per security, and Distributions will be not less than 7.25c per security. The distribution is at the middle of the range in Cromwell's Distribution policy of distributing 85-95% of operating profit. In the event that investments are made we will revise guidance.

Strategy

2018 saw Cromwell achieve operating earnings of 8.36 cents per security, 0.11 cents per security above our expected result of 8.25 cents per security. This was the result of better than expected transactional revenue and despite increasing the number of securities on issue during the year via the strategic placement and security purchase plan. The issuing of new securities positioned Cromwell to make further investments in both its funds management platform and the value add opportunities within the portfolio. Further to the capital raising, Cromwell successfully secured the refinancing of all its Australian borrowings for a further 5 years with the ability to call undrawn facilities of \$300 million. Cromwell also successfully issued a new €230 million convertible bond to support its investment in CEREIT. All short-term borrowings and €95.2 million of the February 2020 convertible bond were repaid during the year. All these factors see Cromwell well positioned to execute on a longer-term strategy focused on:

- Maintaining a strong, secure and resilient cash flow from the core portfolio of assets which have a WALE over 11 years and which should deliver year on year growth in net operating property income of 3%;
- Using the core + portfolio of assets to ensure Cromwell maximises returns in leasing markets and creates additional value;
- Leveraging our well-developed asset repositioning skills for value creation from the active portfolio;
- Maintaining our retail funds management platform by ensuring we only offer quality products to our retail investors based on a disciplined approach to asset acquisitions; and
- Maximising our European platform at a time when certain European real estate markets are improving and attracting Asian capital. This may see Cromwell co-investing more into European funds and mandates.

Cromwell aims to maintain a sustainable business model through investment and market cycles. This will be achieved by maintaining our capacity to derive transactional revenue where possible, growing funds management revenues in a sustainable way and continuously improving the capacity of our property portfolio to deliver above average returns over the medium and long term from active management of our assets and our portfolio. We will continue to manage the risk and cost of our debt, maintaining appropriate protection to the downside with the opportunity to benefit from the trend of lower global interest rates.

Directors' Report

Significant changes in the state of affairs

Changes in the state of affairs of Cromwell during the financial year are set out within the financial report. There were no significant changes in the state of affairs of Cromwell during the financial year other than as disclosed in this report and the accompanying financial report.

Subsequent events

No matter or circumstance has arisen since 30 June 2018 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.

Environmental regulation

The Directors are not aware of any particular and significant environmental regulation under a law of the Commonwealth, State or Territory relevant to Cromwell.

Trust Disclosures

Issued Units

Units issued in the Trust during the year are set out in note 10 in the accompanying financial report. There were 1,985,324,674 (2017: 1,762,361,339) issued units in the Trust at balance date.

Value of Scheme Assets

The total carrying value of the Trust's assets as at year end was \$3,447.6 million (2017: \$3,345.2 million). Net assets attributable to unitholders of the Trust were \$1,923.4 million (2017: \$1,589.8 million) equating to \$0.98 per unit (2017: \$0.91 per unit).

The Trust's assets are valued in accordance with policies stated in notes 5, 6, 7 and 12 of the financial statements.

AIFMD Remuneration Disclosure

The senior management and staff of Cromwell whose actions have a material impact on the risk profile of the Trust are considered to be the key management personnel identified in the Remuneration Report which is included in this Directors' Report.

The amount of the aggregate remuneration paid by Cromwell to those key management personnel in respect of the financial year ending 30 June 2018 was \$6,186,971. This amount is comprised of fixed remuneration of \$4,719,693 and variable remuneration of \$1,467,278.

This remuneration disclosure is being made to satisfy Cromwell Property Securities Limited's obligations under AIFMD. References to "remuneration", "staff" and "senior management" should be construed accordingly.

Indemnifying officers or auditor

Subject to the following, no indemnity or insurance premium was paid during the financial year for a person who is or has been an officer of Cromwell. The constitution of the Company provides that to the extent permitted by law, a person who is or has been an officer of the Company is indemnified against certain liabilities and costs incurred by them in their capacity as an officer of the Company.

Further, the Company has entered into a Deed of access, insurance and indemnity with each of the Directors and the company secretary. Under the deed, the Company agrees to, amongst other things:

- indemnify the officer to the extent permitted by law against certain liabilities and legal costs incurred by the officer as an officer of the Company and its subsidiaries;
- maintain and pay the premium on an insurance policy in respect of the officer; and
- provide the officer with access to board papers and other documents provided or available to the officer as an officer of the Company and its subsidiaries.

Cromwell has paid premiums for Directors and officers' liability insurance with respect to the Directors, company secretary and senior management as permitted under the *Corporations Act 2001*. The terms of the policy prohibit disclosure of the nature of the liabilities covered and the premiums payable under the policy. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Company or any of its controlled entities.

Rounding of amounts

Cromwell is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report have been rounded off to the nearest one hundred thousand dollars, or in certain cases to the nearest dollar, unless otherwise indicated.

Directors' Report

Auditor

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Company may decide to employ Pitcher Partners on assignments additional to their statutory duties where the auditor's expertise and experience with the Company and/or the Cromwell are important.

The Directors have considered the position and, in accordance with advice received from the Audit & Risk Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* as none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* and all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

Details of the amounts paid or payable to the auditor and its related parties for non-audit services provided to the Cromwell are set out below:

	2018 \$	2017 \$
Non-audit services		
Due diligence services	63,000	127,000
Total remuneration for non-audit services	63,000	127,000

The auditor receives remuneration for audit and other services relating to other entities for which Cromwell Funds Management Limited and Cromwell Real Estate Partners Pty Ltd, both controlled entities, act as responsible entity. The remuneration is disclosed in the relevant entity's financial reports and totalled \$146,500 (2017: \$129,750).

Amounts paid to PwC, who acted as the component auditor for an overseas component of Cromwell in the current year, and its network firms for non-audit services were as follows:

	2018 \$	2017 \$
Non-audit services		
Tax compliance services – Australia	287,900	197,790
Tax compliance and other services - overseas	41,148	61,413
Total remuneration for non-audit services	329,048	259,203

Audit tender process

During the 2018 year, Cromwell commenced a tender process for the financial and compliance audits of Cromwell and other Cromwell reporting entities. The tender process provided the opportunity to review the group-wide audit and reporting process, including the significant international reporting following the acquisition of the European business and further expansion into other markets. The tender process is ongoing and the outcome is subject to approval at the Annual General Meeting.

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.

Directors' Report

Remuneration report

Message from the Chairman

Dear Securityholder

On behalf of the Board, I am pleased to present Cromwell's Remuneration Report for the year ended 30 June 2018 (FY18). At the Annual General Meeting (AGM) we will seek your support of this report.

Year in review

FY18 has been a very successful one for Cromwell following the realisation of initiatives that have enabled the company to achieve the key elements of its strategy to transform from a more passive typical AREIT into an International Real Estate Investor and Manager. Total Shareholder return in FY18 was 28% (FY17 2%), compared with 13% for both the S&P/ASX 200 A-REIT accumulation index and the S&P/ASX 300 A-REIT accumulation index. Distribution guidance was met and profit guidance was exceeded.

The successful November IPO of the Cromwell European REIT in Singapore was an important first step in the transformation of Cromwell's European business from one that was characterised by one off transactional earnings to a business underpinned by long term recurring revenues. We have moved from being an Australian REIT with limited strategic opportunities and completely dependent on the continuing strength of the Australian economy to a Group that can now leverage capital flows from Asia into investment or management vehicles in 12 European countries, Australia, New Zealand and Singapore. This now provides Cromwell with the ability to enhance shareholder value by taking advantage of opportunities in the International markets in which we operate. Over the last 3 years the Group has significantly enhanced and honed its skills in International property acquisitions and sales, developed and listed new property investment vehicles, developed global debt and equity fund raising capabilities and invested in International governance and reporting processes.

Our strong growth in assets under management (AUM) in the countries in which we operate presents an ongoing opportunity for Cromwell to create increased value for securityholders. Management are delivering on this potential by executing to a high standard across all areas including development of existing product, leasing, property management, acquisitions and disposals, property repositioning, capital management, people management and risk management. These actions are not only driving strong results today but creating securityholder value for the long-term.

Key transformational achievements in 2018 included:

- The successful IPO and listing of the Cromwell European Real Estate Investment Trust on the Singapore stock exchange, which saw approximately €1.0 billion of real estate assets managed by our European business and a further €400 million of new real estate assets acquired by the newly listed vehicle. Cromwell received a \$10.1 million acquisition fee and remains manager of the €1.4 billion real estate portfolio. Most importantly this enables the European business to manage long term stable AUM with more certainty of stable recurring annual revenue and enables resources to be devoted to the development of longer term property products;
- Completion of the major redevelopment of the Northpoint property, including redevelopment of its retail space and development of a 187-room hotel on site, this has improved the value of this asset by \$183 million or 25%;
- Commencement of the Cromwell aged care project, partnering with an aged care operator to utilise the investment property at Tuggeranong Office Park in the ACT, transforming the current buildings into more than 350 independent or assisted living units plus communal areas;
- The successful completion of the €230 million convertible bond offer, which was used to settle debt and repurchase existing bonds;
- The extension of the term of our debt facilities to 5.2 years; and
- The profitable sale of the IOF stake delivering an IRR of 18%.

Response to first strike

This year, the primary focus of the Nomination and Remuneration Committee has been to address the concerns of shareholders and their advisers that led to the first strike we received at our AGM in November 2017. 30.92% of the shares voted against the remuneration report presented to that meeting. The Board has taken this outcome very seriously and has acted on the concerns raised in a considered manner, as set out in section (a) of this report. Key actions have included retaining KPMG to advise the Board on remuneration practices in general and to assist the Board in developing a new long-term LTI scheme that will provide best practice long-term remuneration for our key management team.

The Nomination and Remuneration Committee has also undertaken a detailed benchmarking review of the CEO's remuneration. This occurred against a back drop of continuing enlargement of the role following the listing of the CEREIT business and additional expansion of the European Platform and development of additional European and Australian Investment Products for release in future periods. The results of the review were as follows:

- The disclosure on the establishment and setting of fixed remuneration (FR) for the CEO has been improved;
- The comparator set of listed entities against which the CEO's remuneration has been benchmarked has been changed to address concerns expressed by securityholders and their advisors;

Directors' Report

- The Board and the CEO have agreed to reduce the FR by \$100,000 to reset the FR to a level the Board considers to be market when benchmarked against the revised peer group;
- The CEO's FR and maximum Total Remuneration (TR) will be fixed at the 2018 level for 2019;
- The ratio of FR, maximum STI and maximum LTI to the CEO's TR are proposed to remain fixed after 2019;
- The maximum 2018 short-term incentive (STI) for the CEO has been reduced by \$700,000 to \$900,000 to re-allocate that amount to LTI;
- More detail has been provided of the KPI to be achieved for the STI award;
- The maximum 2018 long-term incentive (LTI) for the CEO has been increased by \$700,000 to better align the CEO's total remuneration with the Group's long-term performance. The method by which the increase in LTI will be implemented will be referred to the shareholders at the AGM in November. The options to reallocate part of the STI to an increased LTI include (1) the grant of additional performance rights, (2) the acquisition by Cromwell of securities on market to effect the grant, and (3) a cash award. Until the preferred method is determined by the Board, the CEO has agreed to defer that proportion of his STI to give effect to the reallocation of his remuneration; and
- The existing LTI scheme allocation metrics have been aligned to market standards by adding a requirement that performance hurdles for equity-based compensation must now be met in each year (previously two out of three).

The Nomination and Remuneration Committee also reviewed and restructured the Remuneration Report to increase general transparency, readability and clarity.

Other measures taken by the Nomination and Remuneration Committee include:

- The Nomination and Remuneration Committee recognises that it is appropriate that the collective skills and experience of the Committee and the Board in relation to remuneration matters be improved. The Board also recognises that it is not best practice for the Chairman of the Board to also act as Chairman of the Nomination and Remuneration Committee. To those ends it has undertaken a search for an appropriate Director to be appointed to the Board to fill the casual vacancy left by the retirement of Mr Richard Foster at the 2017 AGM. The Committee has concluded that search and made recommendations for the appointment of a suitably qualified person to the Board, who will also assume the role of Chairman of the Nomination and Remuneration Committee. It is expected that an announcement of the appointment will be made prior to the issue of the Notice of Meeting for the 2018 Annual General Meeting of the Group.
- The Nomination and Remuneration Committee retained KPMG to provide advice on the structure of incentive plans for KMP of the Group for 2019 and beyond. Whilst that advice is incomplete, the Nomination and Remuneration Committee has recommended that the following principles should form part of the new scheme to be adopted from the 2019 financial year:
 - KPIs/conditions for vesting of LTIs to have different criteria from KPIs/conditions for the grant of STIs.
 - STIs are to be awarded against a balanced score card that reflects a weighting between financial and non-financial metrics appropriate to each role;
 - Vesting of LTIs is to be linked to a combination of relative TSR against Domestic peers, achievement of goals set within the Cromwell 5 year strategic plan adopted by the Board at its meeting in July 2018 and the achievement of segmental earnings targets. Details of the 5 year strategy plan will be released to the market with Cromwell's 2018 results;
 - Cliff vesting will be avoided by payout against each KPI commencing at a threshold level rising to a stretch target after a gateway is met;
 - LTIs are to continue to be awarded as Performance Rights, with a performance period of 3 years commencing on 1 July 2018;
 - Performance rights would be forfeited if an employee ceases employment subject to Board discretion in the case of "good leavers"; and
 - Board to have discretion to vest LTIs on change of control.

As previously reported, The Board is confident that Cromwell executive pay is reflective of performance and the value delivered to securityholders in a way that does not unduly increase the risk profile of Cromwell. I invite you to read this report and trust you will find this report helpful in understanding Cromwell's approach to remuneration. On behalf of the Directors, we look forward to welcoming you and your feedback at and before the 2018 AGM.

Thank you for your continued support.

Yours Sincerely



Geoff Levy

Chairman, Remuneration Committee

Directors' Report

Contents

The remuneration report is presented for the financial year ending 30 June 2018. The report forms part of the Directors' Report and has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*. This report is where we explain how performance has been linked to reward outcomes that forge a clear alignment between Cromwell staff and securityholders.

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Directors' Report

1.0 Remuneration Snapshot

1.1 Addressing Shareholder Feedback from the 2017 AGM

Following the 30.98% vote against the Remuneration Report resolution at the 2017 AGM, Cromwell Directors have actively engaged with stakeholders and experts to deepen their understanding of shareholder and advisor concerns and to address those concerns

Details of the shareholder concerns and the responses to the concerns are set out below:

Feedback received	Key actions taken	Cromwell's response
<p>Executive Director and CEO's (CEO) remuneration:</p> <p>Fixed pay perceived above market fixed remuneration for CEO.</p>	<p>Comparator group has been revised.</p> <p>Fixed pay has been reduced by \$100,000.</p>	<p>The CEO's fixed pay component is set at an amount to reflect the demands, responsibilities, and skill levels required of the role, with appropriate recognition of market. To address the concerns that the CEO remuneration did not reflect market remuneration the committee has used several sources for benchmarking the CEO remuneration for 2018 including:</p> <ul style="list-style-type: none"> The Nomination and Remuneration Committee retained KPMG, to provide advice on market standards and market rates; Other external remuneration benchmarking sources such as Aon Hewitt market surveys; A detailed benchmarking exercise of the CEO's remuneration against a revised peer group, of Vicinity, Dexus, GPT, Charter Hall, Growthpoint, Abacus, SCA property Group, Aveo Group and United Overseas Australia. This group was selected because of its focus on property, with a mix of wholesale, development and REIT business. Only one member of the group has international operations. The Board has responded to criticisms of the prior year comparator set by removing 2 large and 2 non-property companies. Of this group based on market capitalisation, 4 are within a similar range, 2 are 50% smaller and 3 are 500% bigger. As a reasonableness check the CEO's remuneration was also benchmarked to companies of similar size on the ASX; <p>Because of this exercise, the board now considers the fixed component of the CEO's remuneration to be at market. In 2018, the CEO's fixed pay decreased 6% from \$1,600,000 to \$1,500,000 the 80th percentile of the comparator group based on 2017 FR for this group.</p> <p>The Board believes that it is appropriate to pay the CEO at the 80th percentile given his experience, skills, drive, and vision in repositioning the group from an AREIT with limited growth prospects to an International property business. The CEO has developed substantial Asian and International experience that is enabling the group to attract securityholders and investors from Asia and Europe. The CEO is building an international property business that can provide value to security holders through the global property cycle. The Board believes that a property group should not over reward risk taking and therefore the FR should not be set to a low level which may over emphasise risk taking. The Board believes that if a replacement was required for the CEO, an International search would be required to find the right mix of Australian and International property and capital raising experience and that the FR set, reflects what would need to be paid to attract an applicant for this role. The CEO's total remuneration package (FR, STI and LTI) is at the median of the peer group and there has been substantial change to the portion of the pay at risk. The at-risk portion, which was seen as too low in 2017, is now in line with the peer group. The deferred component now represents 38.4% of total remuneration.</p>
<p>CEO's remuneration:</p> <p>Short term incentive (STI) pay increase and perceived limited 'at risk' component.</p>	<p>\$700,000 of remuneration at risk has been reallocated from the STI to the LTI.</p>	<p>The Board has agreed with the CEO to reduce the CEO's maximum STI from \$1,600,000 to \$900,000, placing more remuneration at risk for a longer period of time.</p> <p>The Board believes that though there are STI initiatives that the CEO can deliver to improve outcomes for security holders, the focus of an International property group should still be on long term value. The STI has been reduced and the LTI has been increased (subject to securityholder approval) by an equivalent amount to lengthen the risk outcome period.</p>

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<p>CEO's remuneration: Perceived insufficient disclosure of STI targets and achievement of those targets.</p>	<p>Enhanced disclosure.</p>	<p>The purpose of the STI bonus is to focus the CEO's efforts on those key marginal drivers and outcomes that are priorities for Cromwell for the relevant financial year and to motivate the CEO to strive and reward him to achieve stretch performance objectives.</p> <p>We have provided greater transparency in relation to STI performance metrics and outcomes, including showing how the performance measures are both stretching and quantifiable. Some specific project KPIs will only have general statements around performance to avoid disclosing strategic or commercially sensitive information. Refer section 4.3. In summary the 2018 performance measures for the CEO are:</p> <ul style="list-style-type: none"> • 20% linked to outperformance of the operating profit per stapled security • 10% to property specific value enhancing strategies as agreed with the Board • 60% for the successful IPO and listing of the CEREIT on the Singapore stock exchange, which was the key and essential initiative necessary to enable the European business to manage long term stable assets under management (AUM) with more certainty of stable recurring annual revenue and give us the ability to devote resources to the development of longer term property products. • 10% for achieving employee cultural and succession strategies as agreed with the Board
<p>CEO's Long-term incentive (LTI): Perceived to be not enough of the CEO's package to be at long term risk, targets not linked to long term securityholder outcomes and limited disclosure of how performance targets were achieved.</p>	<p>\$700,000 of remuneration at risk has been reallocated from the STI to the LTI. Vesting to be linked to KPIs focused on delivering Cromwell's long-term strategy.</p>	<p>Proposed New Scheme The Board have increased the CEO maximum LTI from 50% of the FR to 100% of the FR \$1,500,000, thus increasing the portion of the CEO's at risk pay from 20% to 39% of his package, by re-weighting a large portion of his short-term incentive towards a long-term incentive.</p> <p>The Board believes that the focus of an International Property Group and its CEO should be to improve the long-term value outcomes for security holders. To enhance this focus, the STI has been reduced by \$700,000 and the LTI has been increased by an equivalent amount. As the existing scheme does not provide for an increase in performance benefits the Board at the AGM will be seeking shareholder approval of a new LTI scheme which can be applied from 1 July 2018. If this scheme is not approved the \$700,000 will be paid in cash and be subject to the same awarding and vesting conditions as the proposed new scheme.</p>
<p>Disclosures and transparency: General appetite for further disclosures on relevant matters, increasing transparency of remuneration practices.</p>	<p>Enhanced disclosure.</p>	<p>Existing Scheme For details on the existing scheme refer to section 4.2. For details on Performance Rights granted to the CEO under the existing scheme refer to section 4.3</p> <p>Throughout this Remuneration report, Cromwell has provided additional commentary around matters on which shareholders indicated a desire for more transparency.</p> <p>This includes commentary around application of Board discretion, explanation of the link between performance and remuneration, and further disclosure of performance targets and assessment of achievement of these.</p>

Directors' Report

1.2 Remuneration overview / key questions

Key questions	Cromwell's response	Further information
Remuneration in 2018		
1. What key changes were made to the remuneration structure in 2018?	<p>CEO Remuneration</p> <p>As noted in Section 1.1 substantial changes have been made to the weightings and measurement of the CEO's remuneration package, please refer Section 1.1</p> <p>Change in KMP</p> <p>Mr L. S. Blitz was appointed a Non-executive Director on 28 June 2017 and approved by shareholders at the 2017 AGM</p> <p>Mr R. Foster retired as a Non-executive Director on 29 November 2017.</p> <p>Mr S. Garing joined the Group on 19 December 2017 as Chief Capital Officer.</p> <p>Mr D. Horton ceased employment following his resignation on 2 February 2018.</p> <p>Board and Committee fees</p> <p>From 1 July 2017, fees and payments to non-executive Directors have increased by CPI which was 2.1%</p>	<p>Shareholder feedback -Section 1.0</p> <p>KMP – Section 3.0</p> <p>Non- Executive Director remuneration – Section 5.0</p>
2. How is the Group's performance reflected in this year's remuneration outcomes?	Total Shareholder return in FY18 was 28% (FY17 2%), compared with 13% for both the S&P/ASX 200 A-REIT accumulation index and the S&P/ASX 300 A-REIT accumulation index. Distribution guidance was met and profit guidance was exceeded. 2018 fixed and total remuneration for the CEO was lower than 2017, and a significantly greater proportion of total remuneration was deferred at risk. KMP remuneration has remained at a level of less than 5% of operating earnings	Link between remuneration and performance - Section 2.0
3. How do the board set the performance hurdle for the STI and LTI?	<p>The performance hurdles for Mr Weighman's at risk STI and LTI are set and reviewed by the board.</p> <p>For the KMP, other than the CEO they are set by the CEO and reported to the Board.</p>	<p>Refer Section 4.3</p> <p>Refer Section 4.4</p>
4. For PRPs that vest, does Cromwell buy securities or issue new securities?	Cromwell issues new securities and transfers the securities to executives.	Refer Section 4.2
Remuneration Framework		
5. What is the remuneration structure for KMP?	KMP remuneration comprises fixed pay based on market conditions, an at-risk cash bonus (STI) generally paid as cash bonuses and Equity based compensation (LTI). However, the Board has determined that apart from the CEO no STI is currently available for other KMP's in 2018. This is under review for FY19.	Refer Section 2.0 and 4.1
6. Are performance hurdles required to be achieved for STI and LTI's?	Yes, both STI and LTI are subject to performance hurdles as set by the board and assessed annually.	Refer Section 4.0
7. What portion of the CEO's remuneration is at risk?	In 2018 the at-risk portion (STI and LTI) of the CEO's remuneration was 61% (In 2017 it was 43%)	Refer Section 4.3
8. Were there any changes made to total Non-executive Directors remuneration pool in 2018?	No. The maximum amount approved by securityholders currently stands at \$1,000,000, which has not changed from 2017.	Refer Section 5.0
Short-term incentives (STIs)		
9. What is the STI for the CEO?	<p>In 2018, the STI Performance pool available to Mr Weightman was \$900,000 (2017: \$1,600,000).</p> <p>Mr Weightman achieved or exceeded the performance targets in 2018 resulting in an award of 94% (2017: 87.5%) or \$846,000 (2017: \$1,400,000) of the at-risk cash bonus.</p>	Refer Section 4.3
10. What are the STI performance measures that determine if an STI will vest?	<p>The 2018 performance measures for the CEO's STI were:</p> <ul style="list-style-type: none"> • 20% linked to outperformance of the forecast operating profit per stapled security • 10% to property specific value enhancing strategies as agreed with the Board 	Refer Section 4.3

Directors' Report

	<ul style="list-style-type: none"> • 60% for the successful development and listing of the CERET • 10% for achieving employee values and succession strategies as agreed with the Board <p>These performance measures are designed to align behaviours with Cromwell's key short-term objectives.</p>	
11. Were any other KMP eligible for an at risk STI?	No, the STI at risk cash bonus was only available to the CEO. Performance hurdles are set and assessed by the board.	Refer Section 4.4
Long-term incentives (LTIs)		
12. Did any LTI awards vest in 2018?	<p>Performance hurdles for equity-based compensation was in 2017 changed so that hurdles must now be met in each year (previously two out of three.) The performance period for the 2015 awards vested during 2018. This was based on the PRPs approved by security holders and issued in 2015, the performance hurdles of which are tested annually for 3 years, refer section 4.3.</p> <p>2,286,364 LTI performance rights were granted to KMP in 2018. 1,754,947 LTI performance rights vested and were exercised by KMP in 2018 141,991 LTI performance rights were forfeited by KMP in 2018.</p>	Refer Sections 4.3 and 4.4 and summary 6.1
13. What are the performance measures for the LTI?	The LTI hurdles are based on performance hurdles tested annually over the 3-year vesting period.	Refer Section 4.2 and 4.3
Changes to the coming year (FY19)		
14. CEO Remuneration	The Remuneration Committee has engaged KPMG to provide detailed benchmarking of the CEO's role and remuneration.	
15. Executive Short and Long-Term incentive scheme	The Remuneration Committee has engaged KPMG to assist in the redevelopment of the Short and Long-Term Executive incentive scheme.	
16. Board base fees and committee fees	From 1 July 2018, fees and payments to non-executive Directors have increased by CPI which was 1.9%.	

Directors' Report

1.3 Key Management Personal

In this report, key management personnel (KMP) are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

They comprise:

- Non-Executive Directors
- The Executive Director – who is the CEO Paul Weightman
- Other Executives considered KMP

Name	Position / Title	
Independent Non-Executive Directors		
Geoff Levy	Non-executive Chairman	Full year
Michelle McKellar	Non-executive Director	Full year
Jane Tongs	Non-executive Director	Full year
Leon Blitz	Non-executive Director	Full year
Marc Wainer	Non-executive Director	From 1 June 2018
Richard Foster	Non-executive Director	Retired 29 November 2017
Non-Independent non-executive Director		
Marc Wainer	Non-executive Director (now deemed independent)	Full year
Andrew Konig	Non-executive Director (retired)	Ceased employment 1 June 2018
David Blight	Non-executive Director	Commenced 1 June 2018
Executive Director		
Paul Weightman	Chief Executive Officer	Full year
Other Executives		
Michael Wilde	Chief Financial Officer	Full year
Jodie Clark	Chief Operations Officer, Property Licensee	Full year
Simon Garing	Chief Capital Officer	Commenced 19 December 2017
Damian Horton	Head of Property	Ceased employment 2 February 2018

Directors' Report

2.0 Remuneration Governance

2.1 Role of the Nomination and Remuneration Committee

The Board has appointed a Nomination and Remuneration Committee ("Committee"). The Committee oversees the remuneration framework and monitors remuneration outcomes. In doing so it takes account the interests of security holders and the behaviours that the Group wish to promote.

The Board approves and reviews, on an annual basis the remuneration of Cromwell's KMP on the recommendation of the Committee.

During the financial year the members of the Committee were:

Mr G Levy	Non-executive Director and Chairman
Ms M McKellar	Non-executive Director
Mr R Foster	Non-executive Director – retired 29 November 2017
Ms J Tongs	Non-executive Director
Mr L Blitz	Non-executive Director

The Committee operates independently of Cromwell Management and may engage remuneration advisers directly.

Management makes recommendations to the Remuneration Committee in relation to the development and implementation of reward strategy and structure. The CEO provides his recommendation to the Committee on fixed pay and incentive outcomes for his direct reports.

Further information on the role and activities of the Committee is available on Cromwell's website and the Corporate Governance Statement to be released with the Annual Report.

2.2 Services from remuneration consultants

During the year the Committee engaged KPMG to provide general advice in relation to the CEO's remuneration. KPMG did not provide a remuneration recommendation as defined by Section 9B of the corporations Act 2001. The Committee has retained KPMG to advise in the redevelopment of the Short and Long-Term Executive incentive scheme that will be applied in 2019. KPMG in 2018 has assisted the Board in reviewing the market competitiveness of its remuneration package for the CEO. The Committee also received information from various professional and industry publications. The Chairman of the Committee who is also the Chairman of the Board, has consulted directly with a range of proxy advisors and institutional investors to understand their viewpoint on issues relating to remuneration generally and has discussed with them the nature and circumstances of Cromwell's business operations and economic environments in which it operates.

2.3 Objective of remuneration

The objective of the Cromwell remuneration strategy is to support and drive the execution of the Cromwell Strategy which is to utilise our unique Australian and International Platform to grow value for our Security holders in a sustainable manner. Cromwell's remuneration strategy is designed to align behaviours with Cromwell's strategic objectives.

Cromwell's remuneration framework makes provision for:

- Fixed remuneration (FR) which is benchmarked to market and which is used as a tool to attract and retain executives with the skills and experience needed to respond to the challenges of achieving Cromwell's strategic objectives and observing Cromwell behaviours and values.
- Short term incentives, where deemed appropriate by the Board, to drive short term objectives such as operational improvement, cultural transformation and the pursuit of new growth opportunities to position the group to achieve its strategic objectives. Currently the only KMP to receive a STI is the CEO. We are reviewing applying STI's to the broader group of executives together with our remuneration consultant KPMG given the current and changing strategic objectives of the Group.
- Long-term incentives that are used as both a retention tool and to create alignment between employees and the objectives of security holders in securing sustainable returns.

Cromwell strives to create an executive remuneration framework that drives a performance culture, ensuring there is a strong link between executive pay and the achievement of company strategies and value to security holders.

Directors' Report

3.0 2018 Performance

Cromwell aims to provide sustainable distributions and to drive growth in the Cromwell security price

This will be achieved by:

- Leveraging our unique International property management platform to grow revenue from funds we manage
- Maintaining and enhancing our Australian secured cash flow generating platform
- Generating value in Australia and the other markets in which we operate from selective asset enhancement initiatives

The IPO and listing of CEREIT marked a significant broadening of the focus and nature of the European business and a major step forward in securing a stable revenue base for the business.

The success of this strategy is best demonstrated by the change in Assets under Management and a better balance between short-term mandates and long term stable property management in the European business, as shown in the table below.

Financial Year	Assets Under Management				
	Australia \$'M	Europe – Short Term \$'M	Europe - Stable \$'M	New Zealand \$'M	Total \$'M
2018	4,705	3,905	2,193	681	11,484
2017	4,516	5,006	-	572	10,094
2016	4,303	5,506	-	469	10,278
2015	3,922	5,884	-	325	10,130
2014	3,700	-	-	-	3,700

Cromwell's key financial measures for the last five years are set out below:

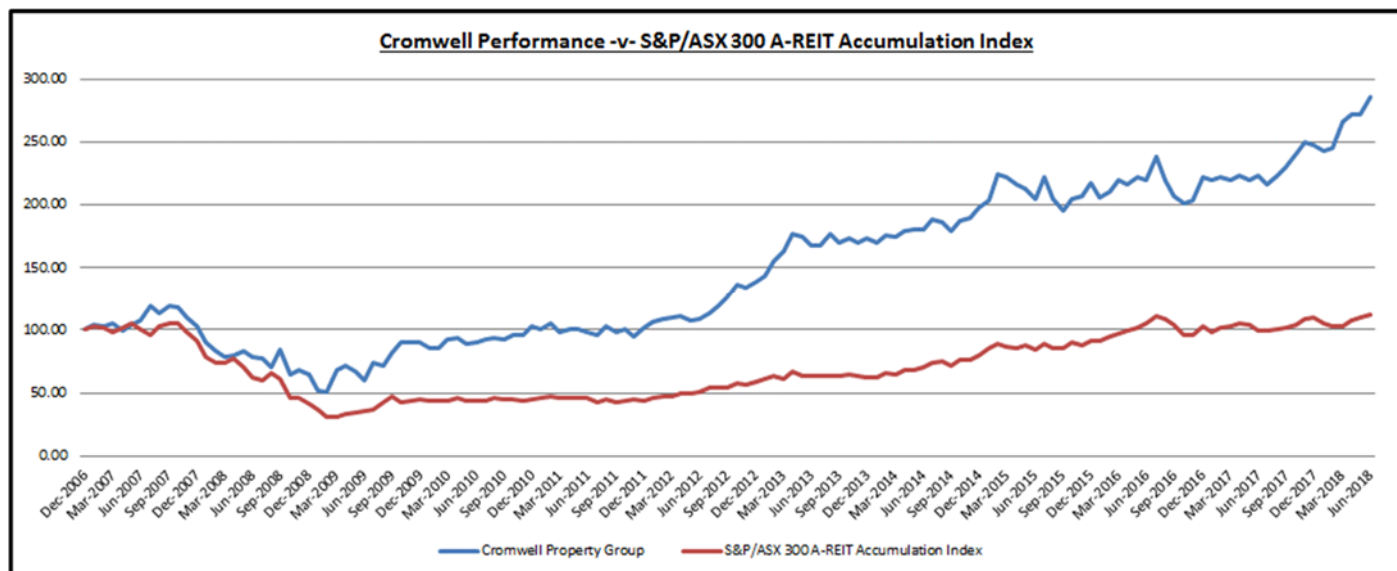
	2018	2017	2016	2015	2014
Operating earnings per security	8.4cents	8.7cents	9.4 cents	8.3 cents	8.5 cents
Change over previous year	(3%)	(8%)	13%	(2%)	12%
Distribution per security	8.3cents	8.3cents	8.2 cents	7.9 cents	7.6 cents
Change over previous year	-%	2%	4%	4%	4%
Gearing	37%	45%	43%	45%	42%
Change over previous year	(18%)	5%	(4%)	7%	(9%)
KMP remuneration as % of operating earnings	3.9%	4.5%	3.0%	2.7%	3.8%
Change over previous year	(13%)	50%	11%	(29%)	(28%)

2016 operating earnings exceeded expectations because of transactional revenue from the one-off performance fees from Cromwell Box Hill Trust and the opportunistic acquisition of the investment in the Investa Office Fund. When these items are considered, Cromwell has seen sustained consistent earnings levels from 2014 through to the current financial year. At the same time, KMP remuneration has remained at a level of less than 5% of operating earnings, which reflects Cromwell's adherence to a disciplined approach to managing the business for the benefit of securityholders.

Directors' Report

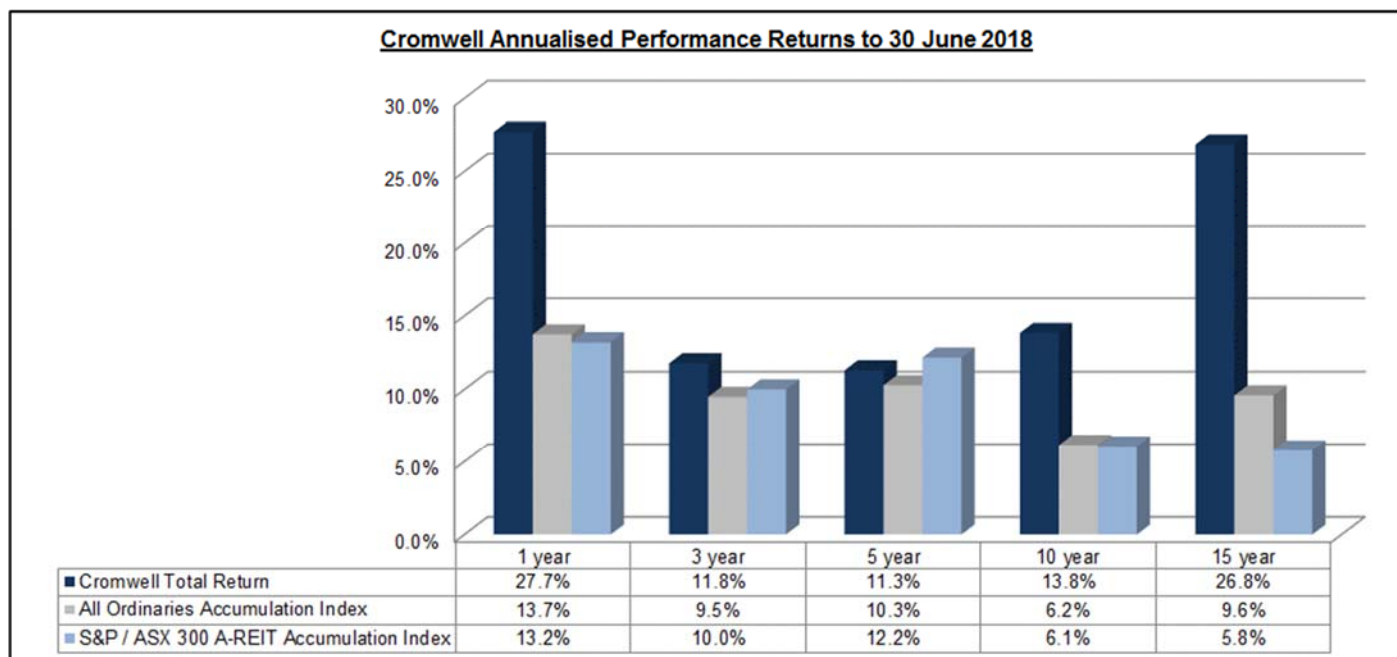
Total return of Cromwell securities

The chart below illustrates Cromwell's performance against the S&P/ASX300 A-REIT Accumulation Index since stapling in 2006.



Total Securityholder Returns (Annualised)

Cromwell's Total Securityholder Return (TSR) over the last 1, 3, 5, 10 and 15 years relative to benchmark indices is shown below.



Other than the 5-year return, Cromwell has consistently outperformed against both indices.

Directors' Report

4.0 Executive KMP for FY 2018

4.1 Summary of remuneration elements for the CEO and other KMP

Component	Input	FY 18 - Strategy and Performance Link
A. <u>Fixed remuneration</u>	<p>CEO and Other KMP</p> <p>All employees receive a remuneration package that includes a fixed pay component. The fixed remuneration comprises cash salary, superannuation and other salary sacrificed benefits.</p> <p>The fixed pay is a set amount to reflect the role complexity, responsibilities and skill levels required, with cognisance to the market.</p> <p>External input has been obtained from salary bench marking groups such as Aon Hewitt and KPMG has been retained to assist the Remuneration Committee and the Board.</p>	<ul style="list-style-type: none"> To attract, retain and motivate executives with the right capability and experience to achieve results in the geographic regions in which Cromwell operates or has set strategic objectives. Reviewed annually by the Board, who consider performance during the year, relevant external market data, tenure and experience. Cromwell's approach is to initially set FR at a level that allows progressive increases to apply as the individual performs in their role and becomes more experienced. This would normally be benchmarked to the level for the KMP role the Board considers appropriate given the experience and skills of the CEO and the experience and skills of peers in the comparator set.
B. <u>At-risk cash bonus (short term incentives)</u>	<p>CEO</p> <p>Short term incentives are generally included as part of the remuneration package as the CEO can have a material impact on the key marginal drivers of operating earnings in any given financial year.</p> <p>The Board has determined that currently this only applies to the CEO. The purpose of the STI bonus is to focus the CEO's efforts on those key marginal drivers and outcomes that are priorities for Cromwell for the relevant financial year and to motivate the CEO to strive and reward him to achieve stretch performance objectives that assist the achievement of Cromwell's strategic agenda.</p> <p>Short term incentives are currently paid as cash bonuses, and once paid there are no forfeiture provisions.</p> <p>Other KMP</p> <p>The Board has determined that no other KMP other than the CEO should be awarded an STI as the Board does not wish to encourage risk taking behaviour.</p> <p>Review of STI</p> <p>However, given the growth in geography and diversity of roles the Board is reviewing broadening the STI tool to a larger cohort. The Board has retained KPMG to provide advice as to whether and how this portion of remuneration for KMP should be changed in future years.</p>	<p>Limited to a maximum of \$900,000 The 2018 performance measures for the CEO's STI were:</p> <ul style="list-style-type: none"> 20% linked to outperformance of the operating forecast profit per stapled security 10% to property specific value enhancing strategies as agreed with the Board 60% for the successful development and listing of the CEREIT 10% for achieving employee values and succession strategies as agreed with the Board <p>None.</p>
C. <u>At-risk equity element</u>	<p>CEO</p> <p>A long-term equity payment aimed at alignment and retention.</p> <p>LTI's are to reward KMP for long-term performance, encourage security holding retention and to deliver long-term value</p>	<p>As Cromwell transitions from a pure yield producing A-REIT to a more growth aligned International Property Group the board believes its CEO should be more aligned to the long-term value outcomes for security holders. To enhance this focus, the STI has been reduced by \$700,000 and the LTI has been increased by an equivalent amount. As the existing scheme</p>

creation for security holders.

does not provide for an increase in performance benefits the Board at the AGM will be seeking shareholder approval of a new LTI scheme which can be applied from 1 July 2017.

For further information on the CEO's current and proposed LTI refer to sections 1.1 and 4.2.

Other KMP

Granting of equity-based compensation to employees considered important to the longer-term success of Cromwell is to ensure alignment between these employees and securityholders and to encourage staff retention.

Two equally weighted measure are used:

1. Achievement of Cromwell Employee Values - 50%.

Cromwell sees its culture and values as an essential element to its success, especially considering it is integrating a large European business and spreading its geographical reach. Ensuring cultural alignment with Cromwell's deeply ingrained values is critical to ensure behaviour and processes across Cromwell are appropriate and consistent.

Measurement:

All staff are reviewed on how well they demonstrate Cromwell's Employee Values as part of their annual performance review.

2. Meeting key performance indicators (KPIs) - 50%.

KPIs for each KMP consider their role within Cromwell generally as well as their expected contribution to the achievement of Cromwell's objectives. The KPIs are designed to best incentivise each KMP to meet Cromwell's objectives and therefore best serve the interests of securityholders. Section 4.4 details the 2018 KPI's

Measurement

Although the specific KPIs for each of the KMP is different each KMP's performance is assessed according to a traditional balanced scorecard methodology. The balanced scorecard methodology assigns performance and responsibility criteria across four broad categories. Weightings and details of each of these categories are detailed in the next section.

Section 4.2 provides details on the current rights scheme

This aligns executive and securityholder experiences through achievement of strategic objectives and securityholder ownership.

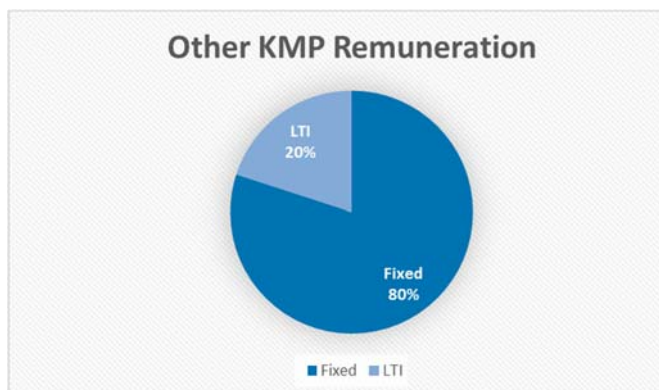
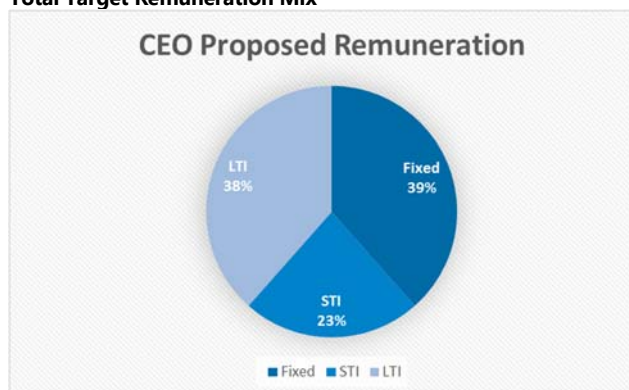
As shown in the diagrams below a significant component of the Executive Remuneration is linked to short and long-term company performance to assist in aligning executive's interest with those of securityholders. The relative weighting of the fixed and at-risk components of the total target remuneration for executive KMP's are detailed below. A higher portion of the CEO remuneration is at risk as he has the greatest scope to influence Cromwell's long-term performance

D. Total Remuneration pay mix

The remuneration mix is designed to reward KMP for the achievement of both short and longer-term objectives.

It is important to note the Board via the Committee retains the discretion to award equity-based remuneration to employees, based on the recommendation of the CEO. This element of remuneration is seen as an alignment and retention tool by the Board

Total Target Remuneration Mix



Directors' Report

4.2 LTI Equity based compensation principals and application – existing and proposed

Component	Details of the Equity scheme operating in FY2018
Overview	<p>Participating employees are offered performance rights issued under Cromwell's performance rights plan (PRP) to fund the acquisition of stapled securities in Cromwell.</p> <p>Under the PRP, if performance rights vest they allow eligible employees to obtain stapled securities at a discount to market value. The discount is taken into account when determining the value to be issued to a participating employee.</p> <p>As stated earlier, the Board, together with KPMG remuneration specialists, is reviewing details for a proposed new Equity Scheme to apply from 1 July 2018.</p>
General criteria that must be met before any PRP can be awarded	<p>The following general criteria must be met by any employee before they can be considered eligible for the exercise of any performance rights:</p> <ul style="list-style-type: none"> • Must remain in employment with Cromwell from the date of issue until the commencement of the exercise period; • Meet any prescribed Cromwell Employee values; • Meet key performance indicators – these are described separately below under the headings: <ul style="list-style-type: none"> ○ Granted in 2018 to the CEO; and ○ Application to Cromwell other KMP and employees
Granting	<p>Each year the Board (on recommendation from the Committee) considers whether to grant equity-based compensation to the CEO and, if so, to what value.</p> <p>Each year the Committee delegates authority to the CEO to determine which employees will receive equity-based compensation at the end of each financial year and, if so, to what value. The Committee considers and, if appropriate, ratifies the Chief Executive Officer's determination.</p> <p>In determining the total value of equity-based compensation to be granted in any one year the performance of Cromwell is considered. This involves an assessment of whether Cromwell has met its objectives, including a review of Cromwell's key financial measures.</p>
Granted in 2018 to the CEO	<p>As a result of his performance in 2017, the CEO was granted 1,832,200 performance rights during 2018 under the existing PRP scheme.</p> <p>For the CEO, the Long-Term Incentive (LTI) (whether paid as performance rights or under the proposed new LTI performance scheme) is set by the board and approved by securityholders.</p> <p>For the CEO, the annual grant of performance rights all have three-year vesting terms. For the CEO, the grant requires the passing of annual performance hurdles set by the Board.</p>
Application to other Cromwell KMP and employees	<p>For other KMP, the grant of performance rights requires the passing of tailored annual performance hurdles set by the CEO. All performance rights have a three-year vesting period.</p> <p>Once a value had been allocated, the participating employee is given the option of participation in the PRP.</p> <p>The actual number of performance rights granted to the participating employee is determined by dividing the total value awarded to that employee by the fair value of each performance right at grant date.</p> <p>Once performance rights are granted, the participating employees will need to meet performance hurdles before they vest and remain employed by Cromwell through to the end of the vesting period. The general vesting criteria is summarised below:</p> <ul style="list-style-type: none"> - If granted prior to 30 June 2016, performance rights will vest if an employee achieves 70% or greater of their KPIs in two out of the three years comprising the vesting period.; - If granted after 1 July 2016, performance rights will vest if an employee achieves 70% or greater of their KPIs in each of the three years comprising the vesting period. If a KMP fails to meet the required hurdle in any given year then not only will they not be awarded any equity-based compensation for that year, but all unvested equity-based compensation will be forfeited. <p>The maximum value of performance rights to be allocated to any employee in any given year, other than the CEO, is generally limited to 25% of their fixed pay.</p>
Fair Value	<p>The fair value at grant date for performance rights is determined using a Black-Scholes option pricing model that considers the following:</p> <ul style="list-style-type: none"> - the exercise price (including the discount to market value at grant date); - the term of the performance right; - the security price at grant date;

Directors' Report

- the expected price volatility of the underlying securities;
- the expected dividend/distribution yield; and
- the risk-free interest rate for the term of the performance right.

Since grants under the PRP are made in value terms, the lower the exercise price the lower the number of performance rights granted and, therefore, the lower the number of securities that may be issued

The valuation of performance rights is discussed in more detail in section (G) below

Award Process	The process to determine if an actual award will be made to a participating employee is summarised below: Year 0 Annual Performance review. If annual review score >70%, review next year. If <70%, No equity awarded. Year 0 Equity Award. Annual Review score x 25% x Year 0 Fixed Pay. Year 1 Annual Performance review. If annual review score >70%, review next year. If <70%, equity award forfeited. Year 2 Annual Performance review. If annual review score >70%, review next year. If <70%, equity award forfeited. Year 3 Annual Performance review. If annual review score >70%, Equity Awards vest. If <70%, equity award forfeited.
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4.3 Total CEO remuneration package possible and actual achievement

The total remuneration packages of the Chief Executive Officer for the last three years comprised the following components:

Financial year	Fixed pay	STI At-risk cash bonus	LTI – Cash and Equity based compensation	Total	
	\$	\$	\$	\$	
Mr P Weightman	2018 – achieved	1,500,000	846,000	471,532	2,817,532
	(53%)	(30%)	(17%)		
	2018 – min Possible	1,500,000	0	0	1,500,000
	(100%)	(0%)	(0%)		
	2018 - max possible	1,500,000	900,000	1,500,000	3,900,000
	(38%)	(23%)	(39%)		
	<i>2017 – achieved</i>	<i>1,600,000</i>	<i>1,400,000</i>	<i>481,166</i>	<i>3,481,166</i>
	(46%)	(40%)	(14%)		
	2017 – min possible	1,600,000	0	0	1,600,000
	(100%)	(0%)	(0%)		
	2017 – max possible	1,600,000	1,600,000	800,000	4,000,000
	(40%)	(40%)	(20%)		
	<i>2016 – achieved</i>	<i>1,350,000</i>	<i>700,000</i>	<i>385,063</i>	<i>2,435,063</i>
	(55%)	(29%)	(16%)		
	2016 – min possible	1,350,000	0	0	1,350,000
	(100%)	(0%)	(0%)		
	2016 – max possible	1,350,000	800,000	800,000	2,950,000
	(46%)	(27%)	(27%)		

For a detailed discussion on the changes to the CEO's remuneration refer to section 1.1.

Directors' Report

The Board's assessment of CEO **STI performance** against key marginal drivers and outcomes for 2018 is provided in the following table:

Key Marginal Driver – 2018	Commentary	Overall Rating	% Possible	% Achieved
Earnings per security	Actual operating EPS of 8.35 cps versus guidance of 8.25cps	Exceeded	20	100
Value enhancing specific property strategies as agreed with the Board	Determined by the release of value achieved by the agreed strategies	70%	10	70
Successful development and listing of CEREIT	Achieved on 29 November 2017 Listing of the CEREIT fundamental to the international strategy of Cromwell	Achieved	60	100
Achieving employee value and succession strategies as agreed with the Board	Successfully implemented leadership and restructuring changes in Europe. Achieved internal management restructure. Succession planning still under development.	70%	10	70
	Total %		100	94
	Total \$		\$900,000	\$846,000

The Board assessment of the **CEO LTI performance** against success drivers

Year of Performance	LTI vesting period	Performance measures and hurdles	KPI % Achieved	Maximum Possible Grant	Actual Number Granted
2017	16 Feb 2018 - 30 Sep 2020	In FY17 LTI's were awarded on the same basis of assessment against KPIs as the KPIs for STI's. In the year the CEO achieved 75% of his KPIs and was allocated performance rights on this basis. To vest the annual hurdles in each year of the option period must met. The hurdles were met in 2018. Results for 2019 and 2020 are still to occur.	75%	2,442,933	1,832,200
2016	16 Dec 2016 - 1 Jan 2020	In FY16 LTI's were awarded on the same basis as STI's. In this year the CEO achieved 87.5% of the STI's and was awarded LTI performance rights on this basis. To vest must meet 70% of annual hurdles in two out of the three years comprising the vesting period. Has met hurdles in 2017 and 2018 – therefore these will vest if the CEO meets standard vesting conditions as at the final vesting date on the 30 June 2019.	87.5%	3,186,886	2,788,525
2015	11 Dec 2015 - 10 Oct 2018	In FY 2015 LTI's were awarded on the same basis as STI's. In this year the CEO achieved 100% of the STI's. and was awarded LTI performance rights on this basis. To vest must meet 70% of annual hurdles in two out of the three years comprising the vesting period. This hurdle has been achieved.	100%	1,254,530	1,254,530

Directors' Report

4.4 LTI Performance measures for KMP other than the CEO

The weightings of each of the four balanced scorecard categories for any individual are set and assessed in consideration of their role, qualifications and experience. However, generally the weightings will be within the bands set out below:

Measure	Weighting	Measure
1) Financial measures	40% - 70%	Includes both the performance of Cromwell and the employees' business unit. Cromwell focuses on maintaining individual securityholder alignment by using operating earnings per security as the major financial metric. Other financial metrics, and the 2018 outcome are included in the <i>Financial Measures</i> table below.
2) Internal Business measures	10% - 30%	Concentrate on improvement of people, systems and processes to create efficiency and accuracy to support long term business growth. The processes emphasise adherence to governance requirements.
3) Customer measures	10% - 30%	Cromwell surveys securityholders, tenants, fund investors and other stakeholders to ascertain customer relationship trends and set KPIs for employees to meet the needs identified by those trends, and to coincide with longer term corporate objectives.
4) Innovation and learning measures	10% - 30%	Focuses on the growth of individuals, departments and corporate culture to innovate and extend current capabilities throughout Cromwell.

Other Financial Measures:

Other financial metrics for 2017 and 2018 included but are not limited to the following:

Metric	Required outcome	FY18 Outcome
Distribution per security	Sustainable growth in distributions per security.	Distributions per security remained steady at 8.34cps
Gearing	2018 target of between 40% - 50%.	Gearing at 37% Look through gearing at 42%
Debt terms	Mitigate debt risks by maintaining 12 months minimum expiry profile of debt.	Debt terms successfully extended out to 5.2 years. Earliest expiry is 2020
Interest rates	Maintain interest rate hedging profile that provides a high degree of certainty of distributions for 2 years.	Successful execution of 3-year hedging programme with \$690 million of swaps and caps
Long term net operating income growth	Achieve like for like net operating income growth that supports earnings and distribution targets, noting in some years investment is required at the expense of short term growth to secure long term growth.	Entire like for like net operating income growth of 1.4%. Core portfolio growth of 4.6%
Lease expiries	Focus on lease expiries in core portfolio and maintain vacancy rates at set targets.	Core portfolio occupancy level at 99.9%
Portfolio management	Meet agreed maintenance / lifecycle capex targets.	Achieved
Active portfolio	Execute asset management plans for active portfolio.	Achieved
Funds management	Successfully promote and launch new funds and maintain performance of current open retail funds.	Achieved
Cash reserves	Maximise returns from cash reserves.	Achieved

Directors' Report

LTI performance rights issued for KMP other than the CEO

Year of Performance	LTI vesting period	KPI % Achieved	Maximum Possible Grant	Actual Number Granted
Michael Wilde - CFO				
2017	16 Feb 2018 – 30 Sep 2020	100%	218,852	218,852
2016	19 Oct 2016 – 31 Nov 2019	88%	147,907	130,158
2015	2 Nov 2015 – 2 Dec 2018	100%	95,908	95,908
Jodie Clark – Chief Operations Officer				
2017	16 Feb 2018 – 30 Sep 2020	100%	235,312	235,312
2016	19 Oct 2016 – 31 Nov 2019	96%	152,803	146,996
2015	2 Nov 2015 – 2 Dec 2018	94%	116,135	108,696
Damian Horton – Head of Property till 2 Feb 2018				
2017	16 Feb 2018 – 30 Sep 2020	80%	177,515	141,991

Simon Garing (Chief Capital Officer) has not met the minimum term of employment to be eligible for a LTI.

5.0 Non-executive Directors remuneration

5.1 Board remuneration structure

Fees and payments to Non-Executive Directors reflect the market in line with the demands which are made on, and the responsibilities of, the Directors. The Board determines remuneration of Non-Executive Directors within the maximum amount approved by security holders from time to time. This maximum currently stands at \$1,000,000 per annum in total for fees to be divided among the Non-Executive Directors in such a proportion and manner as they agree. Fees are set so that:

- Cromwell non-executive Directors are remunerated fairly for their services, recognising the workload, and level of skills and experience required for the role;
- Cromwell can attract and retain talented non-executive Directors; and
- Fees are in line with market practice.

5.2 Total remuneration for Non-Executive Directors

Non-Executive Directors are paid a fixed remuneration, comprising base and committee fees or salary and superannuation (if applicable). Non-Executive Directors do not receive bonus payments or participate in security-based compensation plans and are not provided with retirement benefits other than statutory superannuation.

	2018 \$	2017 \$
Chairman	216,084	211,640
Non-executive director	99,282	97,240
Audit & Risk Committee – Chairman	20,216	19,800
Audit & Risk Committee – Member	13,476	13,200
Nomination & Remuneration Committee – Chairman ⁽¹⁾	N/A	N/A
Nomination & Remuneration Committee – Member	5,615	5,500
Investment Committee	-	-

⁽¹⁾ Mr G Levy has never received a fee or salary for being the Chairman of the Nomination & Remuneration Committee.

In accordance with the Board policy to maintain Directors fees by CPI and consistent with prior years, from 1 July 2018, fees and payments to Non-Executive Directors have been increased by CPI which was 1.9%.

Directors' Report

6.0 Remuneration and Conditions of employment of the KMP

6.1 Cash and at-risk bonuses expensed or accrued in 2018

The table below outlines the cash remuneration and at-risk cash bonus received as well as the value of equity-based compensation that were expensed during the year in accordance with applicable statutory accounting rules.

		Short-term			Post-employment	Long-term	Security based payments	Total	Total performance related	
		Salary ⁽⁷⁾ and fees \$	Non-monetary benefits \$	At-risk cash bonus \$	Total short term \$	Super-annuation \$	Long service leave \$			Equity based compensation \$
Non-executive directors:										
G Levy	2018	197,259	-	-	197,259	18,677	-	-	215,936	-
	2017	193,164	-	-	193,164	18,351	-	-	211,515	-
M McKellar	2018	118,326	-	-	118,326	-	-	-	118,326	-
	2017	115,882	-	-	115,882	-	-	-	115,882	-
R Foster ⁽¹⁾	2018	47,396	-	-	47,396	4,504	-	-	51,900	-
	2017	105,828	-	-	105,828	10,054	-	-	115,882	-
J Tongs	2018	114,214	-	-	114,214	10,850	-	-	125,064	-
	2017	111,856	-	-	111,856	10,626	-	-	122,482	-
M Wainer	2018	99,243	-	-	99,243	-	-	-	99,243	-
	2017	97,182	-	-	97,182	-	-	-	97,182	-
A Konig ⁽²⁾	2018	93,515	-	-	93,515	-	-	-	93,515	-
	2017	97,182	-	-	97,182	-	-	-	97,182	-
L Blitz ⁽³⁾	2018	109,362	-	-	109,362	-	-	-	109,362	-
	2017	-	-	-	-	-	-	-	-	-
D Blight ⁽⁴⁾	2018	5,580	-	-	5,580	530	-	-	6,110	-
	2017	-	-	-	-	-	-	-	-	-
Executive management group (EMG):										
P Weightman	2018	1,567,888	29,994	846,000	2,443,882	20,049	220	471,532	2,935,683	45%
	2017	1,792,418	15,600	1,400,000	3,208,018	19,616	84,188	481,166	3,792,988	50%
M Wilde	2018	704,471	22,148	-	726,619	20,049	14,904	80,359	841,931	10%
	2017	704,021	15,600	-	719,621	19,616	59,914	61,076	860,227	7%
J Clark	2018	705,333	29,105	-	734,438	20,049	15,243	91,481	861,211	11%
	2017	736,297	15,600	-	751,897	19,616	54,979	80,366	906,858	9%
S Garing ⁽⁵⁾	2018	389,441	-	-	389,441	10,024	6,401	-	405,866	0%
	2017	-	-	-	-	-	-	-	-	-
D Horton ⁽⁶⁾	2018	322,424	14,568	-	336,992	15,037	(7,111)	(22,094)	322,824	-
	2017	490,272	18,500	-	508,772	19,616	4,292	22,094	554,774	4%
Total remuneration	2018	4,474,452	95,815	846,000	5,416,267	119,769	29,657	621,278	6,186,971	
	2017	4,444,102	65,300	1,400,000	5,909,402	117,495	203,373	644,702	6,874,972	

⁽¹⁾ Mr Foster resigned on 29 November 2017.

⁽²⁾ Mr Konig resigned on 1 June 2018.

⁽³⁾ Mr Blitz was appointed on 28 June 2017.

⁽⁴⁾ Mr Blight was appointed on 1 June 2018.

⁽⁵⁾ Mr Garing was appointed on 19 December 2017.

⁽⁶⁾ Mr Horton resigned on 2 February 2018.

⁽⁷⁾ Includes any change in accruals for annual leave.

During 2017 the remuneration of Ms Clark and Mr Wilde was increased to bring them in line with industry norms. The board has determined that neither the COO or CFO will be eligible for STI's, as their roles are not transactional in nature and the Board did not want to encourage risk taking in these roles. When setting remuneration levels for both Ms Clark and Mr Wilde a discount was applied to the STI's in the peer group to reflect the non-deferred or risk contingent nature of the payments versus peers.

Directors' Report

6.2 Details of remuneration: at risk cash bonuses and performance rights vesting and forfeiture in 2018

For each at-risk cash bonus and grant of performance rights options (equity-based compensation) included in the tables above, the percentage of the available at-risk cash bonus paid, or equity-based compensation that vested, during the year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

The performance rights are subject to vesting conditions as outlined above. No performance rights will vest if the conditions are not satisfied, hence the minimum value of performance rights yet to vest is \$nil. The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed at balance date. References to options in the table below relate to performance rights.

	At-risk cash bonus		Equity based compensation				
	Cash bonus paid %	Cash bonus forfeited %	Years options granted	Options vested in 2018 %	Options forfeited in 2018 %	Years options may vest	Maximum value of grant to vest \$
P Weightman	94.0%	12.5%	2016/17/18	100% ⁽¹⁾	-	2019/20/21	776,874
M Wilde	-	-	2016/17/18	100% ⁽¹⁾	-	2019/20/21	189,349
J Clark	-	-	2016/17/18	100% ⁽¹⁾	-	2019/20/21	206,186

⁽¹⁾ Related to performance rights issued in 2014.

In 2017, the CEO had 12.5% (\$200,000) of his STI deferred into 2018 pending the successful conclusion of transactions still ongoing at 30 June 2017. These were successfully completed in 2018 and the amount was paid in full.

6.3 Equity based compensation for the CEO and other KMP

Details of the PRP are set out in part 4.2 of the remuneration report.

All Executive Directors and employees of Cromwell are considered for participation in the PRP subject to a minimum period of service and level of remuneration, which may be waived by the Committee. Grants to Executive Directors are subject to securityholder approval.

Consideration for granting performance rights, grant periods, vesting and exercise dates, exercise periods and exercise prices are determined by the Board or Committee in each case. Performance rights carry no voting rights. When exercised, each performance right is convertible into one stapled security.

The terms and conditions of each grant of performance rights under the PRP affecting remuneration for Key Management Personnel in the current or future reporting periods are included in the table below:

Grant date	Expiry date	Exercise price	No of performance rights granted	Assessed value per right at grant date
02-Nov-2015	02-Dec-2018	-	204,604	78.2¢
11-Dec-2015	10-Oct-2018	\$0.50	1,254,530	35.9¢
19-Oct-2016	30-Nov-2019	-	419,145	67.6¢
16-Dec-2016	01-Jan-2020	\$0.50	2,788,525	22.0¢
16-Feb-2018	30-Sep-2020	-	454,164	75.9¢
16-Feb-2018	30-Sep-2020	\$0.50	1,832,200	28.8¢

Details of changes during the 2018 year in performance rights on issue to Key Management Personnel under the PRP are set out below.

	Opening balance	Granted	Exercised	Forfeited	Lapsed	Closing balance
P Weightman	5,483,832	1,832,200 ⁽¹⁾	(1,440,777) ⁽⁴⁾	-	-	5,875,255
M Wilde	276,893	218,852 ⁽²⁾	(50,827) ⁽⁵⁾	-	-	444,918
J Clark	519,035	235,312 ⁽³⁾	(263,343) ⁽⁶⁾	-	-	491,004
D Horton	141,991	-	-	(141,991) ⁽⁷⁾	-	-
	6,421,751	2,286,364	(1,754,947)	(141,991)	-	6,811,177

⁽¹⁾ The value at grant date was \$526,941

⁽²⁾ The value at grant date was \$166,196.

⁽³⁾ The value at grant date was \$178,696.

⁽⁴⁾ The value at grant date was \$410,344. The value at exercise date was \$662,757. Exercise price was fully paid.

⁽⁵⁾ The value at grant date was \$37,799. The value at exercise date was \$48,793. Exercise price was fully paid.

⁽⁶⁾ The value at grant date was \$75,002. The value at exercise date was \$121,138. Exercise price was fully paid

⁽⁷⁾ All performance rights forfeited were granted in 2017

Directors' Report

The assessed fair value at grant date of performance rights granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in section 6.1 of the remuneration report.

A total of 3,961,001 performance rights were granted during 2018 (2017: 5,062,046) of which 2,286,364 (2017: 3,207,670) were issued to Key Management Personnel. The model inputs for performance rights granted during the 2018 year are disclosed in note 19.

Plan rules contain a restriction on removing the "at risk" aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the "at risk" aspect of an instrument before it vests without explicit approval from the Board. At 30 June 2018 no performance rights on issue had vested.

6.4 Employment contracts and termination provisions

Paul Weightman (CEO)

Remuneration and other terms of employment for the Chief Executive Officer are formalised in an employment agreement. Cromwell may terminate the agreement without notice for gross misconduct; otherwise, Cromwell may terminate the agreement on six months' notice, or payment of entitlements for this period in lieu of notice. Mr Weightman may terminate the agreement at any time with six months' notice. Other major provisions of the agreement are as follows:

- Term of agreement – Commencing 1 July 2006, no fixed termination date.
- Base salary, inclusive of superannuation, of \$1,520,049, to be reviewed annually by the remuneration committee. The Remuneration Committee has commissioned KPMG to review the STI package for the CEO.
- Performance cash bonus of up to \$900,000 with KPI targets to be reviewed annually by the remuneration committee.
- The Remuneration Committee has commissioned KPMG to review the LTI scheme with the view of recommending a new scheme for approval at the 2018 AGM.

All other executives

Remuneration and other terms of employment for other executives are contained under standard employment contracts. There are no termination payments due under the contracts other than statutory entitlements for accrued leave. Remuneration is reviewed annually.

Termination provisions

There are no fixed term conditions in executive employment contracts. Minimum termination periods for executives are outlined below and adhered to in all cases except in the case of serious breaches of the employment contract.

	Notice period employee	Notice period Cromwell
Managing Director / CEO	6 months	6 months
All other key management personnel	1–3 months	1– 3 months

6.5 Security Holdings

The number of stapled securities in Cromwell held during the year by key management personnel of Cromwell, including their personally related parties are as follows:

	Balance at 1 July	Performance rights exercised	Net purchases (sales)	Balance at 30 June
Non-executive directors:				
Mr G Levy (AO)	3,250,000	-	79,195	3,329,195
Ms M McKellar	850,965	-	31,678	882,643
Ms J Tongs	172,000	-	85,678	257,678
Mr M Wainer ⁽¹⁾	-	-	-	-
Mr L Blitz	-	-	-	-
Mr D Blight ⁽²⁾	-	-	-	-
Executive Management Group (EMG):				
Mr Paul Weightman	21,119,821	1,440,777	31,678	22,592,276
Mr M Wilde	177,801	50,827	-	228,628
Ms J Clark	236,961	263,343	(258,064)	242,240
Mr S Garing	-	-	-	-
Mr D Horton	-	-	-	-
	25,807,548	1,754,947	(29,835)	27,532,660

⁽¹⁾ Mr Wainer is a Director of Redefine Properties Limited which indirectly owns Redefine Australia Investments Limited, which owns 60,000,000 (2017: 446,538,850) stapled securities in Cromwell.

⁽²⁾ Mr Blight is a Director of ARA Australia which is an associate of ARA Real Estate Investors Pte Ltd, which owns 386,538,850 (2017: nil) stapled securities in Cromwell.

Directors' Report

6.6 Loans to key management personnel

Cromwell has provided loans to Mr P Weightman, a Director of the Company, for the exercise of his employee options under Cromwell's Performance Rights Plan. Each loan term is three years, limited recourse and interest free. The outstanding balance at balance date was \$1,825,152 (2017: \$1,545,024).

6.7 Other transactions with key management personnel

Cromwell rents an apartment, located at 185 Macquarie Street, Sydney, which is owned by Mr P Weightman, a Director of the Company. Total rent paid during 2018 was \$114,396 (2017: \$99,840). At balance date an amount of \$9,533 (2017: \$8,320) was payable. The payment of rent is on normal commercial terms and conditions and at market rates.

End of Remuneration Report

The Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the Directors.



PL Weightman
Director

Dated this 22nd day of August 2018



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

Auditor's Independence Declaration

As lead auditor for the audit of Cromwell Corporation Limited and Cromwell Diversified Property Trust for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of *APES 110 Code of Ethics for Professional Accountants*.

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

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
22 August 2018

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

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Adelaide Brisbane Melbourne Newcastle Perth Sydney

an independent member of
BAKER TILLY
INTERNATIONAL

Consolidated Income Statements

For the year ended 30 June 2018

	Notes	Cromwell		Trust	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Continuing operations					
Revenue					
Rental income and recoverable outgoings		209.6	199.8	210.0	200.1
Funds management fees		99.1	97.3	-	-
Share of profit of equity accounted investments		125.1	7.8	121.5	2.4
Interest		6.5	1.5	9.6	4.2
Distributions		5.5	14.2	0.1	12.3
Other revenue		0.9	0.2	0.1	-
Total revenue		446.7	320.8	341.3	219.0
Other income					
Fair value net gain from:					
Investment properties	5(b)	77.4	125.0	77.4	125.0
Derivative financial instruments		-	17.1	-	10.2
Investments at fair value through profit or loss		-	14.2	0.1	6.6
Gain on sale of listed securities		15.7	-	15.7	-
Gain on sale of other assets		-	0.9	-	10.6
Total revenue and other income		539.8	478.0	434.5	371.4
Expenses					
Property expenses and outgoings		34.6	36.2	39.8	41.8
Funds management costs		2.8	4.5	-	-
Property development costs		0.6	0.2	-	-
Finance costs	8(b)	79.5	57.3	61.2	54.4
Employee benefits expense	21	69.7	64.8	-	-
Administration and overhead costs		33.4	27.7	18.1	13.1
Amortisation and depreciation		4.4	6.8	-	-
Loss on sale of investment properties	5(c)	5.0	0.9	5.0	0.9
Fair value net loss from:					
Derivative financial instruments		13.7	-	16.1	-
Investments at fair value through profit or loss		3.5	-	-	-
Other transaction costs		5.7	-	3.1	-
Decrease in recoverable amounts		76.1	0.2	-	-
Net foreign currency losses		3.2	0.7	1.9	0.1
Total expenses		332.2	199.3	145.2	110.3
Profit before income tax		207.6	278.7	289.3	261.1
Income tax expense	4(a)	5.0	1.5	2.6	0.3
Profit for the year from continuing operations		202.6	277.2	286.7	260.8
Discontinued operations					
Net profit after tax from discontinued operation	15	1.5	0.3	1.7	0.3
Profit for the year		204.1	277.5	288.4	261.1
<i>Profit for the year is attributable to:</i>					
Company shareholders		(83.9)	16.5	-	-
Trust unitholders		288.0	261.0	288.0	261.0
Non-controlling interests		-	-	0.4	0.1
Profit for the year		204.1	277.5	288.4	261.1
Earnings per security					
Basic earnings per company share/trust unit (cents)	3(a)	(4.47¢)	0.94¢	15.38	14.86
Diluted earnings per company share/trust unit (cents)	3(a)	(4.47¢)	0.93¢	15.34	14.81
Basic earnings per stapled security (cents)	3(b)	10.89¢	15.78¢		
Diluted earnings per stapled security (cents)	3(b)	10.85¢	15.74¢		

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

Consolidated Statements of Comprehensive Income

For the year ended 30 June 2018

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Profit for the year	204.1	277.5	288.4	261.1
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	0.3	(0.3)	(4.6)	1.1
Income tax relating to this item	-	-	-	-
Other comprehensive income, net of tax	0.3	(0.3)	(4.6)	1.1
Total comprehensive income	204.4	277.2	283.8	262.2
<i>Total comprehensive income is attributable to:</i>				
Company shareholders	(79.0)	15.7	-	-
Trust unitholders	283.4	261.5	283.3	261.6
Non-controlling interests	-	-	0.5	0.6
Total comprehensive income	204.4	277.2	283.8	262.2

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

Consolidated Balance Sheets

As at 30 June 2018

	Notes	Cromwell		Trust	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Current assets					
Cash and cash equivalents		204.6	66.9	137.6	32.1
Receivables	16(a)	38.1	35.0	13.8	18.8
Other financial assets	16(b)	-	20.0	-	-
Derivative financial instruments	9	0.1	-	0.1	-
Inventories		5.8	-	-	-
Current tax assets		2.4	1.2	-	-
Other current assets		5.4	4.5	1.7	1.6
		256.4	127.6	153.2	52.5
Investment property classified as held for sale	5	0.9	69.5	0.9	69.5
Assets of disposal group held for sale	15	-	354.0	-	354.0
Total current assets		257.3	551.1	154.1	476.0
Non-current assets					
Investment property	5	2,451.1	2,357.8	2,451.1	2,357.8
Equity accounted investments	6	702.4	101.5	669.3	85.3
Investments at fair value through profit or loss	7	33.0	315.8	1.3	266.3
Derivative financial instruments	9	1.7	0.1	1.7	0.1
Receivables	16(a)	5.9	2.4	170.1	159.4
Intangible assets	17	2.3	72.3	-	-
Property, plant and equipment		3.5	3.5	-	-
Inventories		7.4	3.0	-	-
Deferred tax assets	4(c)	1.7	3.4	-	0.3
Total non-current assets		3,209.0	2,859.8	3,293.5	2,869.2
Total assets		3,466.3	3,410.9	3,447.6	3,345.2
Current liabilities					
Trade and other payables	16(c)	52.3	46.4	17.3	23.4
Dividends/distributions payable		41.4	36.7	41.4	36.8
Borrowings	8	-	188.2	-	188.2
Derivative financial instruments	9	37.0	3.2	37.0	0.8
Provisions		4.6	4.0	-	-
Current tax liability		0.9	1.7	-	0.5
Unearned income		5.8	8.1	5.7	7.1
		142.0	288.3	101.4	256.8
Liabilities of disposal group held for sale	15	-	207.2	-	207.2
Total current liabilities		142.0	495.5	101.4	464.0
Non-current liabilities					
Borrowings	8	1,412.0	1,274.2	1,412.4	1,285.6
Derivative financial instruments	9	0.7	-	0.7	-
Provisions		0.4	0.4	-	-
Deferred tax liabilities	4(c)	9.7	0.9	9.7	-
Total non-current liabilities		1,422.8	1,275.5	1,422.8	1,285.6
Total liabilities		1,564.8	1,771.0	1,524.2	1,749.6
Net assets		1,901.5	1,639.9	1,923.4	1,595.6
Equity					
Contributed equity	10	118.9	106.9	1,496.3	1,295.2
Other reserves	11	24.3	18.2	(2.4)	2.3
Retained earnings / (accumulated losses)		(196.8)	(112.9)	423.2	292.3
Equity attributable to shareholders / unitholders		(53.6)	12.2	1,917.1	1,589.8
Non-controlling interests					
Trust unitholders		1,955.1	1,627.7	-	-
Non-controlling interests		-	-	6.3	5.8
Total equity		1,901.5	1,639.9	1,923.4	1,595.6

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2018

Cromwell		Attributable to Equity Holders of the Company				Non-controlling interests (Trust)	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
30 June 2018	Notes	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2017		106.9	18.2	(112.9)	12.2	1,627.7	1,639.9
(Loss) / profit for the year		-	-	(83.9)	(83.9)	288.0	204.1
Other comprehensive income		-	4.9	-	4.9	(4.6)	0.3
Total comprehensive income		-	4.9	(83.9)	(79.0)	283.4	204.4
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	10	12.0	-	-	12.0	201.1	213.1
Dividends / distributions paid / payable	2	-	-	-	-	(157.1)	(157.1)
Employee performance rights		-	1.2	-	1.2	-	1.2
Total transactions with equity holders		12.0	1.2	-	13.2	44.0	57.2
Balance as at 30 June 2018		118.9	24.3	(196.8)	(53.6)	1,955.1	1,901.5

		Attributable to Equity Holders of the Company				Non-controlling interests (Trust)	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
30 June 2017	Notes	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2016		106.5	17.9	(129.4)	(5.0)	1,505.2	1,500.2
Profit for the year		-	-	16.5	16.5	261.0	277.5
Other comprehensive income		-	(0.8)	-	(0.8)	0.5	(0.3)
Total comprehensive income		-	(0.8)	16.5	15.7	261.5	277.2
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	10	0.4	-	-	0.4	7.7	8.1
Dividends / distributions paid / payable	2	-	-	-	-	(146.7)	(146.7)
Employee performance rights		-	1.1	-	1.1	-	1.1
Total transactions with equity holders		0.4	1.1	-	1.5	(139.0)	(137.5)
Balance as at 30 June 2017		106.9	18.2	(112.9)	12.2	1,627.7	1,639.9

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2018

Trust	Notes	Attributable to Equity Holders of the CDPT				Non-controlling interests	Total equity
		Contributed equity	Other reserves	Retained earnings	Total		
30 June 2018		\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2017		1,295.2	2.3	292.3	1,589.8	5.8	1,595.6
Profit for the year		-	-	288.0	288.0	0.4	288.4
Other comprehensive income		-	(4.7)	-	(4.7)	0.1	(4.6)
Total comprehensive income		-	(4.7)	288.0	283.3	0.5	283.8
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	10	201.1	-	-	201.1	-	201.1
Distributions paid / payable	2	-	-	(157.1)	(157.1)	-	(157.1)
Total transactions with equity holders		201.1	-	(157.1)	44.0	-	44.0
Balance as at 30 June 2018		1,496.3	(2.4)	423.2	1,917.1	6.3	1,923.4

Trust	Notes	Attributable to Equity Holders of the CDPT				Non-controlling interests	Total equity
		Contributed equity	Other reserves	Accumulated losses	Total		
30 June 2017		\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2016		1,287.5	1.7	178.0	1,467.2	5.2	1,472.4
Profit for the year		-	-	261.0	261.0	0.1	261.1
Other comprehensive income		-	0.6	-	0.6	0.5	1.1
Total comprehensive income		-	0.6	261.0	261.6	0.6	262.2
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of transaction costs	10	7.7	-	-	7.7	-	7.7
Distributions paid / payable	2	-	-	(146.7)	(146.7)	-	(146.7)
Total transactions with equity holders		7.7	-	(146.7)	(139.0)	-	(139.0)
Balance as at 30 June 2017		1,295.2	2.3	292.3	1,589.8	5.8	1,595.6

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

Consolidated Statements of Cash Flows

For the year ended 30 June 2018

	Note	Cromwell		Trust	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Cash flows from operating activities					
Receipts in the course of operations		320.6	342.0	235.8	235.1
Payments in the course of operations		(168.3)	(154.4)	(79.9)	(79.1)
Interest received		6.3	2.1	7.3	1.9
Distributions received		12.7	24.6	7.3	19.8
Finance costs paid		(46.6)	(55.4)	(46.5)	(51.9)
Income tax paid		(3.8)	(4.6)	(0.5)	(0.1)
Net cash provided by operating activities	18	120.9	154.3	123.5	125.7
Cash flows from investing activities					
Payments for investment properties		(104.1)	(139.3)	(104.1)	(139.3)
Proceeds from sale of investment properties		153.7	89.0	153.7	89.0
Payments for equity accounted investments		(343.4)	(17.9)	(334.9)	(16.5)
Payments for investments at fair value through profit or loss		-	(16.3)	-	-
Proceeds from sale of investments at fair value through profit or loss		292.8	-	280.8	-
Receipt of capital return distributions from investments at fair value through profit or loss		6.8	9.0	-	-
Payments for intangible assets		(1.8)	(0.4)	-	-
Payments for property, plant and equipment		(1.2)	(1.3)	-	-
Loans to related entities and directors		(3.4)	(1.3)	(10.7)	(16.7)
Proceeds from repayment of related party loans		-	1.2	-	32.4
Transfer from restricted funds		20.0	34.0	-	-
Payment for acquisition of disposal group		-	(145.6)	-	(145.6)
Finance costs paid attributable to disposal group / other assets		(2.1)	-	(2.1)	-
Payments for other transaction costs		(5.7)	(0.8)	(3.0)	(0.8)
Net cash provided by / (used in) investing activities		11.6	(189.7)	(20.3)	(197.5)
Cash flows from financing activities					
Proceeds from borrowings		1,719.4	302.7	1,719.4	302.7
Repayment of borrowings		(1,765.0)	(95.6)	(1,765.0)	(95.6)
Repayment of other borrowings		-	(5.5)	-	-
Payment of loan transaction costs		(17.0)	(0.3)	(17.0)	(0.3)
Proceeds from issue of stapled securities		206.1	1.1	194.3	1.0
Payment of dividends / distributions		(144.3)	(139.9)	(144.7)	(140.6)
Payment of equity issue transaction costs		(1.1)	-	(1.0)	-
Payments for settlement of derivative financial instruments		(3.9)	(2.6)	(3.9)	(2.6)
Net cash (used in) / provided by financing activities		(5.8)	59.9	(17.9)	64.6
Net increase / (decrease) in cash and cash equivalents		126.7	24.5	85.3	(7.2)
Cash and cash equivalents at 1 July		66.9	41.6	32.1	39.2
Effects of exchange rate changes on cash and cash equivalents		11.0	0.8	20.2	0.1
Cash and cash equivalents at 30 June		204.6	66.9	137.6	32.1

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

Notes to the Financial Statements

For the year ended 30 June 2018

About this report

Cromwell Property Group ("Cromwell") was formed by the stapling of Cromwell Corporation Limited ("the Company") and its controlled entities, and Cromwell Diversified Property Trust ("CDPT") and its controlled entities ("the Trust"). The Financial Reports of Cromwell and the Trust have been presented jointly in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange.

Cromwell's annual financial report has been prepared in a format designed to provide users of the financial report with a clearer understanding of relevant balances and transactions that drive Cromwell's financial performance and financial position free of immaterial and superfluous information. Plain English is used in commentary or explanatory sections of the notes to the financial statements to also improve readability of the financial report. Additionally, amounts in the consolidated financial statements have now been rounded off to the nearest one hundred thousand dollars, unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The notes have been organised into the following five sections for reduced complexity and ease of navigation:

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For the year ended 30 June 2018

Results

This section of the annual financial report provides further information on Cromwell's and the Trust's financial performance, including the performance of each of Cromwell's five segments, details of quarterly distributions, the earnings per security calculation as well as details about Cromwell's income tax items.

1 Operating segment information

Overview

Operating segments are distinct business activities from which an entity earns revenues and incurs expenses and the results of which are regularly reviewed by the chief operating decision maker (CODM). Cromwell has five operating segments which are regularly reviewed by the Chief Executive Officer (CEO), Cromwell's CODM, in order to make decisions about resource allocation and to assess the performance of Cromwell. Segment profit / (loss), also referred to as operating profit, is considered to reflect the underlying earnings of Cromwell and is a key metric taken into account in determining distributions for Cromwell.

Operating segments below are reported in a manner consistent with the internal reporting provided to the CEO.

Cromwell's operating segments:	Business activity
<i>Property investment</i>	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.
<i>Asset services</i>	Asset services includes property and facility management, leasing and project management for the Trust and all Cromwell managed investment schemes. Asset services also includes property development, including development management and development finance.
<i>Funds management – internal</i>	Internal funds management includes the management of the Trust and its indirect property investments including CEREIT.
<i>Funds management – retail</i>	The establishment and management of external funds for retail investors is considered external retail funds management. Cromwell currently manages eight external retail funds with combined assets under management of \$2.0 billion as at 30 June 2018 (30 June 2017: \$1.8 billion).
<i>Funds management - wholesale</i>	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 Cromwell's European business, the management of the Cromwell Partners Trust and the management of CEREIT. The segment has combined assets under management of \$6.1 billion as at 30 June 2018 (June 2017: \$5.0 billion).

Accounting policies

Revenue

Rental revenue

Rental revenue from investment property is recognised on a straight-line basis over the lease term. Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis.

Funds management revenue

Funds management revenue includes equity raising fees, loan establishment fees, acquisition fees as well as property management fees and fund administration fees. Revenue is recognised proportionally to the rendering of the respective service provided. Performance fees are only recognised when the outcome can be reliably measured.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method.

Dividend and distribution revenue

Revenue from dividends and distributions is recognised when declared.

Expenses

Property expenses and outgoings which include rates, taxes and other property outgoings and other expenses are recognised on an accruals basis.

Notes to the Financial Statements

For the year ended 30 June 2018

Segment allocation

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

Segment profit / (loss)

Segment profit / (loss), internally referred to as profit from operations, is based on income and expenses excluding adjustments for unrealised fair value adjustments and write downs, gains or losses on all sale of investment properties and certain other non-cash income and expense items.

A reconciliation of total segment profit to statutory profit as per income statement is provided in section (c) below.

Notes to the Financial Statements

For the year ended 30 June 2018

(a) Segment results

The table below shows segment results as presented to the Chief Executive Officer. For further commentary on individual segment results refer to the Directors' Report.

30 June 2018	Property investment \$M	Asset services \$M	Funds management			Cromwell \$M
			Internal \$M	Retail \$M	Wholesale \$M	
Segment revenue						
Sales – external customers	199.6	8.6	0.2	8.6	81.7	298.7
Sales – intersegmental	1.1	6.4	14.2	-	-	21.7
Operating profit of equity accounted investments	5.4	-	22.0	1.7	1.2	30.3
Distributions	-	-	0.1	-	5.4	5.5
Interest	-	-	5.8	0.2	0.5	6.5
Other revenue	0.9	-	-	-	-	0.9
Total segment revenue	207.0	15.0	42.3	10.5	88.8	363.6
Segment expenses						
Property expenses and outgoings	32.9	-	-	-	-	32.9
Funds management costs	-	-	0.2	2.6	-	2.8
Property development costs	-	0.6	-	-	-	0.6
Finance costs	37.1	-	5.0	-	3.8	45.9
Expenses - intersegmental	20.6	0.4	0.6	0.1	-	21.7
Employee benefits expense	-	7.7	11.8	1.6	43.9	65.0
Administration and overhead costs	1.4	3.1	4.3	0.5	24.1	33.4
Total segment expenses	92.0	11.8	21.9	4.8	71.8	202.3
Segment profit before income tax	115.0	3.2	20.4	5.7	17.0	161.3
Income tax expense	-	1.0	1.0	1.9	0.6	4.5
Segment profit	115.0	2.2	19.4	3.8	16.4	156.8

30 June 2017	Property investment \$M	Asset services \$M	Funds management			Cromwell \$M
			Internal \$M	Retail \$M	Wholesale \$M	
Segment revenue						
Sales – external customers	214.3	5.3	0.2	11.7	80.1	311.6
Sales – intersegmental	1.1	6.6	12.4	-	-	20.1
Operating profit of equity accounted investments	4.2	-	-	2.4	2.8	9.4
Distributions	-	-	12.2	0.1	1.9	14.2
Interest	0.5	-	0.5	0.2	0.3	1.5
Other revenue	-	-	0.2	-	-	0.2
Total segment revenue	220.1	11.9	25.5	14.4	85.1	357.0
Segment expenses						
Property expenses and outgoings	34.3	-	-	-	-	34.3
Funds management costs	-	-	-	4.5	-	4.5
Property development costs	-	0.2	-	-	-	0.2
Finance costs	41.5	-	4.8	-	4.3	50.6
Expenses - intersegmental	19.0	0.4	0.6	0.1	-	20.1
Employee benefits expense	-	7.9	12.5	1.7	42.7	64.8
Administration and overhead costs	0.7	3.6	5.0	0.4	18.0	27.7
Total segment expenses	95.5	12.1	22.9	6.7	65.0	202.2
Segment profit before income tax	124.6	(0.2)	2.6	7.7	20.1	154.8
Income tax (benefit) / expense	(0.1)	-	-	(0.5)	3.2	2.6
Segment profit / (loss)	124.7	(0.2)	2.6	8.2	16.9	152.2

Notes to the Financial Statements

For the year ended 30 June 2018

(b) Segment assets and liabilities

30 June 2018	Property investment \$M	Asset services \$M	Funds management			Cromwell \$M
			Internal \$M	Retail \$M	Wholesale \$M	
Segment assets	2,646.2	6.4	671.7	25.0	117.0	3,466.3
Segment liabilities	(1,060.4)	(0.7)	(384.8)	(0.1)	(118.8)	(1,564.8)
Segment net assets	1,585.8	5.7	286.9	24.9	(1.8)	1,901.5
Other segment information						
Decrease in recoverable amount - goodwill	-	-	-	-	(69.5)	(69.5)
Equity accounted investments	184.5	-	495.6	13.4	8.9	702.4
<i>Acquisition of non-current segment assets*:</i>						
Investments in associates	14.0	-	464.4	-	1.5	479.9
Investments at fair value through profit or loss	-	-	-	-	3.0	3.0
Intangible assets	-	-	0.6	0.6	0.6	1.8

* For additions to investment property, forming part of the property investment segment, refer to note 5.

30 June 2017	Property investment \$M	Asset services \$M	Funds management			Cromwell \$M
			Internal \$M	Retail \$M	Wholesale \$M	
Segment assets	2,880.1	3.6	323.2	20.2	183.8	3,410.9
Segment liabilities	(1,412.2)	(1.0)	(126.5)	-	(231.3)	(1,771.0)
Segment net assets	1,467.9	2.6	196.7	20.2	(47.5)	1,639.9
Other segment information						
Equity accounted investments	85.3	-	-	12.1	4.1	101.5
<i>Acquisition of non-current segment assets*:</i>						
Investments in associates	16.4	-	-	1.5	-	17.9
Investments at fair value through profit or loss	-	-	-	-	15.2	15.2
Intangible assets	-	0.2	-	-	0.2	0.4

* For additions to investment property, forming part of the property investment segment, refer to note 5.

Notes to the Financial Statements

For the year ended 30 June 2018

(c) Reconciliations to consolidated income statement

Segment profit reconciles to profit as shown in the consolidated income statement as follows:

	Cromwell	
	2018 \$'M	2017 \$'M
Operating profit	156.8	152.2
<i>Reconciliation to profit for the year</i>		
Loss on sale of investment properties	(5.0)	(0.9)
Gain on sale of listed securities	15.7	-
Finance costs attributable to disposal group / other assets	(2.1)	-
Other transaction costs	(5.7)	-
Fair value net gain / (losses)		
Investment properties	77.4	125.0
Derivative financial instruments	(13.7)	17.1
Investments at fair value through profit or loss	(3.5)	14.2
Non-cash property investment income / (expense):		
Straight-line lease income	27.8	3.6
Lease incentive amortisation	(17.8)	(18.0)
Lease cost amortisation	(1.7)	(1.9)
Other non-cash expenses or non-recurring items:		
Amortisation of finance costs	(21.2)	(7.7)
Net exchange (loss) / gain on foreign currency borrowings	(10.3)	1.0
Net (decrease) / increase in recoverable amounts	(76.1)	0.7
Amortisation and depreciation, net of deferred tax expense ⁽¹⁾	(4.4)	(6.8)
Relating to equity accounted investments ⁽²⁾	94.8	(1.7)
Net foreign exchange gains / (losses)	(3.2)	(0.7)
Net profit from discontinued operations	1.5	0.3
Restructure costs ⁽³⁾	(4.7)	-
Net tax losses incurred / (utilised) ⁽⁴⁾	(0.5)	1.1
Profit for the year	204.1	277.5

(1) Comprises depreciation of plant and equipment and amortisation of intangible assets, including management rights and associated deferred tax liability.

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

(3) Relates to the transition of funds management responsibilities for the CEREIT portfolio from Europe to Singapore.

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

Total segment revenue reconciles to total revenue and other income as shown in the consolidated income statement as follows:

	2018 \$M	2017 \$M
Total segment revenue	363.6	357.0
<i>Reconciliation to total revenue and other income:</i>		
Straight-line lease income	27.8	3.6
Lease incentive amortisation	(17.8)	(18.0)
Gain on sale of investment properties	-	0.9
Gain on sale of listed securities	15.7	-
Fair value net gain from investment properties	77.4	125.0
Fair value net (loss) / gain on investments at fair value through profit or loss	-	14.2
Fair value net (loss) / gain on derivative financial instruments	-	17.1
Operating profit / (loss) from equity accounted investments	94.8	(1.7)
Intersegmental sales	(21.7)	(20.1)
Total revenue and other income	539.8	478.0

Notes to the Financial Statements

For the year ended 30 June 2018

(d) Other segment information

Geographic information

Cromwell has operations in four distinct geographical markets. These are Australia through the Cromwell Property Group and the Australian funds it manages, United Kingdom and Europe through its European business, Asia through its investment in the Singapore-listed CEREIF and New Zealand through its Oyster Property Funds Limited joint venture.

Non-current assets for the purpose of the disclosure below include inventories, investment property, property, plant and equipment and intangible assets.

	Revenue from external customers		Non-current operating assets	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Geographic location				
Australia	255.8	254.8	2,462.3	2,364.3
United Kingdom and Europe	72.0	80.4	1.9	72.3
Asia	13.1	-	0.1	-
New Zealand	1.0	1.7	-	-
	341.9	336.9	2,464.3	2,436.6

Major customers

Major customers of Cromwell that account for more than 10% of Cromwell's revenue are listed below. All of these customers form part of the Property investment and Funds management - wholesale segment.

	2018 \$M	2017 \$M
Major customer		
Commonwealth of Australia	47.3	34.6
Qantas Airways Limited	29.7	28.7
New South Wales State Government	26.6	26.4
Cromwell European Real Estate Investment Trust	13.1	-
Queensland State Government	-	19.1
	116.7	108.8

2 Distributions

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. Cromwell aims to return 85 – 95% of profit of Cromwell's five segments (operating profit) which excludes unrealised fair value adjustments and other non-cash income and expenses (refer note 1).

(a) Distributions for the year

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

2018	2017	2018 cents	2017 cents	2018 \$M	2017 \$M
17 November 2017	16 November 2016	2.085¢	2.085¢	36.8	36.6
23 February 2018	15 February 2017	2.085¢	2.085¢	37.6	36.7
25 May 2018	17 May 2017	2.085¢	2.085¢	41.3 ⁽¹⁾	36.7
24 August 2018	18 August 2017	2.085¢	2.085¢	41.4	36.7
		8.340¢	8.340¢	157.1	146.7

(1) Includes an amount of \$392,000 for both Cromwell and the Trust in excess of the pro-rata entitlement for the quarterly distribution paid to those securityholders who acquired securities in February 2018 as part of the Security Purchase Plan.

There were no dividends paid or payable by the Company in respect of the 2018 and 2017 financial years. All of Cromwell's and the Trust's distributions are unfranked.

(b) Franking credits

Currently, Cromwell's distributions are paid from the Trust. Currently, franking credits are only available for future dividends paid by the Company. The Company's franking account balance as at 30 June 2018 is \$7,100,000 (2017: \$5,500,000).

Notes to the Financial Statements

For the year ended 30 June 2018

3 Earnings per security

Overview

This note provides information about Cromwell's earnings on a per security basis. Earnings per security (EPS) is a measure that makes it easier for users of Cromwell's financial report to compare Cromwell's performance between different reporting periods. Accounting standards require the disclosure of two EPS measures, basic EPS and diluted EPS. Basic EPS information provides a measure of interests of each ordinary issued security of the parent entity in the performance of the entity over the reporting period while diluted EPS information provides the same information but takes into account the effect of all dilutive potential ordinary securities outstanding during the period, such as Cromwell's performance rights.

Below in (a) earnings per share of the Company, the parent entity of Cromwell, and its controlled entities ("CCL") and earnings per unit of the Trust are presented as required by accounting standards. As both measures do not provide an EPS measure for the Cromwell group as a whole (b) provides earnings per stapled security information.

(a) Earnings per share / unit

	CCL		Trust	
	2018	2017	2018	2017
Basic earnings per company share / trust unit (cents)	(4.47)	0.94	15.38	14.86
Diluted earnings per company share / trust unit (cents)	(4.47)	0.93	15.34	14.81
<i>Earnings used to calculate basic and diluted earnings per company share / trust unit:</i>				
Profit for the year (\$M)	204.1	277.5	288.0	261.0
Less: Profit attributable to non-controlling interests (\$M)	(288.0)	(261.0)	0.4	0.1
Profit / (loss) attributable to ordinary equity holders of the Company / Trust (\$'000)	(83.9)	16.5	288.4	261.1

(b) Earnings per stapled security

	Cromwell	
	2018	2017
Basic earnings per stapled security (cents)	10.89	15.78
Diluted earnings per stapled security (cents)	10.85	15.74
<i>Earnings used to calculate basic and diluted earnings per stapled security:</i>		
Profit for the year attributable to ordinary stapled security holders of Cromwell (\$M)	204.1	277.5
<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)	1,876,401,510	1,757,840,143
Adjustment for calculation of diluted earnings per company share / trust unit:		
Performance rights (number)	5,621,379	5,212,175
Weighted average number of ordinary securities and potential ordinary securities used in calculating earnings per company share / trust unit / stapled security	1,882,022,889	1,763,052,318

Accounting policy

Basic earnings per security

Basic earnings per security is calculated by dividing profit / (loss) attributable to equity holders of the Company / CDPT / Cromwell, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary securities outstanding during the financial year, adjusted for bonus elements in ordinary securities issued during the year.

Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with potentially ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

Notes to the Financial Statements

For the year ended 30 June 2018

(c) Information concerning the classification of securities

Performance rights

Performance rights granted under Cromwell's Performance Rights Plan are considered to be potential ordinary stapled securities and have been included in the determination of diluted earnings per stapled security to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per stapled security. Details relating to Cromwell's performance rights are set out in note 19.

Convertible bonds

Convertible bonds issued during the current and prior years are considered to be potential ordinary stapled securities, however have not been included in the determination of diluted earnings. The ASX market price of the Cromwell stapled security had been below the convertible bond conversion prices of \$1.1771 and \$1.1431 throughout the year. Additionally, the actual Euro currency translation rate at balance date was more favourable to bondholders than the fixed conversion rate. Therefore, the convertible bonds are currently considered to be antidilutive.

4 Income tax

Overview

This note provides detailed information about Cromwell's income tax items and accounting policies. This includes a reconciliation of income tax expense if Australia's company income tax rate of 30% was applied to Cromwell's profit before income tax as shown in the income statement to the actual income tax expense / benefit as well as an analysis of Cromwell deferred tax balances.

Accounting standards require the application of the "balance sheet method" to account for Cromwell's income tax. Accounting profit does not always equal taxable income. There are a number of timing differences between the recognition of accounting expenses and the availability of tax deductions or when revenue is recognised for accounting purpose and tax purposes. These timing differences reverse over time but they are recognised as deferred tax assets and deferred tax liabilities in the balance sheet until they are fully reversed. This is referred to as the "balance sheet method".

Taxation of the Trust

Under current Australian income tax legislation, the Trust and its sub-Trusts are not liable for income tax on their taxable income (including assessable realised capital gains) provided that the unitholders are presently entitled to the income of the Trust. During the prior year the Trust acquired controlling interests in a number of corporate entities that are subject to income tax. The income tax applicable to these corporate entities is represented below.

(a) Income tax expense

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Current tax expense	1.5	4.7	-	0.6
Deferred tax expense	3.1	(3.5)	2.6	(0.3)
Adjustment in relation to prior periods	0.4	0.3	-	-
Income tax expense	5.0	1.5	2.6	0.3
<i>Deferred tax expense</i>				
Decrease / (increase) in deferred tax assets	1.7	(2.5)	0.3	(0.3)
Increase / (decrease) in deferred tax liabilities	1.4	(1.0)	2.3	-
Total deferred tax expense	3.1	(3.5)	2.6	(0.3)

Notes to the Financial Statements

For the year ended 30 June 2018

(b) Numerical reconciliation between income tax expense / (benefit) and pre-tax profit

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Profit before income tax	207.6	278.7	289.3	261.1
Tax at Australian tax rate of 30% (2017: 30%)	62.3	83.6	86.8	78.3
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>				
Trust income – refer above for Taxation of the Trust	(81.2)	(75.2)	(81.2)	(78.0)
Fair value impairment not deductible	13.8	(2.0)	(6.6)	-
Non-deductible expenses	7.9	(3.8)	3.6	-
Change in tax losses recognised	0.5	(0.6)	-	-
Adjustment in relation to prior periods	0.4	0.3	-	-
Difference in overseas tax rate	1.3	(0.8)	-	-
Income tax expense	5.0	1.5	2.6	0.3

(c) Deferred tax

(i) Deferred tax assets

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
<i>Deferred tax assets are attributable to:</i>				
Interests in managed investment schemes	(1.9)	(1.9)	-	-
Employee benefits	1.9	2.6	-	-
Transaction costs and sundry items	0.6	0.9	-	-
Unrealised foreign currency (losses) / gains	(0.8)	(0.1)	-	0.3
Tax losses recognised	1.9	1.9	-	-
Total deferred tax assets	1.7	3.4	-	0.3
<i>Movements:</i>				
Balance at 1 July	3.4	1.3	0.3	-
Credited / (charged) to profit or loss	(1.7)	2.5	(0.3)	0.3
(Charged) to other comprehensive income	-	(0.4)	-	-
Balance at 30 June	1.7	3.4	-	0.3

The amount of temporary differences and carried forward tax losses recognised as a deferred tax asset is based on projected earnings over a limited period that the Directors considered to be probable. Projected earnings are re-assessed at each reporting date. Unrecognised tax losses at balance date were \$28,700,268 (2017: \$20,033,000).

(ii) Deferred tax liabilities

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
<i>Deferred tax liabilities are attributable to:</i>				
Intangible assets – management rights	-	0.9	-	-
Interests in managed investment schemes	9.2	-	9.2	-
Unrealised foreign currency (losses) / gains	0.3	-	0.3	-
Total deferred tax liabilities	9.5	0.9	9.5	-
<i>Movements:</i>				
Balance at 1 July	0.9	1.9	-	-
Charged / (credited) to profit or loss	1.4	(1.0)	2.3	-
Credited to other comprehensive income	7.4	-	7.4	-
Foreign exchange differences	-	-	-	-
Balance at 30 June	9.7	0.9	9.7	-

The deferred tax liability relates to an overseas tax jurisdiction. In accordance with AASB 112 *Income Taxes* the deferred tax liability was not offset against the deferred tax assets of the Group, which relate to the Australian tax jurisdiction.

Notes to the Financial Statements

For the year ended 30 June 2018

Accounting policy

Income tax

Cromwell's income tax expense for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax is not recognised for the recognition of goodwill on business combination and for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Tax consolidation

The Company and its wholly-owned entities (this excludes the Trust and its controlled entities and foreign entities controlled by the Company) have formed a tax-consolidated group and are taxed as a single entity. The head entity within the tax-consolidated group is Cromwell Corporation Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts referred to in the following section. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses, as a result of revised assessments of the probability of recoverability, is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement, which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts under the tax sharing agreement is considered remote.

Notes to the Financial Statements

For the year ended 30 June 2018

Operating Assets

This section of the annual financial report provides further information on Cromwell's and the Trust's operating assets. These are assets that individually contribute to Cromwell's revenue and include investment properties, joint ventures and investments in listed and unlisted securities.

5 Investment properties

Overview

Investment properties are properties (land, building or both) held solely for the purpose of earning rental income and / or for capital appreciation. Cromwell's investment property portfolio comprises 21 commercial properties of which 18 properties are predominantly office use with the remaining three being retail properties and vacant land.

This note provides further details on Cromwell's investment property portfolio, including details of individual properties, details of sales and acquisitions as well as details on the fair value measurement of the properties.

(a) Details of Cromwell's and the Trust's investment properties

	Title	Independent valuation date	Independent valuation		Carrying amount		Fair value adjustment	
			2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
200 Mary Street, QLD	(1)	Jun 2018	74.0	69.0	74.0	69.0	2.9	(1.8)
Oracle Building, ACT	(2)	Dec 2017	25.8	26.5	25.5	25.5	(2.0)	(1.8)
Village Cinemas, VIC	(1)	Dec 2017	15.8	15.0	16.2	15.0	0.4	0.1
Vodafone Call Centre, TAS	(1)	SOLD	-	5.0	-	5.0	(0.5)	-
Regent Cinema Centre, NSW	(1)	Dec 2017	16.1	13.8	15.8	13.8	0.7	(0.2)
700 Collins Street, VIC	(1)	Dec 2017	267.5	240.0	271.0	250.0	20.6	11.6
19 National Circuit, ACT	(2)	Jun 2018	34.8	28.0	34.8	28.0	6.9	2.6
475 Victoria Avenue, NSW	(1)	Dec 2017	208.0	194.5	211.0	204.0	5.8	16.4
Synergy, QLD	(1)	SOLD	-	76.0	-	76.0	8.2	(1.2)
Tuggeranong Office Park, ACT	(3)	Dec 2017	52.5	57.5	52.5	57.5	(5.7)	32.7
Soward Way, ACT	(3)	Jun 2018	260.0	260.0	260.0	244.9	(12.3)	-
TGA Complex, ACT	(2)	Dec 2017	61.0	62.0	57.0	62.0	(5.4)	14.2
203 Coward Street, NSW	(2)	Jun 2018	490.0	455.0	490.0	455.0	16.7	18.3
HQ North, QLD	(1)	Dec 2017	216.0	213.0	217.0	217.5	0.8	1.3
Bundall Corporate Centre, QLD	(1)	SOLD	-	-	-	-	-	2.8
13 Keltie Street, ACT	(2)	Jun 2018	24.0	25.1	24.0	25.1	(0.9)	(23.8)
Sturton Road, SA	(1)	SOLD	-	1.6	-	1.6	-	-
117 Bull Street, NSW	(1)	Dec 2017	25.8	24.2	25.8	24.2	1.6	1.1
11 Farrer Place, NSW	(1)	Dec 2017	29.5	29.2	29.5	29.2	0.3	1.3
207 Kent Street, NSW	(1)	Dec 2017	279.0	240.0	279.0	252.0	26.0	27.0
84 Crown Street, NSW	(1)	Jun 2018	34.0	33.5	34.0	33.5	0.5	0.8
2-24 Rawson Place, NSW	(1)	Jun 2018	245.0	230.0	245.0	230.0	14.9	29.9
2-6 Station Street, NSW	(1)	Jun 2018	42.8	39.0	42.8	39.0	3.7	-
Wakefield Street, SA	(1)	N/A	50.0	N/A	46.2	-	(5.9)	-
Investment properties			2,451.6	2,337.9	2,451.1	2,357.8	77.3	131.3
Investment properties classified as held for sale								
Sturton Road, SA	(1)	Dec 2015	0.9	-	0.9	-	0.1	-
147-163 Charlotte Street, QLD	(1)	Jun 2016	-	37.3	-	34.8	-	(3.1)
146-160 Mary Street, QLD	(1)	Jun 2016	-	37.3	-	34.7	-	(3.2)
Investment properties classified as held for sale			0.9	74.6	0.9	69.5	0.1	(6.3)
Total investment properties			2,452.5	2,412.5	2,452.0	2,427.3	77.4	125.0

Title: (1) Freehold
(2) Leasehold
(3) Leasehold, on same title

Notes to the Financial Statements

For the year ended 30 June 2018

Accounting policies

Investment properties

Investment properties are initially measured at cost including transaction costs and subsequently measured at fair value, with any change therein recognised in profit or loss.

Fair value is based upon active market prices, given the assets' highest and best use, adjusted if necessary, for any difference in the nature, location or condition of the relevant asset. If this information is not available, Cromwell uses alternative valuation methods such as discounted cash flow projections or the capitalised earnings approach. The highest and best use of an investment property refers to the use of the investment property by market participants that would maximise the value of that investment property.

The carrying value of the investment property includes components relating to lease incentives and other items relating to the maintenance of, or increases in, lease rentals in future periods.

Investment properties under construction are classified as investment property and carried at fair value. Finance costs incurred on investment properties under construction are included in the construction costs.

Lease incentives

Lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including up front cash payments, rent free periods, or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and amortised over the lease period as a reduction of rental income.

Initial direct leasing costs

Initial direct leasing costs incurred by Cromwell in negotiating and arranging operating leases are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and are amortised as an expense on a straight-line basis over the lease term.

(b) Movements in investment properties

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Balance at 1 July	2,357.8	2,274.0	2,357.8	2,274.0
Additions	-	-	-	-
Acquisitions	51.8	-	51.8	-
Capital works				
Construction costs	13.6	92.3	13.6	92.3
Finance costs capitalised	1.1	4.4	1.1	4.4
Property improvements	6.7	9.2	6.7	9.2
Lifecycle	2.5	3.0	2.5	3.0
Disposals	(89.3)	(87.1)	(89.3)	(87.1)
Transferred to held for sale	(0.9)	(69.5)	(0.9)	(69.5)
Straight-line lease income	27.8	3.6	27.8	3.6
Lease costs and incentives	22.1	22.8	22.1	22.8
Amortisation of lease costs and incentives	(19.5)	(19.9)	(19.5)	(19.9)
Net gain from fair value adjustments	77.4	125.0	77.4	125.0
Balance at 30 June	2,451.1	2,357.8	2,451.1	2,357.8

(c) Investment property sold

Details of the investment property sold during the year are as follows:

	Gross sale price \$M	Carrying amount at 30 June 2017 \$M	Last independent valuation \$M	Loss on sale recognised \$M
Synergy, QLD	84.0	76.0	76.0	0.7
Vodafone Call Centre, TAS	4.5	5.0	5.0	0.1
Sturton Rd, SA	0.7	0.9	0.7	0.2
147-163 Charlotte Street, QLD	33.0	34.8	37.3	2.0
146-160 Mary Street, QLD	33.0	34.7	37.3	2.0

Notes to the Financial Statements

For the year ended 30 June 2018

Details of investment properties sold during the prior year are as follows:

	Gross sale price \$M	Carrying amount at 30 June 2016 \$M	Last independent valuation \$M	Gain on sale recognised \$M
Bundall Corporate Centre, QLD	89.0	83.0	83.0	0.9

(d) Completion of investment property under construction

In September 2017 construction of a second building on the excess land at Tuggeranong Office Park in the ACT reached practical completion. This building is known as Soward Way, ACT. The Commonwealth of Australia agreed to a 15 year lease of the modern 30,700 square metre property which commenced in September 2017.

(e) Investment property classified as held for sale

The property 13-17 Sturton Road, SA, has been classified as held for sale because the it is managements intention the carrying amount of the property will be recovered through a sale transaction and the property is in a saleable condition and it is being actively marketed.

(f) Fair value measurement

Cromwell's investment properties, with an aggregate carrying amount of \$2,452.0 million, are measured using the fair value model as described in AASB 140 *Investment Property*. Fair value is thereby defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property valuations

At balance date the adopted valuations for eight of Cromwell's investment properties are based on independent external valuations representing 49% of the value of the portfolio. The balance of the portfolio is subject to internal valuations having regard to previous external valuations and comparable sales evidence. Cromwell's valuation policy requires all properties to be valued by an independent professionally qualified valuer with a recognised relevant professional qualification at least once every two years.

All property valuations utilise a combination of valuation models based on discounted cash flow ("DCF") models and income capitalisation models supported by recent market sales evidence.

Key inputs used to measure fair value

DCF method	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit terminal value. The DCF method involves the projection of a series of cash flows on a real property asset. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this perpetually, using an appropriate, market derived capitalisation rate, to derive a capital value, with allowances for capital expenditure reversions such as lease incentives and required capital works payable in the near future and overs / unders when comparing market rent with passing rent.
Annual net property income	Annual net property income is the contracted amount for which the property space is leased. In the net property income, the property owner recovers outgoings from the tenant.
Net market rent	A net market rent is the estimated amount for which a property or space within a property could be leased between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of the property. The rate is determined with regards to market evidence (and the prior external valuation for internal valuations).
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence (and the prior external valuation for internal valuations).
Weighted average lease expiry ("WALE")	WALE is used to measure the overall tenancy risk of a particular property to assess the likelihood of a property being vacated. WALE of a property is measured across all tenants' remaining lease terms (in years) and is weighted with the tenants' income against total combined income.
Occupancy	Property occupancy is used to measure the proportion of the lettable space of a property that is occupied by tenants under current lease contracts and therefore how much rent is received from the property as percentage of total rent possible if the property was fully occupied.

Notes to the Financial Statements

For the year ended 30 June 2018

All the significant inputs noted above are not observable market data, hence investment property valuations are considered level 3 fair value measurements (refer fair value hierarchy described in note 12).

Significant unobservable inputs associated with the valuations of Cromwell's investment properties are as follows:

Inputs	Range	Weighted average
Capitalisation rate (%)	5.3 – 12.0	6.1
Discount rate (%)	6.5 – 12.5	7.0
Annual net property income (\$M)	0.0 – 29.7	16.9
WALE (years)	0 – 14.2	7.1
Occupancy (%)	0.0 – 100.0	94.6

Sensitivity information

The relationships between the significant unobservable inputs and the fair value of investment properties are as follows:

Inputs	Impact of increase in input on fair value	Impact of decrease in input on fair value
Capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase
Annual net property income	Increase	Decrease
WALE	Increase	Decrease
Occupancy	Increase	Decrease

(g) Amounts recognised in profit and loss for investment properties

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Rental income and recoverable outgoings	209.6	199.8	210.0	200.1
Property expenses and outgoings	(34.6)	(36.2)	(39.8)	(41.8)
	175.0	163.6	170.2	158.3

(h) Non-cancellable operating lease receivable from investment property tenants

The investment properties are generally leased to tenants on long-term operating leases with rentals payable monthly. Minimum lease payments under the non-cancellable operating leases of Cromwell's investment properties not recognised in the financial statements are receivable as follows:

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Within one year	142.5	144.9	142.5	144.9
Later than one year but not later than five years	454.7	492.6	454.7	492.6
Later than five years	711.4	725.7	711.4	725.7
	1,308.6	1,363.2	1,308.6	1,363.2

Notes to the Financial Statements

For the year ended 30 June 2018

6 Equity accounted investments

Overview

This note provides an overview and detailed financial information of Cromwell's and the Trust's investments that are accounted for using the equity method of accounting. These include joint ventures where Cromwell or the Trust have joint control over an investee together with one or more joint venture partners and investments in associates, which are entities over which Cromwell is presumed to have significant influence but not control or joint control by virtue of holding 20% or more of the associates' issued capital and voting rights, but less than 50%.

Cromwell's and the Trust's equity accounted investments are as follows:

	Cromwell				Trust			
	2018		2017		2018		2017	
	%	\$	%	\$	%	\$	%	\$
Equity accounted investments								
CEREIT	35	495.6	-	-	34	484.8	-	-
CPA	50	184.5	50%	85.3	50	184.5	50	85.3
Others		22.3		16.2	-	-	-	-
Total equity accounted investments		702.4		101.5		669.3		85.3

Accounting policy

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint venture entities are accounted for in Cromwell's financial statements using the equity method. Cromwell's share of its joint ventures' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from joint ventures are recognised in Cromwell's financial statements as a reduction of the carrying amount of the investment.

When Cromwell's share of losses in a joint venture equals or exceeds its investment in the joint venture, including any other unsecured receivables, Cromwell does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between Cromwell and its joint ventures are eliminated to the extent of Cromwell's investment in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For joint operations Cromwell recognises its direct right to the assets, liabilities, revenues and expenses of and its share of any jointly held or incurred assets, liabilities, revenues and expenses, and these are incorporated in the financial statements under the appropriate headings.

(a) Details of joint ventures and equity accounted investments

Cromwell European Real Estate Investment Trust

Cromwell European Real Estate Investment Trust ("CEREIT") is a Singapore-based real estate investment trust established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe. Cromwell and the Trust owned 35% and 34% of CEREIT respectively at the end of the year. CEREIT is managed by a subsidiary of Cromwell, Cromwell EREIT Management Pte. Ltd., which operates strictly within the listing rules imposed by the Singapore Stock Exchange and which has its own independent Board. As such, Cromwell and the Trust are considered able to exert significant influence, but not control, over the entity and therefore the investment has been classified as an equity-accounted investment.

CPA

The Trust holds a 50% interest in the units of CPA which owns the \$594.5 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 the Trust 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 year ended 30 June 2018

LDK Healthcare Pty Ltd

During the year, Cromwell acquired a 50% shareholding in an aged care operation. Cromwell partnered with an aged care operator to commence a project to repurpose the Cromwell property at Tuggeranong Office Park in the ACT, transforming the current campus-style buildings into between 330 to 350 retirement or assisted living units plus communal areas. Cromwell holds a 50% interest in the units in LDK Healthcare Pty Ltd (LDK), with the remaining 50% held by the aged care operator. All decisions about relevant activities of LDK require unanimous consent of the two unitholders. The entity is therefore classified as a joint venture. This investment is included in the 'Other equity accounted investments' classification due to its current immaterial scale.

(b) Summarised financial information for joint ventures and equity accounted investments owned by Cromwell

	As at 30 June 2018			As at 30 June 2017		
	CEREIT ⁽¹⁾	CPA ⁽²⁾	Others ⁽³⁾	CEREIT ⁽¹⁾	CPA ⁽²⁾	Others ⁽³⁾
	\$M			\$M		
<i>Summarised balance sheets:</i>						
Cash and cash equivalents	84.4	18.7	9.4	-	7.4	8.8
Other current assets	45.0	2.2	14.7	-	1.9	18.1
Total current assets	129.4	20.9	24.1	-	9.3	26.9
Investment properties	2,185.6	594.5	55.2	-	337.8	70.0
Other non-current assets	15.8	-	13.4	-	-	11.5
Total non-current assets	2,201.4	594.5	68.6	-	337.8	81.5
Total assets	2,330.8	615.4	92.7	-	347.1	108.4
Financial liabilities	107.1	12.6	7.0	-	12.5	7.0
Other current liabilities	-	1.5	3.1	-	0.5	3.4
Total current liabilities	107.1	14.1	10.1	-	13.0	10.4
Financial liabilities	777.4	232.4	31.1	-	163.5	28.7
Other non-current liabilities	30.9	-	30.8	-	-	37.4
Total non-current liabilities	808.3	232.4	61.9	-	163.5	66.1
Total liabilities	915.4	246.5	72.0	-	176.5	76.5
Net assets	1,415.4	368.9	20.7	-	170.6	31.9
<i>Carrying amount of investment:</i>						
Cromwell's share of equity (%)	35	50	-	-	50	-
Cromwell's share of net assets	495.6	184.5	18.2	-	85.3	18.6
Unpaid investment consideration	-	-	(2.5)	-	-	(9.0)
Goodwill	-	-	6.6	-	-	6.6
Carrying amount	495.6	184.5	22.3	-	85.3	16.2
<i>Movement in carrying amounts:</i>						
Opening balance at 1 July	-	85.3	16.2	-	74.5	12.2
Investment	464.4	14.0	8.0	-	16.5	1.4
Share of profit / (loss)	27.1	95.0	3.0	-	2.4	5.4
Less: dividends / distributions received	-	(9.8)	(0.4)	-	(8.1)	(2.8)
Decrease to recoverable amount	-	-	(4.2)	-	-	-
Foreign exchange difference	4.1	-	(0.3)	-	-	-
Carrying amount at 30 June	495.6	184.5	22.3	-	85.3	16.2
<i>Summarised statements of comprehensive income:</i>						
Revenue	163.5	202.0	41.7	-	18.2	39.1
Expenses	(86.2)	(12.1)	(35.8)	-	(13.4)	(26.4)
Total comprehensive income	77.3	189.9	5.9	-	4.8	12.7
Cromwell's share in %	35	50	-	-	50	-
Share of profit	27.1	95.0	3.0	-	2.4	5.4

(1) At year end Cromwell owned 35% of CEREIT, the Trust owned 34%.

(2) At year end Cromwell and the Trust owned 50% of CPA.

(3) At year end Cromwell had various ownership interests in other joint ventures and equity accounted investments. The trust had none (other than CEREIT and CPA as disclosed immediately above).

Notes to the Financial Statements

For the year ended 30 June 2018

(c) Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The judgements, estimates and assumptions regarding the Cromwell European Real Estate Investment Trust (CEREIT) are detailed below.

The CEREIT has been classified as being an associate and accounted for as an equity-accounted investment. The determination of this was based on an assessment that Cromwell and the Trust are considered to be able to exert significant influence, but not control, over the entity. This determination is pursuant to the assessment of control under Accounting Standards and the consideration of key factors regarding the management of CEREIT as governed by Cromwell's Capital Markets Service Licence as issued by the Monetary Authority of Singapore (MAS) and the composition of the Board.

These key factors include:

- A majority of the directors on the Board and Nomination Committee of the CEREIT Management entity (the Manager) are independent. Under Cromwell's application for its MAS licence, if a majority of independent directors is not maintained then all directors of the CEREIT Management entity must be appointed by the unitholders of CEREIT;
- Cromwell's Licence prevents Cromwell from exercising any decision-making power for matters relating to the CEREIT in which Cromwell has an interest (whether directly or indirectly). This includes all decisions around the acquisition or disposal of investment properties; and
- Following the Initial Public Offering (IPO), the Manager now operates as per the section in the prospectus entitled "*The Manager and Corporate Governance*". Specifically, this section of the prospectus may allow the MAS to exercise its powers and instruct the Trustee to remove Cromwell as the Manager of CEREIT if an inherent conflict of interest is assumed to arise.

Management will continue to consider the above factors as part of its ongoing assessment of control. Should any of the above factors change, or an increase in the CEREIT shareholding occur, the determination of the investment in CEREIT as an equity accounted investment may change. In accordance with Accounting Standards, a change from Cromwell having 'significant influence' to 'control' would result in consolidation of the investment into the Cromwell Group.

7 Investments at fair value through profit or loss

Overview

This note provides an overview and detailed financial information of Cromwell's and the Trust's investments that are classified as financial assets at fair value through profit or loss. Below is information about Cromwell's and the Trust's investments in listed and unlisted property related entities whereby Cromwell and the Trust hold less than 20% of the issued capital in the investee and also any other relevant financial assets of the same classification. Such investments are classified as investments at fair value through profit or loss which are carried at fair value in the balance sheet with adjustments to the fair value recorded in profit or loss. Such investments include investments in Cromwell managed unlisted funds, co-investments in European wholesale funds managed by Cromwell, investments in listed securities and any other relevant financial assets.

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Investment in listed securities	-	265.0	-	265.0
Investment in Cromwell unlisted funds	1.3	1.3	1.3	1.3
Investment in wholesale funds	20.0	34.3	-	-
Investment in other financial asset	11.7	15.2	-	-
Total investments at fair value through profit or loss	33.0	315.8	1.3	266.3

Accounting policy

Investments at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Financial assets at fair value through profit or loss also include financial assets which upon initial recognition are designated as such. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments and unlisted trusts.

At initial recognition, Cromwell measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

For methods used to measure the fair value measurement of Cromwell's and the Trust's investments at fair value through profit or loss refer to note 12.

Notes to the Financial Statements

For the year ended 30 June 2018

Finance and Capital Structure

This section of the annual financial report provides further information on Cromwell's debt finance and associated costs, and Cromwell's capital.

Capital is defined as the combination of securityholders' equity, reserves and net debt (borrowings less cash). The Board of Directors is responsible for Cromwell's capital management strategy. Capital management is an integral part of Cromwell's risk management framework and seeks to safeguard Cromwell's ability to continue as a going concern while maximising securityholder value through optimising the level and use of capital resources and the mix of debt and equity funding. Cromwell's preferred portfolio gearing range is 35% - 55%.

8 Borrowings

Overview

Cromwell and the Trust borrow funds from financial institutions and investors (the latter in the form of convertible bonds) to partly fund the acquisition of income producing assets, such as investment properties, securities or the acquisition of businesses. A significant proportion of these borrowings are generally fixed either directly or through the use of interest rate swaps/options and have a fixed term. This note provides information about Cromwell's debt facilities, including maturity dates, security provided and facility limits.

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Current				
<i>Secured</i>				
Loans – financial institutions	-	188.2	-	188.2
	-	188.2	-	188.2
Non-current				
<i>Secured</i>				
Loans – financial institutions	1,000.0	1,069.1	1,000.0	1,069.1
<i>Unsecured</i>				
Convertible bonds	426.7	213.4	426.7	222.9
Unamortised transaction costs	(14.7)	(8.3)	(14.3)	(6.4)
	1,412.0	1,274.2	1,412.4	1,285.6
Total				
Secured loans – financial institutions	1,000.0	1,257.3	1,000.0	1,257.3
Unsecured convertible bond	426.7	213.4	426.7	222.9
Unamortised transaction costs	(14.7)	(8.3)	(14.3)	(6.4)
Total borrowings	1,412.0	1,462.4	1,412.4	1,473.8

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life.

The fair value of the borrowing portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a borrowing liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the derivative conversion feature. This is recognised as a financial liability if the convertible bond does not meet the "fixed-for-fixed" rule contained in AASB 132 *Financial Instruments: Presentation*, otherwise it is included in shareholders' equity.

Borrowing costs incurred on funds borrowed for the construction of a property are capitalised, forming part of the construction cost of the asset. Capitalisation ceases upon practical completion of the property. Other borrowing costs are expensed.

Notes to the Financial Statements

For the year ended 30 June 2018

(a) Borrowing details

	Note	Secured	Maturity Date	2018		2017	
				Facility \$M	Utilised \$M	Facility \$M	Utilised \$M
Margin loan facility	(i)	Yes	Jan-18	-	-	125.0	123.2
Syndicated facility – bridging 1	(ii)	Yes	Jun-18	-	-	100.0	65.0
Syndicated facility – bridging 2	(ii)	Yes	Jul-18	-	-	140.0	140.0
Syndicated facility – tranche 1(a)	(iii)	Yes	May-19	-	-	18.0	18.0
Syndicated facility – tranche 1(b)	(iii)	Yes	Jan-20	-	-	85.2	85.2
Syndicated facility – tranche 1(c)	(iii)	Yes	Mar-20	-	-	185.3	185.3
Syndicated facility – tranche 2(a)	(iii)	Yes	Jan-21	-	-	123.5	123.5
Syndicated facility – tranche 2(b)	(iii)	Yes	Mar-21	-	-	449.1	359.0
Tuggeranong – tranche A	(iv)	Yes	Jul-18	-	-	30.5	30.5
Tuggeranong – tranche B	(iv)	Yes	Jul-18	-	-	159.5	127.6
Euro bridging facility	(v)	Yes	Jul-19	-	-	-	-
Secured bilateral loan facilities	(vi)	Yes	Jun-23	1,300.0	1,000.0	-	-
Convertible bond – 2020	(vii)	No	Feb-20	86.4	86.4	222.9	222.9
Convertible bond - 2025	(vii)	No	Mar-25	340.3	340.3	-	-
Total borrowing facilities				1,726.7	1,426.7	1,639.0	1,480.2

(i) Margin loan facility

During the year Cromwell and the Trust fully repaid the \$125 million short-term margin loan facility. Interest was payable monthly in arrears at variable rates based on the 30 day BBSW rate plus a loan margin. The facility required Cromwell to hold cash of at least \$20 million (30 June 2017) at all times. This cash amount has been reclassified from restricted cash as it is effectively now available for use by Cromwell.

(ii) Syndicated facility – bridging 1 and 2

The facility was secured by first registered mortgages over a pool of investment properties held by the Trust and was split into two tranches, one of \$100.0 million, which had an expiry date in June 2018 and one of \$140.0 million which had an expiry date in July 2018. Interest was payable monthly in arrears at variable rates based on the 30 day BBSY rate of 2.07% (30 June 2017: 1.67%) plus a loan margin. The syndicated facility was refinanced as part of the new debt restructure in June 2018.

(iii) Syndicated facility – tranche 1 and 2

The facility was secured by first registered mortgages over a pool of investment properties held by the Trust and was split into two tranches, one of \$288.5 million, which was due to expire between May 2019 and March 2020 and one of \$572.6 million which was due to expire between January 2021 and March 2021. Interest was payable monthly in arrears at variable rates based on the 30 day BBSY rate which was 2.07% (30 June 2017: 1.67%) plus a loan margin. The syndicated facility was refinanced as part of the new debt restructure in June 2018.

(iv) Tuggeranong facility – tranche A and B

The facility, which had an expiry date in July 2018, was split into two tranches. Tranche A refinanced the existing \$30.5 million debt facility and required monthly repayments of \$0.6 million for 18 months until April 2017. Tranche B with a total facility limit of \$159.5 million was used as project funding for the construction of the property at Soward Way, ACT. Interest was payable monthly in arrears at variable rates based on the 30 day BBSY rate which was 2.07% (30 June 2017: 1.67%) plus a loan margin. The Tuggeranong facility was refinanced as part of the new debt restructure in June 2018.

(v) Euro bridging facility

During the year Cromwell and the Trust took out a new Euro-denominated bridging facility. The original facility limit was €160.0 million at inception, which was fully repaid during the year with proceeds received on issue of the Convertible Bond (refer (vii)). The funds were utilised in the acquisition of the investment in CEREIT. Interest was payable monthly in arrears at variable rates based on the applicable EURIBOR rate plus a loan margin.

(vi) Secured bilateral loan facilities

In June 2018 Cromwell and the Trust entered into a \$1.3 billion restructure of its Australian debt. The restructure included the refinance of both its syndicated facility and the Tuggeranong development facility formed under a Common Terms Deed Poll with an initial expiry profile of five years. All facilities are bilateral loans with a total amount drawn of \$1.0 billion at June 2018. The facility is secured by first registered mortgages over a pool of investment properties held by the Trust. Hence, the nature of the security remains unchanged from the refinanced Syndicated facility and the Tuggeranong facility. Interest is payable quarterly in arrears at BBSY rate of 2.07% plus a loan margin range of 1.35% to 1.70%.

Notes to the Financial Statements

For the year ended 30 June 2018

(vii) Convertible bonds

During the year, Cromwell issued 2,300 convertible bonds with a face value of €100,000 each, amounting to a total gross face value of €230.0 million (\$370.0 million). The bonds bear an interest rate of 2.5%. The bonds are convertible into stapled securities of Cromwell at the option of the holder from 40 days after issue date up to seven business days prior to the final maturity date on 29 March 2025 at which point all remaining bonds are mandatorily redeemed by Cromwell. The conversion price is \$1.1771 per stapled security, subject to such adjustments as consolidation or subdivision of stapled securities, bonus issues or any issues at less than the prevailing market price of Cromwell's stapled securities other than issues upon exercise of performance rights issued to Cromwell's employees. The fixed conversion translation rate is \$1.5936 per Euro. Any conversion may be settled in cash, stapled securities of Cromwell or a combination thereof at the option of Cromwell.

Proceeds of the bonds issue were used to repurchase 952 convertible bonds with a face value of €100,000 issued in February 2015. In total, €95.2 million (\$153.1 million) of the convertible bonds issued in February 2015 were repurchased during the year. The remaining proceeds were used to repay the Euro bridging facility (refer note (v)) and for other liquidity purposes.

As a result of the convertible bond repurchase during the year, at year end, 548 (30 June 2017: 1,500) convertible bonds with a face value of €100,000 each were on issue with a gross face value of €54.8 million or \$86.4 million (30 June 2017: \$222.9m). The remaining bonds bear an interest rate of 2%. The bonds are convertible into stapled securities of Cromwell at the option of the holder from 41 days after issue date up to seven business days prior to the final maturity date on 4 February 2020 at which point all remaining bonds are mandatorily redeemed by Cromwell. Bonds holders were notified that as of 15 December 2017 that the conversion price change from \$1.1492 to \$1.1431 per stapled security due to the announcement of an Extraordinary Distribution in respect of the stapled securities on 24 June 2016. The conversion price remains subject to such adjustments as consolidation or subdivision of stapled securities, bonus issues or any issues at less than the prevailing market price of Cromwell's stapled securities other than issues upon exercise of performance rights issued to Cromwell's employees. The fixed conversion translation rate is \$1.423 per Euro. Any conversion may be settled in cash, stapled securities of Cromwell or a combination thereof at the option of Cromwell.

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

Convertible bond – issued February 2015	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Face value of bonds issued – beginning of year	220.1	220.1	220.1	220.1
Derivative financial instruments – conversion feature	(17.9)	(17.9)	-	-
Convertible bond carrying amount at inception	202.2	202.2	220.1	220.1
Movements in exchange rate and amortisation of conversion feature – previous periods	11.2	8.5	2.8	3.8
Carrying amount at 1 July	213.4	210.7	222.9	223.9
Repurchase of bonds	(153.1)	-	(153.1)	-
Amortisation and derecognition of conversion features to account for effective interest rate and repurchase – current period	9.9	3.6	-	-
Movements in exchange rate – current period	16.2	(0.9)	16.6	(1.0)
Carrying amount at year end	86.4	213.4	86.4	222.9

Convertible bond – issued March 2018	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Face value of bonds issued during the year	370.0	-	370.0	-
Derivative financial instruments – conversion feature	(23.5)	-	(23.5)	-
Convertible bond carrying amount at inception	346.5	-	346.5	-
Amortisation to account for effective interest rate	0.8	-	0.8	-
Movements in exchange rate – current period	(7.0)	-	(7.0)	-
Carrying amount at period year	340.3	-	340.3	-
Total carrying amount at year end	426.7	213.4	426.7	222.9

The conversion feature of the convertible bonds represents an embedded derivative financial instrument in the host debt contract. The embedded derivatives are 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.

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For the year ended 30 June 2018

During the year, as a result of the repurchase, the conversion feature in relation to the corporate bonds issued in February 2015 was fully derecognised as being immaterial.

(b) Finance costs	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Total interest	48.0	50.6	47.9	50.6
Amortisation of loan transaction costs	21.2	7.7	9.7	3.5
Net exchange losses / (gains) on foreign currency borrowings	10.3	(1.0)	3.6	0.3
Total finance costs	79.5	57.3	61.2	54.4

Information about Cromwell's exposure to interest rate changes is provided in note 12.

9 Derivative financial instruments

Overview

Cromwell's and the Trust's derivative financial instruments consist of interest rate swap and interest rate cap contracts, a cross-currency swap contract and the conversion options on the convertible bonds issued in March 2018 by Cromwell. Interest rate swap and interest rate cap contracts are used to fix interest on floating rate borrowings. The cross-currency swap contract was used in the prior year to swap Australian dollars into Euro's with the funds being used to acquire the disposal group (note 15). The conversion option amount represents the additional value provided to convertible bond holders compared to the same corporate bond that would have no feature to convert the bonds into Cromwell stapled security at the end or during the term of the bond. For accounting purposes such a conversion feature is accounted for separately from the bond liability and is carried at fair value.

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Current asset				
Interest rate cap contract	0.1	-	0.1	-
Non-current assets				
Interest rate cap contracts	1.7	0.1	1.7	0.1
Current liabilities				
Interest rate swap contracts	0.7	-	0.7	-
Cross-currency swap contract	7.8	0.8	7.8	0.8
Conversion feature – convertible bond	28.5	2.4	28.5	-
	37.0	3.2	37.0	0.8
Non-current liabilities				
Interest rate swap contracts	0.7	-	0.7	-

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Cromwell enters into interest rate swap and cap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates. The derivatives are entered into with the objective of hedging the risk of adverse interest rate fluctuations. Cromwell has also entered into a cross-currency swap agreement with the objective of swapping Australian dollars into Euro's. While Cromwell has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in profit or loss.

Cross currency swap contract

A cross currency swap contract is a type of interest rate derivative in which Cromwell enters into an agreement to exchange interest payments and principal denominated in two different currencies. In a cross-currency swap, interest payments and principal in one currency are exchanged for equally valued principal and interest payments in a different currency. In the prior year, as a component of the disposal group acquisition (see note 15) Cromwell entered in a cross currency swap arrangement to swap Australian dollars into Euro's. The terms of this swap are shown below:

Effective date:	16 June 2017
Fixed rate payer currency amount:	€81,209,789
Fixed rate:	0.84%
Floating rate payer (NAB) currency amount:	\$119,902,243
Floating rate:	AUD-BBR-BBSW 3 month rate plus 1.47%
Termination date:	17 September 2018

Notes to the Financial Statements

For the year ended 30 June 2018

Interest rate cap contract – 2015

An interest rate cap is a type of interest rate derivative in which Cromwell receives payments at the end of each period if the interest rate exceeds the agreed fixed interest rate. In order to manage future interest rate risk, in a prior year, Cromwell and the Trust entered into an interest rate cap contract that will cap Cromwell's and the Trust's interest rate at a maximum of 3.39% on the notional amount of the cap contract. The notional amount increases as follows:

Date of reset of cap notional amount	Notional amount \$M
At June 2017	713.6
October 2017	800.0
December 2017	900.0
January 2018	1,000.0

Interest rate cap and swap contracts – 2018

In addition to the cross currency swap and interest rate cap contracts described above, during the year Cromwell and the Trust entered into a suite of interest rate swap and interest rate cap contracts used to fix interest on floating rate borrowings. An interest rate swap is a type of interest rate derivative in which Cromwell enters into a number of agreements to fix interest rates on floating rate borrowings (interest rate cap contracts are described above). The relevant information pertaining to the new cap and swap portfolio are below:

- Interest rate caps - fix interest on floating rate borrowings of between 1.92% - 2.25%.
- Interest rate swaps - fix interest on floating rate borrowings of between 2.10% - 2.27%.

The notional amount increases as follows:

Date of reset of cap notional amount	Notional amount \$M
July 2019	90.0
July 2020	180.0
July 2021	690.0

At balance date, the notional principal amounts and period of expiry of all of Cromwell's and the Trust's interest rate swap and cap contracts is as follows:

	Cromwell and Trust	
	2018 \$M	2017 \$M
Less than 1 year	1,119.9	-
1 – 2 years	90.0	833.5
2 – 3 years	90.0	-
3 – 4 years	510.0	-

Conversion features – convertible bonds

The movement of the conversion features since recognition upon issue of the convertible bonds is as follows:

	Cromwell and Trust	
	2018 \$M	2017 \$M
Derivative financial liability at 1 July	2.4	9.3
Derecognised on bonds repurchased	(2.4)	-
Recognised on bonds issued – March 2018	23.5	-
Fair value loss / (gain)	5.5	(6.9)
Foreign exchange difference	(0.5)	-
Balance at 30 June	28.5	2.4

For details about the fair value measurement of Cromwell's and the Trust's financial instruments refer to note 12.

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For the year ended 30 June 2018

10 Contributed equity

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	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Contributed equity	1,615.2	1,402.1	118.9	106.9	1,496.3	1,295.2

(a) 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	\$M	Issue price	\$M	Issue price	\$M
Opening balance 1 July 2016	1,752,331,208	-	1,394.0	-	106.5	-	1,287.5
Exercise of performance rights	2,787,538	39.5¢	1.1	1.7¢	-	37.8¢	1.0
Distribution reinvestment plan	7,242,593	98.2¢	7.0	5.9¢	0.4	92.3¢	6.7
Balance at 30 June 2017	1,762,361,339		1,402.1		106.9		1,295.2
Exercise of performance rights	2,839,112	40.1¢	1.2	2.3¢	0.1	37.9¢	1.1
Distribution reinvestment plan	8,005,137	101.7¢	8.1	3.9¢	0.3	97.9¢	7.8
Security placement and SPP	212,119,086	96.5¢	204.9	5.5¢	11.7	91.1¢	193.2
Equity issue costs	-	-	(1.1)	-	(0.1)	-	(1.0)
Balance at 30 June 2018	1,985,324,674		1,615.2		118.9		1,496.3

The Company and CDPT have established a distribution reinvestment plan under which holders of stapled securities may elect to have all of their distribution entitlements 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 distribution.

During the year, Cromwell offered a Security Purchase Plan (SPP) to eligible securityholders, which resulted in 37,066,571 securities issued, raising approximately \$35 million. In December 2017, Cromwell issued 175 million stapled securities to SingHaiyi Group Ltd. and Haiyi Holdings Pte. Ltd., which are entities associated with Mr Gordon Tang and Mrs Celine Tang. Mr Gordon Tang and Mrs Celine Tang are cornerstone investors in the Cromwell European REIT (CEREIT), which listed on the SGX on 30 November 2017. Proceeds from the strategic placement were used to repay short term debt associated with Cromwell's investment in CEREIT and for general liquidity and operational purposes.

Accounting policy

The ordinary shares of the Company are stapled with the units of the Trust and are together referred to as stapled securities. Stapled securities are classified as equity. Incremental costs directly attributable to the issue of new shares, units or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases Cromwell's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the securityholders as treasury shares until the securities are cancelled or reissued. Where such ordinary securities are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to securityholders.

(b) Stapled securities

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

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For the year ended 30 June 2018

11 Reserves

Overview

Reserves are balances that form part of equity that record other comprehensive income amounts that are retained in the business and not distributed until such time the underlying balance sheet item is realised. This note provides information about movements in the other reserves line item of the balance sheet and a description of the nature and purpose of each reserve.

	Security-based payments reserve		Available for sale reserve		Foreign currency translation reserve		Total other reserves	
	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M
Balance at 1 July 2016	5.5	-	2.3	-	10.1	1.7	17.9	1.7
Security based payments	1.1	-	-	-	-	-	1.1	-
Foreign exchange differences recognised in other comprehensive income	-	-	-	-	(0.3)	1.1	(0.3)	1.1
Attributable to non-controlling interests	-	-	-	-	(0.5)	(0.5)	(0.5)	(0.5)
Balance at 30 June 2017	6.6	-	2.3	-	9.3	2.3	18.2	2.3
Security based payments	1.2	-	-	-	-	-	1.2	-
Foreign exchange differences recognised in other comprehensive income	-	-	-	-	0.3	(4.6)	0.3	(4.6)
Attributable to non-controlling interests	-	-	-	-	4.6	(0.1)	4.6	(0.1)
Balance at 30 June 2018	7.8	-	2.3	-	14.2	(2.4)	24.3	(2.4)

Security-based payments reserve

The share based payments reserve is used to recognise the fair value of equity settled security based payments for employee services. Refer to note 19 for details of Cromwell's security based payments.

Available for sale reserve

Changes in the fair value of investments classified as available-for-sale are taken to the available-for-sale financial assets revaluation reserve. Amounts are recognised in profit or loss when the associated assets are disposed/sold or impaired.

For Cromwell the balance at year end comprises a reserve of a subsidiary attributable to its pre-stapling interest in a trust which continues to be held. For Cromwell there was no movement in the available-for-sale financial assets revaluation reserve over the last two financial years.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. Where applicable, any foreign currency differences arising from inter-group loans are transferred to the foreign currency translation reserve upon consolidation as such loans form part of the net investment in the respective controlled entity. The cumulative amount recognised in the foreign currency translation reserve is reclassified to profit or loss when the net investment is disposed of.

12 Financial risk management

Overview

Cromwell's activities expose it to a variety of financial risks which include credit risk, liquidity risk and market risk. This note provides information about Cromwell's risk management strategy in relation to each of the above financial risks to which Cromwell is exposed to.

Cromwell's overall risk management program focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of Cromwell. Cromwell uses derivative financial instruments such as interest rate derivatives to hedge certain risk exposures. Cromwell seeks to deal only with creditworthy counterparties. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

Cromwell's management of treasury activities is centralised and governed by policies approved by the Directors who monitor the operating compliance and performance as required. Cromwell has policies for overall risk management as well as policies covering specific areas such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

Notes to the Financial Statements

For the year ended 30 June 2018

Cromwell and the Trust hold the following financial instruments:

	Type of financial instrument	Cromwell		Trust	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Financial assets					
Cash and cash equivalents	(1)	204.6	66.9	137.6	32.1
Receivables	(1)	44.0	37.4	183.9	178.2
Other current financial assets	(1)	-	20.0	-	-
Investments at fair value through profit or loss	(2)	33.0	315.8	1.3	266.3
Derivative financial instruments	(3)	1.8	0.1	1.8	0.1
Total financial assets		283.4	440.2	324.6	476.7
Financial liabilities					
Trade and other payables	(4)	52.3	46.4	17.3	23.4
Dividends / distributions payable	(4)	41.4	36.7	41.4	36.8
Borrowings	(4)	1,412.0	1,462.4	1,412.4	1,473.8
Derivative financial instruments	(3)	37.7	3.2	37.7	0.8
Total financial liabilities		1,543.4	1,548.7	1,508.8	1,534.8

Type of financial instrument as per AASB 139 *Financial Instruments: Recognition and Measurement*:

- (1) Loans and receivables;
- (2) At fair value through profit or loss – designated;
- (3) At fair value through profit or loss – held for trading;
- (4) At amortised cost.

(a) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to Cromwell. Cromwell has exposure to credit risk on all financial assets included in the balance sheet except investments at fair value through profit or loss.

Cromwell manages this risk by:

- establishing credit limits for customers and managing exposure to individual entities;
- monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality;
- derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions;
- providing loans to associates where Cromwell is comfortable with the underlying exposure;
- regularly monitoring loans and receivables on an ongoing basis; and
- regularly monitoring the performance of associates on an ongoing basis.

The maximum exposure to credit risk at balance date is the carrying amount of financial assets recognised in the balance sheet of Cromwell. Cromwell holds no significant collateral as security.

Cash is held with Australian, New Zealand, United Kingdom, Singapore and European financial institutions. Interest rate derivative counterparties are all Australian financial institutions.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves and undrawn finance facilities to meet the ongoing operational requirements of the business. It is Cromwell's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements. Cromwell prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow. Cromwell monitors the maturity profile of borrowings and puts in place strategies designed to ensure that all maturing borrowings are refinanced in the required timeframes.

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For the year ended 30 June 2018

The contractual maturity of Cromwell's and the Trust's financial liabilities at balance date are shown in the table below. It shows undiscounted contractual cash flows required to discharge Cromwell's financial liabilities, including interest at current market rates.

	Cromwell				Trust			
	1 year or less \$M	2-3 years \$M	4-5 years \$M	Total \$M	1 year or less \$M	2-3 years \$M	4-5 years \$M	Total \$M
2018								
Trade and other payables	52.3	-	-	52.3	17.3	-	-	17.3
Dividends / distribution payable	41.4	-	-	41.4	41.4	-	-	41.4
Borrowings	54.1	192.4	1,110.8	1,357.3	54.1	192.4	1,110.8	1,357.3
Derivative financial instruments	13.2	22.6	-	35.8	13.2	22.6	-	35.8
Total financial liabilities	161.0	215.0	1,110.8	1,486.8	126.0	215.0	1,110.8	1,451.8
2017								
Trade and other payables	46.4	-	-	46.4	23.4	-	-	23.4
Dividends / distribution payable	36.7	-	-	36.7	36.8	-	-	36.8
Borrowings	234.7	843.7	506.0	1,584.4	234.7	843.7	506.0	1,584.4
Derivative financial instruments	3.8	0.9	-	4.7	3.8	0.9	-	4.7
Total financial liabilities	321.6	844.6	506.0	1,672.2	298.7	844.6	506.0	1,649.3

(c) Market risk

Market risk is the risk that the fair value or future cash flows of Cromwell's financial instruments fluctuate due to market price changes. Cromwell is exposed to the following market risks:

- Price risk – equity securities;
- Interest rate risk; and
- Foreign exchange risk.

Price risk – Listed and unlisted equity securities

Cromwell and the Trust are exposed to price risk in relation to its listed and unlisted equity securities (refer note 7).

Cromwell and the Trust use the ASX closing price to determine the fair value of their listed securities. For unlisted securities Cromwell and the Trust use the fair value of the net assets of the unlisted entity to determine the fair value of their investments. The fair value of the net assets of unlisted entities is predominantly dependent on the market value of the investment properties they hold. Any movement in the market value of the investment properties will impact on the fair value of Cromwell and the Trust's investment.

Sensitivity analysis – equity securities price risk

The table below details Cromwell's and the Trust's sensitivity to movements in the fair value of Cromwell's financial assets at fair value through profit or loss:

Fair value increase / (decrease) of:	Carrying amount \$M	+10%		-10%	
		Profit \$M	Equity \$M	Profit \$M	Equity \$M
2018					
Cromwell					
Investments at fair value through profit or loss	33.0	3.3	3.3	(3.3)	(3.3)
Trust					
Investments at fair value through profit or loss	1.3	0.1	0.1	(0.1)	(0.1)
2017					
Cromwell					
Investments at fair value through profit or loss	315.8	31.6	31.6	(31.6)	(31.6)
Trust					
Investments at fair value through profit or loss	266.3	26.6	26.6	(26.6)	(26.6)

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Interest rate risk

Cromwell's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose Cromwell to cash flow interest rate risk. Borrowings issued at fixed rates expose Cromwell to fair value interest rate risk. Cromwell's policy is to effectively maintain hedging arrangements on not less than 50% of its borrowings. At balance date 81% (2017: nil%) of Cromwell's variable rate secured bank loan borrowings of \$1,000 million (2017: \$1,257 million) were effectively hedged through interest rate swap contracts. The convertible bonds carry a fixed interest rate. Therefore, interest on a total of 30% (2017: 15%) of Cromwell's total borrowings is effectively fixed at balance date.

For details about notional amounts and expiries of Cromwell's and the Trust's interest rate swap and interest rate cap contracts and the cross currency swap contract refer to note 9.

Sensitivity analysis – interest rate risk

The table below details Cromwell's sensitivity to movements in the year end interest rates, based on the borrowings and interest rate derivatives held at balance date with all other variables held constant and assuming all Cromwell's borrowings and interest rate derivatives moved in correlation with the movement in year end interest rates.

Interest rate increase / (decrease) of:	+1%		-1%	
	Profit \$M	Equity \$M	Profit \$M	Equity \$M
2018				
Cromwell	(5.3)	(5.3)	5.3	5.3
Trust	(5.9)	(5.9)	5.9	5.9
2017				
Cromwell	(11.9)	(11.9)	11.9	11.9
Trust	(12.3)	(12.3)	12.3	12.3

Foreign exchange risk

Cromwell's foreign exchange risk primarily arises from its investments in foreign subsidiaries and the investment in CEREIT. The functional currency of these subsidiaries is Euro. The acquisition of the foreign subsidiaries was financed through a convertible bond also denominated in Euro effectively providing a natural hedge against foreign exchange movements between the Australian Dollar and the Euro. No hedge accounting was applied in relation to the net investment in the foreign subsidiaries.

Cromwell's and the Trust's exposure to Euro foreign currency risk at the end of the year, expressed in Australian dollars, was as follows:

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Cash and cash equivalents	13.1	-	13.1	-
Receivables – interest receivable – related parties	-	-	6.9	5.0
Receivables – Trust loans – related parties	-	-	153.0	144.2
Equity accounted investments	507.1	10.6	484.8	-
Payables – interest payable convertible bond	(3.0)	(1.8)	(3.0)	(1.8)
Borrowings – convertible bond	(426.7)	(213.4)	(426.7)	(222.9)
Derivative financial instruments – cross-currency swap	(7.9)	(0.8)	(7.9)	(0.8)
Derivative financial instruments – conversion feature	(28.5)	(2.4)	(28.5)	-
Net exposure	54.1	(207.8)	191.7	(76.3)

Amounts recognised in profit or loss and other comprehensive income

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
<i>Amounts recognised in profit or loss</i>				
Net foreign exchange loss	(3.2)	(0.7)	(1.9)	(0.1)
Exchange gains / (losses) on foreign currency borrowings included in finance costs	(10.3)	1.0	(3.6)	(0.3)
Total (expense) / income recognised in profit or loss	(13.5)	0.3	(5.5)	(0.4)
<i>Amounts recognised in other comprehensive income</i>				
Translation of foreign operations	4.9	(0.8)	-	-
Translation differences on inter-group loans that form part of the net investment in the foreign operation	2.5	0.5	2.6	0.6
	7.4	(0.3)	2.6	0.6

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Sensitivity analysis – foreign exchange risk

	2018		2017	
	Profit \$M	Equity \$M	Profit \$M	Equity \$M
Euro – Australian Dollar gains 1 cent in exchange	7.0	6.0	3.2	(1.1)
Euro – Australian Dollar loses 1 cent in exchange	(7.2)	(6.2)	(3.3)	1.1

(d) Fair value measurement 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 table below presents Cromwell's and the Trust's financial assets and liabilities measured and carried at fair value at 30 June 2018 and 30 June 2017:

Notes	2018				2017				
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	
Cromwell									
Financial assets at fair value									
Investments at fair value through profit or loss									
• Listed equity securities	7	-	-	-	265.0	-	-	265.0	
• Unlisted equity securities	7	-	1.3	20.0	-	1.3	34.3	35.6	
• Other financial asset	7	-	-	11.7	-	-	15.2	15.2	
Derivative financial instruments									
• Interest rate cap	9	-	1.8	-	-	0.1	-	0.1	
Total financial assets at fair value		-	3.1	31.7	34.8	265.0	1.4	49.5	315.9
Financial liabilities at fair value									
Derivative financial instruments									
• Interest rate swaps	9	-	1.4	-	1.4	-	-	-	
• Interest currency swap	9	-	7.8	-	7.8	-	0.8	0.8	
• Conversion feature	9	-	28.5	-	28.5	-	2.4	2.4	
Total financial liabilities at fair value		-	37.7	-	37.7	-	3.2	-	3.2
Trust									
Financial assets at fair value									
Investments at fair value through profit or loss									
• Listed equity securities	7	-	-	-	265.0	-	-	265.0	
• Unlisted equity securities	7	-	1.3	-	1.3	-	-	1.3	
Derivative financial instruments									
• Interest rate cap	9	-	1.8	-	1.8	-	0.1	0.1	
Total financial assets at fair value		-	3.1	-	3.1	265.0	1.4	-	266.4
Financial liabilities at fair value									
Derivative financial instruments									
• Interest rate swaps	9	-	1.4	-	1.4	-	-	-	
• Cross currency swap	9	-	7.8	-	7.8	-	0.8	0.8	
• Conversion feature	9	-	28.5	-	28.5	-	-	-	
Total financial liabilities at fair value		-	37.7	-	37.7	-	0.8	-	0.8

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

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Disclosed fair values

The fair values of investments at fair value through profit or loss (Levels 2 and 3) and derivative financial instruments (Level 2) are disclosed in the balance sheet.

The carrying amounts of receivables, other current assets and payables 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 bonds are traded on the Singapore Exchange (SGX). At balance date the fair value of issued convertible bonds was €279.8 million (\$441.0 million) (2017: €144.3 million (\$214.5 million)) compared to a carrying amount of €284.8 million (\$426.7 million) (2017: €150.0 million (\$222.9 million)).

(i) Valuation techniques used to derive Level 1 fair values

Level 1 assets held by Cromwell include listed equity securities. The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Cromwell values its investments in accordance with the accounting policies set out in note 7 to the financial statements.

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

(ii) 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 and caps

Level 2 financial assets and financial liabilities held by Cromwell include "Vanilla" fixed to floating interest rate swap, interest rate cap and cross currency swap derivatives (over-the-counter derivatives). The fair value of these 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.

(iii) 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 Cromwell Europe managed wholesale property funds and Cromwell's effective 49% interest in an investment property in Campbell, ACT. The fair value of these investments 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.

Reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Cromwell	
	2018 \$M	2017 \$M
Opening balance as at 1 July	49.5	36.5
Additions	0.2	16.3
Disposals	(15.0)	(9.0)
Fair value (gain) / loss	(4.6)	6.7
Foreign exchange difference	1.6	(1.0)
Balance at 30 June	31.7	49.5

Notes to the Financial Statements

For the year ended 30 June 2018

Group Structure

This section will provide information about the Cromwell Property Group structure including parent entity information, information about controlled entities (subsidiaries), business combination information relating to the acquisition of controlled entities and details of disposal group held for sale.

13 Parent entity disclosures

Overview

The financial information below on Cromwell's parent entity Cromwell Corporation Limited (the "Company") and the Trust's parent entity Cromwell Diversified Property Trust (the "CDPT") as stand-alone entities has been provided in accordance with the requirements of the *Corporations Act 2001*.

(a) Summarised financial information

	Company		CDPT	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Results				
(Loss) / profit for the year	(85.1)	(0.4)	183.9	133.8
Total comprehensive income for the year	(85.1)	(0.4)	183.9	133.8
Financial position				
Current assets	17.9	4.5	131.7	34.2
Total assets	129.8	191.1	2,364.6	2,175.9
Current liabilities	8.6	16.8	54.1	236.0
Total liabilities	176.8	166.5	1,034.4	1,073.6
Net assets	(47.0)	24.6	1,330.2	1,102.3
Equity				
Contributed equity	118.9	106.9	1,496.3	1,295.2
Share based payments reserve	7.7	6.6	-	-
Available for sale reserve	(0.4)	(0.8)	-	-
Retained earnings / (accumulated losses)	(173.2)	(88.1)	(166.1)	(192.9)
Total equity	(47.0)	24.6	1,330.2	1,102.3

Accounting policy

The financial information of the parent entities of Cromwell and the Trust have been prepared on the same basis as the consolidated financial statements except for investments in subsidiaries and equity accounted investments.

Investments in subsidiaries and equity accounted investments are accounted for at cost less accumulated impairment charges in the financial report of the parent entity. Distributions and dividends received from subsidiaries and equity accounted investments are not eliminated and recognised in profit or loss.

(b) Commitments

At balance date the Company and CDPT had no commitments (2017: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(c) Guarantees provided

The Company and CDPT both have provided guarantees in relation to the convertible bond. Both entities unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the convertible bond. These guarantees were provided in the prior year.

(d) Contingent liabilities

At balance date the Company and CDPT had no contingent liabilities (2017: none).

Notes to the Financial Statements

For the year ended 30 June 2018

14 Controlled entities

(a) Company and its controlled entities

Name	Country of registration	Equity Holding		Name	Country of Registration	Equity Holding	
		2018 %	2017 %			2018 %	2017 %
Cromwell Aged Care Holdings Pty Ltd	Australia	100	-	Cromwell Corporate Secretarial No. 2 Limited	United Kingdom	100	100
Cromwell Altona Trust	Australia	100	100	Cromwell Development Holdings UK Limited	United Kingdom	100	100
Cromwell BT Pty Ltd	Australia	100	100	Cromwell Development Management UK Limited	United Kingdom	100	100
Cromwell Capital Limited	Australia	100	100	Cromwell Director Limited	United Kingdom	100	100
Cromwell Finance Pty Ltd	Australia	100	100	Cromwell Europe Limited	United Kingdom	100	100
Cromwell Funds Management Limited	Australia	100	100	Cromwell European Holdings Limited	United Kingdom	100	100
Cromwell Holding Trust No 1 Pty Ltd	Australia	100	100	Cromwell European Management Services Limited	United Kingdom	100	100
Cromwell Holding Trust No 2 Pty Ltd	Australia	100	100	Cromwell GP	United Kingdom	100	100
Cromwell Infrastructure Pty Ltd	Australia	100	100	Cromwell Holdings Europe Limited	United Kingdom	100	100
Cromwell Operations Pty Ltd	Australia	100	100	Cromwell Investment Holdings UK Limited	United Kingdom	100	100
Cromwell Project & Technical Solutions Pty Ltd	Australia	100	100	Cromwell Investment Management Services Limited	United Kingdom	100	100
Cromwell Property Securities Limited	Australia	100	100	Cromwell Investment Services Limited	United Kingdom	100	100
Cromwell Property Services Pty Ltd	Australia	100	100	Cromwell Management Holdings Limited	United Kingdom	100	100
Cromwell Real Estate Partners Pty Ltd	Australia	100	100	Cromwell Poland Retail LLP	United Kingdom	100	100
Cromwell Seven Hills Pty Ltd	Australia	100	100	Cromwell Poland Retail UK Limited	United Kingdom	100	100
Marcoola Developments Pty Ltd	Australia	100	100	Cromwell Promote CEIF LP	United Kingdom	100	100
Valad Australia Pty Ltd	Australia	100	100	Cromwell Promote CEVAF LP	United Kingdom	100	100
Votrait No. 662 Pty Ltd	Australia	100	100	Cromwell Promote CPRF LP	United Kingdom	100	100
Gateshead Investments Limited	Cyprus	100	100	Cromwell Promote ECV LP	United Kingdom	100	100
Upperaistoria Trading & Investments Limited	Cyprus	100	100	Cromwell Promote HIG LP	United Kingdom	100	100
Cromwell Property Group Czech Republic s.r.o.	Czech Republic	100	100	Cromwell Watford Limited	United Kingdom	-	100
Cromwell Denmark A/S	Denmark	100	100	Cromwell WBP Poland LP	United Kingdom	100	100
Cromwell Finland O/Y	Finland	100	100	Cromwell YCM Coinvest LP	United Kingdom	100	100
Cromwell France SAS	France	100	100	Cromwell YCM Promote LP	United Kingdom	100	100
Cromwell Germany GmbH	Germany	100	100	D.U.K.E. (Cheetham Hill) Limited	United Kingdom	100	100
Cromwell Property Group Hungary Kft	Hungary	100	100	D.U.K.E. Combined GP Limited	United Kingdom	100	100
Cromwell Property Group Italy SRL	Italy	100	100	Equitis Limited	United Kingdom	50	50
Cromwell CPR Promote S.à r.l.	Luxembourg	100	100	EHI Carried Interest Partner Limited	United Kingdom	100	100
Cromwell European Cities Income Fund General Partner S.à r.l.	Luxembourg	100	100	EHI CV1 UK Limited	United Kingdom	-	80
Cromwell Luxembourg SA	Luxembourg	100	100	EHI CV3 UK Limited	United Kingdom	-	100
Cromwell REIM Luxembourg S.à r.l.	Luxembourg	100	100	EHIF Limited	United Kingdom	-	100
Cromwell Central Europe B.V.	Netherlands	100	100	Equity Partnerships Fund Management (Guernsey) Limited	Guernsey	100	100
Cromwell Netherlands B.V.	Netherlands	100	100	Equity Partnerships (Osprey) Limited	United Kingdom	100	100
EHI Fund GP (Netherlands) B.V.	Netherlands	100	100	German Activ General Partner Limited	United Kingdom	100	100
Cromwell Norway A/S	Norway	100	100	Industrial Investment Partnership (General Partner) Limited	United Kingdom	-	80
Cromwell Poland Sp Zoo	Poland	100	100	Industrial Investment Partnership (LP No. 1) Limited	United Kingdom	-	80
Cromwell Poland No. 2 Sp Zoo	Poland	100	100	IO Management Services Limited	United Kingdom	100	100
Cromwell Property Group Romania SRL	Romania	100	100	Nordic Aktiv General Partner Limited	Guernsey	100	100
Cromwell EREIT Management Pte. Ltd	Singapore	100	100	Nordic Aktiv General Partner 2 Limited	Guernsey	100	100
Cromwell Sweden A/B	Sweden	100	100	Oceanrule Limited	United Kingdom	100	100
Cromwell Asset Management UK Limited	United Kingdom	100	100	Parc D'Activities 1 GP Limited	United Kingdom	-	100
Cromwell Capital Ventures UK Limited	United Kingdom	100	100	PFM Coinvestment Partner Limited	United Kingdom	100	100
Cromwell CEE Coinvest LP	United Kingdom	100	100	The IO Group Limited	United Kingdom	100	100
Cromwell CEE Promote LP	United Kingdom	100	100				
Cromwell Coinvest CEIF LP	United Kingdom	90	90				
Cromwell Coinvest CEVAF LP	United Kingdom	100	100				
Cromwell Coinvest ECV LP	United Kingdom	90	90				
Cromwell Corporate Secretarial Services Limited	United Kingdom	100	100				

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For the year ended 30 June 2018

(b) Trust and its controlled entities

Name	Country of registration	Equity Holding		Name	Country of Registration	Equity Holding	
		2018 %	2017 %			2018 %	2017 %
CDPT Finance Pty Ltd	Australia	100	100	Cromwell SWG Trust	Australia	100	-
CDPT Finance 2 Pty Ltd	Australia	100	100	Cromwell SPV Finance Pty Ltd	Australia	100	100
Cromwell Accumulation Fund	Australia	100	100	Cromwell Symantec Trust	Australia	100	100
Cromwell Bligh House Trust	Australia	-	100	Cromwell TGA Planned Investment	Australia	100	100
Cromwell Bundall Corporate Centre Head Trust	Australia	100	100	Cromwell Wakefield Property Trust	Australia	100	-
Cromwell Bundall Corporate Centre Trust	Australia	100	100	Cromwell Wollongong Trust	Australia	100	100
Cromwell CPF No. 1 Fund	Australia	100	100	EXM Head Trust	Australia	100	100
Cromwell Diversified Property Trust No 2	Australia	100	100	EXM Trust	Australia	100	100
Cromwell Diversified Property Trust No 3	Australia	100	100	Mascot Head Trust	Australia	100	100
Cromwell Health and Forestry House Trust	Australia	100	100	Mascot Trust	Australia	100	100
Cromwell Holding Trust No 1	Australia	100	100	Tuggeranong Head Trust	Australia	100	100
Cromwell Holding Trust No 2	Australia	100	100	Tuggeranong Trust	Australia	100	100
Cromwell Holding Trust No 4	Australia	100	100	CECIF Lux Holdco1 S.à r.l.	Luxembourg	-	100
Cromwell HQ North Head Trust	Australia	100	100	CECIF Lux Holdco2 S.à r.l.	Luxembourg	-	100
Cromwell HQ North Trust	Australia	100	100	CECIF Lux Bidco1 S.à r.l.	Luxembourg	-	100
Cromwell Mary Street Property Trust	Australia	100	100	Cromwell EREIT Lux 2 S.à r.l.	Luxembourg	-	100
Cromwell Mary Street Planned Investment	Australia	92	92	Cromwell EREIT Lux 4 S.à r.l.	Luxembourg	-	100
Cromwell McKell Building Trust	Australia	100	100	Cromwell EREIT Lux 5 S.à r.l.	Luxembourg	-	100
Cromwell Newcastle Trust	Australia	100	100	Cromwell European Cities Income Fund	Luxembourg	-	100
Cromwell Northbourne Planned Investment	Australia	100	100	Yova Central Plaza B.V.	Netherlands	-	100
Cromwell NSW Portfolio Trust	Australia	100	100	Yova Koningsshade B.V.	Netherlands	-	100
Cromwell Penrith Trust	Australia	100	100	Yova Ruyterkade B.V.	Netherlands	-	100
Cromwell Property Fund	Australia	100	100	Cromwell SG SPV 1 Pte. Ltd.	Singapore	-	100
Cromwell Property Fund Trust No 2	Australia	100	100	Cromwell SG SPV 2 Pte. Ltd.	Singapore	-	100
Cromwell Property Fund Trust No 3	Australia	100	100	Cromwell SG SPV 3 Pte. Ltd.	Singapore	-	100
Cromwell Queanbeyan Trust	Australia	100	100	Cromwell SG SPV 4 Pte. Ltd.	Singapore	-	100
				Cromwell SG SPV 5 Pte. Ltd.	Singapore	-	100
				Cromwell Singapore Holdings Pte. Ltd.	Singapore	100	100
				Cromwell Real Estate Investment Trust	Singapore	-	100

All new entities have been incorporated during the year. There was no business combination during the year. Entities, which Cromwell or the Trust controlled in the prior year with no equity holding in the current year have either been deregistered or disposed in the current year.

15 Details of disposal group

Overview

(a) Description of disposal group

In June 2017, Cromwell and the Trust incorporated a new entity, Cromwell European Real Estate Investment Trust ("CEREIT"). This entity is the parent entity of a pan-European real estate investment trust which listed on the Singapore Stock Exchange (SGX) on 30 November 2017. CEREIT acquired the Cromwell European Cities Income Fund ("CECIF") as its initial seed portfolio of assets in June 2017. The assets of CECIF primarily comprised a portfolio of three investment properties located in the Netherlands with a fair value at 30 June 2017 of €209.7 million (\$311.7 million).

(b) Classification of disposal group as held for sale

CEREIT and its subsidiaries were classified as a held for sale disposal group in the prior year because they were in a saleable condition and the carrying amount would be recovered principally through a sale transaction, being the floatation on the SGX. During the year the CECIF portfolio was combined with a number of others in a transaction that cumulated on 30 November 2017 with the entire CEREIT group being listed on the SGX. The outcome of this transaction saw Cromwell's and the Trust's existing interest in CEREIT being significantly diluted and as such it is now accounted for as an equity accounted investment (see note 6).

(c) Gain recognised in relation to disposal group

During the year Cromwell and the Trust derived a \$1.5 million and \$1.7 million gain respectively (2017: \$0.3 million and \$0.3 million gain) in relation to the CEREIT disposal group. This amount is not considered part of the operating profit of Cromwell so is not included in any operating segment.

Accounting policy

Components of the entity are classified as assets held for sale if they are currently in a saleable condition and their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered probable. Such assets are disclosed separately and are disclosed as current assets if a co-ordinated plan to dispose of the assets is in place and it is expected they will be sold in less than one year from balance date.

The results of held for sale assets are presented separately on the face of the income statement.

Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities and equity of a disposal group classified as held for sale are presented separately from other liabilities and equity respectively in the balance sheet.

Notes to the Financial Statements

For the year ended 30 June 2018

Other Items

This section of the annual financial report provides information about individually significant items to the balance sheet or the income statement and items that are required to be disclosed by Australian Accounting Standards, including unrecognised items and the basis of preparation of the annual financial report.

16 Other financial assets and liabilities

Overview

This note provides further information about material financial assets and liabilities that are incidental to Cromwell's and the Trust's trading activities, being receivables and trade and other payables, as well as information about restricted cash.

(a) Receivables

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
<i>Current</i>				
Trade and other receivables	38.1	34.2	13.8	18.8
Loans – joint venture	-	0.8	-	-
Receivables – current	38.1	35.0	13.8	18.8
<i>Non-current</i>				
Loans – related parties	5.9	2.4	1.9	-
Trust loans – related party	-	-	168.2	159.4
Receivables – non-current	5.9	2.4	170.1	159.4

Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Operating lease receivables of investment properties are due on the first day of each month, payable in advance.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that Cromwell may not be able to collect all amounts due according to the original terms of trade and other receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term trade and other receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

Loans – related parties

Current loans – joint venture

The Trust provided a number of short-term loan facilities to Cromwell's joint venture Oyster Property Funds Limited ("Oyster") for the initial funding of Oyster property syndications. The syndications were successful and at balance date all loans had been repaid by Oyster and there was nil outstanding (2017: \$0.8 million outstanding to Cromwell).

Trust loans – related party

In February 2015 a subsidiary of the Trust issued a €150 million convertible bond. Substantially all of the proceeds were on-lent to the ultimate parent entity of the Trust, the Company or its subsidiaries ("CCL"). The proceeds of the loans from the Trust (the "Trust loans") were used by the Company to acquire Valad Europe (now known as the European business).

The Trust loans to CCL consist of three facilities as follows:

Unsecured loan:	In a prior year the Trust provided CCL a loan facility of €107.6 million to CCL. CCL made no repayments (2017: \$8.6 million) of the loan during the year leaving a loan balance of \$168.2 million at balance date. The Euro denominated loan facility is unsecured and carries an interest rate of 2.5%. The loan expires in February 2020.
Redeemable preference shares:	In a prior year the Trust subscribed to redeemable preference shares ("RPS") issued by a subsidiary of the Company. The total subscription amount was €27.5 million (\$41.0 million). The RPS were redeemed at the election of the Trust on 29 June 2017 and the resultant loan transferred from the Trust to the Company.
Senior debt facility:	In a prior year a subsidiary of the Trust provided a loan facility of €14.4 million (\$21.5 million) to a subsidiary of CCL. The facility was fully drawn down and the loan was fully repaid during the prior year.

Notes to the Financial Statements

For the year ended 30 June 2018

At balance date, Cromwell and the Trust had \$1.7 million receivables which were past due date but not impaired (2017: \$0.9 million). In the prior year the Trust recognised a decrease in the recoverable amount of the redeemable preference share loan to a CCL subsidiary by \$35.3 million, following the decrease in the recoverable amount of goodwill recognised by the CCL subsidiary in relation to Cromwell's European business. For further details refer note 17. There were no other receivables impaired at balance date (2017: none).

(b) Other financial assets	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Restricted cash	-	20.0	-	-

In the current year Cromwell and the Trust fully repaid the margin loan facility (refer note 8.). As such, Cromwell and the Trust are no longer required to hold any cash (30 June 2017: \$20 million) at any time making the amount unavailable for any other use during the term of the loan.

(c) Trade and other payables	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Trade and other payables	47.3	35.4	12.3	12.4
Lease incentives payables	4.8	10.5	4.8	10.5
Tenant security deposits	0.2	0.5	0.2	0.5
Trade and other payables	52.3	46.4	17.3	23.4

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to Cromwell prior to the end of the year and which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

17 Intangible assets

Overview

At the commencement of the year Cromwell's intangible assets consisted of goodwill and management rights relating to Cromwell's European business acquired in a prior year and software assets. Goodwill represented the excess of consideration paid for the acquisition over identifiable net assets of the business acquired. Management rights relate to contractual rights to fund management fees in place at the date of acquisition.

During the year management assessed the carrying value of the goodwill attributable to the European business and concluded it was impaired. This is due to the accelerated disposal of two of the largest mandates managed by the European business along with a third of the assets that underpinned the cash flows and resultant goodwill associated with the European business being substantially transferred in the CEREIT entity. Hence, no value could be attributed to the goodwill and it was impaired to \$nil. Similarly, related management rights were also impaired to their recoverable amount during the year.

This note provides information about the movements in intangible assets.

	Goodwill \$M	Management rights \$M	Software \$M	Total \$M
2018				
Cost	151.1	19.3	7.0	177.4
Accumulated amortisation	-	(17.2)	(4.7)	(21.9)
Decrease in recoverable amount	(151.1)	(2.1)	-	(153.2)
Total intangible assets	-	-	2.3	2.3
Balance at 1 July 2017	66.6	4.4	1.3	72.3
Additions	-	-	1.8	1.8
Amortisation	-	(2.4)	(0.8)	(3.2)
Decrease in recoverable amount	(69.5)	(2.1)	-	(71.6)
Foreign exchange differences	2.9	0.1	-	3.0
Balance at 30 June 2018	-	-	2.3	2.3

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For the year ended 30 June 2018

	Goodwill \$M	Management rights \$M	Software \$M	Total \$M
2017				
Cost	151.1	19.3	5.2	175.6
Accumulated amortisation	-	(14.9)	(3.9)	(18.8)
Decrease in recoverable amount	(84.5)	-	-	(84.5)
Total intangible assets	66.6	4.4	1.3	72.3
Balance at 1 July 2016	66.9	9.8	1.6	78.3
Additions	-	-	0.4	0.4
Amortisation	-	(5.2)	(0.7)	(5.9)
Foreign exchange differences	(0.3)	(0.2)	-	(0.5)
Balance at 30 June 2017	66.6	4.4	1.3	72.3

Accounting policy

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Cromwell carries the goodwill, management rights and software as intangible assets. Goodwill has an indefinite useful life and is therefore not amortised. Instead, goodwill is tested annually for impairment. Funds management rights are amortised over the length of the contractual rights to which they relate in accordance with forecast cash flows from these rights in the respective period. At balance date the terms of the contracts ranged between six months and 7.5 years. Software is amortised on a straight-line basis over two to five years.

Notes to the Financial Statements

For the year ended 30 June 2018

18 Cash flow information

Overview

This note provides further information on the consolidated cash flow statements of Cromwell and the Trust. It reconciles profit for the year to cash flows from operating activities and information about non-cash transactions.

(a) Reconciliation of profit for the year to net cash provided by operating activities

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Net profit	204.1	277.5	288.4	261.0
Amortisation and depreciation	4.4	6.8	-	-
Amortisation of lease costs and incentives	19.5	19.9	19.5	19.9
Straight-line rentals	(27.8)	3.6	(27.8)	3.6
Security-based payments	1.2	1.1	-	-
Share of (profits) / losses – equity accounted investments (net of distributions and impairments)	(128.4)	3.1	(111.0)	5.7
Net foreign exchange loss / (gain)	0.1	(0.6)	(0.7)	0.1
Amortisation of loan transaction costs	19.9	7.8	9.7	3.5
Gain on disposal of listed securities	(15.7)	-	(15.7)	-
Loss on sale of investment properties	5.0	0.9	5.0	0.9
Decrease / (increase) in recoverable amounts	76.1	-	-	(10.6)
Fair value net (gain) / loss from:				
Investment properties	(77.4)	(125.0)	(77.4)	(125.0)
Derivative financial instruments	13.7	(17.1)	16.1	(10.2)
Investments at fair value through profit or loss	3.5	(14.2)	(0.1)	(6.6)
Payment for other transaction costs	5.7	-	3.0	-
Finance costs attributable to disposal group	2.1	-	2.1	-
<i>Changes in operating assets and liabilities</i>				
(Increase) / decrease in:				
Receivables	(3.1)	2.0	5.0	(6.1)
Tax assets / liabilities	8.5	(3.1)	9.3	0.2
Other current assets	(0.9)	(0.5)	(0.1)	(0.5)
Increase / (decrease) in:				
Trade and other payables	11.6	(6.7)	(0.4)	(8.5)
Provisions	0.7	0.7	-	-
Unearned revenue	(2.3)	(1.9)	(1.4)	(1.7)
Net cash provided by operating activities	120.5	154.3	123.5	125.7

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Non cash transactions

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Stapled securities / units issued on reinvestment of distributions	8.1	7.0	7.8	6.7
CEREIT acquisition fee received in units	10.1	-	-	-
Total non cash transactions	18.2	7.0	7.8	6.7

Notes to the Financial Statements

For the year ended 30 June 2018

19 Security based payments

Overview

Cromwell operates a security based compensation scheme, the Performance Rights Plan (PRP). Under the PRP, eligible employees, including executive directors, have the right to acquire Cromwell securities at a consideration of between \$0.00 and \$0.50 subject to certain vesting conditions. Eligibility is by invitation of the Board of Directors and participation in the PRP by executive directors is subject to security holder approval. The PRP is designed to provide long-term incentives for employees to continue employment and deliver long-term securityholder returns.

This note provides information below on the security based compensation schemes Cromwell currently operates.

(a) PRP

Cromwell established a Performance Rights Plan in September 2007. All full-time and part-time employees who meet minimum service, remuneration and performance requirements, including executive directors, are eligible to participate in the PRP at the discretion of the Board. Under the PRP, eligible employees are allocated performance rights. Each performance right enables the participant to acquire a stapled security in Cromwell, at a future date and exercise price, subject to conditions. The number of performance rights allocated to each participant is set by the Board or the Nomination & Remuneration Committee and based on individual circumstances and performance.

The amount of performance rights that will vest under the PRP depends on a combination of factors which may include Cromwell's total securityholder returns (including price growth, dividends and capital returns), internal performance measures and the participant's continued employment. Performance rights allocated under the PRP generally vest in three years. Until performance rights have vested, the participant cannot sell or otherwise deal with the performance rights except in certain limited circumstances. It is a condition of the PRP that a participant must remain employed by Cromwell in order for performance rights to vest. Any performance rights which have not yet vested on a participant leaving employment must be forfeited.

Under AASB 2 *Share-based Payment*, the performance rights are treated as options for accounting purposes. Set out below is a summary of movements in the number of performance rights outstanding at the end of the financial year:

	2018		2017	
	Average exercise price	Number of performance rights	Average exercise price	Number of performance rights
As at 1 July	\$0.38	10,276,844	\$0.39	8,593,951
Granted during the year	\$0.35	3,961,001	\$0.39	5,062,046
Exercised during the year	\$0.40	(2,839,112)	\$0.39	(2,787,538)
Forfeited during the year	\$0.00	(141,991)	\$0.46	(591,615)
As at 30 June	\$0.37	11,256,742	\$0.38	10,276,844
Vested and exercisable	-	-	-	-

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2018 was \$0.96 (2017: \$0.96). No options expired during the years covered in the table above.

The weighted average remaining contractual life of the 11,256,742 performance rights outstanding at the end of the financial year (2017: 10,276,844) was 1.5 years (2017: 1.5 years).

Fair value of performance rights granted

The fair value of performance rights granted during the year was between \$0.29 per option for PRP with an exercise price of \$0.50 and \$0.76 per option for PRP with an exercise price of \$nil (2017: fair value between \$0.21 and \$0.68).

Performance rights do not have any market-based vesting conditions. The fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the security price at grant date and expected price volatility of the underlying security, the expected dividend/distribution yield and the risk-free interest rate for the term of the option. The model inputs for performance rights granted during the year included:

Exercise price:	\$0.00 to \$0.50 (2017: \$0.00 to \$0.50)
Grant date(s):	16-Feb-18 (2017: 31-Oct-16 and 19-Dec-16)
Share price at grant date(s):	\$0.95 (2017: \$0.90 and \$0.91)
Expected price volatility:	13% (2017: 17% and 16%)
Expected dividend yield(s):	8.73% (2017: 9.27% and 9.16%)
Risk free interest rate(s):	2.16% (2017: 1.56% and 1.80%)
Expiry date(s):	1-Nov-20 (2017: 1-Dec-19 and 1-Jan-20)

Notes to the Financial Statements

For the year ended 30 June 2018

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Expense arising from security based payments

Expenses arising from share based payments recognised during the year as part of employee benefits expense were as follows:

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Performance rights issued under the PRP	1.2	1.1	-	-

20 Related parties

Overview

Related parties are persons or entities that are related to Cromwell as defined by AASB 124 *Related Party Disclosures*. These include directors and other key management personnel and their close family members and any entities they control as well as subsidiaries, associates and joint ventures of Cromwell. They also include entities which are considered to have significant influence over Cromwell, that is securityholders that hold more than 20% of Cromwell's issued securities.

This note provides information about transactions with related parties during the year. All of Cromwell's transactions with related parties are on normal commercial terms and conditions and at market rates.

(a) Key management personnel disclosures

Key management personnel compensation

	Cromwell	
	2018 \$	2017 \$
Short-term employee benefits	5,416,267	5,909,402
Post-employment benefits	119,769	117,495
Other long-term benefits	29,657	203,373
Security-based payments	621,278	644,702
Total key management personnel compensation	6,186,971	6,874,972

Loans to key management personnel

Cromwell has provided loans to Mr P Weightman, a Director of the Company, for the exercise of his employee options under Cromwell's Performance Rights Plan. Each loan term is three years, limited recourse and interest free. The outstanding balance at balance date was \$1,825,152 (2017: \$1,545,024).

Other transactions with key management personnel

Cromwell rents an apartment, located at 185 Macquarie Street, Sydney, which is owned by Mr P Weightman, a Director of Cromwell. Total rent paid during year was \$104,000 (2017: \$99,840). The payment of rent is on normal commercial terms and conditions and at market rates.

(b) Other related party transactions

(i) *Parent entity and subsidiaries*

Cromwell Corporation Limited is the ultimate parent entity in Cromwell. Cromwell Diversified Property Trust is the ultimate parent entity in the Trust. Details of subsidiaries for both parent entities are set out in note 14.

(ii) *Transactions with joint ventures*

Cromwell Partners Trust

Cromwell and the Trust hold a 50% interest in the Cromwell Partners Trust joint venture ("CPA") which holds the Northpoint property in North Sydney (refer to note 6 for further details). Cromwell received \$9.8 million in distributions from CPA during the year (2017: \$8.1 million).

Notes to the Financial Statements

For the year ended 30 June 2018

Cromwell Real Estate Partners Pty Ltd ("CRE"), a wholly owned subsidiary of Cromwell, acts as trustee for CPA. Cromwell Property Services Pty Ltd and Cromwell Project and Technical Solutions Pty Ltd, wholly owned subsidiaries of Cromwell provide property related services to CPA at normal commercial terms. The following income was earned by Cromwell from CPA:

	Cromwell	
	2018 \$M	2017 \$M
Fund management fees	1.2	0.8
Property management fees	0.8	0.8
Leasing fees	0.4	0.2
Project management fees	0.7	-
<i>Balances outstanding with CPA at year end:</i>		
Distribution receivable	2.6	2.2

Oyster Property Group Limited

Cromwell holds a 50% interest in the Oyster joint venture, a New Zealand based property syndicator and funds manager.

During the prior year, the Trust provided a number of short-term loan facilities to Cromwell's joint venture Oyster Property Funds Limited ("Oyster") for the initial funding of Oyster property syndications. The syndications were successful and at balance date all loans had been repaid by Oyster and there was nil outstanding (2017: nil outstanding).

Portgate Estate Unit Trust

Cromwell holds a 28% interest in Portgate Estate Unit Trust (Portgate), which holds the Portgate property located at the Port of Brisbane. During the year Cromwell paid an additional \$6.5 million in consideration for the investment, leaving \$2.5 million of unpaid acquisition consideration outstanding.

During the year Cromwell provided property management services for which Portgate paid \$85,000 (2017: \$85,000). Portgate also paid distributions of \$107,000 (2017: \$946,000).

LDK Healthcare Pty Ltd

Cromwell holds a 50% interest in LDK Healthcare Pty Ltd (LDK), a joint venture operating with an aged care operator to repurpose the Cromwell property at Tuggeranong Office Park in the ACT into retirement or assisted living units.

During the year, the Trust provided a number of loan facilities to the joint venture for the initial funding of the property development and fit-out. The loans are part of the longer term strategy of the LDK venture and \$1.1 million remain outstanding at year end (2017: nil). Cromwell also charged LDK property development rent and fees totalling \$0.8 million during the year (2017: nil).

(iii) Transactions between the Trust and the Company and its subsidiaries (including the responsible entity of the Trust)

Cromwell Property Securities Limited ("CPS"), a wholly owned subsidiary of Cromwell Corporation Limited ("CCL") acts as responsible entity for the Trust. For accounting purposes the Trust is considered to be controlled by CCL. CCL and its subsidiaries provide a range of services to the Trust. A subsidiary of CCL rents commercial property space in a property owned by the Trust. All transactions are performed on normal commercial terms.

The Trust made the following payments to and received income from CCL and its subsidiaries:

	Trust	
	2018 \$M	2017 \$M
<i>Paid / payable by the Trust to the Company and its subsidiaries:</i>		
Fund management fees	13.3	11.6
Property management fees	6.4	6.6
Leasing fees	2.9	2.3
Project management fees	0.3	0.3
Accounting fees	0.5	0.5
<i>Received / receivable by the Trust from the Company and its subsidiaries:</i>		
Interest	7.4	5.1
Rent and recoverable outgoings	4.2	4.9
<i>Balances outstanding at year-end with the Company and its subsidiaries:</i>		
Aggregate amounts payable	2.0	1.9
Aggregate amounts receivable	175.1	164.4

The amount receivable from the Company and its subsidiaries includes loans of \$168.2 million (2017: \$159.4 million). For further details regarding these loans refer to note 16(a).

Notes to the Financial Statements

For the year ended 30 June 2018

21 Employee benefits expense

Overview

This note provides further details about Cromwell's employee benefits expenses and its components, leave balances outstanding at year end as well as employee benefits expense related accounting policies.

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Salaries and wages, including bonuses and on-costs	51.3	50.7	-	-
Directors fees	1.2	0.7	-	-
Contributions to defined contribution superannuation plans	3.0	2.5	-	-
Security-based payments	1.2	1.1	-	-
Other employee benefits expense	8.3	9.8	-	-
Restructure costs	4.7	-	-	-
Total employee benefits expense	69.7	64.8	-	-

Accounting policies

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

Superannuation

Contributions are made by Cromwell to defined contribution superannuation funds and expensed as they become payable.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using relevant discount rates at the end of the reporting period that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Security-based payments

The fair value of options and performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights. The fair value at grant date is determined using a pricing model that takes into account the exercise price, the term, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk free interest rate for the term.

The fair value of the options or performance rights granted is adjusted to reflect the probability of market vesting conditions being met, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options or performance rights that are expected to become exercisable. At each balance date, Cromwell revises its estimate of the number of options or performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

Bonus plans

Cromwell recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Leave balances outstanding at year-end

Accrued annual leave at year-end of \$3.3 million (2017: \$2.7 million) is included in current provisions on the balance sheet. Based on experience, Cromwell expects substantially all employees to take the full amount of accrued annual leave within the next 12 months.

The portion of accrued long service leave included in current provisions on the balance sheet was \$1.3 million (2017: \$1.2 million). This is the amount expected to be settled within 12 months where the employee had reached the required service term to take the long service leave (generally 10 years). The non-current liability for long service leave included within non-current provisions on the balance sheet was \$0.5 million (2017: \$0.4 million).

Notes to the Financial Statements

For the year ended 30 June 2018

22 Auditors' remuneration

Overview

The independent auditors of Cromwell in Australia (Pitcher Partners) and component auditors of overseas subsidiaries and their affiliated firms have provided a number of audit and other assurance related services as well as other non-assurance related services to Cromwell and the Trust during the year.

Below is a summary of fees paid for various services to Pitcher Partners and component audit firms during the year:

	Cromwell		Trust	
	2018 \$	2017 \$	2018 \$	2017 \$
Pitcher Partners Brisbane				
<i>Audit and other assurance services</i>				
Auditing or reviewing of financial reports	398,000	315,500	245,500	205,000
Auditing of controlled entities' AFS licences	10,500	5,500	-	-
Auditing of the Trust's compliance plan	34,000	34,000	34,000	34,000
	442,500	355,000	279,500	239,000
<i>Other services</i>				
Due diligence services	63,000	127,000	-	-
Total remuneration of Pitcher Partners Brisbane	505,500	482,000	279,500	239,000
Non Pitcher Partners audit firms				
<i>Audit and other assurance services</i>				
Auditing of component financial reports	619,757	380,207	-	-
	619,757	380,207	-	-
<i>Other services</i>				
Tax compliance services	287,900	197,790	-	-
International tax advice on acquisitions	41,148	61,413	-	-
Total remuneration of non Pitcher Partners audit firms	948,805	639,410	-	-
Total auditors' remuneration	1,454,305	1,121,410	279,500	239,000

23 Unrecognised items

Overview

Items that have not been recognised on Cromwell's and the Trust's balance sheet include contractual commitments for future expenditure and contingent liabilities which are not sufficiently certain to qualify for recognition as a liability on the balance sheet. This note provides details of any such items.

(a) Commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases in existence at the reporting date but not recognised as liabilities are payable as follows:

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Within one year	2.7	2.1	-	-
Later than one year but not later than five years	4.4	2.4	-	-
Greater than five years	0.7	-	-	-
Total operating lease commitments	7.8	4.5	-	-

Operating leases primarily comprise the lease of Cromwell's Sydney and European office premises. The Company has entered into a number of leases with the Trust and its subsidiaries and as such the commitment is not recognised on consolidation.

Notes to the Financial Statements

For the year ended 30 June 2018

Capital expenditure commitments

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

	Cromwell		Trust	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Investment property	8.1	14.0	8.1	14.0
Capital contributions	4.1	-	-	-
	12.2	14.0	8.1	14.0

(b) Contingent liabilities

The Directors are not aware of any material contingent liabilities of Cromwell or the Trust (2017: nil).

24 Subsequent events

No matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect:

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

25 Accounting policies

Overview

This note provides an overview of Cromwell's accounting policies that relate to the preparation of the financial report as a whole and do not relate to specific items. Accounting policies for specific items in the balance sheet or statement of comprehensive income have been included in the respective note.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Financial Reports of Cromwell and the Trust have been presented jointly in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange. Cromwell and the Trust are for-profit entities for the purpose of preparing the financial statements.

Compliance with IFRS

The financial report complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

Historical cost convention

The financial report is prepared on the historical cost basis except for the following:

- investment properties are measured at fair value;
- derivative financial instruments are measured at fair value;
- investments at fair value through profit or loss are measured at fair value; and,
- disposal group held for sale is measured at carrying value.

Rounding of amounts

Cromwell is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report have been rounded off to the nearest one hundred thousand dollars, or in certain cases to the nearest dollar, unless otherwise indicated.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(b) Principles of consolidation

Stapling

The stapling of the Company and CDPT was approved at separate meetings of the respective shareholders and unitholders on 6 December 2006. Following approval of the stapling, shares in the Company and units in the Trust were stapled to one another and are quoted as a single security on the Australian Securities Exchange.

Notes to the Financial Statements

For the year ended 30 June 2018

Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company and CDPT, the Company is identified as having acquired control over the assets of CDPT. To recognise the in-substance acquisition, the following accounting principles have been applied:

- (1) no goodwill is recognised on acquisition of the Trust because no direct ownership interest was acquired by the Company in the Trust;
- (2) the equity issued by the Company to unitholders to give effect to the transaction is recognised at the dollar value of the consideration payable by the unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purposes of the Company acquiring an ownership interest in the Trust; and
- (3) the issued units of the Trust are not owned by the Company and are presented as non-controlling interests in Cromwell notwithstanding that the unitholders are also the shareholders by virtue of the stapling arrangement. Accordingly, the equity in the net assets of the Trust and the profit/(loss) arising from these net assets have been separately identified in the statement of comprehensive income and the balance sheet.

The Trust's contributed equity and retained earnings/accumulated losses are shown as a non-controlling interest in this Financial Report in accordance with AASB 3 Business Combinations. Even though the interests of the equity holders of the identified acquiree (the Trust) are treated as non-controlling interests the equity holders of the acquiree are also equity holders in the acquirer (the Company) by virtue of the stapling arrangement.

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 30 June 2018 and the results of all subsidiaries for the year then ended. Subsidiaries are entities controlled by Cromwell. Control exists when Cromwell is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the business combinations by Cromwell (refer to note 24(c)). Inter-entity transactions, balances and unrealised gains on transactions between Cromwell entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Cromwell.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and the balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company. A list of subsidiaries appears in note 14 to the consolidated financial statements.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Cromwell. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, Cromwell recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of Cromwell's share of the net identifiable assets acquired are recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of Cromwell's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's and the Trust's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end

Notes to the Financial Statements

For the year ended 30 June 2018

exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign operations

Subsidiaries, joint arrangements and associates that have functional currencies different from the presentation currency translate their income statement items using the average exchange rate for the year. Assets and liabilities are translated using exchange rates prevailing at balance date. Exchange variations resulting from the retranslation at closing rate of the net investment in foreign operations, together with their differences between their income statement items translated at average rates and closing rates, are recognised in the foreign currency translation reserve. For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognised in the statement of comprehensive income at the time of disposal.

The following spot and average rates were used:

	Spot rate		Average rate	
	2018	2017	2018	2017
Euro	0.63	0.67	0.65	0.69
NZ Dollar	1.09	1.05	1.07	1.05

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, and whenever events or changes in circumstances occur, Cromwell assesses whether there is any indication that any other asset may be impaired. Where an indicator of impairment exists, Cromwell makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Critical accounting estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis 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 areas that involved a higher degree of judgement or complexity and may need material adjustment if estimates and assumptions made in preparation of these financial statements are incorrect are:

Area of estimation	Note
Fair value of investment property	5
Equity accounted investments	6
Investments at fair value through profit or loss	7
Fair value of derivative financial instruments	12

(g) New accounting standards and interpretations

(i) New and amended standards adopted

During the year no new accounting standards came into effect. Amendments to existing accounting standards that came into effect have not affected Cromwell's accounting policies or any of the disclosures.

Notes to the Financial Statements

For the year ended 30 June 2018

(ii) *New standards and interpretations not yet adopted*

Relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted for the year are as follows:

	Application date of Standard	Application date for Cromwell
AASB 9 <i>Financial Instruments</i>	1 Jan 2018	1 Jul 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	1 Jan 2018	1 Jul 2018
AASB 16 <i>Leases</i>	1 Jan 2019	1 Jul 2019

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The new classification, measurement and derecognition rules of AASB 9 may only affect financial assets that are classified as available-for-sale or are designated at fair value through profit or loss and are held both for collecting contractual cash flows and sales integral to achieving the objective of the business model as well as financial liabilities designated at fair value through profit or loss. Cromwell does not carry such financial assets or financial liabilities and therefore the directors do not expect that the new Accounting Standard will have a material impact on Cromwell's accounting for financial assets or financial liabilities.

The new hedging rules align hedge accounting more closely with an entity's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. Cromwell currently does not apply hedge accounting and does not currently hold any investments for hedging purposes. Therefore the Directors do not expect that the new Accounting Standard will have a material impact on the Cromwell's hedging arrangements. Cromwell intends to adopt the new standard from 1 July 2018.

AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard introduces a new five-step model to determine when to recognise revenue and at what amount. The area that may be affected by the new rules is funds management revenue, in particular the timing and amount of the recognition of fund management fees, which includes equity raising fees, debt arrangement fees, acquisition fees, property management fees and fund administration fees.

The Directors do not expect that the new Accounting Standard will have a material impact to the magnitude or timing of the recognition of revenue, including the primary classes of funds management revenue. Cromwell intends to adopt the new standard from 1 July 2018.

AASB 16 Leases

The AASB has issued a new standard for leases. This will replace AASB 117 *Leases*. The accounting standard introduces a single accounting model for leases by lessees and effectively does away with the operating lease concept. It requires all operating leases, which are currently not recorded on the balance sheet, to be recognised on the balance sheet together with a right-of-use asset. Subsequently the lease liability is measured at amortised cost using the effective interest rate method. The right-to-use asset will be measured at cost less accumulated depreciation with depreciation charged on a straight-line basis over the lease term.

1. Accounting as lessor

The Directors have performed an initial assessment of the new requirements of AASB 16 in respect of Cromwell as a lessor and found that there will be no significant impact on Cromwell and its operating lease arrangements except for a change in the definition of a lease period, which will include renewal options if they are likely to be exercised, which may affect straight-line rent recognised for such leases.

However, Cromwell's tenants will be affected (see below).

A schedule of current non-cancellable operating lease receivables from investment property tenants is disclosed in Note 5(h).

2. Accounting as lessee

The new standard applies to a number of lease contracts Cromwell has entered into. Based on the Directors assessment, it is expected that adoption the "Cumulative catch up method" prescribed by the new standard on 1 July 2019 will have the following impacts on the financial statements:

- Relevant leases entered into by Cromwell include those for commercial office space and office equipment. For these assets the balance sheet will be adjusted to recognise an amortised non-financial asset and an associated financial liability. The financial liability will be measured at the net present value of the future amounts payable under the relevant lease, including optional renewal periods where the Company assesses that the probability of renewal is reasonably certain.
- In the income statement, rental/lease expense will be replaced by interest expense and a straight-line amortisation expense.

Notes to the Financial Statements

For the year ended 30 June 2018

The forecast impact of the application of the new standard to Cromwell's operating lease arrangements in the Balance sheet has been assessed and is disclosed below:

	2020 \$M
<i>Forecast Balance sheet value at adoption of standard:</i>	
Right of use asset	4.2
Non – current assets	4.2
Current lease obligation	(2.7)
Current liabilities	(2.7)
Non- current lease obligation	(1.5)
Non – current liabilities	(1.5)
Equity	-

The forecast impact of the application of the new standard to Cromwell's operating lease arrangements in the Income statement and Equity in the Balance sheet has been assessed as being immaterial.

A schedule of current operating lease commitments is disclosed in Note 23.

Directors' Declaration

In the opinion of 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"):

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of Cromwell's and the Trust's financial position as at 30 June 2018 and of their performance, for the financial year ended on that date; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 25(a); and
- (c) 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.

The Directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2018 required by section 295A of the *Corporations Act 2001*.

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



P.L. Weightman
Director

Dated this the 22nd day of August 2018



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Independent Auditor's Report
To the Security holders of Cromwell Property Group
To the Unit holders of Cromwell Diversified Property Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cromwell Property Group "the Group" which comprises Cromwell Corporation Limited and the entities it controlled at the end of the year or from time to time during the year and Cromwell Diversified Property Trust and the entities it controlled at the end of the year or from time to time during the year, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Ken Ogden	Peter Camenzuli	Kylie Lamprecht	Warwick Face	Simon Chun	James Field
Nigel Fischer	Jason Evans	Norman Thurecht	Nigel Batters	Jeremy Jones	Daniel Colwell
Mark Nicholson	Ian Jones	Brett Headrick	Cole Wilkinson	Tom Splatt	

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p>Asset Valuation – Investment Property</p> <p><i>Refer to Note 5: Investment Property</i></p>	
<p>Assessment of the fair value of investment properties is a key audit matter.</p> <p>As at 30 June 2018, investment properties of \$2.4 billion made up 70.7% of total assets of the Group.</p> <p>There are judgements required in order to determine the fair value of investment properties, including the selection of valuation methodology, those which relate specifically to the asset and also the broader economic environment.</p> <p>Judgement is required in assessing the appropriate capitalisation rate due to the sensitivity. A small percentage movement in the capitalisation rate across the portfolio would result in a significant financial impact to the investment property balance and income statement.</p> <p>Judgements also required to assess forecasted future cash flows, vacancy rates and incentives and rebates to be granted in future periods.</p> <p>The Group engages external independent valuers to undertake valuations of each investment property every twelve months as well as performing internal valuations in intervening periods.</p> <p>It is due to the size of the balance and use of key estimates and judgement that this is a key area of audit focus.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▪ Assessing the competence and qualifications of the Trust’s external valuers and the directors involved in undertaking the directors’ (i.e. internal) valuation. ▪ Evaluating the property valuations including an assessment of the appropriateness of the valuation methodology adopted, being the capitalisation of income method. ▪ Comparing the valuations obtained to the alternate discounted cashflow valuation method prepared by the external valuers and the directors’ valuations. ▪ Evaluating the movements in capitalisation rates applied based on our knowledge of the property portfolio and published reports of industry commentators. ▪ Testing, on a sample basis, other key inputs to the valuations including, net income, occupancy rate and lease term remaining for consistency with existing lease contracts and other certain capital adjustments made to the valuation.

Key audit matter	How our audit addressed the matter
<p data-bbox="316 443 555 472">Impairment of goodwill</p> <p data-bbox="316 486 663 515"><i>Refer to Note 17: Intangible Assets</i></p> <p data-bbox="316 528 782 640">As at 30 June 2018, the Group has fully impaired Goodwill relating to the acquisition of Cromwell European Holdings to the value of \$69.5m.</p> <p data-bbox="316 654 782 913">The assessment of impairment of the Group’s goodwill balance incorporates significant judgement and estimates in respect of the Groups cash flow forecasts supporting goodwill, incorporating inputs that include the discount rate, current management contracts, retention and probability of future contracts, as well as certain economic assumptions such as inflation and foreign currency rates.</p> <p data-bbox="316 927 775 1039">Management determined that goodwill was impaired. This was based on the recoverable amount of the related Cash Generating Unit “CGU” calculated using a Value in Use method.</p> <p data-bbox="316 1052 782 1312">A key judgement was whether the Group had selected an appropriate method with which to determine the recoverable amount of the CGU and whether the assumptions used in that cash flow model included appropriate consideration of key external and internal inputs and the impact of these inputs on their significant estimates and judgements used in the calculation.</p>	<p data-bbox="802 528 1110 557">Our audit procedures included:</p> <ul style="list-style-type: none"> <li data-bbox="802 571 1260 741">▪ Assessing management’s determination of the Group’s CGUs based on our understanding of the nature of the Group’s business and internal reporting in order to assess how results were monitored and reported. <li data-bbox="802 754 1273 866">▪ Comparing the cashflow forecasts to board approved forecasts. We compared the prior year’s forecasts to assess the accuracy of the forecasting process. <li data-bbox="802 880 1267 1140">▪ Assessing the significant judgements and estimates used for the impairment assessment, in particular, those judgements relating to the discount rate and cash flow forecasts. We developed an acceptable range of discount rates based on market data and industry research. We found that the discount rate used by the Group was within an acceptable range. <li data-bbox="802 1153 1273 1240">▪ Checking the mathematical accuracy of the cash flow model and agreed relevant data to the latest forecasts. <li data-bbox="802 1254 1276 1366">▪ Performing sensitivity analysis by varying key estimates and including the discount rate and growth rate inputs for the CGU to which goodwill relates.

Key audit matter	How our audit addressed the matter
Recognition of equity accounted investments <i>Refer to Note 6: Equity accounted investments</i>	
<p>As at 30 June 2018, the Group held a 35% interest in the units of Cromwell European Real Estate Investment Trust ("CEREIT"), a Singapore based investment trust established and listed on the Singapore Stock Exchange for the purpose of investing, directly or indirectly in a portfolio of income producing real estate assets in Europe.</p> <p>CEREIT is managed by a 100% owned subsidiary of the Group, Cromwell EREIT Management Pte Ltd.</p> <p>As at 30 June 2018, the equity accounted investment applicable to CEREIT has a carrying value of \$495.6 million, 14.3% of the total assets of the Group.</p> <p>Judgement is required in assessing whether the Group exerted control over CEREIT and in accordance with AASB 10, is required to consolidate CEREIT into the Group's financial statements for the year ended 30 June 2018.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▪ Considering the composition of the independent board and nominations committee of Cromwell EREIT Management Pte Ltd including the board responsibilities. ▪ Assessing the licence granted by the Monetary Authority of Singapore ('MAS') to Cromwell EREIT Management Pte Ltd and restrictions which prevents Cromwell from exercising any decision-making power for matters relating to the CEREIT in which the Group has an interest (whether directly or indirectly). This includes all decisions around the acquisition or disposal of investment properties. ▪ Considering MAS's authority to remove Cromwell EREIT Management Pte Ltd as manager of the CEREIT if an inherent conflict of interest arose. ▪ Reviewing the management deed which outlines the responsibilities of Cromwell EREIT Management Pte Ltd towards CEREIT. ▪ Assessing the level of interaction and influence exerted by Cromwell over CEREIT during the period since acquisition of the investment in CEREIT.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 36 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Cromwell Corporations Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


PITCHER PARTNERS



NIGEL BATTERS
Partner

Brisbane, Queensland
22 August 2018