Rule 4.3A

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 2019.

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 2019. Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2018.

3. HIGHLIGHTS OF RESULTS

	30 Jun 2019 A$'M	30 Jun 2018 A$'M	% Change
Revenue and other income	**457.3**	539.8	(15%)
Operating profit attributable to stapled security holders as assessed by the directors [(1)]	**174.2**	156.8	11%
Operating profit per stapled security as assessed by the directors [(1)] [(2)]	**8.21 cents**	8.36 cents	(2%)
Other items (including fair value adjustments)	**(14.3)**	47.3	(130%)
Profit after tax attributable to stapled security holders	**159.9**	204.1	(22%)
Basic earnings per stapled security [(2)]	**7.53 cents**	10.89 cents	(31%)
Diluted earnings per stapled security [(3)]	**7.50 cents**	10.85 cents	(31%)
Distributions per stapled security	**7.25 cents**	8.34 cents	(13%)
Total assets	**3,695.7**	3,466.3	7%
Net assets	**2,183.0**	1,901.5	15%
Net tangible assets ("NTA") [(4)]	**2,176.2**	1,907.2	14%
Net debt [(5)]	**1,254.8**	1,207.4	4%
Gearing (%) [(6)]	**35%**	37%	(5%)
Securities issued (M)	**2,236.6**	1,985.3	13%
NTA per security	**$0.97**	$0.96	1%
NTA per security (excluding interest rate swaps)	**$0.99**	$0.98	1%

(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 2019 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 2019 annual financial report for a commentary on the results of Cromwell.

5. DISTRIBUTIONS AND DIVIDENDS

Distributions/dividends declared during the current and previous years were as follows:

Cromwell	Dividend per Security	Distribution per Security	Total per Security	Total A$'M	Franked amt per Security	Record Date	Payment Date
2019							
Interim distribution	-	1.8125¢	1.8125¢	36.1	-	28/09/18	23/11/18
Interim distribution (1)	-	1.8125¢	1.8125¢	40.4	-	31/12/18	22/02/19
Interim distribution	-	1.8125¢	1.8125¢	40.5	-	29/03/19	24/05/19
Final distribution	-	1.8125¢	1.8125¢	40.5	-	28/06/19	23/08/19
	-	**7.2500¢**	**7.2500¢**	**157.5**	**-**		
2018							
Interim distribution	-	2.0850¢	2.0850¢	36.8	-	29/09/17	17/11/17
Interim distribution	-	2.0850¢	2.0850¢	37.6	-	29/12/17	23/02/18
Interim distribution (2)	-	2.0850¢	2.0850¢	41.3	-	29/03/18	25/05/18
Final distribution	-	2.0850¢	2.0850¢	41.4	-	29/06/18	24/08/18
	-	**8.3400¢**	**8.3400¢**	**157.1**	**-**		

(1) Includes an amount of $2,667,000 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 December 2018 as part of the non-renounceable entitlement offer.

(2) 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 7 of the 2019 annual financial report for details of investments in joint ventures and associates.

8. CHANGES ON CONTROL OVER GROUP ENTITIES

Refer to Note 15 of the 2019 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 2019.

Michael Wilde
Chief Financial Officer
29 August 2019

Cromwell Property Group Annual Financial Report

30 June 2019

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

Contents

DIRECTORY

Board of Directors:
Geoffrey Levy (AO)
Michelle McKellar
Jane Tongs
Leon Blitz
David Blight
Andrew Fay
Paul Weightman

Secretary:
Lucy Laakso

Share Registry:
Link Market Services Limited
Level 21, 10 Eagle 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:
Deloitte Touche Tohmatsu
Level 23, Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Tel: +61 7 3308 7000
Web: www.deloitte.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 2019 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 are:

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 Chair
B.Com, LLB, FFIN, MAICD, 60

Director and Chair since:	17 April 2008
Independent:	Yes

Skills and Experience

Mr Levy has over 30 years of significant experience in banking and finance, funds management, mergers and acquisitions and corporate commercial law. He held the position of Partner at Freehills, Hollingdale and Page (now Herbert Smith Freehills) earlier in his career as well as Principal of Wentworth Associates, which was later acquired by Investec Bank (Australia) Ltd in 2001. At Investec Bank (Australia) Ltd, he became the Chief Executive Officer, and the Executive Chair from 2001 to 2008, and thereafter as Non-executive Deputy Chair until 2014.

Mr Levy's extensive ASX listed board experience, over 3 decades, includes Non-executive Directorships at Hoyts Cinemas Ltd, Ten Network Holdings Ltd, Specialty Fashion Group Ltd, Mirvac Ltd, Rebel Sports Ltd, Freedom Furniture Ltd and STW Ltd. He has also been an Executive and Non-executive director on a number of property and private equity funds and non-listed companies.

He also has vast regulatory and policy experience gained through chairing various Federal and State Government entities, taskforces and panels, including as Deputy Chair of the Australian Sports Anti-Doping Authority, Chair of Film Finance Corporation Australia Ltd, Chair of the NSW Government Property Asset Utilisation Taskforce and Chair of the NSW Attorney General Review into the Public Purpose Fund. He was also appointed as the Attache to the South African Olympic Team at the 2000 Olympic Games.

He is currently the Executive Chair of Monash Private Capital and its groups of companies and funds. He is also a founding partner of Our Innovation Fund, a venture capital firm investing in high growth innovative digital businesses and is highly considered as a veteran investor in One Tech Ecosystems. In June 2005, he was appointed an Officer in the Order of Australia in the Queen's Birthday Honours List for his significant contributions to sports, the arts and philanthropy.

Ms Michelle McKellar - Non-executive Director
FAICD, FPINZ, 64

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

Skills and Experience

Ms McKellar has over 30 years of property and portfolio management experience in senior roles throughout the Asia-Pacific. Ms McKellar established the CBRE business in New Zealand which she grew successfully for 12 years before being appointed as CBRE's Hong Kong-based Managing Director and Chief Operating Officer Greater China. During her career at CBRE, which encompassed major investment transactions, she was responsible for introducing a significant amount of Asian foreign investment into the region. She subsequently served as the CEO of Jen Group of Companies, overseeing an extensive commercial and retail property portfolio across South East Asia, Australia and New Zealand. Ms McKellar is also a founding Director of China based QSR (quick service restaurants) company – Dash Brands – established in 2007 in Shanghai and remained as Non-executive Director until 2017. Dash Brands acquired Domino's Pizza China in 2011 and owns the master franchise for China. In each of these roles encompassing real estate, property development and the QSR industry, she developed key relationships and gained deep property expertise that provides valuable insights into the nuances of the markets across Asia Pacific. Ms McKellar also served as Chair and Non-executive Director at Oyster Property Group, a leading New Zealand commercial property and fund manager which is 50% owned by Cromwell Property Group.

Ms McKellar is a Fellow of the Australian Institute of Company Directors and a Fellow of the Property Institute of New Zealand. She also sits on the advisory Board of the University of Auckland's Business School's Department of Property and continues to mentor graduates in the industry. She currently serves as CEO of Australian based family company McKellar Property Group and Joint Managing Director of MAP Group, a New Zealand based property consultancy and advisory firm.

Ms Jane Tongs - Non-executive Director
B.Bus, MBA, FCA, FCPA, MAICD, 59

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

Listed Company Directorships (held within the last three years):
Chair – Netwealth Group Limited (2000 – current)

Skills and Experience

Ms Tongs has over 30 years of management expertise, serving on the boards of insurance, funds management, property and other financial services entities. She has extensive experience in profitably growing businesses and enhancing the profitability of established businesses. Current examples are Netwealth Group Limited, Warakirri Asset Management Ltd and Hollard Insurance. Her previous property experience includes Non-executive Director positions at AIMS Fund Management Limited (formerly MacarthurCook Fund Management Limited), AIMS Investment Managers Ltd (formerly MacarthurCook Investment Managers Ltd), Little Real Estate Pty Ltd (formerly Run Ltd), the Heine Property Group and Warakirri Agricultural Trusts. She was a Non-executive Director of the Australian Energy Market Operator and served as a Member and Company Director to the Advisory Board of the South Australian Financing Authority. She developed her leadership and management experience earlier in her career, specifically as Partner at PricewaterhouseCoopers, specialising in the financial services sector and litigation support.

Along with her deep expertise in finance, her board experience is vast with over 20 years' experience as a Chair, Chair of Audit & Risk and Non-executive Director. She is currently Chair of Netwealth Growth Limited and of the Lend Lease Australian Prime Property Fund Investors Committee and a Non-Executive Director of Catholic Church Insurances Ltd, Warakirri Asset Management Ltd, Hollard Insurance and Brighton Grammar School. 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 Leon Blitz - Non-executive Director
B.Com (Hons), C.A. (S.A.), 55

Director since:	28 June 2017
Board Committee membership:	Member of the Audit and Risk Committee Member of the Investment 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 private equity and FCA regulated investment management firm which manages and invests principal, institutional and family office funds.

Through his role at Investec Bank, which over 20 years included Head of Principal Investments, Private Banking and Property Lending, Mr Blitz developed a deep understanding of property, banking and risk management. He also managed acquisition and integration processes for the Investec Group in UK and European jurisdictions.

Mr Blitz has a significant track record as a deal maker and fundraiser and has extensive experience in working with high performance management teams to develop and execute corporate strategies and implementation plans. He has acted as a Non-executive Director of a number of companies in the UK and Europe and is on the governance and advisory board of a London-based industrial investment holding company, as well as playing a leading role in governing a number of LLP investment and GP management partnerships.

Mr Blitz is the Chair of an international London-based chamber of commerce and plays a leadership role in a number of charitable and communal organisations. He is a Chartered Accountant, and trained at Arthur Andersen.

Mr Andrew Fay - Non-executive Director
BAgEc (Hons), A Fin, 54

Director since:	15 October 2018
Board Committee membership:	Chair of the Nomination and Remuneration Committee Member of the Audit and Risk Committee Member of the Investment Committee
Independent:	Yes

Listed Company Directorships (held within the last three years):
Non-executive Director – Pendal Group Limited (2011 – current)
Non-executive Director – Spark Infrastructure Group (2010 – current)
Non-executive Director – Gateway Lifestyle Group (2015 – 2018)

Skills and Experience

Mr Fay has over 30 years' experience in the financial services industry, bringing extensive knowledge of investment and funds management, including the property asset classes. Whilst a large part of his executive career was as a professional investor, he has also been directly involved in advising and determining the strategic direction of businesses including being involved in a range of merger and acquisition activities. These businesses come from a diverse range of industries, including internet, medical devices, microbiology, renewable energy, financial services and property, and have given him considerable experience in operating in international markets. During his 14 years at Deutsche Asset Management (Australia) Ltd he held a number of senior positions including Chair, CEO Australia, Regional Chief Investment Officer (CIO) Asia Pacific and CIO Australia. He was also Chair of Deutsche Managed Investments Ltd, Tasman Lifestyle Continuum Ltd and a Non-executive Director of Gateway Lifestyle Group. He was also a Director of DB Real Estate Australia Ltd. Earlier in his career, he held various investment roles at AMP Capital and was also a member of the Investment Board Committee of the Financial Services Council from 1998 to 2006. Mr Fay has substantial Board Committee experience having chaired both Remuneration and Nomination and Audit and Risk Committees for Top 100 ASX listed entities. He is currently a Non-executive Director of J O Hambro Capital Management Holdings Ltd, South Australian Power Networks and is a consultant to Dexus Property Group and Microbiogen Pty Ltd.

Mr Paul Weightman - Managing Director / Chief Executive Officer

B.Com, B.Law, 57

Director since:	6 August 1998
Board Committee membership:	Member of the Investment Committee
Independent:	No

Skills and Experience

Mr Weightman was a founding Director of Cromwell, acted as its Executive Chair from 1998 to 2008 and has acted in his current role since 2008, driving Cromwell's strategic development from a small retail syndicator to an ASX200 international real estate investor and funds manager. He practised as a solicitor for more than 20 years, acted as Managing Partner of a national law firm and continues to hold a Practising Certificate as a solicitor of the Supreme Court of Queensland. Mr Weightman is also a Fellow of the Royal Institution of Chartered Surveyors and is an approved person registered with the Financial Conduct Authority (UK).

Mr Weightman sits on the Boards of Cromwell Investment Services Limited and Cromwell EREIT Management Pte. Ltd., the latter of which is a licensed REIT manager with the Monetary Authority of Singapore.

He has extensive Australian and international experience in real estate investment and management and has legal, commercial and corporate experience in areas including mergers and acquisitions, revenue matters, property development, corporate and financial structuring, public listings, joint ventures and funds management.

Mr Marc Wainer (retired) - Non-executive Director

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Director since:	29 January 2010
Director until retired:	21 November 2018
Independent:	No

Skills and Experience

Mr Wainer has more than 40 years of experience in the property industry in South Africa. He is an Executive Director of listed South African property group Redefine Properties Ltd, which he founded. Mr Wainer is a Non-executive Director of RDI REIT P.L.C., a listed property investment company in the United Kingdom, and also serves as a Non-executive Director of RBH, which owns and manages a portfolio of hotels in the United Kingdom. Mr Wainer is a Non-Executive Director of EPP N.V.

Mr David Blight (resigned) - Non-executive Director

B.AppSc (Valuation), 57

Director since:	1 June 2018
Director until resigned:	19 July 2019
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 Chair 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 Chair & CEO of the global ING Real Estate Investment Management business and Vice Chair of ING Real Estate, overseeing real estate assets of circa $150 billion while based in The Netherlands.

Ms Lucy Laakso – Company Secretary

B.Bus, MBA (Corporate Governance), Juris Doctor (First Class Honours), GAICD

Appointed since: 10 August 2015

Skills and Experience

Ms Laakso has 20 years of corporate and financial services experience, having worked as a legal practitioner and in the areas of company secretariat, corporate governance, compliance and business banking. Prior to joining Cromwell, Ms Laakso was a manager in the company secretariat/compliance team at Access Capital Advisers (now Whitehelm Capital). She also worked at ASX listed Suncorp Group Limited in areas including corporate secretariat, compliance and business banking. Ms Laakso also has private practice experience at Norton Rose Fulbright and inhouse legal experience at a fund manager. She is a member of two Property Council of Australia national committees: the National Risk Roundtable and the Corporate Governance and Regulation Committee.

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	12	13	3	3	-	-	1	1
M McKellar	13	13	4	4	10	10	4	4
J Tongs	13	13	4	4	10	10	-	-
M Wainer [(1)]	1	3	-	-	-	-	-	-
L Blitz	13	13	2	4	10	10	4	4
P Weightman	13	13	-	-	-	-	4	4
D Blight [(2)]	9	13	-	-	-	-	-	-
A Fay	11	11	1	1	5	5	4	4

(1) Retired 21 November 2018.
(2) Resigned 19 July 2019.

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.

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
2019							
Interim distribution	-	**1.8125¢**	**1.8125¢**	**36.1**	-	**28-Sep-18**	**23-Nov-18**
Interim distribution	-	**1.8125¢**	**1.8125¢**	**40.4**(1)	-	**31-Dec-18**	**22-Feb-19**
Interim distribution		**1.8125¢**	**1.8125¢**	**40.5**		**29-Mar-19**	**24-May-19**
Final distribution		**1.8125¢**	**1.8125¢**	**40.5**		**28-Jun-19**	**23-Aug-19**
		7.2500¢	**7.2500¢**	**157.5**			
2018							
Interim distribution	-	2.0850¢	2.0850¢	36.8	-	29-Sep-17	17-Nov-17
Interim distribution	-	2.0850¢	2.0850¢	37.6	-	29-Dec-17	23-Feb-18
Interim distribution	-	2.0850¢	2.0850¢	41.3(2)	-	29-Mar-18	25-May-18
Final distribution	-	2.0850¢	2.0850¢	41.4	-	29-Jun-18	24-Aug-18
	-	8.3400¢	8.3400¢	157.1	-		

(1) Includes an amount of $2,667,000 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 December 2018 as part of the non-renounceable entitlement offer.
(2) 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.

Review of operations and results

Cromwell has an "Invest to Manage" strategy to drive the medium-term growth of distributions and securityholder value. Cromwell is achieving this by:

- Growing our secured cash flow generating property portfolio;
- Leveraging our unique integrated asset management platform to grow revenue from the funds we manage; and
- Generating additional returns and increased asset values from selective asset enhancement initiatives.

Financial performance
Cromwell recorded a profit of $159.9 million for the year ended 30 June 2019 (2018: $204.1 million). The Trust recorded a profit of $163.4 million for the year ended 30 June 2019 (2018: $288.4 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 $86.4 million (2018: increase of $77.4 million);
- Decrease in the recoverable amount of goodwill and other assets of $0.4 million (2018: $76.1 million);
- Costs in relation to asset classified as held for sale of $35.3 million (2018: $nil);
- Net non-operating gains in relation to equity accounted investments of $1.6 million (2018: gain of $94.8 million); and
- Net non-operating finance costs of $7.8 million (2018: $21.2 million).

Cromwell recorded an operating profit of $174.2 million for the year ended 30 June 2019, an 11% increase over the operating profit of $156.8 million for the previous corresponding year. 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.

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

	Cromwell	
	2019 $'M	2018 $'M
Operating profit	**174.2**	156.8
Reconciliation to profit for the year		
Loss on sale of investment properties	**0.7**	(5.0)
Gain on sale of listed securities	**-**	15.7
Loss on disposal of other assets	**(0.3)**	-
Finance costs attributable to disposal group / other assets	**-**	(2.1)
Other transaction costs	**(2.9)**	(5.7)
Fair value net gain / (losses)		
Investment properties	**86.4**	77.4
Derivative financial instruments	**(10.5)**	(13.7)
Investments at fair value through profit or loss	**(9.2)**	(3.5)
Non-cash property investment income / (expense):		
Straight-line lease income	**9.3**	27.8
Lease incentive amortisation	**(18.8)**	(17.8)
Lease cost amortisation	**(2.0)**	(1.7)
Other non-cash expenses or non-recurring items:		
Amortisation of loan transaction costs	**(7.8)**	(21.2)
Net exchange loss on foreign currency borrowings	**(12.7)**	(10.3)
Costs in relation to asset classified as held for sale	**(35.3)**	-
Decrease in recoverable amounts	**(0.4)**	(76.1)
Amortisation and depreciation, net of deferred tax expense (1)	**(2.4)**	(4.4)
Relating to equity accounted investments (2)	**1.6**	94.8
Net foreign exchange gains / (losses)	**(3.0)**	(3.2)
Net profit from discontinued operations	**-**	1.5
Restructure costs (reversed) / expensed (3)	**0.3**	(4.7)
Net tax losses utilised (4)	**(7.3)**	(0.5)
Profit for the year	**159.9**	204.1

(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.

	2019 Cents	2018 Cents
Profit per stapled security	**7.53**	10.89
Operating profit per stapled security	**8.21**	8.36
Distributions per security	**7.25**	8.34

Operating profit per security for the year was 8.21 cents (2018: 8.36 cents). This represents a decrease of approximately 2% over the prior year but was 0.21 cents (3%) above guidance. 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 2 for 13 accelerated non-renounceable entitlement offer in December 2018. The entitlement offer saw Cromwell issue of 232 million new securities for proceeds of $228 million;

- An increase in earnings of 12.9% from Direct Property Investments. This was underpinned by like for like net operating income (NOI) growth in the core portfolio of 3.3%; and
- A decrease in earnings from funds management segment driven by higher operating costs associated with the expansion into Singapore, the establishment of Luxembourg AIFM, ongoing investment into the integrated European platform in expectation of future growth and lower project management fees.

Strategy

Cromwell's objective is to generate sustainable returns for our securityholders from the dynamic allocation and deployment of capital to our three business activities:

- Our direct investment portfolio;
- Our indirect investments portfolio; and
- Our funds and asset management platform

Our strategy to achieve this objective is based on the following elements:

- We maintain an allocation in our direct portfolio to Core assets that provide a strong, secure and resilient cash flow, long WALE, strong covenants and low capex requirements which should deliver year on year growth in net operating property income of 3%;
- We maintain an allocation in our direct portfolio to Core + assets from which we can generate value and take advantage of short term market trends;
- We maintain an allocation in our direct portfolio to Active assets that give us the opportunity to generate outperformance from repositioning and redevelopment;
- We generate long term recurring revenue from our retail funds management platform that offers to our retail investors quality products that are based on a disciplined approach to asset selection;
- We make indirect investments with selected capital partners in listed and unlisted funds that we manage that exceed our benchmark risk adjusted returns, and in doing so generate transactional and recurring returns and fund and asset management revenues; and
- We invest in our fund and asset management platform to grow enterprise value and to be a partner of choice for global capital providers.

Over the last 12 months Cromwell has continued to execute its strategy.

- Positive leasing outcomes have seen our 10 asset Core portfolio increase in value to $1.74 billion and return like for like NOI growth of 3.3%. The Core portfolio is now two-thirds by value of the entire portfolio;
- The Core + portfolio continued to have strong leasing outcomes in both NSW and QLD and delivered like for like NOI growth of 5.5%;
- Our Tuggeranong asset, which formed part of the Active portfolio, was sold into the LDK joint venture where it is being repositioned into a Seniors Living village;
- LDK joint venture acquired one of Sydney's premium Seniors villages, The Landings at Turramurra (The Landings) for $60 million;
- The Direct Property Fund, one of Cromwell's unlisted retail funds, continued to acquire assets during the year. The Fund continued to be well supported with inflows from investors and is lowly geared. Cromwell continues to maintain a disciplined approach to acquiring real estate for the Fund;
- Cromwell took up its full entitlement under the rights issue of CEREIT. The CEREIT raised equity in October 2018, via a rights issue, to acquire 23 properties across three portfolios in Europe with a total purchase price of €384 million. This was followed by a private placement in June 2019 to acquire a further 6 properties in France and Poland which will settle after 30 June 2019. At balance date, the CEREIT represented 48% of the total assets under management for Cromwell's European business. This has further strengthened the European business and represents a long-term revenue source for Cromwell; and
- During the year the European business secured its first mandate from Korean investors to acquire an €88 million property in Italy.

Over the course of the next 12 months, Cromwell will continue to execute on its strategy. Cromwell raised capital during the year and maintains the capacity and balance sheet liquidity to make further investments, into our active portfolio, indirect portfolio and our funds and asset management platform. We recognise that the deployment of capital and the timing of investments and divestments inevitably have an impact on short term earnings performance but we also recognise that to generate sustainable returns we have to focus on initiatives that are accretive to portfolio value and enterprise value in the medium to long-term.

Analysis of segment performance

During the year the analysis of Cromwell's segments was adjusted to reflect better our objective and strategy and the contribution of the three business activities to operating profit.

The contribution to operating profit of each of the 3 segments of Cromwell and the reconciliation to total operating profit is set out below:

	2019 %	**2019 $M**	2018 %	2018 $M
Direct property investment (i)	**64.8%**	**136.1**	67.4%	120.6
Indirect property investment (ii)	**21.6%**	**45.4**	13.0%	23.3
Funds and asset management (iii)	**13.6%**	**28.5**	19.6%	35.0
Total segment results	**100.0%**	**210.0**	100.0%	178.9
Finance income		**4.8**		9.0
Management and administration costs		**(39.6)**		(26.7)
Income tax expense		**(1.0)**		(4.4)
Operating profit		**174.2**		156.8

(i) Direct property investment

Summary information at 30 June 2019 about the property portfolio is included below:

Portfolio [1]	**Portfolio %**	**Value ($M)**	**Like for Like NOI Growth**	**WALE**	**Occupancy**
2019					
Core	69%	1,742.4	3.3%	9.4 yrs	99.2%
Core+	28%	697.7	5.5%	3.1 yrs	95.4%
Active	3%	80.8	121.2%	0.6 yrs	52.8%
Total	100%	2,520.9	5.5%	6.9 yrs	91.7%
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%

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

Core Portfolio

The Core portfolio now consists of 10 assets and represents 69% of Cromwell's total direct portfolio by value. Successful leasing outcomes at HQ North, QLD have resulted in this building being reclassified as part of our Core portfolio. Like for like NOI growth was 3.3% for the year which was above the target growth of 3.0%.

Core + Portfolio

The Core + portfolio now consists of 6 assets and represents 28% of Cromwell's total direct portfolio by value. Like for like NOI growth was 5.5%. This was driven by NOI growth at 207 Kent Street, NSW of 8% and NOI growth at 200 Mary Street, QLD of 21%. 200 Mary Street, QLD is now 93% occupied versus the 72% occupancy it had at the beginning of the prior year.

The Oracle Building, ACT has gone from being 70% occupied at 30 June 2018 to being 86% occupied at 30 June 2019. We now regard this asset as stabilised and part of the Core + portfolio.

Active Portfolio

Active assets include the remaining vacant land at Tuggeranong Office Park, ACT, 13 Keltie Street, ACT, Wakefield Street, SA, and 19 National Circuit, ACT.

13 Keltie Street, ACT is currently vacant. Cromwell is in the process of identifying repositioning opportunities for the property.

Wakefield Street, SA is currently 100% occupied with a WALE of 0.65 years. Cromwell is in the process of identifying reletting and repurposing opportunities for the property.

19 National Circuit, ACT is currently 100% occupied with a WALE of 0.55 years. Cromwell is in the process of identifying opportunities to increase the usable space and gross lettable area of the property.

Tuggeranong Office Park, ACT is currently undergoing a planned transformation into a site containing 350 Seniors Living units and associated facilities. The first stage of the transformation is expected to cost approximately $110 million. The first display suites have been completed and sales of the first units are expected to commence during 2020. Part of the property was sold during the year to LDK Healthcare Unit Trust (LDK). LDK is a joint venture between Cromwell and Aspire.

The remaining vacant land at Tuggeranong Office Park, ACT, will be used for future construction as opportunities arise.

Valuations for the direct portfolio increased by $74.9 million during the year (2018: $85.7 million), net of property improvements, leasing incentives and lease costs. This is equivalent to an increase in value of approximately 3.1% or 3.3 cents per stapled security from June 2018 valuations.

	2019 $M	2018 $M
Change in valuations, net of property improvements, lease costs and incentives	**74.9**	85.7
Non-cash adjustments for straight-lining of rentals and lease amortisation	**11.5**	(8.3)
Increase in fair value of investment properties	**86.4**	77.4

Increases were concentrated in properties in the Sydney and Melbourne metropolitan areas with long weighted average lease expiries and strong occupancy rates. The single largest increase was at 700 Collins Street, Melbourne, which is now 99.8% occupied with a WALE of 6.2 years. The other large increases were all recorded in Sydney, being 475 Victoria Avenue (93% occupancy with a WALE of 2.4 years), 207 Kent Street (99% occupancy with a WALE of 4.3 years) and 2-24 Rawson Place (100% occupancy with a WALE of 8.9 years).

Interest expense

Interest expense for the year increased to $47.6 million (2018: $48.0 million). The average interest rate increased from 3.28% for the year ended 30 June 2018 to 3.35% for the year ended 30 June 2019.

The fair value loss of interest rate derivatives of $13.5 million (2018: loss of $10.7 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 63% of its debt at 30 June 2019 (2018: 81%) hedged or fixed to minimise the risk of changes in interest rates in the future. All hedging contracts expire between July 2019 and July 2024.

(ii) Indirect property investment

CEREIT

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. Cromwell owns 35.8% (2018: 35.1%) 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 $44.6 million (2018: $23.2 million).

The CEREIT's distribution per unit for the first half of CY19 was €2.04 cents per unit which was 4.6% above IPO forecasts. Outperformance has been driven by property acquisitions. At IPO, the CEREIT had 74 properties and a portfolio value of €1.35 billion. At 30 June 2019, the CEREIT had 97 properties and a portfolio value of €1.8 billion. A further 5 properties were acquired in July 2019 and a further property in Poland is expected to settle in September 2019. This will take the CEREIT's portfolio to 103 properties with an expected value of €2.1 billion in Denmark, Netherlands, Italy, Finland, Germany, Poland and France. The successful growth of the CEREIT has been achieved by leveraging Cromwell's integrated European funds management platform and its ability to identify and execute off-market property acquisitions.

The property acquisitions have been funded by additional capital raisings by the CEREIT. In October 2018, CEREIT undertook a rights entitlement, raising €224 million of new equity. Cromwell took up its full rights under the CEREIT entitlement offer which amounted to $126.7 million. In June 2019, CEREIT announced a private placement to raise a further €150 million of equity. Cromwell did not participate in the private placement which saw new units in CEREIT issued in July 2019.

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. Prior to June 2018, the investment property completed a major redevelopment of its retail space and development of a 187-room hotel. This has seen an increase in operating profit of Cromwell Partners Trust, of which, Cromwell receives a share, increasing Cromwell's return to $7.1 million from $5.4 million in the prior year.

In July 2019, Cromwell announced it had exchanged contracts to sell its 50% ownership in the Cromwell Partners Trust to Early Light International who will take 100% ownership of the vehicle. The sale is subject to FIRB approval and expected to settle in September 2019. Cromwell's investment in the Cromwell Partners Trust has been recognised as held for sale at 30 June 2019. Cromwell will remain the asset manager of the property post the sale.

The successful execution of the Northpoint sale will allow Cromwell to both realise its development gains and receive a return on all of its investment to be recycled into future investments.

Campbell Park

Cromwell has an effective 49% interest in an investment property in Campbell, ACT. The investment was valued at $3.8 million at 30 June 2019 (30 June 2018: $11.7 million). 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 $nil (2018: $nil) via the income assignment deed.

Co-investments

Cromwell has co-investments in both Australian unlisted property trusts and European real estate investment mandates. Co-investment levels range from 1% to 28% and are accounted for as investments at fair value through profit or loss, or, as is the case with Portgate, an equity accounted investment. Cromwell receives distributions or a share of profit from its co-investments which also support the funds management business. Cromwell may also, from time to time, warehouse assets to use as seed portfolios for new funds or mandates. The balance of co-investments held by Cromwell at year end was $26 million (June 2018: $28.4 million).

(iii) Funds and asset management

Retail funds management

Retail funds management profit increased to $13.6 million for the year ended 30 June 2019 from $7.6 million for the year ended 30 June 2018. During the year Cromwell received $8.7 million (2018: $2.1 million) in performance and acquisition fees from retail funds management activities.

Total retail funds under management increased to $2.3 billion from $2.0 billion at 30 June 2018.

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 48.8 million units issued. The Fund acquired two properties during the year, 420 Flinders Street, Townsville for $63.5 million in December 2018 and 163 O'Riordan Street, Mascot for

$113.3 million in June 2019. Cromwell earned $3.5 million in fees as a result of the acquisitions. The Fund now has a portfolio of 6 investment properties valued at $299.4 million and investments in other Cromwell unlisted investment schemes valued at $65 million. At 30 June 2019 the Fund was 35% geared. Cromwell will continue to work to identify quality assets that meet the asset size and risk criteria for inclusion in the Fund's portfolio.

The Cromwell Ipswich City Heart Trust was due to reach the end of its initial seven-year term on 28 December 2018. In September 2018 unitholders of the Trust voted to approve extension of the initial term of the Trust by 4 and a half years, until June 2023. The performance fee of $4.1 million payable to Cromwell in respect of the rollover was also approved by the unitholders.

Cromwell's other two direct property funds, Cromwell Riverpark Trust and Cromwell Property Trust 12, continued to perform as expected.

Property Securities Funds

Cromwell manages two property securities funds, the Cromwell Phoenix Property Securities Fund and the Cromwell Phoenix Core Listed Property Fund. Cromwell also manages 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 4.2% against its benchmark. The Fund currently has $285.1 million (30 June 2018: $252.4 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 12.2% excluding franking credits. The Fund currently has $35 million (30 June 2018: $39.4 million) assets under management.

The Cromwell Phoenix Core Listed Property Fund was launched in 2015. On 12 October 2018 Cromwell made the decision to wind up the Fund. All Fund assets have now been sold and an interim distribution payment made to unitholder in November 2018. A final distribution was paid on 28 June 2019 returning all remaining funds to the unitholders.

Oyster

Oyster Property Group's assets under management increased to NZD$1.7 billion at 30 June 2019 (30 June 2018: NZD$1.5 billion).

Wholesale funds management

The European business continues to execute the strategy of securing longer-term and more secure revenue sources. Wholesale funds management profit decreased to $14 million (2018: $23.1 million) as the business continues to invest in processes and people to enhance and enable the business strategy.

The European funds management business contributed $7.9 million (2018: $24.5 million) after convertible bond finance costs. As previously noted, the IPO of CEREIT was successfully completed in November 2017. This marked 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. During the current year the first mandate from Korean investors was secured for an €88 million property in Italy.

During the year the European business traded over €1.3 billion of real estate assets (2018: €3.9 billion, including the assets rolled into CEREIT). The resulting acquisition and disposal fees amounted to $15.5 million (2018: $20.3 million) out of total funds management fees of $71.1 million (2018: $80.5 million). Acquisition fees included $5.0 million (2018: $10.1 million) for CEREIT. The European funds management business also received performance fees (promotes) during the year of $1.2 million (2018: $8.3 million).

As at 30 June 2019 the European funds management business had €3.75 billion ($6.1 billion) assets under management (30 June 2018: €3.86 billion ($6.1 billion)).

The movement in AUM for the European business for 2019 was as follows:

	CEREIT €'M	Korean Mandate €'M	CPRF (to be rolled) €'M	EDF (to be sold) €'M	Other Mandates €'M	Total AUM €'M
Balance at 30 June 2018	**1,391**	**-**	**495**	**570**	**1,412**	**3,868**
Acquisitions	377	88	-	-	20	485
Disposals	-	-	-	(276)	(560)	(836)
Revaluations	40	-	40	7	149	236
Balance at 30 June 2019	**1,808**	**88**	**535**	**301**	**1,021**	**3,753**
Percentage of AUM	**48%**	**2%**	**14%**	**8%**	**28%**	**100%**

The European business will continue to broaden its focus from Private Equity Funds and Mandates and towards longer term and more secure revenue sources. Following further acquisitions by CEREIT during the current year, the European business now has 48% of its AUM in a long-term mandate. During the year it also secured its first mandate from Korean investors with the result being that at balance date, 50% of European AUM is now in longer dated mandates.

As described in the prior year, the investment periods for the two largest unlisted mandates (shown above as CPRF and EDF) were approaching expiry and in the absence of resolutions to extend the terms of the mandates the portfolios and assets have been marketed for sale. The Cromwell Polish Retail Fund (CPRF) consists of 7 retail assets in Poland. Subsequent to balance date Cromwell has exercised its pre-emptive right to acquire third party investor interests in CPRF. Following the exercise of the pre-emptive right, Cromwell has a period of approximately 2 months in which to conclude the acquisition of the remaining interests in the existing fund. Cromwell proposes to rollover the acquired interests into a new fund which will be offered to institutional investors. If CPRF is rolled into a new fund, Cromwell is likely to underwrite or take a co-investment stake in the new fund.

EDF is a pan-European fund with assets in France, Germany and the UK. Many of the French and German properties have been successfully sold but uncertainties relating to BREXIT have meant the divestment of properties in the UK has been deferred.

The remaining AUM, making up 28% of total AUM at balance date, is held in 21 mandates ranging in size from €4.8m to €116.7m with various end dates between September 2019 and December 2022. Mandates with AUM valued at €474 million are expected to expire over the course of the next 12 months, with disposals on expiry generating disposal fees and performance fees for Cromwell. Growth in CEREIT and new mandates are expected to offset the value of the expiring mandates.

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 was completed in mid-2018 and the hotel has been trading strongly since opening. As noted above, Cromwell has exchanged contracts to sell its 50% interest in CPA with settlement expected to be in September 2019. Cromwell earned funds management fees of $3.0 million (2018: $1.2m) from managing CPA. During 2019, Cromwell also earned a performance fee of $3.4m (2018: $nil) from Redefine Properties for the successful sale of its 50% interest in CPA.

Asset management

Asset Services

Australian asset services recorded an operating profit for the year of $0.9 million (2018: profit of $4.3 million). This was largely due to the timing of project management and leasing activities with the prior year including fees associated with the Northpoint property.

LDK

Cromwell holds a 50% interest in the LDK Healthcare Unit Trust (LDK), a joint venture conducting a Seniors living business. During the prior year, Cromwell and LDK commenced a project to repurpose the Cromwell-owned property at Tuggeranong Office Park in the ACT into a Seniors living village under a Development lease. During the current year, LDK acquired the Tuggeranong Office Park property (now known as "Greenway") for $54.5 million, and the development lease was cancelled.

Display suites at Greenway have been completed and pre-sales have commenced. The site has already attracted 499 Community Members under their new membership model.

In February 2019, LDK acquired one of Sydney's premium Seniors villages, The Landings at Turramurra (The Landings) for $60 million. The acquisition was funded by a loan from a third-party bank and a loan from Cromwell. The site comprises 220 architecturally designed, spacious dwellings. Since taking over management of the site, 98% of residents have elected to convert their interests from a Deferred Management Fee model to the new LDK membership model (subject to a cooling off period that ends in December 2019). All future residents will be offered the LDK membership model.

Cromwell will receive a share of the operating profits of LDK once it becomes a profitable operation and after LDK first recovers all previous losses. LDK made a loss for the year of $8.9 million. For most of the year LDK was only involved in the development at Greenway. The acquisition of The Landings has provided LDK with a revenue source and further revenue will be generated as Greenway is completed and sold and commences its operations. Cromwell's share of operating profits will also include a share of any development profits from initial sales at Greenway.

Financial position

	Cromwell		Trust	
	As at		As at	
	2019	**2018**	**2019**	**2018**
Total assets ($M)	**3,695.7**	3,466.3	**3,654.1**	3,447.6
Net assets ($M)	**2,183.0**	1,901.5	**2,183.8**	1,923.4
Net tangible assets ($M) (1)	**2,176.2**	1,907.2	**2,188.4**	1,933.0
Net debt ($M) (2)	**1,254.8**	1,207.4	**1,301.3**	1,262.4
Gearing (%) (3)	**35%**	37%	**36%**	38%
Stapled securities issued (M)	**2,236.6**	1,985.3	**2,236.6**	1,985.3
NTA per stapled security	**$0.97**	$0.96	**$0.97**	$0.98
NTA per stapled security (excluding interest rate derivatives)	**$0.99**	$0.98	**$0.99**	$1.00

(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 10 property assets were externally revalued at June 2019, representing approximately 50% 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 5.8% across the portfolio, compared with 6.1% at June 2018.

Net debt increased by $48.1 million despite total borrowings decreasing by $54 million and is largely due to Cromwell holding liquidity in its debt facilities rather than in cash. Part of the proceeds from the entitlement offer completed in December 2018 were used to repay borrowings during the year. Gearing decreased from 37% to 35% during the year as a result of the decrease in borrowings and the increase in property valuations. This places Cromwell's gearing in the midpoint of the newly adopted range of between 30% - 40% through the cycle. It is expected that Cromwell's gearing will oscillate around the range depending upon investment deployment. Cromwell's previous policy was to have gearing between 35% - 55%.

An additional 251.3 million stapled securities were issued during the year at an average issue price of $0.98, comprising the 232.3 million securities issued under the Entitlement Offer, the continuing operation of the distribution reinvestment plan which resulted in the issue of 16.6 million securities during the year, and a further 2.4 million securities issued following the exercise of performance rights.

NTA per security has increased during the year from $0.96 to $0.97, primarily as a result of an increase in property valuations which contributed 3.3 cents to the increase in NTA, offset by the issue of additional securities.

On 2 July 2019, subsequent to balance date, Cromwell issued 326.1 million stapled securities under its institutional placement which was announced on 26 June 2019. Proceeds (net of transaction costs) of $366.3 million were used to repay borrowings. The resultant impact on the financial position of Cromwell is as follows:

Pro forma Financial Position following Institutional Placement	**Cromwell As at 2019**	**Institutional Placement 2 July 2019**	**Cromwell Pro Forma 2 July 2019**
Cash ($M)	101.6	366.3	**467.9**
Total assets ($M)	3,695.7		**4,062.0**
Net assets ($M)	2,183.0		**2,549.3**
Net tangible assets ($M)	2,176.2		**2,542.5**
Net debt ($M)	1,254.8		**888.5**
Gearing (%)	35%		**25%**
Stapled securities issued (M)	2,236.6	326.1	**2,562.7**
NTA per stapled security	$0.97		**$0.99**
NTA per stapled security (excluding interest rate derivatives)	$0.99		**$1.01**

While Cromwell's gearing has moved below the target range this will revert back once the proceeds from the placement are invested.

Outlook

Distribution and operating profit

Cromwell confirms earnings guidance for 2020 of not less than 8.30c per security (at the top of the previous guidance range of 8.1 - 8.3c per security).

Cromwell confirms distributions of not less than 7.50c per security for 2020.

Cromwell will prudently deploy capital and execute transactions when there are opportunities to do so and always with the focus on long-term value creation. Securing investments, deploying investment capacity and recycling balance sheet capital will result in Cromwell's gearing oscillating, in the short to medium term, within and around the target gearing range of 30 – 40%. Over the longer term it is intended that normalised gearing will be maintained within the target range.

Risks

Cromwell actively identifies and manages the risks and megatrends that may impact its operations, strategy and outlook. The Board is ultimately accountable for corporate governance and the management of risk. The Board has separate committees to review and assess key risks. The Investment Committee is responsible for overseeing and reviewing all major transactions. The Audit and Risk Committee is responsible for overseeing and reviewing the effectiveness of Cromwell's risk management framework.

Cromwell has an active enterprise-wide risk management framework which recognises that all senior managers have a role to play in the effective management of risk. Risks are identified and assessed in a timely and consistent manner with regular reporting back to the Board from management via the Audit and Risk Committee.

Cromwell's key risks and the controls in place to mitigate those risks are outlined in the table below:

Key Risk	Description	Mitigation
Performance	Inability to meet market guidance and deliver distributions. Investments that do not perform in line with expectations. Loss of AUM.	• Defensive core portfolio with market leading WALE ensures cash flow for 9 years • Investment Committee and regular review of performance of investments against targets • Transition of Europe to long term, secure, reliable revenue streams • Board approved "Invest to Manage" strategy
Capital Management	Ensuring continuous access to debt and equity markets to support the sustainability of Cromwell	• Board approved gearing range reduced to 30% - 40% • Prudent capital management with cash flow forecasting and available liquidity matched to capital requirements reviewed monthly and reported to the Board • Long dated debt expiry profile • Diversification of debt funding sources • Spreading of debt maturities
People and Culture	Ensuring Cromwell has access to and can retain key talent. Maintaining Cromwell's culture	• Learning and development plan for all staff • Diversity and inclusion Working Group • Succession planning for senior staff • Competitive remuneration • Performance management and review • Annual engagement surveys of staff
Information and data security	Ensuring no loss of data, breaches of confidentiality. Ensuring continuity of IT applications	• Regular training, testing and disaster recovery activities • Privacy policy, guidelines and procedures • Disaster recovery and business continuity plan
Leasing	Inability to lease assets in line with asset management plans and forecasts	• Defensive portfolio with long WALE • Large and diversified tenant base • Experienced leasing team • Active asset management with focus on repositioning, refurbishing and re-leasing properties to enhance returns
Governance and compliance	Ensuring continuous compliance with regulatory requirements	• Independent Compliance Committee with direct reporting into the Audit and Risk Committee • Board approved Task Risk Management Policy ensure ongoing REIT status • Cromwell Culture and Values entrenched in performance reviews
Health and safety	Ensuring the health, safety and wellbeing of all staff. Prevention of death or serious injury at any Cromwell owned or controlled property	• Staff wellbeing program encourages the pursuit of healthy lifestyles • Employee assistance program provides staff with access to a wide network of health professionals to discuss any issues in confidence • Regular façade audits of properties • Work health and safety programs in place at owned properties

Climate-related Financial Disclosure

Cromwell has been reporting for a number of years on its actions to improve the performance and quality of its assets, reduce emissions and increase efficiency and resilience. We recognise the potential risks and opportunities arising from climate change and a transition to a low-carbon economy. To support our approach to reporting on climate risk, Cromwell has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD recommendations were introduced to support a consistent reporting approach to enable financiers, investors, insurers and other stakeholders to understand an organisations material climate related risks, and the financial implications and approach being undertaken to manage them.

Cromwell prepared a climate-related disclosure statement in 2018 as part of its annual sustainability report. Our intention is to update this statement annually as part of the sustainability report and to include greater detail on the targets we have set and our progress towards meeting the TCFD recommendations. These disclosure statements and annual sustainability reports can be found on Cromwell’s website at www.cromwellpropertygroup.com or by following the link to https://www.cromwellpropertygroup.com/sustainability/climate-related-financial-disclosure-statement

The Task Force structured the disclosure recommendations around four thematic areas that represent core elements of an organisations operations. These recommended elements and Cromwell’s response is represented below:

TCFD thematic element	Recommendations and Supporting Recommended Disclosures	Reference
Governance What governance does Cromwell have in place in relation to climate risks and opportunities	**Board’s oversight of climate-related risks and opportunities:** • This is encapsulated in ***Cromwell’s Climate-related Financial Disclosure Statement***. and reflected in Cromwell’s ***Climate Change Position Policy***.	**Sections:** Corporate Governance Risk Mitigation Framework
	Management’s role in assessing and managing climate-related risks and opportunities: • Responsibility for Cromwell’s sustainability framework has been delegated to the Chief Sustainability Officer (“CSO”) and the **Group Sustainability Committee,** who are responsible for reviewing economic, environmental and social topics, setting sustainability strategy and overseeing the delivery of Cromwell’s sustainability and corporate social responsibility policy. Regular progress reports are submitted to the Board as well as to the Audit and Risk Committee. • This is explained in ***Cromwell’s Climate-related Financial Disclosure Statement***.	**Section:** Strategy
Strategy What are the material actual and potential impacts of climate-related risks and opportunities on Cromwell’s businesses, strategy and financial planning.	**Climate-related risks and opportunities Cromwell has identified over the short, medium and long term:** • These are identified in Cromwell’s ***Climate-related Financial Disclosure Statement***.	**Sections:** Risk Management Risk Mitigation Framework
	Impacts of climate-related risks and opportunities on Cromwell’s business, strategy and financial planning: • These are identified in Cromwell’s ***Climate-related Financial Disclosure Statement***.	**Section:** Risk Management
	The resilience of Cromwell’s strategy to different climate-related scenarios: • This explained in Cromwell’s ***Climate-related Financial Disclosure Statement***.	**Section:** Risk Mitigation Framework
Risk Management How does Cromwell identify, assess and manage climate-related risks	**Cromwell’s processes for identifying and assessing climate related-risks:** • These are detailed in Cromwell’s ***Climate-related Financial Disclosure Statement***.	**Section:** Risk Management
	Cromwell’s processes for managing climate related risks: • These are enshrined in Cromwell’s Sustainability Pillars, details of which can be found in Cromwell’s ***2018 Sustainability Report***.	**Sections:** Economic Pillar Governance Pillar Community Pillar Environmental Pillar
	The integration of Cromwell’s overall risk management with processes for identifying, assessing and managing climate-related risks: • These are described in Cromwell’s Sustainability Pillars, details of which can be found in Cromwell’s ***2018 Sustainability Report***. • This is also reflected in Cromwell’s ***Group Sustainability Policy***.	

Metrics and targets What are the metrics and targets used to assess and manage relevant material climate-related risks and opportunities	**The metrics used by Cromwell to assess climate-related risks and opportunities in line with its strategy and risk management process:** **Disclosure of Greenhouse Gas ("GHG") emissions and related risks:** **Targets used by Cromwell to manage climate-related risks and opportunities and performance these targets:** • . These are disclosed in Cromwell's ***2018 Sustainability Report.*** • These are also disclosed in ***Cromwell's Climate-related Financial Disclosure Statement.***	**Sections:** Rating Systems and Measurement Environmental Pillar **Sections:** Metrics and Targets Direct owned property emissions and targets

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

Other than as disclosed in note 25, no matter or circumstance has arisen since 30 June 2019 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 11 in the accompanying financial report. There were 2,236,642,691 (2018: 1,985,324,674) 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 $3,654.1 million (2018: $3,447.6 million). Net assets attributable to unitholders of the Trust were $2,183.8 million (2018: $1,923.4 million) equating to $0.99 per unit (2018: $0.98 per unit).

The Trust's assets are valued in accordance with policies stated in notes to 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 2019 was $6,964,904. This amount is comprised of fixed remuneration of $4,234,369 and variable remuneration of $2,730,535.

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* (Cth). 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.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001* (Cth).

The Company may decide to employ Deloitte Touche Tohmatsu 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* (Cth). 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* (Cth) 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:

	2019[(1)] **$**	2018[(2)] $
Non-audit services		
Due diligence services	**208,050**	63,000
Tax compliance services – Australia	**30,800**	-
Tax compliance and other services - overseas	**181,300**	-
Total remuneration for non-audit services	**420,150**	63,000

(1) Services provided by Deloitte Touche Tohmatsu in respect of 2019 year.
(2) Services provided by Pitcher Partners in respect of 2018 year.

In the prior year, Pitcher Partners, as auditor, received 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 was disclosed in the relevant entity's financial reports and totalled $146,500.

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:

	2019 **$**	2018 $
Non-audit services		
Tax compliance services – Australia	**367,123**	287,900
Tax compliance and other services - overseas	**73,541**	41,148
Total remuneration for non-audit services	**440,664**	329,048

Auditor's independence declaration

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

Remuneration report

A Message from the Chair, Nominations and Remuneration Committee

Dear Securityholder

On behalf of the Board, I am pleased to present Cromwell's Remuneration Report for the year ended 30 June 2019 (FY19). Our Remuneration Report is designed to demonstrate the link between strategy, performance and remuneration outcomes for Key Management Personnel (KMP). Our remuneration policy is designed to strike the right balance between competitively and equitably rewarding our employees, who are the 'talent' at the core of our value proposition; safeguarding and promoting the interests of our clients and creating long-term value for our shareholders.

At the Annual General Meeting (AGM) we will seek your support of this report and proposed changes to the FY20 Remuneration Framework.

Cromwell has committed to an "Invest to Manage" Strategy to drive the medium-term growth in the Cromwell distributions and 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

Year in review

FY19 has been a successful one for Cromwell following the realisation of initiatives that have enabled the company to achieve 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 FY19 was 11% (FY18 28%). Distribution guidance was met, and profit guidance was exceeded.

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.

Over the course of 2019, the Singapore listed Cromwell European REIT (CEREIT) acquired a further 23 properties and at balance date had a property portfolio worth $2.9 billion. A further 5 properties were acquired in July 2019 and another property in Poland is expected to settle in September 2019 taking the portfolio value to $3.4 billion.

The successful growth of the CEREIT has been achieved by leveraging Cromwell's integrated European funds management platform and its ability to identify and execute off-market property acquisitions. This now provides Cromwell with the ability to enhance shareholder value by taking advantage of opportunities in the International markets in which we operate. The success of this strategy is demonstrated by the change in Assets under Management and a better balance between short-term mandates and long-term stable revenue sources in the European business, as shown in the table in Section 4.0.

Cromwell successfully undertook an Entitlement offer that raised $228m in December 2018. A further successful institutional placement and security purchase plan shortly after FY19 year-end raised circa $307m and followed the identification of over $1billion of acquisition opportunities in Australia and Europe. The need for this additional capital was identified as part of the strategic planning process and will help to deliver on the "Invest to Manage" Strategy in coming years.

During FY19 the Nomination and Remuneration Committee undertook the following activities;

- Reviewed the composition of the Committee and appointed a Non-Executive Director as Chair.
- Initiated and appointed an Executive Search firm to deliver on the agreed process for Board renewal
- After reviewing performance against KPI's, recommended STI and LTI allocations for KMP's to the Board
- Received advise from two independent remuneration experts to benchmark Executive KMP's Remuneration Frameworks
- Incorporated feedback from shareholders and proxy houses on the existing Remuneration Framework for FY20
- Reviewed and determined proposed improvements to the FY20 Remunerations Frameworks for Executive KMP's which the Committee believe exceed general market practice. (See Section 1 and 6).
- Determined STI and LTI KPI Hurdles that reward executives for successful delivery of the "Invest to Manage" Strategy and align to the experience of shareholders
- Increased the transparency, clarity and detail provided in the Remuneration Report including Chief Executive performance against stretch hurdles;

The proposed FY20 Remuneration Framework is made up of three key principles that are directly aligned to our business strategy. Firstly, for Executive KMP's more of their remuneration will be "at risk" with an increased weighting towards medium and long-term share rewards because we want our employees to be aligned to our shareholders and have an ownership mindset. Secondly, recruiting exceptional talent relies on market benchmarking, paying fairly for skills, ability and responsibility. The third principle is performance accountability which includes delivering annual business results within the risk tolerances set by the Board.

We will continue to review and refine our remuneration arrangements to ensure they deliver on our goals, accounting for the ever-changing business environment, legislative reform and to reflect your feedback.

Yours Sincerely

Andrew Fay

Chair, Nomination and Remuneration Committee

Contents

The remuneration report is presented for the financial year ending 30 June 2019. 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.

Report Contents

1.0 Remuneration Overview

Set out below is a summary of the CEO FY19 and other KMP's remuneration frameworks as well as the key changes proposed for FY20. Some of the proposed changes in FY20 will require shareholder approval at Cromwell's November 2019 Annual General Meeting.

Key Questions	FY19	Proposed in FY20
Where any changes made to the CEO's remuneration structure in FY19 and are there any proposed for FY20?	The portion of pay at risk was increased to 61% at the maximum opportunity. There was also a reweighting from the STI to the LTI opportunity to create greater alignment to shareholders by rewarding long term value creation. CEO fixed pay, reduced by $100,000 to $1,500,000, in FY18 was unchanged in FY19. This level was determined as appropriate given his extensive experience, skills and global nature of the role.	No change to the total opportunity nor the mix between at risk (61%) and fixed pay (39%). The proposed LTI hurdles will now encompass three hurdles one of which is a relative TSR measure. An official clawback policy on unvested rights and deferred stock has been introduced. Director discretion applies where a formulaic application of relevant remuneration metrics would lead to perverse outcomes.
CEO's remuneration: **Short term incentive (STI)**	The maximum STI opportunity, reduced by $700,000 to $900,000, in FY18 was unchanged in FY19. Financial STI hurdles were increased to 80% of KPI's (20% non-financial). Each non-financial hurdle had measurable KPI's. Stretch targets were introduced with a potential 25% bonus above target for some KPI's reflecting exceptional results, provided the maximum opportunity was not exceeded. Only one hurdle received a bonus above target and one failed to achieve the lower bound of the stretch targets. FY19 STI of $797,225 was awarded (FY18 $846,000). The STI will be paid in cash given the relative size of the STI compared to the LTI and the CEO's shareholding of over 18 times fixed remuneration. **Existing Scheme** For details on the existing scheme refer to section 5.1 For details of performance against STI KPI's refer to section 5.3.	Maximum opportunity remains at $900,000. STI KPI hurdles remain 80%/20% financial to non-financial. An STI gateway has been introduced being 95% of guidance and adhering to cultural related expectation including acting ethically and responsibly. Any exceptional bonuses remain subject to the cap of $900,000 and in addition, guidance Operating EPS must have been achieved. Where any STI KPI is missed by more than 10% of the lower end of the stretch performance range there is board discretion when determining the award of any exceptional bonus for another KPI, potentially reducing the amount. Any STI award will again be paid in cash given the relative size of the STI compared to the LTI and the CEO's shareholding of over 18 times fixed remuneration. This will be reviewed if the CEO's shareholding falls below 3 times Fixed Remuneration.
CEO's remuneration: **Long-term incentive (LTI):**	The LTI opportunity, increased by $700,000 to $1,500,000 in FY18 was unchanged in FY19. The LTI KPI hurdles are linked to delivering Cromwell's long-term strategy. There are two KPI's hurdles one a measure of Total Return (25%) and the second regarding a Return on Contributed Equity (ROCE) (75%). Measuring and vesting are for a three-year term. Stretch target ranges are set each year by the Board and measured each year with an average over the three years determining the vesting percentage. Vesting is at 50% at the lower bound of the stretch target and straight-line vesting to 100% at the upper bound. **Existing Scheme** For details on the existing scheme refer to section 5.2. For details on Performance Rights granted to the CEO under the existing scheme refer to section 5.3.	The LTI opportunity remains at $1,500,000. Two of the LTI KPI hurdles are linked to delivering Cromwell's long-term strategy and a third measure being a Relative TSR will be introduced. The two absolute KPI's will remain a measure of Total Return and ROCE but the definitions have been adjusted to be consistent with market practice. The three LTI KPI hurdles are evenly weighted. The measurement period will remain 3 years however, a fixed stretch range has been set for each hurdle over the 3-year period. Measurement of the Relative TSR will be point to point over the three-year period. LTI stock that is awarded will vest 50% at three years and 50% deferred for a further year. The holding lock equity will participate in dividends. There is no retesting of the KPI. Vesting has been reduced to 25% at the lower bound of the stretch target and straight-line vesting to 100% at the upper bound. Good leaver and Change of Control provisions will apply to unvested stock at a pro rata rate and will be tested. The board does however, retain discretion. **Proposed New Scheme** For details on the proposed new scheme refer to section 6.

Remuneration overview / key questions

Key Questions	FY19	Proposed in FY20
Where any changes made to the other Executive KMP's remuneration structure in FY19 and are there any proposed for FY20?	Reflecting the increasing Global nature of the CFO and COO roles their Fixed Remuneration increased on average by 10.6% in FY19. Following unforeseen time commitments due to overseas staff departures and as an interim step to introducing a fully developed broader KMP STI scheme, the Board agreed to consider the CFO and COO for a FY19 cash only STI award. The current LTI scheme is a backward looking individual balance scorecard approach, based on a fair value award, which vests after three years. As a result of the STI opportunity, the portion of pay at risk was effectively increased to 27% at the maximum opportunity (FY18 20%).	Fixed Remuneration will increase by CPI. Following peer bench marking it is proposed that other executive KMP remuneration structure will include a formal STI opportunity from FY20. In addition, they will move to the same forward looking LTI scheme as the CEO. For the existing KMP's (ex-CEO) this will see their at-risk remuneration increase to 50% of their total maximum opportunity. 50% of any STI will be deferred as stock for one year. An official clawback policy on unvested rights and deferred stock has been introduced. Director discretion applies where a formulaic application of relevant remuneration metrics would lead to perverse outcomes. **Proposed New Scheme** For details on the proposed new scheme refer to section 6.
Other KMP remuneration: **Short term incentive (STI)**	In FY19 the two KMP's received a cash based STI payment of $100,000. In addition to the comments above, the CEO recognised the opportunity to ensure greater cultural alignment between international offices, if both KMP's assumed direct management responsibility for the respective roles in the European business. This involved a significantly increased unforeseen work load, temporarily increased direct reports and extensive overseas office time. **Existing Scheme** For details on the FY19 STI considerations refer to section 5.1	For existing other KMP's the STI opportunity will be set at 50% of fixed remuneration. It will be a balanced score card approach with KPI hurdles 50%/50% financial to non-financial set by the CEO and reviewed by the Board. Unlike the CEO, 50% of the award will be deferred as stock for one year but will be eligible for dividends In the event of a change in control the stock will fully vest. Where the STI gateway of 95% of guidance is not relevant, the adhering to cultural related expectation including acting ethically and responsibly will remain. The other terms are as per the CEO's STI. **Proposed New Scheme** For details on the proposed new scheme refer to section 6.
Other KMP remuneration: **Long-term incentive (LTI):**	The current LTI scheme is a backward looking individual balance scorecard approach, based on a fair value award, which vests after three years. **Existing Scheme** For details on the existing scheme and FY19 granting refer to section 5.4.	For existing other KMP's the LTI opportunity will be set at 50% of the Fixed Remuneration. The other terms are as per the CEO. **Proposed New Scheme** For details on the proposed new scheme refer to section 6.

Remuneration overview / key questions

Other Key questions	Cromwell's response	Further information
1. How is the Group's performance reflected in this year's remuneration outcomes?	At the start of FY19 Cromwell communicated its "Invest to Manage" strategy and gave Operating Earnings Per Security (OEPS) guidance of 8.0cps. The reduction in the dividend was also foreshadowed to 7.25cps to allow reinvestment in the platform. Despite undertaking a $228 million capital raising in December 2018 and using 44% of these funds to reduce gearing and overall inherent risk in the business, the OEPS of 8.2cps exceeded guidance. While Total Shareholder return in FY18 was 11% (FY18 28%), compared with 19.4% for both the S&P/ASX 300 A-REIT accumulation index, Cromwell has outperformed by 4.7% over the 3 years. In FY19 the CEO's STI reduced 6% to $797,225. On an IFRS basis the CEO's total pay has increased by 34% to $3.936 million while his actual vested pay for FY19 was down 12% to $3.128m. The reasons for the much higher IFRS increase include; the delay in granting and hence expensing part of the FY18 LTI grant in FY18. This was owing to the 2017 negative AGM vote on the CEO's remuneration and the subsequent 2018 positive AGM vote where shareholders agreed to a greater proportion of total remuneration being deferred at risk. In addition, by increasing the LTI grant from $800k to $1.5 million and using two absolute financial measures as the LTI Hurdles this also tends to overstate the IFRS amount compared to an LTI with peer relative hurdles. In FY19, KMP remuneration has remained flat at 4% of operating earnings.	Link between remuneration and performance - Section 4.0
2. Were there any changes made to total Non-executive Directors remuneration pool in 2019?	No. The maximum amount approved by securityholders currently stands at $1,000,000, which has not changed from 2017. Total Directors fees increased 1.9% in FY19.	Refer Section 7.1
3. Did any LTI awards vest in 2019?	The performance period for the 2016 awards vested during 2019. This was based on the PRPs approved by security holders and issued in 2016, the performance hurdles of which are tested annually for 3 years, refer sections 5.3 and 5.4. 4,738,497 LTI performance rights were granted to KMP in 2019. 1,459,134 LTI performance rights vested and were exercised by KMP in 2019.	Refer Sections 5.3 and 5.4 and summary 8.3
Other Proposed Changes for FY20		
4. Minimum KMP Share Holding Requirement	The Board has agreed to introduce minimum shareholding requirements for KMP's. Non-Executive Directors are required to hold a minimum of one year's fees within 3 years from July 2019 or their start date. The CEO is required to hold a minimum of 150% of fixed remuneration as securities and the other executive KMP's a minimum of 50% of Fixed Remuneration. KMP's have four years to accumulate their holding. Securities in STI and LTI holding lock are included as a KMP's total holding. There is Director discretion based on a staff member's personal circumstances.	
5. KMP Security Issues	FY20 STI and LTI security grants will be calculated using a Face Value methodology with no adjustment for dividends.	
6. Board base fees and committee fees	From 1 July 2019, fees and payments to non-executive Directors have increased by CPI which was 1.3%.	
7. Additional KMP's for FY20	From July 2019 the Chief Investment Officer will become a KMP and his at-risk remuneration will be a higher percentage than other executive KMP's given specific measurable aspects of his role.	
8. Notice Periods for Executive KMP's	All Executive KMP's to have their 2-way notice periods standardised to 6 months	

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 Chair – resigned from Committee on 21 November 2018
Mr A Fay	Non-executive Director and Chair – appointed on 21 November 2018
Ms M McKellar	Non-executive Director
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 the services of both KPMG and Morrow Sodali to advise on the redevelopment of the short-term and long-term executive incentive schemes that will operate from 1 July 2019. Neither provided a remuneration recommendation as defined by Section 9B of the *Corporations Act 2001*. The Chair of the Committee 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 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.

3.0 Key Management Personnel

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 Chair	Full year
Michelle McKellar	Non-executive Director	Full year
Jane Tongs	Non-executive Director	Full year
Leon Blitz	Non-executive Director	Full year
Andrew Fay	Non-executive Director	Commenced 15 October 2018
Marc Wainer	Non-executive Director	Retired 21 November 2018
Non-Independent non-executive Director		
David Blight	Non-executive Director	Commenced 1 June 2018, resigned 19 July 2019
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 (1)	Chief Capital Officer	From 19 December 2017 to 30 June 2018

(1) Mr Simon Garing was transitioned to the role of CEO of Cromwell EREIT Management Pte Ltd from 1 July 2018 and is no longer a KMP of Cromwell.

4.0 2019 Performance

Cromwell has committed to an "Invest to Manage" Strategy to drive the medium-term growth in the Cromwell distributions and 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. Over the course of 2019, the CEREIT acquired a further 23 properties and at balance date had a property portfolio worth $2.9 billion. A further 5 properties were acquired in July 2019 and a further property in Poland is expected to settle in September 2019. This will take the CEREIT's portfolio to 103 properties with an expected value of $3.4 billion in Denmark, Netherlands, Italy, Finland, Germany, Poland and France. The successful growth of the CEREIT has been achieved by leveraging Cromwell's integrated European funds management platform and its ability to identify and execute off-market property acquisitions.

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

	Assets Under Management				
Financial Year	**Australia $'M**	**Europe – Short Term $'M**	**Europe - Stable $'M**	**New Zealand $'M**	**Total $'M**
2019	4,992	3,009	3,072	816	11,889
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

Cromwell aims to deliver consistent cash flow returns from the core properties in its direct property portfolio. The core assets in the direct property portfolio consists of 10 properties worth $1.7 billion with a combined weighted average lease expiry of 9.4 years and 99% occupancy. The growth in like for like net operating income (NOI) derived from the core portfolio over the last 3 years has been consistently above the target of 3%.

	Like for Like NOI growth		
Portfolio	2019	2018	2017
Core	3.3%	4.6%	8.8%
Core +	5.5%	1.6%	1.9%
Active	121.2%	(14.8%)	(23.5%)

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

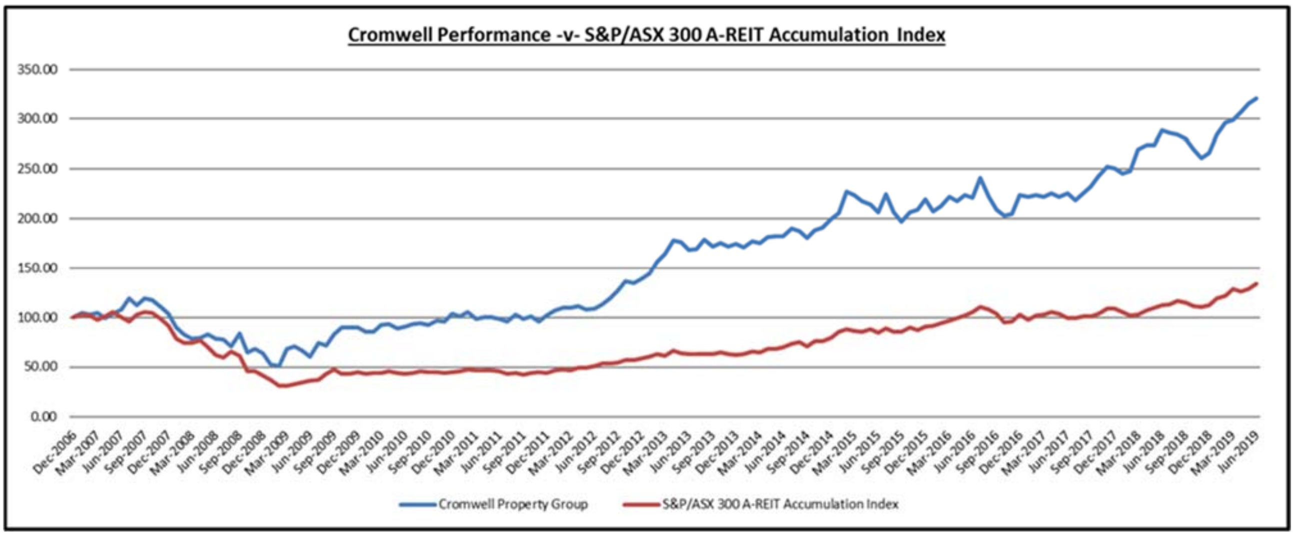
	2019	2018	2017	2016	2015
Operating earnings per security	**8.2 cents**	8.4 cents	8.7 cents	9.4 cents	8.3 cents
Change over previous year	**(2%)**	(3%)	(8%)	13%	(2%)
Distribution per security	**7.3 cents**	8.3 cents	8.3 cents	8.2 cents	7.9 cents
Change over previous year	**(12%)**	-%	2%	4%	4%
Gearing	**35%**	37%	45%	43%	45%
Change over previous year	**(5%)**	(18%)	5%	(4%)	7%
KMP remuneration as % of operating earnings	**4.0%**	3.9%	4.5%	3.0%	2.7%
Change over previous year	**2.5%**	(13%)	50%	11%	(29%)

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 2015 through to the current financial year, despite significant investment into the European platform and reduced gearing from 45% to 35%. 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.

In 2019, as part of the "Invest to Manage" strategy, Cromwell adjusted its distribution policy down from 95% - 100% of operating earnings to 90% - 95% of operating earnings. The surplus funds are to be reinvested into investment opportunities to accelerate the growth of the funds management platform.

Total return of Cromwell securities

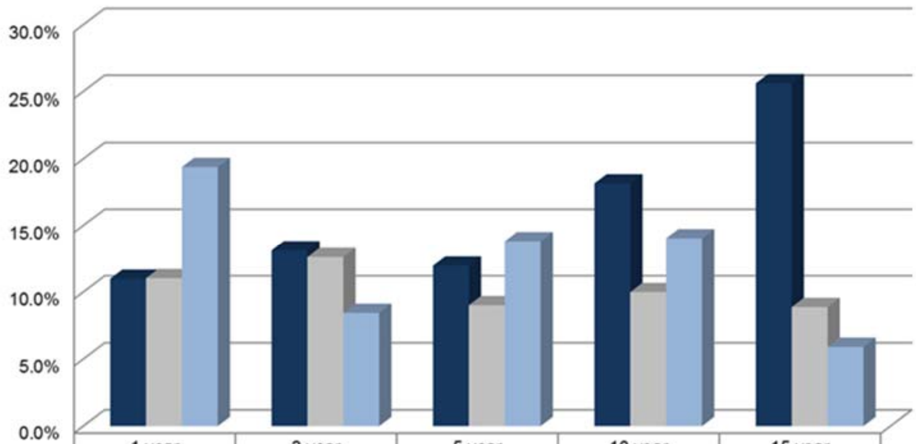
The chart below illustrates Cromwell's performance against the S&P/ASX300 A-REIT Accumulation Index since stapling in 2006.



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.

Cromwell Annualised Performance Returns to 30 June 2019



	1 year	3 year	5 year	10 year	15 year
Cromwell Total Return	11.0%	13.1%	12.0%	18.2%	25.6%
All Ordinaries Accumulation Index	11.0%	12.6%	9.0%	10.0%	8.9%
S&P / ASX 300 A-REIT Accumulation Index	19.4%	8.4%	13.8%	14.0%	5.9%

In all but the 1 and 5-year return, Cromwell has outperformed the Property Index and over all periods has outperformed the All Ordinaries Accumulation Index.

The Board believes the execution of the "Invest to Manage" strategy will result in both sustainable long-term earnings and higher overall returns to securityholders. Over the course of any short-term period, the total securityholder return of Cromwell will vary against the index. Over the medium term, the overall performance of Cromwell should be demonstrated in sustained operating earnings and growth in total securityholder returns. The LTI hurdles implemented for the CEO in 2019 (which will be extended to other executives in 2020) will reward the achievement of medium-term returns.

5.0 Executive KMP for FY 2019

5.1 Summary of remuneration elements for the CEO and other KMP

Component	Input	FY 19 - Strategy and Performance Link
A. Fixed remuneration	**CEO and Other KMP** All employees receive a remuneration package that includes a fixed pay component. The fixed remuneration comprises cash salary, superannuation and other salary sacrificed benefits. The fixed pay is a set amount to reflect the role complexity, responsibilities and skill levels required, with cognisance to the market.	• 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.
B. At-risk cash bonus (short term incentives)	**CEO** 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. 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. Short term incentives are currently paid as cash bonuses, and once paid there are no forfeiture provisions. **Other KMP** Following the unforeseen time commitments due to overseas staff departures and as an interim step to introducing a fully developed broader KMP STI scheme, the Board agreed to consider the CFO and COO for a FY19 cash only STI award. **Review of STI** In FY20 given the growth in geography and diversity of roles, the Board has agreed to formally broaden the STI tool to a larger cohort. See Section 6.0.	Limited to a maximum of $900,000. The 2019 performance measures for the CEO's STI were: • 20% linked to the operating profit per stapled security • 20% linked to achieving transactional income targets • 10% linked to NOI growth of Core portfolio • 20% linked to CEREIT growth strategy • 10% linked to Europe growth strategy (excluding CEREIT) • 20% linked to culture, succession planning, management and sustainability scores The KPI's were therefore 80% Financial measures and 20% non-financial. With the majority of the non-financial having measurable KPI's. Having recognised the need for structural changes in the European business the other KMP's were actively involved in ensuring greater cultural alignment between international offices. Both KMP's assumed direct management responsibility for the respective roles in the European business following agreed staff departures. In addition, they have been instrumental in implementing a single global scalable control platform covering accounting, HR, marketing and IT. This involved a significantly increased unforeseen work load, temporarily increased direct reports and extensive overseas office time.
C. At-risk equity element	**CEO** A long-term equity payment aimed at alignment and retention. LTI's are to reward KMP for long-term performance, encourage security holding retention and to deliver long-term value creation for security holders.	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. In 2019, the CEO's LTI scheme was adjusted to incorporate the following key changes: • Hurdles are set on a forward-looking basis and are different from the STI hurdles • Number of performance rights granted is based on the face value methodology and not fair value • Removal of cliff vesting

Hurdles and targets are as follows:

75% - Return on Contributed Equity

Return on contributed equity is defined as being:

(Operating earnings + NTA impact from completed projects)/weighted average contributed equity.

FY18 Target Range of 8%-18%

FY19 Target Range of 8% - 10%

FY20 Target Range of 9% -12%

Below minimum target no rights vest. At the minimum target, 50% vest. 100% vest at the maximum target. There is straight-line vesting between the minimum target and the maximum target.

25% - Total Return

Total return is defined as being:

(Operating earnings + change in NTA)/opening NTA.

FY18 Target Range of 9%-12%

FY19 Target Range of 9% - 10%

FY20 Target Range 9%-12%

Below minimum target no rights vest. At the minimum target, 50% vest. 100% vest at the maximum target. There is straight-line vesting between the minimum target and the maximum target.

For information on the changes to the CEO's LTI for FY20 refer to section 6.0.

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 5.4 details the 2019 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 5.2 provides details on the current rights scheme.

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	This aligns executive and securityholder experiences through achievement of strategic objectives and securityholder ownership. A significant component of the CEO Remuneration is linked to short and long-term company performance to assist in aligning the CEO'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. CEO maximum opportunity at risk remuneration: 61% Other KMP at risk remuneration: 27%

5.2 LTI Equity based compensation principals and application

Component	**Details of the Equity scheme operating in FY2019**
Overview	Participating employees are offered performance rights issued under Cromwell's performance rights plan (PRP) to fund the acquisition of stapled securities in Cromwell. Under the PRP, if performance rights vest, they allow eligible employees to obtain stapled securities at a discount to market value. The discount is considered when determining the value to be issued to a participating employee. The LTI scheme for KMP's will be further adjusted from 1 July 2019.
General criteria that must be met before any PRP can be awarded	The following general criteria must be met by any employee before they can be considered eligible for the exercise of any performance rights: • 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: o Granted in 2019 to the CEO; and o Application to Cromwell other KMP and employees
Granting	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. 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. 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.
Granted in 2019 to the CEO	As a result of his performance in 2018, the CEO was granted 1,846,581 performance rights during 2019 under the PRP scheme that existed for the CEO up to 30 June 2018. The CEO was also granted 2,505,335 performance rights during 2019 under the LTI performance scheme. 899,297 of these performance rights will be measured over the FY18, FY19 and FY20 years based on the hurdles outlined in section 4.1. 1,606,038 of these performance rights will be measured over the FY19, FY20 and FY21 years based on the hurdles outlined in section 4.1. For the CEO, the Long-Term Incentive (LTI) (whether paid as performance rights or under the new LTI performance scheme) is set by the board and approved by securityholders. 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.
Application to other Cromwell KMP and employees	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. Once a value had been allocated, the participating employee is given the option of participation in the PRP. 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.

	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 versing period. The general vesting criteria is summarised below: - 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. 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.
Fair Value	The fair value at grant date for performance rights is determined using a Black-Scholes option pricing model that considers the following: - the exercise price (including the discount to market value at grant date); - the term of the performance right; - the security price at grant date; - 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.

5.3 Total vested remuneration for the CEO

The total vested remuneration of the CEO for 2019 was as follows:

	2019 **$**	2018 $
Total Vested Remuneration - CEO		
Fixed remuneration	**1,500,000**	1,500,000
STI	**846,000**	1,400,000
LTI	**781,572**	653,767
Total Vested Remuneration - CEO	**3,127,572**	3,553,767

The STI amount for 2019 related to the CEO's performance from the 2018 financial year, paid in 2019. The STI amount for 2018 related to the CEO's performance from the 2017 financial year, paid in 2018.

The LTI amount for 2019 related to the exercise of 1,254,530 performance rights granted to the CEO in 2016 for the 2015 financial year. The rights were exercised on 17 September 2018 at an exercise price of $0.50. The value of the amount vested is calculated as the difference between the exercise price paid and Cromwell's security price on the date of exercise. The LTI amount for 2018 related to the exercise of 1,440,777 performance rights granted to the CEO in 2015 for the 2014 financial year. The rights were exercised on 27 September 2017 at an exercise price of $0.50. The value of the amount vested is calculated as the difference between the exercise price paid and Cromwell's security price on the date of exercise

STI and LTI outcomes relating to the CEO's performance in 2019 which will vest in future years is outlined below.

The Board's assessment of the **CEO's *STI performance*** against key performance indicators for 2019 is provided in the following table:

Key performance indicator – 2019	**Commentary**	**Weighting** **%**	**Opportunity** **$**	**Awarded** **$**
Earnings per security Minimum target – 8.00 cps Outperformance target – 8.40 cps	Actual operating EPS of 8.21 cps versus guidance of 8.00cps.	20%	180,000	154,265
Transactional Income Minimum target – $10 million Outperformance target – $15 million	Total transactional income earned in 2019 was 158% above the outperformance target. The Board has used its exceptional performance discretion to award the CEO 125% of the maximum bonus allocated to this KPI.	20%	180,000	225,000
Like for Like NOI Growth – core assets Hurdle of 3%	Actual like for like NOI growth for the core assets was 3.3%	10%	90,000	90,000
CEREIT AUM growth Minimum target – €300 million Outperformance target – €400 million	CEREIT made €377 million of acquisitions during 2019	20%	180,000	159,210
European AUM growth (excluding CEREIT) Minimum target – €400 million Outperformance target – €500 million	Total additional AUM in Europe excluding CEREIT was €108 million	10%	90,000	-
People, leadership and environment	Set targets relate to culture, succession planning, improving European management and sustainability outcomes of GRESB/DJSI	20%	180,000	168,750
Total bonus awarded			**900,000**	**797,225**

The Board assessment of the **CEO's *LTI performance*** against success drivers is as follows:

As outlined in the 2018 remuneration report and approved by securityholders at the 2018 AGM, the LTI scheme for the CEO was adjusted in the prior year. Under the new scheme the CEO receives $1,500,000 of performance rights granted under the face value methodology. The rights all vest over three years based of the below hurdles and vesting conditions. The board sets the minimum and outperformance targets annually.

Hurdle	**Weighting**	**Vesting**
Total Return (Operating earnings plus change in NTA)/opening NTA 3 year rolling test. Nil exercise price Face value methodology	25%	Vesting Below minimum target – nil Minimum target – 50% vest Between minimum and outperformance target – straight-line vesting from 50% to 100%. Above outperformance target – board has no discretion to award above the maximum.
Return on Contributed Equity (Operating earnings plus NTA impact from completed projects)/Average weighted contributed equity 3 year rolling test Nil exercise price Face value methodology	75%	Vesting Below minimum target – nil Minimum target – 50% vest Between minimum and outperformance target – straight-line vesting from 50% to 100%. Above outperformance target – board has no discretion to award above the maximum.

The targets set for 2018 and 2019 and performance against each target are as follows:

	2019	**2018**
Total Return		
Target range	9.0%-10.0%	9.0%-12.0%
Achieved	9.4%	19.5%
Vesting Percentage	69.9%	100.0%
Return on Contributed Equity		
Target range	8.0%-10.0%	8.0%-18.0%
Achieved	9.5%	13.6%
Vesting Percentage	86.4%	78.2%

Prior Scheme (the details of the prior scheme are outlined in section 5.2 above)

Year of Performance	LTI vesting period	Performance measures and hurdles	KPI % Achieved	Maximum Possible Grant	Actual Number Granted
2018	21 Dec 2018 - 7 Nov 2021	In FY18 LTI's were awarded on the same basis of assessment against KPIs as the KPIs for STI's. In the year the CEO achieved 94% 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 2019. Results for 2020 and 2021 are still to occur.	94%	1,964,448	1,846,581
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 and 2019. Results 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. This hurdle has been achieved.	87.5%	3,186,886	2,788,525

5.4 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 *Financial Measures* 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 2018 and 2019 included but are not limited to the following:

Metric	Required outcome	FY19 Outcome
Distribution per security	Sustainable growth in distributions per security.	Distributions per security were reduced to 7.25cps as part of "Invest to Manage" strategy
Gearing	2019 target of between 35% - 50%.	Gearing at 35% Look through gearing at 42%
Debt terms	Mitigate debt risks by maintaining 12 months minimum expiry profile of debt.	Debt terms currently at 4.5 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 further hedging programme with $180 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 5.5%. Core portfolio growth of 3.3%
Lease expiries	Focus on lease expiries in core portfolio and maintain vacancy rates at set targets.	Core portfolio occupancy level at 99.2%
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

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				
2018	7 Nov 2018 – 7 Nov 2021	86%	216,584	186,012
2017	16 Feb 2018 – 30 Sep 2020	100%	218,852	218,852
2016	19 Oct 2016 – 31 Nov 2019	88%	147,907	130,158
Jodie Clark – Chief Operations Officer				
2018	7 Nov 2018 – 7 Nov 2021	93%	216,584	200,569
2017	16 Feb 2018 – 30 Sep 2020	100%	235,312	235,312
2016	19 Oct 2016 – 31 Nov 2019	96%	152,803	146,996

6.0 Improvements for FY20

As outlined in the prior remuneration report, the board has continued its program of improving the current remuneration framework for KMP. Commencing from 1 July 2019, the key changes to the framework will be as follows:

Component	Details of the Equity scheme operating in FY2020
KMP members	From 1 July 2019, the executive management group will include: Paul Weightman — Chief Executive Officer Michael Wilde — Chief Financial Officer Jodie Clark — Chief Operations Officer Robert Percy — Chief Investment Officer
STI	All executive KMP will have the ability to earn an STI. The percentage STI opportunity against each executive KMP's Fixed Remuneration will vary between 50% - 100%. Some STI KPI's may be the same as the Group CEO's but a large portion will be specific to the KMP's job function and responsibilities. The STI KPI's will have at least 50% as Financials Measures. The STI's KPI's will have a stretch target range to achieve varying rewards for varying levels of outperformance. For each KPI, 50% vests at the lower bound with straight line vesting to 100% at the maximum threshold There will be STI Gateways of adhering to cultural related expectations including acting ethically and responsibly and an additional Gateway where appropriate of 95% of midpoint operating earnings guidance. 50% of award paid as cash and 50% deferred as securities for 1 year. The goal is alignment of interest with shareholders and aids in building minimum shareholding for executive KMP's (see below). The CEO's STI will remain 100% payable in cash while his shareholding remains at or above 300% of his Fixed Remuneration. All STI deferred as unvested securities will earn distributions either as cash paid or in grossed up security numbers. In the event of a successful takeover (over 50% of equity and/or effective board control), deferred portion of the STI vest immediately. If an executive KMP is determined as a Good leaver (retirement, health etc) then unvested securities remain on foot with board discretion to accelerate vesting. If executive KMP is determined to be a Bad leaver then unvested securities are forfeited. CEO/Board discretion where formulaic application is likely to produce a material and perverse remuneration outcome. Malus and Claw Back clause allowing unvested securities to be clawed back where a recipient has acted fraudulently, dishonestly or where there has been a material misstatement or omission in Cromwell's financial statements leading to the receipt of an unfair benefit. This may also occur where the executive KMP fails to meet the cultural related expectation including acting ethically and responsibly.
LTI	All executive KMP will be on the same LTI scheme. Number of performance rights granted will be calculated under the face value methodology based on the VWAP of Cromwell's security price for the 10 days either side of year end with no adjustment for distributions. Two of the hurdles align with the Board agreed strategy and are measured each year and the average over the 3 years used to determine vesting. The final measure is a Relative TSR using a point to point measurement. KPI target ranges are fixed for 3 years and measured over 3 years For each LTI Hurdle 25% vests at the lower bound with straight line vesting to 100% at the maximum threshold At 3 years 50% of the performance determined rights vest with the other 50% vesting at year 4 (no retest). The 50% of securities in the holding lock are entitled to distributions. **Hurdles** **33.33% Total Return.** Total Return = (Distributions + Change in NTA)/Opening NTA. Measured as an average of the 3 years. The hurdle is 8.5%-11.5% over the period. Equity Issues that significantly impact NTA will be considered as well as significant write downs in non-tangible assets. In the case of a write down of intangibles this would impact negatively on the achieved performance. Where significant value is created in management driven asset enhancements this should be reflected in the NTA and hence improve the overall return.

	This hurdle aligns the underlying absolute returns that shareholders experience but removes the general listed market movements which is out of control of management. The stretch target range is consistent with moving from the prior Operating Earnings to Distributions, reflects the current low return environment and is consistent with stretch target returns determined by the successful implementation of Cromwell's "Invest to Manage" Strategy. At lower bound 25% vesting with straight line to 100% vesting at the upper bound **33.33% Return on Contributed Equity (ROCE)** ROCE=Operating Profit/Weighted Average Contributed Equity. Measured as an average of each of the 3years. With a ROCE hurdle range of 8.5%-11.5%. This measure was chosen as it best reflects the sustainable returns achieved on shareholders contributed equity. By removing the NTA created from completed projects a far more stable and relevant stretch target range can be set which is accepted as being a very good measure of the performance of management. Over the medium to long term an improving ROCE (as defined) has been shown to correlate with upward share price movements and hence returns experienced by shareholders. The upper end of the stretch target range has only been achieved once in the last 6 years and if achieved and based on historical multiples would result in mid-teen total per annum returns to shareholders (before distribution reinvestment). This would result in achievement of the stretch targets contained in the successful implementation of the Cromwell's "Invest to Manage" Strategy. At lower bound 25% vesting with straight line to 100% vesting at the upper bound **33.33% Relative TSR** Measured against the S&P/ASX200 A-REIT Accumulation Index on a percentile basis with 50th percentile lower bound and 75th percentile upper bound. Measured once over measurement period. Below Median - 0% vesting At median 25% vesting with straight line to 100% vesting at the 75^{th} percentile **Other conditions** For the LTI, in the event of a successful takeover (over 50% of equity and/or effective board control), KPI hurdles are tested and vest on a pro-rata basis based on achievement of the hurdles. Board discretion applies for amounts greater than pro-rata. If the staff member is determined to be a Good leaver (retirement, redundancy etc) unvested rights and securities remain on foot and are tested based on the normal vesting schedule. There is Board discretion to accelerate vesting after considering personal circumstances of the executive KMP (e.g. illness) and quantum of outstanding award. If an executive KMP is determined a Bad leaver then unvested rights and securities are forfeited. Board discretion where formulaic application is likely to produce a material and perverse remuneration outcome. Malus and Claw Back clause allowing unvested rights and securities to be clawed back where a recipient has acted fraudulently, dishonestly or where there has been a material misstatement or omission in Cromwell's financial statements leading to the receipt of an unfair benefit. This may also occur where the executive KMP fails to meet the cultural related expectation including acting ethically and responsibly.
Minimum security holdings	Minimum security holding of 150% of Fixed Remuneration for the CEO and at least 50% for the other executive KMP's, to be accumulated within 4 years of initial STI participation. There is Board discretion based on individual circumstances. Securities in deferred (holding lock) are included in the total calculation and earn distributions. Minimum security holding equivalent to 1 years of Directors' fees for all non-executive Directors.
Notice Periods for Executive KMP's	All Executive KMP's to have their 2-way notice periods standardised to 6 months.

7.0 Non-executive Directors remuneration

7.1 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.

7.2 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.

	2019 **$**	2018 $
Chair	**220,189**	216,084
Non-executive director	**101,168**	99,282
Audit & Risk Committee – Chair	**20,600**	20,216
Audit & Risk Committee – Member	**13,732**	13,476
Nomination & Remuneration Committee – Chair [1]	**8,583**	N/A
Nomination & Remuneration Committee – Member	**5,721**	5,615
Investment Committee	**-**	-

[1] Mr G Levy has never received a fee or salary for being the Chair 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.

8.0 Remuneration and Conditions of employment of the KMP

8.1 Cash and at-risk bonuses expensed or accrued in 2019

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		
		Salary [4] and fees $	Non-monetary benefits $	At-risk cash bonus $	Total short term $	Super-annuation $	Long service leave $	Equity based compensation $	Total $	Total perfor-mance related %
Non-executive directors:										
G Levy	**2019**	**201,014**	**-**	**-**	**201,014**	**19,083**	**-**	**-**	**220,097**	**-**
	2018	197,259	-	-	197,259	18,677	-	-	215,936	-
M McKellar	**2019**	**120,579**	**-**	**-**	**120,579**	**-**	**-**	**-**	**120,579**	**-**
	2018	118,326	-	-	118,326	-	-	-	118,326	-
J Tongs	**2019**	**116,388**	**-**	**-**	**116,388**	**11,057**	**-**	**-**	**127,445**	**-**
	2018	114,214	-	-	114,214	10,850	-	-	125,064	-
M Wainer	**2019**	**42,766**	**-**	**-**	**42,766**	**-**	**-**	**-**	**42,766**	**-**
	2018	99,243	-	-	99,243	-	-	-	99,243	-
L Blitz	**2019**	**120,579**	**11,824**	**-**	**132,403**	**-**	**-**	**-**	**132,403**	**-**
	2018	109,362	-	-	109,362	-	-	-	109,362	-
D Blight [1]	**2019**	**92,358**	**-**	**-**	**92,358**	**8,774**	**-**	**-**	**101,132**	**-**
	2018	5,580	-	-	5,580	530	-	-	6,110	-
A Fay [2]	2019	**75,761**	**-**	**-**	**75,761**	**7,197**	**-**	**-**	**82,958**	**-**
Executive management group (EMG):										
P Weightman	**2019**	**1,617,302**	**19,153**	**797,225**	**2,433,680**	**20,531**	**25,005**	**1,456,435**	**3,935,651**	**57%**
	2018	1,567,888	29,994	846,000	2,443,882	20,049	220	471,532	2,935,683	45%
M Wilde	**2019**	**801,034**	**15,055**	**100,000**	**916,089**	**20,531**	**34,468**	**132,377**	**1,103,465**	**21%**
	2018	704,471	22,148	-	726,619	20,049	14,904	80,359	841,931	10%
J Clark	**2019**	**798,018**	**14,052**	**100,000**	**912,070**	**20,531**	**21,309**	**144,498**	**1,098,408**	**22%**
	2018	705,333	29,105	-	734,438	20,049	15,243	91,481	861,211	11%
S Garing [3]	2018	389,441	-	-	389,441	10,024	6,401	-	405,866	0%
Total	**2019**	**3,985,799**	**60,084**	**997,225**	**5,043,108**	**107,704**	**80,782**	**1,733,310**	**6,964,904**	**37%**
remuneration	2018	4,474,452	95,815	846,000	5,416,267	119,769	29,657	621,278	6,186,971	

[1] Mr Blight was appointed on 1 June 2018 and resigned 19 July 2019.
[2] Mr Fay was appointed on 15 October 2018.
[3] Mr S Garing was no longer a KMP from 1 July 2018.
[4] Includes any change in accruals for annual leave.

8.2 Details of remuneration: at risk cash bonuses and performance rights vesting and forfeiture in 2019

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 2019 %	Options forfeited in 2019 %	Years options may vest	Maximum value of grant to vest $
P Weightman	88.6%	11.4%	2017/18/19	100%(1)	-	2020/21/22	2,029,707
M Wilde	-	-	2017/18/19	100%(1)	-	2020/21/22	207,307
J Clark	-	-	2017/18/19	100%(1)	-	2020/21/22	223,788

(1) Related to performance rights issued in 2015

8.3 Equity based compensation for the CEO and other KMP

Details of the PRP are set out in part 5.2 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
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¢
07-Nov-2018	06-Nov-2021	-	386,581	80.8¢
21-Dec-2018	06-Nov-2021	$0.50	1,846,581	35.4¢
21-Dec-2018	30-Sep-2020	-	899,297	72.2¢
21-Dec-2018	30-Sep-2021	-	1,606,038	87.6¢

Details of changes during the 2019 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	5,875,255	4,351,916 (1)	(1,254,530) (4)	-	-	8,972,641
M Wilde	444,918	186,012 (2)	(95,908) (5)	-	-	535,022
J Clark	491,004	200,569 (3)	(108,696) (6)	-	-	582,877
	6,811,177	4,738,497	(1,459,134)	-	-	10,090,540

(1) The value at grant date was $2,708,768.

(2) The value at grant date was $150,335.

(3) The value at grant date was $162,100.

(4) The value at grant date was $450,000. The value at exercise date was $781,572. Exercise price was fully paid.

(5) The value at grant date was $75,002. The value at exercise date was $98,114. Exercise price was fully paid.

(6) The value at grant date was $85,002. The value at exercise date was $111,196. Exercise price was fully paid

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 8.1 of the remuneration report.

A total of 5,145,726 performance rights were granted during 2019 (2018: 3,961,001) of which 4,738,497 (2018: 2,286,364) were issued to Key Management Personnel. The model inputs for performance rights granted during the 2019 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.

8.4 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, exclusive of superannuation, of $1,500,000, to be reviewed annually by the remuneration committee.
- Performance cash bonus of up to $900,000 with KPI targets to be reviewed annually by the remuneration committee.
- Long term incentive of up to $1,500,000 by way of Performance Rights with vesting hurdles reviewed annually by the remuneration committee.

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 and COO	6 months	6 months
All other key management personnel	3 months	3 months

8.5 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)	3,329,195	-	512,186	3,841,381
Ms M McKellar	882,643	-	98,406	981,049
Ms J Tongs	257,678	-	39,643	297,321
Mr M Wainer (1)	-	-	-	-
Mr L Blitz	-	-	-	-
Mr D Blight (2)	-	-	-	-
Mr A Fay	-	-	646,155	646,155
Executive Management Group (EMG):				
Mr Paul Weightman	22,592,276	1,254,530	-	23,846,806
Mr M Wilde	228,628	95,908	-	324,536
Ms J Clark	242,240	108,696	-	350,936
	27,532,660	1,459,134	1,296,390	30,288,184

(1) Mr Wainer is a Director of Redefine Properties Limited which indirectly owns Redefine Australia Investments Limited, which owns 60,000,000 (2018: 60,000,000) 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 462,606,816 (2018: 386,538,850) stapled securities in Cromwell.

8.6 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 $1,960,001 (2018: $1,825,152).

8.7 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 2019 was $114,396 (2018: $114,396). At balance date an amount of $9,533 (2018: $9,533) was payable. The payment of rent is on normal commercial terms and conditions and at market rates.

Although not strictly a transaction with a key management person, for additional transparency, shareholders are refereed to notes 7(c) and 21(c) outlining Cromwell's investment in Portgate.

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 28th day of August 2019

Deloitte.

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Board of Directors
Cromwell Corporation Limited and
Cromwell Property Securities Limited
(as responsible entity for Cromwell Diversified Property Trust)
Level 19, 200 Mary Street
Brisbane QLD 4000

28 August 2019

Dear Directors

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Board of Directors of Cromwell Corporation Limited and Cromwell Property Securities Limited as responsible entity for Cromwell Diversified Property Trust.

As lead audit partner for the audit of the financial report of Cromwell Property Group (the stapled entity which comprises Cromwell Corporation Limited, Cromwell Diversified Property Trust and the entities they controlled at the end of the year or from time to time during the year) and Cromwell Diversified Property Trust for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Consolidated Income Statements

For the year ended 30 June 2019

	Notes	Cromwell 2019 $M	Cromwell 2018 $M	Trust 2019 $M	Trust 2018 $M
Continuing operations					
Revenue					
Rental income and recoverable outgoings	3(a)	**198.5**	209.6	**197.8**	210.0
Funds management fees	3(a)	**99.2**	99.1	**-**	-
Development sales	3(a)	**9.5**	-	**-**	-
Interest	3(a)	**4.8**	6.5	**8.5**	9.6
Distributions	3(a)	**2.5**	5.5	**-**	0.1
Other revenue	3(a)	**0.1**	0.9	**0.1**	0.1
Total revenue		**314.6**	321.6	**206.4**	219.8
Other income					
Fair value net gains from:					
Investment properties	6(c)	**86.4**	77.4	**86.4**	77.4
Investments at fair value through profit or loss		**-**	-	**-**	0.1
Share of profit of equity accounted investments	7(e)	**55.6**	125.1	**51.4**	121.5
Net foreign currency gains		**-**	-	**2.0**	-
Gain on sale of investment property	6(e)	**0.7**	-	**0.7**	-
Gain on sale of listed securities		**-**	15.7	**-**	15.7
Total revenue and other income		**457.3**	539.8	**346.9**	434.5
Expenses					
Property expenses and outgoings		**34.0**	34.6	**39.1**	39.8
Funds management costs		**2.0**	2.8	**-**	-
Property development costs		**5.9**	0.6	**-**	-
Finance costs	9(d)	**68.1**	79.5	**67.8**	61.2
Employee benefits expense	22	**71.4**	69.7	**-**	-
Administration and overhead costs		**43.7**	33.4	**16.5**	18.1
Amortisation and depreciation		**2.4**	4.4	**-**	-
Loss on sale of investment properties	6(c)	**-**	5.0	**-**	5.0
Fair value net loss from:					
Derivative financial instruments		**10.5**	13.7	**10.5**	16.1
Investments at fair value through profit or loss		**9.2**	3.5	**-**	-
Other transaction costs		**2.9**	5.7	**1.8**	3.1
Loss on disposal of other assets		**0.3**	-	**-**	-
Costs in relation to asset classified as held for sale	7(e)	**35.3**	-	**35.3**	-
Decrease in recoverable amounts		**0.4**	76.1	**-**	-
Net foreign currency losses		**3.0**	3.2	**-**	1.9
Total expenses		**289.1**	332.2	**171.0**	145.2
Profit before income tax		**168.2**	207.6	**175.9**	289.3
Income tax expense	5(c)	**8.3**	5.0	**12.5**	2.6
Profit for the year from continuing operations		**159.9**	202.6	**163.4**	286.7
Discontinued operations					
Net profit after tax from discontinued operations	16	**-**	1.5	**-**	1.7
Profit for the year		**159.9**	204.1	**163.4**	288.4
Profit / (loss) for the year is attributable to:					
Company shareholders		**(2.9)**	(83.9)	**-**	-
Trust unitholders		**162.8**	288.0	**162.8**	288.0
Non-controlling interests		**-**	-	**0.6**	0.4
Profit for the year		**159.9**	204.1	**163.4**	288.4
Earnings per security					
Basic earnings per company share/trust unit (cents)	4(c)	**(0.15¢)**	(4.47¢)	**7.71¢**	15.38¢
Diluted earnings per company share/trust unit (cents)	4(c)	**(0.15¢)**	(4.47¢)	**7.67¢**	15.34¢
Basic earnings per stapled security (cents)	4(d)	**7.53¢**	10.89¢		
Diluted earnings per stapled security (cents)	4(d)	**7.50¢**	10.85¢		

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 2019

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Profit for the year	**159.9**	204.1	**163.4**	288.4
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	**34.3**	0.3	**31.8**	(4.6)
Income tax relating to this item	**-**	-	**-**	-
Other comprehensive income, net of tax	**34.3**	0.3	**31.8**	(4.6)
Total comprehensive income	**194.2**	204.4	**195.2**	283.8
Total comprehensive income is attributable to:				
Company shareholders	**(0.4)**	(79.0)	**-**	-
Trust unitholders	**194.6**	283.4	**194.6**	283.3
Non-controlling interests	**-**	-	**0.6**	0.5
Total comprehensive income	**194.2**	204.4	**195.2**	283.8

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

Consolidated Statements of Financial Position

As at 30 June 2019

		Cromwell		Trust	
		2019	2018	**2019**	2018
	Notes	**$M**	$M	**$M**	$M
Current assets					
Cash and cash equivalents		**101.6**	204.6	**47.7**	137.6
Receivables	17(c)	**72.9**	38.1	**182.7**	13.8
Derivative financial instruments	10	**-**	0.1	**-**	0.1
Inventories		**15.6**	5.8	**-**	-
Current tax assets		**0.9**	2.4	**-**	-
Other current assets		**8.0**	5.4	**1.9**	1.7
		199.0	256.4	**232.3**	153.2
Equity accounted investment classified as held for sale	7	**150.4**	-	**148.4**	-
Investment property classified as held for sale	6	**-**	0.9	**-**	0.9
Total current assets		**349.4**	257.3	**380.7**	154.1
Non-current assets					
Investment properties	6	**2,520.9**	2,451.1	**2,520.9**	2,451.1
Equity accounted investments	7	**664.1**	702.4	**626.3**	669.3
Investments at fair value through profit or loss	8	**22.6**	33.0	**0.8**	1.3
Derivative financial instruments	10	**-**	1.7	**-**	1.7
Receivables	17(c)	**121.3**	5.9	**125.4**	170.1
Intangible assets	18	**4.5**	2.3	**-**	-
Property, plant and equipment		**5.9**	3.5	**-**	-
Inventories		**-**	7.4	**-**	-
Deferred tax assets	5(e)	**7.0**	1.7	**-**	-
Total non-current assets		**3,346.3**	3,209.0	**3,273.4**	3,293.5
Total assets		**3,695.7**	3,466.3	**3,654.1**	3,447.6
Current liabilities					
Trade and other payables	17(d)	**60.3**	52.3	**31.8**	17.3
Dividends / distributions payable		**40.5**	41.4	**40.5**	41.4
Borrowings	9	**88.0**	-	**88.0**	-
Derivative financial instruments	10	**32.4**	37.0	**32.4**	37.0
Provisions		**5.6**	4.6	**-**	-
Current tax liability		**0.7**	0.9	**0.4**	-
Unearned income		**6.9**	5.8	**6.9**	5.7
Total current liabilities		**234.4**	142.0	**200.0**	101.4
Non-current liabilities					
Borrowings	9	**1,268.4**	1,412.0	**1,261.0**	1,412.4
Derivative financial instruments	10	**4.7**	0.7	**4.7**	0.7
Provisions		**0.5**	0.4	**-**	-
Deferred tax liabilities	5(e)	**4.7**	9.7	**4.6**	9.7
Total non-current liabilities		**1,278.3**	1,422.8	**1,270.3**	1,422.8
Total liabilities		**1,512.7**	1,564.8	**1,470.3**	1,524.2
Net assets		**2,183.0**	1,901.5	**2,183.8**	1,923.4
Equity					
Contributed equity	11	**138.4**	118.9	**1,719.0**	1,496.3
Reserves	12	**29.4**	24.3	**29.4**	(2.4)
Retained earnings / (accumulated losses)		**(199.7)**	(196.8)	**428.5**	423.2
Equity attributable to shareholders / unitholders		**(31.9)**	(53.6)	**2,176.9**	1,917.1
Non-controlling interests					
Trust unitholders		**2,214.9**	1,955.1	**-**	-
Non-controlling interests		**-**	-	**6.9**	6.3
Total equity		**2,183.0**	1,901.5	**2,183.8**	1,923.4

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

Consolidated Statements of Changes in Equity

For the year ended 30 June 2019

Cromwell		**Attributable to Equity Holders of the Company**					
30 June 2019	**Notes**	**Contributed equity $M**	**Other reserves $M**	**Accumulated losses $M**	**Total $M**	**Non-controlling interests (Trust) $M**	**Total equity $M**
Balance at 1 July 2018		**118.9**	**24.3**	**(196.8)**	**(53.6)**	**1,955.1**	**1,901.5**
Profit/(loss) for the year		**-**	**-**	**(2.9)**	**(2.9)**	**162.8**	**159.9**
Other comprehensive income		**-**	**2.5**	**-**	**2.5**	**31.8**	**34.3**
Total comprehensive income		**-**	**2.5**	**(2.9)**	**(0.4)**	**194.6**	**194.2**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	11	**19.5**	**-**	**-**	**19.5**	**222.7**	**242.2**
Dividends / distributions paid / payable	2	**-**	**-**	**-**	**-**	**(157.5)**	**(157.5)**
Employee performance rights		**-**	**2.6**	**-**	**2.6**	**-**	**2.6**
Total transactions with equity holders		**19.5**	**2.6**	**-**	**22.1**	**65.2**	**87.3**
Balance as at 30 June 2019		**138.4**	**29.4**	**(199.7)**	**(31.9)**	**2,214.9**	**2,183.0**

		Attributable to Equity Holders of the Company					
30 June 2018	Notes	Contributed equity $M	Other reserves $M	Accumulated losses $M	Total $M	Non-controlling interests (Trust) $M	Total equity $M
Balance at 1 July 2017		106.9	18.2	(112.9)	12.2	1,627.7	1,639.9
Profit/(loss) for the year		-	-	(83.9)	(83.9)	288.0	204.1
Other comprehensive income/(loss)		-	4.9	-	4.9	(4.6)	0.3
Total comprehensive income		-	4.9	(83.9)	(79.0)	283.4	204.4
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	11	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

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 2019

Trust		**Attributable to Equity Holders of the CDPT**					
30 June 2019	**Notes**	**Contributed equity $M**	**Other reserves $M**	**Retained earnings $M**	**Total $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 July 2018		**1,496.3**	**(2.4)**	**423.2**	**1,917.1**	**6.3**	**1,923.4**
Profit/(loss) for the year		**-**	**-**	**162.8**	**162.8**	**0.6**	**163.4**
Other comprehensive income		**-**	**31.8**	**-**	**31.8**	**-**	**31.8**
Total comprehensive income		**-**	**31.8**	**162.8**	**194.6**	**0.6**	**195.2**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	11	**222.7**	**-**	**-**	**222.7**	**-**	**222.7**
Distributions paid / payable	2	**-**	**-**	**(157.5)**	**(157.5)**	**-**	**(157.5)**
Total transactions with equity holders		**222.7**	**-**	**(157.5)**	**65.2**	**-**	**65.2**
Balance as at 30 June 2019		**1,719.0**	**29.4**	**428.5**	**2,176.9**	**6.9**	**2,183.8**

		Attributable to Equity Holders of the CDPT					
30 June 2018	Notes	Contributed equity $M	Other reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $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/(loss)		-	(4.7)	-	(4.7)	0.1	(4.6)
Total comprehensive income		-	(4.7)	288.0	283.3	0.5	283.8
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	11	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

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 2019

		Cromwell		Trust	
	Note	**2019 $M**	2018 $M	**2019 $M**	2018 $M
Cash flows from operating activities					
Receipts in the course of operations		**331.3**	320.6	**227.6**	235.8
Payments in the course of operations		**(200.8)**	(168.3)	**(72.2)**	(79.9)
Interest received		**4.3**	6.3	**8.1**	7.3
Distributions received		**47.7**	12.7	**42.7**	7.3
Finance costs paid		**(47.3)**	(46.6)	**(47.2)**	(46.5)
Income tax paid		**(0.2)**	(3.8)	**(0.2)**	(0.5)
Net cash provided by operating activities	19	**135.0**	120.9	**158.8**	123.5
Cash flows from investing activities					
Payments for investment properties		**(40.2)**	(104.1)	**(40.2)**	(104.1)
Proceeds from sale of investment properties		**0.9**	153.7	**0.9**	153.7
Payments for equity accounted investments		**(129.3)**	(343.4)	**(137.2)**	(334.9)
Proceeds from sale of investments at fair value through profit or loss		**2.5**	292.8	**0.5**	280.8
Payments for investments at fair value through profit or loss		**(0.9)**	-	**-**	-
Receipt of capital return distributions from investments at fair value through profit or loss		**-**	6.8	**-**	-
Payments for intangible assets		**(3.3)**	(1.8)	**-**	-
Payments for property, plant and equipment		**(4.2)**	(1.2)	**-**	-
Proceeds from the sale of property, plant and equipment		**0.1**	-	**-**	-
Loans to related entities and directors		**(65.3)**	(3.4)	**(48.3)**	(10.7)
Repayment of loans to related entities and directors		**5.0**	-	**11.8**	-
Transfer from restricted funds		**-**	20.0	**-**	-
Finance costs paid attributable to disposal group / other assets		**-**	(2.1)	**-**	(2.1)
Payments for other transaction costs		**(2.9)**	(5.7)	**(1.8)**	(3.0)
Net cash (used in) / provided by investing activities		**(237.6)**	11.6	**(214.3)**	(20.3)
Cash flows from financing activities					
Proceeds from borrowings		**178.5**	1,719.4	**171.0**	1,719.4
Repayment of borrowings		**(250.7)**	(1,765.0)	**(250.7)**	(1,765.0)
Payment of loan transaction costs		**(4.4)**	(17.0)	**(4.4)**	(17.0)
Proceeds from issue of stapled securities		**229.2**	206.1	**209.7**	194.3
Payment of dividends / distributions		**(141.3)**	(144.3)	**(141.3)**	(144.7)
Payment of equity issue transaction costs		**(4.0)**	(1.1)	**(4.0)**	(1.0)
Payments for settlement of derivative financial instruments		**(12.3)**	(3.9)	**(12.3)**	(3.9)
Net cash used in financing activities		**(5.0)**	(5.8)	**(32.0)**	(17.9)
Net (decrease) / increase in cash and cash equivalents		**(107.6)**	126.7	**(87.5)**	85.3
Cash and cash equivalents at 1 July		**204.6**	66.9	**137.6**	32.1
Effects of exchange rate changes on cash and cash equivalents		**4.6**	11.0	**(2.4)**	20.2
Cash and cash equivalents at 30 June		**101.6**	204.6	**47.7**	137.6

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 2019

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:

Results

Operating Assets

Finance and Capital Structure

Group Structure

Other Items

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 three segments, details of quarterly distributions, the earnings per security calculation as well as details about Cromwell's income tax items.

1 Operating segment information

(a) 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 three 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.

During the year the informational needs of the CEO in his capacity as CODM altered commensurate with the changing nature of Cromwell and how it is managed. The operating segment information has also been altered, including comparative information, in order replicate the improvements made to the simplified management information now provided to the CEO.

Cromwell's operating segments:	**Business activity**
Direct property investment	The ownership of investment properties located throughout Australia. This includes investment properties held by the Trust.
Indirect property investment	Cromwell's equity accounted investments in CEREIT and the Cromwell Partners Trust as well as investments in Australian property trusts and European collective investment vehicles.
Funds and asset management	Funds management represents activities in relation to the establishment and management of external funds for retail investors and wholesale funds. Asset management includes property and facility management, leasing and project management. At 30 June 2019, Cromwell managed a number of external retail funds with combined assets under management of $2.3 billion (30 June 2018: $2.0 billion) and external wholesale funds in Cromwell's European business, with combined assets under management of $6.1 billion (30 June 2018: $6.1 billion).

(b) Accounting policy

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 transactions between segments. Such transactions are priced on an "arms-length" basis and are eliminated on consolidation.

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

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a measure of financial performance and is used as an alternative to operating profit or statutory profit.

Segment profit / (loss)

Segment profit / (loss), internally referred to as operating profit, 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.

(c) Segment results

The table below shows segment results as presented to the CEO in his capacity as CODM. For further commentary on individual segment results refer to the Directors' Report:

30 June 2019	**Direct property investment $M**	**Indirect property investment $M**	**Funds and asset management $M**	**Cromwell $M**
Segment revenue				
Rental income and recoverable outgoings	**208.0**	**-**	**-**	**208.0**
Operating profit of equity accounted investments	**-**	**51.8**	**2.2**	**54.0**
Development sales	**9.5**	**-**	**-**	**9.5**
Funds and asset management fees	**-**	**-**	**105.4**	**105.4**
Distributions	**-**	**2.5**	**-**	**2.5**
Total segment revenue	**217.5**	**54.3**	**107.6**	**379.4**
Segment expenses				
Property expenses	**38.1**	**-**	**-**	**38.1**
Development costs	**5.9**	**-**	**-**	**5.9**
Funds and asset management direct costs	**-**	**-**	**60.7**	**60.7**
Other expenses	**1.2**	**3.4**	**12.5**	**17.1**
Total segment expenses	**45.2**	**3.4**	**73.2**	**121.8**
EBITDA	**172.3**	**50.9**	**34.4**	**257.6**
Finance costs	**36.2**	**5.5**	**5.9**	**47.6**
Segment profit after finance costs	**136.1**	**45.4**	**28.5**	**210.0**
Unallocated items				
Finance income				**4.8**
Corporate costs (1)				**(39.6)**
Income tax expense				**(1.0)**
Segment profit				**174.2**

(1) Includes non-segment specific corporate costs pertaining to Group level functions such as finance and tax, legal, risk and compliance, corporate secretarial and marketing and other corporate services.

30 June 2018	Direct property investment $M	Indirect property investment $M	Funds and asset management $M	Cromwell $M
Segment revenue				
Rental income and recoverable outgoings	198.8	-	-	198.8
Operating profit of equity accounted investments	-	28.5	1.7	30.2
Funds and asset management fees	-	-	107.2	107.2
Distributions	-	3.0	-	3.0
Total segment revenue	198.8	31.5	108.9	339.2
Segment expenses				
Property expenses	39.2	-	-	39.2
Development costs	0.6	-	-	0.6
Funds and asset management direct costs	-	-	60.3	60.3
Other expenses	1.4	2.7	10.3	14.4
Total segment expenses	41.2	2.7	70.6	114.5
EBITDA	157.6	28.8	38.3	224.7
Finance costs	37.0	5.5	3.3	45.8
Segment profit after finance costs	120.6	23.3	35.0	178.9
Unallocated items				
Finance income				9.0
Corporate costs (1)				(26.7)
Income tax expense				(4.4)
Segment profit				156.8

(1) Includes non-segment specific corporate costs pertaining to Group level functions such as finance and tax, legal, risk and compliance, corporate secretarial and marketing and other corporate services.

The operating segments reported by Cromwell have changed from the comparable year (see note 1(a)). Accordingly, prior year comparatives have been adjusted where applicable to reflect changes in the composition of the segments.

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

(d) Reconciliation of segment profit to statutory profit

	Cromwell	
	2019 $M	2018 $M
Segment profit	**174.2**	156.8
Reconciliation to profit for the year		
Gain / (loss) on sale of investment properties	**0.7**	(5.0)
Gain on sale of listed securities	**-**	15.7
Loss on disposal of other assets	**(0.3)**	-
Finance costs attributable to disposal group / other assets	**-**	(2.1)
Other transaction costs	**(2.9)**	(5.7)
Fair value net gain / (losses):		
Investment properties	**86.4**	77.4
Derivative financial instruments	**(10.5)**	(13.7)
Investments at fair value through profit or loss	**(9.2)**	(3.5)
Non-cash property investment income / (expense):		
Straight-line lease income	**9.3**	27.8
Lease incentive amortisation	**(18.8)**	(17.8)
Lease cost amortisation	**(2.0)**	(1.7)
Other non-cash expenses or non-recurring items:		
Amortisation of loan transaction costs	**(7.8)**	(21.2)
Net exchange loss on foreign currency borrowings	**(12.7)**	(10.3)
Costs in relation to asset classified as held for sale	**(35.3)**	-
Decrease in recoverable amounts	**(0.4)**	(76.1)
Amortisation and depreciation, net of deferred tax expense (1)	**(2.4)**	(4.4)
Relating to equity accounted investments (2)	**1.6**	94.8
Net foreign exchange losses	**(3.0)**	(3.2)
Net profit from discontinued operations	**-**	1.5
Restructure costs expensed / (reversed) (3)	**0.3**	(4.7)
Net tax losses utilised (4)	**(7.3)**	(0.5)
Profit for the year	**159.9**	204.1

(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.

(e) Reconciliation of total segment revenue to total revenue and other income

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

	2019 $M	2018 $M
Total segment revenue	**379.4**	339.2
Reconciliation to total revenue and other income:		
Inter-segmental management fee revenue	**(6.1)**	(3.8)
Straight-line lease income	**9.3**	27.8
Lease incentive amortisation	**(18.8)**	(17.8)
Gain on sale of listed securities	**-**	15.7
Gain on sale of investment properties	**0.7**	-
Fair value net gain from investment properties	**86.4**	77.4
Operating profit from equity accounted investments	**1.6**	94.8
Interest revenue	**4.8**	6.5
Total revenue and other income	**457.3**	539.8

(f) Segment assets and liabilities

30 June 2019	**Direct property investment $M**	**Indirect property investment $M**	**Funds and asset management $M**	**Cromwell $M**
Segment assets	**2,709.5**	**800.1**	**186.1**	**3,695.7**
Segment liabilities	**980.7**	**436.6**	**95.4**	**1,512.7**
Segment net assets	**1,728.8**	**363.5**	**90.7**	**2,183.0**
Other segment information				
Equity accounted investments	**150.4**	**641.4**	**22.7**	**814.5**
Acquisition of non-current segment assets[(1)]:				
Investments in associates	**3.0**	**148.7**	**-**	**151.7**
Investments at fair value through profit or loss	**-**	**-**	**(7.9)**	**(7.9)**
Intangible assets	**-**	**0.3**	**1.9**	**2.2**

(1) For additions to investment property, forming part of the Direct property investment segment, refer to Note 6.

30 June 2018	Direct property investment $M	Indirect property investment $M	Funds and asset management $M	Cromwell $M
Segment assets	2,599.3	695.4	171.6	3,466.3
Segment liabilities	1,060.6	427.5	76.7	1,564.8
Segment net assets	1,538.7	267.9	94.9	1,901.5
Other segment information				
Decrease in recoverable amount – goodwill	-	-	(69.5)	(69.5)
Equity accounted investments	184.5	495.6	22.3	702.4
Acquisition of non-current segment assets[(1)]:				
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	1.2	1.8

(1) For additions to investment property, forming part of the Direct property investment segment, refer to Note 6.

(g) Other segment information

Geographic information

Cromwell has operations in four distinct geographical markets. These are Australia though 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 CEREIT and New Zealand through its Oyster Property Funds Limited joint venture.

Non-current assets for the purpose of the disclosure below include investment property, equity accounted investments and investments at fair value through profit or loss.

	Revenue from external customers		Non-current operating assets	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Geographic location				
Australia	**357.3**	253.1	**2,525.4**	2,462.3
United Kingdom and Europe	**9.4**	72.0	**5.7**	1.9
Asia	**11.2**	13.1	**0.1**	0.1
New Zealand	**1.5**	1.0	**-**	-
Total segment revenue	**379.4**	339.2	**2,531.2**	2,464.3

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 Direct property investment and Funds and asset management segment.

	2019 $M	2018 $M
Major customer		
Commonwealth of Australia	**37.6**	47.3
Qantas Airways Limited	**30.8**	29.7
New South Wales State Government	**27.4**	26.6
Cromwell European Real Estate Investment Trust	**11.2**	13.1
Total income from major customers	**107.0**	116.7

2 Distributions

(a) Overview

Cromwell's objective is to generate sustainable returns for our securityholders, 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 three segments (operating profit) which excludes unrealised fair value adjustments and other non-cash income and expenses (refer to note 1).

(b) Distributions for the year

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

2019	2018	2019 cents	2018 cents	2019 $M	2018 $M
23 November 2018	17 November 2017	**1.8125¢**	2.0850¢	**36.1**	36.8
22 February 2019 (1)	23 February 2018	**1.8125¢**	2.0850¢	**40.4**	37.6
24 May 2019	25 May 2018 (2)	**1.8125¢**	2.0850¢	**40.5**	41.3
23 August 2019	24 August 2018	**1.8125¢**	2.0850¢	**40.5**	41.4
Total		**7.2500¢**	8.3400¢	**157.5**	157.1

(1) Includes an amount of $2,667,000 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 December 2018 as part of the non-renounceable entitlement offer.

(2) 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 2019 and 2018 financial years. All of Cromwell's and the Trust's distributions are unfranked.

(c) Franking credits

Currently, Cromwell's distributions are paid from the Trust. Franking credits are only available for future dividends paid by the Company. The Company's franking account balance as at 30 June 2019 is $8,616,000 (2018: $7,100,000).

3 Revenue

(a) Overview

Cromwell has applied AASB 15 *Revenue from Contracts with Customers* for the first time during the year (see note 26(h)). Cromwell recognises revenue to which AASB 15 pertains from the transfer of goods and services over time and at a point in time in respect of relevant non-lease elements of rental income and recoverable outgoings, funds management fees and development sales.

The table below presents information about revenue recognised from contracts with customers accounted for in accordance with AASB 15, revenue from investment properties accounted for in accordance with AASB 117 *Leases*, revenue accounted for in accordance with AASB 9 *Financial Instruments* and revenue accounted for in accordance with AASB 128 *Investments in Associates and Joint Ventures*:

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Revenue recognised under AASB 15:				
Rental income and recoverable outgoings – non-lease components	**32.7**	35.0	**31.6**	33.8
Funds management fees	**99.2**	99.1	**-**	-
Development sales	**9.5**	-	**-**	-
Total revenue from contracts with customers	**141.4**	134.1	**31.6**	33.8
Revenue recognised under AASB 9, AASB 117 and AASB 128:				
Rental income	**165.8**	174.6	**166.2**	176.2
Interest	**4.8**	6.5	**8.5**	9.6
Distributions	**2.5**	5.5	**-**	0.1
Other revenue	**0.1**	0.9	**0.1**	0.1
Total other revenue	**173.2**	187.5	**174.8**	186.0
Total revenue	**314.6**	321.6	**206.4**	219.8

(b) Accounting policy

Revenue - General

Rental revenue – non-lease components
Cromwell has many contracts with tenants that contain a lease coupled with an agreement to sell other goods or services (non-lease components). For these contracts the non-lease components are identified and accounted for separately from the lease components in accordance with AASB 15.

AASB 15 requires Cromwell to allocate consideration in a contract between the lease and non-lease components on a stand-alone selling price basis. Cromwell enters into "gross" leases where the stand-alone selling prices for the lease and non-lease components are separately stipulated and therefore no allocation estimate is required to be performed. Cromwell allocates any variable payment amounts specifically related to its efforts to transfer goods or services that are not a lease component entirely to the non-lease component(s) to which the payment specifically relates. Relevant non-lease components include payments for maintenance activities, common area cleaning and air conditioning and other goods and services transferred to tenants.

The service element (non-lease component) of an arrangement is considered to be an integrated service in the context of each contract with a customer. Each increment of service is part of a series of distinct goods or services that are substantially the same and transferred to the customer over time, resulting in a single performance obligation. Revenue for non-lease components are recognised as the services are performed over time over the term of the contract.

Funds management fees
Funds management fee revenue is recognised in respect of the following types of service contracts with customers:

- Contracts with customers in relation to property management and fund administration services identify performance obligations, as well as the relevant stand-alone selling price in relation to the satisfaction of the same. These services are provided to customers as a series of distinct goods or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Variable consideration is allocated to each distinct increment of service in the series and recognised as revenue as the service is performed over time.
- Contracts with customers in relation to equity raising, loan establishment, acquisition, project management and leasing services identify performance obligations, as well as the relevant stand-alone selling price in relation to the satisfaction of the same. Due to the specialised nature of these services, the customer does not benefit from the process undertaken, but rather the outcome. Cromwell is only entitled to payment for services upon the successful completion of the contract. Hence, revenue is recognised upon completion of the service, at a point in time.
- Certain contracts with customers identify performance obligations with regard to the outcome Cromwell achieves in respect of its management of assets or transactions on behalf of customers (performance fees), as well as the relevant stand-alone selling price in relation to the satisfaction of the same. The consideration in relation to these contracts is in the form of performance fees linked to the variable returns generated by Cromwell on the customer's behalf. Applying the expected value method, Cromwell estimates

the amount of variable consideration that it will be entitled to under the relevant contract and constrains the amount of revenue recognised to the amount that is considered highly probable will not result in a significant reversal. Variable consideration is assessed at each reporting period to account for any changes in circumstances.

Development income
Development sales comprises income from the disposal of property inventories and from the provision of development management services. Revenue is recognised at the point in time that control of the asset has been transferred to the customer, generally upon legal settlement date.

Revenue - Performance obligations

Information about Cromwell's performance obligations is summarised below:

Rental revenue – non-lease components
Depending on the nature of the non-lease component, the performance obligation is either satisfied at a point in time or over time. Where Cromwell becomes entitled to the present right to payment for the service, revenue is recognised at a point in time. Where the tenant simultaneously receives and consumes the benefits of the service, revenue is recognised over time.

Payment for the non-lease components is generally due in advance, immediately prior to the time the service is provided.

Funds management fees - Property management, fund administration, asset management and project management services
The performance obligation for these services is satisfied and an enforceable right to payment created over time as the services are transferred to customers. These services are provided to customers as a series of distinct goods or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Variable consideration allocated to each distinct increment of service provided.

Payment for property management and fund administration services is generally due within 30 days from the time the service is provided.

Funds management fees - Equity raising, loan establishment, acquisition, project management, leasing services and performance fees
The performance obligation is satisfied at a point in time, at the completion of the service or fulfilment of the transaction on behalf of customers (performance fees). This is due to the specialised nature of these services, where the customer does not benefit from the process undertaken, but rather the outcome. In the case of performance fees that are outcome-based, revenue is constrained and not recognised until the successful completion of the service or transaction when it becomes highly probably that there will be no significant reversal of revenue in future and Cromwell has a present right to payment.

Payment for these services is generally due within 30 days from the time the service is successfully completed.

Development income
The performance obligation is satisfied at a point in time, once control of the asset has been transferred to the customer, generally upon legal settlement date. Payment for these services is generally due on settlement date of the sale.

Revenue – Other income

Rental income
Rental income 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.

Share of profit of equity accounted investments
Cromwell's share of its equity accounted investees post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in reserves, in accordance with AASB 128. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from equity accounted investees are recognised in Cromwell's financial statements as a reduction of the carrying amount of the investment.

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

Interest revenue
Interest revenue is recognised as it accrues using the effective interest method. Interest revenue is predominately earned from financial assets including cash and trade and other receivables and is recognised under AASB 9. There has been no change to the recognition of interest revenue as a result of the adoption of AASB 9 in the current year.

Distributions
Revenue from distributions is earned from investments and is recognised under AASB 9 when Cromwell's right to receipt is established.

Contract liabilities (unearned income)
Cromwell sometimes receives payments from customers in relation to future periods whereby the underlying receipt is not actually due and payable to Cromwell. This results in a contract liability being recognised upon receipt of the cash which is recognised in Cromwell's Statement of financial position as unearned income.

(c) Critical accounting estimates

Rental revenue – non-lease components

There are no significant judgements or assumptions in allocating the transaction price or the timing of the performance obligation in relation to the non-lease components of rental revenue. This is because the revenue is measured at the transaction price agreed under the contract.

Performance fees

Certain contracts with customers identify performance obligations with regard to the outcome Cromwell achieves in respect of its management of assets or transactions on behalf of customers (performance fees), as well as the relevant stand-alone selling price in relation to the satisfaction of the same. The consideration in relation to these contracts is in the form of performance fees linked to the variable returns generated by Cromwell on the customer's behalf. Applying the expected value method, Cromwell estimates the amount of variable consideration that it will be entitled to under the relevant contract and constrains the amount of revenue recognised to the amount that is considered highly probable will not result in a significant reversal. Variable consideration is assessed at each reporting period to account for any changes in circumstances.

See above note 26(h) for further information.

(d) Disaggregation of revenue from contracts

The tables below present information about the disaggregation of revenue items from Cromwell's contracts with relevant customers:

Cromwell	2019				2018			
	Point in time $M	**Over time $M**	**Other (1) $M**	**Total $M**	Point in time $M	Over time $M	Other (1) $M	Total $M
Direct property investment								
Rental revenue – non-lease components	**12.2**	**20.5**	**175.3**	**208.0**	14.7	20.3	163.8	198.8
Development sales	**9.5**	**-**	**-**	**9.5**	-	-	-	-
Indirect property investment								
Share of profit of equity accounted investments components	**-**	**-**	**51.8**	**51.8**	-	-	28.5	28.5
Distributions	**-**	**-**	**2.5**	**2.5**	-	-	3.0	3.0
Funds and asset management								
Share of profit of equity accounted investments components	**-**	**-**	**2.2**	**2.2**	-	-	1.7	1.7
Funds management fees	**37.2**	**62.0**	**6.2**	**105.4**	42.4	56.7	8.1	107.2
Total segment revenue	**58.9**	**82.5**	**238.0**	**379.4**	57.1	77.0	205.1	339.2
Inter-segment adjustments / eliminations and other income items	**-**	**-**	**(238.0)**	**(238.0)**	-	-	(205.1)	(205.1)
Total revenue from contracts with customers	**58.9**	**82.5**	**-**	**141.4**	57.1	77.0	-	134.1

(1) Includes income derived from sources other than those recognised and measured in accordance with AASB 15 *Revenue from Contracts with Customers*.

Trust	2019				2018			
	Point in time $M	**Over time $M**	**Other (1) $M**	**Total $M**	Point in time $M	Over time $M	Other (1) $M	Total $M
Rental revenue – non-lease components	**11.0**	**20.6**	**166.2**	**197.8**	13.4	20.4	176.2	210.0
Total revenue from contracts with customers	**11.0**	**20.6**	**166.2**	**197.8**	13.4	20.4	176.2	210.0

(1) Includes income derived from sources other than those recognised and measured in accordance with AASB 15 *Revenue from Contracts with Customers*.
(2) The Trust is not considered to be separate for segment reporting purposes.

4 Earnings per security

(a) 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 (c) 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, (d) provides earnings per stapled security information.

(b) Accounting policy

Basic earnings per security

Basic earnings per security is calculated by dividing profit / (loss) attributable to security holders of the Company / Trust / 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.

(c) Earnings per share / unit

	Company		Trust	
	2019	2018	**2019**	2018
Basic earnings per company share / trust unit (cents)	**(0.15)**	(4.47)	**7.71**	15.38
Diluted earnings per company share / trust unit (cents)	**(0.15)**	(4.47)	**7.67**	15.34
Earnings used to calculate basic and diluted earnings per company share / trust unit:				
Profit for the year ($M)	**159.9**	204.1	**162.8**	288.0
Less: Profit attributable to non-controlling interests ($M)	**(162.8)**	(288.0)	**0.6**	0.4
Profit / (loss) attributable to ordinary equity holders of Company / Trust ($M)	**(2.9)**	(83.9)	**163.4**	288.4

(d) Earnings per stapled security

	Cromwell	
	2019	**2018**
Basic earnings per stapled security (cents)	**7.53**	10.89
Diluted earnings per stapled security (cents)	**7.50**	10.85
Earnings used to calculate basic and diluted earnings per stapled security:		
Profit for the year attributable to ordinary stapled securityholders of Cromwell ($M)	**159.9**	204.1
Weighted average number of stapled securities used in calculating earnings per company share / trust unit / stapled security:		
Weighted average number of securities used in calculating basic earnings per company share / trust unit / stapled security (number)	**2,121,577,087**	1,876,401,510
Adjustment for calculation of diluted earnings per company share / trust unit:		
Performance rights (number)	**8,880,788**	5,621,379
Weighted average number of ordinary securities and potential ordinary securities used in calculating earnings per company share / trust unit / stapled security (number)	**2,130,457,875**	1,882,022,889

(e) 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 20.

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. Whilst the ASX market price of Cromwell stapled securities has periodically risen above the convertible bond conversion prices of $1.1771 (to 23 August 2018) and $1.1656 thereafter and $1.1431 throughout the year, the actual Euro currency translation rate was more favourable to bondholders than the fixed conversion rate. Therefore, the convertible bonds are currently considered to be antidilutive.

(f) Issues of securities subsequent to 30 June 2019

On 1 July 2019 Cromwell completed an underwritten institutional placement of stapled securities. As a result 326,086,957 securities were allotted to securityholders on 2 July 2019.

On 24 July 2019 Cromwell closed a non-underwritten Security Purchase Plan ("SPP"). As a result 28,294,234 securities were allotted to securityholders on 31 July 2019.

5 Income tax

(a) 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.

(b) 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.

(c) Income tax expense

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Current tax expense	**1.4**	1.5	**0.3**	-
Deferred tax expense	**7.1**	3.1	**12.1**	2.6
Adjustment in relation to prior periods	**(0.2)**	0.4	**0.1**	-
Income tax expense	**8.3**	5.0	**12.5**	2.6
Deferred tax expense				
Decrease / (increase) in deferred tax assets	**(5.0)**	1.7	**-**	0.3
Increase / (decrease) in deferred tax liabilities	**12.1**	1.4	**12.1**	2.3
Total deferred tax expense	**7.1**	3.1	**12.1**	2.6

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

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Profit before income tax	**168.2**	207.6	**175.9**	289.3
Tax at Australian tax rate of 30% (2018: 30%)	**50.5**	62.3	**52.8**	86.8
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Trust income – refer above for Taxation of the Trust	**(35.1)**	(81.2)	**(35.1)**	(81.2)
Fair value impairment not deductible	**(0.3)**	13.8	**-**	(6.6)
Non-deductible (income) / expenses	**(9.1)**	7.9	**(5.2)**	3.6
Change in tax losses recognised	**2.2**	0.5	**-**	-
Adjustment in relation to prior periods	**(0.1)**	0.4	**-**	-
Difference in overseas tax rate	**0.2**	1.3	**-**	-
Income tax expense	**8.3**	5.0	**12.5**	2.6

(e) Deferred tax

	Cromwell		Trust	
(i) Deferred tax assets	**2019 $M**	2018 $M	**2019 $M**	2018 $M
Deferred tax assets are attributable to:				
Interests in managed investment schemes	**(1.7)**	(1.9)	**-**	-
Employee benefits	**2.0**	1.9	**-**	-
Transaction costs and sundry items	**2.6**	0.6	**-**	-
Unrealised foreign currency (losses) / gains	**1.5**	(0.8)	**-**	-
Tax losses recognised	**2.6**	1.9	**-**	-
Total deferred tax assets	**7.0**	1.7	**-**	-
Movements:				
Balance at 1 July	**1.7**	3.4	**-**	0.3
Credited / (charged) to profit or loss	**5.0**	(1.7)	**-**	(0.3)
Credited to other comprehensive income	**0.3**	-		-
Balance at 30 June	**7.0**	1.7	**-**	-

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 $28,957,000 (2018: $28,700,268).

	Cromwell		Trust	
(ii) Deferred tax liabilities	**2019 $M**	2018 $M	**2019 $M**	2018 $M
Deferred tax liabilities are attributable to:				
Interests in managed investment schemes	**4.7**	9.2	**4.6**	9.2
Unrealised foreign currency (losses) / gains	**-**	0.3	**-**	0.3
Total deferred tax liabilities	**4.7**	9.5	**4.6**	9.5
Movements:				
Balance at 1 July	**9.7**	0.9	**9.7**	-
Charged / (credited) to profit or loss	**12.1**	1.4	**12.1**	2.3
Credited to other comprehensive income	**(17.1)**	7.4	**(17.2)**	7.4
Balance at 30 June	**4.7**	9.7	**4.6**	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.

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.

6 Investment properties

(a) 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 19 (2018: 21) commercial properties of which 17 (2018: 18) properties are predominantly office use with the remaining 2 (2018: 3) 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.

(b) Accounting policy

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 statement of financial position 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 statement of financial position 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.

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

		Independent valuation		Carrying amount		Fair value adjustment	
				As at		For the year ended	
	Title	Date	Amount $M	**30-Jun 2019 $M**	30-Jun 2018 $M	**30-Jun 2019 $M**	30-Jun 2018 $M
200 Mary Street, QLD	(1)	Jun 2019	80.0	**80.0**	74.0	**5.7**	2.9
HQ North, QLD	(1)	Dec 2018	231.0	**232.0**	217.0	**3.6**	0.8
13 Musk Avenue, QLD	(1)	SOLD	-	**-**	-	**-**	8.2
203 Coward Street, NSW	(1)	Jun 2019	502.0	**502.0**	490.0	**7.2**	16.7
207 Kent Street, NSW	(2)	Dec 2018	293.0	**298.0**	279.0	**17.8**	26.0
2-24 Rawson Place, NSW	(1)	Jun 2019	260.0	**260.0**	245.0	**15.0**	14.9
475 Victoria Avenue, NSW	(1)	Dec 2018	225.0	**232.0**	211.0	**20.5**	5.8
2-6 Station Street, NSW	(1)	Jun 2019	48.5	**48.5**	42.8	**5.5**	3.7
84 Crown Street, NSW	(1)	Jun 2019	36.5	**36.5**	34.0	**2.5**	0.5
11 Farrer Place, NSW	(1)	Dec 2018	30.2	**32.0**	29.5	**2.5**	0.3
117 Bull Street, NSW	(1)	Dec 2018	26.5	**28.5**	25.8	**2.7**	1.6
Regent Cinema Centre, NSW	(1)	Jun 2019	7.2	**7.2**	15.8	**(7.9)**	0.7
Soward Way, ACT	(2)	Jun 2019	280.4	**280.4**	260.0	**16.9**	(12.3)
TGA Complex, ACT	(2)	Jun 2019	50.0	**50.0**	57.0	**(7.2)**	(5.4)
243 Northbourne Avenue, ACT	(2)	Jun 2019	30.5	**30.5**	25.5	**3.7**	(2.0)
13 Keltie Street, ACT	(2)	Jun 2018	24.0	**14.0**	24.0	**(10.0)**	(0.9)
19 National Circuit, ACT	(2)	Jun 2019	8.8	**8.8**	34.8	**(27.2)**	6.9
Tuggeranong Office Park, ACT	(2)	PART SOLD	52.5	**7.5**	52.5	**-**	(5.7)
700 Collins Street, VIC	(1)	Dec 2018	303.0	**306.0**	271.0	**30.0**	20.6
Village Cinemas, VIC	(1)	Jun 2019	16.5	**16.5**	16.2	**0.9**	0.4
Wakefield Street, SA	(1)	Dec 2018	42.1	**50.5**	46.2	**4.2**	(5.9)
Vodafone Call Centre, TAS	(1)	SOLD	-	**-**	-	**-**	(0.5)
Investment properties			2,547.7	**2,520.9**	2,451.1	**86.4**	77.3
Investment property classified as held for sale							
Sturton Road, SA (Lot 203)	(1)	SOLD	-	**-**	0.9	**-**	0.1
Total investment property classified as held for sale			-	**-**	0.9	**-**	0.1
Total investment properties			2,547.7	**2,520.9**	2,452.0	**86.4**	77.4

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

(d) Movements in investment properties

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

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Balance at 1 July	**2,451.1**	2,357.8	**2,451.1**	2,357.8
Acquisitions		51.8		51.8
Capital works:				
Construction costs	**-**	13.6	**-**	13.6
Finance costs capitalised	**-**	1.1	**-**	1.1
Property improvements	**21.9**	6.7	**21.9**	6.7
Lifecycle	**1.9**	2.5	**1.9**	2.5
Disposals	**(54.5)**	(89.3)	**(54.5)**	(89.3)
Transferred to held for sale	**-**	(0.9)	**-**	(0.9)
Straight-line lease income	**9.3**	27.8	**9.3**	27.8
Lease costs and incentive costs	**25.6**	22.1	**25.6**	22.1
Lease incentive and lease cost amortisation	**(20.8)**	(19.5)	**(20.8)**	(19.5)
Net gain from fair value adjustments	**86.4**	77.4	**86.4**	77.4
Balance at 30 June	**2,520.9**	2,451.1	**2,520.9**	2,451.1

(e) Investment property sold

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

	Gross sale price $M	**Carrying amount at 30 June 2018 $M**	**Last independent valuation $M**	**Gain on sale recognised $M**
Tuggeranong Office Park, ACT (1)	54.5	45.0	45.0	0.7
Sturton Rd, SA (Lot 203)	0.9	0.9	0.9	-

(1) A significant portion of the Tuggeranong property was transferred from the Trust to an associate, LDK Healthcare Unit Trust ("LDK"), during the year as part of the planned transformation into Seniors Living units and associated facilities. The remaining portion of the site has been retained by the Trust in order to take advantage of future development opportunities. See note 7 for further information in relation to Cromwell's investment in LDK.

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

	Gross sale price $M	Carrying amount at 30 June 2017 $M	Last independent valuation $M	Loss on sale recognised $M
13 Musk Avenue, QLD	84.0	76.0	76.0	0.7
Vodafone Call Centre, TAS	4.5	5.0	5.0	0.1
Sturton Rd, SA (Lot 204)	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

(f) Fair value measurement

Cromwell's investment properties, with an aggregate carrying amount of $2,520.9 million (2018: $2,451.1 million), are measured using the fair value model as described in AASB 140 *Investment Property*. Fair value is 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 11 of Cromwell's investment properties are based on independent external valuations representing 52% 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.

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 13).

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

	2019		2018	
Inputs	**Range**	**Weighted average**	Range	Weighted average
Capitalisation rate (%)	5.0 – 11.0	5.8	5.3 – 12.0	6.1
Discount rate (%)	6.3 – 12.0	6.7	6.5 – 12.5	7.0
Annual net property income ($M)	0.0 – 25.3	15.2	0.0 – 29.7	16.9
WALE (years)	0.1 – 13.5	7.6	0.0 – 14.2	7.1
Occupancy (%)	0.0 – 100.0	98.0	0.0 – 100.0	94.6

Sensitivity information

The sensitivity to changes in 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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Rental income and recoverable outgoings	**198.5**	209.6	**197.8**	210.0
Property expenses and outgoings	**(34.0)**	(34.6)	**(39.1)**	(39.8)
Total amounts recognised in profit and loss for investment properties	**164.5**	175.0	**158.7**	170.2

(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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Within one year	**149.8**	142.5	**149.8**	142.5
Later than one year but not later than five years	**485.0**	454.7	**485.0**	454.7
Later than five years	**641.6**	711.4	**641.6**	711.4
Total non-cancellable operating lease receivable from investment property tenants	**1,276.4**	1,308.6	**1,276.4**	1,308.6

7 Equity accounted investments

(a) 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			
	2019		2018		**2019**		2018	
	%	**$M**	%	$M	**%**	**$M**	%	$M
Equity accounted investments								
CEREIT	**35.8**	**641.4**	35.1	495.6	**35.0**	**626.3**	34.0	484.8
CPA	**-**	**-**	50.0	186.3	**-**	**-**	50.0	184.5
LDK	**50.0**	**-**	50.0	-	**50.0**	**-**	50.0	-
Others		**22.7**		20.5			-	-
Equity accounted investments		**664.1**		702.4		**626.3**		669.3
Equity accounted investments classified as held for sale								
CPA	**50.0**	**150.4**	-	-	**50.0**	**148.4**	-	-
Total equity accounted investments		**814.5**		702.4		**774.7**		669.3

(b) 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 relevant 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.

(c) Details of 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 35.8% and 35.0% (2018: 35.1% and 34.0%) 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.

Portgate

During 2016 Cromwell acquired 14,284,000 units in the Portgate Estate Unit Trust representing 28% of the issued units by Portgate for a consideration of $13,620,000, including acquisition costs. $2.5 million of acquisition consideration is yet to be paid and will be paid as required by Portgate. Portgate was established for the ownership of land, comprising an existing site and a development site at the Port of Brisbane. The existing site contains tenanted warehouses. All the relevant activities of Portgate are managed and approved by a management committee requiring unanimous consent on all decisions. Cromwell and the trustee each provide two representatives to the management committee. The entity is therefore classified as a joint venture.

The Trustee of Portgate is MPC Nominees Pty Ltd which is a subsidiary of Monash Private Capital. Mr G Levy, a Director of the Company is also a Director of the Trustee and of Monash Private Capital and owns 26% of the issued shares of Monash Private Capital. Owing to the operations of the management committee described above, Monash Private Capital rebates its pro-rata management fee in respect of Cromwell's investment in Portgate to Cromwell. Cromwell provides property management services to Portgate for an annual fee of $87,000 (2018: $85,000).

(d) Details of joint ventures

LDK Healthcare Unit Trust

During the 2018 financial year, Cromwell acquired 50% of the units in the LDK Healthcare Unit Trust (LDK), an aged care operation. The remaining 50% of the units in LDK are held by a single investor, Aspire LDK Unit Trust (Aspire). A unit holder agreement between Cromwell and Aspire limits the power of the trustee to management of ongoing operations of LDK. All decisions about relevant activities of LDK require unanimous consent of the two unitholders. It has therefore been determined that joint control of the arrangement exists between Cromwell and Aspire. Both parties have rights to the net assets of the arrangement through the establishment of the separate LDK vehicle. The arrangement is therefore classified as a joint venture.

Oyster

Oyster is a New Zealand based retail property fund syndicator that provides fund and property management services throughout New Zealand. Oyster is jointly owned by Cromwell and six original Oyster shareholders. Oyster is classified as a joint venture as the board of Oyster comprises three representatives appointed by the six investors and three representatives from Cromwell with no deciding or "chair's" vote. A shareholder agreement between Cromwell and the six investors outlines how Oyster will be managed.

(e) Details of equity accounted investment classified as held for sale

Cromwell Partners Trust and CPT Operations Pty Limited (CPA)

The Trust holds a 50% interest in the units of Cromwell Partners Trust and 50% of the shares in CPT Operations Pty Limited, together known as "CPA". Cromwell Partners Trust owns the $600.0 million (2018: $594.5 million) Northpoint Building in the North Sydney CBD, whilst CPT Operations Pty Limited manages the associated carpark and hotel businesses. The remaining 50% of the interests 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.

The investment in CPA has been classified as held for sale because it is managements intention that the carrying amount of the investment will be recovered through a sale transaction and the investment is in a saleable condition has been actively marketed. The valuation of this held for sale joint venture is primarily based upon an independent valuation less fees and costs expected to be charged to affect the disposal. See note 25 for further information in relation to Cromwell's disposal of its interest in this joint venture.

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

	As at 30 June 2019 $M				As at 30 June 2018 $M			
	CEREIT(1)	**CPA(2)**	**LDK(3)**	**Other(4)**	CEREIT(1)	CPA(2)	LDK(3)	Other(4)
Summarised balance sheets:								
Cash and cash equivalents	**91.6**	**13.5**	**1.6**	**14.5**	84.4	19.6	-	8.5
Other current assets	**57.4**	**3.0**	**5.8**	**9.8**	45.0	3.3	-	13.6
Total current assets	**149.0**	**16.5**	**7.4**	**24.3**	129.4	22.9	-	22.1
Investment properties	**2,969.8**	**598.5**	**351.2**	**55.0**	2,185.6	594.5	-	55.2
Other non-current assets	**28.3**	**1.8**	**0.5**	**13.4**	15.8	2.2	-	11.2
Total non-current assets	**2,998.1**	**600.3**	**351.7**	**68.4**	2,201.4	596.7	-	66.4
Total assets	**3,147.1**	**616.8**	**359.1**	**92.7**	2,330.8	619.6	-	88.5
Financial liabilities	**207.6**	**6.8**	**221.6**	**7.6**	107.1	13.3	-	6.3
Other current liabilities	**73.1**	**0.2**	**5.0**	**1.3**	-	1.4	-	3.1
Total current liabilities	**280.7**	**7.0**	**226.6**	**8.9**	107.1	14.7	-	9.4
Financial liabilities	**1,075.4**	**233.9**	**25.9**	**31.4**	777.4	232.4	-	31.1
Other non-current liabilities	**-**	**4.5**	**117.3**	**30.8**	30.9	-	-	30.8
Total non-current liabilities	**1,075.4**	**238.4**	**143.2**	**62.2**	808.3	232.4	-	61.9
Total liabilities	**1,356.1**	**245.4**	**369.8**	**71.1**	915.4	247.1	-	71.3
Net assets	**1,791.0**	**371.4**	**(10.7)**	**21.6**	1,415.4	372.5	-	17.2
Carrying amount of investment:							-	-
Cromwell's share of equity (%)	**35.8**	**50.0**	**50.0**	**-**	35.0	50.0	-	-
Cromwell's share of net assets	**641.4**	**185.7**	**-**	**18.6**	495.6	186.3	-	16.4
Costs in relation asset classified as held for sale	**-**	**(35.3)**	**-**	**-**	-	-	-	-
Unpaid investment consideration	**-**	**-**	**-**	**(2.5)**	-	-	-	(2.5)
Goodwill	**-**	**-**	**-**	**6.6**	-	-	-	6.6
Carrying amount	**641.4**	**150.4**	**-**	**22.7**	495.6	186.3	-	20.5
Movement in carrying amounts:								
Opening balance at 1 July	**495.6**	**186.3**	**-**	**20.5**	-	85.6	-	15.9
Investment	**148.7**	**3.0**	**-**	**-**	464.4	14.0	-	8.0
Share of profit / loss	**53.0**	**0.4**	**-**	**2.2**	27.1	95.0	-	3.0
Less: dividends / distributions received	**(67.6)**	**(4.0)**	**-**	**(0.2)**	-	(9.8)	-	(0.4)
Costs in relation to asset classified as held for sale	**-**	**(35.3)**	**-**	**-**	-	-	-	-
Increase / (decrease) to recoverable amount	**-**	**-**	**-**	**-**	-	1.5	-	(5.7)
Foreign exchange difference	**11.7**	**-**	**-**	**0.2**	4.1	-	-	(0.3)
Carrying amount at 30 June	**641.4**	**150.4**	**-**	**22.7**	495.6	186.3	-	20.5
Summarised statements of comprehensive income:								
Revenue	**232.1**	**35.2**	**2.0**	**38.7**	163.5	205.0	-	38.7
Expenses	**(84.1)**	**(34.4)**	**(10.9)**	**(31.8)**	(86.2)	(15.1)	-	(32.8)
Total comprehensive income / (loss)	**148.0**	**0.8**	**(8.9)**	**6.9**	77.3	189.9	-	5.9
Cromwell's share in %	**35.8**	**50.0**	**50.0**	**-**	35.1	50.0	-	-
Share of profit / (loss)	**53.0**	**0.4**	**-**	**2.2**	27.1	95.0	-	3.0

(1) At year end Cromwell owned 35.8% of CEREIT, the Trust owned 35.0% (2018: 35.1% and 34.0%). The Balance sheet information shown above reflects the impact of distributions receivable to Cromwell and the Trust at 30 June 2019 which were not reflected in the 30 June 2019 financial statements of CEREIT.

(2) At year end Cromwell and the Trust owned 50.0% of CPA (2018: 50.0%). This investment has been classified as held for sale at year end,

(3) At year end Cromwell owned 50.0% of LDK (2018: 50.0%)

(4) 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).

(g) 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) and LDK Healthcare Pty Ltd (LDK) are detailed below.

Cromwell European Real Estate Investment Trust

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.

LDK Healthcare Unit Trust

LDK has been classified as a joint venture and accounted for as an equity-accounted investment. The determination of this was based on an assessment that Cromwell can only exercise joint control over the relevant decisions 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 LDK, the composition of the Board and other relevant agreements and joint control over relevant decisions.

These key factors include:

- Equal share of equity contributed into the LDK structure by Cromwell and Aspire LDK Unit Trust (Aspire) leading to an equal share of voting rights between the same;
- Equal split of Board members with equal voting rights and no tie-breaker voting preference, and agreement to abide by the decision of an independent arbiter in the event of deadlock;
- All decisions regarding the commercial direction or transactions of LDK require unanimous decision and agreement from both parties, however, a number of key items have actually been delegated in practice to Aspire or LDK itself;
- The intention of the parties to establish a structure under their joint control.

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

8 Investments at fair value through profit or loss

(a) 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 Statement of financial position 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 and any other relevant financial assets.

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Investment in Cromwell unlisted funds	**0.8**	1.3	**0.8**	1.3
Investment in wholesale funds	**18.0**	20.0	**-**	-
Investment in other financial asset	**3.8**	11.7	**-**	-
Total investments at fair value through profit or loss	**22.6**	33.0	**0.8**	1.3

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 13.

(b) 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 Income statement.

Subsequent to initial recognition, Cromwell continues to measure all equity investments at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (e.g. for unlisted securities), Cromwell establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis and pricing models to reflect the issuer's specific circumstances.

Changes in the fair value of equity investments at fair value through profit or loss are recognised in the Income statement as applicable.

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 30% - 40%.

9 Borrowings

(a) 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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Current				
Unsecured				
Convertible bonds	**88.0**	-	**88.0**	-
	88.0	-	**88.0**	-
Non-current				
Secured				
Loans – financial institutions	**931.5**	1,000.0	**924.1**	1,000.0
Unsecured				
Convertible bonds	**353.3**	426.7	**353.3**	426.7
Unamortised transaction costs	**(16.4)**	(14.7)	**(16.4)**	(14.3)
	1,268.4	1,412.0	**1,261.0**	1,412.4
Total				
Secured loans – financial institutions	**931.5**	1,000.0	**924.1**	1,000.0
Unsecured convertible bonds	**441.3**	426.7	**441.3**	426.7
Unamortised transaction costs	**(16.4)**	(14.7)	**(16.4)**	(14.3)
Total borrowings	**1,356.4**	1,412.0	**1,349.0**	1,412.4

(b) 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.

(c) Borrowing details

	Note	Secured	Maturity Date	2019 Facility $M	2019 Utilised $M	2018 Facility $M	2018 Utilised $M
Secured bilateral loan facilities (1)	(i)	Yes	Jun-23	**1,100.0**	**663.9**	1,300.0	1,000.0
Secured bilateral loan facilities (2)	(ii)	Yes	Jun-24	**200.0**	**200.0**	-	-
Secured bilateral loan facilities (3)	(iii)	Yes	Jun-26	**60.0**	**60.0**	-	-
Convertible bond – 2020	(iv)	No	Feb-20	**88.0**	**88.0**	86.4	86.4
Convertible bond - 2025	(v)	No	Mar-25	**353.3**	**353.3**	340.3	340.3
Euro facility	(vii)	Yes	May-22	**7.6**	**7.6**	-	-
Euro / GBP facility	(viii)	Yes	Jun-26	**364.6**	**-**	-	-
Total borrowing facilities				**2,173.5**	**1,372.8**	1,726.7	1,426.7

(i) Secured bilateral loan facilities (1)

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. All principal amounts outstanding are due at the expiry of the facilities. All facilities are bilateral loans with a total amount drawn of $663.9 million at 30 June 2019 (30 June 2018: $1.0 billion). Repayments of $76.1 million were made during the year (2018: nil). The facilities are secured by first registered mortgages over a pool of investment properties held by the Trust. Interest is payable quarterly in arrears calculated as BBSY rate plus a loan margin.

During the year, Cromwell and the Trust paid down $170.0 million following the receipt of funds raised from the Entitlement Offer, and drew down €58.0 million ($93.8 million) to assist with funding of the CEREIT rights issue. Also during the year, Cromwell drew down and simultaneously repaid $60.0 and €12.9 million ($20.9 million) between syndicated lenders.

(ii) Secured bilateral loan facilities (2)

During the year, Cromwell and the Trust exercised a 12 months extension of a facility with one of the existing lenders The principal amount outstanding is due at the expiry of the facility. The new expiry date of this $200 million facility is June 2024. It was fully drawn and remained outstanding at June 2019.

(iii) Secured bilateral loan facilities (3)

In June 2019 Cromwell and the Trust entered into a $60 million bilateral Facility Agreement with a new lender which comes under the Common Terms Deed. The facility is a single draw facility and the entire $60 million facility was drawn down in June 2019 to repay another participating lender. The facility is tied to clean energy initiatives and is for a term of 7 years, The principal amount outstanding is due at the expiry of the facility.

(vi) Convertible bond - 2020

As a result of the convertible bond repurchase in the prior year (see (v) below for details), at year-end, 548 (30 June 2018: 548) convertible bonds with a face value of €100,000 each were on issue with a gross face value of €54.8 million or $87.2 million (30 June 2018: $86.4m). 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. Bond holders were notified that as of 15 December 2017 that the conversion price changed 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 adjustments such 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 $1.4230 per Euro. Any conversion may be settled in cash, stapled securities of Cromwell or a combination thereof at the discretion of Cromwell.

(v) Convertible bond - 2025

During the prior 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 on date of issue). 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 $1.1656 at year end (30 June 2018: $1.1771) per stapled security, subject to adjustments such 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 discretion 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 ended 30 June 2018. The remaining proceeds were used to repay debt and for other liquidity purposes.

(vi) Convertible bonds – conversion features

The conversion feature of the convertible bonds represents an embedded derivative financial instrument in the host debt contract. The embedded derivative is measured at fair value and deducted from the carrying amount of the convertible bonds (which are carried at amortised cost) and separately disclosed as a derivative financial liability on the face of the statement of financial position. 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 bonds.

The convertible bonds are presented in the statements of financial position as noted below:

Convertible bond – issued February 2015, expires February 2020.	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Face value of bond issued – beginning of year	**220.1**	220.1	**220.1**	220.1
Derivative financial instruments – conversion feature	**(17.9)**	(17.9)	**-**	(17.9)
Convertible bond carrying amount at inception	**202.2**	202.2	**220.1**	202.2
Movements in exchange rate and amortisation of conversion feature – previous periods	**37.3**	11.2	**19.4**	11.2
Repurchase of bonds – previous periods	**(153.1)**	-	**(153.1)**	-
Carrying amount at 1 July	**86.4**	213.4	**86.4**	213.4
Repurchase of bonds	**-**	(153.1)	**-**	(153.1)
Amortisation and derecognition of conversion features to account for effective interest rate and repurchase – current period	**1.4**	-	**1.4**	-
Restatement of conversion feature – current period	**(2.2)**	9.9	**(2.2)**	9.9
Movements in exchange rate – current period	**2.4**	16.2	**2.4**	16.2
Carrying amount at year end	**88.0**	86.4	**88.0**	86.4

Convertible bond – issued March 2018, expires March 2025.	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Face value of bonds issued during the year	**370.0**	370.0	**370.0**	370.0
Derivative financial instruments – conversion feature	**(23.5)**	(23.5)	**(23.5)**	(23.5)
Convertible bond carrying amount at inception	**346.5**	346.5	**346.5**	346.5
Movements in exchange rate and amortisation of conversion feature – previous periods	**(6.2)**	-	**(6.2)**	-
Carrying amount at 1 July	**340.3**	346.5	**340.3**	346.5
Amortisation to account for effective interest rate	**3.3**	0.8	**3.3**	0.8
Movements in exchange rate – current period	**9.7**	(7.0)	**9.7**	(7.0)
Carrying amount at year end	**353.3**	340.3	**353.3**	340.3
Total carrying amount at year end	**441.3**	426.7	**441.3**	426.7

(vii) Euro facility

In May 2018, Cromwell and the Trust entered into a €4.7million ($7.6 million) facility with a four-year term, at which time all principal amounts outstanding are due. The facility was fully drawn at year end (30 June 2018: undrawn). The facility is secured, with interest payable monthly in arrears calculated as EURIBOR plus a margin.

(viii) Euro / GBP facility

In June 2019 Cromwell and the Trust entered into a multi-currency €225.0 million ($364.6 million) Euro / GBP revolver facility. The revolver is a syndicated facility allowing draws both in Euro and GBP. The term of the facility is 3 years at which time all principal amounts outstanding are due. Interest is payable in arrears, calculated as EURIBOR / LIBOR plus a margin.

(d) Finance costs

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Total interest	**47.6**	48.0	**47.5**	47.9
Amortisation of loan transaction costs	**7.8**	21.2	**7.5**	9.7
Net exchange losses on foreign currency borrowings	**12.7**	10.3	**12.8**	3.6
Total finance costs	**68.1**	79.5	**67.8**	61.2

Information about Cromwell's exposure to interest rate changes is provided in note 13.

10 Derivative financial instruments

(a) Overview

Cromwell's and the Trust's derivative financial instruments consist of interest rate swap and interest rate cap contracts and the conversion options on the convertible bonds issued in February 2015 and March 2018 by Cromwell. Interest rate swap and interest rate cap contracts are used to fix interest on floating rate borrowings. During the year, the cross-currency swap contract terminated. This was previously used in the 2017 year to swap Australian dollars into Euro's with the funds being used to acquire the investment in CEREIT (note 16). The conversion option amounts represent 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 as a derivative financial instrument and is carried at fair value.

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Current asset				
Interest rate cap contract	**-**	0.1	**-**	0.1
Non-current assets				
Interest rate cap contracts	**-**	1.7	**-**	1.7
Current liabilities				
Interest rate swap contracts	**3.9**	0.7	**3.9**	0.7
Cross-currency swap contract	**-**	7.8	**-**	7.8
Conversion feature – convertible bond	**28.5**	28.5	**28.5**	28.5
	32.4	37.0	**32.4**	37.0
Non-current liabilities				
Interest rate swap contracts	**4.7**	0.7	**4.7**	0.7

(b) 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. These derivatives are entered into with the objective of hedging the risk of adverse interest rate fluctuations. Cromwell previously also entered into a cross-currency swap agreement with the objective of swapping Australian dollars into Euro's. Further details of derivative financial instruments are disclosed in note 13(f) and 26(h).

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. The resultant gain or loss is recognised immediately in the Income statement.

A derivative financial instrument with a positive fair value is recognised as a financial asset whilst a derivative with a negative fair value is recognised as a financial liability. Derivative financial instruments are not offset in the Statement of financial position unless Cromwell has both the legal right and intention to offset. A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

(c) Types of derivative financial instruments

Interest rate swap contracts – 2019

During the year Cromwell and the Trust entered into a suite of interest rate swap contracts used to fix interest on floating rate borrowings. An interest rate swap is a type of interest rate derivative in which Cromwell and Trust enter into a number of agreements to fix interest rates on floating rate borrowings. The swap contracts fix interest on floating rate borrowings with a notional value of $180.0 million at rates between 1.35% - 1.38%.

Interest rate cap and swap contracts – 2018

During the prior 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 cap is a type of interest rate derivative in which Cromwell and the Trust receive payments at the end of each period if the interest rate exceeds the agreed fixed rate. The relevant information pertaining to the cap and swap portfolio entered into in the prior year is 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%.

Interest rate cap contract – 2015 (expired May 2019)

During the year, this interest rate cap which had a notional amount of $1,000 million and a capped interest rate of 3.39%, terminated and has been replaced by the interest rate cap and swap contracts above.

(d) Swap and cap maturities

The table below shows the movements in the notional amounts of cap and swap coverage for the Cromwell and the Trust going forward:

		Cromwell and Trust	
Date	Description	Movement $M	Notional amount $M
July 2018	Opening balance	-	690.0
June 2019	New interest rate swaps	180.0	870.0
July 2019	Expiring interest rate swaps /caps	(90.0)	780.0
July 2020	Expiring interest rate swaps /caps	(90.0)	690.0
July 2021	Expiring interest rate swaps /caps	(510.0)	180.0
July 2024	Expiring interest rate swaps	(180.0)	-

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	
	2019 $M	2018 $M
Less than 1 year	**90.0**	1,119.9
1 – 2 years	**90.0**	90.0
2 – 3 years	**510.0**	90.0
3 – 5 years	**180.0**	510.0

Cross currency swap contract – expired September 2018

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 a prior year, as a component of the disposal group acquisition (see note 16) 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

(e) Bond conversion feature movements

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

	Cromwell and Trust	
	2019 $M	2018 $M
Derivative financial liability at 1 July	**28.5**	2.4
Derecognised on bonds repurchased	**-**	(2.4)
Recognised on bonds issued – March 2018	**-**	23.5
Restatement of conversion feature	**(2.2)**	-
Fair value gain	**3.0**	5.5
Foreign exchange difference	**(0.8)**	(0.5)
Balance at 30 June	**28.5**	28.5

For details about the fair value measurement of Cromwell's and the Trust's financial instruments refer to note 13.

11 Contributed equity

(a) Overview

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

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

	Cromwell stapled securities		Company shares		CDPT units	
	2019 $M	2018 $M	**2019 $M**	2018 $M	**2019 $M**	2018 $M
Contributed equity	**1,857.4**	1,615.2	**138.4**	118.9	**1,719.0**	1,496.3

(b) 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.

(c) 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.

		Cromwell stapled securities		Company shares		CDPT units	
	Number of securities	Issue price	$M	Issue price	$M	Issue price	$M
Opening balance 1 July 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	37.8¢	1.1
Distribution reinvestment plan [(1)]	8,005,137	101.7¢	8.1	3.9¢	0.3	97.8¢	7.8
Security placement and SPP	212,119,086	96.5¢	204.9	5.5¢	11.7	91.0¢	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
Exercise of performance rights	**2,375,686**	**36.3¢**	**0.9**	**1.3¢**	**0.1**	**35.0**	**0.8**
Distribution reinvestment plan [(1)]	**16,640,700**	**108.1¢**	**18.0**	**5.9¢**	**1.0**	**102.2¢**	**17.0**
Entitlement offer	**232,301,631**	**98.0¢**	**227.7**	**8.1¢**	**18.8**	**89.9¢**	**208.9**
Equity issue costs	**-**	**-**	**(4.4)**	**-**	**(0.4)**	**-**	**(4.0)**
Balance at 30 June 2019	**2,236,642,691**		**1,857.4**		**138.4**		**1,719.0**

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

During the year, Cromwell completed an Entitlement Offer to eligible securityholders, which resulted in 232,301,631 securities being issued, raising approximately $227.7 million. Proceeds from the Entitlement Offer were used to fund Cromwell's equity commitment in CEREIT's entitlement offer and for the repayment of $76.1 million of the Bilateral loan facility (see note 9(c)(i)).

Immediately subsequent to year end Cromwell completed an institutional placement and an Entitlement Offer to eligible securityholders, which resulted in 354,381,191 securities being issued, raising approximately $366.3 million. For further information see note 25.

(d) 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.

12 Reserves

(a) 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 Statement of financial position and a description of the nature and purpose of each reserve.

	Security based payments reserve		Fair value through other comprehensive income 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 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	**2.6**	**-**	**-**	**-**	**-**	**-**	**2.6**	**-**
Foreign exchange differences recognised in other comprehensive income	**-**	**-**	**-**	**-**	**2.5**	**31.8**	**2.5**	**31.8**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2019	**10.4**	**-**	**2.3**	**-**	**16.7**	**29.4**	**29.4**	**29.4**

Security based payments reserve

The security based payments reserve is used to recognise the fair value of equity settled security based payments for employee services. Refer to note 20 for details of Cromwell's security based payments.

Fair value through other comprehensive income reserve

Changes in the fair value of investments classified as being at fair value through other comprehensive income are taken to the relevant revaluation reserve.

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 relevant 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.

13 Financial risk management

(a) 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.

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.

The accounting policies with respect to the initial recognition, measurement, classification and subsequent measurement of Cromwell's financial assets and financial liabilities are disclosed in Note 26(h) AASB 9 *Financial instruments*.

Cromwell and the Trust hold the following financial instruments:

	Type of financial instrument	Cromwell		Trust	
		2019 $M	2018 $M	**2019 $M**	2018 $M
Financial assets					
Cash and cash equivalents	(1)	**101.6**	204.6	**47.7**	137.6
Receivables	(1)	**81.6**	44.0	**260.3**	183.9
Receivables	(2)	**112.6**	-	**47.8**	-
Investments at fair value through profit or loss	(2)	**22.6**	33.0	**0.8**	1.3
Derivative financial instruments	(2)	**-**	1.8	**-**	1.8
Total financial assets		**318.4**	283.4	**356.6**	324.6
Financial liabilities					
Trade and other payables	(1)	**60.1**	52.3	**31.8**	17.3
Dividends / distributions payable	(2)	**40.5**	41.4	**40.5**	41.4
Borrowings	(1)	**1,356.4**	1,412.0	**1,349.0**	1,412.4
Derivative financial instruments	(2)	**37.1**	37.7	**37.1**	37.7
Total financial liabilities		**1,494.1**	1,543.4	**1,458.4**	1,508.8

Type of financial instrument per AASB 9 *Financial Instruments:*

(1) At amortised cost; and

(2) At fair value through profit or loss.

(b) 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 Statement of financial position 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 and joint ventures 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 Statement of financial position 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.

(c) 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.

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	Over 5 years $M	Total $M	1 year or less $M	2-3 years $M	4-5 years $M	Over 5 years $M	Total $M
2019										
Trade and other payables	**60.1**	**-**	**-**	**-**	**60.1**	**31.8**	**-**	**-**	**-**	**31.8**
Dividends / distribution payable	**40.5**	**-**	**-**	**-**	**40.5**	**40.5**	**-**	**-**	**-**	**40.5**
Borrowings	**45.4**	**43.5**	**970.9**	**74.0**	**1,133.8**	**45.2**	**43.3**	**970.7**	**74.0**	**1,133.2**
Derivative financial instruments	**15.1**	**13.5**	**14.7**	**-**	**43.3**	**15.1**	**13.5**	**14.7**	**-**	**43.3**
Total financial liabilities	**161.1**	**57.0**	**985.6**	**74.0**	**1,277.7**	**132.6**	**56.8**	**985.4**	**74.0**	**1,248.8**
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

(d) 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 8).

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:		+10%		-10%	
	Carrying amount $M	Profit $M	Equity $M	Profit $M	Equity $M
2019					
Cromwell	**22.6**	**2.3**	**2.3**	**(2.3)**	**(2.3)**
Trust	**0.8**	**0.1**	**0.1**	**(0.1)**	**(0.1)**
2018					
Cromwell	33.0	3.3	3.3	(3.3)	(3.3)
Trust	1.3	0.1	0.1	(0.1)	(0.1)

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 93% (2018: 81%) of Cromwell's variable rate secured bank loan borrowings of $931.5 million (2018: $1,000 million) were effectively hedged through interest rate swap contracts. The convertible bonds carry a fixed interest rate. Therefore, interest on a total of 33% (2018: 30%) 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 10.

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
2019				
Cromwell	**(3.8)**	**(3.8)**	**3.8**	**3.8**
Trust	**(4.3)**	**(4.3)**	**4.3**	**4.3**
2018				
Cromwell	(5.3)	(5.3)	5.3	5.3
Trust	(5.9)	(5.9)	5.9	5.9

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 entities 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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Cash and cash equivalents	**19.3**	13.1	**19.3**	13.1
Receivables – interest receivable – related parties	**0.5**	-	**6.5**	6.9
Receivables – Trust loans – related parties	**-**	-	**-**	153.0
Equity accounted investments	**648.4**	507.1	**620.4**	484.8
Payables – interest payable convertible bond	**(3.2)**	(3.0)	**(3.2)**	(3.0)
Borrowings – convertible bond	**(441.3)**	(426.7)	**(441.3)**	(426.7)
Derivative financial instruments – cross-currency swap	**-**	(7.9)	**-**	(7.9)
Derivative financial instruments – conversion feature	**(28.5)**	(28.5)	**(28.5)**	(28.5)
Net exposure	**195.2**	54.1	**173.2**	191.7

Amounts recognised in profit or loss and other comprehensive income

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Amounts recognised in profit or loss				
Net foreign exchange (losses) / gains	**(3.0)**	(3.2)	**2.0**	(1.9)
Exchange (losses) / gains on foreign currency borrowings included in finance costs	**(12.7)**	(10.3)	**(12.8)**	(3.6)
Total expense recognised in profit or loss	**(15.7)**	(13.5)	**(10.8)**	(5.5)
Amounts recognised in other comprehensive income				
Translation of foreign operations	**2.5**	4.9	**8.8**	-
Translation differences on inter-group loans that form part of the net investment in the foreign operation	**8.8**	2.5	**-**	2.6
Total amount recognised in other comprehensive income	**11.3**	7.4	**8.8**	2.6

Sensitivity analysis – foreign exchange risk

	2019		2018	
	Profit $M	Equity $M	Profit $M	Equity $M
Euro – Australian Dollar gains 1 cent in exchange	**8.6**	**8.6**	7.0	6.0
Euro – Australian Dollar loses 1 cent in exchange	**(8.8)**	**(8.8)**	(7.2)	(6.2)

(e) 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 2019 and 30 June 2018:

Cromwell		**2019**			2018		
	Notes	**Level 2 $M**	**Level 3 $M**	**Total $M**	Level 2 $M	Level 3 $M	Total $M
Financial assets at fair value							
Receivables							
- Loans at fair value through profit or loss – related parties	17(c)	**-**	**112.6**	**112.6**	-	-	-
Investments at fair value through profit or loss							
- Unlisted equity securities	8(a)	**0.8**	**18.0**	**18.8**	1.3	20.0	21.3
- Other financial asset	8(a)	**-**	**3.8**	**3.8**	-	11.7	11.7
Derivative financial instruments							
- Interest rate caps	10(a)	**-**	**-**	**-**	1.8	-	1.8
Total financial assets at fair value		**0.8**	**134.4**	**135.2**	3.1	31.7	34.8
Financial liabilities at fair value							
Derivative financial instruments							
- Interest rate swaps	10(a)	**8.6**	**-**	**8.6**	1.4	-	1.4
- Cross currency swap	10(a)	**-**	**-**	**-**	7.8	-	7.8
- Conversion features	10(a)	**28.5**	**-**	**28.5**	28.5	-	28.5
Total financial liabilities at fair value		**37.1**	**-**	**37.1**	37.7	-	37.7

Trust		2019			2018		
		Level 2 $M	**Level 3 $M**	**Total $M**	Level 2 $M	Level 3 $M	Total $M
Financial assets at fair value							
Receivables							
- Loans at fair value through profit or loss – related parties	17(c)	**-**	**47.8**	**47.8**	-	-	-
Investments at fair value through profit or loss							
- Unlisted equity securities	8(a)	**0.8**	**-**	**0.8**	1.3	-	1.3
Derivative financial instruments							
- Interest rate caps	10(a)	**-**	**-**	**-**	1.8	-	1.8
Total financial assets at fair value		**0.8**	**47.8**	**48.6**	3.1	-	3.1
Financial liabilities at fair value							
Derivative financial instruments							
- Interest rate swaps	10(a)	**8.6**	**-**	**8.6**	1.4	-	1.4
- Cross currency swap	10(a)	**-**	**-**	**-**	7.8	-	7.8
- Conversion features	10(a)	**28.5**	**-**	**28.5**	28.5	-	28.5
Total financial liabilities at fair value		**37.1**	**-**	**37.1**	37.7	-	37.7

There were no transfers between the levels of the fair value hierarchy during the reporting period.

(f) 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 Statements of financial position.

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 €287.3 million ($465.6 million) (2018: €279.8 million ($441.0 million)) compared to a carrying amount of €272.3 million ($441.3 million) (2018: €284.8 million ($426.7 million).

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

At balance date, Cromwell held no Level 1 assets. However, in prior years Cromwell has held Level 1 assets including 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.

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.

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.

Receivable held at fair value through profit or loss

Level 3 assets held by Cromwell and the Trust include loans to the LDK joint venture. The fair value of these loans is based on the relevant discounted net cash inflows from expected future inflows of principal and interest. The present value of the net cash inflows is based on relevant interest rates adjusted for credit and liquidity risks specific to each loan, whilst compensating Cromwell and the Trust with an appropriate profit margin.

The fair value is determined using valuation techniques that are not supported by prices from an observable market. The fair value of these assets 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	
Investments at fair value through profit or loss	**2019 $M**	2018 $M
Opening balance as at 1 July	**31.7**	49.5
Additions	**0.9**	0.2
Disposals	**(9.9)**	(15.0)
Fair value (gain) / loss	**(1.3)**	(4.6)
Foreign exchange difference	**0.4**	1.6
Balance at 30 June	**21.8**	31.7

Group Structure

This section provides 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.

14 Parent entity disclosures

(a) 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* (Cth).

(b) Accounting policy

The financial information of the parent entities of Cromwell and the Trust has 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.

(c) Summarised financial information

	Company		CDPT	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Results				
(Loss) / profit for the year	**(8.7)**	(78.1)	**37.9**	183.9
Total comprehensive income for the year	**(8.7)**	(78.1)	**37.9**	183.9
Financial position				
Current assets	**90.0**	19.2	**13.2**	131.7
Total assets	**196.8**	138.0	**2,388.0**	2,364.6
Current liabilities	**10.1**	10.0	**64.8**	54.1
Total liabilities	**223.3**	178.3	**954.6**	1,034.4
Net (liabilities) / assets	**(26.5)**	(40.3)	**1,433.4**	1,330.2
Equity				
Contributed equity	**138.4**	118.9	**1,719.0**	1,496.3
Security based payments reserve	**10.4**	7.8	**-**	-
Reserves	**(0.1)**	(0.5)	**-**	-
Retained earnings / (accumulated losses)	**(175.2)**	(166.5)	**(285.6)**	(166.1)
Total equity	**(26.5)**	(40.3)	**1,433.4**	1,330.2

(d) Commitments

At balance date the Company and CDPT had no commitments (2018: none) in relation to capital expenditure contracted for but not recognised as liabilities.

(e) Guarantees provided

The Company and CDPT have both provided guarantees in relation to the convertible bonds disclosed at Note 9(c). 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 a prior year.

(f) Contingent liabilities

At balance date the Company and CDPT had no contingent liabilities (2018: none).

15 Controlled entities

(a) Company and its controlled entities

Name	Country of registration	Equity Holding 2019 %	Equity Holding 2018 %
Cromwell Aged Care Holdings Pty Ltd	Australia	**100**	100
Cromwell Altona Fund	Australia	**100**	100
Cromwell BT Pty Ltd	Australia	**100**	100
Cromwell Capital Pty Ltd	Australia	**100**	100
Cromwell Finance Pty Ltd	Australia	**100**	100
Cromwell Funds Management Limited	Australia	**100**	100
Cromwell Holdings No 1 Pty Ltd	Australia	**100**	100
Cromwell Holdings No 2 Pty Ltd	Australia	**100**	100
Cromwell Infrastructure Pty Ltd	Australia	**100**	100
Cromwell Operations Pty Ltd	Australia	**100**	100
Cromwell Project & Technical Solutions Pty Ltd	Australia	**100**	100
Cromwell Property Securities Limited	Australia	**100**	100
Cromwell Property Services Pty Ltd	Australia	**100**	100
Cromwell Real Estate Partners Pty Ltd	Australia	**100**	100
Cromwell Seven Hills Pty Limited	Australia	**100**	100
Lovett Developments Pty Limited	Australia	**100**	-
Marcoola Developments Pty Ltd	Australia	**100**	100
Valad Australia Pty Ltd	Australia	**100**	100
Votraint No. 662 Pty Limited	Australia	**100**	100
Gateshead Investments Limited	Cyprus	**100**	100
Upperastoria Trading & Investments Limited	Cyprus	**100**	100
Cromwell Property Group Czech Republic s.r.o.	Czech Republic	**100**	100
LiNK Hradec Králové s.r.o.	Czech Republic	**90**	90
Cromwell Denmark A/S	Denmark	**100**	100
Cromwell Finland O/Y	Finland	**100**	100
Cromwell France SAS	France	**100**	100
Cromwell Germany GmbH	Germany	**100**	100
Equity Partnerships Fund Management (Guernsey) Limited	Guernsey	**100**	100
Nordic Aktiv General Partner Limited	Guernsey	**100**	100
Nordic Aktiv General Partner 2 Limited	Guernsey	**100**	100
German Aktiv Co-op Limited	Guernsey	**100**	100
German Aktiv General Partner Limited	Guernsey	**100**	100
Cromwell Property Group Hungary Kft	Hungary	**100**	100
Cromwell Property Group Italy SRL	Italy	**100**	100
Cromwell CPR Promote S.à r.l.	Luxembourg	**100**	100
Cromwell Investment Luxembourg S.à r.l.	Luxembourg	**100**	-
Cromwell Luxembourg SA	Luxembourg	**100**	100
Cromwell REIM Luxembourg S.à r.l.	Luxembourg	**100**	100
Cromwell Central Europe B.V.	Netherlands	**100**	100
Cromwell Netherlands B.V.	Netherlands	**100**	100
Cromwell Norway A/S	Norway	**100**	100
Cromwell Poland Sp Zoo	Poland	**100**	100
Cromwell Poland No. 2 Sp Zoo	Poland	**100**	100
Cromwell Property Group Romania SRL	Romania	**100**	100
Cromwell EREIT Management Pte. Ltd	Singapore	**100**	100
Cromwell Sweden A/B	Sweden	**100**	100
Cromwell Asset Management UK Limited	United Kingdom	**100**	100
Cromwell Capital Ventures UK Limited	United Kingdom	**100**	100
Cromwell CEE Coinvest LP	United Kingdom	**100**	100
Cromwell CEE Development Holdings Limited	United Kingdom	**100**	100
Cromwell CEE Promote LP	United Kingdom	**100**	100
Cromwell CEREIT Holdings Limited	United Kingdom	**100**	100
Cromwell Coinvest CEIF LP	United Kingdom	**90**	90
Cromwell Coinvest CEVAF I LP	United Kingdom	**100**	100
Cromwell Coinvest ECV LP	United Kingdom	**90**	90
Cromwell Corporate Secretarial Limited	United Kingdom	**100**	100
Cromwell Corporate Secretarial No. 2 Limited	United Kingdom	**100**	100
Cromwell Development Holdings UK Limited	United Kingdom	**100**	100
Cromwell Development Management UK Limited	United Kingdom	**100**	100
Cromwell Director Limited	United Kingdom	**100**	100
Cromwell Europe Limited	United Kingdom	**100**	100
Cromwell European Holdings Limited	United Kingdom	**100**	100
Cromwell European Management Services Limited	United Kingdom	**100**	100
Cromwell GP	United Kingdom	**100**	100
Cromwell Holdings Europe Limited	United Kingdom	**100**	100
Cromwell Investment Holdings UK Limited	United Kingdom	**100**	100
Cromwell Investment Management Services Limited	United Kingdom	**100**	100
Cromwell Investment Services Limited	United Kingdom	**100**	100
Cromwell Management Holdings Limited	United Kingdom	**100**	100
Cromwell Poland Retail LLP	United Kingdom	**100**	100
Cromwell Poland Retail UK Limited	United Kingdom	**100**	100
Cromwell Promote CEIF LP	United Kingdom	**100**	100
Cromwell Promote CEVAF I LP	United Kingdom	**100**	100
Cromwell Promote CPRF LP	United Kingdom	**100**	100
Cromwell Promote ECV LP	United Kingdom	**100**	100
Cromwell Promote HIG LP	United Kingdom	**100**	100
Cromwell WBP Poland LP	United Kingdom	**100**	100
Cromwell YCM Coinvest LP	United Kingdom	**100**	100
Cromwell YCM Promote LP	United Kingdom	**100**	100
D.U.K.E. (Cheetham Hill) Limited	United Kingdom	**100**	100
D.U.K.E. Combined GP Limited	United Kingdom	**100**	100
Equity Partnerships (Osprey) Limited	United Kingdom	**100**	100
IO Management Services Limited	United Kingdom	**100**	100
Parc D'Activities 1 GP Limited	United Kingdom	**100**	100
PFM Coinvestment Partner Limited	United Kingdom	**100**	100
The IO Group Limited	United Kingdom	**100**	100
Valad Salfords Custodian Limited	United Kingdom	**100**	-

(b) Trust and its controlled entities

Name	Country of registration	Equity Holding 2019 %	Equity Holding 2018 %
CDPT Finance Pty Ltd	Australia	**100**	100
CDPT Finance No. 2 Pty Ltd	Australia	**100**	100
Cromwell Accumulation Fund	Australia	**100**	100
Cromwell Bundall Corporate Centre Head Trust	Australia	**100**	100
Cromwell Bundall Corporate Centre Trust	Australia	**100**	100
Cromwell CPF Fund No. 1	Australia	**100**	100
Cromwell Diversified Property Trust No. 2	Australia	**100**	100
Cromwell Diversified Property Trust No. 3	Australia	**100**	100
Cromwell Health and Forestry House Trust	Australia	**-**	100
Cromwell Holdings Trust No 1	Australia	**100**	100
Cromwell Holding Trust No 2	Australia	**100**	100
Cromwell Holdings Trust No 4	Australia	**100**	100
Cromwell HQ North Head Trust	Australia	**100**	100
Cromwell HQ North Trust	Australia	**100**	100
Cromwell Mary Street Property Trust	Australia	**100**	100
Cromwell Mary Street Planned Investment	Australia	**92**	92
Cromwell McKell Building Trust	Australia	**100**	100
Cromwell Newcastle Trust	Australia	**100**	100
Cromwell Poland Holdings Trust	Australia	**100**	-
Cromwell Northbourne Planned Investment	Australia	**100**	100
Cromwell NSW Portfolio Trust	Australia	**100**	100
Cromwell Penrith Trust	Australia	**100**	100
Cromwell Property Fund	Australia	**100**	100
Cromwell Property Fund Trust No 2	Australia	**100**	100
Cromwell Property Fund Trust No 3	Australia	**100**	100
Cromwell Queanbeyan Trust	Australia	**100**	100
Cromwell SWG Trust	Australia	**-**	100
Cromwell SPV Finance Pty Ltd	Australia	**100**	100
Cromwell Symantec House Trust	Australia	**100**	100
Cromwell TGA Planned Investment	Australia	**100**	100
Cromwell Wakefield Property Trust	Australia	**100**	100
Cromwell Wollongong Trust	Australia	**100**	100
EXM Head Trust	Australia	**100**	100
EXM Trust	Australia	**100**	100
Mascot Head Trust	Australia	**100**	100
Mascot Trust	Australia	**100**	100
MAT 2 Euro Trust	Australia	**-**	100
Tuggeranong Head Trust	Australia	**100**	100
Tuggeranong Trust	Australia	**100**	100
Cromwell Singapore Holdings Pte. Ltd.	Singapore	**100**	100
Cromwell European Finance Limited	United Kingdom	**100**	100

All new entities have been incorporated during the year. There were no business combinations 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.

16 Details of disposal group

(a) Overview

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).

The CECIF portfolio was combined with a number of others in a transaction that culminated on 30 November 2017 with the entire CEREIT group being listed on the SGX. The outcome of this transaction saw Cromwell and the Trust's existing interest in CEREIT being significantly diluted and, as such, it is accounted for as an equity accounted investment (see note 7).

(b) Gain recognised in relation to disposal group

In 2018, Cromwell and the Trust derived a $1.5 million and $1.7 million gain respectively in relation to the CEREIT disposal group. This amount was not considered part of the operating profit of Cromwell so was not included in any operating segment.

(c) 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 Statement of financial position. The liabilities and equity of a disposal group classified as held for sale are presented separately from other liabilities and equity respectively in the Statement of financial position.

Other Items

This section of the annual financial report provides information about individually significant items to the Statement of financial position 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.

17 Other financial assets and financial liabilities

(a) 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.

(b) Accounting policy

Trade receivables and loans at amortised cost

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

Loans at fair value through profit or loss

Loans at fair value through profit or loss are recognised initially at fair value and subsequently measured at fair value using techniques detailed in note 13(f)(iii).

For details about the classification, measurement and impairment of receivables as a result of the adoption of AASB 9 *Financial Instruments* refer to note 26(h).

Trade payables

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.

(c) Receivables

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Current				
Contract assets at amortised cost	**1.1**	0.6	**8.0**	7.6
Trade and other receivables at amortised cost	**66.8**	32.2	**35.0**	6.2
Loans at amortised cost – related parties	**5.0**	5.3	**139.7**	-
Receivables – current	**72.9**	38.1	**182.7**	13.8
Non-current				
Loans at amortised cost – related parties	**8.7**	5.9	**4.3**	1.9
Loans at fair value through profit or loss – related parties	**112.6**	-	**47.8**	-
Trust loans at amortised cost – related party	**-**	-	**73.3**	168.2
Receivables – non-current	**121.3**	5.9	**125.4**	170.1

Loans – related parties

Current loans – Oyster joint venture

During the current year, the Trust provided a NZD $6.0 million short-term loan facility to Cromwell's joint venture Oyster Property Funds Limited ("Oyster") for the initial funding of an Oyster property syndication. This facility was drawn to NZD $1.0 million, which was fully repaid during the year. The facility has now ceased.

Non-current loans – LDK joint venture

(i) Working capital loan

In the prior year, the Trust signed a Facility Agreement ('Working capital loan') with LDK Corporate Unit Trust, a subsidiary of LDK Healthcare Unit Trust, to provide a facility terminating on 31 December 2020. The maximum loan facility is $10.0 million with an interest rate of 12%. During the year, the loan was drawn down by $3.6 million. The loan balance at year-end is $4.5 million (2018: $0.9 million).

(ii) "Waterfall" loans

During the year, Cromwell and the Trust provided a number of loan facilities to LDK Healthcare Unit Trust and a number of its subsidiaries in order to assist in the development of the LDK business. These facilities are $240.8 million in aggregate and do not constitute a component of Cromwell's net investment in the joint venture itself due to the loans being either secured or their settlement being planned and likely.

Interest rates attributable range from nil to BBSY plus various margins. However, the overall aggregate amount drawn down is also subject to a "target" return requirement, whereby Cromwell and the Trust will receive a minimum internal rate of return of 20% upon the relevant cash flows. These loans have been classified as being held at fair value through profit or loss.

During the year, $112.4 million was drawn down in aggregate, whilst interest accrued at relevant rates. The total aggregate loan balance at year-end is $112.6 million (including accrued interest).

Trust loans – related party

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

Unsecured loan: In a prior year the Trust provided CCL a loan facility of €107.6 million. CCL made no repayments in respect of the loan during the year (2018: $nil) leaving a loan balance of €86.2 million ($139.7 million) at balance date (2018: €86.2 million, $135.9 million). The Euro denominated loan facility is unsecured and carries an interest rate of 2.5%. The loan facility expires in February 2020.

Unsecured loan: In a prior year the Trust provided CCL a loan facility of €10.9 million. During the year CCL repaid the loan in full (2018: $nil repayments). The Euro denominated loan facility was unsecured and an interest rate of BBSY plus a margin was applicable.

Investment loan: In a prior year the Trust provided CCL a loan facility of $15.2 million in relation to CCL's acquisition of an investment. The loan was fully drawn at inception. CCL made no repayments in respect of the loan during the year (2018: $nil). The facility is unsecured and carries an interest rate of BBSY plus a margin. The facility expires in March 2026.

LDK loans: During the year the Trust provided CCL additional aggregate loan facilities of $60.7 million. CCL made repayments of $2.6 million during the year. At balance date the aggregate loan balance was $58.1 million. The loan facilities are unsecured and an interest rate of BBSY plus a margin is applicable. The facility expires in February 2028.

(d) Trade and other payables	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Trade and other payables	**46.9**	47.3	**18.4**	12.3
Lease incentives payables	**13.3**	4.8	**13.3**	4.8
Tenant security deposits	**0.1**	0.2	**0.1**	0.2
Trade and other payables	**60.3**	52.3	**31.8**	17.3

18 Intangible assets

(a) Overview

At year-end, Cromwell's intangible assets consist of software assets. During the prior year, management assessed the carrying value of the goodwill attributable to the European business and concluded it was impaired. This was 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 into 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 $nil during the prior year.

(b) 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 of each underlying intangible asset 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 currently carries software as intangible assets. Software is amortised on a straight-line basis over two to five years.

This note provides information about the movements in intangible assets:

	Goodwill $M	Management rights $M	Software $M	Total $M
2019				
Cost	**-**	**-**	**9.3**	**9.3**
Accumulated amortisation	**-**	**-**	**(4.8)**	**(4.8)**
Total intangible assets	**-**	**-**	**4.5**	**4.5**
Balance at 1 July 2018	**-**	**-**	**2.3**	**2.3**
Additions	**-**	**-**	**3.7**	**3.7**
Disposals	**-**	**-**	**(1.0)**	**(1.0)**
Amortisation	**-**	**-**	**(0.6)**	**(0.6)**
Foreign exchange differences	**-**	**-**	**0.1**	**0.1**
Balance at 30 June 2019	**-**	**-**	**4.5**	**4.5**

	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

19 Cash flow information

(a) 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.

(b) 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.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis.

The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

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

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Net profit	**159.9**	204.1	**163.4**	288.4
Amortisation and depreciation	**2.4**	4.4	**-**	-
Amortisation of lease costs and incentives	**20.8**	19.5	**20.8**	19.5
Straight-line rentals	**(9.3)**	(27.8)	**(9.3)**	(27.8)
Security based payments	**2.5**	1.2	**-**	-
Share of (profits) / losses – equity accounted investments (net of distributions and impairments)	**13.5**	(128.4)	**15.6**	(111.0)
Net foreign exchange loss / (gain)	**10.1**	0.1	**10.7**	(0.7)
Amortisation of loan transaction costs	**7.8**	20.3	**7.5**	9.7
Gain on disposal of listed securities	**-**	(15.7)	**-**	(15.7)
(Gain) / loss on sale of investment properties	**(0.7)**	5.0	**(0.7)**	5.0
Costs in relation asset classified as held for sale	**35.3**	-	**35.3**	-
Decrease / (increase) in recoverable amounts	**0.4**	76.1	**-**	-
Fair value net (gain) / loss from:				
Investment properties	**(86.4)**	(77.4)	**(86.4)**	(77.4)
Derivative financial instruments	**10.5**	13.7	**10.5**	16.1
Investments at fair value through profit or loss	**9.2**	3.5	**-**	(0.1)
Payment for other transaction costs	**2.9**	5.7	**1.8**	3.0
Finance costs attributable to disposal group	**-**	2.1	**-**	2.1
Changes in operating assets and liabilities				
(Increase) / decrease in:				
Receivables	**(40.1)**	(3.1)	**(29.1)**	5.0
Tax assets / liabilities	**(9.0)**	8.5	**12.3**	9.3
Other current assets	**(2.6)**	(0.9)	**(0.2)**	(0.1)
Increase / (decrease) in:				
Trade and other payables	**5.6**	11.6	**5.4**	(0.4)
Provisions	**1.1**	0.7	**-**	-
Unearned income	**1.1**	(2.3)	**1.2**	(1.4)
Net cash provided by operating activities	**135.0**	120.9	**158.8**	123.5

(d) Non-cash transactions

	Cromwell		Trust	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Stapled securities / units issued on reinvestment of distributions	**18.0**	8.1	**17.0**	7.8
CEREIT fees received in units:				
- Acquisition fees	**4.9**	10.1	**-**	-
- Management fees	**16.4**	-	**-**	-
CEREIT transferred in lieu of cash:				
- Restructure costs	**0.6**	-	**-**	-
Total non-cash outflow transactions	**39.9**	18.2	**17.0**	7.8

(e) Reconciliation of liabilities arising from financing activities

Cromwell	**Borrowings $M**	**Dividends / distributions payable $M**	**Derivative financial instruments $M**	**Total $M**
Opening balance 1 July 2017	1,462.4	36.7	3.2	1,502.3
Changes from financing cash flows:				
- Proceeds from borrowings	1,719.4	-	-	1,719.4
- Repayments of borrowings	(1,765.0)	-	-	(1,765.0)
- Payment of loan transaction costs	(17.0)	-	-	(17.0)
- Payments for settlement of derivative financial instruments	-	-	(3.9)	(3.9)
- Payment of dividends / distributions	-	(144.3)	-	(144.3)
Total changes from financing cash flows	(62.6)	(144.3)	(3.9)	(210.8)
Other movements:				
- Exchange rate gains / losses	12.3	-	1.7	14.0
- Fair value net gains / losses	-	-	15.4	15.4
- Amortisation of loan transaction costs	21.2	-	-	21.2
- Stapled securities / units issued on reinvestment of distributions	-	(8.1)	-	(8.1)
- Distributions for the year	-	157.1	-	157.1
- Recognition of bond conversion features	(21.3)	-	21.3	-
Balance at 30 June 2018	1,412.0	41.4	37.7	1,491.1
Changes from financing cash flows:				
- Proceeds from borrowings	**178.5**	**-**	**-**	**178.5**
- Repayments of borrowings	**(250.7)**	**-**	**-**	**(250.7)**
- Payment of loan transaction costs	**(4.4)**	**-**	**-**	**(4.4)**
- Payment of dividends / distributions	**-**	**(140.4)**	**-**	**(140.4)**
- Payments for settlement of derivative financial instruments	**-**	**-**	**(12.3)**	**(12.3)**
Total changes from financing cash flows	**(76.6)**	**(140.4)**	**(12.3)**	**(229.3)**
Other movements:				
- Exchange rate gains / losses	**15.4**	**-**	**0.8**	**16.2**
- Fair value net gains / losses	**-**	**-**	**8.7**	**8.7**
- Payment of loan transaction costs	**-**	**-**	**-**	**-**
- Amortisation of loan transaction costs	**7.8**	**-**	**-**	**7.8**
- Stapled securities / units issued on reinvestment of distributions	**-**	**(18.0)**	**-**	**(18.0)**
- Distributions for the year	**-**	**157.5**	**-**	**157.5**
- Recognition of bond conversion features	**(2.2)**	**-**	**2.2**	**-**
Balance at 30 June 2019	**1,356.4**	**40.5**	**37.1**	**1,434.0**

Trust	Borrowings $M	Dividends / distributions payable $M	Derivative financial instruments $M	Total $M
Opening balance 1 July 2017	1,473.8	36.8	0.8	1,511.4
Changes from financing cash flows:				
- Proceeds from borrowings	1,719.4	-	-	1,719.4
- Repayments of borrowings	(1,765.0)	-	-	(1,765.0)
- Payment of loan transaction costs	(17.0)	-	-	(17.0)
- Payments for settlement of derivative financial instruments	-	-	(3.9)	(3.9)
- Payment of dividends / distributions	-	(144.7)	-	(144.7)
Total changes from financing cash flows	(62.6)	(144.7)	(3.9)	(211.2)
Other movements:				
- Exchange rate gains / losses	15.0	-	(0.7)	14.3
- Fair value net gains / losses	-	-	18.0	18.0
- Amortisation of loan transaction costs	9.7	-	-	9.7
- Stapled securities / units issued on reinvestment of distributions	-	(7.8)	-	(7.8)
- Distributions for the year	-	157.1	-	157.1
- Recognition of bond conversion features	(23.5)	-	23.5	-
Balance at 30 June 2018	1,412.4	41.4	37.7	1,332.5
Changes from financing cash flows:				
- Proceeds from borrowings	**171.0**	**-**	**-**	**171.0**
- Repayments of borrowings	**(250.7)**	**-**	**-**	**(250.7)**
- Payment of loan transaction costs	**(4.7)**	**-**	**-**	**(4.7)**
- Payment of dividends / distributions	**-**	**(141.4)**	**-**	**(141.4)**
- Payments for settlement of derivative financial instruments	**-**	**-**	**(12.3)**	**(12.3)**
Total changes from financing cash flows	**(84.3)**	**(141.4)**	**(12.3)**	**(238.0)**
Other movements:				
- Exchange rate gains / losses	**15.7**	**-**	**0.8**	**16.5**
- Fair value net gains / losses	**-**	**-**	**8.8**	**8.8**
- Payment of loan transaction costs	**-**	**-**	**-**	**-**
- Amortisation of loan transaction costs	**7.5**	**-**	**-**	**7.5**
- Stapled securities / units issued on reinvestment of distributions		**(17.0)**	**-**	**-**
- Distributions for the year		**157.5**	**-**	**-**
- Recognition of bond conversion features	**(2.2)**	**-**	**2.2**	**-**
Balance at 30 June 2019	**1,349.0**	**40.5**	**37.1**	**1,426.6**

20 Security based payments

(a) 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 securityholder 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.

(b) PRP

Cromwell established a PRP 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:

	2019		2018	
	Weighted average exercise price	**Number of performance rights**	Weighted average exercise price	Number of performance rights
As at 1 July	**$0.37**	**11,256,742**	$0.38	10,276,844
Granted during the year	**$0.24**	**6,751,764**	$0.35	3,961,001
Exercised during the year	**$0.36**	**(2,375,686)**	$0.40	(2,839,112)
Forfeited during the year	**-**	**-**	$0.00	(141,991)
As at 30 June	**$0.32**	**15,632,820**	$0.37	11,256,742
Vested and exercisable	**-**	**-**	-	-

The weighted average price per security at the date of exercise of options exercised during the year ended 30 June 2019 was $0.96 (2018: $0.96). No options expired during the years covered in the table above.

The weighted average remaining contractual life of the 15,632,820 performance rights outstanding at the end of the financial year (2018: 11,256,742) was 1.5 years (2018: 1.5 years).

Fair value of performance rights granted

The fair value of performance rights granted during the year was between $0.34 per option for PRP with an exercise price of $0.50 and $0.88 per option for PRP with an exercise price of $nil (2018: fair value between $0.29 and $0.50).

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 (2018: $0.00 to $0.50)
Grant date(s):	7-Nov-18 and 21-Dec-18 (2018: 16-Feb-18)
Share price at grant date(s):	$1.023 and $0.995 (2018: $0.95)
Expected price volatility:	13%, 14% and 17% (2018: 13%)
Expected dividend yield(s):	7.14%, 7.25% and 8.87% (2018: 8.73%)
Risk free interest rate(s):	2.06%, 2.11% and 1.94% (2018: 2.16%)
Expiry date(s):	7-Dec-21, 30-Sep-20 and 30-Sep-21 (2018: 1-Nov-20)

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.

(c) 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	
	2019	2018	**2019**	2018
	$M	$M	**$M**	$M
Performance rights issued under the PRP	**2.6**	1.2	**-**	-

21 Related parties

(a) 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.

(b) Key management personnel disclosures

Key management personnel compensation	Cromwell	
	2019	2018
	$	$
Short-term employee benefits	**5,043,108**	5,416,267
Post-employment benefits	**107,704**	119,769
Other long-term benefits	**80,782**	29,657
Security-based payments	**1,733,310**	621,278
Total key management personnel compensation	**6,964,904**	6,186,971

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 $1,960,001 (2018: $1,825,152).

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 $114,396 (2018: $104,000). The payment of rent is on normal commercial terms and conditions and at market rates.

(c) 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 15.

(ii) Transactions with joint ventures and associates

Cromwell European Real Estate Investment Trust

Cromwell and the Trust hold 35.8% and 35.0% interests in CEREIT (refer to note 7(e) for further details). Cromwell and the Trust received $68.6 million and $66.6 million in distributions from CEREIT during the year (2018: nil and nil). In December 2018 Cromwell and the Trust acquired a further 212,168,483 units in CEREIT as a result of participation in a rights issue and disposed of 825,880 in the course of operations.

Cromwell EREIT Management Pte. Ltd. ("CEM"), a wholly owned subsidiary of Cromwell, is the manager for CEREIT. A number of other wholly owned, European-domiciled, subsidiaries of Cromwell provide property related services to CEREIT at normal commercial terms. The following income was earned by Cromwell from CEREIT:

	Cromwell	
	2019	2018
	$M	$M
Paid / payable by CEREIT to Cromwell and its subsidiaries:		
Fund management fees	**12.5**	13.8
Property management fees	**18.2**	8.4-
Leasing fees	**3.0**	-
Project management fees	**0.8**	0.3
Distributions	**41.0**	-
Balances outstanding with CEREIT at year end:		
Distribution receivable	**25.6**	-
Aggregate amounts receivable	**16.1**	10.4

During the year Cromwell received 25,953,109 units in CEREIT as consideration for the part-settlement of Acquisition fees and Management fees (2018: 11,914,000), which equated to $8.2 million (2018: $10.1 million).

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 7 for further details). Cromwell received $3.4 million in distributions from CPA during the year (2018: $9.8 million).

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	
	2019	2018
	$M	$M
Paid / payable by CPA to Cromwell and its subsidiaries:		
Fund management fees	**2.8**	1.2
Property management fees	**0.8**	0.8
Leasing fees	**0.2**	0.4
Project management fees	**0.4**	0.7
Distributions	**3.9**	9.8
Balances outstanding with CPA at year end:		
Distribution receivable	**1.4**	2.6
Aggregate amounts receivable	**2.2**	3.2

LDK Healthcare Unit Trust

Cromwell holds a 50% interest in the LDK Healthcare Unit Trust (LDK), a joint venture conducting an aged care operation. During the prior year, Cromwell and LDK commenced a project to repurpose the Cromwell-owned property at Tuggeranong Office Park in the ACT into a Seniors living village under a Development lease. During the current year, LDK acquired the Tuggeranong Office Park property (now known as "Greenway") for $54.5 million, and the development lease was cancelled (see below).

Cromwell has the following loans and related party transactions with the LDK joint venture:

(a) Working capital loan

In the prior year, Cromwell and Trust signed a Facility Agreement ('Working capital loan') with a subsidiary of LDK, for a facility terminating on 31 December 2020 at which time all principal amounts outstanding are due. The maximum loan facility is $10.0 million, with an interest rate of 12%. The purpose of the facility is to provide initial liquidity support to the LDK business. During the year, the loan was drawn down by $3.6 million. The loan balance at year-end, including applicable interest, is $4.7 million (2018: $0.9 million);

(b) Start up loan and Development lease

In the prior year, in order to facilitate the development of the Cromwell-owned property at Tuggeranong Office Park in the ACT, Cromwell signed a Loan and Security Agreement ('Start up loan') and a Development lease agreement with a subsidiary of LDK.

The loan facility had a termination date of 30 June 2024 and an interest rate applicable of 7%. The purpose of the facility was to fund the costs of the Tuggeranong development project. The Development lease agreement was for the lease of the Tuggeranong property for a term of 10 years. Rent and interest income of $1.8 million of was recognised during the year (2018: $0.3 million). The loan was fully repaid during the year and the Development lease and loan facility have now been cancelled;

(c) "Waterfall" loans

During the year, Cromwell and the Trust provided a number of loan facilities to LDK Healthcare Unit Trust and a number of its subsidiaries in order to assist in the development of the LDK business. These facilities are $240.8 million in aggregate and do not constitute a component of Cromwell's net investment in the joint venture itself due to the loans being either secured or their settlement being planned and likely.

Interest rates attributable range from nil to BBSY plus various margins. However, the overall aggregate amount drawn down is also subject to a "target" return requirement, whereby Cromwell and the Trust will receive a minimum internal rate of return of 20% upon the relevant cash flows. These loans have been classified as being held at fair value through profit or loss.

During the year, $112.4 million was drawn down in aggregate, whilst interest accrued at relevant rates. The total aggregate loan balance at year-end is $112.6 million (including accrued interest).

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 year, the Trust provided a NZD $6.0 million short-term loan facility to Cromwell's joint venture Oyster Property Funds Limited ("Oyster") for the initial funding of an Oyster property syndication. Interest payable on the facility is 10% annually, and a facility fee of NZD $0.6 million was charged and paid. The facility was drawn to NZD $1.0 million, which was fully repaid during the year and the facility has now ceased.

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 prior year Cromwell paid an additional $6.5 million in consideration for the investment, leaving $2.5 million of unpaid acquisition consideration outstanding. For further information in relation to Cromwell's investment in Portgate see note 7(c).

During the year Cromwell provided property management services for which Portgate paid $87,000 (2018: $85,000). Portgate paid no distributions during the year (2018: $107,000).

Cromwell Direct Property Fund

During the year, the Trust entered into a short-term subscription agreement with Cromwell Direct Property Fund ("DPF"), the responsible entity of which is a wholly owned subsidiary of Cromwell Corporation Limited, whereby, subject to conditions, the Trust agrees to subscribe for up to $25.0 million of equity in DPF. At balance date the facility, which terminates in January 2020, had not been called upon.

(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	
	2019 $M	2018 $M
Paid / payable by the Trust to the Company and its subsidiaries:		
Fund management fees	**14.1**	13.3
Property management fees	**6.1**	6.4
Leasing fees	**1.3**	2.9
Project management fees	**1.5**	2.2
Accounting fees	**0.7**	0.5
Received / receivable by the Trust from the Company and its subsidiaries:		
Interest	**7.6**	7.4
Rent and recoverable outgoings	**3.0**	4.2
Balances outstanding at year-end with the Company and its subsidiaries:		
Aggregate amounts payable	**4.5**	2.0
Aggregate amounts receivable	**219.0**	175.1

The amount receivable from the Company and its subsidiaries includes loans of $213.0 million (2018: $168.2 million). For further details regarding these loans refer to note 17(c).

22 Employee benefits expense

(a) 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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Salaries and wages, including bonuses and on-costs	**58.8**	51.3	**-**	-
Directors fees	**1.2**	1.2	**-**	-
Contributions to defined contribution superannuation plans	**3.4**	3.0	**-**	-
Security-based payments	**2.6**	1.2	**-**	-
Other employee benefits expense	**5.7**	8.3	**-**	-
Restructure costs (reversed) / expensed	**(0.3)**	4.7	**-**	-
Total employee benefits expense	**71.4**	69.7	**-**	-

(b) Accounting policy

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 $4.0 million (2018: $3.3 million) is included in current provisions on the Statement of financial position. 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 Statement of financial position was $1.5 million (2018: $1.3 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 Statement of financial position was $0.6 million (2018: $0.5 million).

23 Auditors' remuneration

(a) Overview

The independent auditors of Cromwell in Australia (Deloitte Touche Tohmatsu) (2018: 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 Deloitte and Pitcher Partners and component audit firms during the year:

	Cromwell		Trust	
	2019 $	2018 $	**2019 $**	2018 $
Deloitte Touche Tohmatsu				
Audit and other assurance services				
Auditing or reviewing of financial reports	**322,000**	-	**172,800**	-
Auditing of controlled entities' AFS licences	**7,000**	-	**-**	-
Auditing of component financial reports	**499,560**	175,000	**-**	-
	828,560	175,000	**172,800**	-
Other services				
Due diligence services	**208,050**	-	**-**	-
International taxation advice	**212,100**	-	**-**	-
Total remuneration of Deloitte Touche Tohmatsu	**1,248,710**	175,000	**172,800**	-

	Cromwell		Trust	
	2019 $	2018 $	**2019 $**	2018 $
Pitcher Partners				
Audit and other assurance services				
Auditing or reviewing of financial reports	**-**	398,000	**-**	245,500
Auditing of controlled entities' AFS licences	**-**	10,500	**-**	-
Auditing of the Trust's compliance plan	**34,000**	34,000	**34,000**	34,000
	34,000	442,500	**34,000**	279,500
Other services				
Due diligence services	**-**	63,000	**-**	-
Valuation services	**25,000**	63,000	**-**	-
Total remuneration of Pitcher Partners	**59,000**	505,500	**-**	279,500
Other audit firms				
Audit and other assurance services				
Auditing of component financial reports	**-**	444,757	**-**	-
	-	444,757	**-**	-
Other services				
Tax compliance services	**367,123**	287,900	**-**	-
International tax advice on acquisitions	**73,541**	41,148	**-**	-
Total remuneration of other audit firms	**440,664**	773,805	**-**	-
Total auditors' remuneration	**1,748,374**	1,454,305	**206,800**	279,500

24 Unrecognised items

(a) Overview

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

(b) 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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Within one year	**3.3**	2.7	**-**	-
Later than one year but not later than five years	**7.2**	4.4	**-**	-
Greater than five years	**4.5**	0.7	**-**	-
Total operating lease commitments	**15.0**	7.8	**-**	-

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.

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	
	2019 $M	2018 $M	**2019 $M**	2018 $M
Investment property	**8.8**	8.1	**8.8**	8.1
Capital contributions	**0.4**	4.1	**-**	-
Total capital expenditure commitments	**9.2**	12.2	**8.8**	8.1

(c) Contingent liabilities

The Directors are not aware of any material contingent liabilities of Cromwell or the Trust (2018: nil).

25 Subsequent events

Other than those disclosed below, no matter or circumstance has arisen since 30 June 2019 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.

(a) Issues of securities subsequent to 30 June 2019

On 1 July 2019 Cromwell and the Trust completed an underwritten institutional placement of stapled securities. As a result 326,086,957 securities were allotted to securityholders on 2 July 2019. Proceeds (net of transaction costs) of $366.3 million were used to repay borrowings.

On 24 July 2019 Cromwell and the Trust closed a non-underwritten Security Purchase Plan ("SPP"). As a result 28,294,234 securities were allotted to securityholders on 31 July 2019. Proceeds (net of transaction costs) of $32.5 million were used for general liquidity purposes.

(b) Sale of investment in Northpoint (CPA) subsequent to 30 June 2019

On 1 July 2019 Cromwell and the Trust exchanged contracts to sell its 50% interest in Northpoint ("CPA") for $300.0 million. The sale is subject to Foreign Investment Review Board ("FIRB") approval and is expected to settle in mid-September 2019. The CPA investment has been classified as held for sale to reflect this state of affairs. For further information see note 7.

(c) Acquisition of property at 400 George Street, Brisbane, subsequent to 30 June 2019

On 22 August 2019 Cromwell and Trust exchanged contracts to acquire the building at 400 George Street, Brisbane, for $524.75 million. The acquisition has been funded by a mixture of funds from the institutional placement and SPP and capital to be recycled from the disposal of CPA (see above). The building is approximately ten years old, has a net lettable area of 43,978 sqm, a WALE of 4.9 years and is currently 99.8% occupied.

This transaction is subject to FIRB approval and is due to settle in September 2019.

(d) Cromwell Poland Retail Fund

On 28 August 2019, Cromwell exercised its pre-emptive right to acquire third party investor interests in the Cromwell Poland Retail Fund (CPRF). Following the exercise of the pre-emptive right, Cromwell has a period of approximately 2 months in which to conclude the acquisition of the remaining interests in the existing fund. Cromwell proposes to rollover the acquired interests into a new fund which will be offered to institutional investors. If CPRF is rolled into a new fund, Cromwell is likely to underwrite or take a co-investment stake in the new fund.

26 Other accounting policies

(a) 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 Consolidated statements of financial position or Consolidated income statements have been included in the respective note.

(b) 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* (Cth). 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.

(c) 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.

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 Statement of financial position.

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 2019 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 26(d)). 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 statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company. A list of subsidiaries appears in note 15 to the consolidated financial statements.

(d) 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.

(e) 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 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	
	2019	2018	**2019**	2018
Euro	**0.62**	0.63	**0.63**	0.65
NZ Dollar	**1.05**	1.09	**1.07**	1.07

(f) 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 have been previously impaired are reviewed for possible reversal of the impairment at each reporting date.

(g) Inventories

Inventories relate to land and property developments that are held for sale or developments and sale in the normal course of business. Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

(h) New accounting standards and interpretations

New accounting standards adopted by Cromwell
Cromwell and the Trust have adopted all applicable new Australian accounting standards and interpretations. Hence, the accounting standards detailed below are now applicable for the first time for the year ended 30 June 2019:

	Application date of the Standard	Application date to Cromwell – year commencing
AASB 9 *Financial Instruments*	1 Jan 2018	1 Jul 2018
AASB 15 *Revenue from Contracts with Customers*	1 Jan 2018	1 Jul 2018

AASB 9 *Financial Instruments*

Cromwell has applied AASB 9 *Financial Instruments* for the first time in the current year. The date of initial application, being the date on which Cromwell assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9, is 1 July 2018. The new standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces all previous versions of AASB 9 and introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of entities along with requirements for financial assets and amendments to the classification and measurement for certain debt instruments. In relation to the impairment of financial assets requirements under AASB 9, the new standard requires an 'expected credit loss' model as opposed to an incurred credit loss model.

Impact of adoption
The adoption of AASB 9 has had no material impact on the classification and measurement of Cromwell's financial assets and financial liabilities, or Cromwell's accounting policies relating to these instruments.

Financial assets

The impact of the adoption of the Standard on financial assets is set out below:

- Classification – Cromwell's trade and other receivables are held to collect contractual cash flows. These continue to be measured at amortised cost. Derivative financial instruments and other investments at fair value through profit or loss continue to be measured at fair value through the profit or loss;
- Measurement – at initial recognition, Cromwell continues to measure financial assets at their fair value, plus transaction costs (if any) directly attributable to the acquisition of the asset;
- Impairment of financial assets – Cromwell assesses the expected credit losses associated with financial assets carried at amortised cost using an 'expected credit loss' model as prescribed by the new standard, rather than the previously used incurred loss model. Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. Eligible financial assets are assessed under the simplified approach permitted by the standard and related expected lifetime losses are recognised immediately in the Income statement.

The below table provides information about the impact upon classification and measurement of financial assets under AASB 9 and AASB 139 at the date of initial application:

Financial assets	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 $M	New carrying amount under AASB 9 $M
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	204.6	204.6
Receivables (current and non-current)	Loans and receivables	Financial assets at amortised cost	44.0	44.0
Derivative financial instruments	Fair value through profit or loss	Financial assets at fair value through profit or loss	1.8	1.8
Investments at fair value through profit or loss	Fair value through profit or loss	Financial assets at fair value through profit or loss	33.0	33.0

Financial liabilities

The adoption of AASB 9 has had no material impact on the classification and measurement of Cromwell's financial liabilities, or Cromwell's accounting policies relating to financial liabilities.

The below table provides information about the impact upon classification and measurement of financial liabilities under AASB 9 and AASB 139 at the date of initial application:

Financial liabilities	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 $M	New carrying amount under AASB 9 $M
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	52.3	52.3
Derivative financial instruments	Fair value through profit or loss	Financial liabilities at fair value through profit or loss	37.7	37.7
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,412.0	1,412.0

Transition and disclosure

As permitted by the Standard, the comparative results for the year ended 30 June 2018 need not be restated. Owing to the immaterial impacts on Cromwell on transition, restatement has not been necessary.

Accounting policies under AASB 9

Initial recognition and measurement

Financial assets and financial liabilities are recognised in Cromwell's Statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. On initial recognition, financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognised net of transaction costs directly attributable to the acquisition of these financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Income statement.

Financial assets

Classification and subsequent recognition and measurement
Subsequent to initial recognition Cromwell classifies its financial assets in the following measurement categories:

- Those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends upon the whether the objective of Cromwell's relevant business model is to hold financial assets in order to collect contractual cash flows (business model test) and whether the contractual terms of the cash flows give rise on specified dates to cash flows that are solely payments of principal and interest (cash flow test).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

For assets measured at fair value, gains and losses will either be recorded in the Income statement or Statement of other comprehensive income. For investments in equity instruments that are not held for trading, the classification will depend upon whether Cromwell has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Cromwell does not carry financial assets that are classified as 'fair value through other comprehensive income', and currently does not apply hedge accounting.

Financial assets recognised at amortised cost
Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Income statement.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

Financial assets recognised at fair value through profit or loss
Assets that do not meet the criteria for amortised cost or recognition at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the Income statement and presented net within other gains / (losses) in the period in which it arises.

Impairment
Cromwell recognises a loss allowance for expected credit losses on trade receivables that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, Cromwell applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on Cromwell's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Cromwell impairs a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Financial liabilities and equity

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by Cromwell are recognised at the value of the proceeds received, net of direct issue costs. Repurchase of the Cromwell's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the Income statement on the purchase, sale, issue or cancellation of Cromwell's own equity instruments.

Compound instruments
The component parts of convertible loan notes issued by Cromwell are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Cromwell's own equity instruments is an embedded derivative and not an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as an embedded derivative is determined by deducting the amount of the liability component from the fair value of the compound instrument in its entirety. This component is recognised and classified as a financial liability and categorised as being at fair value through profit or loss. This amount is subsequently remeasured (see "Embedded derivatives" section below).

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities subsequently measured at amortised cost
Financial liabilities that are not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
Cromwell derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the Income statement.

When Cromwell exchanges one debt instrument for another with substantially different terms with an existing lender, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, Cromwell accounts for the substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new financial liability.

Derivative financial instruments

For information in relation to the accounting policies for derivative financial instruments, refer note 10(b).

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with hosts that are financial liabilities are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely aligned to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

AASB 15 *Revenue from Contracts with Customers*

Cromwell has applied AASB 15 *Revenue from Contracts with Customers* for the first time in the current year. AASB 15 replaces AASB 118 *Revenue*, which applied to contracts for goods and services, and AASB 111 *Construction Contracts* which applied to construction contracts. The new standard introduces a 5-step approach to revenue recognition and the principle that revenue is recognised when (or as) a performance obligation is satisfied, i.e when control of a good or service underlying the particular performance obligation is transferred to a customer – the notion of control of the performance obligation replaces the existing notion of risks and rewards.

Impact of adoption
Cromwell has elected to adopt AASB 15 using the fully retrospectively approach in accordance with paragraph C3(a) of the standard, whereby the cumulative effect of retrospective application is recognised by adjusting opening retained profits or other relevant components of equity for the earliest comparative period presented (which for Cromwell is the comparative period beginning 1 July 2017).

The impact of the adoption is immaterial to Cromwell and as such, the prior year results have not been restated. Accounting policies regarding revenue recognised under AASB 15 are disclosed at note 3.

(i) 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 the Standard	Application date to Cromwell – year commencing
AASB16 *Leases*	1 Jan 2019	1 Jul 2019
AASB Interpretation 23 *Uncertainty over Income Tax Treatments*	1 Jan 2019	1 Jul 2019

AASB 16 *Leases*

The AASB has issued a new standard for leases. This will replace AASB 117 *Leases* (AASB 117). 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 in the statement of financial position, to be recognised on the statement of financial position as a right-of-use asset with a corresponding financial liability, except for short-term leases and leases of low value assets.

The right-of-use asset will initially be measured at cost and subsequently at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Depreciation will be charged on a straight-line basis over the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows, whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

1. *Accounting as lessor*

The Directors have performed an 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 there is reasonable certainty they will be exercised, which may affect straight-line rent recognised for such leases.

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 adopting AASB 16 by applying the cumulative catch-up approach allowed 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 Swill be measured at the net present value of the future amounts payable under the relevant lease, including optional renewal periods where Cromwell assesses that the probability of renewal is reasonably certain.
- In the Income statement, rental/lease expense will be replaced by interest expense and amortisation expense.

Upon adoption from 1 July 2019, management estimates the impact upon net profit before tax for FY2020 will be approximately $1.3 million. Assets at 1 July 2019 will increase by approximately $15.2 million and liabilities will increase by approximately $12.3 million.

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

	2020 $M
Forecast statement of financial position at adoption of standard:	
Right of use asset	15.2
Non–current assets	**15.2**
Current lease obligation	4.2
Current liabilities	**4.2**
Non-current lease obligation	12.3
Non–current liabilities	**12.3**
Equity	**(1.3)**

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

A schedule of current operating lease commitments is disclosed in note 24.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

The AASB has issued a new interpretation in order to reduce diversity in practice regarding the recognition and measurement of current tax liabilities, deferred tax liabilities and deferred tax assets as defined by paragraph 5 of AASB 112 *Income Taxes*. The interpretation is to be applied to the determination of taxable profit (or losses), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. The interpretation requires an entity to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.

Cromwell maintains and executes robust and comprehensive income tax management procedures and no contentious or uncertain tax positions have currently been identified. Hence, the impact of the application of this interpretation is expected to be immaterial.

(j) 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**
Revenue	3
Fair value of investment property	6
Equity accounted investments	7
Investments at fair value through profit or loss	8
Fair value of financial instruments	13

Each of the new accounting standards adopted in the current year requires the application of judgements and use of estimation as follows:

AASB 9
AASB 9's expected credit loss model requires forecasts of future credit losses, together with an assessment of credit risk to determine whether expected lifetime or 12-month credit losses should be included in the loss allowance. During the year, there were not changes in the estimation technique used, or assumptions used in those estimations.

AASB 15
Estimation and judgement is required in relation to the application of variable consideration constraint of performance fees. See above and note 3 for further information.

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* (Cth), 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' financial position as at 30 June 2019 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 26; 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 2019 required by section 295A of the *Corporations Act 2001* (Cth).

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

PL Weightman
Director
28 August 2019
Brisbane

Deloitte.

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Independent Auditor's Report to the Stapled Security Holders of Cromwell Property Group and the Unitholders 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 the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity Cromwell Property Group, being the consolidated stapled entity. The consolidated stapled entity comprises Cromwell Corporation Limited ("the Company"), Cromwell Diversified Property Trust, and the entities they controlled at the year end or from time to time during the year; and
- Cromwell Diversified Property Trust ("the Trust") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of Cromwell Property Securities Limited, as Responsible Entity of the Trust. The consolidated entity comprises Cromwell Diversified Property Trust and the entities it controlled at the year end or from time to time during the year.

In our opinion, the accompanying financial reports of the Group and Trust are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and Trust's financial position as at 30 June 2019 and of their financial performance for the year then ended; and
- 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 Company, 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.

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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 reports for the current period. These matters were addressed in the context of our audit of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of investment properties At 30 June 2019, Cromwell Property Group recognised investment properties valued at $2,520.9 million as disclosed in Note 6. Cromwell Property Group utilises a combination of valuation methodologies to value its properties. The capitalisation of net income method applies a capitalisation rate to normalised market net operating income. The discounted cash flow method uses a 10 year cash flow forecast and terminal value calculation discounted to present value. The valuation process requires significant judgment and estimation in the following key areas: • forecast cash flows, • capitalisation rates, and • discount rates.	Our procedures included but, were not limited to: • Assessed the design and tested the operating effectiveness of key controls within management's valuation assessment, as well as assessed the oversight applied by the directors • Assessed the independence, competence and objectivity of the external valuers, as well as competence and objectivity of internal valuers • Performed an overall analytical review and risk assessment of the portfolio, assessing the key inputs and assumptions • Assessed the assumptions used in the portfolio, with particular focus on the capitalisation rate and discount rate with reference to external market trends and transactions, challenging those assumptions where appropriate • Enquired of management to obtain an understanding of portfolio movements and their identification of any additional property specific matters • Tested on a sample basis, both externally and internally valued properties, for the following: – the completeness and accuracy of the information in the valuation by agreeing key inputs such as net operating income to underlying records and source evidence; – the forecasts used in the valuations with reference to current financial results such as revenues and expenses, capital expenditure requirements, vacancy rates and lease renewals; and – The mathematical accuracy of the models. We also assessed the appropriateness of the disclosures included in the notes to the financial statements.

Other Information

The directors of the Company and the directors of Cromwell Property Securities Limited as Responsible Entity for the Trust (collectively referred to as "the directors") are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Financial highlights, Chairman's Report, CEO's Report, Corporate Governance Statement and Securityholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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When we read the Financial highlights, Chairman's Report, CEO's Report, Corporate Governance Statement and Securityholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors 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 and the Trust 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 the Trust 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 and Trust'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 and Trust'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 and Trust 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 and Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's and Trust's audit. We remain solely responsible for our audit opinion.

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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 18 to 41 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, 28 August 2019