

## 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 2023.

#### 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 2023. Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2022.

#### 3. HIGHLIGHTS OF RESULTS

	30 Jun 2023 A\$'M	30 Jun 2022 A\$'M	% Change
Revenue and other income	<b>377.5</b>	568.6	(34%)
Operating profit attributable to stapled security holders as assessed by the directors <sup>(1)</sup>	<b>158.6</b>	201.0	(21%)
Operating profit per stapled security as assessed by the directors <sup>(1) (2)</sup>	<b>6.06 cents</b>	7.68 cents	(21%)
Other items (including fair value adjustments)	<b>(602.4)</b>	62.2	(1,068%)
(Loss) / Profit after tax attributable to stapled security holders	<b>(443.8)</b>	263.2	(269%)
Basic earnings per stapled security <sup>(2)</sup>	<b>(16.95) cents</b>	10.05 cents	(269%)
Diluted earnings per stapled security <sup>(3)</sup>	<b>(16.90) cents</b>	10.02 cents	(269%)
Distributions per stapled security	<b>5.50 cents</b>	6.50 cents	(15%)
Total assets	<b>4,215.7</b>	5,054.2	(17%)
Net assets	<b>2,212.2</b>	2,710.4	(18%)
Net tangible assets ("NTA") <sup>(4)</sup>	<b>2,211.2</b>	2,721.2	(19%)
Net debt <sup>(5)</sup>	<b>1,735.4</b>	1,879.5	(8%)
Gearing (%) <sup>(6)</sup>	<b>42.6%</b>	39.6%	(8%)
Securities issued (M)	<b>2,618.9</b>	2,618.9	-
NTA per security	<b>\$0.84</b>	\$1.04	(19%)
NTA per security (excluding interest rate derivatives)	<b>\$0.82</b>	\$1.02	(20%)

(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 2023 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, deferred tax liabilities, right of use assets and lease liabilities.

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

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

#### 4. COMMENTARY ON THE RESULTS

Refer to the Directors' Report of the 2023 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
<b>2023</b>							
Interim distribution	-	1.3750¢	1.3750¢	36.0	-	30/09/22	18/11/22
Interim distribution	-	1.3750¢	1.3750¢	36.0	-	30/12/22	17/02/23
Interim distribution	-	1.3750¢	1.3750¢	36.0	-	31/03/23	19/05/23
Final distribution	-	1.3750¢	1.3750¢	36.0	-	30/06/23	18/08/23
	-	<b>5.5000¢</b>	<b>5.5000¢</b>	<b>144.0</b>	-		
<b>2022</b>							
Interim distribution	-	1.6250¢	1.6250¢	42.5	-	30/09/21	19/11/21
Interim distribution	-	1.6250¢	1.6250¢	42.6	-	31/12/21	18/02/22
Interim distribution	-	1.6250¢	1.6250¢	42.6	-	31/03/22	20/05/22
Final distribution	-	1.6250¢	1.6250¢	42.6	-	30/06/22	19/08/22
	-	<b>6.5000¢</b>	<b>6.5000¢</b>	<b>170.3</b>	-		

## 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.

In accordance with Rule 13 of the Plan, the Plan was suspended for the quarters ended 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023 respectively and relevant distributions were paid to securityholders in cash.

## 7. INVESTMENTS IN JOINT VENTURES

Refer to Note 9 of the 2023 annual financial report for details of investments in joint ventures and associates.

## 8. CHANGES ON CONTROL OVER GROUP ENTITIES

Refer to Note 18 of the 2023 annual financial report for details of entities over which control was gained or lost.

## 9. COMPLIANCE STATEMENT

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

The information contained in this report is based on the attached audited financial report for the year ended 30 June 2023.

Authorised for lodgement by Michael Foster (Company Secretary) and Michael Wilde (Chief Financial Officer).

**Michael Wilde**  
**Chief Financial Officer**  
**31 August 2023**



**CROMWELL**  
PROPERTY GROUP

# Cromwell Property Group Annual Financial Report

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**30 June 2023**

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

Cromwell Corporation Limited  
ABN 44 001 056 980  
Level 19, 200 Mary Street  
Brisbane QLD 4000

Cromwell Diversified Property Trust  
ARSN 102 982 598

Responsible entity:  
Cromwell Property Securities Limited  
ABN 11 079 147 809 AFSL 238052  
Level 19, 200 Mary Street  
Brisbane QLD 4000

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## DIRECTORY

### *Board of Directors:*

Gary Weiss AM  
Eng Peng Ooi  
Robert Blain  
Jonathan Callaghan  
Tanya Cox  
Joseph Gersh AM  
Lisa Scenna  
Jialei Tang

### *Secretary:*

Michael Foster

### *Share Registry:*

Link Market Services Limited  
Level 21, 10 Eagle Street  
Brisbane QLD 4000

### *Registered Office:*

Level 19  
200 Mary Street  
Brisbane QLD 4000  
Tel: +61 7 3225 7777  
Web: [www.cromwellpropertygroup.com](http://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

# 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 2023 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.

In order to comply with the provisions of the *Corporations Act 2001* (Cth), the Directors Report follows.

## Principal activities

The principal activities of Cromwell and the Trust, which did not change significantly through the year, are summarised below:

Fund and asset management	Fund management represents activities in relation to the establishment and management of external funds for institutional and retail investors. Asset management includes property and facility management, leasing and project management and development related activities. These activities are carried out by Cromwell itself and by associates and contributes related fee revenues or the relevant share of profit of each investee to consolidated results.
Co-investments	This activity includes Cromwell's investments in assets warehoused while being repositioned for deployment into the fund and asset management business and assets it may not fully own or over which it cannot exercise unilateral control. This includes interests in investment property portfolios in Poland (CPRF) and Italy (CIULF), the Cromwell European Real Estate Investment Trust (CEREIT), and other investment vehicles. This activity contributes net rental income and the relevant share of profit of each investee to consolidated results.
Investment portfolio	This involves the ownership of investment properties located in Australia. These properties are held for long term investment purposes and primarily contribute net rental income and associated cash flows to results.

## Key results and metrics <sup>(1)</sup>

	2023	2022	2021	2020
<b>Financial performance</b>				
Total assets under management (\$B)	11.5	12.0	11.9	11.5
Total revenue and other income for the year (\$M)	377.5	568.6	595.0	494.7
Statutory (loss)/profit for the year (\$M)	(443.8)	263.2	308.2	177.6
Statutory (loss)/profit per stapled security for the year (basic) (cents)	(16.95)	10.05	11.78	6.83
<b>Results from operations:</b>				
Funds and asset management (\$M)	41.3	49.7	44.6	78.1
Co-investments (\$M)	77.2	86.8	75.0	48.3
Investment portfolio (\$M)	161.2	172.8	174.5	202.6
Unallocated items (\$M)	(121.1)	(108.3)	(101.9)	(107.8)
Operating profit for the year (\$M)	158.6	201.0	192.2	221.2
Operating profit per stapled security for the year (cents)	6.06	7.68	7.35	8.50
Dividends / distributions for the year (\$M)	144.0	170.3	183.1	195.5
Dividends / distributions per stapled security for the year (cents)	5.50	6.50	7.00	7.50
<b>Financial position</b>				
Total assets (\$M)	4,215.7	5,054.2	5,008.9	4,984.5
Net assets (\$M)	2,212.2	2,710.4	2,665.3	2,583.4
Net tangible assets (\$M) <sup>(2)</sup>	2,211.2	2,721.2	2,656.7	2,573.4
Net debt (\$M) <sup>(3)</sup>	1,735.4	1,879.5	2,021.2	1,975.9
Gearing (%) <sup>(4)</sup>	42.6%	39.6%	41.8%	41.6%
Look-through gearing (%)	47.6%	44.8%	46.2%	47.5%
Stapled securities issued (M)	2,618.9	2,618.9	2,617.5	2,612.9
NTA per stapled security	\$0.84	\$1.04	\$1.02	\$0.99

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

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

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

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

# Directors' Report

## Financial performance

### Statutory (loss) / profit

Cromwell recorded a statutory loss after tax of \$443.8 million for the year ended 30 June 2023 (2022: statutory profit \$263.2 million). The Trust recorded a statutory loss after tax of \$438.7 million for the year ended 30 June 2023 (2022: statutory profit of \$274.9 million).

### Operating profit

Statutory loss or profit 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 should be adjusted for in order to allow securityholders to gain a better understanding of Cromwell's operating profit. 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. Operating profit is not a measure which is calculated in accordance with International Financial Reporting Standards ("IFRS") and has not been reviewed by Cromwell's auditor. There has been no significant change to the methodology of the calculation of operating profit since Cromwell stapled in 2007 other than the inclusion of items, such as foreign currency, which are associated with the ongoing growth of the business.

Cromwell recorded an operating profit of \$158.6 million for the year ended 30 June 2023 compared with \$201.0 million for the previous year.

A reconciliation of operating profit, as assessed by the Directors, to statutory (loss) / profit after tax is as follows:

	Cromwell	
	2023 \$M	2022 \$M
Operating profit	158.6	201.0
<i>Reconciliation to (loss) / profit after tax</i>		
Gain on sale of investment properties	2.0	11.8
Fair value net (losses) / gains - Investment properties	(491.6)	54.0
Fair value net (losses) / gains - Derivative financial instruments	(4.7)	55.4
Fair value net losses – investments at fair value through profit or loss	(4.9)	(1.7)
Lease cost and incentive amortisation and rent straight-lining	(20.2)	(23.1)
Relating to equity accounted investments <sup>(1)</sup>	(63.1)	(15.9)
Net exchange (loss) / gain on foreign currency borrowings	(14.0)	28.0
Tax benefit / (expense) relating to non-operating items	15.1	(16.5)
Other non-cash expenses or non-recurring items <sup>(2)</sup>	(21.0)	(29.8)
<b>(Loss)/Profit after tax</b>	<b>(443.8)</b>	<b>263.2</b>

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

(2) These expenses include but are not limited to:

- Amortisation of loan transaction costs.
- Amortisation of intangible assets and depreciation of property, plant and equipment.
- Other transaction costs.

Operating profit per security for the year was 6.06 cents (2022: 7.68 cents). This represents a decrease of approximately 21.1% over the prior year. Operating profit is analysed within each segment in the following section.

### Analysis of segment performance

The contribution to operating profit of each of the 3 segments of Cromwell and the reconciliation to total operating profit is set out in the upcoming sections.

# Directors' Report

## FUND AND ASSET MANAGEMENT

Financial highlights in relation to fund and asset management include:

	Total		Australia		Europe		Joint ventures	
	2023	2022	2023	2022	2023	2022	2023	2022
Fee and other revenues (\$M)	96.4	95.5	22.7	34.2	73.7	61.2	-	-
Development income (\$M)	21.3	18.5	-	-	2.1	2.3	19.2	16.2
Share of operating profit (\$M)	1.5	11.7	-	-	1.2	7.7	0.3	4.0
Expenses attributable (\$M)	77.9	76.0	13.4	16.5	64.5	59.5	-	-
Operating profit (\$M)	41.3	49.7	9.3	17.7	12.5	11.8	19.5	20.2
Assets under management (\$B)	11.5	12.0	4.1	4.5	6.2	5.9	1.2	1.6

### Australia

#### Retail fund management

A breakdown of retail fund management results is below:

	2023 \$M	2022 \$M
Recurring fee income	9.8	9.0
Transactional fee income	-	5.4
Performance fee income	-	5.2
<b>Total fee and other revenue</b>	<b>9.8</b>	<b>19.6</b>
Costs attributable	4.1	6.2
<b>Operating profit</b>	<b>5.7</b>	<b>13.4</b>

Retail funds management profit decreased from \$13.4 million in the prior year to \$5.7 million for the year. Cromwell earned no transactional or performance fee income in the current year. This was driven by the increase in official interest rates, a reduction in investment property asset values and the price dislocation between the listed and unlisted property funds. The flow on impact has been an overall reduction in net capital inflows into Cromwell's funds which are currently open for investment. The Cromwell Direct Property Fund, Cromwell's main open fund, received net capital inflows for the current year of \$15.6 million versus net capital inflows of \$88.6 million for the prior year. As a result of all these economic conditions and Cromwell's continued focus on careful asset selection, the fund made no property acquisitions during the year.

Total assets under management at 30 June 2023 was \$1.4 billion (June 2022: \$1.5 billion).

Cromwell remains committed to investing in increasing the scale and diversification of its retail funds management business, which it believes is highly complementary to its property and facilities management activities.

#### Wholesale fund management

A breakdown of wholesale fund management results is below:

	2023 \$M	2022 \$M
Recurring fee income	0.7	1.0
Development income	-	-
<b>Total fee and other revenue</b>	<b>0.7</b>	<b>1.0</b>
<b>Operating profit</b>	<b>0.7</b>	<b>1.0</b>

During the year wholesale funds management activities related to the management of the Northpoint tower and the project at 475 Victoria Avenue, Chatswood NSW. Operating profit fell to \$0.7 million (2022: \$1.0 million) following Cromwell no longer undertaking any management activities at the Northpoint tower as of the end of December 2022.

# Directors' Report

## Property management

A breakdown of property management results is below:

	2023 \$M	2022 \$M
Recurring fee income	12.2	13.5
Costs attributable	9.3	10.3
<b>Operating profit</b>	<b>2.9</b>	<b>3.2</b>

Property management profit decreased to \$2.9 million (2022: \$3.2 million) as a result of a decrease in leasing commissions received along with a decrease in employee benefits expense.

## Europe

A breakdown of European fund management results is below:

	2023 \$M	2022 \$M
<i>Fee and revenue</i>		
Recurring fee income	59.6	53.9
Development income	2.1	2.3
Performance fee income	10.5	2.0
Transactional fee income	3.6	5.4
<b>Total fee and other revenue</b>	<b>75.8</b>	<b>63.6</b>
<i>Costs attributable</i>		
Employee benefits expense:		
Performance fee-related	2.3	1.2
Other	47.7	45.8
Other operational costs	14.5	12.5
<b>Total costs attributable</b>	<b>64.5</b>	<b>59.5</b>
<b>Operating profit</b>	<b>11.3</b>	<b>4.1</b>

The business generated an operating profit of \$11.3 million (2022: \$4.1 million) for the year. This was the result of a combination of higher recurring fee income and higher performance fee income.

At 30 June 2023 the European fund management business had €3.9 billion (\$6.2 billion) assets under management (2022: €3.9 billion (\$5.9 billion)). The business has three major non-discretionary mandates with a combined potential investment capacity of €1.9 billion. Details are outlined below.

### Nordics mandate

- Investment capacity of €300 million
- Investing in logistics and light industrial assets across Sweden, Denmark and Finland
- 5 acquisitions (incorporating 8 assets) were completed in the year totalling €49.5 million
- Remaining investment capacity of €232.5 million

### German mandate

- Investment capacity of €625 million
- Investing in logistics assets across Germany
- Mandate signed in December 2022 with a portfolio of 6 assets for just over €90.5 million acquired in Hamburg
- Remaining investment capacity of €534.5 million

### Pan-European mandate

- Investment capacity of €1.0 billion
- Investing in logistics assets across Europe with a focus on the United Kingdom, Netherlands, Germany, France and Italy.
- Assets acquired in the current year include one asset in the United Kingdom for €50.2 million and one €90 million asset in the Netherlands
- A further United Kingdom portfolio of assets was acquired in July 2023 for €109.8 million with further acquisitions of €75 million signed and due to complete in October 2023
- Remaining investment capacity (inclusive of post balance date acquisitions completed and due to complete) of €607.5 million

CEREIT continued to reposition its portfolio during the year and was a net seller of assets, disposing of €131.8 million and acquiring €15.8 million.

# Directors' Report

## Joint ventures

### LDK

In October 2022, Cromwell sold its 50% interest in LDK to Anglican Community Services for \$20.0 million versus a carrying amount of \$12.0 million. The gain on disposal of Cromwell's 50% interest reflected the future development profit from stage two of the site at Tuggeranong and has been included in operating profit for the year.

The development loans provided to LDK remained in place until repayment March 2023 and continued to attract interest up until that date.

During the year Cromwell and the Trust recorded \$11.5 million (2022: \$16.2 million) finance income in respect of development-related loans made to LDK. The loans were utilised by LDK to construct the village at Greenway and acquire the Landings retirement village.

### Phoenix – Australia

Phoenix Portfolios Pty Ltd experienced a similar decrease in activity during the year as the rest of Cromwell's Australian funds management platform.

Cromwell recognised a share of operating profit of \$0.4 million for the year (2022: \$1.0 million).

### Oyster – New Zealand

Oyster Property Group's assets under management decreased to NZD\$1.9 billion at year end (2022: NZD\$2.1 billion). Cromwell recognised a share of operating loss of \$0.1 million for the year (2022: share of profit of \$3.0 million).

## CO-INVESTMENTS

Financial highlights in relation to Co-investments include:

	Total		CPRF		CIULF		CEREIT		Other investments	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Rental income and recoverable outgoings (\$M)	79.3	73.7	74.5	69.1	4.8	4.6	-	-	-	-
Share of operating profit (\$M)	43.1	45.4	3.4	3.5	-	-	39.7	41.9	-	-
Distribution income (\$M)	2.7	7.0	-	-	-	-	-	-	2.7	7.0
Operating profit (\$M)	77.2	86.8	31.3	34.5	3.5	3.4	39.7	41.9	2.7	7.0
Net fair value (losses) / gains (\$M)	(219.5)	(3.5)	(212.6)	(11.8)	(6.9)	8.3	-	-	-	-
Occupancy rate (%)	93.9	91.7	92.7	90.6	100.0	100.0	-	-	-	-
WALE (years)	4.2	4.7	3.5	4.1	7.8	8.8	-	-	-	-
Ownership share (%)	-	-	100.0%	100.0%	100.0%	100.0%	27.8%	27.8%	-	-
Investment value (\$M)	1,261.4	1,434.5	559.6	720.1	91.5	91.1	589.7	600.0	20.6	23.3

## CPRF

The 100% owned Cromwell Polish Retail Fund (CPRF) portfolio consists of six retail centre assets of varying sizes as well as a seventh shopping centre asset held jointly with Unibail Rodamco Westfield (URW). The assets are located throughout Poland.

# Directors' Report

The performance of the retail assets has continued its post-pandemic recovery despite a difficult economic environment with inflation remaining high at 11.5% although down from its peak of 17% and 11 consecutive rises of domestic interest rates in Poland, both negatively affecting retail spending. The footfall for the assets improved by 2% compared with the 2022 financial year but still remains 5.7% below pre-pandemic levels. Turnover in the centres increased by 11.6% compared with the prior year and is now 38.3% above pre-pandemic levels. Janki, the portfolio's largest asset in Warsaw, performed particularly well with an increase in footfall of 8.3% and an increase in turnover of 17.1% compared with the prior year.

The war in neighbouring Ukraine is impacting the portfolio mainly through significantly higher electricity and gas costs along with the sanctioning of a Russian owned tenant that was present in five of the centres (including the joint venture asset) which ceased trading following the sanctions.

The negative impact of higher costs as a result of elevated inflation in general and higher electricity and gas costs in particular was partly offset by the fact that the vast majority of the portfolio's leases are linked to CPI increasing at 1 January each year. The average rent increase for shopping centre tenants at 1 January 2023 was 10.1% and 8.3% for anchor hypermarket tenants. The 7,579 sqm of lettable area that was previously occupied by the Russian owned tenant sanctioned in April 2022 has now all been leased again, except for the space at the Ursynów joint venture asset, at an average lease term of 6.3 years at similar rent levels. Notwithstanding these positive outcomes, overall net operating income from the portfolio decreased by 7.9% compared with 2022 financial year, largely driven by cost increases.

During the year a total of 6,714 sqm was renewed and 5,313 sqm was re-let, including 1,001 sqm of previously vacant space. Overall occupancy has increased to 92.7% (2022: 90.6%) with a weighted average lease expiry (WALE) of 3.5 years (2022: 4.1 years).

In August 2022, following delays resulting from COVID-19 and Russia's invasion of Ukraine, and pursuant to Cromwell's strategic objectives to become a capital light fund manager and in order to repatriate capital to Australia to reduce Cromwell's gearing, the decision was made to formally market the wholly owned assets (the Poland Retail Portfolio). An extensive on-market sale process has been undertaken over the past 11 months resulting in Cromwell receiving a number of non-binding indicative offers on the Poland Retail Portfolio, as well as various combinations of offers for the underlying assets. In late June 2023, while the highest offer was below the level of the latest independent valuations, it was determined that given the extent of the process that had been conducted in conjunction with the substantial strategic benefits to exiting the Poland Retail Portfolio, the exclusive right to carry out due diligence would be granted to an independent third party. The non-binding offer received was in relation to the acquisition of the 6 wholly owned investment properties comprising the Poland Retail Portfolio (excluding the jointly held asset) with the indicative price of \$508.1 million, representing a 21.9% reduction compared with the 30 June 2023 independent external valuations. The independent valuers determined the valuation of the individual properties, for independent valuation purposes, at a total of \$650.9 million. As a result of the strategic decision, and having considered the relevant requirements of the Accounting Standards in determining market value for accounting purposes, the Board has adopted the non-binding offer price as the carrying amount for accounting purposes at 30 June 2023, rather than the value determined by the independent external valuations.

## CIULF

The Cromwell Italy Urban Logistics Fund (CIULF) portfolio contains seven logistics assets in Italy. The portfolio is fully let to and occupied by one tenant, global logistics company DHL with a WALE of 7.8 years (2022: 8.8 years). As announced, in July 2023, subsequent to balance date, Cromwell successfully entered into a joint venture with Value Partners to share ownership of the assets. The assets and liabilities (including all borrowings) of the fund are carried as held for sale at 30 June 2023. The investment properties were held at \$91.5 million (2022: \$91.1 million) which reflects their value based on the sale of the 50% stake to Value Partners.

## CEREIT

Cromwell continues to manage and sponsor CEREIT, a SGX-listed real estate investment trust. At 30 June 2023 Cromwell owned 27.8% of CEREIT (2022: 27.8%), while CEREIT itself had 112 properties with a fair value of €2.3 billion (2022: 116 properties with a fair value of €2.6 billion) located across Europe. CEREIT's property and tenant portfolios have been relatively unimpacted by COVID-19. Occupancy has remained steady at 95.4% (2022: 95.4%) and the COVID-19 pandemic has had a minimal impact on tenant collections. External valuations as at 30 June 2023 were conducted for 111 properties representing approximately 99% of CEREIT's portfolio by value resulting in net fair value losses of €56.1 million (June 2022: external valuations were conducted for 113 properties representing approximately 97% of CEREIT's portfolio by value resulting in net fair value gains of €11.2 million).

During the year Cromwell recognised its share of operating profit of \$39.7 million (June 2022: \$41.9 million) and received \$41.1 million in distributions (June 2022: \$34.5 million).

This investment had been primarily financed utilising the issue of Euro-denominated convertible bonds, applicable finance costs for the year being \$0.4 million (June 2022: \$8.8 million) following the final repayment of the bond early in 2023.

## OTHER INVESTMENTS

Cromwell currently has co-investments in Australian and European real estate investment mandates which are accounted for as investments at fair value through profit or loss. Cromwell receives distributions from these co-investments which also support the funds management business.

# Directors' Report

## INVESTMENT PORTFOLIO

Cromwell continues to be dedicated to driving the performance of the property portfolio through leasing and asset management initiatives while also remaining focused on its strategy to simplify the Group structure by disposing of non-core assets and moving the Group to be a capital light real estate fund manager. Following the disposal of four non-core investment properties for total proceeds of \$167.5 million during the second half of the prior financial year, Cromwell further disposed of two non-core investment properties at 84 Crown Street, Wollongong, NSW for \$53.0 million and 117 Bull Street, Newcastle, NSW for \$33.4 million. Subsequent to the end of the financial year Cromwell signed a contract for the sale of a further non-core asset, 2-6 Station Street, Penrith, NSW for \$45.3 million. All proceeds were used to repay debt.

### Investment portfolio performance and key metrics

	2023	2022
	\$M	\$M
<i>Portfolio performance</i>		
Rental income and recoverable outgoings <sup>(1)</sup>	202.3	215.2
Property expenses <sup>(2)</sup>	(39.5)	(41.4)
<b>Net operating income</b>	<b>162.8</b>	<b>173.8</b>
Investment property revaluation (loss) / gain	(272.1)	57.5

<sup>(1)</sup> Rental income and recoverable outgoings excluding lease incentive amortisation and rent straight-lining.

<sup>(2)</sup> Property expenses excluding lease cost amortisation.

	2023	2022
<i>Key metrics</i>		
Investment portfolio value (\$M)	2,584.1	2,973.7
Weighted average capitalisation rate (%)	5.7	5.2
Total lettable area (sqm)	256,637	279,966
Occupancy (%)	94.6	95.6
Weighted average lease expiry (years)	5.3	5.9

Net operating income from the investment portfolio decreased by 6.3% compared prior year largely because of the disposal of non-core investment properties both during the 2023 and 2022 financial years. On a like-for-like basis, net operating income increased by 3.9% with weighted average rent increases as a result of annual rent increases or rent reviews of 8.4%.

Leasing highlights for the period include:

- 3,543 sqm leased at Cromwell's Sydney CBD asset 207 Kent Street, including 1,244 sqm to Australia Post, 1,031 sqm to Judo Bank and 1,031 sqm to Hewlett Packard as well as renewal of 1,022 sqm leased to Betchoice Corporation;
- 3,117 sqm at Cromwell's Brisbane CBD asset 400 George Street, including 2,273 sqm to the Queensland government as well as renewal of 1,458 sqm with Microsoft;
- 1,348 sqm at 243 Northbourne Avenue in the ACT, including 413 sqm to Animal Health Australia;
- Lease renewals of 432 sqm with Lendlease and 798 sqm with Bureau of Meteorology at 700 Collins Street, Melbourne.

The value of the properties in Cromwell's investment portfolio decreased on a like-for-like basis by \$248.1 million or 8.8% as a result of an expansion of capitalisation rates, on a weighted average basis, by 56 basis points from 5.16% to 5.72%. All states in which Cromwell's investment properties are located were equally affected by the general expansion of capitalisation rates that reflect the demand for higher returns by investors following the recent rise in interest rates.

Major individual valuation movements included decreases in fair value of 400 George St in QLD by \$62.0 million (11.4%), 700 Collins St in Victoria by \$52.9 million (15.0%), 203 Coward St in NSW by \$40.0 million (7.1%) all due to an expansion in capitalisation rates of between 50 and 62.5 basis points.

## Capital Management

As at 30 June 2023 Cromwell's gearing was at 42.6% compared with the 30 June 2022 gearing level of 39.6%. The increase followed the fair value decrease of investment properties in Cromwell's Australian investment portfolio by 8.8% and in Cromwell's CPRF co-investment portfolio by 24.1%. Gearing levels currently sit slightly outside Cromwell's stated target range of 30% - 40% through the cycle. Cromwell currently has the investment property located at 2-6 Station Street, Penrith, NSW contracted for sale and has a buyer for the CPRF assets in exclusive due diligence.

# Directors' Report

While total borrowings decreased during the year by \$319 million (14.7%), interest expense in relation to borrowings for the year increased to \$77.2 million (2022: \$53.2 million). The increase in interest expense is due to the significant and sharp rise in interest rates set by the various central banks with the biggest impact being from the rapid increase in the EURIBOR rate. The average interest rate for the current year increased to 3.90% compared with 2.31% for the prior year.

The net fair value loss in relation to derivative financial instruments of \$4.7 million (2022: gain of \$55.4 million) primarily arose as a result of the revaluation of interest rate swap and cap contracts, which resulted in the recognition of a net loss of \$4.7 million for the year (2022: net gain of \$50.2 million) in respect of these instruments. The remaining part of the fair value movement in the prior year for derivative financial instruments related to the conversion feature in the convertible bond. The convertible bond was repaid in September 2022. Cromwell has hedged future interest rates through various types of interest rate derivatives (predominately interest rate caps) with 70% of borrowings at year end hedged (including forward start derivatives) or fixed to minimise the risk of changes in interest rates in the future (2022: 51%). During the year Cromwell entered into \$369 million of new interest rate hedges via three forward starting interest rate caps, each with a notional amount of \$103 million and one interest rate collar with a notional amount of \$60 million. The premium paid was \$5.0 million. Two of the three \$103 million interest rate caps commence in July 2023 and mature in July 2025. The remaining \$103 million interest rate cap commenced in December 2022 and matures in July 2024. The interest rate collar commenced in March 2023 and matures in March 2025. Weighted average hedge term at 30 June 2023 was 1.7 years (2022: 2.1 years).

## Debt

Cromwell's debt platform is underpinned by its bilateral facilities secured against selected assets of Cromwell's Australian investment portfolio. The facilities continue to have headroom to cover further falls in property valuations should they arise or any further increases in variable interest rates.

Cromwell continues to fund its co-investments in CPRF and CIULF via a Euro revolving credit facility. The facility continues to have headroom to cover further falls in asset values should they arise or any further increases in variable interest rates.

All other loan facilities are asset level financing with no reference to group level gearing.

Other debt highlights during the year include:

- Complete repayment of \$205.0 million Euro denominated convertible bonds;
- Extension of \$200 million of debt within Cromwell's bilateral facilities for a further three years from June 2024 to June 2027;
- Extension of €215.0 million (\$338.2 million) of Cromwell's Euro denominated revolving facility by one year to September 2024;
- Relaxation of the Euro denominated revolving facilities ICR covenant to reflect the higher level of the EURIBOR 3 month rate plus a reduction of the facility limit from €215 million to €175 million; and
- Refinance of the €66m Janki loan (one of the Polish asset facilities) for a further two years.

Part of the asset level debt which finances the CPRF portfolio (totalling €83m) matures in January 2024. Cromwell is currently in advanced stages of renegotiating this facility with a consortium of 3 European banks.

These extensions of debt facilities evidence the continued confidence of debt providers in Cromwell's business and the quality of Cromwell's investment property portfolio.

## Liquidity

As at 30 June 2023 Cromwell had \$113.9 million of cash (2022: \$286.0 million) and undrawn bank facilities totalling \$173.6 million (2022: \$360.9 million).

## Equity

No additional stapled securities were issued during the year. Securities required to meet the exercise of employee performance rights are now acquired on market.

Net tangible assets (NTA) per security has decreased during the year from \$1.04 to \$0.84, primarily as a result of an overall decrease in property valuations.

# Directors' Report

## Strategy

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Cromwell remains committed to its long-term stability and growth objectives:

- Ongoing growth of fund management platforms through the launch of new products in retail markets, as well as partnerships and mandates;
- Continued focus on resilience and strength of the Investment Portfolio through active management and leasing initiatives;
- Reducing gearing to within target range;
- Measured approach to capital recycling as opportunities present;
- Long term commitment to ESG with the implementation of scope 1-3 emissions inventory and modelling reduction pathways; and
- Transition to a capital light fund management model remains a priority, when capital markets are more conducive.

## Outlook

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Cromwell faces an economic environment of high floating interest rates, challenging property markets, subdued transactional volumes in fund management markets and the need to reduce gearing to within its target range. This has meant a continuation of the prudent approach to distribution payments.

A distribution of 0.83 cents per security is expected to be paid for the September 2023 quarter.

# Directors' Report

## Risks

Cromwell has an enterprise-wide risk management framework which provides a comprehensive approach to identifying, assessing and managing risk aligned with AS/NZS ISO 31000:2018. The framework ensures appropriate oversight of risk and includes policies and processes reflecting an integrated risk management approach and recognises that everyone at Cromwell has a role to play in effectively managing risk.

Cromwell actively identifies and manages the risks that may impact its operations, strategy and outlook, and considers megatrends and external insights to respond to emerging areas of risk. The Board is ultimately accountable for risk management and is supported in its ongoing oversight by separate committees to review and assess key risks and ensure they are managed appropriately. The Investment Committee is responsible for overseeing and reviewing all major transactions including investment in and divestment of assets. The Audit and Risk Committee is responsible for overseeing and reviewing the effectiveness of Cromwell's risk management framework in responding to the various exposures to risk Cromwell has in the course of its business. Effective 1 July 2022, the Audit and Risk Committee was reconstituted as an Audit Committee and as an Environmental-Social-Governance (ESG) and Risk Committee.

Cromwell's key risks and the core controls and mitigants to assist in managing them are described below:

Key Risk	Description	Mitigation
Performance	<ul style="list-style-type: none"> <li>Delivering distributions that meet market guidance and expectations</li> <li>Ensuring that investments and developments perform in line with expectations</li> <li>Retaining and growing AUM</li> </ul>	<ul style="list-style-type: none"> <li>Board approved strategy continuously reviewed with processes to monitor and manage performance to ensure maximisation of security value and best operational structures</li> <li>Investment governance framework ensuring structured investment and divestment approval processes</li> <li>Investment Committee and management regular review of performance of investments and developments against targets</li> <li>Transition of European investments to long term, secure, reliable revenue streams</li> </ul>
Capital management	<ul style="list-style-type: none"> <li>Ensuring continuous access to debt and equity markets to support Cromwell's sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>Board approved gearing range through the cycle reduced to 30% - 40% and regularly monitored</li> <li>Prudent capital management informed by cash flow forecasting and sensitivity analysis. Regular reviews of available liquidity matched to capital requirements and monthly Board reporting</li> <li>Long dated debt expiry profile</li> <li>Diversification of debt funding sources</li> <li>Spreading of debt maturities</li> </ul>
People and culture	<ul style="list-style-type: none"> <li>Ensuring Cromwell has access to and can retain key talent</li> <li>Maintaining Cromwell's strong, adaptive and open culture</li> </ul>	<ul style="list-style-type: none"> <li>Investment in our staff with focused learning and development plans</li> <li>Promotion of group wide values and conduct standards</li> <li>Fostering an inclusive workplace culture, supported by policies and forums, including the Diversity and Inclusion Working Group to promote equity and fairness</li> <li>Succession planning and leadership development for senior staff</li> <li>Fostering the development of key talent</li> <li>Competitive remuneration and benefits</li> <li>Effective performance management and review</li> <li>Staff engagement and feedback mechanisms</li> <li>Various staff wellbeing initiatives</li> </ul>
Health, Safety and Wellbeing	<ul style="list-style-type: none"> <li>Ensuring the health, safety and wellbeing of Cromwell's staff, contractors, visitors and occupants.</li> <li>Preventing death or serious injury at any Cromwell owned or controlled property or in the course of employment with Cromwell</li> </ul>	<ul style="list-style-type: none"> <li>Education, awareness and training programs to make our Directors, Officers and Staff aware of health, safety and wellbeing (HSW) and promote a positive safety culture across our business</li> <li>Formal HSW policies and programs in place and reviewed regularly at Cromwell owned properties and operational locations</li> <li>Wellbeing Program promotes pursuing healthy lifestyles and self-care to staff and provides practical tools and advice</li> </ul>

# Directors' Report

		<ul style="list-style-type: none"> <li>Employee Assistance Program makes a wide network of health professionals available to staff to discuss any issues in confidence</li> <li>Code of Conduct establishes required standards of behaviour across the Group, with complementary Whistleblower protection, Grievance resolution and escalation mechanisms to promote a safe environment</li> <li>Group wide Supplier Code of Conduct and Procurement Policy extends Cromwell's corporate expectations to our suppliers and service providers</li> </ul>
Sustainability and Environment, Social and Governance	<ul style="list-style-type: none"> <li>Delivering sustainable outcomes for investors and other stakeholders</li> <li>Understanding, responding to and managing the impacts of changing environmental and social conditions that could affect our people, assets and business operations</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability Framework outlining goals and accountabilities for relevant focus areas, i.e. environment, economic, social and governance</li> <li>Participation in benchmarking and assessment activities to measure our progress year on year and inform future ambitions</li> <li>Comprehensive reporting including Sustainability Report, TCFD disclosures and Modern Slavery Statements</li> <li>risks and potential impacts of ESG matters, including climate, managed within our enterprise risk management framework</li> <li>active engagement with our stakeholders and communities to contribute to society positively and relevantly.</li> </ul>
Technology and data security	<ul style="list-style-type: none"> <li>Ensure that information management systems are resilient and able to meet business needs</li> <li>Ensure availability and integrity of critical IT infrastructure &amp; applications</li> <li>Ensure Cromwell remains compliant with data protection requirements, and provides measures to protect against cyber-attack</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining suitable policies, guidelines and procedures to support secure business operations and standards for information management and privacy</li> <li>Executing regular cyber-security evaluations, training, testing, and vulnerability mitigation activities</li> <li>Maintaining ISO 27001 certification for critical technology services</li> <li>Maintaining and testing suitable business continuity plans and procedures</li> <li>Providing robust vendor selection and assessment methodology with ongoing performance due diligence</li> </ul>
Leasing	<ul style="list-style-type: none"> <li>Ensuring that assets are leased in accordance with asset management plans and forecasts</li> <li>Maintain a portfolio of high quality commercially attractive property assets that respond to tenant demand and market expectations ensuring consistent, predictable occupancy and income returns</li> </ul>	<ul style="list-style-type: none"> <li>Defensive portfolio with long WALE</li> <li>Large and diversified tenant base</li> <li>Experienced leasing team</li> <li>Active asset management with focus on repositioning, refurbishing and re-leasing properties to enhance returns</li> <li>Strategic asset management plans to ensure optimisation of asset use and assist return expectations over the asset's lifecycle</li> </ul>
Governance and compliance	<ul style="list-style-type: none"> <li>Ensuring continuous compliance with regulatory requirements</li> <li>Meeting stakeholder and investor expectations</li> </ul>	<ul style="list-style-type: none"> <li>Training programs addressing key compliance requirements in place across the business</li> <li>Board approved Policies and key frameworks that facilitate good governance and drive appropriate accountability and oversight</li> <li>Board approved Tax Risk Management Policy ensures ongoing REIT status</li> <li>Board oversight of compliance objectives and obligations under compliance plans and regulation</li> <li>Appropriate assurance activities for areas of potential compliance and governance risk</li> <li>Cromwell's Culture and Values expectations clearly articulated to all staff and interlinked with performance reviews and incentives</li> </ul>

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## Climate-related financial disclosure

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Cromwell acknowledges the impacts of climate change in Cromwell's upstream and downstream value chain, as well as on the environment, business and society at large. Cromwell supports the decarbonisation of the industry, and the goals of the 2015 Paris Agreement to global warming well below 2°C above pre-industrial levels, with efforts to limit global temperature increase to 1.5°C above pre-industrial levels.

Cromwell's ESG vision is to elevate real estate investment, empower its people and deliver a resilient future for its investors, tenants, communities, and planet. Ambitious net zero emissions targets were set as part of Cromwell's new ESG Strategy in 2022. These include:

- 100% renewable electricity by 2030
- Net zero emission from assets under operational control by 2035
- Net zero Scope 1, 2 and 3 emissions, including tenants' emissions and embodied carbon, by 2045

The TCFD recommendations provide a consistent reporting framework to enable financiers, investors, insurers and other stakeholders to understand an organisation's material climate related risks and the financial implications and the approach undertaken to manage them. Cromwell strives to better understand and disclose the potential risks and opportunities arising from climate change and a transition to a low-carbon economy and continues to improve its alignment with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and all future International Sustainability Standards Board (ISSB) requirements.

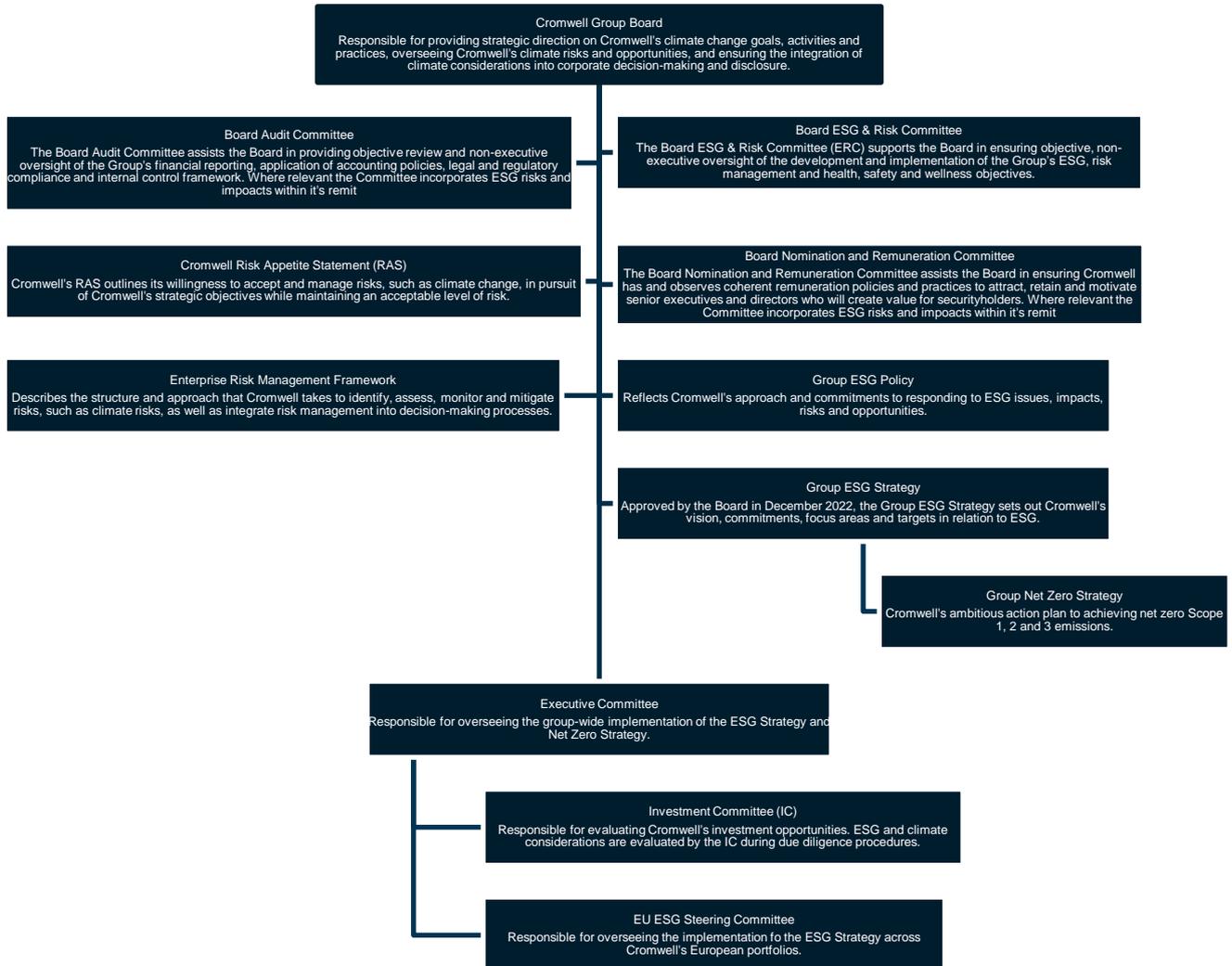
## GOVERNANCE

Cromwell has formalised its governance structure and mechanisms relating to climate risk, with the Cromwell Group Board and its ESG & Risk Committee (ERC) overseeing Cromwell's climate-related strategy, activities and ambition. The ERC is responsible for monitoring the effectiveness of the Group's ESG and Net Zero Strategies, and advising the Board on the progress and the actions undertaken on TCFD and net zero workstreams, as well as broader ESG and corporate risk management. Both the Board and ERC meet quarterly at a minimum to receive reports, updates and presentations on risks and sustainability measures across the business including reports on climate change activities and impacts.

The Board and ERC delegate responsibility of management of climate risks, opportunities and impacts through the Executive Committee, the Investment Committee, the EU ESG Steering Committee and regional ESG teams. In FY23, the EU ESG Steering Committee conducted deep dives on environmental data integration and management through the ESG data software system (Deepki) rollout, and on ESG and climate-related training across the EU business. The Executive Committee and key management personnel are incentivised to successfully implement the ESG Strategy and achieve Cromwell's climate-related targets. Further climate-related responsibilities that extend throughout the organisation are shown in the table below.

Cromwell's climate-related governance structure is shown on the following page.

# Directors' Report



Department	Responsibility
ESG	The ESG teams are responsible for conveying advice to the EMT, ERC and Board, delivering on the ESG Strategy and the Net Zero Strategy, reporting on progress against targets and preparing annual corporate ESG and climate disclosures, such as the ESG Report, CDP, DJSI, GRESB, Climate Active and SFDR responses and TCFD Statements. The Group Head of ESG is a member of the Group EMT and a permanent voting member of the EU Investment Committee.
Investment Management	Product development and Fund management teams are responsible for integrating climate change consideration and impacts into the product strategies they develop and subsequently manage.  Transactions teams, led respectively by the Chief Investment Officer in Australia and Head of Investment Management across Europe, are responsible for preparing briefing papers including detailed technical, financial and legal reviews on proposed acquisitions and divestments. The Investment Committee or the Board (where applicable) has oversight and approval of asset acquisitions and disposals, including consideration of climate change risk throughout the due diligence process.

# Directors' Report

<b>Legal, Company Secretarial, Risk and Compliance</b>	Cromwell's Legal, Company Secretary, Risk and Compliance teams all have responsibility for maintaining Cromwell's oversight on emerging risks and regulation. Risk and Compliance teams are responsible for developing and maintaining the Group Risk Appetite Statement, Enterprise Risk Management (ERM) Framework and ERM Policy, which includes a process for identifying, owning, managing and tracking risks, including the strategic risk, "ESG integration" which considers the impact of climate change and weather phenomena.
<b>Property &amp; Facilities Management</b>	Facilities managers across all regions are responsible for maintaining active Building Continuity Plans and conducting regular reviews of climate adaptability and stranding risk. Facility managers support the ongoing management of energy, emissions, water and waste data capture and reporting.
<b>Property Operations &amp; Asset management</b>	Property Operations and Asset management teams ensure that activities with Cromwell's properties, suppliers and tenants remain in line with the ESG Strategy. This includes achieving the ESG Strategy and decarbonisation approach at the individual property level and reporting on progress internally, and supporting engagement with tenants and suppliers in ESG, decarbonisation and climate-related activities and contracting.
<b>Finance</b>	Cromwell's Finance team oversees the development of Cromwell's climate-related financial disclosures. The Treasury function leads Cromwell's green financing initiatives which support Cromwell in attaining and maintaining high energy and climate performance of its assets.
<b>Marketing</b>	Marketing teams support the ESG teams in communicating Cromwell's decarbonisation progress and broader ESG activities to Cromwell's internal and external stakeholders.
<b>People and Culture</b>	P&C are engaged in supporting management and leadership at Cromwell in developing and achieving Objective and Key Results (OKRs) related to climate change and ESG and aligning Executive incentives to the achievement of Cromwell's ESG Strategy and climate objectives. They also stay actively involved in discussions on intersections between diversity, equity, inclusion and reconciliation with climate change.
<b>Research and Investment strategy</b>	Research teams are engaged in supporting management and leadership at Cromwell by integrating climate change considerations and impacts into the Group's researching strategy and function. They also stay actively involved in discussions on intersections between research, investment, and climate change.
<b>Development</b>	Development teams ensure that development activities remain in line with the Group ESG Strategy. They also stay actively involved in cross discipline discussions on construction, engineering and climate change.

## STRATEGY

During FY23, Cromwell embarked on the process of reviewing, refreshing and formalising its ESG Strategy to guide its future actions and ensure that its metrics and targets, including emissions and other climate related metrics reflect Cromwell's ambition. Cromwell has a Climate Change Position Policy to support internal assessment, reporting and management of identified risks. Where Cromwell maintains operational control of property assets, strategies are in place to create and deliver opportunities to embrace sustainable development solutions for capital works, investment in new plant and equipment and the adoption of renewable energy solutions and technologies. Strategic asset plans include detailed asset-level ESG activities to support the achievement of the ESG Strategy.

In FY23, Cromwell developed its Net Zero Strategy. As a real estate investor and fund manager that focuses on the acquisition and uplift of existing buildings, Cromwell is fully committed to reducing its carbon footprint and address all scope including embodied carbon emissions despite the fact these are largely limited to maintenance and refurbishment activities. Cromwell has set ambitious net zero targets as part of

# Directors' Report

its Net Zero Strategy, which encompasses Scope 1, 2 and 3 emissions, including its tenants' emissions and embodied carbon. Alongside comprehensive Scope 1-3 emissions baselines, Marginal Abatement Cost Curves were modelled for both of Cromwell's Australian and European regions, to support decision-making through the identification and analysis of different emissions reduction activities according to cost and quantity of emissions abatement. Alongside prioritisation by cost and feasibility, initiatives to reduce emissions are assessed based on the carbon management hierarchy of avoid, reduce, substitute, sequester and offset.

In collaboration with Deepki, the Carbon Risk Real Estate Monitor (CRREM) tool is used for both CEREIT and CPRF portfolios to support "stranding" risk considerations in line with a 1.5°C warming scenario and enhance Cromwell's climate-related strategic decision-making processes in Europe. By leveraging the investment projection capabilities of Deepki and CRREM, the data-driven approach helps Cromwell anticipate and navigate potential risks associated with stranded assets.

As a property fund manager, Cromwell considers that the greatest material risks posed from climate change are likely to be from:

- Physical risks from severe weather events directly impacting and damaging assets owned, managed and developed; and
- Indirect impacts, such as increasing operational costs from rising insurance premiums, energy costs, carbon charges and taxes, legislation and operational costs resulting from increased temperature extremities and wear and tear to operating plant and equipment.

In FY24, Cromwell plans to reassess its climate-related risks, opportunities and impacts by conducting a comprehensive scenario analysis. Appropriate scenarios and time horizons will be selected at group level to further strengthen and align its climate risk management approach. While climate scenario analysis has been previously conducted by Cromwell in FY20, Cromwell acknowledges the significant advancements in climate change accountability, commitments, policy, and decarbonisation approaches over the three intervening years. Therefore, Cromwell recognises the importance of regularly performing climate scenario analysis to further integrate it into decision-making and proactively address and effectively manage its climate-related risks.

Energy audits play a crucial role in Cromwell's strategy to reduce energy consumption and optimise operational performance. These are conducted across all regions where Cromwell operates, and the outcomes of these audits drive key actions to minimise energy usage. The findings directly inform the capital expenditure planning process. Technical Building Assessments were conducted across all Australian properties in 2019 and assessed Cromwell's assets' climate resilience and climate adaptation strategy. Additionally, NABERS gap analyses are conducted annually across all Australian properties to identify pathways for improving energy and water performance.

Overall, Cromwell's strategy focuses on proactive risk management, efficient resource utilisation, and embracing opportunities associated with the transition to a low-carbon and net zero economy. By aligning its operations with these strategic objectives, Cromwell aims to drive sustainable value creation and enhance its resilience in the face of climate-related challenges.

## RISK MANAGEMENT

Cromwell maintains a comprehensive enterprise risk management system and defines its process for identifying, assessing and managing risks in its Enterprise Risk Management (ERM) Framework and ERM Policy. In adopting this approach to climate-related risks, Cromwell's objective has been to assess the impact of climate risks within enterprise risk considerations and identify how Cromwell's sustainability and climate risk management approach serves as a mitigating factor and control for organisational risk. ESG integration features as a strategic risk in the group Risk Appetite Statement, with Climate Change and Weather being a sub-risk. The Cromwell ERM Framework also describes the processes for analysis and review of compliance with and changes to legislation, regulation, strategy or policies, including those related to climate change. For example, Cromwell's Board ESG & Risk Committee regularly discusses compliance with EU climate disclosure regulations such as SFDR and alignment with the EU Taxonomy, as well as global disclosure megatrends affecting all regions that Cromwell operates in.

Risk reviews of the ERM Framework and Risk Appetite Statement are undertaken with each risk owner by the Head of Risk and Compliance (AU) and the Head of Risk (EU) respectively, and these reviews are included in reports to the ESG and Risk Committee. For Cromwell's European assets, the EU ESG Committee documents minutes of its meetings and/or quarterly risk reports. Environmental data management platform, Deepki, is used for monitoring transition risks of Cromwell's European assets through the Carbon Risk Real Estate Monitor (CRREM) risk assessment tool. Additionally, the environmental compliance status of CEREIT assets is planned to be monitored in real-time by Nova Ambiente in FY24.

# Directors' Report

Cromwell's transactions and investment team is enhancing its ESG due diligence procedure and further developing its process to assess physical climate risks and stranding risks when acquiring new properties. When managing and operating its properties, Cromwell's property team conducts climate-related risk management procedures.

Both the Australian and EU property services teams have established protocols for end-of-life management of buildings, covering aspects such as fire safety, air conditioning, HVAC systems, and electrical systems. Building Continuity Plans are regularly updated, addressing contingencies for climate-related physical impacts such as bushfires, floods and power outages, and provide clear identification of teams and management responses. For maintaining assets, across all regions, a building condition report is conducted annually, along with a Repair & Maintenance (R&M) report that includes associated costs. Regular meetings with property managers are held to address R&M and capital expenditure needs.

Cromwell undertook energy audits for all Australian properties across 2020 and 2021 and will have undertaken energy audits for 57% of European properties by the end of financial year 2023. The results of these energy audits directly feed into annual capex planning aligned with Cromwell's broader ESG Strategy and Net Zero Strategy, thereby enhancing the energy efficiency of Cromwell's assets, optimising operational performance and mitigating medium to long-term climate-related risks. For example, capital works plans and forecast expenditure spanning multiple years are prepared for each property asset. The capital expenditure plan is prepared at acquisition and updated throughout the asset lifecycle to address the replacement of ageing plant, equipment and building fabric.

## METRICS AND TARGETS

Cromwell recognises that the greatest opportunity to reducing emissions is within its property assets and value chains. Cromwell manages property assets in Australia and Europe. Cromwell discloses ESG and emissions reduction performance of its property assets, and report progress against targets in an annual ESG Report and Data Pack, as well as in its annual CDP response. The ESG Data Pack includes environmental metrics such as Scope 1, 2 and 3 emissions, energy consumption, renewable energy procurement, water and waste, as well as key data points relating to Cromwell's individual building attributes, such as Net Lettable Area, NABERS Energy, NABERS Water, BREEAM, LEED and Green Star ratings where available.

Cromwell's emissions data is not limited to where Cromwell has operational control. In the development of Cromwell's Group Net Zero Strategy, a new comprehensive FY22 baseline was set covering Scope 1, 2 and all relevant Scope 3 emissions sources, adjusting against the previous 2007 emissions baseline. It also extends to all relevant categories of Scope 3 emissions including emissions estimates for investments, downstream leased assets, purchased goods and services, capital goods including embodied emissions, fuel and energy-related activities, waste generated in operations and business travel, with aims to improve the data quality and reduce the need for estimations year on year. Transparency and reporting continue to be expanded and improved through active engagement with tenants, key suppliers and contracts for data sharing and uplifting the coverage of Cromwell's metering and data platforms, Envizi and Deepki.

Cromwell is certified Climate Active Carbon Neutral for its Australian corporate operations. By maintaining this certification, Cromwell ensures accuracy and accountability in its operational emissions reduction activities and emissions calculation methodologies.

Setting targets enables Cromwell to adopt a systematic and disciplined approach toward improving efficiency and reducing emissions. Long-term net zero and climate change-related targets have been set to achieve net zero emissions both within and beyond Cromwell's operational control. These are listed below:

- Net zero operational control Scope 1 and 2 emissions by 2035
- Net zero Scope 1, 2 and 3 emissions by 2045 including tenants' emissions and embodied carbon
- 80% renewable electricity by 2025 and 100% by 2030 across all portfolios
- 75% of waste diverted from landfill by 2030, 100% by 2040
- 60% recycling rate by 2040
- Align Cromwell's Net Zero targets to the Science Based Targets Initiative Net Zero Standard
- Achieve minimum weighted average NABERS Energy rating of 5.5 stars in Australia and minimum EPC C certification across all European buildings
- Achieve minimum target of 5 star Green Star in Australia, "Very Good" BREEAM and LEED Gold ratings across all new construction and refurbishments
- 4.5 star weighted average NABERS Water rating across the Australian portfolio by 2030

Cromwell is excited to continue sharing updates on its progress and learnings toward achieving its net zero targets.

# Directors' Report

## LOOKING FORWARD

Cromwell's roadmap for deepening its alignment with the TCFD recommendations is shown below and takes into account the varying maturity and approach to ESG across the jurisdictions that we operate in. It is expected that the ISSB standards will be implemented in Australia from the year ending 30 June 2025 and this plan will evolve as requirements are clarified and Cromwell progresses its strategy for the listed group and the application of different requirements in different jurisdictions.

Thematic area	Activity	FY23	FY24	FY25	FY26
Governance	Align with internal stakeholders on level of climate ambition	●	●		
	Undertake Board and management capacity building activities		●		
	Clarify and document internal structure for climate-related accountabilities, information flows at all levels		●		
	Consider establishment of incentive mechanisms related to climate targets and metrics			●	●
Strategy	Identify scenarios, time horizons, relevant sectors and geographies and develop climate risk management framework		●		
	Undertake climate scenario analysis		●		
	Develop Climate Change Risk and Opportunity Register reflecting aggregated risk data and exposure to climate risks and opportunities		●		
	Develop Net Zero Strategy to identify, prioritise and align emissions reduction activities	●	●		
	Undertake physical asset deep-dive and development of climate risk mitigation plans for all physical assets		●	●	
	Enhance investment due diligence and monitoring processes to include climate risk		●	●	
	Undertake deep-dive analysis on extreme weather events, including modelling		●	●	
	Continue use of scenario analysis in strategic decision making			●	●
	Undertake scenario modelling to link risk exposure to financial impact			●	●
Risk management	Integrate climate risk into the corporate risk register	●	●		
	Document risk owners, control owners and actions in the corporate risk register	●	●		
	Integrate climate risk management into existing enterprise risk management framework, systems and tools		●	●	
	Treat and manage key risks		●	●	●
	Set internal audit procedure for climate-related information and processes	●	●		
	Set process for emerging climate risk and regulatory monitoring		●		
Metrics and targets	Develop internal climate risk dictionary		●		
	Extend calculation, monitoring and disclosure of emissions to all funds under management	●	●		
	Calculate and monitor Scope 3 emissions	●			
	Identify metrics for key risks		●	●	●
	Establish targets for key risks and align to ESG Strategy		●	●	●
	Establish near and long-term targets aligned to the Science-Based Targets Initiative	●	●		
	Monitor performance against key risk targets and metrics		●	●	●
Obtain third party verification over disclosures on Scope 1, 2 and 3 emissions and calculation methodologies		●	●	●	
<b>Key</b>	● Complete ● Ongoing ● Future activity				

# Directors' Report

## 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:

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### Dr Gary Weiss AM – Non-executive Chair

*LLB (Hons), LLM, JSD, 70*

Director since:	18 September 2020
Chair since:	17 March 2021
Last elected:	16 November 2022
Board Committee membership:	Member of the Audit Committee, Member of the ESG and Risk Committee, Member of the Investment Committee, and Member of the Nomination and Remuneration Committee
Independent:	No
Based in:	Australia
Stapled Securities held:	150,000 stapled securities (Change of Director's Interest Notice - 17 June 2022)

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

- Chair – Ardent Leisure Group Limited (2017 – current)
- Executive Director – Ariadne Australia Limited (1989 – current)
- Chair – Estia Health Limited (2016 – current)
- Non-executive Director – Hearts and Minds Investments Limited (2018 – current)
- Non-executive Director – Thorney Opportunities Ltd (2013 – current)
- Chair – Ridley Corporation Limited (2010 – 2020)
- Non-executive Director – The Straits Trading Company Limited (2014 – 2020)

### Skills and Experience

Dr Weiss has substantial board and board committee experience at both listed and non-listed entities. Dr Weiss is currently Chair of Ardent Leisure Group Limited and Estia Health Limited, an Executive Director of Ariadne Australia Limited and a Non-executive Director of Hearts and Minds Investments Limited, Thorney Opportunities Limited, the Victor Chang Cardiac Research Institute and The Centre for Independent Studies. Dr Weiss is also a Commissioner of the Australian Rugby League Commission.

Dr Weiss served as Chair of Ridley Corporation Limited, Clearview Wealth Limited and Coats Group plc. Dr Weiss is a former Non-executive Director of The Straits Trading Company Limited, a former Executive Director of Industrial Equity Limited, Whitlam, Turnbull & Co and Guinness Peat Group plc, and has served on the boards of numerous other companies, including Westfield Group, Premier Investments Limited and Tower Australia Limited. Dr Weiss has been involved in overseeing large businesses with operations in many regions including Asia Pacific, Europe, China, India and the United States and is familiar with investments across a wide range of industries and sectors, including real estate.

In 2019, Dr Weiss was awarded the Member (AM) in the General Division of the Order of Australia for significant services to business and the community.

Dr Weiss holds an LLB (Hons) and LLM from the Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales.

# Directors' Report

## **Mr Eng Peng Ooi – Non-executive Deputy Chair and Senior Independent Director**

*BCom, Member of the Certified Practising Accountants of Australia, Member of the Singapore Institute of Directors, 67*

Director since:	8 March 2021
Deputy Chair and Senior Independent Director since:	17 March 2021
Last elected:	17 November 2021
Board Committee membership:	Chair of the Audit Committee, Chair of the Independent Board Committee, and Member of the ESG and Risk Committee
Independent:	Yes
Based in:	Australia
Stapled securities held:	195,208 stapled securities (Change of Director's Interest Notice - 10 June 2022)

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

Non-executive Director – Manager of Cromwell European REIT (2021 – current)

Deputy Chair – Manager of ESR-LOGOS REIT (formerly known as ESR-REIT) (2021 – 1 July 2022)

Chair – Manager of ESR-LOGOS REIT (formerly known as ESR-REIT) (2017 – 2021)

Non-executive Director – Manager of ESR-LOGOS REIT (formerly known as ESR-REIT) (2012 – 1 July 2022)

Non-executive Director – Perennial Real Estate Holdings Limited (2015 – 2020)

### **Skills and Experience**

Mr Ooi has more than 35 years of real estate experience, including in property investment, development, project management, fund investment and management and capital partnerships in Australia and across Asia.

Mr Ooi joined Lendlease in 1981, working in various finance roles in Sydney, before taking on the role of Chief Financial Officer, Asia in the late 1990s. Later, Mr Ooi returned to Sydney with Lendlease and fulfilled the roles of Chief Financial Officer of Lendlease Development (2000 – 2002), Global Chief Financial Officer of Lendlease Investment Management (2002 – 2003) and Asia Pacific Chief Financial Officer, Lendlease Communities (2003 – 2005).

From 2006 to 2010, Mr Ooi was the Asia Chief Executive Officer, Lendlease Investment Management and Retail, based in Singapore. Mr Ooi subsequently established the development business and retail funds, and successfully developed capital partnerships, forming strong relationships across Asia. In 2010, Mr Ooi was appointed Asia Chief Executive Officer for Lendlease.

Since retiring from his executive career in late 2011, Mr Ooi has gained board and board committee experience at both listed and non-listed entities across Asia Pacific. Mr Ooi is a Non-executive Director of Cromwell EREIT Management Pte. Ltd., the manager of SGX-listed Cromwell European REIT. Since 2016, Mr Ooi has been a Non-executive Director of Savant Global Capital Pty Limited, a specialist investment management and real estate advisory platform.

Mr Ooi served as a Non-executive Director of ESR-LOGOS Funds Management (S) Limited (formerly known as ESR Funds Management (S) Limited), the manager of SGX-listed ESR-LOGOS REIT (formerly known as ESR-REIT), from 2012 until 1 July 2022. Mr Ooi served as Chair from 2017 to 30 June 2021 and, after almost nine years as independent Non-executive Director, was redesignated as Deputy Chair and non-independent Non-executive Director effective 1 July 2021. Mr Ooi was a Member (and the former Chair) of ESR-LOGOS REIT (formerly known as ESR-REIT)'s Nominating and Remuneration Committee, a Member of its Audit, Risk Management and Compliance Committee and the Chair of its Executive Committee.

In addition, Mr Ooi was previously a Non-executive Director of formerly-SGX-listed Perennial Real Estate Holdings Limited (2015 – 2020), Frasers Property Australia (2014 – 2018) and Perennial China Retail Trust Management Pte. Ltd. (2012 – 2014).

Mr Ooi holds a Bachelor of Commerce from the University of New South Wales and is a Member of the Certified Practising Accountants of Australia and a Member of the Singapore Institute of Directors.

# Directors' Report

## Mr Robert Blain – Non-executive Director

*FAP, FRICS, 68*

Director since:	8 March 2021
Last elected:	17 November 2021
Board Committee membership:	Chair of the Investment Committee, Member of the Independent Board Committee, and Member of the Nomination and Remuneration Committee
Independent:	Yes
Based in:	Australia
Stapled securities held:	Nil (Initial Director's Interest - 8 March 2021)

### Skills and Experience

Mr Blain has more than 40 years of real estate experience, including in property and asset management, strategic development, cross border activity and capital markets in Australia and across Asia.

After pursuing rural infrastructure interests, Mr Blain commenced his corporate career in Sydney in the late 1970s, obtaining a real estate licence and working for several years with LJ Hooker. He joined the Colliers Jardine Group as Sales Director before being appointed as Regional Service Director, Capital Markets APAC. From 1995 to 1998, Mr Blain held the position of Regional Investment Director based in Singapore and, in 1999, was appointed Australia Director. Mr Blain's last role at the Colliers Jardine Group was as Chief Executive, New South Wales.

In 2002, Mr Blain joined CBRE as Managing Director, CBRE Hong Kong and China, based in Hong Kong. In 2003, he was appointed Chief Executive Officer, CBRE Asia and, in 2005, became Chair and Chief Executive Officer, CBRE Asia Pacific. Mr Blain was responsible for CBRE's activities across Asia Pacific and was a member of the Global Operating Committee, based in the United States, driving CBRE's global business strategy.

In 2014, Mr Blain transitioned to the role of Executive Chair, CBRE Asia Pacific and focussed on CBRE's major clients and building strong relationships across the region. In 2019, Mr Blain retired from his Executive Chair and Global Operating Committee roles at CBRE and returned to Australia. In December 2022, Mr Blain was appointed Chair of LAWD.

Mr Blain is a Fellow of the Australian Property Institute and Fellow of the Royal Institute of Chartered Surveyors.

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## Mr Jonathan Callaghan – Managing Director and Chief Executive Officer

*BSc (Hons), LLB (Hons), MAppFin, 52*

Director since:	7 October 2021
Board Committee membership:	Not applicable
Independent:	No
Based in:	Australia
Stapled securities held:	420,776 stapled securities (change of Director's Interest Notice - 7 October 2022)

### Skills and Experience

Mr Callaghan joined Cromwell as Chief Executive Officer in October 2021. Prior to this, he was at Investa Property Group where he started as General Counsel and Company Secretary in 2006 before being appointed Joint Managing Director and Finance Director in 2013 and Chief Executive Officer in 2016.

His career at Investa included overseeing management of the Investa Commercial Property Fund, which at the time of his departure was the top performing core office fund over two, three, five and seven-year time horizons. During his tenure, Investa was widely regarded as an industry leader and was recognised in the Australian Financial Review BOSS Best Places to Work list for 2021 in property. Earlier in his career, Mr Callaghan spent time at law firms Gilbert & Tobin and Corrs Chambers Westgarth.

Mr Callaghan holds a Master of Applied Finance from Macquarie University and a Bachelor of Science (Hons) and Bachelor of Laws (Hons) from the University of Sydney. Mr Callaghan is a Member of the Property Champions of Change Coalition.

# Directors' Report

## Ms Tanya Cox – Non-executive Director

*MBA, Grad Dip Applied Corporate Governance, FAICD, FGIA, 62*

Director since:	21 October 2019
Last elected:	17 November 2021
Board Committee membership:	Chair of the Nomination and Remuneration Committee, Member of the Audit Committee, Member of the Independent Board Committee, and Member of the ESG and Risk Committee
Independent:	Yes
Based in:	Australia
Stapled securities held:	210,000 stapled securities (Change of Director's Interest Notice - 14 June 2022)

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

Non-executive Director – OtherLevels Holdings Limited (2015 – 2020)

Non-executive Director – BuildingIQ, Inc (2015 – 2019)

### Skills and Experience

Ms Cox has over 15 years of board experience and extensive executive experience in sustainability, property, finance and funds management. Ms Cox began her career at the Bank of New Zealand and over an 11 year period succeeded to the role of General Manager of Finance, Operations and IT. Ms Cox led similar functions at the managed fund custodian Ausmaq Limited, before joining Rothschild & Co Australia Limited as Director and Chief Operating Officer for the Australian operations. During her tenure at Rothschild & Co Australia Limited, Ms Cox was a member of several Executive Committees, including Chair of the Risk Committee and a member of the Investment Committee.

In 2003, Ms Cox joined Dexus as Chief Operating Officer and Company Secretary, with her responsibilities expanding in 2012 to include the role of Executive General Manager – Property Services. During her tenure at Dexus, Ms Cox was a member of the Executive Committee and the Investment Committee, and her responsibilities included oversight of all operational aspects of the business including corporate responsibility and sustainability, marketing and communications, information technology, operational risk management, corporate governance and company secretarial practices.

Since retiring from her executive career in 2014, Ms Cox has gained board experience at listed companies. She is a former Non-executive Director of BuildingIQ, Inc and OtherLevels Holdings Limited. Ms Cox is Chair of Cromwell Funds Management Limited, Chair of Equiem Holdings Limited, Chair of the Australian Sustainable Built Environment Council, Chair of Fender Katsalidis (Aust) Pty Limited, former Chair of the World Green Building Council and the Green Building Council of Australia. Ms Cox is a Director of Campus Living Villages Pty Limited and Niche Environment and Heritage Pty Limited. Ms Cox was a member of the NSW Climate Change Council until it disbanded on 30 June 2021 and is a former Director of Low Carbon Australia.

Ms Cox holds a Master of Business Administration from the Australian Graduate School of Management at University of New South Wales and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. Ms Cox is a Fellow of the Australian Institute of Company Directors and of the Governance Institute of Australia and is a Member of Chief Executive Women.

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## Mr Joseph Gersh AM – Non-executive Director

*BCom, LLB (Hons), 67*

Director since:	18 September 2020
Last elected:	16 November 2022
Board Committee membership:	Member of the Investment Committee, and Member of the Independent Board Committee
Independent:	Yes
Based in:	Australia
Stapled securities held:	140,000 stapled securities (Change of Director's Interest Notice - 14 June 2022)

### Skills and Experience

Mr Gersh is currently Executive Chairman of Gersh Investment Partners Ltd and a Director of the Sydney Institute in an honorary capacity.

Mr Gersh is a former government appointed Non-executive Director of the Australian Broadcasting Corporation (ABC) and was the Chair of the ABC's People and Sustainability Committee.

# Directors' Report

Mr Gersh was formerly the inaugural Chairman of the Australian Reinsurance Pool Corporation, foundation Director of the Reserve Bank of Australia's Payments System Board and Director of the Federal Airports Corporation. Mr Gersh is a former senior partner and Chairman of the Management Committee of law firm, Arnold Bloch Leibler. One of his principal areas of expertise is major property development and, in particular, the construction of hotels, shopping centres, land subdivisions, apartments and office towers.

Mr Gersh previously served as Deputy Chairman of the Australia Council for the Arts, as Chairman of Artbank (which is part of the Australian Government Office for the Arts) and as Chairman of the National Institute of Circus Arts.

In 2006, Mr Gersh was awarded the Member (AM) in the General Division of the Order of Australia for significant services to business, government, the arts and the community.

Mr Gersh holds a Bachelor of Commerce and Bachelor of Laws (Hons) from the University of Melbourne.

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## Ms Lisa Scenna – Non-executive Director

*B.Comm, Fellow of Chartered Accountants Australia and New Zealand, MAICD, 55*

Director since:	21 October 2019
Last elected:	16 November 2022
Board Committee membership:	Chair of the ESG and Risk Committee, Member of the Audit Committee, Member of the Independent Board Committee, and Member of the Nomination and Remuneration Committee
Independent:	Yes
Based in:	United Kingdom
Stapled securities held:	150,000 stapled securities (Change of Director's Interest Notice - 31 October 2022)

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

Non-executive Director – Gore Street Energy Storage Fund plc (2023 – current)

Non-executive Director – Harworth Group plc (2020 – current)

Senior Independent Director – Genuit Group plc (2023 – current)

Non-executive Director – Genuit Group plc (2019 – 2023)

### Skills and Experience

Ms Scenna has over 25 years of executive experience in property and asset management and funds/investment management in both the United Kingdom and Australia. Ms Scenna joined Westfield Group in 1994 and progressed to the role of Head of Investor Relations. Ms Scenna moved to Stockland Group as General Manager – Finance and Business Development and rose through the group to the role of UK Joint Managing Director in 2007. In this role, Ms Scenna was responsible for establishing Stockland Group in the UK, had full responsibility for the regional operations and was involved in a number of acquisitions and integrations.

In 2009, Ms Scenna left Stockland Group to stay in the UK and accepted the role of Group Head of Explore at Laing O'Rourke, the country's largest privately-owned construction solutions provider. For just under three years, Ms Scenna led the Explore Investments and Explore Living businesses across Europe, Canada, the Middle East and Australasia. In this role, Ms Scenna led the infrastructure investing activities globally and worked with clients and investors to build Laing O'Rourke's direct infrastructure portfolio held in co-ownership with a number of institutional investors across the UK, Australia and Canada.

In 2013, Ms Scenna joined UK construction and regeneration company, Morgan Sindall Group plc, as the Managing Director of their Investments business. During her tenure, Ms Scenna was a Director of the Morgan Sindall Investments Board. Through her extensive executive experience in the UK, Ms Scenna has developed strong connections with local authorities, developers and investors and has a deep understanding of the drivers for competitors.

Ms Scenna is a Senior Independent Director of AMP Capital Funds Management Limited and Chair of its Audit, Risk and Compliance Committee. Ms Scenna is an Independent Director of AMP Investment Services Pty Limited and Chair of its Audit, Risk and Compliance Committee.

Ms Scenna is a Senior Independent Director of Genuit Group plc and Chair of its Remuneration Committee, and a Member of its Audit Committee and Nomination Committee. Ms Scenna is a Non-executive Director of Harworth Group plc and is a Member of its Audit Committee and Remuneration Committee. Genuit Group plc, Gore Street Energy Storage Fund plc and Harworth Group plc are listed on the London Stock Exchange.

Ms Scenna is the former Deputy Chair of the Private Infrastructure Development Group's Supervisory Board and has played a leadership role in charitable organisations.

# Directors' Report

Ms Scenna holds a Bachelor of Commerce from the University of New South Wales and is a Fellow of Chartered Accountants Australia and New Zealand and a Member of the Australian Institute of Company Directors.

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## **Ms Jialei Tang – Non-executive Director**

*BFA Architectural Design, BA in Liberal Arts, 28*

Director since:	9 July 2021
Last elected:	17 November 2021
Board Committee membership:	Member of the Investment Committee
Independent:	No
Based in:	Singapore and the United States
Stapled securities held:	123,346,692 stapled securities (Initial Director's Interest Notice - 9 July 2021)

### **Skills and Experience**

Ms Tang has investment, executive and board experience in diverse industries including finance, real estate, hospitality, pharmaceuticals and technology, as well as across many geographies and jurisdictions including Asia-Pacific, Europe and North America.

In the real estate sector, Ms Tang specialises in the evaluation, acquisition, planning and development of asset classes encompassing hospitality, port terminals, premium offices, high density residential complexes, and REIT investments. She is the Director of investment offices Haiyi Holdings Pte Ltd and Asia Marvel Holdings Ltd, where her projects include the UBS Singapore headquarters, a 1468-unit residential complex, a port terminal in South China, and a logistics portfolio acquisition. She is also Chief Executive Officer of Silver City Properties, LLC, a residential property investment and management company in New York.

Ms Tang joined the board (as an alternate director) of TauRx Pharmaceuticals Ltd in 2019. She also handles the communication and strategic planning for her family office's philanthropy including support for education, the Olympic movement, refugee relief and healthcare.

Ms Tang holds a Master in Urban Planning from Harvard University, and a Bachelor of Fine Arts in Architectural Design and Bachelor of Arts in Liberal Arts (Epistemology and Language) from The New School. She is a Graduate of the Australian Institute of Company Directors.

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## **Mr Michael Foster – Company Secretary and Senior Legal Counsel**

*LLB (Hons) B.Bus, Grad Dip Applied Corporate Governance*

Appointed since:	6 April 2023
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### **Skills and Experience**

Mr Foster has more than 14 years of corporate and financial services experience, having worked as an inhouse legal practitioner for several ASX listed Australian financial services licensees.

Mr Foster's experience includes the areas of company secretariat and corporate governance, having been appointed as Company Secretary for Cromwell Funds Management Limited in 2021.

Mr Foster has private practice experience in Australia and the United Kingdom with a focus on real estate transactions.

Mr Foster holds a Bachelor of Laws (Hons), a Bachelor of Business and a Graduate Diploma in Applied Corporate Governance.

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# Directors' Report

## Directors' meetings

The following table sets out the number of Directors' meetings (including committees of the Board of Directors) held during the financial year and the number for meetings attended by each director (where a director or member of committee).

Directors	Notes	Board of Directors		Audit Committee		Investment Committee		ESG and Risk Committee		Nomination and Remuneration 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	Meetings attended	Meetings eligible to attend
G Weiss	Elected 18 September 2020	11	11	4	4	2	2	5	5	5	5
EP Ooi	Appointed 8 March 2021	11	11	4	4	-	-	5	5	-	-
R Blain	Appointed 8 March 2021	10	11	-	-	2	2	-	-	5	5
J Callaghan	Appointed 7 October 2021	11	11	-	-	-	-	-	-	-	-
T Cox	Appointed 21 October 2019	11	11	4	4	-	-	5	5	5	5
J Gersh	Elected 18 September 2020	11	11	-	-	2	2	-	-	-	-
L Scenna	Appointed 21 October 2019	11	11	4	4	-	-	5	5	5	5
J Tang	Appointed 9 July 2021	10	11	-	-	1	2	-	-	-	-

# Directors' Report

## Letter from the Chair

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 30 June 2023.

### Performance and Remuneration Outcomes

As detailed in my letter last year, Cromwell's transition to Fund Manager will span multiple financial years and 2023 saw continued progression towards that goal through the sale of non-core assets.

Significant progress has been made in the internal cultural shift which is core to the achievement of the strategy. Cromwell's new corporate values were defined early in the financial year, through an extensive consultative exercise with the global business to ensure the values resonated with our people as well as our purpose. Cromwell's new values are Accountable, Progressive and Collaborative.

Cromwell has made significant progress towards its 40:40:20 gender diversity targets. At the executive level, the group has achieved 38.5% female representation, increasing from 30% in FY22. The Australian Executive Committee has achieved the target with 44.4% female representation and overall the target has been achieved at 4 of 5 management levels in the Australian business. Over the last 2 years Cromwell has significantly reduced its gender pay gap, but there is still work to be done here, which the CEO and board are committed to continuously progressing. Board and committee composition also maintains its 40:40:20 representation.

The KMP STI Plan had a financial gateway of 90% of the Operating Earnings budget and this hurdle was met. The CEO and CFO earned 50% of their potential incentive award, in line with performance against KPIs.

As disclosed in the FY22 Remuneration report, the KMP LTI Plan hurdles were amended effective 1 July 2022, resulting in only two hurdles for FY23, being Relative Total Securityholder Return (Relative TSR) and Return on Invested Capital (ROIC). The Relative TSR hurdle remains unchanged from previous years, weighted at 50%. The ROIC hurdle has been set at the 10-year bond rate, on the day of grant, plus 300 basis points. Both hurdles are tested at the end of the three-year period and will remain unchanged in 2024.

The Board has considered the impact of a falling security price on the volume of LTI allocations and has decided not to adjust the allocations. Similarly, the Board does not adjust LTI allocations in a rising market or exercise discretion over vesting outcomes when a falling security price impacts vesting.

### FY24 Approach to Remuneration

KMP Remuneration will remain unchanged in FY24. As noted above, the Committee amended the KMP LTI Plan hurdles in 2022, from three equally weighted targets to two. In June 2023, the Committee considered the base salaries of both executive and non-executive KMP and determined that no increase would be awarded.

### Non-Executive Director Remuneration

During FY23 the structure of the Board Committees was reviewed. Cognisant of increased investor focus on Environmental, Social and Governance (ESG) issues and the materiality of those issues to real estate investment trusts, a combined ESG and Risk Committee was established, to ensure all matters under these areas receive appropriate attention. The previous Audit and Risk committee was converted to an Audit Committee.

Yours sincerely,



**Ms Tanya Cox**

Chair, Nomination and Remuneration Committee

# Remuneration Report

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The remuneration report is presented for the financial year ending 30 June 2023. The report forms part of the Directors' Report and has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*(Cth). This report is where we explain how performance has been linked to reward outcomes that forge a clear alignment between Cromwell staff and securityholders.

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# Remuneration Report

## 1. Remuneration Overview

### 1.1 Key Management Personnel

In this report, Key Management Personnel (KMP) are those with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

Name	Position / Title	Term	Current security holding
<b>Current Non-executive Directors</b>			
Gary Weiss AM	Non-executive Director	Full year	150,000
	Non-executive Chair		
Eng Peng Ooi	Non-executive Director (independent)	Full year	195,208
	Non-executive Deputy Chair (independent)		
Robert Blain	Non-executive Director (independent)	Full year	-
Tanya Cox	Non-executive Director (independent)	Full year	210,000
Joseph Gersh AM	Non-executive Director (independent)	Full year	140,000
Lisa Scenna	Non-executive Director (independent)	Full year	150,000
Jialei Tang	Non-executive Director	Full Year	123,346,692
<b>Executive Director</b>			
Jonathan	Chief Executive Officer	Full Year	420,776
Callaghan	Managing Director	Full Year	
<b>Other Executive KMP</b>			
Michael Wilde	Chief Financial Officer	Full Year	1,250,832

# Remuneration Report

## 2. Remuneration Strategy and Governance

### 2.1 Cromwell's Remuneration Strategy

<b>Our Purpose</b>	To be a trusted global Real Estate Fund Manager known for our transparency, authenticity and creativity.			
<b>Our Strategic Objectives</b>	Simplify the business	Grow Funds under Management	Grow Capital Relationships	Focus on People and Platform

Our Values				
<b>Accountable</b>  We do what we say we will do and deliver outstanding performance. We aim to exceed all standards and have the courage to do what is right. We act with integrity always.	<b>Progressive</b>  We challenge ourselves to embrace new perspectives and drive change. We focus on creating value and seek out new possibilities. We provide creative solutions and continuously improve together.	<b>Collaborative</b>  We respect and support each other, valuing the work others do. We partner across teams and borders with our investors and other stakeholders. We share ideas and encourage each other to perform at our best.		
Our Remuneration Principles				
Encourage behaviours consistent with our values	Attract proven high performers	Motivate achievement of strategic objectives	Create securityholder alignment	Retain proven high performers
KMP Remuneration Structure				
Fixed Fixed Remuneration	STI Short-Term Incentive	LTI Long-Term Incentive		
Benchmarked to market, Fixed Remuneration is used as a tool to attract executives with the skills and experience required to execute the strategy.  Base salary, superannuation and non-financial benefits.	STI drives achievement of short-term strategic objectives.  50% paid in cash 50% paid in securities and deferred for one year.	Designed to improve retention and create securityholder alignment.  At the end of three years: 100% vests in staple securities 50% is released immediately 50% is deferred in holding lock for a further 12 months.		
Reviewed annually against comparable organisations				
Minimum Securityholding Requirement <sup>1</sup>				
The CEO is required to hold a minimum of 100% of gross Fixed Remuneration in Cromwell stapled securities within 4 years of commencement. Upon the CEO obtaining the Required Securityholding, the Required Securityholding is fixed at the required value (Fixed Shares). Notwithstanding any decrease in the actual value of the Fixed Shares, no additional shares are required to be acquired.				
Other executive KMP are required to hold a minimum of 50% of Fixed Remuneration (within 4 years of 1 July 2019 or becoming KMP).				
Securities in STI and LTI holding lock are included in KMP total holdings.				

<sup>1</sup>The Board has approved that securities held in a family trust will count towards minimum shareholding.

# Remuneration Report

## 2.2 Remuneration Mix

The following diagram illustrates the remuneration mix at maximum potential for Key Management Personnel.

	Fixed Remuneration	Short term	Long term
		Variable remuneration	
Current KMP			
CEO	37%	31.5%	31.5%
CFO	50%	25%	25%

## 2.3 Remuneration Time Horizon

The following diagram provides an illustration of how 2024 financial year remuneration will be delivered.

<b>Fixed remuneration</b> Base salary, superannuation and other non-financial benefits			
STI – cash component			
	STI – deferred component		
		LTI – vested component	
			LTI – deferred component
<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>

# Remuneration Report

## 2.4 How variable remuneration is structured.

Short-Term Incentive (STI)			
Purpose	To drive the achievement of short-term strategic objectives.		
Value	% of Fixed Remuneration	Target	
		Current KMP	
	CEO	85%	
	CFO	50%	
Performance Measures	<p>All KMP STI's are subject to the following gateways:</p> <ol style="list-style-type: none"> <li>Achieving 90% of earnings guidance or Board approved budgeted earnings where no guidance is provided; and</li> <li>Scoring a minimum of Meeting Expectations against Cromwell's values-based Behavioural Competencies.</li> <li>Zero safety incidents causing death or major harm.</li> </ol> <p>If any of the gateways are not met, no STI is payable.</p> <p>Individual STI outcomes are determined based on group performance against a mix of financial and non-financial measures. More information can be found on the KMP STI Performance Measures in the STI Scorecard.</p>		
		Financial Measures	Non-financial Measures
	Current KMP		
	CEO	80%	20%
	CFO	70%	30%
Reason for performance measures	<p>The Board considers that a mix of financial and non-financial measures are appropriate and that they are aligned with Cromwell's strategy and values. Performance measures are reviewed annually, and the Board has discretion to review and amend the measures during the performance period where significant unforeseen events have occurred which are outside the control of management, or where formulaic application is likely to produce a material and perverse outcome.</p>		
Calculation of awards	<p>Value of awards are calculated as follows:</p> <p>Fixed Remuneration x Target STI opportunity % x Achievement Score against Performance Measures</p>		
Delivery of awards	<p>50% of the STI awarded is delivered in cash and 50% is delivered in securities and deferred for a further 12 months*. All securities are purchased on market.</p> <p>In the event the recipient ceases to be employed:</p> <ul style="list-style-type: none"> <li>before the STI award date, the recipient is ineligible to receive an award</li> <li>after the STI award date, securities in holding lock remain in holding lock until the release date provided the employee is deemed to be a good leaver</li> </ul>		
Clawback	<p>Malus and Clawback clauses allow deferred 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 receipt of an unfair benefit. This may also occur where an executive KMP fails to meet cultural related expectations including acting ethically and responsibly.</p>		
Change of Control	<p>In the event of a change of control, any STI award deferred in securities will be released.</p>		

\*In his second year of employment, the CEO will receive 30% cash, 20% non-deferred Cromwell Securities, and 50% as deferred Cromwell Securities.

# Remuneration Report

<b>KMP Long Term Incentive (LTI)</b>			
<b>Purpose</b>	To create securityholder alignment and encourage retention.		
<b>Value</b>	<b>% of Fixed Remuneration</b>	<b>Target</b>	<b>Allocation method</b>
	Current KMP		
	CEO	85%	Face value
	CFO	50%	Face value
<b>Performance Measures</b>	For each measure, 25% vests at the lower bound with straight line vesting to 100% at the maximum threshold.		
	50%	<b>Return on Invested Capital (ROIC)</b> Tested at the end of 3-year performance period. $ROIC = (\text{Dividend} + \text{increase in NTA}) / \text{opening NTA}$ . Lower bound is 300bps about the 10-year bond rate (set at 6.7% on 1 July 2022) and the upper bound is 400bps above the 10-year bond rate (set at 7.7% on 1 July 2022). Equity Issues that significantly impact NTA will be considered, as well as significant write downs in intangible assets.	
	50%	<b>Relative TSR</b> Tested at the end of 3-year performance period. Measured against the S&P/ASX300 A-REIT Accumulation Index on a percentile basis with 50 <sup>th</sup> percentile lower bound and 75 <sup>th</sup> percentile upper bound. Below Median – 0% vesting	
<b>Reason for performance measures</b>	ROIC is a measure of profitability above the average cost of debt. Relative TSR is an effective measure of securityholder value creation compared to peers without adjusting for market driven impacts.		
<b>Calculation of awards</b>	The number of performance rights granted is calculated under the Face Value Methodology, based on the VWAP of Cromwell's security price for the 10 days immediately succeeding the annual results announcement.		
<b>Delivery of awards</b>	At the end of the 3-year performance period, 100% of the award vests, with 50% released and 50% deferred in holding lock for a further 12 months. All securities are purchased on market. In the event the recipient ceases to be employed: <ul style="list-style-type: none"> <li>before the vesting date, all rights to securities are forfeit.</li> <li>after the vesting date, securities in holding lock remain in holding lock until the release date provided the employee is deemed to be a good leaver.</li> </ul>		
<b>Clawback</b>	Malus and Clawback clauses allow unvested and deferred 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 receipt of an unfair benefit. This may also occur where an executive KMP fails to meet cultural related expectations including acting ethically and responsibly.		
<b>Change of Control</b>	In the case of a change of control, performance rights will be tested and will pro rata vest in line with achievement against performance measures.		

# Remuneration Report

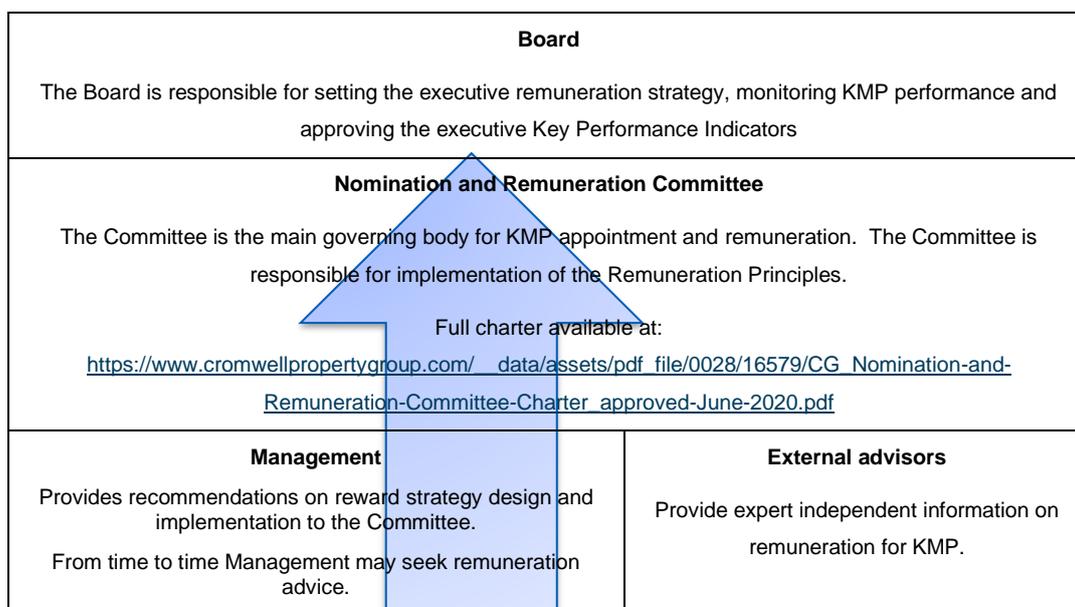
## 2.5 Employment Contract Terms & Conditions

All executive KMP are employed on Employment Contracts that detail the components of remuneration paid and frequency of review but do not describe how remuneration levels are modified from year to year. The contracts do not provide for a fixed term however they can be terminated on specified notice (with the exception of gross misconduct when they can be terminated without notice).

	Termination by Company	Termination by Executive KMP
CEO and other Executive KMP	<p><b>Notice Period</b> 6 months, with the option of payment in lieu (lump sum)</p> <p><b>Impact on incentives</b> If an executive KMP is determined to be a good leaver deferred securities remain on foot. If an executive KMP is determined to be a bad leaver all deferred securities are forfeit.</p>	<p><b>Notice Period</b> 6 months</p> <p><b>Impact on incentives</b> If an executive KMP is determined to be a good leaver unvested performance rights and deferred securities remain on foot. If an executive KMP is determined to be a bad leaver, unvested and deferred securities are forfeit.</p>

## 2.6 Remuneration Governance

The Board has appointed a Nomination and Remuneration Committee ("Committee") responsible for reviewing, monitoring and making recommendations in relation to the appointment, performance and remuneration of the KMP.



Remuneration consultants are appointed from time to time to provide independent information and advice.

# Remuneration Report

## 3. Cromwell Performance and Remuneration Outcomes

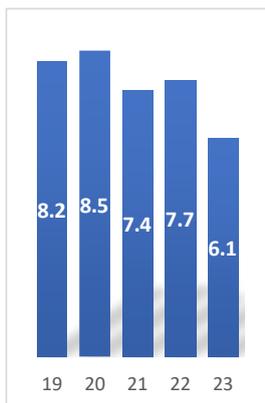
### 3.1 Cromwell's five-year performance summary

The remuneration outcomes of executive KMP vary with short-term and long-term performance outcomes. The graphs and tables below show executive KMP remuneration outcomes and Cromwell's core financial performance measures over the past five years.

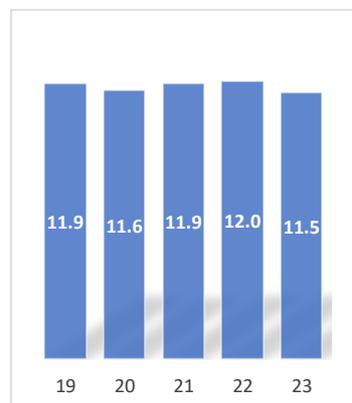
#### Cromwell's Five-year Performance Summary

##### Short-Term Measures

EPS  
Cents

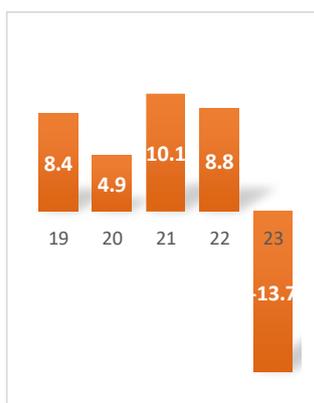


AUM  
\$Bn

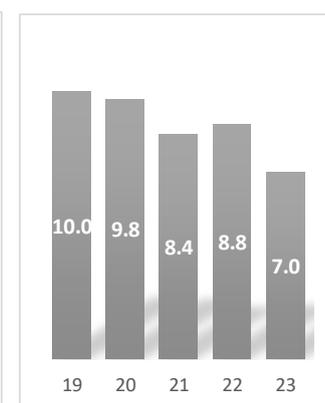


##### Long-Term Measures

Total Return  
%



ROCE  
%



#### STI and LTI Outcomes

STI (average % of target)

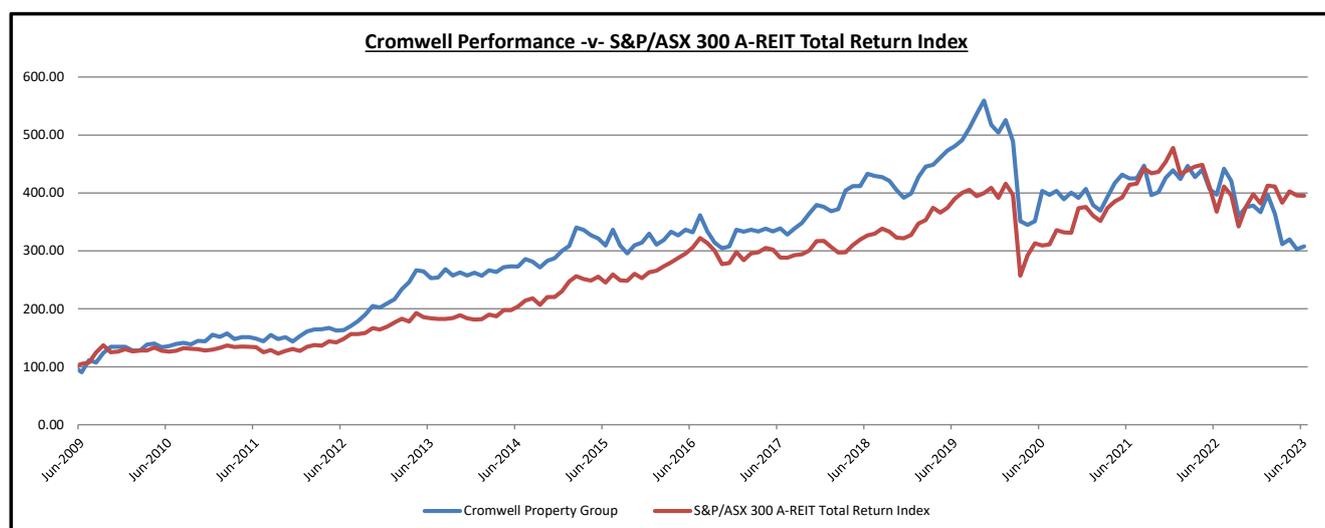
LTI (% of maximum)

	2019	2020	2021	2022	2023
STI (average % of target)	91%	71%	0%	71%	50%
LTI (% of maximum)	82%	38%	32%	27%	0%

LTI excludes backward looking LTI scheme

#### Total return of Cromwell securities

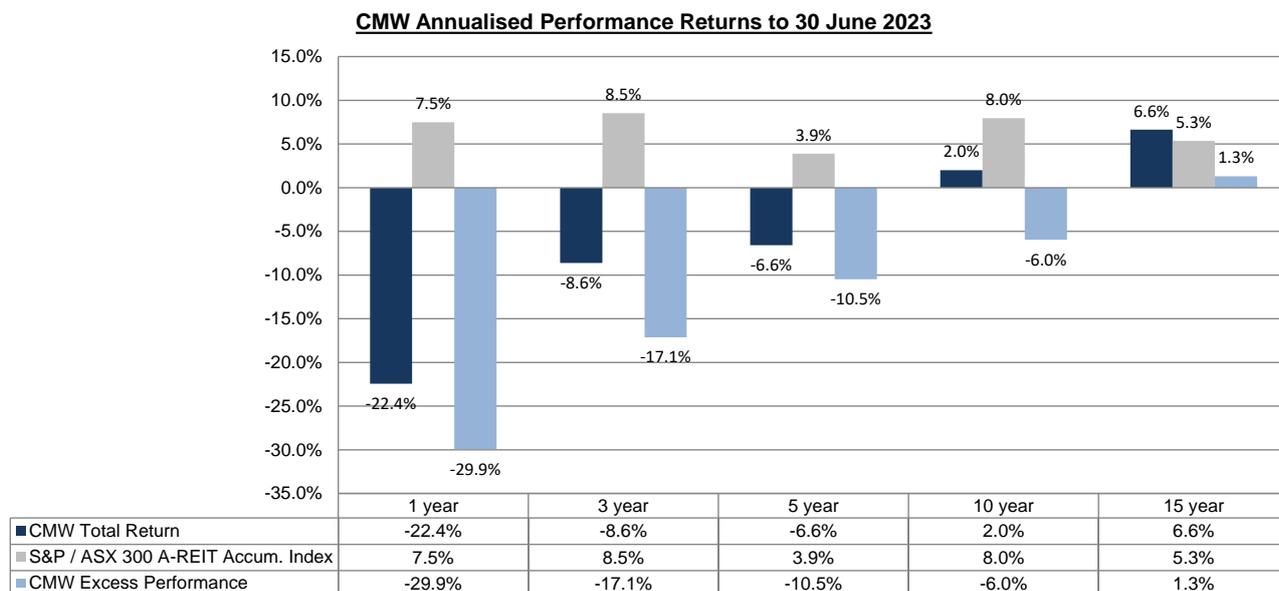
The chart below illustrates Cromwell's performance against the S&P/ASX300 A-REIT Accumulation Index since 2009.



# Remuneration Report

## 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.



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 all KMP will reward the achievement of medium-term returns.

As a result of the three-year performance of Cromwell, the TSR LTI Hurdle for the period from 1 July 2020 to 30 June 2023 paid out 0%. The final payout ratio for LTI's running from 1 July 2020 to 30 June 2023 was 14% which reflects the long-term performance of Cromwell over that time.

# Remuneration Report

## 3.2 STI Scorecard

Objective	Key Results	Commentary	Rating	KMP Responsible
-----------	-------------	------------	--------	-----------------

GATEWAYS				
	Achieve a minimum of 90% of Operating Earnings budget	The board approved target operating earnings for FY23 was set at 5.44cps and the associated earnings gateway was 4.94 cps.	Gateway achieved	All
	Achieve a minimum score of "Meets Expectations" against Cromwell behavioural and values-based expectations		Gateway achieved	All
	Achieve zero safety incidents causing death or major harm	There were zero incidents causing death or major harm in Cromwell's operations.	Gateway achieved	All

FINANCIAL PERFORMANCE				
Financial	Operating Earnings per Security of 5.44cps	The Group achieved an Operating Earnings per Security of 6.06cps	Achieved	All
Progress on Board Endorsed strategic initiatives to the Board's satisfaction	As determined by the board	There are multiple strategic initiatives underway that will span multiple financial years.	Partially achieved	All
Growth in Funds under Management (FUM)	Achieve growth of funds under management by \$220m	AUM decreased	Not achieved	CEO
Expense Management	All cost centres within expense budgets.	91.2% of cost centres were within expense budgets. Australian business expenses were 15.3% below budget and European business expenses were 7.5% below budget.	Achieved	CFO

NON-FINANCIAL PERFORMANCE				
Operational	Achieve FY23 Gender Diversity Targets	Measured the Gender Pay Gap and set target for improvement, improved gap by 2% globally and 1% in Australia.	Not achieved	All
	Operational efficiencies	40:40:20 gender diversity target at each leadership level: achieved target at non-executive director, Team Leader and Emerging Leader Level globally and the Executive, Senior Leader, Team Leader and Emerging Leader Level in Australia. Major projects pertaining to structure and efficiency were completed.	Not achieved Achieved	All CFO
ESG	Execute Strategy and achieve ESG targets	74% of ESG targets met	Not achieved	All
Leadership	"Executive Leadership" engagement score improved from 56% to 70%	Executive leadership engagement factor score at 61%	Not achieved	All
	"People Leadership" factor score for CEO direct reports at 70%	People leadership score of 74%	Achieved	CEO
	People Leadership factor score for CFO direct reports at 80%	People leadership score of 82%	Achieved	CFO
Culture	Engagement score improved to 70%	Global Engagement score at 63%.	Not achieved	All
	New values embedded	Values Embedded	Achieved	CEO

# Remuneration Report

## 3.3 Executive KMP STI Outcomes

	Behavioural Gateway	Target STI (as % of FR)	STI Awarded \$	STI Forfeit \$
<b>Current KMP</b>				
<b>CEO</b> Jonathan Callaghan	Met	85%	\$425,000	\$425,000
<b>CFO</b> Michael Wilde	Met	50%	\$212,500	\$212,500

## 3.4 Executive KMP LTI Performance

There is currently one LTI plan in operation for executive KMP, a “forward looking” LTI Plan, introduced on 1 July 2019. The following Performance Rights have been granted under this Plan:

	No of performance rights granted	Allocation date	Financial years tested	Expiry date
J Callaghan	1,083,078	1-Jul-22	2023 - 2025	30-Sep-25
	706,563	1-Jul-21	2022 - 2024	30-Sep-24
<b>Total</b>	<b>1,789,641</b>			
M Wilde	541,539	1-Jul-22	2023 - 2025	30-Sep-25
	679,601	1-Jul-21	2022 - 2024	30-Sep-24
	857,008	1-Jul-20	2021 - 2023	30-Sep-23
<b>Total</b>	<b>2,078,148</b>			

Performance Rights granted under the above Plan will be tested, at the vesting date, against the following performance hurdles and the resulting number of Performance Rights will vest. Upon vesting, an equivalent number of Stapled Securities will be issued to the holder, 50% of which will remain in holding lock for a further 12 months.

Plan	Performance period start date	Performance period end date	Vesting conditions
2023 KMP LTI Plan	1 July 2022	30 June 2025	<ul style="list-style-type: none"> <li>50% Return on Invested Capital (ROIC) (6.7% - 7.7%)</li> <li>50% Relative TSR (50<sup>th</sup> – 75<sup>th</sup> percentile)</li> </ul>
2022 KMP LTI Plan	1 July 2021	30 June 2024	<ul style="list-style-type: none"> <li>33.3% Total Return (8.5% - 11.5%)</li> <li>33.3% ROCE (8.5% - 11.5%)</li> <li>33.3% Relative TSR (50<sup>th</sup> – 75<sup>th</sup> percentile)</li> </ul>
2021 KMP LTI Plan	1 July 2020	30 June 2023	<ul style="list-style-type: none"> <li>33.3% Total Return (8.5% - 11.5%)</li> <li>33.3% ROCE (8.5% - 11.5%)</li> <li>33.3% Relative TSR (50<sup>th</sup> – 75<sup>th</sup> percentile)</li> </ul>

# Remuneration Report

The targets set for the 2023, 2022 and 2021 plans and performance against each target is as follows:

	2023	2022	2021
<b>Total Return</b>			
Target range	8.5%-11.5%	8.5%-11.5%	8.5%-11.5%
Achieved	(13.7%)	8.8%	10.1%
Vesting percentage	0.0%	32.5%	64.9%
<b>Return on Contributed Equity (ROCE)</b>			
Target range	8.5%-11.5%	8.5%-11.5%	8.5%-11.5%
Achieved	7.0%	8.8%	8.4%
Vesting percentage	0.0%	32.7%	0.0%
<b>Relative Total Shareholder Return</b>			
Target range	50 <sup>th</sup> percentile to 75 <sup>th</sup> percentile of S&P/ASX300 A-REIT Index		
Achieved	Below median	Below median	N/A
Vesting percentage	0.0%	0.0%	N/A

The targets set for the 2023 plan are not scheduled to be tested until 30 June 2025.

The “backward looking” LTI Plan was discontinued for executive KMP on 30 June 2019. The following Performance Rights have been allocated and vested during 2023 under this plan. This was the final LTI allocation to KMP under this plan.

	No of performance rights granted	Exercise Price	Allocation date	Expiry date	
M Wilde	172,518	\$0.00	30-Jun-19	1-Oct-22	Vested during FY23
<b>Total</b>	<b>172,518</b>				

Performance Rights granted under the above Plan were tested on the allocation date, against specific performance hurdles and the resulting number of Performance Rights were granted. The Performance Rights generally vest three years after grant date provided the below ongoing conditions are met during the vesting period:

- continuing employment, and
- achievement of a minimum score of “Solid Performance” against individual KPIs, assessed annually during the three-year period.

# Remuneration Report

## 3.5 Executive Actual Remuneration

The table below outlines the remuneration received during FY23.

		Short-term			Post-employment	Security based payments		Total \$
		Salary and fees \$	Non-monetary benefits \$	At-risk cash bonus \$	Super-annuation \$	Deferred STI award	LTI scheme \$	
J Callaghan	2023	966,394	8,387	235,875	25,292	-	-	1,235,948
M Wilde	2023	813,358	10,855	159,375	25,292	-	142,737	1,151,617
<b>Total remuneration</b>	<b>2023</b>	<b>1,779,752</b>	<b>19,242</b>	<b>395,250</b>	<b>50,584</b>	<b>-</b>	<b>142,737</b>	<b>2,387,565</b>

## 3.6 Executive Statutory Remuneration

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

		Short-term				Post-employment		Long-term	Security based payments		Total \$
		Salary <sup>(1)</sup> \$	Non-monetary benefits \$	At-risk cash bonus \$	Diminishing deferred payment \$	Super-annuation \$	Termination benefits \$	Long service leave \$	Deferred STI award \$	LTI scheme \$	
<b>Executive KMP</b>											
J Callaghan <sup>(2)</sup>	2023	985,500	8,387	212,500	-	25,292	-	16,376	212,500	167,324	1,627,879
	2022	735,306	9,000	235,875	-	17,676	-	11,996	235,875	106,580	1,352,308
M Wilde <sup>(3)</sup>	2023	844,641	10,855	106,250	-	25,292	-	13,509	106,250	60,839	1,167,636
	2022	920,555	12,180	159,375	-	23,568	-	(53,506)	159,375	283,042	1,504,589
B Hinton <sup>(4)</sup>	2022	110,906	-	19,013	62,832	5,892	-	2,670	19,012	35,656	255,981
<b>Total remuneration</b>	<b>2023</b>	<b>1,830,141</b>	<b>19,242</b>	<b>318,750</b>	<b>-</b>	<b>50,584</b>	<b>-</b>	<b>29,885</b>	<b>318,750</b>	<b>228,163</b>	<b>2,795,515</b>
	2022	1,766,767	21,180	414,263	62,832	47,136	-	(38,840)	414,262	425,278	3,112,878

<sup>(1)</sup> Includes any change in accruals for annual leave

<sup>(2)</sup> Mr Callaghan commenced as CEO on 5 October 2021. In his first and second year of employment, Mr Callaghan will receive 40% of the value of his at-risk cash bonus in the form of Cromwell securities

<sup>(3)</sup> Mr Wilde was Acting CEO until 4 October 2021 and CFO from 5 October 2021 onwards

<sup>(4)</sup> Mr Hinton ceased being a KMP on 5 October 2021

# Remuneration Report

## 4. Non-executive Director Remuneration

### 4.1 Board remuneration structure

The Board determines remuneration of Non-executive Directors within the maximum amount approved by securityholders from time to time. This maximum currently stands at \$1,500,000 per annum in total for fees to be divided among the Non-executive Directors in such a proportion and manner as they agree.

### 4.2 Total remuneration for Non-executive Directors

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

	2023 \$	2022 \$
Chair <sup>(1)</sup>	292,500	292,500
Non-executive Director	133,000	133,000
Audit and Risk Committee – Chair <sup>(2)</sup>	-	32,000
Audit and Risk Committee – Member <sup>(2)</sup>	-	16,000
Audit Committee – Chair <sup>(2)</sup>	30,000	-
Audit Committee – Member <sup>(2)</sup>	15,000	-
ESG and Risk Committee – Chair <sup>(2)</sup>	30,000	-
ESG and Risk Committee - Member <sup>(2)</sup>	15,000	-
Investment Committee – Chair	17,000	17,000
Investment Committee – Member	8,500	8,500
Nomination and Remuneration Committee – Chair	30,000	30,000
Nomination and Remuneration Committee – Member	15,000	15,000

<sup>(1)</sup> The Board Chair fee is an all-inclusive board chair fee and includes all committee responsibilities.

<sup>(2)</sup> From 1 July 2022 the Audit and Risk Committee has been converted to an Audit Committee and an ESG and Risk Committee.

### Fees for subsidiary boards

Mr Ooi is Non-executive Director (appointed 15 September 2021) of Cromwell EREIT Management Pte Ltd (CEM), a 100% owned subsidiary of the Company, domiciled in Singapore. Mr Ooi is also the Chair of the Sustainability Committee for CEM (appointed Chair on 1 January 2022). The annual fees for being a Non-executive Director of CEM is SGD\$80,000 and the annual fee for Sustainability Committee Chair is SGD\$40,000. During 2023, Mr Ooi earned AUD\$130,763 (2022: AUD\$83,108) from CEM.

Ms Cox is Chair of the Board of Cromwell Funds Management Ltd (CFML), a 100% owned subsidiary of the Company. The annual fee for the Chair of the Board of CFML is \$55,000 (inclusive of superannuation). During 2023, Ms Cox earned \$49,774 (2022: \$77,838 from CFML which included an amount relating to the prior financial year).

### 4.3 Non-executive Directors' security holding requirement

Non-executive Directors are required to have a minimum holding of Cromwell Property Group stapled securities equivalent to the Non-executive Director annual fee within three years of their start date. Non-executive Directors are bound by Cromwell's Securities Trading Policy, which is available on Cromwell's website. No additional remuneration is provided to Non-executive Directors to purchase these stapled securities.

# Remuneration Report

## 4.4 Non-executive Directors' remuneration table

The table below outlines the cash remuneration and benefits received by each Non-executive Director during the year in accordance with applicable statutory accounting rules.

		Director fees \$	Subsidiary board fees \$	Non-monetary benefits \$	Post- employment benefits (superannuation) \$	Total \$
<b>Non-executive directors:</b>						
G Weiss	<b>2023</b>	<b>286,230</b>	-	-	<b>6,863</b>	<b>293,093</b>
	2022	288,043	-	-	11,784	299,827
E P Ooi	<b>2023</b>	<b>161,131</b>	<b>130,763</b>	-	<b>16,919</b>	<b>308,813</b>
	2022	156,068	83,108	-	15,607	254,783
R Blain	<b>2023</b>	<b>149,321</b>	-	-	<b>15,679</b>	<b>165,000</b>
	2022	154,478	-	-	15,448	169,926
T Cox	<b>2023</b>	<b>174,709</b>	<b>49,774</b>	-	<b>23,570</b>	<b>248,053</b>
	2022	167,531	73,462	-	21,273	262,266
J Gersh	<b>2023</b>	<b>128,054</b>	-	-	<b>13,446</b>	<b>141,500</b>
	2022	137,969	-	-	13,797	151,766
L Scenna	<b>2023</b>	<b>193,111</b>	-	-	-	<b>193,111</b>
	2022	170,613	-	-	-	170,613
J Tang <sup>(1)</sup>	<b>2023</b>	<b>141,500</b>	-	-	-	<b>141,500</b>
	2022	138,081	-	-	-	138,081
<b>Total Remuneration</b>	<b>2023</b>	<b>1,234,056</b>	<b>180,537</b>	-	<b>76,477</b>	<b>1,491,070</b>
	2022	1,212,783	156,570	-	77,909	1,447,262

<sup>(1)</sup> Ms Tang was appointed on 9 July 2021.

# Remuneration Report

## 5. Additional Disclosures

### 5.1 At risk cash awards and performance rights vesting and forfeiture in 2023

For each at risk cash award 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	
	Cash bonus paid %	Cash bonus forfeited %
J Callaghan	50	50
M Wilde	50	50

	Equity based compensation				
	Years options granted	Options vested in 2023 %	Options forfeited in 2023 %	Years options may vest	Maximum value of grant to vest \$
J Callaghan	2022	-	-	2025	82,693
	2023	-	-	2026	290,710
M Wilde	2020	14%	86%	2023	-
	2021	-	-	2024	200
	2022	-	-	2025	79,537
	2023	-	-	2026	145,355

### 5.2 Equity based compensation for the CEO and other KMP

Details of the PRP are set out in sections 2.4 and 3.4 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:

# Remuneration Report

Grant date	Expiry date	Exercise price	No of performance rights granted	Assessed value per right at grant date
4-Oct-19	1-Oct-22	-	172,518	106.3¢
27-Mar-20	30-Sep-22	-	236,809	63.0¢
27-Mar-20	30-Sep-22	-	118,405	30.2¢
23-Dec-20	30-Sep-23	-	571,338	69.5¢
23-Dec-20	30-Sep-23	-	285,670	34.5¢
11-Nov-21	30-Sep-24	-	924,109	65.3¢
11-Nov-21	30-Sep-24	-	462,055	34.5¢
7-Oct-22	30-Sep-25	-	812,309	51.6¢
7-Oct-22	30-Sep-25	-	812,309	28.8¢

Details of changes during the 2023 financial 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
J Callaghan	706,563	1,083,078 <sup>(1)</sup>	-	-	-	1,789,641
M Wilde	2,064,341	541,539 <sup>(2)</sup>	(246,116) <sup>(3)</sup>	(281,616)	-	2,078,148
	2,770,904	1,624,617	(246,116)	(281,616)	-	3,867,788

<sup>(1)</sup> The fair value at grant date was \$ 435,668.

<sup>(2)</sup> The fair value at grant date was \$ 217,834.

<sup>(3)</sup> The fair value at grant date was \$ 229,667. The face value at exercise date was \$167,984. Exercise price was \$nil.

## 5.3 Security holdings

The number of Cromwell stapled securities held during the 2023 financial year by key management personnel of Cromwell, including their personally related parties are as follows:

	Balance at 1 July	Performance rights exercised	Received as STI	Received as deferred STI	Net purchases (sales)	Balance at 30 June
<b>Non-executive directors:</b>						
G Weiss	150,000	-	-	-	-	150,000
E P Ooi	195,208	-	-	-	-	195,208
R Blain	-	-	-	-	-	-
T Cox	210,000	-	-	-	-	210,000
J Gersh	140,000	-	-	-	-	140,000
L Scenna	125,000	-	-	-	25,000	150,000
J Tang	123,346,692	-	-	-	-	123,346,692
<b>Executive KMP:</b>						
J Callaghan	-	-	120,222	300,554	-	420,776
M Wilde	1,010,956	246,116	-	203,077	(209,317)	1,250,832
	125,177,856	246,116	120,222	503,631	(209,317)	125,863,508

## 5.4 Loans to key management personnel

Cromwell has provided no loans to any key management personnel.

End of Remuneration Report

# Directors' Report

## Significant changes in the state of affairs

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

## Subsequent events

Other than as disclosed in note 27, no matter or circumstance has arisen since 30 June 2023 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 15 in the accompanying financial report. There were 2,618,866,699 (2022: 2,618,866,699) 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 \$4,071.1 million (2022: \$4,911.2 million). Net assets attributable to unitholders of the Trust were \$2,118.8 million (2022: \$2,615.4 million) equating to \$0.81 per unit (2022: \$0.98 per unit).

The Trust's assets are valued in accordance with policies stated in notes to the financial statements.

### *Alternative Investment Fund Managers Directive (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 2023 was \$4,286,585 (2022: \$6,246,328). This amount is comprised of fixed remuneration of \$3,739,672 and variable remuneration of \$546,913 (2022: \$5,695,314 and \$551,014 respectively).

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.

# Directors' Report

## 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 327B 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 and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor. Effective 1 July 2022, the Audit and Risk Committee was reconstituted as an Audit Committee and as an ESG and Risk Committee.

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

	2023 \$	2022 \$
<b>Non-audit services</b>		
Due diligence services	19,650	452,765
Other reporting services	8,797	45,940
International consulting services	5,420	17,567
Tax compliance services – Australia	8,380	17,015
<b>Total remuneration for non-audit services</b>	<b>42,247</b>	<b>533,287</b>

During the year, Deloitte, as auditor, received remuneration for audit and other services relating to other entities for which Cromwell EREIT Management Pte. Ltd and Cromwell Investment Services Limited, both controlled entities, act as responsible entity. The remuneration was disclosed in the relevant entity's financial reports and totalled \$1,553,900 (2022: \$1,255,100).

## 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.

The Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the Directors, pursuant to 298(2) of the *Corporations Act 2001* (Cth).



Dr Gary Weiss AM

Chair

30 August 2023

30 August 2023

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

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 2023, 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



David Rodgers  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

# Consolidated Statements of Profit or Loss

For the year ended 30 June 2023

	Notes	Cromwell		Trust	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Revenue</b>	5(a)	<b>367.8</b>	377.4	<b>274.6</b>	283.2
<b>Other income</b>					
Fair value net gains from:					
Investment properties	8(f)	-	54.0	-	54.0
Derivative financial instruments		-	55.4	-	55.4
Share of profit of equity accounted investments	9(f)	-	41.3	-	38.8
Net foreign currency gains		-	26.4	-	24.1
Gain on sale of investment properties		<b>2.0</b>	11.8	<b>2.0</b>	11.8
Gain on sale of interest in joint venture held for sale		<b>7.7</b>	-	-	-
Other income		-	2.3	<b>1.0</b>	-
<b>Total revenue and other income</b>		<b>377.5</b>	568.6	<b>277.6</b>	467.3
<b>Expenses</b>					
Property expenses and outgoings		<b>72.3</b>	64.8	<b>80.6</b>	74.3
Fund management costs		<b>8.2</b>	7.6	-	-
Employee benefits expense	6(a)	<b>82.6</b>	80.7	-	-
Administrative and other expenses	6(b)	<b>43.2</b>	49.3	<b>27.9</b>	28.6
Finance costs	6(c)	<b>85.9</b>	72.8	<b>85.5</b>	72.4
Fair value net losses from:					
Investment properties	8(f)	<b>491.6</b>	-	<b>491.6</b>	-
Derivative financial instruments		<b>4.7</b>	-	<b>4.7</b>	-
Investments at fair value through profit and loss		<b>4.9</b>	1.7	<b>3.3</b>	-
Share of losses of equity accounted investments	9(f)	<b>18.5</b>	-	<b>19.0</b>	-
Impairment of equity accounted investments	9(f)	<b>1.9</b>	1.4	<b>1.9</b>	1.4
Net foreign currency losses		<b>13.3</b>	-	<b>8.8</b>	-
Other transaction costs		<b>3.5</b>	3.0	<b>2.0</b>	2.8
<b>Total expenses</b>		<b>830.6</b>	281.3	<b>725.3</b>	179.5
<b>(Loss) / profit before income tax</b>		<b>(453.1)</b>	287.3	<b>(447.7)</b>	287.8
Income tax (benefit) / expense	7(c)	<b>(9.3)</b>	24.1	<b>(9.0)</b>	12.9
<b>(Loss) / profit after tax</b>		<b>(443.8)</b>	263.2	<b>(438.7)</b>	274.9
<i>(Loss) / profit after tax is attributable to securityholders:</i>					
Attributable to the Company		<b>(5.1)</b>	(10.5)	-	-
Attributable to the Trust		<b>(438.7)</b>	273.7	<b>(438.7)</b>	273.7
Attributable to non-controlling interests		-	-	-	1.2
<b>(Loss) / profit after tax</b>		<b>(443.8)</b>	263.2	<b>(438.7)</b>	274.9
<b>Earnings per security</b>					
Basic earnings per stapled security (cents)	3(b)	<b>(16.95¢)</b>	10.05¢	<b>(16.76¢)</b>	10.45¢
Diluted earnings per stapled security (cents)	3(b)	<b>(16.90¢)</b>	10.02¢	<b>(16.71¢)</b>	10.42¢

The above Consolidated Statements of Profit or Loss should be read in conjunction with the accompanying notes.

# Consolidated Statements of Other Comprehensive Income

For the year ended 30 June 2023

	Notes	Cromwell		Trust	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>(Loss) / profit after tax</b>		<b>(443.8)</b>	263.2	<b>(438.7)</b>	274.9
<b>Other comprehensive income / (loss)</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		<b>89.4</b>	(45.2)	<b>86.1</b>	(44.7)
Transfer of FVOCI reserve to profit or loss		-	(2.3)	-	-
Income tax relating to these items		-	-	-	-
<b>Other comprehensive income / (loss), net of tax</b>		<b>89.4</b>	(47.5)	<b>86.1</b>	(44.7)
<b>Total other comprehensive (loss) / income</b>		<b>(354.4)</b>	215.7	<b>(352.6)</b>	230.2
<i>Total other comprehensive (loss) / income is attributable to securityholders:</i>					
Attributable to the Company		<b>(1.8)</b>	(13.3)	-	-
Attributable to the Trust		<b>(352.6)</b>	229.0	<b>(352.6)</b>	229.0
Attributable to non-controlling interests		-	-	-	1.2
<b>Total other comprehensive (loss) / income</b>		<b>(354.4)</b>	215.7	<b>(352.6)</b>	230.2

The above Consolidated Statements of Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Consolidated Balance Sheets

As at 30 June 2023

	Notes	Cromwell		Trust	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Current assets</b>					
Cash and cash equivalents		113.9	286.0	58.3	212.8
Receivables	13(b)	41.3	38.2	14.7	16.9
Derivative financial instruments	12(a)	28.0	13.3	28.0	13.3
Current tax assets		0.6	2.4	0.1	-
Other current assets		7.0	7.0	2.3	2.3
		<b>190.8</b>	346.9	<b>103.4</b>	245.3
Assets held for sale	20(a)	138.4	160.4	138.4	105.7
<b>Total current assets</b>		<b>329.2</b>	507.3	<b>241.8</b>	351.0
<b>Non-current assets</b>					
Investment properties	8(e)	3,098.2	3,740.0	3,098.2	3,740.0
Equity accounted investments	9(a)	662.2	670.7	632.1	641.5
Investments at fair value through profit or loss	10(a)	20.6	23.3	17.7	20.4
Inventories	8(d)	16.5	15.3	-	-
Derivative financial instruments	12(a)	28.5	42.6	28.5	42.6
Receivables	13(b)	38.3	28.5	51.1	114.9
Property, plant and equipment		20.2	25.2	-	-
Intangible assets		0.3	0.5	-	-
Deferred tax assets	7(d)	1.7	0.8	1.7	0.8
<b>Total non-current assets</b>		<b>3,886.5</b>	4,546.9	<b>3,829.3</b>	4,560.2
<b>Total assets</b>		<b>4,215.7</b>	5,054.2	<b>4,071.1</b>	4,911.2
<b>Current liabilities</b>					
Trade and other payables	13(c)	69.8	73.3	42.1	53.3
Unearned income		17.3	16.3	16.1	15.1
Dividends / distributions payable	4(a)	36.0	42.6	36.0	42.6
Interest bearing liabilities	11(a)	142.8	211.7	138.0	206.2
Provisions		5.2	4.7	-	-
Current tax liabilities		0.5	2.3	0.2	1.8
		<b>271.6</b>	350.9	<b>232.4</b>	319.0
Liabilities directly related to assets held for sale	20(a)	49.4	-	49.4	-
<b>Total current liabilities</b>		<b>321.0</b>	350.9	<b>281.8</b>	319.0
<b>Non-current liabilities</b>					
Interest bearing liabilities	11(a)	1,681.3	1,980.0	1,669.8	1,964.7
Provisions		0.5	0.7	-	-
Deferred tax liabilities	7(d)	0.7	12.2	0.7	12.1
<b>Total non-current liabilities</b>		<b>1,682.5</b>	1,992.9	<b>1,670.5</b>	1,976.8
<b>Total liabilities</b>		<b>2,003.5</b>	2,343.8	<b>1,952.3</b>	2,295.8
<b>Net assets</b>		<b>2,212.2</b>	2,710.4	<b>2,118.8</b>	2,615.4
<b>Equity attributable to securityholders</b>					
Contributed equity	15(b)	2,280.1	2,280.1	2,072.8	2,072.8
Reserves	16(a)	58.1	(31.5)	29.5	(56.6)
Retained earnings		(126.0)	461.8	16.5	599.2
<b>Total equity attributable to securityholders</b>		<b>2,212.2</b>	2,710.4	<b>2,118.8</b>	2,615.4
<i>Comprising</i>					
Total equity attributable to the Company	19(b)	93.4	95.0	-	-
Total equity attributable to the CDPT	19(c)	2,118.8	2,615.4	2,118.8	2,615.4
<b>Total equity attributable to securityholders</b>		<b>2,212.2</b>	2,710.4	<b>2,118.8</b>	2,615.4

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

# Consolidated Statements of Changes in Equity

For the year ended 30 June 2023

Cromwell	Notes	Attributable to Equity Holders of Cromwell			
		Contributed equity \$M	Reserves \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2021		2,279.8	16.6	368.9	2,665.3
Profit for the year		-	-	263.2	263.2
Other comprehensive loss		-	(47.5)	-	(47.5)
Total comprehensive income		-	(47.5)	263.2	215.7
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Contributions of equity, net of equity issue costs	15(b)	0.3	-	-	0.3
Dividends / distributions paid / payable	4(a)	-	-	(170.3)	(170.3)
Acquisition of treasury securities	16(a)	-	(0.5)	-	(0.5)
Employee performance rights	16(a)	-	(0.1)	-	(0.1)
Total transactions with equity holders		0.3	(0.6)	(170.3)	(170.6)
<b>Balance as at 30 June 2022</b>		<b>2,280.1</b>	<b>(31.5)</b>	<b>461.8</b>	<b>2,710.4</b>
Loss for the year		-	-	(443.8)	(443.8)
Other comprehensive income		-	89.4	-	89.4
Total comprehensive loss		-	89.4	(443.8)	(354.4)
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Dividends / distributions paid / payable	4(a)	-	-	(144.0)	(144.0)
Acquisition of treasury securities	16(a)	-	(1.6)	-	(1.6)
Issue of treasury securities	16(a)	-	0.9	-	0.9
Contributions of exercise price for options settled with treasury securities	16(a)	-	0.4	-	0.4
Employee performance rights	16(a)	-	0.5	-	0.5
Total transactions with equity holders		-	0.2	(144.0)	(143.8)
<b>Balance as at 30 June 2023</b>		<b>2,280.1</b>	<b>58.1</b>	<b>(126.0)</b>	<b>2,212.2</b>

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 2023

Trust	Notes	Attributable to Equity Holders of the CDPT			Total \$M	Non- controlling interests \$M	Total \$M
		Contributed equity \$M	Reserve \$M	Retained earnings \$M			
Balance at 1 July 2021		2,072.5	(11.9)	495.8	2,556.4	7.7	2,564.1
Profit for the year		-	-	273.7	273.7	1.2	274.9
Other comprehensive loss		-	(44.7)	-	(44.7)	-	(44.7)
Total comprehensive income		-	(44.7)	273.7	229.0	1.2	230.2
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of equity issue costs	15(b)	0.3	-	-	0.3	-	0.3
Distributions paid / payable	4(a)	-	-	(170.3)	(170.3)	(0.3)	(170.6)
Disposal of non-controlling interest		-	-	-	-	(8.6)	(8.6)
Total transactions with equity holders		0.3	-	(170.3)	(170.0)	(8.9)	(178.9)
<b>Balance as at 30 June 2022</b>		<b>2,072.8</b>	<b>(56.6)</b>	<b>599.2</b>	<b>2,615.4</b>	<b>-</b>	<b>2,615.4</b>
Loss for the year		-	-	(438.7)	(438.7)	-	(438.7)
Other comprehensive income		-	86.1	-	86.1	-	86.1
Total comprehensive loss		-	86.1	(438.7)	(352.6)	-	(352.6)
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Distributions paid / payable	4(a)	-	-	(144.0)	(144.0)	-	(144.0)
Total transactions with equity holders		-	-	(144.0)	(144.0)	-	(144.0)
<b>Balance as at 30 June 2023</b>		<b>2,072.8</b>	<b>29.5</b>	<b>16.5</b>	<b>2,118.8</b>	<b>-</b>	<b>2,118.8</b>

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 2023

	Note	Cromwell		Trust	
		2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Cash flows from operating activities</b>					
Receipts in the course of operations		387.8	395.4	292.8	297.3
Payments in the course of operations		(220.6)	(224.0)	(125.1)	(117.5)
Distributions received		46.6	51.3	41.6	34.6
Interest received		20.0	9.7	18.1	6.5
Finance costs paid		(81.3)	(54.3)	(81.3)	(54.3)
Income tax paid		(3.3)	(2.9)	(5.3)	(0.5)
<b>Net cash provided by operating activities</b>	22(b)	<b>149.2</b>	<b>175.2</b>	<b>140.8</b>	<b>166.1</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investment properties		88.4	162.0	88.4	162.0
Payments for investment properties		(38.6)	(20.9)	(38.6)	(20.9)
Payments for equity accounted investments		(3.8)	-	(3.8)	-
Proceeds from sale of equity accounted investments		19.7	0.3	-	-
Proceeds from sale of investments at fair value through profit or loss		-	4.1	-	-
Payments for investments at fair value through profit or loss		(1.8)	(20.6)	(0.5)	(20.0)
Receipt of capital return distributions from investments at fair value through profit or loss		-	0.4	-	-
Payments for intangible assets		(0.1)	(0.2)	-	-
Payments for property, plant and equipment		(1.2)	(0.6)	-	-
Proceeds from vendor finance loan		-	27.0	-	27.0
Repayment of loans from related entities		147.9	24.4	178.0	26.1
Loans to related entities		(9.7)	(46.2)	(3.8)	(50.6)
Payments for other transaction costs		(3.9)	(3.0)	(2.2)	(2.8)
<b>Net cash provided by investing activities</b>		<b>196.9</b>	<b>126.7</b>	<b>217.5</b>	<b>120.8</b>
<b>Cash flows from financing activities</b>					
Proceeds from interest bearing liabilities		167.7	474.0	167.7	474.0
Repayment of interest bearing liabilities		(523.2)	(447.2)	(523.2)	(447.2)
Payments for lease liabilities		(6.4)	(4.5)	(0.4)	(0.3)
Payment of loan transaction costs		(2.7)	(2.2)	(2.7)	(2.2)
Payments for settlement of derivative financial instruments		(5.0)	(0.3)	(5.0)	(0.3)
Proceeds from issue of stapled securities		-	0.3	-	0.3
Payments for units redeemed by NCI		-	-	-	(8.6)
Payments for treasury securities		(1.6)	(0.5)	-	-
Proceeds from contribution of exercise price on options		0.4	-	-	-
Payment of dividends / distributions		(150.6)	(170.2)	(150.6)	(170.2)
<b>Net cash used in financing activities</b>		<b>(521.4)</b>	<b>(150.6)</b>	<b>(514.2)</b>	<b>(154.5)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>					
Cash and cash equivalents at 1 July		286.0	142.3	212.8	83.7
Effects of exchange rate changes on cash and cash equivalents		4.7	(7.6)	2.9	(3.3)
Less cash included in assets held for sale	20(a)	(1.5)	-	(1.5)	-
<b>Cash and cash equivalents at 30 June</b>		<b>113.9</b>	<b>286.0</b>	<b>58.3</b>	<b>212.8</b>

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 2023

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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 been rounded 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 six sections for reduced complexity and ease of navigation:

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# Notes to the Financial Statements

For the year ended 30 June 2023

## ABOUT THIS REPORT

This section of the annual financial report provides an overview of the basis upon which the financial statements of Cromwell and the Trust have been prepared. Accounting policies relating to balances and transactions for which specific note disclosure is presented in this financial report are contained in the relevant note. Accounting policies for other balances and transactions are also contained in this section.

## 1. Basis of preparation

Shares of Cromwell Corporation Limited ("Company") and units of Cromwell Diversified Property Trust ("CDPT") are stapled to one another forming the Cromwell Property Group and are quoted as a single stapled security on the ASX under the code CMW. 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.

As permitted by *ASIC Corporations (Stapled Group Reports) Instrument 2015/838* the consolidated financial statements and accompanying notes of the Cromwell Property Group ("Cromwell"), consisting of the Company and its controlled entities and CDPT and its controlled entities are presented jointly with the consolidated financial statements and accompanying notes of the CDPT and its controlled entities ("Trust"). In the consolidated financial statements of Cromwell equity attributable to the Trust is presented as a non-controlling interest.

Cromwell and the Trust are for-profit entities for the purpose of preparing the financial statements.

This financial report has been prepared on a going concern basis. Cromwell's current assets exceed current liabilities by \$8.2 million at 30 June 2023 (30 June 2022: \$156.4 million). The Trust's current liabilities exceed current assets by \$40.0 million at 30 June 2023 (30 June 2022: current assets exceeded current liabilities by \$32.0 million). In addition, at 30 June 2023, Cromwell and the Trust had a total of \$173.6 million of undrawn and available bank debt facilities (2022: \$360.9 million) and \$113.9 million and \$58.3 million of cash (2022: \$286.0 million and \$212.8 million).

### Statement of compliance

The consolidated financial statements of Cromwell and the Trust are general purpose financial statements which have 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 statements also comply with International Financial Reporting Standards (IFRS) and Interpretations as adopted by the International Accounting Standards Board (IASB).

### 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,
- receivables at fair value through profit or loss are measured at fair value.

### Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in these consolidated financial statements have been rounded off to the nearest one hundred thousand dollars, unless otherwise indicated.

### Presentational changes and comparatives

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

# Notes to the Financial Statements

For the year ended 30 June 2023

## a) Basis 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.

The Trust's contributed equity and retained earnings/accumulated losses are shown as a non-controlling interest. 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 at year end 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. 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.

Any non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss / Statement of Other Comprehensive Income and the Balance Sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company and CDPT. A list of subsidiaries is included in the notes.

## b) 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 Profit or Loss, 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 Statement of Profit or Loss, within finance costs. All other foreign exchange gains and losses are presented in the Statement of Profit or Loss 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 Statement of Other Comprehensive Income 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 Statement of Other Comprehensive Income 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 Profit or Loss at the time of disposal.

# Notes to the Financial Statements

For the year ended 30 June 2023

The following material spot and average rates were used:

	Spot rate		Average rate	
	2023	2022	2023	2022
Euro	0.61	0.66	0.64	0.64
Polish Złoty	2.71	3.09	3.01	2.94

## c) Impairment of assets

At each reporting date, and whenever events or changes in circumstances occur, Cromwell assesses whether there is any indication that any relevant 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.

## d) Inventories

Inventories relate to land and property developments that are held for 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.

## e) Property, plant and equipment

Property, plant and equipment relate to equipment used in the day-to-day operations of Cromwell as well as right-to-use assets for property, plant and equipment held under operating leases.

Owned property, plant and equipment is initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Owned property, plant and equipment is depreciated on a straight-line basis over the period of the useful life of the asset.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement, less any lease incentives received and any initial direct costs. Right-of-use assets are subsequently measured as cost less accumulated depreciation and impairments losses. For further information in relation to leased assets see note 21.

## f) 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 trade and other payables. Cash flows are included in the Statement of Cashflows 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 cash flows from operating activities.

# Notes to the Financial Statements

For the year ended 30 June 2023

## g) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical or professional experience and other factors such as expectations about future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The 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:

<b>Area of estimation</b>	<b>Note</b>
Revenue	5
Fair value of investment property	8
Equity accounted investments	9
Other financial assets and financial liabilities	13
Fair value of financial instruments	14
Assets held for sale and liabilities directly related to assets held for sale	20

## h) New accounting standards and interpretations adopted by Cromwell and the Trust

Cromwell and the Trust have adopted all applicable new Australian accounting standards and interpretations. There are no new relevant accounting standards and interpretations that have been adopted in the current financial year.

There are currently no relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted Cromwell or the Trust.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 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, the earnings per security calculation, details of distributions as well as information about Cromwell's revenue, expense and income tax items.

## 2. Operating segment information

### a) Overview

Operating segments are distinct business activities from which Cromwell may earn revenues and incur expenses. Cromwell reports the results of its operating segments on a regular basis to its Chief Executive Officer (CEO), the group's chief operating decision maker (CODM), in order to assess the performance of each of Cromwell's operating segments and allocate resources to them.

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

Operating segments:	Business activity:
Funds and asset management	Funds management represents activities in relation to the establishment and management of external funds for institutional and retail investors. Asset management includes property and facility management, leasing and project management and development related activities. These activities are carried out by Cromwell itself and by associates (including the LDK Seniors living joint venture and others) and contribute related fee revenues or the relevant share of profit of each investee to the consolidated results.
Co-investments	This activity includes Cromwell's investments in assets warehoused whilst being repositioned for deployment into the fund and asset management business and assets it may not fully own or over which it cannot exercise unilateral control. This includes interests in investment property portfolios in Poland (CPRF) and Italy (CIULF), the Cromwell European Real Estate Investment Trust (CEREIT), and other investment vehicles. This activity contributes net rental income and the relevant share of profit of each investee to the consolidated results.
Investment portfolio	This involves the ownership of investment properties located in Australia. These properties are held for long term investment purposes and primarily contribute net rental income and associated cash flows to results.

### b) Segment results

The table below shows the segment results as presented to the CEO in his capacity as CODM. Commentary on the segment results is included in the Directors' Report.

2023	Funds and asset management \$M	Co-investments \$M	Investment portfolio \$M	Cromwell \$M
<b>Segment revenue</b>				
Rental income and recoverable outgoings	-	79.3	202.3	281.6
Operating profit of equity accounted investments	1.5	43.1	-	44.6
Development income <sup>(1)</sup>	21.3	-	-	21.3
Fund and asset management fees	96.4	-	-	96.4
Distributions	-	2.7	-	2.7
<b>Total segment revenue</b>	<b>119.2</b>	<b>125.1</b>	<b>202.3</b>	<b>446.6</b>
<b>Segment expenses</b>				
Property expenses	-	40.5	39.5	80.0
Fund and asset management direct costs	67.9	4.4	-	72.3
Other expenses	10.0	3.0	1.6	14.6
<b>Total segment expenses</b>	<b>77.9</b>	<b>47.9</b>	<b>41.1</b>	<b>166.9</b>
<b>Segment EBIT</b>	<b>41.3</b>	<b>77.2</b>	<b>161.2</b>	<b>279.7</b>
<b>Unallocated items</b>				
Net finance costs				(73.1)
Corporate costs <sup>(2)</sup>				(42.3)
Income tax expense				(5.7)
<b>Segment profit</b>				<b>158.6</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

2022	Funds and asset management \$M	Co-investments \$M	Investment portfolio \$M	Cromwell \$M
<b>Segment revenue</b>				
Rental income and recoverable outgoings	-	73.7	215.2	288.9
Operating profit of equity accounted investments	11.7	45.4	-	57.1
Development income <sup>(1)</sup>	18.5	-	-	18.5
Fund and asset management fees	95.5	-	-	95.5
Distributions	-	7.0	-	7.0
<b>Total segment revenue</b>	<b>125.7</b>	<b>126.1</b>	<b>215.2</b>	<b>467.0</b>
<b>Segment expenses</b>				
Property expenses	-	31.7	41.4	73.1
Fund and asset management direct costs	65.7	4.3	-	70.0
Other expenses	10.3	3.3	1.0	14.6
<b>Total segment expenses</b>	<b>76.0</b>	<b>39.3</b>	<b>42.4</b>	<b>157.7</b>
<b>Segment EBIT</b>	<b>49.7</b>	<b>86.8</b>	<b>172.8</b>	<b>309.3</b>
<b>Unallocated items</b>				
Net finance costs				(51.6)
Corporate costs <sup>(2)</sup>				(47.1)
Income tax expense				(9.6)
<b>Segment profit</b>				<b>201.0</b>

(1) Includes finance income attributable to development loans and fee revenue.

(2) Includes non-segment specific corporate costs pertaining to Group level functions.

## c) Reconciliation of segment profit to (loss) / profit after tax

	Cromwell	
	2023 \$M	2022 \$M
Segment profit	158.6	201.0
<i>Reconciliation to (loss) / profit after tax</i>		
Gain on sale of investment properties	2.0	11.8
Fair value (losses) / gains from investment properties	(491.6)	54.0
Fair value (losses) / gains from derivative financial instruments	(4.7)	55.4
Fair value losses from investments at fair value through profit or loss	(4.9)	(1.7)
Lease cost and incentive amortisation and rent straight-lining	(20.2)	(23.1)
Relating to equity accounted investments <sup>(1)</sup>	(63.1)	(15.9)
Net exchange (losses) / gain on foreign currency borrowings	(14.0)	28.0
Tax benefit / (expense) relating to non-operating items	15.1	(16.5)
Other non-cash expenses or non-recurring items <sup>(2)</sup>	(21.0)	(29.8)
<b>(Loss) / profit after tax</b>	<b>(443.8)</b>	<b>263.2</b>

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

(2) These expenses include but are not limited to:

- Amortisation of loan transaction costs.
- Amortisation of intangible assets and depreciation of property, plant and equipment.
- Other transaction costs.

# Notes to the Financial Statements

For the year ended 30 June 2023

## d) Reconciliation of total segment revenue to total revenue

Total segment revenue reconciles to total revenue as shown in the Consolidated Statement of Profit or Loss as follows:

	2023 \$M	2022 \$M
<b>Total segment revenue</b>	<b>446.6</b>	467.0
<i>Reconciliation to total revenue:</i>		
Inter-segmental management fee revenue	(12.5)	(13.2)
Straight-line lease income	7.4	6.0
Lease incentive amortisation	(25.5)	(26.9)
Operating profit from equity accounted investments	(44.6)	(57.1)
Gain on sale of equity accounted investments <sup>(1)</sup>	(7.7)	-
Finance income	4.1	1.6
<b>Total revenue</b>	<b>367.8</b>	377.4

(1) The gain on sale of the LDK joint venture equity interest is presented to the Chief Operating Decision Maker as development income. This is consistent with CMW's overall view of the LDK project which has been internally shown and reported as a development project. For this financial report, the gain in all other places where it is presented has been classified and disclosed in accordance with the requirements of IFRS.

## e) Segment assets and liabilities

2023	Funds and asset management \$M	Co-investments \$M	Investment portfolio \$M	Cromwell \$M
Segment assets	153.3	1,343.2	2,719.2	4,215.7
Segment liabilities	53.1	601.4	1,349.0	2,003.5
<b>Segment net assets</b>	<b>100.2</b>	<b>741.8</b>	<b>1,370.2</b>	<b>2,212.2</b>
<b>Other segment information</b>				
Equity accounted investments	21.0	641.2	-	662.2
<i>Acquisition / (disposal) of non-current segment assets <sup>(1)</sup>:</i>				
Investments in associates	0.9	3.8	-	4.7
Investments at fair value through profit or loss	-	1.8	-	1.8
Intangible assets	0.1	-	-	0.1

(1) For additions to investment property, forming part of the Investment portfolio segment, refer to note 8.

2022	Funds and asset management \$M	Co-investments \$M	Investment portfolio \$M	Cromwell \$M
Segment assets	335.2	1,520.7	3,198.3	5,054.2
Segment liabilities	48.8	834.2	1,460.8	2,343.8
<b>Segment net assets</b>	<b>286.4</b>	<b>686.5</b>	<b>1,737.5</b>	<b>2,710.4</b>
<b>Other segment information</b>				
Equity accounted investments	19.9	650.8	-	670.7
<i>Acquisition / (disposal) of non-current segment assets <sup>(1)</sup>:</i>				
Investments in associates	(6.6)	(1.1)	-	(7.7)
Investments at fair value through profit or loss	-	16.4	-	16.4
Intangible assets	0.1	-	-	0.1

(1) For additions to investment property, forming part of the Investment portfolio segment, refer to note 8.

## f) Other segment information

### Geographic information

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

# Notes to the Financial Statements

For the year ended 30 June 2023

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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Geographic location</b>				
Australia	252.6	278.8	2,655.5	3,064.2
United Kingdom and Europe	147.1	135.7	625.5	866.1
Asia	47.8	49.6	590.1	600.5
New Zealand	(0.9)	2.9	15.4	16.1
<b>Total</b>	<b>446.6</b>	<b>467.0</b>	<b>3,886.5</b>	<b>4,546.9</b>

## Major customers

Major customers of Cromwell that account for more than 10% of Cromwell's segmental revenue are listed below. All of these customers form part of the Investment portfolio segment.

	2023 \$M	2022 \$M
<b>Major customer</b>		
Commonwealth of Australia	42.7	48.1
Qantas Airways Limited	35.4	34.0
New South Wales State Government	22.3	29.2
<b>Total income from major customers</b>	<b>100.4</b>	<b>111.3</b>

## g) 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.

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

### EBIT

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

### Segment profit

Segment profit, 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.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 3. Earnings per security

### a) Overview

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 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. 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.

### b) Earnings per stapled security / trust unit

	Cromwell		Company		Trust	
	2023	2022	2023	2022	2023	2022
Basic earnings per security (cents)	(16.95)	10.05	(0.19)	(0.40)	(16.76)	10.45
Diluted earnings per security (cents)	(16.90)	10.02	(0.19)	(0.40)	(16.71)	10.42
<i>Earnings used to calculate basic and diluted earnings per security:</i>						
(Loss) / profit for the year attributable to securityholders (\$M)	(443.8)	263.2	(5.1)	(10.5)	(438.7)	273.7
<i>Weighted average number of securities used in calculating basic and diluted earnings per security:</i>						
Weighted average number of securities used in calculating basic earnings per security (millions)	2,618.9	2,618.3	2,618.9	2,618.3	2,618.9	2,618.3
Effect of performance rights on issue (millions)	7.6	9.4	7.6	9.4	7.6	9.4
<b>Weighted average number of securities used in calculating diluted earnings per security (millions)</b>	<b>2,626.5</b>	2,627.7	<b>2,626.5</b>	2,627.7	<b>2,626.5</b>	2,627.7

### c) Information in relation to 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.

#### *Convertible bonds*

The remaining convertible bonds were repaid in full in September 2022 and have no impact on the 30 June 2023 diluted earnings per share calculation. Historically, the convertible bonds have not been included in diluted earnings per share calculation as the conversion feature was considered to make them anti-dilutive.

### d) Accounting policy

#### *Basic earnings per security*

Basic earnings per security is calculated by dividing profit 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.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 4. 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.

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

2023	2022	2023 cents	2022 cents	2023 \$M	2022 \$M
18 November 2022	19 November 2021	1.3750¢	1.6250¢	36.0	42.5
17 February 2023	18 February 2022	1.3750¢	1.6250¢	36.0	42.6
19 May 2023	20 May 2022	1.3750¢	1.6250¢	36.0	42.6
18 August 2023	19 August 2022	1.3750¢	1.6250¢	36.0	42.6
<b>Total</b>		<b>5.5000¢</b>	<b>6.5000¢</b>	<b>144.0</b>	<b>170.3</b>

There were no dividends paid or payable by the Company in respect of the 2023 and 2022 financial years. All of Cromwell's and the Trust's distributions are unfranked.

### b) Franking credits

Currently, Cromwell's distributions are paid from the Trust. Franking credits are only available for future dividends paid by the Company as well as the subsidiary companies of the Trust. The Company's franking account balance as at 30 June 2023 is \$14,418,100 (2022: \$14,572,800). The Trust's subsidiary companies' aggregated franking account balance as at 30 June 2023 is \$867,400 (2022: \$728,400).

## 5. Revenue

### a) Overview

Cromwell derives revenue from its three main business activities / operating segments (described in note 2). These revenue sources and the revenue items relating to them are as follows:

Funds and asset management:	Funds management represents activities in relation to the establishment and management of external funds for institutional and retail investors. Asset management includes property and facility management, leasing and project management and development related activities. These activities are carried out by Cromwell itself and by associates (including the LDK Seniors living joint venture and others) and contribute related fee revenues or the relevant share of profit of each investee to the consolidated results.
Co-investments:	This activity includes Cromwell's investments in assets warehoused whilst being repositioned for deployment into the fund and asset management business and assets it may not fully own or over which it cannot exercise unilateral control. This includes interests in investment property portfolios in Poland (CPRF) and Italy (CIULF), the Cromwell European Real Estate Investment Trust (CEREIT), and other investment vehicles. This activity contributes net rental income and the relevant share of profit of each investee to the consolidated results.
Investment portfolio:	This involves the ownership of investment properties located in Australia. These properties are held for long term investment purposes and primarily contribute net rental income and associated cash flows to results.

# Notes to the Financial Statements

For the year ended 30 June 2023

The table below presents information about revenue items recognised from contracts with customers and other sources:

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Rental income – lease components	210.2	218.5	209.8	219.5
Recoverable outgoings – non-lease components	53.2	49.4	51.6	48.0
<b>Rental income and recoverable outgoings</b>	<b>263.4</b>	<b>267.9</b>	<b>261.4</b>	<b>267.5</b>
<i>Other revenue from contracts with customers:</i>				
Fund and asset management fees	86.0	84.6	-	-
<b>Total revenue</b>	<b>349.4</b>	<b>352.5</b>	<b>261.4</b>	<b>267.5</b>
<i>Other revenue items recognised:</i>				
Interest	15.6	17.8	12.0	14.9
Distributions	2.7	7.0	1.0	0.8
Other revenue	0.1	0.1	0.2	-
<b>Total other revenue</b>	<b>18.4</b>	<b>24.9</b>	<b>13.2</b>	<b>15.7</b>
<b>Total revenue</b>	<b>367.8</b>	<b>377.4</b>	<b>274.6</b>	<b>283.2</b>

## b) Disaggregation of revenue from contracts with customers

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

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>Rental income and recoverable outgoings – non-lease components:</i>				
Recoverable outgoings <sup>(1)</sup>	30.5	31.3	30.5	31.4
Cost recoveries <sup>(2)</sup>	22.7	18.1	21.1	16.6
<b>Total rental income and recoverable outgoings – non-lease components</b>	<b>53.2</b>	<b>49.4</b>	<b>51.6</b>	<b>48.0</b>
<i>Fund and asset management fees:</i>				
Fund and asset management fees <sup>(1)</sup>	55.1	51.6	-	-
Performance fees <sup>(2)</sup>	10.5	6.7	-	-
Asset acquisition and sale fees <sup>(2)</sup>	3.6	11.3	-	-
Project management fees <sup>(1)</sup>	6.2	2.1	-	-
Leasing fees <sup>(2)</sup>	6.0	8.2	-	-
Property management fees <sup>(1)</sup>	4.6	4.7	-	-
<b>Total fund and asset management fees</b>	<b>86.0</b>	<b>84.6</b>	<b>-</b>	<b>-</b>
<b>Total revenue from contracts with customers</b>	<b>139.2</b>	<b>134.0</b>	<b>51.6</b>	<b>48.0</b>
<i>Timing of recognition of revenue items</i>				
Recognised over time	96.4	89.7	30.5	31.4
Recognised at point in time	42.8	44.3	21.1	16.6
<b>Total revenue from contracts with customers</b>	<b>139.2</b>	<b>134.0</b>	<b>51.6</b>	<b>48.0</b>

(1) Revenue recognised over time.

(2) Revenue recognised at point in time.

# Notes to the Financial Statements

For the year ended 30 June 2023

## c) Accounting policies

### *Rental income and recoverable outgoings*

Rental income and recoverable outgoings comprises rental income from tenants under operating leases of investment properties and amounts charged to tenants for property outgoings such rates, levies, utilities, cleaning etc.

Rental income is recognised on a straight-line basis over the lease term. Lease incentives granted are considered an integral part of the total rental income and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Amounts charged for outgoings to tenants are expense recoveries and is recognised upon incurring the expense.

### *Fund and asset management fees*

Revenue from management services is measured based on the consideration specified in the contract with the customer and recognised when control over the service is transferred to the customer. Fee income derived from investment management and property services is recognised progressively as the services are provided.

Asset acquisition and disposal, project management and leasing fees are recognised upon completion of the service when the customer derives the benefit from the service.

Performance fee income is recognised progressively as the services are provided but only when the revenue can be reliably measured, and it becomes highly probable that there will be no significant reversal of revenue in future. Performance fees are generally dependent on certain performance obligation specified in the contract with the customer in respect of the management of the customer's assets or the outcome of transactions on behalf of customers.

### *Development sales and fees*

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

Development management fees are derived from the provision of development management services. Revenue is recognised over time as the service is performed.

### *Unearned income*

Payments from tenants and customers in relation to future periods, which are not due and payable are recognised as unearned income in the Balance Sheet.

### *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 loan receivables.

### *Distributions*

Revenue from distributions is earned from investments and is recognised when the right to receipt is established.

## d) Critical accounting estimates and judgements

### *Performance fees*

Cromwell exercises judgement in estimating the amount of variable consideration 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.

### *Impact of COVID-19*

Australia – rental income and related collections were relatively unimpacted by COVID-19 due to the tenant population being heavily skewed towards government and other tenants in markets not materially impacted by the pandemic.

Poland – Poland was not subject to lockdowns during the year. However, as a result of lockdowns during the prior year, during which rent and service charges were invoiced but collections slowed, Cromwell and the Trust have chosen to recognise an expected credit loss provision at 30 June 2023 of €1.1 million (\$1.8 million) at balance date (June 2022: €1.2 million, \$1.8 million).

Italy – due to the nature of the cornerstone tenant and the geographical location of the properties no COVID-19-related support has been requested nor granted and none is expected for the foreseeable future.

For further information in relation to the treatment of expected credit losses in relation to receivables see notes 13 and 14.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 6. Employee benefits, administrative, finance and other expenses

This note provides further details about Cromwell's other operating business expenses, including Cromwell's employee benefits expenses and its components as well as items included in administrative and other expenses and finance costs.

### a) Employee benefits expense

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Salaries and wages, including bonuses and on-costs	70.0	66.2	-	-
Directors fees	2.1	2.0	-	-
Contributions to defined contribution superannuation plans	4.3	4.1	-	-
Security-based payments	0.5	-	-	-
Restructure costs	3.1	5.0	-	-
Other employee benefits expense	2.6	3.4	-	-
<b>Total employee benefits expense</b>	<b>82.6</b>	<b>80.7</b>	<b>-</b>	<b>-</b>

### b) Administrative and other expenses

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Audit, taxation and other professional fees	6.6	7.3	4.0	3.4
Administrative and overhead costs	26.9	35.6	0.6	2.8
Fund administration costs	-	-	23.0	22.2
Amortisation and depreciation	7.5	6.0	0.3	0.2
Other	2.2	0.4	-	-
<b>Total administrative and other expenses</b>	<b>43.2</b>	<b>49.3</b>	<b>27.9</b>	<b>28.6</b>

### c) Finance costs

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Interest on borrowings	78.2	54.4	78.2	54.4
Interest on lease liabilities	0.7	0.7	0.3	0.3
Amortisation of loan transaction costs	6.9	17.9	6.9	17.9
Net exchange losses/(gains) relating to finance costs	0.1	(0.2)	0.1	(0.2)
<b>Total finance costs</b>	<b>85.9</b>	<b>72.8</b>	<b>85.5</b>	<b>72.4</b>

### d) Accounting policies

#### *Salaries, wages and other short-term employee benefits obligations*

Salaries, wages, including non-monetary benefits, and annual leave where there is no unconditional right to defer settlement 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.

#### *Bonuses*

A liability is recognised for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *Superannuation*

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

#### *Other long-term employee benefits 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 recognised in the provision for employee benefits and measured as the present

# Notes to the Financial Statements

For the year ended 30 June 2023

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

Security-based compensation benefits are provided to employees via Cromwell's Performance Rights Plan (PRP). Further information about the PRP is set out in note 23.

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.

## Finance costs

Information about Cromwell's exposure to interest rate changes is provided in note 14(e).

## 7. Income tax

### a) Overview

Income tax expense comprises current and deferred tax expense. Current tax expense is the income tax payable on expected taxable income for the financial year and adjustments to tax payable in respect of previous financial years. Deferred tax expense is the result of different income and expense recognition principles between accounting standards and tax laws and represents the future tax consequences of recovering or settling the carrying amount of an asset or liability. Deferred tax liabilities are recognised for all taxable temporary differences whereas deferred tax assets are recognised for all deductible temporary differences and unused tax losses.

### 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. However, the Trust also controls a number of corporate entities that are subject to income tax. Income tax shown for the Trust represents taxation of those corporate entities.

### b) Income tax expense

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Current tax expense	4.5	3.6	4.3	2.4
Deferred tax (benefit) / expense	(11.4)	20.9	(11.1)	10.7
Adjustment in relation to prior periods – current tax	(0.4)	0.4	-	(0.1)
Adjustment in relation to prior periods – deferred tax	(2.0)	(0.8)	(2.2)	(0.1)
<b>Income tax (benefit) / expense</b>	<b>(9.3)</b>	<b>24.1</b>	<b>(9.0)</b>	<b>12.9</b>
<i>Deferred tax expense / (benefit)</i>				
Decrease / (increase) in deferred tax assets	(0.7)	8.5	(0.8)	(0.8)
Increase / (decrease) in deferred tax liabilities	(12.7)	11.6	(12.5)	11.4
<b>Total deferred tax (benefit) / expense</b>	<b>(13.4)</b>	<b>20.1</b>	<b>(13.3)</b>	<b>10.6</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

## c) Reconciliation between income tax (benefit) / expense and (loss) / profit before income tax

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>(Loss) / profit before income tax</b>	<b>(453.1)</b>	287.3	<b>(447.7)</b>	287.8
Tax at Australian tax rate of 30% (2022: 30%)	<b>(135.9)</b>	86.2	<b>(134.3)</b>	86.3
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>				
Trust income	<b>67.4</b>	(67.5)	<b>67.4</b>	(67.4)
Fair value movements not deductible / (not assessable)	<b>(10.3)</b>	4.1	<b>(10.6)</b>	4.3
Net non-deductible expenses / (net non-assessable income)	<b>0.4</b>	(2.4)	<b>(1.5)</b>	(0.7)
Movement in tax losses and capital losses derecognised / (recognised)	<b>5.8</b>	1.8	<b>7.8</b>	(3.0)
Movement in deferred tax assets derecognised / (recognised)	<b>7.5</b>	3.4	<b>6.9</b>	(4.0)
Movement in initial recognition exemption	<b>33.0</b>	-	<b>33.0</b>	-
Adjustment in relation to prior periods	<b>(2.4)</b>	(0.4)	<b>(2.2)</b>	(0.2)
Difference in overseas tax rates	<b>25.2</b>	(1.1)	<b>24.5</b>	(2.4)
<b>Income tax (benefit) / expense</b>	<b>(9.3)</b>	24.1	<b>(9.0)</b>	12.9

## d) Deferred tax

### (i) Deferred tax assets

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>Deferred tax assets are attributable to:</i>				
Interests in managed investment schemes	-	(3.6)	-	-
Investment properties	<b>1.6</b>	(0.3)	<b>1.6</b>	(0.3)
Employee benefits	-	0.1	-	-
Transaction costs and sundry items	<b>0.4</b>	0.3	<b>0.4</b>	0.3
Unrealised foreign currency (gains) / losses	<b>(0.5)</b>	0.3	<b>(0.5)</b>	0.3
Tax losses recognised	<b>0.2</b>	4.0	<b>0.2</b>	0.5
<b>Total deferred tax assets</b>	<b>1.7</b>	0.8	<b>1.7</b>	0.8
<i>Movements:</i>				
Balance at 1 July	<b>0.8</b>	8.4	<b>0.8</b>	-
(Charged) / credited to profit or loss	<b>0.9</b>	(9.2)	<b>0.8</b>	0.8
Credited to comprehensive income	-	0.9	-	-
Adjustment in relation to prior periods	<b>(0.2)</b>	0.7	-	-
Other movements	<b>0.2</b>	-	<b>0.1</b>	-
<b>Balance at 30 June</b>	<b>1.7</b>	0.8	<b>1.7</b>	0.8

### (ii) Unrecognised deferred tax assets

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>Deferred tax assets have not been recognised in respect of the following items:</i>				
Employee benefits	<b>2.5</b>	2.3	-	-
Investments in subsidiaries	<b>69.3</b>	-	<b>68.8</b>	-
Unrealised foreign exchange losses	<b>3.4</b>	2.7	-	0.1
Derivatives	-	0.3	-	0.3
Tax losses	<b>82.6</b>	76.0	<b>34.3</b>	28.2
Other items	<b>2.1</b>	4.2	<b>0.2</b>	1.2
<b>Total deferred tax assets not recognised</b>	<b>159.9</b>	85.5	<b>103.3</b>	29.8

# Notes to the Financial Statements

For the year ended 30 June 2023

(iii) Tax losses by year of expiration	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>The gross amount of tax losses carried forward that have not been recognised by their expiration date is as follows:</i>				
Not later than one year	0.2	0.7	0.2	0.7
Later than one year and not later than three years	27.8	16.2	27.8	16.2
Later than three years and not later than six years	25.9	14.8	25.9	14.8
Later than six years and not later than seventeen years	30.8	28.1	30.8	28.1
Unlimited	237.4	232.8	65.8	61.0
<b>Gross amount of tax losses not recognised</b>	<b>322.1</b>	<b>292.6</b>	<b>150.5</b>	<b>120.8</b>
<b>Tax effect of total losses not recognised</b>	<b>82.6</b>	<b>76.0</b>	<b>34.3</b>	<b>28.2</b>

(iv) Deferred tax liabilities	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>Deferred tax liabilities are attributable to:</i>				
Interests in managed investment schemes	0.5	12.2	0.1	12.0
Interests in other investments	0.8	0.6	0.8	0.5
Investment properties	-	3.4	-	3.4
Tax losses recognised	(0.1)	(0.3)	-	(0.3)
Transactions costs and other items	(0.5)	(3.7)	(0.2)	(3.5)
<b>Total deferred tax liabilities</b>	<b>0.7</b>	<b>12.2</b>	<b>0.7</b>	<b>12.1</b>
<i>Movements:</i>				
Balance at 1 July	12.2	0.6	12.1	0.6
(Credited) / charged to profit or loss	(10.5)	11.7	(10.3)	11.5
Adjustment in relation to prior periods	(2.2)	(0.1)	(2.2)	(0.1)
Other movements	1.2	-	1.1	0.1
<b>Balance at 30 June</b>	<b>0.7</b>	<b>12.2</b>	<b>0.7</b>	<b>12.1</b>

## e) 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 combinations 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.

### 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. 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 head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 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, equity accounted investments and investments at fair value through profit or loss.

## 8. Investment properties

### a) Overview

Investment properties are land, buildings or both held solely for the purpose of earning rental income and / or for capital appreciation. This note provides a detailed overview of Cromwell's investment property portfolio, including details of movements during the financial year.

### b) 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Balance at 1 July	3,740.0	3,863.5	3,740.0	3,863.5
Acquisitions	-	-	-	-
Capital works:				
Construction costs	-	0.2	-	0.2
Property improvements	10.9	13.9	10.9	13.9
Lifecycle	12.1	6.0	12.1	6.0
Disposals	(32.8)	(132.3)	(32.8)	(142.3)
Reclassified to:				
Held for sale <sup>(1)</sup>	(189.8)	(19.0)	(189.8)	(19.0)
Inventory	-	(10.0)	-	-
Straight-line lease income	7.4	6.0	7.4	6.0
Lease costs and incentive costs	14.1	17.4	14.1	17.4
Amortisation <sup>(2)</sup>	(27.9)	(29.3)	(27.9)	(29.3)
Net (loss) / gain from fair value adjustments	(491.6)	54.0	(491.6)	54.0
Foreign exchange differences	55.8	(30.4)	55.8	(30.4)
<b>Balance at 30 June</b>	<b>3,098.2</b>	<b>3,740.0</b>	<b>3,098.2</b>	<b>3,740.0</b>

(1) 84 Crown Street, Wollongong, NSW was reclassified as held for sale at 31 December 2022 and was subsequently sold in February 2023 for \$53.0 million.

(2) Pertains to the amortisation of lease costs, lease incentive costs and right-of-use assets.

### c) Investment properties sold / reclassified as held for sale

During the current financial year the Trust entered into the following investment property related transactions:

- 84 Crown Street, Wollongong, NSW was reclassified as held for sale at 31 December 2022 and was subsequently sold in February 2023 for \$53.0 million;
- 117 Bull Street, Newcastle, NSW was sold in April 2023 for \$33.4 million;
- The Italian portfolio of 7 investment properties was transferred to held for sale (refer to note 20) on 30 June 2023 for \$91.5 million (€55.8 million) as part of Cromwell divesting 50% of the Cromwell Italy Urban Logistics Fund (CIULF) and entering into a partnership with Value Partners; and
- 2-6 Station Street, Penrith NSW was reclassified to held for sale (refer to note 20) at 30 June 2023, as subsequent to year end a sale agreement was signed for \$45.3 million (net of estimated sale costs).

During the 2022 financial year the Trust disposed of the following properties: Village Cinema, Geelong, VIC for \$19.0 million (net of required capital expenditure); 200 Mary Street, QLD for \$108.5 million; Regent Cinema, Albury, NSW for \$18.5 million; and the TGA Complex, ACT for \$21.5 million.

# Notes to the Financial Statements

For the year ended 30 June 2023

## d) Investment properties reclassified as inventory

During the prior financial year Cromwell reclassified the investment property at 19 National Circuit, Barton, ACT as an inventory asset. This is due to its intended redevelopment for future sale. To facilitate this ownership, the asset was transferred from the Trust to the Cromwell Development Trust (a subsidiary of Cromwell Corporation Limited) for a contract price of \$10.0 million. Costs totalling \$6.5 million (2022: \$5.3 million) were incurred from the date the asset was classified as Inventory to 30 June 2023, with the Inventory carrying amount totalling \$16.5 million at 30 June 2023 (30 June 2022: \$15.3 million).

## e) Details of Cromwell's investment property portfolio

	Ownership	Title	Asset class	Independent valuation		Carrying amount	
				Date	Amount \$M	2023 \$M	2022 \$M
<b>Australia</b>							
400 George Street, Brisbane QLD	100%	Freehold	Office	Jun-23	480.0	480.0	542.0
HQ North, Fortitude Valley QLD	100%	Freehold	Office	Jun-23	217.5	217.5	241.0
203 Coward Street, Mascot NSW	100%	Freehold	Office	Jun-23	520.0	520.0	560.0
2-24 Rawson Place, Sydney NSW	100%	Freehold	Office	Jun-23	292.0	292.0	320.0
207 Kent Street, Sydney NSW	100%	Freehold	Office	Jun-23	289.0	289.0	317.0
475 Victoria Avenue, Chatswood NSW	50%	Freehold	Office	Jun-23	134.0	134.0	135.5
2-6 Station Street, Penrith NSW <sup>(1)</sup>	100%	Freehold	Office	N/A	-	-	57.5
84 Crown Street, Wollongong NSW	100%	Freehold	Office	N/A	-	-	51.0
117 Bull Street, Newcastle NSW	100%	Freehold	Office	N/A	-	-	33.0
243 Northbourne Avenue, Lyneham ACT	100%	Leasehold	Office	Jun-23	33.8	33.8	35.7
Soward Way, Greenway ACT	100%	Leasehold	Office	Jun-23	300.2	300.2	319.7
Tuggeranong Office Park, Tuggeranong ACT <sup>(2)</sup>	100%	Leasehold	Land	May-19	7.5	17.5	8.3
700 Collins Street, Melbourne VIC	100%	Freehold	Office	Jun-23	300.1	300.1	353.0
<b>Total Australian Portfolio</b>					2,574.1	2,584.1	2,973.7
<b>Poland Portfolio <sup>(3)</sup></b>				Jun-23	650.9	508.1	669.3
<b>Italy Portfolio <sup>(4)</sup></b>				N/A	-	-	91.1
<b>Total – investment property portfolio</b>					3,225.0	3,092.2	3,734.1
Add: Right-of-use assets – Polish leasehold properties					-	6.0	5.9
<b>Total – investment properties</b>					3,225.0	3,098.2	3,740.0

(1) 2-6 Station Street, Penrith NSW has been reclassified as held for sale at 30 June 2023, refer to note 20 for further details.

(2) Tuggeranong Office Park, Tuggeranong ACT has been revalued at 30 June 2023 based on a Director's valuation.

(3) Refer to note 8(f) below for details on the Poland Portfolio.

(4) The Italian investment properties have been reclassified as held for sale at 30 June 2023, refer to note 20 for further details.

## f) Critical accounting estimates - Revaluation of investment property portfolio

Cromwell's investment properties, with an aggregate carrying amount of \$3,098.2 million (2022: \$3,740.0 million) represent a significant balance on Cromwell's and the Trust's Balance Sheets. Investment properties are measured at fair value (for accounting purposes) using valuation methods that utilise inputs based upon estimates.

All property valuations, except for the Polish Portfolio in 2023, utilise valuation models based on discounted cash flow ("DCF") models or income capitalisation models (or a combination of both) supported by recent market sales evidence. See note 8(g) below for further information in relation to the valuation of investment properties which utilise valuation models to derive fair value.

### Poland Retail Portfolio Strategic review and carrying amount as at 30 June 2023

In August 2022, following delays resulting from COVID-19 and Russia's invasion of Ukraine, and pursuant to Cromwell's strategic objectives to become a capital light fund manager and in order to repatriate capital to Australia to reduce Cromwell's gearing, the decision was made to formally market the wholly owned assets (the Poland Retail Portfolio). An extensive on-market sale process has been undertaken over the past 11 months resulting in Cromwell receiving a number of non-binding indicative offers on the Poland Retail Portfolio, as well as various combinations of offers for the underlying assets. In late June 2023, while the highest offer was below the level of the latest independent valuations, it was determined that given the extent of the process that had been conducted in conjunction with the substantial strategic benefits to exiting the Poland Retail Portfolio, the exclusive right to carry out due diligence would be granted to an independent third party. The non-binding offer received was in relation to the acquisition of the 6 wholly owned investment properties comprising the Poland Retail

# Notes to the Financial Statements

For the year ended 30 June 2023

Portfolio (excluding the jointly held asset) with the indicative price of \$508.1 million, representing a 21.9% reduction compared with the 30 June 2023 independent external valuations. The independent valuers determined the valuation of the individual properties, for independent valuation purposes, at a total of \$650.9 million. As a result of the strategic decision, and having considered the relevant requirements of the Accounting Standards in determining market value for accounting purposes, the Board has adopted the non-binding offer price as the carrying amount for accounting purposes at 30 June 2023, rather than the value determined by the independent external valuations.

## Australian portfolio

At balance date the adopted valuations for 9 of Cromwell's Australian investment properties are based on independent external valuations representing 99.3% of the value of the portfolio. The balance of the portfolio is subject to internal valuations having regard to previous external valuations, comparable sales evidence, indicative offers, or, in the case of investment properties held for sale, with reference to the relevant sale price. Cromwell's valuation policy requires all properties (other than land only) to be valued by an independent professionally qualified valuer with a recognised relevant professional qualification at least once every two years.

## *Impact of COVID-19 and other global economic impacts on property valuations*

For the year ended 30 June 2023 Cromwell's approach to property valuations was substantially consistent with prior years, being in accordance with the established Valuations policy, but with an added emphasis in relation to the impact of COVID-19 and other global economic impacts (such as global geopolitical instability and tightened monetary policy) upon inputs relevant to the valuation model for each property.

It should be noted that external valuers have specified in their reports that their valuations at 30 June 2023 were performed in an unusual market context, notably the absence of transactions initiated after the outbreak of the COVID-19 pandemic and difficulties associated with estimating the outlook for changes in the investment property market given the nature of the recent health crisis and other global economic impacts, and they were working within the context of valuation uncertainty.

The table below shows the year end revaluation (losses) / gains for each portfolio.

	Cromwell	
	2023 \$M	2022 \$M
Australia	(272.1)	57.5
Poland	(212.6)	(11.8)
Italy	(6.9)	8.3
<b>Total revaluation (loss) / gain</b>	<b>(491.6)</b>	<b>54.0</b>

## **g) Fair value measurement**

As noted below in Cromwell's accounting policy, investment properties are measured at fair value. The fair value of Cromwell's investment properties is determined using property valuation models that rely on the use of inputs that are not based on readily observable market data. Such valuation methods for determining fair value are called level 3 fair value measurements. These valuation methods and inputs are described in more detail below.

### *Valuation methodologies*

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.
DCF method	Under the DCF method, a property's fair value is estimated using 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 expected cash flows from a real property asset over a period of time (generally five years) discounted to present value using an appropriate discount rate. An exit terminal value is added to the present value of the property cash flows using an appropriate terminal yield, to derive the value of the property.

Both methods require the determination of net market rent for a particular property, being the income capitalised or used to determine the present value of cash flows from the properties.

# Notes to the Financial Statements

For the year ended 30 June 2023

## Unobservable inputs

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.
Capitalisation rate	The rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence (and the prior external valuation for internal valuations).
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 regard to market evidence (and the prior external valuation for internal valuations).
Terminal yield	The capitalisation rate used to estimate the residual value of the cash flows associated with the investment property at the end of the expected holding period.

Changes in these unobservable inputs have the following impact on the valuation of the properties:

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

Range and weighted average of unobservable inputs used in the valuation methods to determine the fair value of Cromwell's investment properties in the current and prior year are as follows:

	Annual net property income (\$M)		Capitalisation rate (%)		Discount rate (%)		Terminal yield (%)	
	Range	Weighted average	Range	Weighted average	Range	Weighted average	Range	Weighted average
<b>2023</b>								
Australia <sup>(1)</sup>	3.0 – 29.8	21.5	5.1 - 7.5	5.7	6.0 – 7.8	6.3	5.6 – 7.8	6.1
Poland <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Italy <sup>(3)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Portfolio</b>	<b>3.0 – 29.8</b>	<b>21.5</b>	<b>5.1 – 7.5</b>	<b>5.7</b>	<b>6.0 – 7.8</b>	<b>6.3</b>	<b>5.6 – 7.8</b>	<b>6.1</b>
<b>2022</b>								
Australia <sup>(1)</sup>	1.9 – 32.4	20.7	4.6 – 6.8	5.2	5.3 – 7.5	5.9	5.0 – 7.3	5.6
Poland	1.7 – 22.5	15.1	N/A	N/A	7.8 – 9.7	8.5	6.4 – 8.0	7.0
Italy <sup>(4)</sup>	0.1 – 1.2	0.8	N/A	N/A	5.2 – 5.8	5.3	4.3 – 5.0	4.5
<b>Portfolio</b>	<b>0.1 – 32.4</b>	<b>19.2</b>	<b>4.6 – 6.8</b>	<b>5.2</b>	<b>5.2 – 9.7</b>	<b>6.4</b>	<b>4.3 – 8.0</b>	<b>5.8</b>

(1) DCF models / income capitalisation models (and unobservable inputs therein) are not applied in certain cases (e.g. H.F.S. assets, vacant assets, etc) where this is not considered an appropriate method of valuation for the particular asset.

(2) The Polish portfolio of investment properties have been valued using a non-binding offer price instead of independent external valuations for the year ended 30 June 2023. Refer to note 8(f) for further details.

(3) The Italian portfolio of investment properties are classified as held for sale at 30 June 2023 with their value determined by reference to the CIULF unit sale agreement.

(4) No equivalent metric in Italian valuation methodologies utilised.

# Notes to the Financial Statements

For the year ended 30 June 2023

## Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property, especially in the current global economic environment. Owing to this significant judgement, a sensitivity analysis is included below. The sensitivity analysis shows the impact on the carrying values of directly held investment properties of an increase or decrease of 0.50% on the capitalisation rate, discount rate and terminal yields as at 30 June 2023.

	Cromwell	
	2023	2023
	\$M	\$M
	0.50%	(0.50%)
Australian portfolio	(235.7)	261.2
Polish portfolio <sup>(1)</sup>	-	-
Italian portfolio <sup>(2)</sup>	-	-
<b>Total</b>	<b>(235.7)</b>	<b>261.2</b>

(1) The Polish portfolio of investment properties have been valued using a non-binding offer price instead of independent external valuations that utilise capitalisation rates, discount rates and terminal yields for the year ended 30 June 2023.

(2) The Italian portfolio of investment properties are not considered in the sensitivity analysis at 30 June 2023 as these properties will form part of an equity accounted investment from the settlement of the unit sale agreement in July 2023.

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

The table below reflects the gross property income, excluding recoverable outgoings and lease incentives, based on existing lease agreements. It assumes, that leases will not be extended by tenants beyond the current lease period, even if the lease contains options for lease extensions by tenants.

	Cromwell		Trust	
	2023	2022	2023	2022
	\$M	\$M	\$M	\$M
Within one year	216.2	213.9	216.2	213.9
Later than one year but not later than five years	620.4	705.7	620.4	705.7
Later than five years	358.1	486.0	358.1	486.0
<b>Total non-cancellable operating lease receivable from investment property tenants</b>	<b>1,194.7</b>	<b>1,405.6</b>	<b>1,194.7</b>	<b>1,405.6</b>

## i) 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 and / 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, rental abatements over the period or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the Balance Sheet as a component of the carrying amount of investment property and amortised over the lease period as a reduction of rental income.

### Initial direct leasing costs

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

# Notes to the Financial Statements

For the year ended 30 June 2023

## 9. 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 arrangements where Cromwell or the Trust have joint control over an investee together with one or more joint venture partners (these can take the form of either joint arrangements or joint ventures depending upon the contractual rights and obligations of each party) 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			
	2023		2022		2023		2022	
	%	\$M	%	\$M	%	\$M	%	\$M
<b>Equity accounted investments</b>								
CEREIT	27.8	589.7	27.8	600.0	27.4	580.6	27.4	590.7
Ursynów	50.0	51.5	50.0	50.8	50.0	51.5	50.0	50.8
Others		21.0		19.9		-		-
<b>Equity accounted investments</b>		<b>662.2</b>		<b>670.7</b>		<b>632.1</b>		<b>641.5</b>

### b) Details of associate

#### *Cromwell European Real Estate Investment Trust*

Cromwell and the Trust have an investment in CEREIT with a carrying amount of \$589.7 million (2022: \$600.0 million) and \$580.6 million (2022: \$590.7 million) respectively. CEREIT is a real estate investment trust (REIT) listed on the mainboard of the Singapore Exchange (SGX) managed by Cromwell through its 100% owned subsidiary Cromwell EREIT Management Pte. Ltd. (the "Manager"). CEREIT invests in commercial property, mainly office and urban logistics, in western and central Europe with a current portfolio of 112 properties located in 10 European countries with an aggregate portfolio value of €2.3 billion (\$3.8 billion). The Manager of CEREIT has its own majority independent board of directors acting solely in the interest of all CEREIT unitholders. As such, Cromwell and the Trust does not control CEREIT, however has significant influence by virtue of their unitholdings.

### c) Details of joint ventures

#### *Ursynów*

Cromwell and the Trust have an investment in Ursynów with a carrying amount of \$51.5 million (2022: \$50.8 million). Ursynów forms part of the Cromwell Polish Retail Fund (CPRF). Ursynów is a Polish company limited by shares that owns a single retail asset in Warsaw, Poland. Cromwell and the Trust hold 50% of the voting rights of the company. The other 50% is held by joint venture partner, Unibail Rodamco Westfield (URW). The company is governed by a supervisory board that decides on all relevant activities of the company. Both investors have equal participation rights in the supervisory board and all decisions require unanimous consent establishing joint control.

During the current period Cromwell and the Trust invested a further €2.4 million (\$3.8 million) into the joint venture which was disproportionate to Cromwell and the Trust's joint venture partner as a result of a pre-existing arrangement. The disproportionate contribution by Cromwell and the Trust has resulted in the recognition of an impairment to the investment of €1.2 million (\$1.9 million) due to Cromwell and the Trust's ownership percentage remaining unchanged at 50%.

During the prior financial year Cromwell and its joint venture partner contributed loans of \$26.8 million (€17.0 million) each, which the joint venture used to repay an external debt facility. This balance receivable from Ursynów at 30 June 2023 was \$30.5 million (€18.6 million).

#### *Other joint ventures and associates*

Other equity accounted investments include Cromwell's investment in Oyster Property Funds Limited (Oyster) (50% interest, 2022: 50%), a New Zealand based fund and property manager which is jointly owned with six other shareholders, and Phoenix portfolio's (45% interest, 2022: 45%), an Australian based equity fund manager. An investment in VAC Car Park Co. Pty Ltd (CARVAC) (50% interest, 2022: 50%), an Australian based company which operates the car park in Cromwell's Victoria Avenue Chatswood investment property.

# Notes to the Financial Statements

For the year ended 30 June 2023

In Europe, Cromwell has investments in Stirling Development Agency Limited (SDA) (50% interest, 2022: 50%) a UK based property developer and Redhouse Holdings Limited (Redhouse) (50% interest, 2022: 50%) a UK based property developer. The Dasos Cromwell RE Management Company Sarl (Dasos) (nil interest, 2022: 50%) a Luxembourg based property investment manager was dissolved during the period.

## d) Accounting policy

Interests in associates and joint venture entities are accounted for in Cromwell's financial statements using the equity method. Cromwell's share of its associates and 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 associates and 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 an associate or 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 associate or joint venture. Unrealised gains on transactions between Cromwell its associates and joint ventures are eliminated to the extent of Cromwell's investment in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## e) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgements and assumptions regarding the investments in Cromwell European Real Estate Investment Trust (CEREIT) and Ursynów are detailed below.

### *Cromwell European Real Estate Investment Trust*

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/significant influence 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.

Cromwell's investment in CEREIT was assessed for indicators of impairment as at 30 June 2023. The CEREIT unit price (€1.56) on the Singapore Exchange (SGX) was 32.2% below the carrying value per unit, and the fair value of the investment using the quoted market price on the SGX per unit would be \$399.7 million, which is \$190.0 million below the carrying value. Given this position has been significant and prolonged, Cromwell has considered whether the value of the investment is impaired and assessed whether the recoverable amount (being the higher of value in use or fair value less costs of disposal) exceeds the carrying amount of the investment.

Cromwell's assessment of the value of the investment in CEREIT has been based on the fair value less costs of disposal methodology. The fair value of CEREIT has been measured by considering the value of the investment that Cromwell holds in CEREIT in its entirety which reflects the premium that an external buyer of CEREIT (as a whole) would pay for the significant influence that Cromwell has due to the combination of the scale of the holding and acting as manager of the vehicle. In addition, as at 30 June 2023, the balance sheet of CEREIT contains no goodwill or other intangible assets, and 111 of 112 investment properties were independently revalued at 30 June 2023.

Based on Cromwell's assessment of the fair value of CEREIT as at 30 June 2023 no impairment is required.

### *Ursynów*

Cromwell and the Trust can only exercise joint control over the relevant decisions but not control, over the entity. This determination is pursuant to the assessment of control and the consideration of key factors regarding the management of Ursynów, the composition of the Board and other relevant agreements and joint control over relevant decisions.

# Notes to the Financial Statements

For the year ended 30 June 2023

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

	As at 30 June 2023				As at 30 June 2022				
	\$M				\$M				
	CEREIT <sup>(1)</sup>	Ursynów <sup>(2)</sup>	Other	Total	CEREIT <sup>(1)</sup>	Ursynów <sup>(2)</sup>	LDK <sup>(3)</sup>	Other	Total
<i>Summarised Balance Sheets:</i>									
Cash and cash equivalents	230.3	10.3	6.3	246.9	80.1	6.3	-	11.5	97.9
Other current assets	187.2	0.4	13.2	200.8	27.8	0.9	-	7.4	36.1
<b>Total current assets</b>	<b>417.5</b>	<b>10.7</b>	<b>19.5</b>	<b>447.7</b>	<b>107.9</b>	<b>7.2</b>	<b>-</b>	<b>18.9</b>	<b>134.0</b>
Investment properties	3,769.9	163.6	-	3,933.5	3,897.7	158.9	-	-	4,056.6
Other non-current assets	47.1	0.5	26.0	73.6	21.3	0.6	-	26.8	48.7
<b>Total non-current assets</b>	<b>3,817.0</b>	<b>164.1</b>	<b>26.0</b>	<b>4,007.1</b>	<b>3,919.0</b>	<b>159.5</b>	<b>-</b>	<b>26.8</b>	<b>4,105.3</b>
<b>Total assets</b>	<b>4,234.5</b>	<b>174.8</b>	<b>45.5</b>	<b>4,454.8</b>	<b>4,026.9</b>	<b>166.7</b>	<b>-</b>	<b>45.7</b>	<b>4,239.3</b>
Financial liabilities	77.8	-	12.8	90.6	99.8	-	-	6.3	106.1
Other current liabilities	66.9	3.7	0.4	71.0	50.3	3.9	-	0.1	54.3
<b>Total current liabilities</b>	<b>144.7</b>	<b>3.7</b>	<b>13.2</b>	<b>161.6</b>	<b>150.1</b>	<b>3.9</b>	<b>-</b>	<b>6.4</b>	<b>160.4</b>
Financial liabilities	1,865.6	62.0	-	1,927.6	1,616.0	51.6	-	5.6	1,673.2
Other non-current liabilities	102.4	6.1	2.6	111.1	101.8	9.7	-	2.9	114.4
<b>Total non-current liabilities</b>	<b>1,968.0</b>	<b>68.1</b>	<b>2.6</b>	<b>2,038.7</b>	<b>1,717.8</b>	<b>61.3</b>	<b>-</b>	<b>8.5</b>	<b>1,787.6</b>
<b>Total liabilities</b>	<b>2,112.7</b>	<b>71.8</b>	<b>15.8</b>	<b>2,200.3</b>	<b>1,867.9</b>	<b>65.2</b>	<b>-</b>	<b>14.9</b>	<b>1,948.0</b>
<b>Net assets</b>	<b>2,121.8</b>	<b>103.0</b>	<b>29.7</b>	<b>2,254.5</b>	<b>2,159.0</b>	<b>101.5</b>	<b>-</b>	<b>30.8</b>	<b>2,291.3</b>
<i>Carrying amount of investment:</i>									
Cromwell's share of equity (%)	27.8	50.0	-	-	27.8	50.0	-	-	-
Cromwell's share of net assets	589.7	51.5	14.4	655.6	600.0	50.8	-	13.3	664.1
Goodwill	-	-	6.6	6.6	-	-	-	6.6	6.6
<b>Carrying amount</b>	<b>589.7</b>	<b>51.5</b>	<b>21.0</b>	<b>662.2</b>	<b>600.0</b>	<b>50.8</b>	<b>-</b>	<b>19.9</b>	<b>670.7</b>
<i>Movement in carrying amounts:</i>									
Opening balance at 1 July	600.0	50.8	19.9	670.7	620.7	51.5	21.4	18.9	712.5
Investment – net of loans from investees	-	3.8	1.1	4.9	0.1	-	-	-	0.1
Disposals	-	-	(0.2)	(0.2)	(1.2)	-	-	(6.6)	(7.8)
Share of (loss) / profit	(14.1)	(5.2)	0.8	(18.5)	38.0	1.4	(9.4)	11.3	41.3
Less: dividends / distributions received	(41.1)	-	(2.7)	(43.8)	(34.5)	-	-	(3.7)	(38.2)
Impairment	-	(1.9)	-	(1.9)	(1.4)	-	-	-	(1.4)
Reclassified as held for sale	-	-	-	-	-	-	(12.0)	-	(12.0)
Foreign exchange difference	44.9	4.0	2.1	51.0	(21.7)	(2.1)	-	-	(23.8)
<b>Carrying amount at 30 June</b>	<b>589.7</b>	<b>51.5</b>	<b>21.0</b>	<b>662.2</b>	<b>600.0</b>	<b>50.8</b>	<b>-</b>	<b>19.9</b>	<b>670.7</b>
<i>Summarised statements of comprehensive income:</i>									
Revenue	352.1	13.1	19.3	384.5	338.4	12.8	35.6	40.6	427.4
Expenses	(393.7)	(22.9)	(18.3)	(434.9)	(197.4)	(10.0)	(45.0)	(19.0)	(271.4)
<b>Total comprehensive (loss) / profit</b>	<b>(41.6)</b>	<b>(9.8)</b>	<b>1.0</b>	<b>(50.4)</b>	<b>141.0</b>	<b>2.8</b>	<b>(9.4)</b>	<b>21.6</b>	<b>156.0</b>
<b>Share of (loss) / profit</b>	<b>(14.1)</b>	<b>(5.2)</b>	<b>0.8</b>	<b>(18.5)</b>	<b>38.0</b>	<b>1.4</b>	<b>(9.4)</b>	<b>11.3</b>	<b>41.3</b>

(1) At year end Cromwell owned 27.8% of CEREIT, the Trust owned 27.4% (2022: 27.8% and 27.4% respectively).

(2) At year end Cromwell and the Trust owned 50.0% of Ursynów (2022: 50.0%).

(3) Cromwell had rights to a disproportionate share of LDK's profits (currently 100%) until a certain internal rate of return (IRR) threshold is achieved in respect of its capital invested. As of 30 June 2022, Cromwell's investment was reclassified as held for sale and subsequently sold in October 2022. Refer to note 20.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 10. Investments at fair value through profit or loss

### a) Overview

This note provides an overview and detailed financial information of Cromwell's investments that are classified as financial assets at fair value through profit or loss. Below is information about Cromwell's investments in unlisted property and share related trusts whereby Cromwell holds less than 20% of the issued capital in the investee. Such investments are classified as investments at fair value through profit or loss which are carried at fair value in the Balance Sheet with adjustments to the fair value recorded in profit or loss and include co-investments in European wholesale funds managed by Cromwell and any other relevant financial assets.

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Investment in Cromwell unlisted fund	17.7	20.4	17.7	20.4
Investment in wholesale funds	2.9	2.9	-	-
<b>Total investments at fair value through profit or loss</b>	<b>20.6</b>	<b>23.3</b>	<b>17.7</b>	<b>20.4</b>

### 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 Statement of Profit or Loss.

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 Statement of Profit or Loss as applicable.

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 14.

# Notes to the Financial Statements

For the year ended 30 June 2023

## FINANCE AND CAPITAL STRUCTURE

This section of the annual financial report provides further information on Cromwell's and the Trust's capital that comprises debt and stapled securityholders' equity and reserves. 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.

This section outlines the financial risks that Cromwell and the Trust are exposed to and how these risks are managed as part of Cromwell's capital management.

## 11. Interest bearing liabilities

### 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. A significant proportion of these borrowings are generally fixed either directly or through the use of interest rate swaps/options/caps and have a fixed term. This note provides information about Cromwell's debt facilities, including maturity dates, security provided and facility limits.

	Cromwell				Trust			
	2023		2022		2023		2022	
	Limit \$M	Drawn \$M	Limit \$M	Drawn \$M	Limit \$M	Drawn \$M	Limit \$M	Drawn \$M
<b>Current</b>								
<i>Unsecured</i>								
Convertible bond	-	-	205.0	205.0	-	-	205.0	205.0
Lease liabilities	-	5.2	-	5.9	-	0.4	-	0.4
<i>Secured</i>								
Polish Euro facilities	137.6	137.6	-	-	137.6	137.6	-	-
Italian Euro facilities	-	-	0.8	0.8	-	-	0.8	0.8
<b>Total current</b>	<b>137.6</b>	<b>142.8</b>	<b>205.8</b>	<b>211.7</b>	<b>137.6</b>	<b>138.0</b>	<b>205.8</b>	<b>206.2</b>
<b>Non-current</b>								
<i>Unsecured</i>								
Euro / GBP facility	286.8	286.8	341.9	283.4	286.8	286.8	341.9	283.4
Lease liabilities	-	17.1	-	20.3	-	5.6	-	5.0
<i>Secured</i>								
Bilateral loan facilities <sup>(1)</sup>	1,560.0	1,188.5	1,560.0	1,293.5	1,560.0	1,188.5	1,560.0	1,293.5
Development loan facility – AUD <sup>(2)</sup>	95.9	87.0	113.1	77.2	95.9	87.0	113.1	77.2
Polish Euro facilities	108.1	108.1	270.7	270.7	108.1	108.1	270.7	270.7
Italian Euro facilities <sup>(3)</sup>	-	-	45.3	45.3	-	-	45.3	45.3
Unamortised transaction costs	-	(6.2)	-	(10.4)	-	(6.2)	-	(10.4)
<b>Total non-current</b>	<b>2,050.8</b>	<b>1,681.3</b>	<b>2,331.0</b>	<b>1,980.0</b>	<b>2,050.8</b>	<b>1,669.8</b>	<b>2,331.0</b>	<b>1,964.7</b>
<b>Total interest bearing liabilities</b>	<b>2,188.4</b>	<b>1,824.1</b>	<b>2,536.8</b>	<b>2,191.7</b>	<b>2,188.4</b>	<b>1,807.8</b>	<b>2,536.8</b>	<b>2,170.9</b>

(1) Under the financial undertakings of the Bilateral loan facilities \$168.4 million is currently available to be drawn upon.

(2) Under the Development loan facility \$5.2 million is currently available to be drawn upon.

(3) Italian Euro facilities have been reclassified as held for sale at 30 June 2023 upon Cromwell entering into an agreement with Value Partners to divest 50% of the units in CIULF, refer to note 20 for further information.

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) Maturity profile

At balance date, the notional principal amounts and period of expiry of all of Cromwell's and the Trust's interest bearing liabilities (as well Italian Euro facilities classified as held for sale), excluding lease liabilities, is as follows:

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
1 Year	137.6	205.8	137.6	205.8
2 Years	702.8	571.6	702.8	571.6
3 Years	128.8	648.2	128.8	648.2
4 Years	837.7	125.3	837.7	125.3
5 Years	50.0	575.0	50.0	575.0
6 Years	-	50.0	-	50.0

## c) Details of facilities

### i) Euro / GBP facility

This revolving facility is syndicated and is split into two tranches A, and B (30 June 2022: A & B). Interest is payable on all tranches in arrears and is calculated as EURIBOR plus a margin. All principal amounts outstanding are due at the expiry of the facilities. During the period tranches A & B were extended with an expiry date in September 2024. As part of this extension, a newly established tranche C was created with an expiry date in September 2023, which was repaid in full and cancelled before 30 June 2023.

### ii) Secured bilateral loan facilities

Secured Bilateral Loan Facilities (SBLF) can be held with multiple providers. All SBLFs are secured pari passu by first registered mortgages over a pool of investment properties. Interest is payable quarterly in arrears calculated as BBSY rate plus a loan margin except for one facility (see below). Each provider individually contracts its commitment amount, expiry date and fee structure and can be repaid individually.

Details of SBLFs for Cromwell and the Trust by their expiry date are as follows:

	2023		2022	
	Limit \$M	Drawn \$M	Limit \$M	Drawn \$M
Facilities expiring Jun-24	-	-	200.0	17.5
Facilities expiring Mar-25	-	-	50.0	50.0
Facilities expiring Jun-25	575.0	329.0	575.0	521.0
Facilities expiring Feb-26	20.0	20.0	20.0	20.0
Facilities expiring Jun-26	60.0	60.0	60.0	60.0
Facilities expiring Jun-27	825.0	729.5	575.0	575.0
Facilities expiring Feb-28	80.0	50.0	80.0	50.0
<b>Total SBLF's <sup>(1)</sup></b>	<b>1,560.0</b>	<b>1,188.5</b>	1,560.0	1,293.5

(1) Under the financial undertakings of the Bilateral loan facilities \$168.4 million is currently available to be drawn upon.

### iii) Development loan facility - AUD

This is two secured facilities in relation to the asset enhancement initiative at the property at 475 Victoria Avenue, NSW. Interest is payable both quarterly (Facility A) and monthly (Facility B) in arrears is calculated as BBSY rate plus a loan margin. The facility expires in April 2025.

### iv) Polish Euro facilities

These facilities are secured by first registered mortgage over investment property held by CPRF. Interest is payable quarterly in arrears calculated as the 3-month EURIBOR rate plus a margin. During the period one of the existing facilities was extended with a new expiry date in January 2024 which required principal repayments of €10.49 million (\$16.5 million) during the 2023 calendar year. The €10.49 million (\$16.5 million) was repaid in January 2023. The other facility expires in July 2026.

# Notes to the Financial Statements

For the year ended 30 June 2023

## v) Italian loan facilities

Cromwell and the Trust entered into a secured facility in relation to the investment into the Cromwell Italy Urban Logistics Fund. Interest is payable quarterly in arrears calculated as the EURIBOR rate plus a loan margin. The facility is composed of two tranches (2022: three tranches, third tranche was fully repaid and cancelled in July 2022) with expiry dates in October 2025. The two remaining tranches have been reclassified as held for sale at 30 June 2023, as Cromwell has entered into an agreement to sell 50% of the units in the Cromwell Italy Urban Logistics Fund.

## vi) Convertible bonds

During the 2018 financial 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).

In June 2022, Cromwell issued a market notice to all bond holders offering to redeem the bonds in cash for 99.75% of the face value. As a result of this process 951 of the 2300 bonds were redeemed, totalling \$142.0 million (€94.9 million).

During the year, the Optional Put, which was available to bond holders was exercised by 1,325 of the remaining 1,349 bond holders in exchange for cash equal to 100% of the face value. The convertible bonds of €132.5 million (\$193.4 million) plus any accrued interest was paid to the bond holders by Cromwell on 1 August 2022 utilising cash on hand and existing debt facilities. The remaining 24 bonds were compulsorily acquired by Cromwell in September 2022 in accordance with the terms and conditions of the bonds.

## vii) Convertible bond – conversion features

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

Considering the transactions that have occurred and are detailed in note 11(c)(vi), the conversion feature had been valued at \$nil as at 30 June 2022.

Convertible bond – movements	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Face value of bonds issued – March 2018	370.0	370.0	370.0	370.0
Derivative financial instruments – conversion feature	(23.5)	(23.5)	(23.5)	(23.5)
<b>Convertible bond carrying amount at inception</b>	<b>346.5</b>	<b>346.5</b>	<b>346.5</b>	<b>346.5</b>
Movements in previous years	(141.5)	4.3	(141.5)	4.3
<b>Carrying amount at 1 July</b>	<b>205.0</b>	<b>350.8</b>	<b>205.0</b>	<b>350.8</b>
Amortisation - effective interest rate	-	11.9	-	11.9
Redemption of bonds	(196.7)	(142.0)	(196.7)	(142.0)
Movements in exchange rate	(8.3)	(15.7)	(8.3)	(15.7)
<b>Total carrying amount at 30 June</b>	<b>-</b>	<b>205.0</b>	<b>-</b>	<b>205.0</b>

## viii) Lease liabilities

Cromwell recognises lease liabilities and related right-of-use assets in respect of various premises, property, plant and equipment and motor vehicle leases. The leases in respect of assets in Australia, Europe and Singapore have varying terms and are subject to varying rates of interest. See note 21 for further information.

Below is a maturity table of minimum lease payments in relation to leases in existence at the reporting date.

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Within one year	5.2	5.9	0.4	0.4
Later than one year but not later than five years	17.2	15.7	1.7	1.5
Greater than five years	18.5	15.3	14.1	13.0
<b>Total lease commitments</b>	<b>40.9</b>	<b>36.9</b>	<b>16.2</b>	<b>14.9</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

## d) Accounting policies

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities 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 interest bearing liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as an interest bearing 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, 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.

For information in respect of accounting policies in relation to lease liabilities see note 21.

## 12. Derivative financial instruments

### a) Overview

Cromwell’s and the Trust’s derivative financial instruments consist of interest rate swap, interest rate cap and interest rate collar contracts and the conversion option on the convertible bond. Derivative financial instruments are accounted for at fair value. The table below is a summary of Cromwell’s and the Trust’s fair values of derivative financial instruments disclosed in the Consolidated Balance Sheet.

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Current assets</b>				
Interest rate cap contracts	28.0	13.3	28.0	13.3
	28.0	13.3	28.0	13.3
<b>Non-current assets</b>				
Interest rate cap contracts	28.5	42.6	28.5	42.6
<b>Total derivative financial instruments (assets)</b>	<b>56.5</b>	<b>55.9</b>	<b>56.5</b>	<b>55.9</b>

### b) Interest rate derivatives

Cromwell and the Trust use 3 different types of interest rate derivatives to mitigate the risk of interest rates:

- interest rate swap contracts are used to fix interest on floating rate borrowings;
- interest rate cap contracts are used to cap interest on floating rate borrowings; and
- interest rate collar contracts are used to set a cap on rising interest rates on floating rate borrowings whilst also setting a floor on declining interest rates on floating rate borrowings.

#### Maturity profile

At balance date, the notional principal amounts and period of expiry of all of Cromwell’s and the Trust’s interest rate derivatives are as follows:

	Cromwell and Trust	
	2023 \$M	2022 \$M
Less than 1 year	181.5	145.0
1 – 2 years	415.0	187.8
2 – 3 years	606.0	252.0
3 – 5 years	-	400.0

# Notes to the Financial Statements

For the year ended 30 June 2023

## Hedging profile

The table below provides an overview of the hedging of Cromwell's and the Trust's borrowings through interest rate swaps, interest rate cap contracts and interest rate collar contracts at balance date:

	2023				2022			
	Hedge contract notional \$M	Average strike price %	Interest bearing liability \$M	Percent hedged %	Hedge contract notional \$M	Average strike price %	Interest bearing liability \$M	Percent hedged %
<b>Secured bilateral loan facility</b>								
Interest rate cap contracts	503.0	0.87%			400.0	0.28%		
Interest rate swap contracts	180.0	1.37%			180.0	1.37%		
Interest rate collar contracts	60.0	2.75%			-	-		
Fixed rate loan	60.0	3.20%	60.0		60.0	3.20%	60.0	
<b>Total – Secured bilateral loan facility</b>	<b>803.0</b>		<b>1,188.5</b>	<b>67.56%</b>	<b>640.0</b>		<b>1,293.5</b>	<b>49.48%</b>
<b>Secured loan facilities</b>								
Interest rate cap contracts	72.0	1.00%	87.0	82.76%	72.0	1.00%	77.2	93.26%
<b>Secured Polish Euro facility 1</b>								
Interest rate cap contracts	65.5	2.00%	108.1	60.59%	60.7	2.00%	101.2	59.88%
<b>Secured Polish Euro facility 2</b>								
Interest rate swap contracts	116.0	2.00%	137.6	84.30%	145.0	(0.28%)	169.5	85.55%
<b>Secured Italian Euro facilities 1 &amp; 2 <sup>(1)</sup></b>	-	-	48.9	-	-	-	46.1	-
<b>Euro / GBP facility</b>	-	-	286.8	-	-	-	283.4	-
Convertible Bond	-	-	-	-	205.0	2.50%	205.0	100%
<b>Total</b>	<b>1,056.5</b>		<b>1,856.9</b>	<b>56.90%</b>	<b>1,122.7</b>		<b>2,175.9</b>	<b>51.59%</b>

<sup>(1)</sup> Italian facilities have been included even though they are shown as held for sale as at 30 June 2023, in order to provide a clear presentation of all of Cromwell's debt facilities and the related interest rate derivatives.

## c) Conversion feature – convertible bond

The conversion option amount represented the additional value provided to convertible bond holders compared with the same corporate bond that would have no feature to convert the bonds into Cromwell stapled securities at the end or during the term of the bond. For accounting purposes such a conversion feature was accounted for separately from the bond as a derivative financial instrument and was carried at fair value.

During the year, the Optional Put, which was available to bond holders was exercised by 1,325 of the remaining 1,349 bond holders in exchange for cash equal to 100% of the face value. The convertible bonds of €132.5 million (\$193.4 million) plus any accrued interest was paid to the bond holders by Cromwell on 1 August 2022 utilising cash on hand and existing debt facilities. The remaining 24 bonds were compulsorily acquired by Cromwell in September 2022 in accordance with the terms and conditions of the bonds. In the prior financial year, the fair value of the derivative was written down to \$nil. Movements of the conversion features of the convertible bonds is as follows:

	Cromwell and Trust	
	2023 \$M	2022 \$M
Derivative financial liability at 1 July	-	5.5
Fair value (gain) / loss	-	(5.2)
Foreign exchange difference	-	(0.3)
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>

## d) 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.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 13. 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) Receivables

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>Current</i>				
Trade and other receivables at amortised cost	40.6	34.5	14.7	16.9
Loans at amortised cost - other	0.7	3.7	-	-
<b>Receivables – current</b>	<b>41.3</b>	<b>38.2</b>	<b>14.7</b>	<b>16.9</b>
<i>Non-current</i>				
Loans at amortised cost – joint venture partners	30.5	25.4	30.5	25.4
Loans at amortised cost – inter-group	-	-	20.6	89.5
Loans at amortised cost – other <sup>(1)</sup>	7.8	3.1	-	-
<b>Total receivables – non-current</b>	<b>38.3</b>	<b>28.5</b>	<b>51.1</b>	<b>114.9</b>

(1) Includes loans to related parties.

### Loans – joint venture partners

#### *Ursynów joint venture*

During the prior financial year Cromwell and the Trust contributed a loan of \$26.8 million (€17.0 million) to Ursynów, which the joint venture used to repay an external debt facility. The balance receivable at year end was \$30.5 million (2022: \$25.4 million).

### Loans - inter-group

The Trust has provided a loan facility to the Company of €100.0 million. The loan balance was €12.6 million (\$20.6 million) (2022: €54.8 million (\$83.3 million)) at balance date. The facility is unsecured and expires in February 2029.

During the prior financial year the Trust provided a new loan facility to the Company of \$30.0 million in relation to the transfer of the development property at 19 National Circuit, ACT. The loan balance at year end was \$nil (June 2022: \$6.1 million). The facility is unsecured and expires in September 2026.

### c) Trade and other payables

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Trade and other payables	45.4	40.7	17.7	20.7
Lease incentives payables	22.5	31.1	22.5	31.1
Tenant security deposits	1.9	1.5	1.9	1.5
<b>Trade and other payables</b>	<b>69.8</b>	<b>73.3</b>	<b>42.1</b>	<b>53.3</b>

### d) 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.

**Note:** as a result of current global economic impacts Cromwell has undertaken a comprehensive review of tenant receivables. All tenant receivables not considered to be recoverable have been fully provided for.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 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.

## 14. 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. 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'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.

Cromwell's risk exposures and techniques used to manage these are summarised below:

Risk	Definition of risk	Cromwell's exposure	Cromwell's management of risk
Credit risk (Section 14(b))	The risk a counterparty will default on its contractual obligations under a financial instrument resulting in a financial loss to Cromwell.	<ul style="list-style-type: none"> <li>• Cash and cash equivalents;</li> <li>• Receivables;</li> <li>• Derivative financial instruments;</li> <li>• Assets held for sale.</li> </ul>	Cromwell manages this risk by: <ul style="list-style-type: none"> <li>• establishing credit limits for counterparties and managing exposure to individual entities;</li> <li>• monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality;</li> <li>• derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions;</li> <li>• regularly monitoring loans and receivables on an ongoing basis; and</li> <li>• regularly monitoring the performance of associates on an ongoing basis.</li> </ul>
Liquidity risk (Section 14(c))	The risk Cromwell will default on its contractual obligations under a financial instrument.	<ul style="list-style-type: none"> <li>• Payables;</li> <li>• Interest bearing liabilities;</li> <li>• Derivative financial instruments.</li> </ul>	Cromwell manages this by: <ul style="list-style-type: none"> <li>• maintaining sufficient cash reserves and undrawn finance facilities to meet ongoing liquidity requirements;</li> <li>• preparation of rolling forecasts of short-term and long-term liquidity requirements;</li> <li>• monitoring maturity profile of interest bearing liabilities and putting in place strategies to ensure all maturing interest bearing liabilities are refinanced significantly ahead of maturity.</li> </ul>
Market risk – price risk (Section 14(d))	The risk that the fair value of financial assets at fair value through profit or loss will fluctuate.	<ul style="list-style-type: none"> <li>• Investments at fair value through profit or loss.</li> </ul>	Cromwell has minimal exposure to this risk and therefore does not actively manage this risk.
Market risk – interest rate risk (Section 14(e))	The risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.	<ul style="list-style-type: none"> <li>• Borrowings at variable or fixed rates;</li> <li>• Derivative financial instruments.</li> </ul>	Cromwell manages this risk through interest rate hedging arrangements (swap or cap contracts) on not less than 50% of Cromwell's borrowings.

# Notes to the Financial Statements

For the year ended 30 June 2023

Market risk – foreign exchange risk (Section 14(f))	The risk that the fair value of a foreign currency asset or liability will fluctuate due to changes in foreign currency rates.	<ul style="list-style-type: none"> <li>• Cash and cash equivalents;</li> <li>• Receivables;</li> <li>• Investments in foreign subsidiaries;</li> <li>• Investments in foreign equity accounted investments;</li> <li>• Payables;</li> <li>• Foreign currency borrowings.</li> </ul>	Cromwell manages this risk by financing Cromwell's foreign currency investments through foreign currency borrowings providing a natural hedge.
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## b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount of financial assets recognised in the Consolidated Balance Sheet of Cromwell.

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

## c) Liquidity risk

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	Greater than 1 year - 2 years \$M	Greater than 2 years - 5 years \$M	Over 5 years \$M	Total \$M	1 year or less \$M	Greater than 1 year - 2 years \$M	Greater than 2 years - 5 years \$M	Over 5 years \$M	Total \$M
<b>2023</b>										
Trade and other payables	69.8	-	-	-	69.8	42.1	-	-	-	42.1
Dividends / distribution payable	36.0	-	-	-	36.0	36.0	-	-	-	36.0
Interest bearing liabilities	245.1	790.9	1,074.7	-	2,110.7	245.1	790.9	1,074.7	-	2,110.7
Liabilities directly related to assets held for sale	3.2	2.7	49.8	-	55.7	3.2	2.7	49.8	-	55.7
Lease liabilities	5.2	8.6	8.6	18.5	40.9	0.4	0.9	0.9	14.1	16.3
<b>Total financial liabilities</b>	<b>359.3</b>	<b>802.2</b>	<b>1,133.1</b>	<b>18.5</b>	<b>2,313.1</b>	<b>326.8</b>	<b>794.5</b>	<b>1,125.4</b>	<b>14.1</b>	<b>2,260.8</b>
<b>2022</b>										
Trade and other payables	73.3	-	-	-	73.3	53.3	-	-	-	53.3
Dividends / distribution payable	42.6	-	-	-	42.6	42.6	-	-	-	42.6
Interest bearing liabilities	265.9	620.8	1,431.6	51.4	2,369.7	265.9	620.8	1,431.6	51.4	2,369.7
Lease liabilities	5.9	7.8	7.9	15.3	36.9	0.4	0.7	0.8	13.0	14.9
<b>Total financial liabilities</b>	<b>387.7</b>	<b>628.6</b>	<b>1,439.5</b>	<b>66.7</b>	<b>2,522.5</b>	<b>362.2</b>	<b>621.5</b>	<b>1,432.4</b>	<b>64.4</b>	<b>2,480.5</b>

## d) Market risk – price risk

Cromwell and the Trust are exposed to price risk in relation to its unlisted equity securities (refer note 10). The impact to Cromwell and the Trust of a 10% decrease in the value of the investment in the unlisted equity securities is a decrease to Profit and Equity of \$2.1 million (2022: \$2.3 million) for Cromwell and \$1.8 million (2022: \$2.0 million) for the Trust. The impact to Cromwell and the Trust of a 10% increase in the value of the investment in the unlisted equity securities is an increase to Profit and Equity of \$2.1 million (2022: \$2.3 million) for Cromwell and \$1.8 million (2022: \$2.0 million) for the Trust.

# Notes to the Financial Statements

For the year ended 30 June 2023

## e) Market risk – interest rate risk

Cromwell's interest rate risk primarily arises from interest bearing liabilities. Interest bearing liabilities issued at variable rates expose Cromwell to cash flow interest rate risk. Interest bearing liabilities 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 interest bearing liabilities. At balance date interest on a total of 56.90% (2022: 51.59%) of Cromwell's total borrowings is hedged through fixed rate interest rate swap and cap contracts which effectively fix or limit the amount of variable interest paid. For details about notional amounts and expiries of Cromwell's and the Trust's interest rate swap and interest rate cap contracts refer to note 12.

The below table shows the impact on profit after tax and equity if interest rates changed by 100 basis points based on net interest bearing liabilities and interest rate derivatives held at year-end with all other variables held constant. The impact on profit after tax and equity includes impact on finance costs (cash flow risk) and the fair value of derivative financial instruments (fair value risk).

Interest rate increase / (decrease) of:	+1%		-1%	
	Profit \$M	Equity \$M	Profit \$M	Equity \$M
<b>2023</b>				
Cromwell	9.5	9.5	(8.6)	(8.6)
Trust	8.9	8.9	(8.1)	(8.1)
<b>2022</b>				
Cromwell	9.2	9.2	(9.3)	(9.3)
Trust	8.5	8.5	(8.6)	(8.6)

## f) Market risk – foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant currency of the relevant group entity.

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 or Polish Zloty. 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 due to the ownership, funding and operation of the investment property portfolios in Poland and Italy and the investment in CEREIT as well as overseas subsidiaries, expressed in Australian dollars, was as follows:

<i>Euro foreign currency risk</i>	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Cash and cash equivalents	6.7	1.0	6.7	1.0
Receivables	-	-	20.6	83.3
Interest bearing liabilities – financial institutions	(286.8)	(283.4)	(286.8)	(283.4)
Interest bearing liabilities – convertible bond	-	(205.0)	-	(205.0)
Derivative financial instruments – conversion feature	-	-	-	-
Other	-	(1.3)	0.2	0.8
<b>Total exposure</b>	<b>(280.1)</b>	<b>(488.7)</b>	<b>(259.3)</b>	<b>(403.3)</b>

A change in the exchange rate of the Euro would have resulted in the following impact on Cromwell's profit after tax and equity:

	2023		2022	
	Profit \$M	Equity \$M	Profit \$M	Equity \$M
Euro – Australian Dollar gains 1 cent in exchange	4.5	4.5	7.3	7.3
Euro – Australian Dollar loses 1 cent in exchange	(4.7)	(4.7)	(7.5)	(7.5)

# Notes to the Financial Statements

For the year ended 30 June 2023

Cromwell and the Trust also have exposure to Polish Złoty foreign currency risk due to the ownership and operation of the investment property portfolio in Poland. Expressed in Australian dollars, this was as follows:

<i>Polish Złoty foreign currency risk</i>	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Cash and cash equivalents	15.3	15.5	14.4	15.5
Receivables	30.5	25.4	30.5	25.4
Other	0.2	0.6	0.2	0.6
<b>Total exposure</b>	<b>46.0</b>	<b>41.5</b>	<b>45.1</b>	<b>41.5</b>

A change in the exchange rate of the Polish Złoty of 1 cent would not result in a material impact on Cromwell's profit after tax and equity.

## g) Fair value measurement of financial instruments

Cromwell uses a number of methods to determine the fair value of its financial assets and financial liabilities. 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 2023 and 30 June 2022 and the type of fair value measurement applied:

Cromwell	Notes	2023			2022		
		Level 2 \$M	Level 3 \$M	Total \$M	Level 2 \$M	Level 3 \$M	Total \$M
<b>Financial assets at fair value</b>							
Investments at fair value through profit or loss							
Unlisted equity securities	10(a)	17.7	2.9	20.6	20.4	2.9	23.3
Derivative financial instruments							
Interest rate caps	12(a)	56.5	-	56.5	55.9	-	55.9
<b>Total financial assets at fair value</b>		<b>74.2</b>	<b>2.9</b>	<b>77.1</b>	<b>76.3</b>	<b>2.9</b>	<b>79.2</b>

Trust		2023			2022		
		Level 2 \$M	Level 3 \$M	Total \$M	Level 2 \$M	Level 3 \$M	Total \$M
<b>Financial assets at fair value</b>							
Investments at fair value through profit or loss							
Unlisted equity securities	10(a)	17.7	-	17.7	20.4	-	20.4
Derivative financial instruments							
Interest rate caps	12(a)	56.5	-	56.5	55.9	-	55.9
<b>Total financial assets at fair value</b>		<b>74.2</b>	<b>-</b>	<b>74.2</b>	<b>76.3</b>	<b>-</b>	<b>76.3</b>

There were no transfers between the levels of fair value measurement during the current and prior financial years.

Also, there were no financial liabilities as at 30 June 2023 (2022: nil).

# Notes to the Financial Statements

For the year ended 30 June 2023

## h) Disclosed fair values

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

At balance date, Cromwell held no Level 1 assets. 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.

### 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, assessed for the impact of current global economic impacts where they are applicable 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 and interest rate cap derivatives (over-the-counter derivatives). The fair value of these derivatives has been determined using pricing models 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.

### 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.

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

	Cromwell	
	2023 \$M	2022 \$M
<b>Investments at fair value through profit or loss</b>		
Opening balance as at 1 July	2.9	8.9
Additions	1.3	0.5
Disposals	-	(4.5)
Fair value loss	(1.4)	(1.7)
Foreign exchange difference	0.1	(0.3)
<b>Balance at 30 June</b>	<b>2.9</b>	<b>2.9</b>

#### *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. 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.

## i) Accounting policy

### Initial recognition and measurement

Financial assets and financial liabilities are recognised in Cromwell's Balance Sheet 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 Statement of Profit or Loss.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 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 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 interest 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 Statement of Profit or Loss.

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 Statement of Profit or Loss 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 *Financial Instruments*, 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.

### *Response to current global economic impacts*

As a result of current global economic impacts Cromwell has undertaken a comprehensive review of the tenant receivables schedule. Any and all tenant receivables not considered to be recoverable have been fully provided for and are not included in the tenant receivables balance at year end.

Cromwell has also undertaken a review of its loan asset portfolio (including loans carried at fair value and loans carried at amortised cost). This process involved a thorough examination of all loan receivable balances with counterparties to assess the extent of expected credit losses that should be recognised. This resulted in no expected credit losses to be recognised.

## 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 Statement of Profit or Loss on the purchase, sale, issue or cancellation of Cromwell's own equity instruments.

# Notes to the Financial Statements

For the year ended 30 June 2023

## *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 Statement of Profit or Loss.

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 12(d).

## 15. Contributed equity

### **a) Overview**

Issued capital of Cromwell includes ordinary shares in Cromwell Corporation Limited and ordinary units of Cromwell Diversified Property Trust which are stapled to create Cromwell's stapled securities. The shares of the Company and units of the CDPT cannot be traded separately and can only be traded as 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.

Cromwell's and the Trust's issued capital at year-end were as follows:

	Cromwell stapled securities		Company shares		CDPT units	
	2023 M	2022 M	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Issued capital</b>	<b>2,618.9</b>	2,618.9	<b>207.3</b>	207.3	<b>2,072.8</b>	2,072.8

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) Movements in contributed equity

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

	Number of securities	Cromwell stapled securities		Company shares		CDPT units	
		Issue price	\$M	Issue price	\$M	Issue price	\$M
Opening balance at 1 July 2021	2,617,470,675		2,279.8		207.3		2,072.5
Exercise of performance rights	1,396,024	22.5¢	0.3	4.2¢	-	18.3¢	0.3
<b>Balance at 30 June 2022</b>	<b>2,618,866,699</b>		<b>2,280.1</b>		<b>207.3</b>		<b>2,072.8</b>
Movement during the year	-	-	-	-	-	-	-
<b>Balance at 30 June 2023</b>	<b>2,618,866,699</b>		<b>2,280.1</b>		<b>207.3</b>		<b>2,072.8</b>

## c) 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 securities 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.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 16. 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 disclosed in the Consolidated Balance Sheet and a description of the nature and purpose of each reserve.

Security based payments reserve (SBP)	This reserve is used to recognise the fair value of equity settled security based payments in respect employee services. Refer to note 23 for details of Cromwell's security based payments.
Fair value through other comprehensive income reserve (FVTOCI)	This reserve records changes in the fair value of investments classified as being at fair value through other comprehensive income. The amount recorded in the reserve related to a pre-stapling interest of a subsidiary of the Company in a subsidiary trust of the Trust. Upon the disposal of the interest in the subsidiary on 30 June 2022, the reserve was released into Other Comprehensive Income.
Treasury securities reserve	The treasury securities reserve represents the cost of the securities Cromwell purchased in the market and are held to satisfy options under the Group's Performance Rights Plans. The number of ordinary securities held at year end was 435,617 (2022: 700,000) which were purchased for \$0.2 million (2022: \$0.5 million).
Foreign currency translation reserve (FCTR)	This reserve records exchange differences arising on the translation of the foreign subsidiaries. In addition, any foreign currency differences arising from inter-group loans are also transferred to the foreign currency translation reserve upon consolidation as such loans form part of the net investment in the foreign subsidiary.

	Security based payments reserve		Fair value through other comprehensive income reserve		Treasury securities reserve		Foreign currency translation reserve		Total other reserves	
	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M	Cromwell \$M	Trust \$M
Balance at 1 July 2021	13.9	-	2.3	-	-	-	0.4	(11.9)	16.6	(11.9)
Net security based payments	(0.1)	-	-	-	-	-	-	-	(0.1)	-
Foreign exchange differences recognised in other comprehensive income	-	-	-	-	-	-	(45.2)	(44.7)	(45.2)	(44.7)
Acquisition of treasury securities	-	-	-	-	(0.5)	-	-	-	(0.5)	-
Transfer of FVOCI reserve to Profit & Loss	-	-	(2.3)	-	-	-	-	-	(2.3)	-
<b>Balance at 30 June 2022</b>	<b>13.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>(44.8)</b>	<b>(56.6)</b>	<b>(31.5)</b>	<b>(56.6)</b>
Net security based payments	<b>0.5</b>	-	-	-	-	-	-	-	<b>0.5</b>	-
Foreign exchange differences recognised in other comprehensive income	-	-	-	-	-	-	<b>89.4</b>	<b>86.1</b>	<b>89.4</b>	<b>86.1</b>
Acquisition of treasury securities	-	-	-	-	<b>(1.6)</b>	-	-	-	<b>(1.6)</b>	-
Transfer of treasury securities to option holders	<b>(1.0)</b>	-	-	-	<b>1.0</b>	-	-	-	-	-
Issue of treasury securities to employees	-	-	-	-	<b>0.9</b>	-	-	-	<b>0.9</b>	-
Contribution of exercise price for options settled with treasury securities	<b>0.4</b>	-	-	-	-	-	-	-	<b>0.4</b>	-
<b>Balance at 30 June 2023</b>	<b>13.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>44.6</b>	<b>29.5</b>	<b>58.1</b>	<b>29.5</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

## GROUP STRUCTURE

This section of the annual financial report provides information about the Cromwell Property Group structure including parent entity information and information about controlled entities (subsidiaries).

## 17. Parent entity disclosures

### a) Overview

The *Corporations Act 2001* (Cth) requires the disclosure of summarised financial information for the parent entity of a consolidated group. Further, Australian Accounting Standards require stapled groups to identify the parent entity of the group and identify equity attributable to the parent entity separately from other entities stapled to the parent entity.

The parent entity of the Cromwell stapled group is Cromwell Corporation Limited (the "Company"). The parent entity of the Trust group is Cromwell Diversified Property Trust ("CDPT").

### b) Summarised financial information of the Company and CDPT

	Company		CDPT	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Results</b>				
(Loss) / profit after tax	(29.2)	(4.2)	27.9	166.9
Total comprehensive (loss) / income	(29.2)	(4.2)	27.9	166.9
<b>Financial position</b>				
Current assets	3.5	17.1	55.9	172.9
Total assets	74.8	167.3	3,211.1	3,150.6
Current liabilities	7.6	-	41.1	52.3
Total liabilities	28.1	91.6	1,598.6	1,421.9
<b>Net assets</b>	<b>46.7</b>	<b>75.7</b>	<b>1,612.5</b>	<b>1,728.7</b>
<b>Equity</b>				
Contributed equity	207.3	207.3	2,072.8	2,072.8
Reserves	13.5	13.3	-	-
Accumulated losses	(174.1)	(144.9)	(460.3)	(344.1)
<b>Total equity</b>	<b>46.7</b>	<b>75.7</b>	<b>1,612.5</b>	<b>1,728.7</b>

### c) Commitments

At balance date the Company and CDPT had no commitments (2022: none) in relation to capital expenditure contracted for but not recognised as liabilities.

### d) Guarantees provided

The Company and CDPT had provided guarantees in relation to the convertible bonds, however with the bonds being fully redeemed during the year, the guarantees no longer exist. There are no other guarantees in place.

### e) Contingent liabilities

At balance date the Company and CDPT had no contingent liabilities (2022: none).

### f) Accounting policy

The financial information for the Company and CDPT is prepared on the same basis as the consolidated financial statements, except for:

- Investments in subsidiaries and equity accounted investments – these 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.
- Tax consolidation legislation – the Company is the head entity of a tax consolidated group as outlined in note 7. As the head entity, the Company recognises the current tax balances and the deferred tax assets for unused tax losses and credits assumed from other members as well as its own current and deferred tax amounts. Amounts receivable from or payable to the other members are recognised by the Company as intercompany receivables or payables.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 18. Controlled entities

### a) Company and its controlled entities

Name	Country of registration	Equity Holding		Name	Country of Registration	Equity Holding	
		2023 %	2022 %			2023 %	2022 %
Cromwell Aged Care Holdings Pty Ltd	Australia	100	100	Cromwell CEE Coinvest LP	United Kingdom	-	100
Cromwell BT Pty Ltd	Australia	100	100	Cromwell CEE Development Holdings Limited	United Kingdom	100	100
Cromwell Capital Pty Ltd	Australia	100	100	Cromwell CEREIT Holdings Limited	United Kingdom	100	100
Cromwell Development Trust	Australia	100	100	Cromwell Coinvest CEIF LP	United Kingdom	90	90
Cromwell Funds Management Limited	Australia	100	100	Cromwell Coinvest CEVAF I LP	United Kingdom	100	100
Cromwell Holdings No 1 Pty Ltd	Australia	-	100	Cromwell Corporate Secretarial Limited	United Kingdom	100	100
Cromwell Holdings No 2 Pty Ltd	Australia	-	100	Cromwell Development Holdings UK Limited	United Kingdom	100	100
Cromwell CMW Holdings Pty Ltd	Australia	100	100	Cromwell Development Management UK Limited	United Kingdom	100	100
Cromwell Operations Pty Ltd	Australia	100	100	Cromwell Director Limited	United Kingdom	100	100
Cromwell Project & Technical Solutions Pty Ltd	Australia	100	100	Cromwell Europe Limited	United Kingdom	100	100
Cromwell Property Securities Limited	Australia	100	100	Cromwell European Holdings Limited	United Kingdom	100	100
Cromwell Property Services Pty Ltd	Australia	100	100	Cromwell European Management Services Limited	United Kingdom	100	100
Cromwell Real Estate Partners Pty Ltd	Australia	100	100	Cromwell GP	United Kingdom	100	100
Cromwell Reit Holdings Pty Limited	Australia	100	100	Cromwell Holdings Europe Limited	United Kingdom	100	100
Cromwell Carparking Pty Ltd	Australia	100	100	Cromwell Investment Holdings UK Limited	United Kingdom	100	100
Votrant No. 662 Pty Limited	Australia	100	100	Cromwell Investment Management Services Limited	United Kingdom	100	100
Cromwell Property Group Czech Republic s.r.o.	Czech Republic	100	100	Cromwell Management Holdings Limited	United Kingdom	100	100
Cromwell Denmark A/S	Denmark	100	100	Cromwell Poland Retail LLP	United Kingdom	100	100
Cromwell Finland O/Y	Finland	100	100	Cromwell Poland Retail UK Limited	United Kingdom	100	100
Cromwell France SAS	France	100	100	Cromwell Promote CEIF LP	United Kingdom	100	100
Cromwell EREIT Management Germany GmbH	Germany	100	100	Cromwell Promote CEVAF I LP	United Kingdom	-	100
Cromwell Germany GmbH	Germany	100	100	Cromwell Promote CPRF LP	United Kingdom	-	100
Cromwell Property Group Italy SRL	Italy	100	100	Cromwell Promote ECV LP	United Kingdom	-	100
CPRF GP S.à r.l.	Luxembourg	100	100	Cromwell Promote HIG LP	United Kingdom	-	97
Cromwell EREIT Management Luxembourg S.à r.l.	Luxembourg	100	100	Cromwell WBP Poland LP	United Kingdom	100	100
Cromwell Investment Luxembourg S.à r.l.	Luxembourg	100	100	Cromwell YCM Coinvest LP	United Kingdom	100	100
Cromwell REIM Luxembourg S.à r.l.	Luxembourg	100	100	Cromwell YCM Promote LP	United Kingdom	100	100
Cromwell Central Europe B.V.	Netherlands	100	100	D.U.K.E. Combined GP Limited	United Kingdom	100	100
Cromwell Netherlands B.V.	Netherlands	100	100	IO Management Services Limited	United Kingdom	100	100
Cromwell Property Group Poland Sp Zoo	Poland	100	100	Parc D'Activities 1 GP Limited	United Kingdom	-	100
Cromwell EREIT Management Pte. Ltd.	Singapore	100	100	The IO Group Limited	United Kingdom	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				

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) Trust and its controlled entities

Name	Country of registration	Equity Holding		Name	Country of Registration	Equity Holding	
		2023 %	2022 %			2023 %	2022 %
CDPT Finance Pty Ltd	Australia	100	100	Cromwell TGA Planned Investment	Australia	-	100
CDPT Finance No. 2 Pty Ltd	Australia	100	100	Cromwell VAC Finance Pty Ltd	Australia	100	100
Cromwell Diversified Property Trust No. 2	Australia	-	100	Cromwell Wollongong Trust	Australia	100	100
Cromwell Diversified Property Trust No. 3	Australia	-	100	Mascot Head Trust	Australia	100	100
Cromwell George Street Trust	Australia	100	100	Mascot Trust	Australia	100	100
Cromwell Holdings Trust No 1	Australia	-	100	Tuggeranong Head Trust	Australia	100	100
Cromwell Holding Trust No 2	Australia	-	100	Tuggeranong Trust	Australia	100	100
Cromwell Holdings Trust No 4	Australia	-	100	Cromwell Italy Urban Logistics Fund	Italy	100	100
Cromwell HQ North Head Trust	Australia	100	100	CPRF S.C.A.	Luxembourg	100	100
Cromwell HQ North Trust	Australia	100	100	Cromwell European Logistics Fund	Luxembourg	-	100
Cromwell Italy Partnership	Australia	100	100	Cromwell Logistics Fund	Luxembourg	100	100
Cromwell Mary Street Property Trust	Australia	-	100	Next Real Estate Polish Retail S.à r.l.	Luxembourg	100	100
Cromwell Mary Street Planned Investment	Australia	-	100	Next Real Estate Polish Retail Holdco S.à r.l.	Luxembourg	100	100
Cromwell McKell Building Trust	Australia	100	100	CH Bydgoszcz Sp Zoo	Poland	100	100
Cromwell Newcastle Trust	Australia	100	100	CH Toruń Sp Zoo	Poland	100	100
Cromwell Northbourne Planned Investment	Australia	100	100	CH Janki Sp Zoo	Poland	100	100
Cromwell NSW Portfolio Trust	Australia	100	100	CH Łódź Sp Zoo	Poland	100	100
Cromwell Penrith Trust	Australia	100	100	CH Szczecin Sp Zoo	Poland	100	100
Cromwell Poland Holdings Trust	Australia	100	100	CH Wrocław Sp Zoo	Poland	100	100
Cromwell Property Fund	Australia	-	100	CPRF Co Sp Zoo	Poland	100	100
Cromwell Property Fund Trust No 2	Australia	-	100	HEL Poland Sp Zoo	Poland	100	100
Cromwell Property Fund Trust No 3	Australia	-	100	Cromwell Singapore Holdings Pte. Ltd.	Singapore	100	100
Cromwell SPV Finance Pty Ltd	Australia	100	100	CPRF Co Sp Zoo	Poland	100	100
Cromwell Symantec House Trust	Australia	100	100	HEL Poland Sp Zoo	Poland	100	100
				Cromwell Singapore Holdings Pte. Ltd.	Singapore	100	100

All new entities have been incorporated or acquired 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 of in the current year.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 19. Equity attributable to the Company and CDPT

### a) Overview

Stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent.

### b) Equity attributable to the Company

The table below summarises equity, profit for the year and total comprehensive income for the year attributable to the Company.

	Attributable to Equity Holders of the Company						
	Contributed equity \$M	SBP reserve \$M	FVTOCI reserve \$M	Treasury securities reserve \$M	FCT reserve \$M	Accumulated losses \$M	Total \$M
Balance at 1 July 2021	207.3	13.9	2.3	-	12.3	(126.9)	108.9
Loss for the year	-	-	-	-	-	(10.5)	(10.5)
Other comprehensive loss	-	-	(2.3)	-	(0.5)	-	(2.8)
Total comprehensive loss	-	-	(2.3)	-	(0.5)	(10.5)	(13.3)
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Acquisition of treasury securities	-	-	-	(0.5)	-	-	(0.5)
Employee performance rights	-	(0.1)	-	-	-	-	(0.1)
Total transactions with equity holders	-	(0.1)	-	(0.5)	-	-	(0.6)
<b>Balance as at 30 June 2022</b>	<b>207.3</b>	<b>13.8</b>	<b>-</b>	<b>(0.5)</b>	<b>11.8</b>	<b>(137.4)</b>	<b>95.0</b>
Loss for the year	-	-	-	-	-	(5.1)	(5.1)
Other comprehensive income	-	-	-	-	3.3	-	3.3
Total comprehensive loss	-	-	-	-	3.3	(5.1)	(1.8)
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Acquisition of treasury securities	-	-	-	(1.6)	-	-	(1.6)
Issue of treasury securities to employees	-	-	-	0.9	-	-	0.9
Transfer of treasury securities to option holders	-	(1.0)	-	1.0	-	-	-
Contribution of exercise price for options settled with treasury securities	-	0.4	-	-	-	-	0.4
Employee performance rights	-	0.5	-	-	-	-	0.5
Total transactions with equity holders	-	(0.1)	-	0.3	-	-	0.2
<b>Balance as at 30 June 2023</b>	<b>207.3</b>	<b>13.7</b>	<b>-</b>	<b>(0.2)</b>	<b>15.1</b>	<b>(142.5)</b>	<b>93.4</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

## c) Equity attributable to CDPT

The table below summarises equity, profit for the year and total comprehensive income for the year attributable to CDPT, the entity stapled to the Company.

	Attributable to Equity Holders of the CDPT			
	Contributed equity \$M	Reserve \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2021	2,072.5	(11.9)	495.8	2,556.4
Profit after tax	-	-	273.7	273.7
Other comprehensive loss	-	(44.7)	-	(44.7)
Total comprehensive income	-	(44.7)	273.7	229.0
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Contributions of equity, net of equity issue costs	0.3	-	-	0.3
Distributions paid / payable	-	-	(170.3)	(170.3)
Total transactions with equity holders	0.3	-	(170.3)	(170.0)
<b>Balance as at 30 June 2022</b>	<b>2,072.8</b>	<b>(56.6)</b>	<b>599.2</b>	<b>2,615.4</b>
Loss after tax	-	-	(438.7)	(438.7)
Other comprehensive income	-	86.1	-	86.1
Total comprehensive loss	-	86.1	(438.7)	(352.6)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Distributions paid / payable	-	-	(144.0)	(144.0)
Total transactions with equity holders	-	-	(144.0)	(144.0)
<b>Balance as at 30 June 2023</b>	<b>2,072.8</b>	<b>29.5</b>	<b>16.5</b>	<b>2,118.8</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

## OTHER ITEMS

This section of the annual financial report provides information about individually significant items to the Balance Sheets, Statements of Profit or Loss and Cash Flow Statements and items that are required to be disclosed by Australian Accounting Standards.

## 20. Assets held for sale and liabilities directly related to assets held for sale

### a) Overview

Non-current assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as such within one year from the date of classification. At reporting date the following assets and liabilities have been classified as held for sale:

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>Disposal group - LDK</b>				
Interest in joint venture	-	12.0	-	-
Loans at amortised cost – joint venture	-	148.4	-	105.7
<b>Total – disposal group - LDK</b>	-	160.4	-	105.7
<b>Investment property</b>				
2-6 Station Street, Penrith NSW	45.3	-	45.3	-
<b>Total – investment property</b>	45.3	-	45.3	-
<b>Disposal assets – CIULF</b>				
Cash	1.5	-	1.5	-
Receivables	0.1	-	0.1	-
Investment properties	91.5	-	91.5	-
<b>Total – disposal assets – CIULF</b>	93.1	-	93.1	-
<b>Total assets held for sale</b>	<b>138.4</b>	<b>160.4</b>	<b>138.4</b>	<b>105.7</b>
<b>Liabilities directly related to assets held for sale – CIULF</b>				
Trade and other payables	0.5	-	0.5	-
Interest bearing liabilities	48.9	-	48.9	-
<b>Total liabilities directly related to assets held for sale</b>	<b>49.4</b>	<b>-</b>	<b>49.4</b>	<b>-</b>

#### Disposal group - LDK

In October 2022, the equity interest in the LDK joint venture was sold for a contract price of \$20.0 million which has resulted in Cromwell recording a \$7.7 million gain on disposal after taking into account disposal costs.

As part of the sale transaction the loan portfolio was amended under a Deed of Variation whereby the loans were to be repaid by no later than June 2023 by the LDK joint venture with LDK repaying in full in March 2023.

#### Investment Property

Subsequent to year end, the Trust entered into a contract to sell 2-6 Station Street, Penrith NSW for \$45.3 million (net of estimated sale costs) which is expected to settle in September 2023. As a result of entering into this contract the asset has been reclassified as held for sale.

#### Disposal group - CIULF

On 30 June 2023, Cromwell entered into a binding agreement with Value Partners, a Hong Kong based asset manager to create a joint venture by selling 50% of the units in the Cromwell Italy Urban Logistics Fund. All of the assets and liabilities within the fund, most notably the 7 investment properties 100% leased to DHL and the Italian Euro facilities (secured by the investment properties) have been classified as held for sale at 30 June 2023. Cromwell will retain a 50% share of the Fund which will be equity accounted post settlement in July 2023.

No impairment losses have been recognised in the current and prior years in respect of assets held for sale.

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) Critical accounting estimates and judgements

All assets held for sale and liabilities directly related to assets held for sale have been recognised based on the values stipulated in the relevant agreements.

## 21. Leased assets and related leases

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### a) Overview

Cromwell and the Trust are lessees in a number of leasing arrangements. Leases grant Cromwell and the Trust the "right-of-use" for the leased asset for the contractual period of the lease in return for fixed lease payments. The right-of-use is recognised as an asset within the Balance Sheet category the relating leased asset would ordinarily be classified in and depreciated over the shorter of the contractual lease period or the useful life of the leased asset. The present value of remaining lease payments is recognised as a liability within borrowings.

Cromwell and the Trust are lessees in the following leasing arrangements:

- Leasehold land – leases of land upon which some of Cromwell's and the Trust investment properties are situated (leasehold properties). The right-of-use assets relating to such lease leases are recognised within investment properties. See note 8 for more information in relation to Cromwell's and the Trust's investment properties situated on leasehold land.
- Office leases – leases of office space in Australia, Singapore and Europe. The relating right-of-use assets are recognised within property, plant and equipment.
- Equipment leases – leases of office equipment. The right-of-use assets are recognised within property, plant & equipment.

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) Amounts recognised in the financial statements

The below table shows the information in relation to Cromwell and Trust's leased assets and relevant lease liabilities for the year ending and as at 30 June 2023 (see note 11(c) also for further information):

	Investment property <sup>(1)(2)</sup> \$M	Office premises <sup>(3)</sup> \$M	Property, plant and equipment <sup>(3)</sup> \$M	Total \$M
<b>Right-of-use assets</b>				
<i>Reconciliation of movements in right-of-use assets:</i>				
Right-of-use assets recognised on 1 July 2021	6.3	15.1	1.3	22.7
Additions	-	6.0	2.5	8.5
Disposals, terminations and modifications	-	(0.4)	(0.1)	(0.5)
Amortisation <sup>(4)</sup>	(0.2)	(3.1)	(0.6)	(3.9)
Foreign exchange movements	(0.2)	(0.5)	0.1	(0.6)
<b>Balance as at 30 June 2022</b>	<b>5.9</b>	<b>17.1</b>	<b>3.2</b>	<b>26.2</b>
Additions	-	1.2	0.1	1.3
Disposals, terminations and modifications	-	-	(1.5)	(1.5)
Amortisation <sup>(4)</sup>	(0.2)	(4.3)	(1.0)	(5.5)
Foreign exchange movements	0.3	0.9	0.2	1.4
<b>Right-of-use assets at 30 June 2023</b>	<b>6.0</b>	<b>14.9</b>	<b>1.0</b>	<b>21.9</b>
<b>Lease liabilities</b>				
<i>Reconciliation of movements in lease liabilities:</i>				
Lease liabilities recognised on 1 July 2021	5.8	15.9	1.0	22.7
Additions	-	6.3	2.6	8.9
Principle payments	(0.3)	(3.6)	(0.6)	(4.5)
Finance costs <sup>(5)</sup>	0.3	0.4	-	0.7
Disposals, terminations and modifications	-	(0.6)	-	(0.6)
Foreign exchange movements	(0.5)	(0.5)	-	(1.0)
<b>Balance as at 30 June 2022</b>	<b>5.3</b>	<b>17.9</b>	<b>3.0</b>	<b>26.2</b>
Additions	-	1.2	0.2	1.4
Principle payments	(0.4)	(4.9)	(1.1)	(6.4)
Finance costs <sup>(5)</sup>	0.3	0.4	-	0.7
Disposals, terminations and modifications	-	0.1	(1.5)	(1.4)
Foreign exchange movements	0.7	1.0	0.1	1.8
<b>Lease liabilities at 30 June 2023</b>	<b>5.9</b>	<b>15.7</b>	<b>0.7</b>	<b>22.3</b>
<i>Payments in relation to lease liabilities recognised above<sup>(6)</sup>:</i>				
2022	(0.3)	(3.6)	(0.6)	(4.5)
<b>2023</b>	<b>(0.4)</b>	<b>(4.9)</b>	<b>(1.1)</b>	<b>(6.4)</b>

(1) Represents relevant information in respect of the Trust.

(2) Right-of-use assets included as a component of Investment property in the Balance Sheet. See note 8 for further information.

(3) Right-of-use assets included as a component of Property, plant and equipment in the Consolidated Balance Sheet.

(4) Included as a component of Administration and other expenses in the Consolidated Statement of Profit or Loss.

(5) Included as a component of Finance costs in the Consolidated Statement of Profit or Loss.

(6) Represents total cash flows in respect of leases.

## c) Accounting policy

### Accounting as lessee

Cromwell recognised a lease liability and a corresponding right-of-use asset at the commencement of a lease.

The lease liability is initially measured as the present value of the lease payments that are unpaid at the commencement date, discounted using the rate implicit in the lease or relevant incremental borrowing rate. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. The lease liability is presented as a component of borrowings.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement, less any lease incentives received and any initial direct costs. The right-of-use asset is subsequently measured as cost less accumulated depreciation and impairments. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 22. Cash flow information

### a) Overview

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

### b) Reconciliation of (loss) / profit after tax to net cash provided by operating activities

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<b>(Loss) / profit after tax</b>	<b>(443.8)</b>	263.2	<b>(438.7)</b>	274.9
Amortisation and depreciation	7.5	6.0	0.3	0.2
Amortisation of lease costs and incentives	27.6	29.0	27.6	29.0
Capitalised lease costs and incentives	-	(17.2)	-	(17.2)
Operating lease costs	0.7	3.4	0.3	0.3
Straight-line rentals	(7.4)	(6.0)	(7.4)	(6.0)
Expected credit losses	1.9	-	(0.2)	-
Security based payments	0.5	-	-	-
Share of losses / (profits) – equity accounted investments (net of distributions and impairments)	62.2	3.2	59.4	(4.8)
Treasury securities issued to employees	0.9	-	-	-
Net foreign exchange losses / (gains)	13.3	(26.7)	8.9	(25.5)
Amortisation of loan transaction costs	6.9	17.9	6.9	17.9
Gain on sale of interest in joint venture held for sale	(7.7)	-	-	-
Gain on sale of investment properties	(2.0)	(11.8)	(2.0)	(11.8)
Gain on disposal of other assets	-	(2.3)	(1.0)	-
Asset, fund and development management fees non-cash settled	-	1.1	-	-
Impact of dilution of equity holding / impairment	1.9	1.7	1.9	1.4
Finance costs attributable to discounted lease incentives	1.0	1.1	1.0	1.1
Fair value net losses / (gains) from:				
Investment properties	491.6	(54.0)	491.6	(54.0)
Derivative financial instruments	4.7	(55.4)	4.7	(55.4)
Investments at fair value through profit or loss	4.9	1.7	3.3	-
Payment for other transaction costs	3.9	3.0	2.2	2.8
<i>Changes in operating assets and liabilities:</i>				
(Increase) / decrease in Receivables	(1.1)	6.6	6.9	4.0
(Increase) / decrease in Tax assets / liabilities	(12.7)	18.9	(14.3)	12.4
(Increase) / decrease in Other current assets	(0.1)	0.4	(0.1)	(1.0)
Increase / (decrease) in Trade and other payables	(6.8)	(12.0)	(11.5)	(5.3)
Increase / (decrease) in Provisions	0.3	(0.8)	-	-
Increase / (decrease) in Unearned income	1.0	4.2	1.0	3.1
<b>Net cash provided by operating activities</b>	<b>149.2</b>	175.2	<b>140.8</b>	166.1

# Notes to the Financial Statements

For the year ended 30 June 2023

## Non-cash financing and investing transactions

	Cromwell		Trust	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
<i>CEREIT fees received in units:</i>				
Acquisition fees	-	0.1	-	-
Restructure costs	-	(1.2)	-	-
Treasury securities issued to employees	0.9	-	-	-
<b>Non-cash financing and investing transactions</b>	<b>0.9</b>	<b>(1.1)</b>	<b>-</b>	<b>-</b>

## c) Reconciliation of liabilities arising from financing activities

Cromwell	Interest bearing liabilities \$M	Dividends / distributions payable \$M	Derivative financial instruments \$M	Total \$M
Opening balance at 1 July 2021	2,186.2	42.5	11.4	2,240.1
<i>Changes from financing cash flows:</i>				
Proceeds from borrowings	474.0	-	-	474.0
Repayments of borrowings	(447.2)	-	-	(447.2)
Payments for lease liabilities	(4.5)	-	-	(4.5)
Payment of loan transaction costs	(2.2)	-	-	(2.2)
Payments for derivative financial instruments	-	-	(0.3)	(0.3)
Payment of dividends / distributions	-	(170.2)	-	(170.2)
<b>Total changes from financing cash flows</b>	<b>20.1</b>	<b>(170.2)</b>	<b>(0.3)</b>	<b>(150.4)</b>
<i>Other movements:</i>				
Exchange rate gains / losses	(41.5)	-	-	(41.5)
Fair value net gains / losses	-	-	(11.1)	(11.1)
Other lease liability movements	9.0	-	-	9.0
Amortisation of loan transaction costs	17.9	-	-	17.9
Distributions for the year	-	170.3	-	170.3
<b>Balance at 30 June 2022</b>	<b>2,191.7</b>	<b>42.6</b>	<b>-</b>	<b>2,234.3</b>
<i>Changes from financing cash flows:</i>				
Proceeds from borrowings	167.7	-	-	167.7
Repayments of borrowings	(523.2)	-	-	(523.2)
Payments for lease liabilities	(6.4)	-	-	(6.4)
Payment of loan transaction costs	(2.7)	-	-	(2.7)
Payments for derivative financial instruments	-	-	(5.0)	(5.0)
Payment of dividends / distributions	-	(150.6)	-	(150.6)
<b>Total changes from financing cash flows</b>	<b>(364.6)</b>	<b>(150.6)</b>	<b>(5.0)</b>	<b>(520.2)</b>
<i>Other movements:</i>				
Exchange rate gains / losses	38.2	-	-	38.2
Reclassified to held for sale	(48.9)	-	-	(48.9)
Fair value net gains / losses	-	-	5.0	5.0
Other lease liability movements	0.8	-	-	0.8
Amortisation of loan transaction costs	6.9	-	-	6.9
Distributions for the year	-	144.0	-	144.0
<b>Balance at 30 June 2023</b>	<b>1,824.1</b>	<b>36.0</b>	<b>-</b>	<b>1,860.1</b>

# Notes to the Financial Statements

For the year ended 30 June 2023

Trust	Interest bearing liabilities \$M	Dividends / distributions payable \$M	Derivative financial instruments \$M	Total \$M
Opening balance at 1 July 2021	2,169.3	42.5	11.4	2,223.2
<i>Changes from financing cash flows:</i>				
Proceeds from borrowings	474.0	-	-	474.0
Repayments of borrowings	(447.2)	-	-	(447.2)
Payments for lease liabilities	(0.3)	-	-	(0.3)
Payment of loan transaction costs	(2.2)	-	-	(2.2)
Payments for derivative financial instruments	-	-	(0.3)	(0.3)
Payment of dividends / distributions	-	(170.2)	-	(170.2)
<b>Total changes from financing cash flows</b>	<b>24.3</b>	<b>(170.2)</b>	<b>(0.3)</b>	<b>(146.2)</b>
<i>Other movements:</i>				
Exchange rate gains / losses	(40.9)	-	-	(40.9)
Fair value net gains / losses	-	-	(11.1)	(11.1)
Amortisation of loan transaction costs	0.3	-	-	0.3
Stapled securities / units issued on reinvestment of distributions	17.9	-	-	17.9
Distributions for the year	-	170.3	-	170.3
<b>Balance at 30 June 2022</b>	<b>2,170.9</b>	<b>42.6</b>	<b>-</b>	<b>2,213.5</b>
<i>Changes from financing cash flows:</i>				
Proceeds from borrowings	167.7	-	-	167.7
Repayments of borrowings	(523.2)	-	-	(523.2)
Payments for lease liabilities	(0.4)	-	-	(0.4)
Payment of loan transaction costs	(2.7)	-	-	(2.7)
Payments for derivative financial instruments	-	-	(5.0)	(5.0)
Payment of dividends / distributions	-	(150.6)	-	(150.6)
<b>Total changes from financing cash flows</b>	<b>(358.6)</b>	<b>(150.6)</b>	<b>(5.0)</b>	<b>(514.2)</b>
<i>Other movements:</i>				
Exchange rate gains / losses	37.2	-	-	37.2
Reclassified to held for sale	(48.9)	-	-	(48.9)
Fair value net gains / losses	-	-	5.0	5.0
Other lease liability movements	0.3	-	-	0.3
Amortisation of loan transaction costs	6.9	-	-	6.9
Distributions for the year	-	144.0	-	144.0
<b>Balance at 30 June 2023</b>	<b>1,807.8</b>	<b>36.0</b>	<b>-</b>	<b>1,843.8</b>

## d) 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.

## 23. 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 \$0.00 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.

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) PRP

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/distributions 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.

Set out below is a summary of movements in the number of performance rights outstanding at the end of the financial year:

	2023		2022	
	Weighted average exercise price	Number of performance rights	Weighted average exercise price	Number of performance rights
<b>As at 1 July</b>	<b>\$0.26</b>	<b>8,047,940</b>	\$0.12	10,185,693
Granted during the year	-	4,076,483	-	3,814,473
Exercised during the year	\$0.31	(1,207,622)	\$0.22	(1,396,024)
Forfeited / lapsed during the year	\$0.03	(3,402,951)	\$0.08	(4,556,202)
<b>As at 30 June</b>	<b>\$0.00</b>	<b>7,513,850</b>	\$0.26	8,047,940
<b>Vested and exercisable</b>	-	-	-	-

The weighted average price per security at the date of exercise of options exercised during the year ended 30 June 2023 was \$0.68 (2022: \$0.88). No options expired during the years covered in the table above.

The weighted average remaining contractual life of the 7,513,850 performance rights outstanding at the end of the financial year (2022: 8,047,940) was 1.29 years (2022: 1.33 years).

### Fair value of performance rights granted

The fair value of performance rights granted during the year was between \$0.64 and \$0.81 per option for PRP with an exercise price of \$nil (2022: fair value between \$0.65 and \$1.00 and an exercise price of \$nil).

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:

	2023	2022
Exercise price:	\$0.00	\$0.00
Grant date(s):	7-Oct-22	11-Nov-21 & 12-Apr-22
Share price at grant date(s):	\$0.685 to \$0.79	\$0.82 to \$0.87
Expected price volatility:	25% - 32.12%	20% - 25%
Expected dividend yield(s):	6.96% to 9.49%	7.88% to 7.93%
Risk free interest rate(s):	3.24% to 3.41%	0.16% to 0.19%
Expiry date(s):	30-Sept-25	30-Sept-24

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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Performance rights issued under the PRP	0.5	-	-	-

See note 6(d) for information in relation the accounting policy in relation to security based payments.

# Notes to the Financial Statements

For the year ended 30 June 2023

## 24. Related parties

### a) Overview

Related parties 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

<i>Key management personnel compensation</i>	Cromwell	
	2023	2022
	\$	\$
Short-term employee benefits	3,582,726	5,573,907
Post-employment benefits	127,061	148,613
Other long-term benefits	29,885	(27,206)
Security-based payments	546,913	551,014
<b>Total key management personnel compensation</b>	<b>4,286,585</b>	<b>6,246,328</b>

#### *Loans to key management personnel*

No loans have been provided to key management personnel during the current financial year (2022: nil).

### 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 17.

#### ii) Transactions with joint ventures and associates

##### *Cromwell European Real Estate Investment Trust*

Cromwell and the Trust hold 27.8% and 27.4% interests in CEREIT (2022: 27.8% and 27.4% - refer to note 9(b) for further details).

Cromwell and the Trust received \$41.1 million and \$40.4 million in distributions from CEREIT during the year (2022: \$34.5 million and \$34.0 million).

Cromwell EREIT Management Pte. Ltd. ("CEM"), a wholly owned subsidiary of Cromwell, is the Manager for CEREIT. A number of other wholly owned, Europe-domiciled, subsidiaries of Cromwell provide property related services to CEREIT at normal commercial terms.

The following income was earned by Cromwell from CEREIT:

	Cromwell	
	2023	2022
	\$M	\$M
<i>Paid / payable by CEREIT to Cromwell and its subsidiaries:</i>		
Asset management fees	29.0	27.9
Fund management fees	11.1	11.1
Leasing fees	3.2	3.8
Project management fees	3.0	2.7
Distributions	41.1	34.5
<i>Balances outstanding with CEREIT at year end:</i>		
Aggregate amounts receivable	15.2	12.8

# Notes to the Financial Statements

For the year ended 30 June 2023

## LDK Healthcare Unit Trust

Cromwell held a 50% interest in the LDK Healthcare Unit Trust (LDK), a joint venture conducting an aged care operation until October 2022 when the interest was sold to Anglicare for \$20.0 million. During the period of ownership in the current financial year Cromwell had the following loans and related party transactions with the LDK joint venture:

### a) Working capital loans

This loan as well as all outstanding interest was repaid in full during the period. Refer to note 20 for further information.

### b) "Waterfall" loans

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 loans as well as all outstanding interest was repaid in full during the period. Refer to note 20 for further information.

## Ursynów

Cromwell derived \$nil in property management fees at normal commercial terms during the year (2022: nil).

During the prior financial year Cromwell and its joint venture partner contributed loans of €17.0 million (\$26.8 million) each, which the joint venture used to repay an external debt facility that fell due. The balance receivable at year end was \$30.5 million (2022: \$25.4 million). During the period the loan facility was utilised by Ursynów interest accrued/paid to Cromwell was €1.0 million (\$1.6 million).

### 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	
	2023 \$M	2022 \$M
<i>Paid / payable by the Trust to the Company and its subsidiaries:</i>		
Fund management fees	20.8	20.1
Property management fees	5.8	6.3
Leasing fees	1.2	2.2
Project management fees	0.7	0.2
Accounting fees	1.0	1.0
<i>Received / receivable by the Trust from the Company and its subsidiaries:</i>		
Interest	1.5	2.3
Rent and recoverable outgoings	1.0	2.6
<i>Balances outstanding at year-end with the Company and its subsidiaries:</i>		
Aggregate amounts payable	1.1	2.2
Aggregate amounts receivable	20.6	89.5

The amount receivable from the Company and its subsidiaries includes loans of \$20.6 million (2022: \$89.5 million). For further details regarding these loans refer to note 13(b).

# Notes to the Financial Statements

For the year ended 30 June 2023

## 25. Auditors' remuneration

### a) Overview

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

	Cromwell		Trust	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Deloitte Touche Tohmatsu</b>				
<i>Audit and other assurance services</i>				
Auditing or reviewing of financial reports	647,867	508,241	478,381	380,542
Auditing of controlled entities' AFS licences	7,500	7,500	-	-
Auditing of component financial reports	895,441	882,961	437,850	460,644
Other assurance services	51,683	130,000	-	-
	<b>1,602,491</b>	<b>1,528,702</b>	<b>916,231</b>	<b>841,186</b>
<i>Other services</i>				
Due diligence services	19,650	452,765	19,650	452,765
Other reporting services	8,797	45,940	8,797	45,940
International consulting services	5,420	17,567	-	-
Australian taxation advice	8,380	17,015	-	-
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b>1,644,738</b>	<b>2,061,989</b>	<b>944,678</b>	<b>1,339,891</b>
<b>Pitcher Partners</b>				
<i>Audit and other assurance services</i>				
Auditing of the Trust's compliance plan	43,000	41,000	43,000	41,000
Audit of Statements of Outgoings	20,000	26,600	20,000	26,600
	<b>63,000</b>	<b>67,600</b>	<b>63,000</b>	<b>67,600</b>
<i>Other services</i>				
Valuation services	6,100	17,300	-	-
<b>Total remuneration of Pitcher Partners</b>	<b>69,100</b>	<b>84,900</b>	<b>63,000</b>	<b>67,600</b>
<b>Total auditors' remuneration</b>	<b>1,713,838</b>	<b>2,146,889</b>	<b>1,007,678</b>	<b>1,407,491</b>

## 26. Unrecognised items

### a) Overview

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

# Notes to the Financial Statements

For the year ended 30 June 2023

## b) Commitments

### 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	
	2023 \$M	2022 \$M	2023 \$M	2022 \$M
Investment property	4.2	1.7	4.2	1.7
Capital contributions	39.8	2.4	-	-
<b>Total capital expenditure commitments</b>	<b>44.0</b>	<b>4.1</b>	<b>4.2</b>	<b>1.7</b>

## c) Contingent assets and contingent liabilities

The Directors are not aware of any material contingent assets or contingent liabilities of Cromwell or the Trust (2022: \$nil).

## 27. Subsequent events

### Cromwell Italy Urban Logistics Fund

On 30 June 2023, Cromwell entered into a binding agreement with Value Partners, a Hong Kong based asset manager to create a joint venture by selling 50% of the units in the Cromwell Italy Urban Logistics Fund. All of the assets and liabilities within the fund, most notably the 7 investment properties 100% leased to DHL and the Italian Euro facilities (secured by the investment properties) have been classified as held for sale at 30 June 2023 (refer to note 20). Cromwell will retain a 50% share of the Fund which will be equity accounted post settlement in July 2023.

In late July 2023, Cromwell received a payment of €13.1m upon successful completion of the conditions precedent in the unit sale agreement.

### Sale of Investment Property

Subsequent to year end, the Trust entered into a contract to sell 2-6 Station Street, Penrith NSW for \$45.3 million (net of estimated sale costs) which is expected to settle in September 2023. Cromwell has classified the asset as held for sale (refer to note 20).

### Cromwell Direct Property Fund transaction

On 7 July 2023, Cromwell announced that one of the subsidiaries in the group, Cromwell Funds Management Limited, as responsible entity for the Cromwell Direct Property Fund (CDPF), entered into an Merger Implementation Deed with Australian Unity Property Limited (AUPL), as the responsible entity for the Australian Unity Diversified Property Fund (AUDPF) to merge with CDPF. The merger is conditional upon AUDPF unitholder approval and the satisfaction of other conditions precedent. Upon completion, the merged fund will comprise a well-diversified portfolio of 15 high-quality assets, valued at approximately \$1.1 billion.

As part of the proposed merger, Cromwell will subscribe for units in CDPF (up to \$12 million) to assist in funding a one-off withdrawal facility for AUDPF unitholders.

At the same time Cromwell has entered into a separate Share Sale and Purchase Agreement with Australian Unity Limited to acquire AUPL, the responsible entity of AUDPF, for a total consideration of \$17.0 million, payable in instalments. A condition to the acquisition of AUPL is AUDPF unitholder approval, and implementation, of the merger. These transactions are expected to complete later in the 2024 financial year.

Other than those disclosed above, no matter or circumstance has arisen since 30 June 2023 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.

The financial statements were approved by the Board of Directors and authorised for issue on 30 August 2023.

# 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's financial position as at 30 June 2023 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 About this report - note 1 Basis of preparation; 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 2023 required by section 295A of the *Corporations Act 2001* (Cth).

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



Dr Gary Weiss AM

Chair

30 August 2023

Sydney

## 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 Reports

#### *Opinion*

We have audited the financial reports of:

- Cromwell Property Group (the Group) which comprises the consolidated balance sheet as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration of Cromwell Corporation Limited (the Company). The Group comprises the consolidated stapled entity comprising the Company and 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 balance sheet as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration of Cromwell Property Securities Limited (the Responsible Entity), as Responsible Entity of the Trust. The Trust 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 the Trust are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group and the Trust's financial position as at 30 June 2023 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 and the Trust in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company and of the Responsible Entity of the Trust (the directors), 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.

## Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Valuation of investment property</b></p> <p>At 30 June 2023, Cromwell Property Group recognised investment properties at fair value of \$3.1b as disclosed in Note 8.</p> <p>The Group owns either directly or through joint ventures a portfolio of properties across Australia, Italy and Poland.</p> <p>Valuations were carried out by internal and third-party valuers for the majority of investment properties in Australia, Italy, and Poland during the year. Some investment properties were valued with reference to recent transactions or current offers on the respective investment properties. Within their 30 June 2023 valuations, certain valuers included observations as to market uncertainty caused by inflationary pressures and tightening monetary policy. This highlights a higher degree of caution should be attached to the valuations than would normally be the case.</p> <p>Note 8 describes the valuation methodologies adopted by the Group:</p> <ul style="list-style-type: none"> <li>• the capitalisation approach applies a capitalisation rate to normalised market net operating income.</li> <li>• the discounted cash flow method involves the projection of cash flows discounted to present value.</li> </ul> <p>The valuation processes require judgment and estimation in the following valuation inputs:</p> <ul style="list-style-type: none"> <li>• net market income</li> <li>• net operating income</li> <li>• compound annual growth rates</li> <li>• terminal yields</li> <li>• capitalisation rates; and</li> <li>• discount rates.</li> </ul> <p>Of these, capitalisation rates and discount rates are considered to have the greatest propensity to materially impact the valuations and involve the use of significant judgement.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding the relevant controls within management's valuation framework and assessing the oversight applied by the directors over the valuation processes.</li> <li>• Enquiring of management to obtain an understanding of portfolio movements and their identification of any additional property specific matters, as well as their assessment of the impact of inflationary pressures and tightening monetary policy on the valuations, and the uncertainty statement included in certain valuation reports.</li> <li>• Assessing the independence, competence and objectivity of the external valuers, as well as competence and objectivity of internal valuers (where relevant).</li> <li>• Performing an analytical review and risk assessment of the portfolio, assessing the key inputs and assumptions.</li> <li>• Testing on a sample basis, both externally and internally valued properties, for: <ul style="list-style-type: none"> <li>- the completeness and accuracy of the information in the valuation by agreeing key inputs such as annual net operating income to underlying records and source evidence;</li> <li>- the reasonableness of the forecasts used in the valuations with reference to current financial results such as net operating income, capital expenditure requirements, occupancy and lease renewals; and</li> <li>- the mathematical accuracy of the valuation models.</li> </ul> </li> <li>• Assessing the reasonableness of the assumptions used in the valuations, including the capitalisation rates, and net market income adjustments made in the capitalisation approach and the discount rate, compound annual growth rate, and terminal yield used in the discounted cashflow method with reference to external market trends &amp; transactions, property specific factors such as tenant mix and changes since the prior valuation.</li> </ul> <p>We also assessed the appropriateness of the disclosures included in the Notes to the financial statements.</p>

## *Other Information*

The directors of the Company and the Responsible Entity of the Trust (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 and Trust's annual report (but does not include the financial reports 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 reports 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 reports, 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 reports 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.

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 Reports*

The directors are responsible for the preparation of the financial reports that give 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 reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Trust to continue as going concerns, 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 Reports*

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 the financial reports.

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 reports, 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 or the 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 or the 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 reports 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 or the Trust to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group and Trust financial reports. 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group 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 27 to 44 of the Directors' Report for the year ended 30 June 2023.

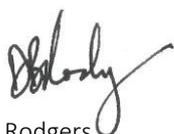
In our opinion, the Remuneration Report of Cromwell Property Group for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### *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.

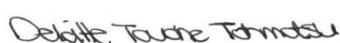


DELOITTE TOUCHE TOHMATSU



David Rodgers  
Partner  
Chartered Accountants

Brisbane, 30 August 2023



DELOITTE TOUCHE TOHMATSU



Vanessa de Waal  
Partner  
Chartered Accountants

Brisbane, 30 August 2023