Cromwell

THE CROMWELL GROUP

Annual Report 2007

NOW WE ARE ONE.

Contents

Cromwell Group

Cromwell Corporation Limited *ABN 44 001 056 980*
Cromwell Property Securities Limited *ABN 11 079 147 809*
AFSL 238052 as responsible entity for
Cromwell Diversified Property Trust *ABN 30 074 537 051*
ARSN 102 982 598

Level 19, 200 Mary St, Brisbane QLD 4000
GPO Box 1093, Brisbane QLD 4001
Telephone: (07) 3225 7777
Facsimile: (07) 3225 7788
Website: www.cromwell.com.au
E-mail: cromwell@cromwell.com.au

Securityholder Information and Enquiries

All enquiries and correspondence regarding securityholdings should be directed to Cromwell's share registry provider:

Computershare Investor Services Pty Limited

Level 19, 307 Queen St, Brisbane QLD 4000
Telephone: 1300 850 505
Outside Australia: 61 3 9415 4000
Facsimile: (07) 3237 2151
Website: www.computershare.com.au
E-mail: web.queries@computershare.com.au

About Cromwell Group

Summary

Cromwell Group is a stapled security (ASX: CMW) consisting of a $1 billion property trust and a successful property funds management business. The Group is an Australian owned entity with a track record for developing high quality, high yielding investment products and delivering growth to investors.

On 12 December 2006, the Group initiated trading at $1.20 with a market capitalisation of $835 million.

This milestone was achieved after the successful merger of the Cromwell Diversified Property Trust (the Trust) with five Cromwell managed Syndicates and the subsequent stapling to Cromwell Corporation Limited (the Company) creating a Group with property assets in excess of $1 billion.

Upon listing, Cromwell Group became the 17th largest listed entity in Queensland and the 190th largest listed entity in Australia.

Subsidiaries of the Company

Cromwell Property Securities Limited

Responsible for managing and promoting the Group's investment products and holds an Australian Financial Services licence entitling it to act as a responsible entity.

Cromwell Property Services Pty Ltd

Holds a corporate real estate licence and manages the property portfolio of the Group.

Cromwell Finance Limited

Provides working capital and other funding to Cromwell Group.

Performance Highlights

- **Record full-year profit of $113.9 million**
- **Operating earnings of $37.6 million exceeded forecast of $36.3 million**
- **Assets Under Management (AUM) of $1.64 billion, up 20% on prior year**
- **Net Tangible Assets of 96 cents per security, up 23% since December 2006**
- **Significant platform for ongoing growth**

Core Statistics

	2007	2006	Change
AUM ($m)	1,640	1,368	▲ 20%
Total Assets ($m)	1,295	50	
Net Tangible Assets ($m)	668	12	
Market Capitalisation ($m)	827	175	▲ 374%
Operating Earnings ($m)	37.6	8.5	▲ 344%
Operating EPS	$0.086	$0.056	▲ 54%
Distributions/Dividends ($m)	36.8	6.9	▲ 433%
DPS	$0.084	$0.045	▲ 85%

FY07 Major Announcements

13 July 2006

Launch of new $276 million fund

Cromwell announces the launch of a new $276 million open-ended unlisted property fund, the Cromwell Property Fund.

31 August 2006

Gold Coast development announced

Cromwell announces plans for a master-planned development around the Cromwell Diversified Property Trust's iconic Corporate Centre One building.

12 September 2006

Full-year earnings up 63 per cent

Cromwell reports record full-year earnings for the 12 months to 30 June, 2006, with a net profit for the period of $7.9 million.

23 October 2006

Stapled property group proposed

Cromwell proposes creation of a $1 billion stapled property group, the Cromwell Group.

6 December 2006

Shareholders and unitholders approve merger and stapling

Shareholders in Cromwell Corporation Limited and unitholders in Cromwell-managed property vehicles approve merger and stapling proposal to create the Cromwell Group.

18 December 2006

Sale of Queensland property

Cromwell sells industrial site at Pinkenba, Brisbane for $10.4 million. The property was acquired in 2004 for $4.8 million.

22 December 2006

Acquisition of ACT office tower

Cromwell acquires Lovett Tower for $73.17 million on behalf of Cromwell Property Fund.

28 February 2007

Cromwell half-year result

Cromwell declares underlying Net Profit After Tax (NPAT) for six months to 31 December, 2006, of $3.96 million before one-off stapling costs of $6.95 million.

We are a customer focused property investment manager. We act with integrity and are committed to building investor wealth through outstanding performance.

Cromwell Group Mission Statement - June 2007

16 May 2007

Sale of Victorian property

Cromwell agrees to sell Village City Centre in Melbourne for $32.75 million, $5.5 million above its book value of $27.3 million.

7 June 2007

Acquisition of Queensland green building

Cromwell agrees to acquire a commercial development site at Kelvin Grove Urban Village in Brisbane's CBD fringe. The price will be determined upon completion to give a 6.75 per cent yield.

27 June 2007

Sale of Gold Coast asset

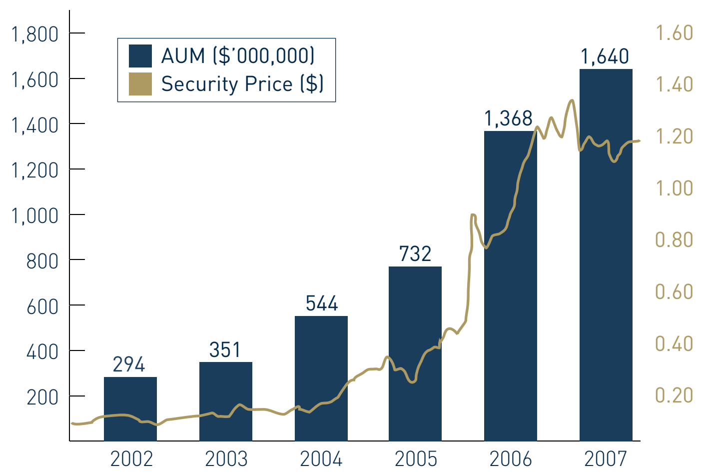
Cromwell agrees to sell the Bundall Corporate Centre and associated development site for $106 million, 18 months after acquiring it for $53 million.

28 June 2007

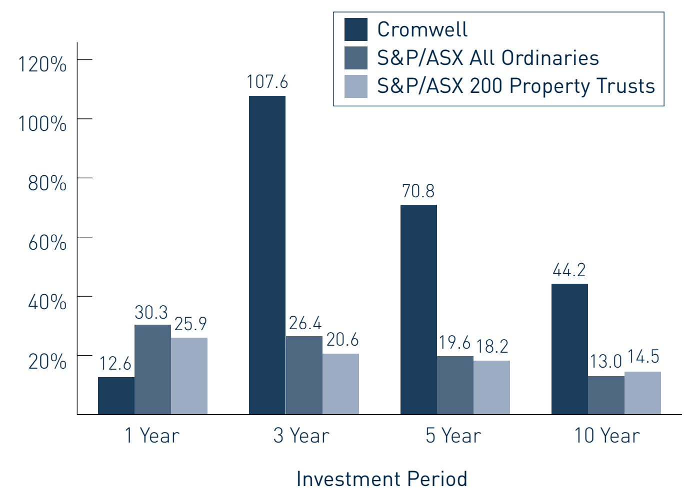
Sale of New South Wales asset

Cromwell sells 59 Goulburn Street, Sydney, office tower for $92.5 million, $5.5 million more than book value after selling costs.

Growth in AUM and Security Price



Total Securityholder Returns (% per annum)



Chairman's Report

Now we are one...

The 2007 financial year saw the successful merger of the Cromwell Diversified Property Trust ("the Trust") with five other Cromwell managed funds and the stapling of the consolidated Trust to Cromwell Corporation Limited ("the Company") to form Cromwell Group.

The merger and stapling was undertaken to build scale and fully integrate the core business activities of the Company, the Trust and the other Cromwell funds. The transaction has also aligned the interests of all stakeholders and positioned the Group to take advantage of future growth opportunities.

The subsequent performance of the Group since the merger and stapling has vindicated the decision of shareholders and unitholders to support the proposal. The highlights of the year's performance include:

- A record full year profit of $113.9m;
- Operating earnings of $37.6m (compared to $36.3m forecast in the Explanatory Memorandum for the merger and stapling proposal);
- An increase in Assets under Management of 20% from 30 June 2006 to $1.64b;
- Strong property revaluations of $69.8m after the merger and stapling;
- An increase in the NTA of the Cromwell Group from $0.78 per stapled security at the merger and stapling to $0.96 at 30 June 2007; and
- An increase in the trading price for Cromwell Group securities from the valuation range of $1.04 to $1.12 in the merger and stapling Explanatory Memorandum to $1.18 at 30 June 2007 and $1.28 at the date of this report.

Most importantly, the Group now has a strong platform for future growth. This is reflected in the decision by the Board to increase annualised distributions to 10 cents per stapled security for FY08 with effect from November 2007.

In addition, since 30 June 2007, the Board has taken the opportunity to dispose of some non-core assets, and has applied the proceeds in reduction of debt. As a result, the Group is in a very strong position, with gearing expected to reduce to below 35% and substantial cash reserves currently available. Cromwell Group's debt management has resulted in a strong balance sheet and little, if any, exposure to fluctuations in interest rates and availability of credit.

At the time of writing this report, there is continuing volatility in global debt markets. The Board believes that this volatility will present opportunities for the Group to acquire assets for its funds management business and to acquire portfolios and businesses which are not well placed to deal with market volatility.

Cromwell's investment products continue to attract good support from retail investors. Our flagship fund, the Cromwell Property Fund ("CPF") has increased the value of its assets under management to over $400 million at 30 June 2007 and fund inflows in recent months have averaged $3 million per week. The CPF will shortly issue a revised Product Disclosure Statement and is expected to continue to attract strong fund inflows during the 2008 year.

Cromwell also plans to promote additional investment products including a Property Securities Fund in the 2008 year to increase the number of product options available to investors and subsequent investment inflows.

Whilst Cromwell intends to grow funds management revenues by increasing its suite of retail products and the volume of its capital inflows, it also intends to maintain the relativity between property investment earnings and funds management earnings. In part we intend to achieve this by co-investing in funds with investors. We also see the opportunity to acquire other funds and portfolios and package selective assets for securitisation and inclusion in our retail unlisted funds.

Cromwell continues to maintain a number of competitive advantages including:

- An efficient management structure;
- Majority of earnings from property investment activities;
- Significant portfolio weighting to the commercial office sector, which presently demonstrates good opportunity for growth;

- An internalised retail funds management business with a proven track record and demonstrated capital raising capability;
- An internalised asset, property and facilities management business which facilitates a high rate of tenancy retention, value add opportunities to our assets and a range of income streams which complement our funds management activities; and
- A limited reliance on higher risk income streams.

As indicated in the 2006 annual report, I believe that Cromwell's rapid growth has been possible as a result of its ability to act quickly in taking advantage of market opportunities. That was, in turn, possible because of the fact that it had an active and decisive Board, dominated by executive Directors who have had a day-to-day involvement in the business. I also indicated that accepted corporate governance principles recommend that there be a bias in favour of independence and a greater separation between executive and board functions.

Since the successful implementation of the merger and stapling proposals, the Board has implemented a number of initiatives to ensure that Cromwell better meets the Australian Securities Exchange's "Principles of Good Corporate Governance and Best Practice Recommendations". Those initiatives include:

- The appointment of David Usasz and Michelle McKellar as additional independent Directors, balancing the number of executive and non-executive Directors on the Board. Both David and Michelle have contributed strongly and positively to the Board since their appointment and have continued to provide active and decisive leadership to the Group;
- The establishment of Audit & Risk and Remuneration Committees; and
- The adoption of the Cromwell Risk Management Policy.

I welcome David and Michelle to the Board and thank them and my fellow Directors Richard Foster, Robert Pullar and Daryl Wilson for their contributions.

2007 saw Ross Stiles retire from the Board and from his executive role at Cromwell. I would like to thank Ross for his efforts over the years. Ross was instrumental in establishing and building the Cromwell business and his contribution to the business and culture of the Group cannot be overstated.

I had flagged in the 2006 report that I intended to stand down as Chairman prior to 30 June 2007, and assume the role of Chief Executive Officer. Our search for a new Chairman has taken a little longer than originally anticipated. However, I expect to be able to make an announcement on the appointment of an independent Chairman in the coming months.

My extended tenure as Chairman has afforded me the opportunity to have one more farewell, and in doing so I would like to thank the present and former Directors and employees of Cromwell who have contributed to Cromwell's success and to its growth and achievements in the last nine years.

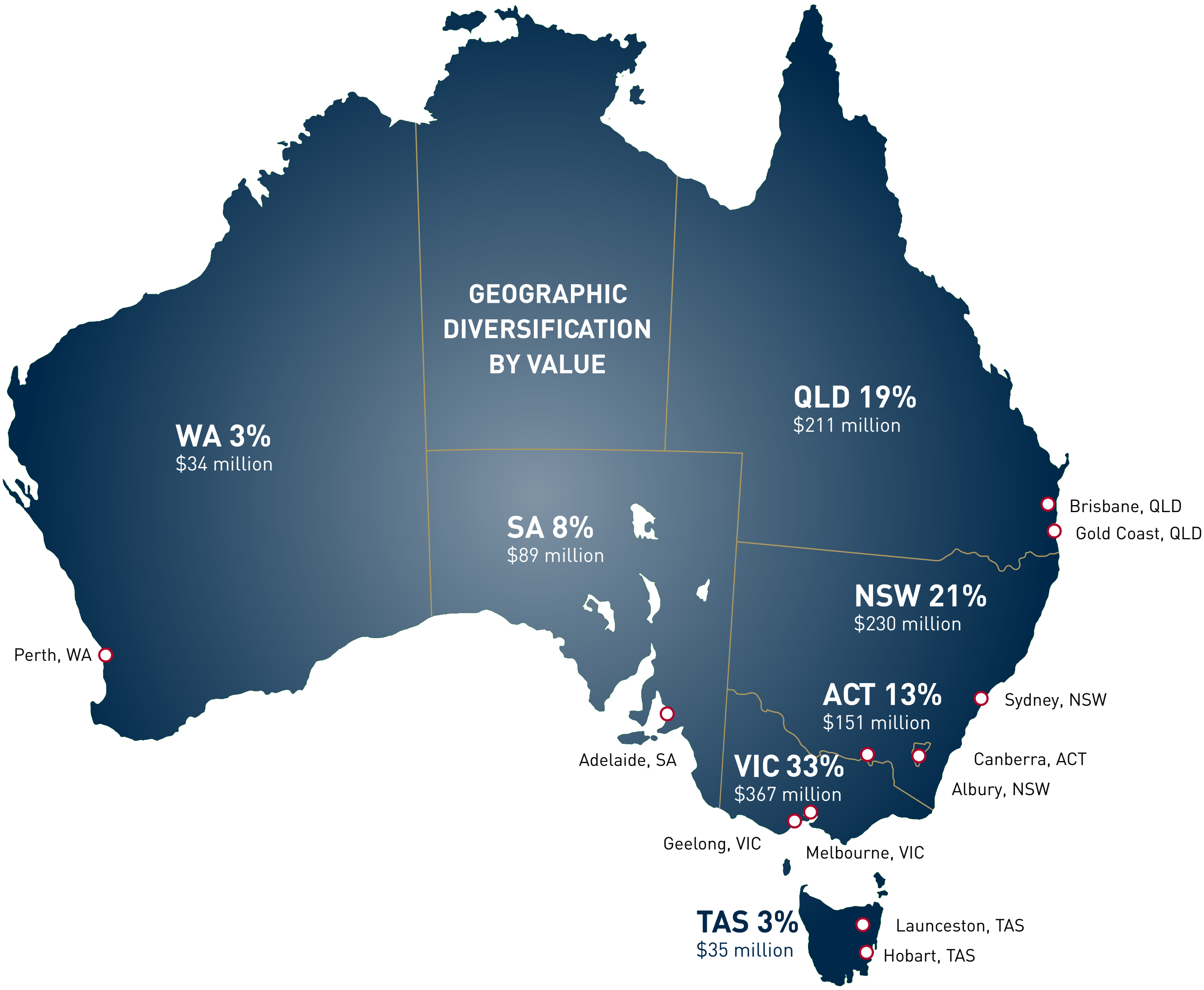
The 2008 financial year has started positively, with the executive team finalising our five year strategic plan for Cromwell Group. The mission statement which we adopted in our planning meetings reflects our achievements to date and reinforces our commitment to continue to build the Group in the future:

"We are a customer focused property investment manager. We act with integrity and are committed to building investor wealth through outstanding performance."

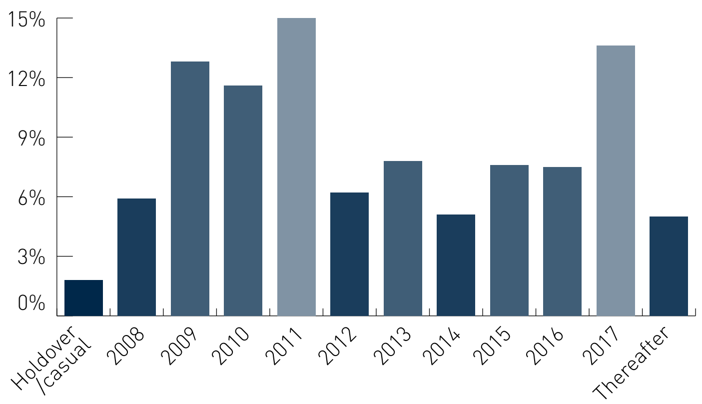
I am delighted to present to you a strong and integrated Group which is committed to delivering a substantial and reliable cash flow and excellent opportunities for future growth.

Paul Weightman
Chairman

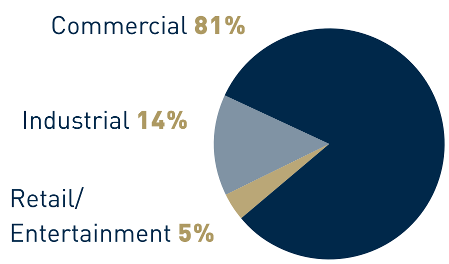
Property Portfolio



Lease Expiry Profile (Gross income by FY)



Sector diversification



Snapshot of the Portfolio

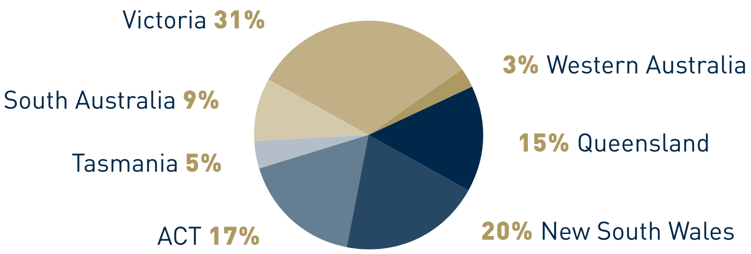
At 30 June 2007, the Cromwell Group property portfolio contains 27 properties throughout Australia valued at approximately $1.1 billion.

Total Assets	$1.295 billion
NTA per stapled security	96 cents
Portfolio Value	$1.117 billion
Weighted Average Lease Term	5.1 years
Occupancy	99.0%
Net Debt (interest bearing liabilities less cash)	$569 million
Gearing (net debt:total assets)	44%[1]
Percentage of debt hedged	55%
Weighted average hedge maturity	5.2 years

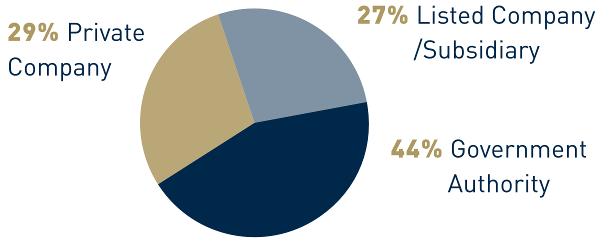
1. *Debt is expected to be reduced in the first half of FY08 as a result of the settlement of a number of asset sales by the Trust, with the result that gearing on the same basis is expected to fall to below 35%.*

Property	Market Valuation
Albury Cinema Centre	$10,600,000
Bird Cameron	$21,600,000
Bowen Hills	$3,000,000
Bundall Corporate Centre	$64,400,000
Centenary House	$40,750,000
700 Collins Street	$161,300,000
Elders Woolstore	$15,800,000
Forsyth Distribution Centre	$47,000,000
59 Goulburn Street	$86,500,000
101 Grenfell Street	$35,000,000
Hellman Distribution Centre	$11,900,000
Henry Waymouth Centre	$38,500,000
380-390 La Trobe Street	$95,000,000
Marcus Clarke	$9,750,000
200 Mary Street	$100,000,000
Northbourne Avenue	$33,200,000
NQX Distribution Centre	$25,000,000
Scrivener	$14,725,000
Spicers Paper	$12,500,000
Terrace Office Park	$36,000,000
Therapeutic Goods Administration	$52,066,667
475 Victoria Avenue	$125,500,000
Village Geelong	$10,500,000
Village Hobart	$15,450,000
Village Launceston	$3,400,000
Vodafone Call Centre	$16,500,000
Wesfarmers Woolstore	$41,000,000

Geographic diversification by income



Tenant classification



Directors' Report

The directors of Cromwell Corporation Limited ("the Company") and Cromwell Property Securities Limited as responsible entity of the Cromwell Diversified Property Trust ("the Trust") present their report for Cromwell Group ("the Group") consisting of Cromwell Corporation Limited and its controlled entities and Cromwell Diversified Property Trust and its controlled entities for the year ended 30 June 2007.

The units of the Trust and the shares of the Company are combined and issued as stapled securities in the Group. The units of the Trust and shares of the Company cannot be traded separately and can only be traded as stapled securities.

1. Directors & Officers

Directors

The persons who were directors of the Company at any time during the financial year and up to the date of this report were:

Mr Paul Weightman –Executive Chairman – Appointed August 1998

Mr Weightman practised as a solicitor for more than 20 years, and holds degrees in commerce and law. He has extensive experience in property development and investment, financial structuring, public listings, mergers and acquisitions, revenue matters and joint ventures. Mr Weightman has been Cromwell's Executive Chairman since 1998, and has acted as a director of companies in the property, energy and retail sectors.

Mr Robert Pullar – Non-Executive Director – Appointed July 2002

Mr Pullar is a director of the Brisbane based property development company operating in Australia and Asia, Citimark Properties. He was previously a partner with chartered accounting firm Douglas Heck and Burrell (now known as Pitcher Partners), specialising in property investment, taxation and corporate reorganisation. Mr Pullar is a member of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors. He is also Chairman of the Nomination and Remuneration Committee, and a member of the Audit Committee.

Ms Michelle McKellar – Non-Executive Director – Appointed 1 March 2007

Ms McKellar joins Cromwell Group with a wealth of property business and portfolio management experience, having held a number of senior positions with Intro International Limited (now Jen Retail Properties) and CB Richard Ellis throughout Asia-Pacific. She is a Senior Member of the Property and Land Economy Institute and has recently established her own family property company. Ms McKellar is a member of the Audit Committee and a member of the Nomination and Remuneration Committee.

Mr David Usasz – Non-Executive Director – Appointed 26 April 2007

Mr Usasz has 20 years experience as partner with PricewaterhouseCoopers and has been involved in merger and acquisition advice, accounting and financial consultancy, specialising in corporate re-organisations. He holds a Bachelor of Commerce and is a Fellow of the Institute of Chartered Accountants. Mr Usasz is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Mr Ross Stiles – Executive Director – Appointed August 1998; Resigned 26 April 2007

Mr Stiles has in excess of 30 years experience in the financial services industry and acted as an Executive Director of the company from August 1998 until his resignation in April 2007. During his career he has served in senior executive positions with some of Australia's most prominent funds management companies, where his duties included the management and supervision of significant client investment accounts and marketing of unit trusts. Mr Stiles is a member of the Financial Planning Association of Australia and the Australian Institute of Company Directors.

Mr Daryl Wilson – Finance Director – Appointed December 2001

Mr Wilson is a member of the Institute of Chartered Accountants, and joined the Company in August 1999 in the role of Chief Financial Officer. He has many years experience in senior finance roles. Mr Wilson has led the development of the Group's funds management capabilities, and has primary responsibility for the finance function. He holds a Bachelor of Commerce and a Diploma of Financial Planning.

Mr Richard Foster – Executive Director – Appointed July 2005

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

No director has been a director of another listed company in the last 3 years.

Company Secretary

Mr Daryl Wilson – Appointed October 2001; Resigned 25 January 2007

The Company Secretary from the start of the period until his resignation on 25 January 2007.

Mrs Suzanne Morgan – Appointed 25 January 2007

Mrs Morgan is the Company Secretary for the Cromwell Group and is responsible for ensuring the Group operates within an appropriate legal and compliance framework with specific focus on the Group's statutory obligations. Mrs Morgan was appointed to the role of Company Secretary after joining Cromwell in 2006 as the Group's Corporate Legal Counsel. She has over 10 years experience as an in-house corporate lawyer having worked primarily in the banking and financial services industry. Mrs Morgan has a Bachelor of Laws and an Associate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Directors' Meetings

The number of directors' meetings (including meetings of committees of the Board) and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Board		Nomination and Remuneration Committee		Audit Committee	
	A	B	A	B	A	B
Paul Weightman	13	13	–	–	–	–
Robert Pullar	10	13	1	1	–	1
Michelle McKellar	5	5	–	–	1	1
David Usasz	4	4	–	–	1	1
Ross Stiles	9	10	–	–	–	–
Daryl Wilson	13	13	–	–	–	–
Richard Foster	11	13	–	–	–	–

A *– Number of meetings attended* ***B*** *– Number of meetings eligible to attend*

2. Corporate Governance Statement

The Board is committed to the Group meeting stakeholders' expectations of sound corporate governance, while seeking to achieve superior financial performance. The Board is proactive with respect to corporate governance, and actively reviews developments to determine which corporate governance arrangements are appropriate for the Group and its stakeholders.

The Board is committed to a philosophy of prudent business management designed to create long-term securityholder wealth. They believe the establishment of, and adherence to, sound corporate governance practices can assist in this process. Some areas of the ASX Guidelines are considered not necessarily appropriate for the Group at this time.

This section sets out the extent to which the Group has followed the ASX recommendations during this financial year, identifies any of the ASX recommendations which were not followed, and provides reasons for departure.

Copies of the Group's corporate governance practices are available on its website at www.cromwell.com.au.

Principle 1 – Lay solid foundations for management and oversight

A Board Charter has been established, detailing the philosophy, values and functions of the Board, as well as its requirements and expectations of management.

The Board has overall responsibility for the business of the Group and is accountable to securityholders for the Group's performance.

Board operation

The Board holds a scheduled meeting each month. The Board may convene additional meetings as required. The agenda for each meeting is prepared by the Company Secretary in consultation with the Chairman. The Board has access to senior executives, and may seek information on any issue from senior executives.

Board papers are designed to focus Board attention on key issues, and standing items include major strategic initiatives, corporate governance, compliance, reports from each functional division and financial performance. Board papers include minutes of Board Committees and subsidiaries and details of significant issues for consideration.

Day-to-day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the executives. The Board has also delegated specific responsibilities to Board Committees to deal with particular matters.

Principle 2 – Structure the board to add value

At the present time the Board is comprised of three non-executive directors and three executive directors. For each director, their qualifications, experience, special responsibilities and attendances at Board meetings are detailed in the directors' report.

The Board considers that although ASX principles recommend having a majority of independent directors, having an equal number will not interfere with the Board's ability to adequately discharge its duties or exercise independent judgement. The Board considers that its members comprise directors with an appropriate mix of skills, personal attributes and experience that allow the directors individually and the Board collectively to discharge their duties effectively and efficiently. The Board is structured with individuals who understand the business of the Group and the environment in which it operates, and who can effectively assess management's performance in meeting agreed objectives and goals.

The Group recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role. The non-executive directors are considered to meet the test of independence under the ASX Guidelines. Whilst currently an equal number of directors are executives, the Board believes those executive directors bring a wealth of relevant practical experience to the Group and they all have a significant vested interest in ensuring proper governance. The Board believes that each individual director makes considered and independent judgements on matters in the best interests of the Group, or abstains from voting.

The executive directors do not undertake activities personally that would be in conflict with, or are substantially the same as those of, the Group. The Board distinguishes between the concept of independence and the issues of conflict of interest or material personal interests that may arise from time-to-time. Whenever there is an actual or potential conflict of interest or material personal interest, the Board's policies and procedures ensure that:

- the interest is fully disclosed and the disclosure is recorded in the Board minutes; and
- the relevant director is excluded from all considerations of the matter by the Board, unless the other directors unanimously otherwise decide.

If considered warranted, the Board may resolve to obtain professional advice about the execution of Board responsibilities at the Group's expense. Non-executive directors also have the right, at the Group's expense, to seek independent professional advice, subject to Board approval which will not be unreasonably withheld. Where appropriate, such advice is shared with the other directors.

Mr Weightman is the Chairman of the Group. The Board has noted the ASX best practice recommendation that listed companies have an independent director as Chairman. However, the Board believes that Mr Weightman has been the most appropriate person to be the Chairman. Mr Weightman has wide experience and a deep understanding of the Group's operations. However, in accordance with the increased size and scale of operations of the Group, it is intended that an independent Chairman will be appointed within the near future.

The ASX Guidelines also suggest that the roles of Chairperson and Chief Executive Officer should not be exercised by the same individual. The Group does not yet comply with this recommendation, however, it is the intention of the Board to comply with this recommendation within the near future.

Board membership is regularly reviewed. This includes an assessment of the necessary and desirable competencies of directors, Board succession plans, evaluation of the Board's performance and consideration of appointments and removals.

When a director vacancy occurs, the Board through the Nomination and Remuneration committee identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria. Appointment of directors is documented by way of a formal agreement between the Group and each director, dealing with such issues as performance expectations, conflicts of interest, disclosure obligations, remuneration and Group policies.

In its deliberations there is particular focus on the number and nature of other directorships, and availability of time to commit to the Group's affairs, of all present and potential directors.

Under the Group's constitution and the ASX Listing Rules, all directors other than the Managing Director must retire at least every three years (but are eligible to stand for re-election).

There were a number of changes to the composition of the Board during the year. As a result of the Stapling transaction, and the resultant increase in market capitalisation of the Group which resulted in inclusion in the ASX All Ordinaries Index, it was recognised that it was desirable that additional independent directors be appointed to the Board. The Board appointed two new independent directors, Ms Michelle McKellar and Mr David Usasz, during the year.

In addition, Mr Ross Stiles retired from his role as an executive director during the year.

For executive directors and key staff, formal performance objectives are set annually with discussion on their success and failures taking place at assessment time.

Principle 3 – Promote ethical and responsible decision making

The Group's directors and staff are required to maintain high ethical standards of conduct. The various practices and policies of the Group reinforce this. All directors and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Group.

To reinforce this culture the Group has established a Code of Conduct, designed to formally provide guidance in officer and employee attitudes and behaviour and to maintain confidence in the integrity of the Group.

The Code of Conduct is distributed to all directors and employees and its standards are communicated and reinforced at induction programs and staff meetings.

Employees are encouraged to participate in appropriate training programs covering such areas as workplace health and safety, risk management, legal compliance, privacy and confidentiality, trade practices legislation and corporate governance principles incorporating Board approved codes and policies.

The Board has established written guidelines, set out in its Insider Trading & Share Trading Policy, that restricts dealings by all Group directors and employees in the Group's securities, and provides an understanding of insider trading and issues relevant to price-sensitive information. A copy of the Group's trading policy is available at www.cromwell.com.au.

Principle 4 – Safeguard integrity in financial reporting

The Board has responsibility for the integrity of the Group's financial reporting. To assist the Board in discharging this function it has adopted the processes below.

Audit committee

The Board has established an audit committee during the year. The audit committee has responsibility for overseeing the quality and integrity of the accounting, auditing and financial reporting practices of the Group. The audit committee has a written charter which is reviewed not less than annually. The committee charter provides that the committee must comprise at least 3 members, with a majority of independent directors. The chairman of the committee may not be the chairman of the Board.

The members of the committee since establishment, and up to the date of this report, were:

- Mr David Usasz (Chairman) – Non-executive director
- Mr Robert Pullar – Non-executive director
- Ms Michelle McKellar – Non-executive director.

The Company Secretary also acts as secretary of the committee. Meetings are attended, when appropriate, by the Chief Executive Officer, the Finance Director, the external auditors and other external advisors.

The external auditor has declared its independence to the Board. The Board is satisfied that the standards for auditor independence and associated issues are complied with.

The Group requires that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial position and operational results and are in accordance with relevant accounting standards.

The statements from the Chief Executive Officer and Chief Financial Officer are based on the Group's existing formal sign-off framework previously established in other areas of operations.

The Chief Executive Officer and the Chief Financial Officer are required to state to the Board in writing that:

- the statement given in relation to the integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 5 – Make timely and balanced disclosure

The Group believes that all stakeholders should be informed of all the major business events and risks that influence the Group in a timely and widely available manner. The Group has a written communications policy that is designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

This policy was established to ensure that the Group complies not only with its obligations at law and under the ASX Listing Rules, but with best practice as it has evolved in recent years.

The Company Secretary has been designated as the person responsible for communications with the ASX, including ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties.

Authority to speak about the Group's affairs to the media, brokers, analysts or investors is generally restricted to the Chairman or Finance Director.

All directors have obligations under a written contract entered into with the Group to keep it promptly informed of any personal or related interests in securities trading and contracts relevant to securities. The Group, in turn, promptly reports such trading to the ASX.

It is the policy of the Group that any price-sensitive material for public announcement will be:

- lodged with the ASX as soon as practical and before external disclosure elsewhere; and
- posted on the Group's website as soon as practical after lodgement with the ASX.

Principle 6 – Respect the rights of securityholders

A Board approved communications strategy has been developed, designed to not only comply with the ASX Guidelines but to generate and foster a long-term close association with securityholders and investors in the Group's financial products.

The Group aims to keep securityholders informed of the Group's performance and all major developments in an ongoing manner.

All documents that are released publicly are made available on the Group's website.

Securityholders are also encouraged to participate in the annual general meeting to ensure a high level of accountability and identification with the Group's strategies and goals. Notices of meeting will be accompanied by explanatory notes on the items of business and together they will seek to accurately and clearly explain the nature of the business of the meeting.

A copy of the AGM notice is sent to the Company's external auditor as required by law. The current audit partner attends the AGM and is available to answer questions from securityholders about the audit. The Chairman reminds securityholders of this opportunity at the commencement of each AGM.

Principle 7 – Recognise and manage risks

The Group places a high priority on risk management and identification throughout the Group's operations and regularly reviews its adequacy. A risk control program has been developed which includes legislative compliance, both from a corporate perspective and in view of the Group's statutory obligations, as a manager of investment products. The Board is responsible for the overall internal control framework, but recognises that no cost-effective system will preclude the possibility of errors, mistakes and irregularities.

In this regard, because Cromwell Property Securities Limited holds an Australian Financial Services Licence, and has responsible entity status, a compliance committee has also been formed. The compliance committee reports to the Board of Cromwell Property Securities Limited.

As part of its activities in managing investment schemes, the Cromwell Property Securities Limited has adopted a compliance regime to ensure compliance with relevant legislation and scheme constitutions. In addition, each registered managed investment scheme has a compliance plan lodged with ASIC. An annual audit of the responsible entity's compliance with the legislation, scheme constitutions and compliance plans is undertaken in respect of each managed investment scheme. The compliance committee, members of which are predominantly independent of the Group, monitors the compliance plans. This committee meets regularly and reports to the Board on risk issues associated with the Group's managed investment scheme activities.

The Group has appointed a compliance officer who oversees the design and implementation of the risk control program, monitors performance and develops appropriate programs to enhance awareness and compliance. These programs include training for employees, using both internal and external experts.

The compliance officer reports in writing and personally to meetings of the compliance committee and follows up any non-compliance or identified areas requiring further training or risk management.

Principle 8 – Encourage enhanced performance

The Board intends to undertake an annual review of its performance together with an assessment of the Group's executive management.

For executive directors and key staff, formal performance objectives are set annually with discussion on their successes and failures taking place at assessment time.

It is intended that a formal annual performance assessment will be required for each Board member with separate assessments of key executives. Further, each committee will be evaluated at least annually. The Company Secretary attends all Board meetings, is responsible for monitoring adherence to Board policy and procedures, and is accountable on all governance matters.

Principle 9 – Remunerate fairly and responsibly

The Group's remuneration policy is determined by the nomination and remuneration committee that makes recommendations to the Board:

- the case of non-executive directors, for consideration of any increase by securityholders at the AGM; and
- the case of executives, for decision.

External professional advice is sought from experienced consultants, where appropriate, to assist in the committee's and the Board's deliberations.

The Group's remuneration policy links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance.

The Group operates a legacy Employee Share Ownership Plan, a Performance Rights Plan and a Tax Exempt Plan. The Group does not currently pay any other form of equity-based remuneration.

Nomination and remuneration committee

The Board has established a formally constituted nomination and remuneration committee operating under an approved written charter that incorporates various responsibilities, including reviewing and recommending compensation arrangements for the directors, the Chief Executive Officer and key executives, and setting remuneration policy.

Until July 2007, the committee acted in an advisory capacity to the Board, and comprised a non-executive director and one or more external members. Following the appointment of Ms Michelle McKellar and Mr David Usasz as non-executive directors in March 2007 and April 2007 respectively, the nomination and remuneration committee was formally reconstructed as a Board subcommittee in July 2007.

Meetings of the committee are attended, by invitation, by appropriate professional advisers from time to time.

Minutes of all committee meetings are provided to the Board, and it is intended that the Chairman of the committee reports to the Board after each committee meeting.

Details of the number of committee meetings and attendances by directors are included in the directors' report.

Non-executive director remuneration

The structure of non-executive directors' remuneration and that of executive directors is set out in the relevant section of the directors' report.

Details of the nature and amount of each element of the remuneration of each director of the Group and other key management personnel of the Group are disclosed in the relevant section of the directors' report.

There is no retirement benefit scheme for non-executive directors other than payment of statutory superannuation.

Principle 10 – Recognise the legitimate interests of stakeholders

The Group has well-entrenched policies, systems and procedures, as well as a formal Code of Conduct, which the Board seeks to promote throughout the Group, and in the areas in which it operates its businesses. The Group encourages, a culture of compliance with legal requirements and ethical standards.

The Board recognises that managing natural, human, social and other forms of capital as suggested in the ASX Guidelines may also assist in creating value for securityholders. To this end the Board seeks, by the individual contributions of directors and by encouraging activities of its executives, to uphold community standards and to maintain good relations with community and government organisations. However, the Board seeks to balance these considerations in order to ensure that the claims of legitimate securityholders do not prejudice or diminish the rightful expectations of its securityholders and investors in other Group products.

3. Principal Activities

As a result of the stapling of shares in the Company to units in the Trust in December 2006, the Group now undertakes significant property investment activities. The principal activities of the Group during the financial year consisted of property investment and management, the promotion and management of property related managed investment schemes and property development.

Other than the increase of property investment and development activities, there were no significant changes in the nature of the Group's principal activities during the financial year.

4. Dividends/Distributions

Dividends/distributions paid or declared since the start of the financial year are detailed below.

	2007 $'000	2006 $'000	2005 $'000
Net profit attributable to parent entity shareholders	8,620	7,894	4,839
Basic EPS	1.24¢	1.14¢	3.14¢
Change in share price	+6%*	+230%	+131%

** adjusted for share reconstruction on a 0.8879: 1 basis in December 2006*

	Dividend per Security	Distribution per Security	Total per Security	Total $'000	Franked amt per Security	Record Date	Payment Date
Dividends/distributions for the year ended 30 June 2007							
Interim dividend – stapling	0.10¢	N/A	0.10¢	139	0.10¢	18/12/06	18/12/06
Interim distribution	–	1.50¢	1.50¢	10,458	–	12/02/07	20/03/07
Interim distribution	–	1.50¢	1.50¢	10,470	–	03/04/07	21/05/07
Final dividend/distribution	0.80¢	1.45¢	2.25¢	15,740	0.27¢	29/06/07	31/08/07
	0.90¢	4.45¢	5.35¢	36,807	0.37¢		
Dividend for the year ended 30 June 2006							
Final dividend	4.50¢	N/A	4.50¢	6,855	1.50¢	05/10/06	12/10/06

With a weighted average number of fully paid shares on issue during 2007 of 694,363,728 (2006: 690,907,268) the basic earnings per share were 1.24¢ (2006: 1.14¢).

5. Review of Operations

Highlights

- Record full year net profit after tax but before unitholders' finance costs of $113.9 million;
- Operating profit (excluding significant and non-cash items) of $37.6 million exceeded forecast of $36.3 million;
- Completed Merger and Stapling in December 2006 to create the Cromwell Group;
- Significant increase in NTA to 96c per security;
- Assets Under Management (AUM) of $1.64 billion, up 20 per cent from June 2006;
- Boosted senior management to reflect increased AUM and provide a platform for future growth.

Overview

In October 2006, Cromwell announced Merger and Stapling proposals which were put to investors in the Company, the Trust and 5 Cromwell managed Syndicates. In December 2006, after overwhelming support for the proposals by investors, the Trust merged with all 5 Cromwell managed Syndicates. The units in the merged Trust were then stapled to shares in Cromwell Corporation Limited, the parent of the Responsible Entity, to create the Cromwell Group.

In the intervening period, the new Cromwell Group has delivered value for all securityholders, reinforcing the strategic benefits associated with the transactions. The operating profit (excluding significant and non-cash items) exceeded the forecasts set out in the Explanatory Memorandum ("EM"), despite the stapling occurring later than forecast, which reduced the contribution from the Trust and the Syndicates for the year. Net profit after tax but before unitholders' finance costs was significantly higher than forecast, primarily due to the increases in the value of the investment property portfolio, coupled with gains from asset sales.

Financial performance

The financial performance for the year reflects the significant increase in the assets of the Group as a result of the Merger and Stapling, and the resulting increase in income. The results include the financial performance of the Trust, including the merged Syndicates, from 19 December 2006. Net realised income from investment properties recognised in the income statement for the period was $48.8 million.

The Group booked a gain on sale of $5.0 million relating to the sale of the Bourke Street Cinema Complex in Melbourne for $32.7 million during the financial year. The financial results have also been positively impacted by net increases in the fair value of investment properties of $69.8 million.

Finance costs of $24.5 million predominantly reflected the cost of borrowings associated with the investment properties. An increase in value of the interest rate derivatives of $4.6 million has also been booked, primarily due to the effect of increases in both short and long term forward interest rates during the year. The Group has substantial hedging in place at balance date, with 56% of debt subject to fixed interest rates, or other hedge agreements, for up to 10 years.

The Group booked net development earnings of $5.1 million for the year, as a result of the sale of an industrial property in Brisbane. Development inventory also includes property at Bundall on the Gold Coast carried at cost of approximately $12 million. Significant progress has been made towards approval of a master plan for the site, and the property was subject to put & call options at balance date, and is expected to be sold at a profit in FY08.

Ongoing management fees were slightly higher than last year, despite the elimination of all post-stapling fees to the Trust. Transactional fees from acquisition and capital raising were lower than the previous year, with approximately $90 million in total raised for the Cromwell Property Fund (CPF). However, the results excluded approximately $5.4 million in acquisition fees from properties already acquired by the CPF at balance date. These fees are not chargeable under the Product Disclosure Statement issued for the CPF, until a total of $143 million in equity is issued by the fund, which is expected to occur during the first half of FY08.

Employee costs were approximately 26% higher than the previous corresponding year, and are reflective of the significantly increased scale of activities of the Group.

One-off costs of $7 million associated with the stapling transaction were incurred during the year. Transaction costs associated with the Merger of the Syndicates with the Trust of approximately $8 million, predominantly stamp duty, were a pre-stapling cost of the Trust. Of this, approximately $5 million relates to assessed stamp duty which is subject to appeal by the Trust.

Income tax was a credit item for the second successive year. This is as a result of prior year unrecognised tax losses available, which the Company recognises as a deferred tax asset, based on the expected taxable profits of the Company for a limited period into the future.

The Trust previously had a limited term (80 years), and in accordance with AASB 132, net assets attributable to unitholders were recognised as debt, rather than equity. This also led to the recognition of the finance cost attributable to unitholders in the income statement. The responsible entity amended the constitution of the Trust on 1 June 2007 to remove the limitation on the Trust term. The net assets attributable to unitholders have therefore been reclassified as equity since that date.

Operating profits and dividends/distributions to securityholders

The Board excludes certain items from the net profit after tax but before unitholders' finance costs to arrive at an operating profit before significant and non-cash items, when considering amounts available for distribution by the Group.

Details of operating profit before significant and non-cash items and dividends/distributions paid/payable are as follows:

	Consolidated	
	2007	2006
	$'000	$'000
Profit before unitholders' finance costs	113,957	7,894
Adjustments:		
Net (gain)/loss from fair value adjustments to:		
• Investment properties	(69,779)	–
• Interest rate derivatives	(4,610)	–
Gain on dilution of interest in associate	(6,341)	–
Gain on sale of investment property	(4,963)	–
Straight-line lease income	(1,374)	–
Lease incentives and lease costs amortised	2,221	–
Amortisation of finance costs	1,089	–
Amortisation and depreciation	414	380
Stapling transaction costs	7,049	197
Operating profit before significant and non-cash items	37,663	8,471
Distributions paid – recognised in unitholders' finance costs	20,928	–
Distributions payable – recognised in unitholders' equity	10,150	–
Dividends paid/payable – recognised in shareholders' equity	12,584	2,257
Adjustment – final dividend not recognised at year end	–	6,855
Adjustment - dividend declared relating to prior year	(6,855)	(2,257)
Dividends/distributions paid/payable in current year	36,807	6,855
Payout ratio	98%	81%

Property performance

The performance of the investment property portfolio was strong during the year, and reflects Cromwell Group's commitment to an in-sourced management model, with significant benefits attached to the integrated property management and tenant relationship management activities. High renewal rates with tenants continue to be achieved, and the portfolio was 99% leased at year-end, with a 5.1 year weighted average lease term.

Significant leasing activity was undertaken during the year, including a new 10-year lease to the Australian National Audit Office of over 7,000 square metres at Centenary House, Canberra.

Financial position

	Consolidated	
	2007	2006
	$'000	$'000
Total assets	1,295,154	49,918
Net assets	673,064	16,625
Net tangible assets	667,691	12,384
Net debt	569,121	11,422
Gearing (%)	44%	23%
Securities issued	698,784	152,329
NTA per security	$0.96	$0.08

The Group's financial position changed significantly during the year as a result of the stapling transaction. The transaction effectively resulted in the acquisition of $584 million net assets of the Trust and its controlled entities.

Since the date of the stapling the Group has recognised disposals of approximately $351 million of investment property as a result of the deconsolidation of the Cromwell Property Fund ("CPF"), and $27 million (carrying amount) as a result of the sale of the Village Cinema Complex at Bourke Street, Melbourne. At balance date, a further $156 million of investment property was classified as held for sale. This represents the 59 Goulburn Street, Sydney and Corporate Centre One, Gold Coast commercial office properties. These properties were subject to sale or option agreements at balance date.

At balance date the Group, through the Trust, held approximately 22% of the issued units in CPF, down from approximately 59% at the time of the stapling transaction. The assets, liabilities and financial performance of CPF were deconsolidated from the results of the Cromwell Group at 12 February 2007 due to the Group's holding of ordinary units in CPF being reduced to below 50%.

NTA per security has increased by 23% since the half-year, from 78 cents to 96 cents, primarily as a result of the increases in value of the investment property.

At balance date the Group held borrowings (net of available cash) of $569 million, representing gearing (net debt: total assets) of 44%, down from 59% at the half-year. Debt is expected to be reduced further in the first half of FY08 as a result of the settlement of a number of asset sales.

Changes to Board and additions to management team

The composition of the Board changed during the year with the appointment of two additional independent directors, Michelle McKellar and David Usasz. Long-serving executive director Ross Stiles announced his retirement during the year, and formally resigned from the Board in April 2007. The Group has also announced its intention to appoint an independent Chairman. An appointment is expected within the first half of FY08.

During the year the Group also appointed Paul Cronan to the newly created role of Chief Operations Officer and Suzanne Morgan as Company Secretary. These additions to the executive team ensure the Group is sufficiently resourced to continue to grow into the future.

Outlook and strategy

The outlook for FY08 remains very positive, with the Group set to further build on the excellent business platform created by the combination of Cromwell's successful funds management business with the substantial property portfolio of the Trust. The FY08 year, being the first full year for the stapled Cromwell Group, is expected to deliver increased operating earnings and distributions.

The recently announced sale of a number of investment properties reflect the Group taking advantage of current market conditions to effect a rebalancing of the portfolio. Settlement of these asset sales will largely occur in FY08, and are expected to provide approximately $100 million cash available for future investment property or other strategic acquisitions.

The Group also plans a number of funds management initiatives to ensure Cromwell Group can continue to grow earnings into the future. The Group expects to be able to continue to grow external assets under management by a minimum of $350 million per year, and also expects to launch additional retail funds during FY08, to further capitalise on the Group's funds management capabilities.

6. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year other than as disclosed in this report and the accompanying financial report.

7. Subsequent Events

Details of subsequent events are included in note 43 in the accompanying financial report.

8. Likely Developments

The Group will continue to pursue activities which increase profitability of the Group, and create value for securityholders. Further information in relation to likely developments, and the impact on the operations of the Group, has not been included in this report as the directors believe it would result in unreasonable prejudice to the Group.

9. 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 the Group.

10. Directors' Interests

The interests of current directors in securities of Cromwell Corporation Limited are as follows:

	Stapled Securities	Property Preference Shares	Options over Securities
Paul Weightman	15,364,167	3,500	–
Robert Pullar	13,545,269	1,000	–
Daryl Wilson	2,205,982	2,000	–
Michelle McKellar	20,000	–	–
David Usasz	1,490,400	–	–
Richard Foster	5,349,598	–	–

11. Options

No options have been granted during or since the end of the financial year.

Shares under option

Stapled securities in Cromwell Group held by the Employee Share Ownership Plan, which are accounted for as in-substance options, at the date of this report are as follows:

Number of options	Date granted	Exercise date	Exercise price	Expiry date
16,010	28/8/05	(1)	30.9¢	30/6/09
443,950	28/8/05	(2)	30.9¢	30/9/09
32,186	28/8/05	(3)	30.9¢	30/6/09
443,950	28/8/05	(4)	30.9¢	30/9/09
936,096				

[1] Exercisable from 1 July 2007 to 30 June 2008.
[2] Exercisable from 1 October 2007 to 30 September 2008.
[3] Exercisable from 1 July 2008 to 30 June 2009.
[4] Exercisable from 1 October 2008 to 30 September 2009.

Movement in number of in-substance options:	Number of options
Opening balance 1 July 2006 [1]	4,313,750
Vested and exercised prior to share reconstruction [2]	(3,145,000)
	1,168,750
Reconstruction (0.8879:1) [2]	(131,018)
Remaining options for stapled securities	1,037,732
Vested and exercised prior to year end	(101,636)
Closing balance 30 June 2007	936,096

[1] Refer note 42 in the accompanying financial report.
[2] Refer note 27 in the accompanying financial report.

All remaining options expire on the earlier of their expiry date or termination of the employee's employment. Further details are included in the remuneration report.

12. Remuneration Report

The remuneration report is set out under the following main headings:

- **A** Principles used to determine the nature and amount of remuneration
- **B** Details of remuneration
- **C** Service agreements
- **D** Share-based compensation
- **E** Additional information

A Principles used to determine the nature and amount of remuneration (audited)

The Group has appointed a remuneration committee to set and review the remuneration structure for executive officers, including executive directors. The committee also advises the Board on remuneration policy and practices. The Nomination and Remuneration committee is chaired by Mr RJ Pullar, a non-executive director. External consultants are appointed to advise the committee as required. The remuneration of executives is considered by the committee for recommendation to the Board.

Executive remuneration is benchmarked periodically against the market, based on national remuneration levels for similar companies.

Performance is assessed not less than annually in light of performance against individual and Group related goals.

The employment or remuneration of any executive of the Group is not influenced by the executive's shareholding in the Group.

The Group seeks to emphasise payment for results when setting remuneration for executives, through providing short and long term incentives, and linking these to key performance indicators which reinforce both the short and long-term goals of the Group and provide a common interest between management and securityholders. Long term incentives may include share-based compensation.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- performance-related bonuses
- long-term incentives
- other remuneration such as superannuation.

The combination of these comprises the executive's remuneration.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There are no guaranteed base pay increases included in any executive's contract.

Performance-related bonuses

Performance-related cash bonus entitlements are linked to the achievement of individual objectives, both financial and non-financial, which are relevant to meeting the Group's business objectives. Further information is provided in part E.

The executives' cash bonus entitlements are assessed and paid based on the actual performance against the relevant key performance indicator targets. For all executives, the Chief Executive Officer is responsible for assessing whether an executive's targets have been met, and key performance indicator targets are reviewed and reset annually. The key performance indicator targets for the Chief Executive Officer are set, revised and reviewed by the remuneration committee.

Long-term incentives

Subsequent to balance date, the Group established the Cromwell Group Performance Rights Plan and the Cromwell Group Tax Exempt Plan. The Performance Rights Plan enables eligible employees to acquire performance rights. Each performance right enables the holder to acquire a stapled security in Cromwell Group, at a future date and exercise price, subject to performance conditions. The Tax Exempt Plan enables eligible employees to acquire up to $1,000 of stapled securities in a tax effective manner within a 12 month period. Eligibility for the Performance Rights Plan and the Tax Exempt Plan is approved by the Board or the nomination and remuneration committee, having regard to individual circumstances and performance.

Securities allocated under the Performance Rights Plan generally vest in 3 years. Until securities have vested, the employee cannot sell or otherwise deal with the securities except in certain limited circumstances. It is a condition of the Performance Rights Plan that an employee must remain employed by the Group in order for securities to vest. Any securities which have not yet vested on an employee leaving service must be forfeited.

The Group has previously established the Cromwell Employee Share Ownership Plan. Under the Employee Share Ownership Plan, eligible employees were allocated shares in Cromwell Corporation Limited. The shares were acquired by the eligible employees at the time of allocation, funded by a loan from Cromwell Corporation Limited to the eligible employee. The loan was limited recourse to the shares only and interest was payable on the loan at the rate prescribed by the ATO for fringe benefits tax purposes from time to time. Dividends received on shares allocated to the eligible employee are applied against the outstanding loan balance.

Under AIFRS, the shares held within the Employee Share Ownership Plan are classified as in-substance options, and accounted for as treasury stock, reducing contributed capital. The Group is required to expense the options over the period from grant date to vesting date. Shares on issue under the Employee Share Ownership Plan at the time of the Stapling were effectively converted to Stapled Securities, in the same way as other shares issued by the Company.

No grants were made under the Employee Share Ownership Plan during the 2007 financial year, and it is not intended that any further grants will be made by this plan in the future.

The number of employees participating in the Employee Share Ownership Plan in the 2007 financial year was 16 (2005: 16). The number of stapled securities (2006: shares) allocated to employees at 30 June 2007 was 936,096 (2006: 4,313,750).

Directors' fees

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The Board determines remuneration of non-executive directors within the maximum amount approved by the shareholders from time to time. This maximum currently stands at $500,000 per annum in total for salary and fees, to be divided among the non-executive directors in such a proportion and manner as they agree. Non-executive directors are paid a fixed remuneration, comprising base fees or salary and superannuation (if applicable). Non-executive directors do not receive bonus payments or participate in employee share plans, and are not provided with retirement benefits other than statutory superannuation. The Board was comprised of three non-executive directors and four executive directors during the financial year.

B Details of remuneration (audited)

Remuneration paid, payable, or otherwise made available, directly or indirectly, to key management personnel is set out below. The cash bonuses were dependent on the satisfaction of performance conditions as set out under the Performance-related bonuses heading above. Other than the key management personnel shown below, there were no other key management personnel of the Company or Group during the year. Key management personnel during the 2007 financial year other than directors were:

Mr PA Cronan	Chief Operating Officer
Ms SM Morgan	Company Secretary
Mr DA Gippel	Structured Finance Manager
Ms MC McLaughlin	Associate Director – Sales and Marketing
Mr MJ Blake	Associate Director – Institutional Markets
Mr PJ McDonnell	National Asset Manager
Mr PJ Cowling	National Facilities Manager

Details of remuneration 2007

	Short-term benefits				Post-employment	Long-term benefits	Share-based payment	
	Cash salary and fees $	Movement in accrued salary $	Cash bonus $	Non-cash benefits $	Super-annuation $	Long service leave $	Options $	Total $
2007								
Directors								
PL Weightman	734,721	59,766	–	3,567	11,713	970	–	810,737
RL Stiles [1]	247,788	(18,201)	–	9,049	7,152	(13,694)	–	232,094
RJ Pullar	25,000	–	–	10,000	–	–	–	35,000
MA McKellar [2]	–	–	–	–	20,000	–	–	20,000
DE Usasz [3]	–	–	–	–	10,692	–	–	10,692
DJ Wilson	330,790	6,706	20,000	7,264	11,946	15,501	4,441	396,648
WR Foster	300,000	–	150,000	–	–	–	–	450,000
Other key management personnel								
PA Cronan [4]	68,442	3,722	–	–	5,441	93	–	77,698
SM Morgan	105,385	6,899	20,000	–	10, 181	509	–	142,974
DA Gippel	175,917	11,317	35,000	28,802	12,102	2,096	–	265,234
MC McLaughlin	149,836	(212)	48,480	–	13,115	1,886	39,175	252,280
MJ Blake	224,961	6,029	64,800	–	14,354	2,259	72,697	385,100
PJ McDonnell	180,931	(669)	18,500	–	12,686	709	–	212,157
PJ Cowling	203,662	1,408	45,000	–	12,686	1,379	89,161	353,296
	2,747,433	76,765	401,780	58,682	142,068	11,708	205,474	3,643,910

[1] Retired on 26 April 2007
[2] Commenced on 1 March 2007
[3] Commenced on 26 April 2007
[4] Commenced on 12 February 2007

Details of remuneration 2006

	Short-term benefits				Post-employment	Long-term benefits	Share-based payment	
	Cash salary and fees	Movement in accrued salary	Cash bonus	Non-cash benefits	Super-annuation	Long service leave	Options	Total
	$	$	$	$	$	$	$	$
2006								
Directors								
PL Weightman	650,000	21,384	-	-	-	-	-	671,384
RL Stiles	216,580	(4,413)	125,000	12,139	21,281	4,704	-	375,291
RJ Pullar	25,000	-	-	-	-	-	-	25,000
DJ Wilson	247,994	17,250	15,000	-	12,006	5,828	22,366	320,444
WR Foster	300,000	-	150,000	-	-	-	-	450,000
Other key management personnel								
SM Morgan [1]	12,000	923	-	-	1,080	26	-	14,029
DA Gippel	117,027	6,450	125,000	33,314	11,355	2,015	-	295,161
MC McLaughlin [2]	94,241	5,533	33,000	-	10,344	692	30,611	174,421
MJ Blake [2]	179,999	12,826	148,000	-	12,066	1,811	57,253	411,955
PJ McDonnell	178,926	8,700	-	-	12,066	253	-	199,945
PJ Cowling	179,433	10,338	20,000	-	12,381	811	104,323	327,286
	2,201,200	78,991	616,000	45,453	92,579	16,140	214,553	3,264,916

[1] *Commenced 10 May 2006*
[2] *Included as key management personnel for the first time in 2006 and 2007*

There were no other executives in the current or prior year.

C Service agreements (audited)

PL Weightman

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

- Term of agreement – Commencing 1 July 2006, no fixed termination date.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $750,000, thereafter to be reviewed annually by the remuneration committee.
- Performance targets to be reviewed annually by the remuneration committee. No performance-related cash bonus is payable.

DJ Wilson

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

- Term of agreement – commencing 1 July 2006, no fixed termination date.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $350,000, to be reviewed annually by the remuneration committee.
- Performance bonus of $20,000. Targets to be reviewed annually by the remuneration committee.

The performance bonus payable to Mr Wilson for the year ended 30 June 2007 depended on certain criteria being met. The criteria were assessed as being met in full during the financial year, with 100% of the performance bonus amount being paid.

Richard Foster

Remuneration and other terms of employment for Richard Foster, are formalised in a contract for service with a company related to Mr Foster. The Company may terminate the agreement without notice for gross misconduct; otherwise, the Company may terminate the agreement with one months notice. Mr Foster may terminate his contract at any time with one months notice. Other major provisions of the agreement are as follows:

- Term of agreement – commencing 1 July 2006, expired on 30 June 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $300,000.
- Performance bonus of $150,000 annually. Targets to be reviewed annually by the remuneration committee.

Under the service agreement the performance bonus payable to Mr Foster for the year ended 30 June 2007 depended on certain criteria being met, most notably an increase in assets under management. The criteria were assessed as being met in full for the 2007 financial year, with 100% of the performance bonus amount being paid.

D Share-based compensation (audited)

Details of the Employee Share Ownership Plan, the Performance Rights Plan and the Tax Exempt Plan are set out at part A of the remuneration report. No further shares are expected to be granted under the Employee Share Ownership Plan. No performance rights have yet been granted under the Performance Rights Plan. No securities have been issued under the Tax Exempt Plan.

An allocation of shares/performance rights have been/may be granted to executive directors and executives as share based compensation. All directors and executives of Cromwell Corporation Limited and its controlled entities were/are eligible to participate in the Employee Share Ownership Plan/Performance Rights Plan. Participation by directors is subject to securityholder approval.

Consideration for granting options/performance rights, grant periods, vesting and exercise dates and exercise periods were/are determined by the Board or remuneration committee in each case. Options/performance rights granted under the Employee Share Ownership Plan/Performance Rights Plan carry no voting rights. When exercisable, each option/performance right is convertible into one stapled security.

The exercise price of the option/performance right is determined by the Board or the nomination and remuneration committee.

The terms and conditions of each grant of in-substance options over shares acquired by the Employee Share Ownership Plan affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price (cents)	No of Options Granted [1]	Assessed Value per Option at Grant Date
27/11/2003	26/11/2006	10.0¢	2,000,000	8.2¢
28/8/2005	30/6/2009	30.9¢	1,945,000	10.1¢
28/8/2005	30/9/2009	30.9¢	2,000,000	10.1¢
31/10/2005	30/6/2009	40.0¢	500,000	7.1¢

[1] *The options were granted for no cash consideration, prior to the 0.8879:1 share reconstruction.*

The original exercise dates of the above options over shares acquired by the ESOP varied over time as follows:

Exercise Dates			No of Options			
27/11/2003	–	30/6/2004	500,000			
1/7/2004	–	30/6/2005	500,000			
1/7/2005	–	30/6/2006	500,000			
28/8/2005	–	30/6/2006		486,250		
28/8/2005	–	30/9/2006			500,000	
31/10/2005	–	30/6/2006				125,000
1/7/2006	–	26/11/2006	500,000			
1/7/2006	–	30/6/2007		486,250		125,000
1/7/2006	–	30/9/2007			500,000	
1/7/2007	–	30/6/2008		486,250		125,000
1/7/2007	–	30/9/2008			500,000	
1/7/2008	–	30/6/2009		486,250		125,000
1/7/2008	–	30/9/2009			500,000	
			2,000,000	1,945,000	2,000,000	500,000

As a result of the stapling transaction during the year, all outstanding options became vested and exercisable. All key management personnel options were exercised, except for 1,000,000 options held by P J Cowling (prior to the 0.8879:1 reconstruction) as shown below. As a result of the acceleration of vesting, the remaining expense attributable to the options vested and exercised during 2007 was recognised during the 2007 year.

Details of options which were provided as remuneration to key management personnel are set out below:

	Opening balance	Granted during year	Vested [1] during year	Exercised pre-stapling	Stapling reconstruction [2]	Lapsed during year	Closing balance
2007							
DJ Wilson	500,000	–	500,000	(500,000)	–	–	–
MC McLaughlin	375,000	–	375,000	(375,000)	–	–	–
MJ Blake	750,000	–	750,000	(750,000)	–	–	–
PJ Cowling	2,000,000	–	1,500,000	(1,000,000)	(112,100)	–	887,900

[1] *The stapling transaction triggered the vesting of all outstanding options under the Employee Share Ownership Plan.*
[2] *Outstanding options at the time of stapling were reconstructed on a 0.8879 : 1 basis.*

	Opening balance	Granted during year	Vested during year	Exercised during year	Lapsed during year	Closing balance
2006						
DJ Wilson	1,000,000	–	500,000	(500,000)	–	500,000
MC McLaughlin	–	500,000	125,000	(125,000)	–	375,000
MJ Blake	–	1,000,000	250,000	(250,000)	–	750,000
PJ Cowling	–	2,000,000	500,000	–	–	2,000,000

For each option exercised one ordinary share in Cromwell Corporation Limited was issued. The amounts paid per share were:

DJ Wilson	10¢
MC McLaughlin	30.9¢
MJ Blake	40.0¢/30.9¢
PJ Cowling	30.9¢

No amounts are unpaid.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

All options granted during the 2006 year bore no consideration and vested over time. The model inputs for options granted during the year ended 30 June 2006 included:

	Options Granted in 2006	
No. of options granted	3,945,000	500,000
Exercise price (cents)	30.9¢	40.0¢
Grant date	28/8/05	31/10/05
Share price at grant date (cents)	34¢	38¢
Expected price volatility of the company's shares	90%	90%
Expected dividend yield	3.66%	3.66%
Risk free interest rate	5.0%	5.18%

E Additional information (unaudited)

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current year.

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables in Section B above, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options are subject to different vesting conditions. Options granted under the Employee Share Ownership Plan originally had four year vesting terms, provided the conditions were met. However, all options were subject to accelerated vesting as a result of the stapling transaction in December 2006.

Name	Cash bonus Paid %	Cash bonus Forfeited %	Options Year Granted	Options Vested in 2007 %	Options Forfeited %	Options Financial years in which options may vest [1]	Options Minimum total value of grant to vest	Options Maximum total value of grant to vest
PL Weightman	–	–	–	–	–	–	–	–
RL Stiles	–	–	–	–	–	–	–	–
DJ Wilson	100%	–	2004	25%	–	2004-2007	–	–
WR Foster	100%	–	–	–	–	–	–	–
SM Morgan	100%	–	–	–	–	–	–	–
DA Gippel	70%	30%	–	–	–	–	–	–
PJ McDonnell	50%	50%	–	–	–	–	–	–
PJ Cowling	100%	–	2006	75%	–	2006-2007	–	–
MJ Blake	44%	56%	2006	75%	–	2006-2007	–	–
MC McLaughlin	92%	8%	2006	75%	–	2006-2007	–	–

(1) The stapling transaction triggered the vesting of all outstanding options under the Employee Share Ownership Plan.

13. Indemnifying Officers or Auditor

The Company maintained a contract of insurance during the financial year which insures any person who is or has been an officer of the Group against certain liabilities in respect of their duties as an officer of the Group. The terms of the contract prohibit disclosure of certain information, including details of the specific nature of liabilities covered, levels of cover and the premium paid.

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.

14. Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that Class Order.

15. Auditor

Johnston Rorke continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

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

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

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

During the year the following fees were paid or payable to the auditor and its related parties:

	Consolidated	
	2007	2006
	$	$
Audit Services		
Audit and review of financial reports under the Corporations Act 2001	261,000	92,000
Audit of a controlled entity's Australian Financial Services Licence	4,000	2,750
Audit of controlled entities' compliance plans	40,000	–
Total remuneration for audit services	305,000	94,750
Non-audit Services		
Investigating accountants' report for Explanatory Memorandum for Merger/Stapling transactions	200,000	–
IFRS accounting services	–	9,600
Tax compliance services	17,620	14,740
Total remuneration for non-audit services	217,620	24,340

The auditor receives remuneration for audit and other services relating to other entities (schemes) for which Cromwell Property Securities Limited, a controlled entity, acts as responsible entity. The remuneration is disclosed in the relevant entity's financial reports and totalled $42,500 (2006: $221,700).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this report.

This report is made in accordance with a resolution of the directors.

P.L. Weightman

Director

Dated this 27th day of October 2007

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3222 8496
Website www.jr.com.au
Email jr@jr.com.au

The Directors
Cromwell Corporation Limited
Level 19
200 Mary Street
BRISBANE QLD 4000

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Cromwell Corporation Limited for the financial year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

JOHNSTON RORKE
Chartered Accountants

J. Evans

J J Evans
Partner

Brisbane, Queensland
27 September 2007

Income Statements

for the year ended 30 June 2007

	Notes	Consolidated		Parent	
		2007	2006	2007	2006
		$'000	$'000	$'000	$'000
Revenue and other income					
Funds management					
• Acquisition and capital raising fees		8,055	17,111	2,321	7,575
• Management fees		6,306	6,138	–	–
Property development sales		10,400	–	10,400	–
Rental income and recoverable outgoings		60,702	–	–	–
Distributions from managed investment schemes		77	952	23	826
Dividends from controlled entities		–	–	–	1,000
Interest		2,795	1,230	117	125
Gain on sale of investment property		4,963	–	–	–
Net gain from fair value adjustment to:					
• Interest rate derivatives		4,610	–	–	–
• Investment properties	14	69,779	–	–	–
Share of profits of equity accounted entities	16	2,418	–	–	–
Gain on dilution of interest in associate	16	6,341	–	–	–
Total revenue and other income		176,446	25,431	12,861	9,526
Expenses					
Cost of property development sold		5,252	–	5,252	–
Amortisation/depreciation					
• Property, plant and equipment	19	260	266	–	–
• Intangibles	21	154	114	–	–
Commissions		2,637	6,461	–	–
Bad and doubtful debts		–	249	–	249
Employee benefits expense	4	7,890	6,242	348	317
Premises rental – minimum lease payments		163	271	–	–
Property outgoings, rates and taxes		11,923	–	–	–
Property administration costs		857	–	–	–
Stapling transaction costs		7,049	197	798	–
Finance costs (excluding unitholders)	5	24,515	2,157	148	844
Management fees – controlled entity		–	–	1,100	2,280
Other expenses		2,512	2,359	126	422
		63,212	18,316	7,772	4,112
Profit before income tax and unitholders' finance costs		113,234	7,115	5,089	5,414
Income tax credit	6	723	779	1,273	1,603
Profit for the year before unitholders' finance costs		113,957	7,894	6,362	7,017
Unitholders' finance costs [1,2]		98,265	–	–	–
Profit for the year		15,692	7,894	6,362	7,017
Profit attributable to parent entity shareholders		8,620	7,894		
Profit attributable to minority interest unitholders		7,072	–		
Profit for the year		15,692	7,894		
		Cents	Cents		
Basic earnings per company share (cents)	32	1.24¢	1.14¢		
Diluted earnings per company share (cents)	32	1.24¢	1.14¢		

[1] AIFRS required the Trust's issued units to be treated as a liability and Trust distributions/changes in net assets attributable to unitholders to be treated as a finance cost in the income statement while the Trust had a limited life. Accordingly, for the period from acquisition/stapling of the Trust to 31 May 2007, $98,265,000 of the Trust's result (including unrealised gains on fair value adjustments to investment properties) for the year ended 30 June 2007 has been classified as finance costs. The Trust's constitution was altered on 1June 2007 such that Trust units on issue are now classified as equity. As such, the Trust's result is not recorded as finance costs from that date.

[2] There is no effect on the income tax expense/credit associated with unitholders' finance costs.

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

Balance Sheets
as at 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current Assets					
Cash and cash equivalents	7	17,845	17,400	35	822
Trade and other receivables	8	24,342	13,303	6,699	7,229
Other financial assets	9	121	–	–	–
Derivative financial instruments	10	13,498	–	–	–
Inventories	11	12,013	–	1,140	–
Other current assets	12	1,108	310	–	124
		68,927	31,013	7,874	8,175
Investment properties classified as held for sale	13	156,452	–	–	–
Total current assets		225,379	31,013	7,874	8,175
Non-Current Assets					
Investment properties	14	927,113	–	–	–
Inventories	11	–	10,048	–	1,140
Available-for-sale financial assets	15	–	3,213	275	275
Investments in jointly controlled entity and associate	16	66,245	–	–	–
Investments in controlled entities	17	–	–	475	475
Other financial assets	18	61,250	–	–	–
Property, plant and equipment	19	9,794	1,403	–	–
Deferred tax assets	20	5,005	3,902	5,860	4,357
Intangible assets	21	368	339	–	–
Total non-current assets		1,069,775	18,905	6,610	6,247
Total assets		1,295,154	49,918	14,484	14,422
Current Liabilities					
Trade and other payables	22	13,920	2,932	181	660
Borrowings	23	153,993	9,931	–	–
Dividends/distributions payable	24	15,740	–	5,590	–
Current tax liabilities		882	947	882	947
Provisions	25	526	394	–	–
Other current liabilities	26	3,862	44	–	–
Total current liabilities		188,923	14,248	6,653	1,607
Non-Current Liabilities					
Borrowings	23	432,973	18,891	211	211
Provisions	25	194	154	–	–
Total non-current liabilities		433,167	19,045	211	211
Total liabilities		622,090	33,293	6,864	1,818
Net assets		673,064	16,625	7,620	12,604
Equity attributable to shareholders					
Contributed equity	27	43,347	42,391	43,347	42,391
Reserves	28	2,950	1,482	610	328
Accumulated losses	29	(31,212)	(27,248)	(36,337)	(30,115)
Total equity attributable to shareholders		15,085	16,625	7,620	12,604
Minority Interests					
Equity attributable to unitholders					
Contributed equity	30	526,145	–	–	–
Reserves	30	131,834	–	–	–
Total equity attributable to unitholders		657,979	–	–	–
Total equity attributable to securityholders		673,064	16,625	7,620	12,604

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

Statements of Changes in Equity
for the year ended 30 June 2007

	Notes	Attributable to Equity Holders of the Company						
		Con-tributed Equity $'000	Accu-mulated Losses $'000	Available-for-Sale Reserve $'000	Share Based Payments Reserve $'000	Total $'000	Minority Interest $'000	Total Equity $'000
Consolidated								
Balance at 1 July 2006		42,391	(27,248)	1,154	328	16,625	–	16,625
Changes in the fair value of available-for-sale financial assets, net of tax	28	–	–	1,186	–	1,186	–	1,186
Net income recognised directly in equity		–	–	1,186	–	1,186	–	1,186
Profit for the year		–	8,620	–	–	8,620	7,072	15,692
Total recognised income and expense for the year		–	8,620	1,186	–	9,806	7,072	16,878
Transfer from net assets attributable to unitholders [1]								
• Contributed equity		–	–	–	–	–	526,119	526,119
• Reserves		–	–	–	–	–	134,912	134,912
Transactions with equity holders in their capacity as equity holders:								
• Dividends/distributions paid/declared	31	–	(12,584)	–	–	(12,584)	(10,150)	(22,734)
• Contributions of equity	27	956	–	–	–	956	26	982
• Employee share options	28	–	–	–	282	282	–	282
Balance at 30 June 2007		43,347	(31,212)	2,340	610	15,085	657,979	673,064
Balance at 1 July 2005		42,339	(32,605)	–	36	9,770	–	9,770
Adjustment on adoption of AASB 132 and AASB 139, net of tax:								
• Reserve – available-for-sale financial assets	28	–	–	622	–	622	–	622
• Accumulated losses	29	–	(280)	–	–	(280)	–	(280)
Restated total equity at the beginning of the year		42,339	(32,885)	622	36	10,112	–	10,112
Changes in the fair value of available-for-sale financial assets, net of tax	28	–	–	532	–	532	–	532
Net income recognised directly in equity		–	–	532	–	532	–	532
Profit for the year		–	7,894	–	–	7,894	–	7,894
Total recognised income and expense for the year		–	7,894	532	–	8,426	–	8,426
Transactions with equity holders in their capacity as equity holders:								
• Dividends paid/declared	31	–	(2,257)	–	–	(2,257)	–	(2,257)
• Treasury shares acquired by ESOP	27	(200)	–	–	–	(200)	–	(200)
• Contributions of equity	27	252	–	–	–	252	–	252
• Employee share options	28	–	–	–	292	292	–	292
Balance at 30 June 2006		42,391	(27,248)	1,154	328	16,625	–	16,625

[1] Under AIFRS net assets attributable to unitholders of the Trust were initially classified as a liability rather than equity due to the limited life of the Trust. On 1 June 2007 the constitution of the Trust was amended to effectively remove the limitation of the term of the Trust. Accordingly, as at 1 June 2007 the contributed equity ($526,119,000) and reserves ($134,912,000) of the Trust were transferred from liabilities to contributed equity and reserves respectively. All the changes in equity listed for the minority interest occurred in the month of June 2007.

	Notes	Contributed Equity $'000	Accumulated Losses $'000	Share Based Payments Reserve $'000	Total $'000
Parent					
Balance at 1 July 2006		42,391	(30,115)	328	12,604
Net income recognised directly in equity		–	–	–	–
Profit for the year		–	6,362	–	6,362
Total recognised income and expense for the year		–	6,362	–	6,362
Transactions with equity holders in their capacity as equity holders:					
• Dividends paid/declared	31	–	(12,584)	–	(12,584)
• Contributions of equity	27	956	–	–	956
• Employee share options	28	–	–	282	282
Balance at 30 June 2007		43,347	(36,337)	610	7,620
Balance at 1 July 2005		42,339	(34,875)	36	7,500
Adjustment on adoption of AASB 132 and AASB 139, net of tax:					
• Reserve – available-for-sale financial assets		–	–	–	–
• Accumulated losses		–	–	–	–
Restated total equity at the beginning of the year		42,339	(34,875)	36	7,500
Net income recognised directly in equity		–	–	–	–
Profit for the year		–	7,017	–	7,017
Total recognised income and expense for the year		–	7,017	–	7,017
Transactions with equity holders in their capacity as equity holders:					
• Dividends paid/declared	31	–	(2,257)	–	(2,257)
• Treasury shares acquired by ESOP	27	(200)	–	–	(200)
• Contributions of equity	27	252	–	–	252
• Employee share options	28	–	–	292	292
Balance at 30 June 2006		42,391	(30,115)	328	12,604

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

Cash Flow Statements

for the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash Flows From Operating Activities					
Cash receipts in the course of operations		95,142	23,216	14,045	5,415
Cash payments in the course of operations		(49,012)	(17,444)	(8,868)	(4,720)
Dividends received		–	–	–	1,000
Distributions received		2,590	952	23	826
Interest received		2,417	1,004	117	125
Finance costs paid		(22,567)	(2,250)	(148)	(844)
Income tax paid		(956)	(130)	(956)	(130)
Reimbursements received from tax consolidated entities		–	–	1,106	1,042
Net cash provided by operating activities	35	27,614	5,348	5,319	2,714
Cash Flows From Investing Activities					
Payments for property, plant and equipment		(9,021)	(377)	–	–
Payments for investment properties		(25,968)	–	–	–
Proceeds from sale of investment property		32,745	–	–	–
Payments for held for trading financial assets		–	(13,450)	–	(13,450)
Proceeds on sale of held for trading financial assets		–	13,450	–	13,450
Payments for available-for-sale financial assets		–	(175)	–	(175)
Payments for software and other assets		(183)	(182)	–	–
Loans to schemes		(6,000)	(1,900)	–	(1,900)
Repayments of loans by schemes		–	2,300	–	2,300
Loans to related entities		(900)	–	–	–
Repayment of loans by related entities		2,500	–	–	583
Loans to other persons		–	(2,122)	–	–
Repayment of loans by other persons		736	650	–	–
Payments from/(to) director related entity		3,500	(3,500)	–	–
Proceeds from sale of subsidiary (net of cash disposed)	34	(22)	–	–	–
Deconsolidation of subsidiary	34	(6,060)	–	–	–
Acquisition of Trust (net of cash acquired)	33	11,761	–	–	–
Proceeds from other assets		–	102	–	80
Net cash provided by/(used in) investing activities		3,088	(5,204)	–	888
Cash Flows From Financing Activities					
Proceeds from borrowings		138,699	28,326	–	175
Repayment of borrowings		(145,320)	(16,880)	–	–
Proceeds from issue of shares		139	–	139	–
Proceeds from issue of treasury shares/securities		775	252	749	252
Payments for treasury shares/securities		–	(200)	–	(200)
Payment of dividends/distributions	31	(24,232)	(2,257)	(6,994)	(2,257)
Repayment of loans from controlled entities		–	–	–	(861)
Other payments		(318)	–	–	–
Net cash provided by/(used in) financing activities		(30,257)	9,241	(6,106)	(2,891)
Net increase/(decrease) in cash and cash equivalents		445	9,385	(787)	711
Cash and cash equivalents at 1 July		17,400	8,015	822	111
Cash and cash equivalents at 30 June		17,845	17,400	35	822

The above cash flow statements should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

Cromwell Group was formed by the stapling of two entities comprising Cromwell Corporation Limited ('the Company') and its controlled entities, and Cromwell Diversified Property Trust ('the Trust') and its controlled entities. Cromwell Group is also defined as 'the Group'.

The Group was established for the purpose of facilitating a joint quotation of the Company and its controlled entities and the Trust and its controlled entities on the Australian Securities Exchange. The constitution of the Trust and the Articles of Association of the Company ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Company shall be equal and the unitholders and shareholders are identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interest of the Group.

To account for the stapling, Australian Accounting Standards requires an acquirer (Cromwell Corporation Limited) to be identified and an acquisition to be recognised. The net assets and net profit of the acquiree (the Trust and its controlled entities) are recognised as minority interest as they are not owned by the acquirer in the stapling agreement. Refer to note 1(b)(i)(3).

The stapling arrangement will cease upon the earliest of either the winding up of the Company or the Trust.

Cromwell Corporation Limited is a company domiciled in Australia. The financial report includes separate financial statements for Cromwell Corporation Limited as an individual entity ("the Parent") and Cromwell Group, the stapled consolidated entity ('the Group') consisting of Cromwell Corporation Limited ('the Company') and its subsidiaries and Cromwell Diversified Property Trust ('the Trust') and its subsidiaries.

The principal accounting polices adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Compliance with IFRS

The financial report of the consolidated entity also complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRS as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Disclosure and Presentation in respect of certain disclosure requirements.

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
- available-for-sale financial assets are measured at fair value

The methods used to measure fair values are discussed further below.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

Critical accounting estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

(b) Principles of consolidation

(i) Stapling

The stapling of the Company and the Trust 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 the Trust, the Company is identified as having acquired control over the assets of the Trust. To recognise the in-substance acquisition, the following accounting principles have been applied:

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

(ii) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries and the results of all subsidiaries for the year then ended.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(n)).

Inter-entity transactions, balances and unrealised gains on transactions between the Group 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 the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the investor's financial statements using the cost method and in the Group's financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement 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 are recognised in the investor's individual income statement, while in the Group's financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Joint ventures

Joint venture entities

The interest in a joint venture entity is accounted for in the Group's financial statements using the equity method and is accounted for using the cost method by the venturer. Under the equity method, the share of the profits or losses of the joint venture entity is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(c) Revenue recognition

Revenue from provision of services is recognised as follows:

(i) Acquisition and capital raising fees – revenue is recognised at settlement of the relevant property or proportionately as the equity interests are issued/sold to external investors as appropriate.

(ii) Management fees – revenue is recognised on a proportional basis over time as services are performed.

Property development sales revenue is recognised on settlement of the relevant property.

Rental revenue from investment property is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance. Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in lease income over the term of the lease, on a straight-line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

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

(d) Income tax

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. The liability for capital gains tax that may arise if the properties were sold is not accounted for in this report.

The Group'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. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax liabilities and assets are not recognised 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The Company and its wholly-owned entities (this excludes the Trust and its controlled entities) have formed a tax-consolidated group with effect from 1 July 2003 and are, therefore, taxed as a single entity from that date. The head entity within the tax-consolidated group is Cromwell Corporation Limited.

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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

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

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other debtors are due for settlement no more than 90 days from the date of recognition.

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

(g) Inventories

Development properties held for resale are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of development properties held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the properties had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Investment properties

This represents the Group's investment in various commercial, industrial and retail properties. Investment property is property which is held either to earn income or for capital appreciation or both. Initially, investment property is measured at cost including transaction costs. The investment property is subsequently measured at fair value, with any change therein recognised in profit or loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties at least every two years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of the Group. In addition, the Group has utilised internal valuation processes for determining fair value during the period.

These valuations are taken into consideration when determining the fair value of the investment properties. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the property and, where relevant, associated costs. A yield, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual rentals to arrive at the property valuation. A table showing the range of yields applied for each type of property in the current period is included below.

Property Sector	Yields
Commercial offices	6.3% - 9.0%
Industrial	7.3% - 8.5%
Retail	6.8% - 9.0%

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness;
- the allocation of maintenance and other operating cost responsibilities between lessor and lessee; and
- the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Where property is acquired for redevelopment and future use as investment property it is treated as property, plant and equipment until redevelopment is complete.

(i) Investments and other financial assets

The Group classifies its investments as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets 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. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans, receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement in the period in which they arise. Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate cost of assets, net of their residual values, over their estimated useful lives, as follows:

Class	Rate
Plant and equipment	10-40%
Leasehold improvements	10%
Leased plant and equipment	10-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(l)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Property that is being constructed or developed for future use as investment property is accounted for as property, plant and equipment and is stated at cost until construction of the development is complete. At this time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

(k) Intangible assets

Software assets have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of software over its estimated useful lives of 3 years on average.

(l) Impairment of assets

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

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

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

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of short-term receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(o) Lease incentives

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

(p) Initial direct leasing costs

Initial direct leasing costs incurred by the Group 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.

(q) Repairs and maintenance

Repairs and maintenance costs and minor renewals are charged as expenses when incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

(r) Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate swaps to hedge these risks. Such 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.

The Group enters into interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates or vice versa. The swaps are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Group has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in the income statement.

(s) Trade and other 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 the Group prior to the end of the year and which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

(t) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset the amount of borrowing costs capitalised is the actual borrowing costs incurred on that borrowing net of any interest earned on those borrowings. Where funds are borrowed generally the capitalisation rate used to determine the amount of borrowing costs to capitalise is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

Initially, under AASB 132 Financial Instruments: Disclosure and Presentation, the units on issue in the Trust, due to the fixed life of the Trust, were classified as a financial liability. Consequently, distributions to Trust members (while the units were classified as a liability) have been recognised as finance costs. The Trust's constitution was amended on 1 June 2007 to remove the fixed life of the Trust. Accordingly, from that date units on issue are classified as a minority interest in equity and distributions are no longer expensed as finance costs.

(u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less any cumulative amortisation.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Change in accounting policy

The policy set out above was adopted for the first time in the current financial year, following the change to AASB 139 Financial Instruments: Recognition and Measurement made in September 2005. In previous reporting periods a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract. The new policy has been applied retrospectively. There was no material impact on the financial statements of the Parent or Group or the earnings per share.

(v) Provisions

Provisions are recognised when:

(i) the Group has a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources will be required to settle the obligation; and

(iii) the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

(w) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

Contributions are made by the Group to defined contribution superannuation funds. Contributions are charged as expenses as they become payable.

Share-based payments

The fair value of options 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.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Bonus plans

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

(x) Leases (as lessee)

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The depreciable assets acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(y) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. The amortisation rate for leasehold improvements is set out in note 1(j).

(z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity. In the Company's financial statements, the transactions of the Employee Share Ownership Plan (ESOP) are treated as being executed directly by the Company. Accordingly, shares held by the ESOP are recognised as treasury shares and deducted from equity.

(aa) Dividends/distributions

Provision is made for the amount of any dividend/distribution declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

(ab) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(ac) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(ad) Comparatives

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

(ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(af) New accounting standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2007 are listed below. Application date is for annual reporting periods beginning on or after the date shown in the table below.

Standard/Interpretation	Application date of standard	Application date for the Group
AASB 2007-4 Amendments to Australian Accounting Standards – April 2007	1 Jul 2007	1 Jul 2007
AASB 2007-7 Amendments to Australian Accounting Standards – June 2007	1 Jul 2007	1 Jul 2007
AASB 7 Financial Instruments: Disclosures	1 Jan 2007	1 Jul 2007
AASB 8 Operating Segments and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 101 Presentation of Financial Statements – revised standard	1 Jan 2007	1 Jul 2007
AASB 123 Borrowing Costs revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
Interpretation 10 Interim Financial Reporting and Impairment	1 Nov 2006	1 Jul 2007
Interpretation 11 AASB 2 – Group and Treasury Share Transactions	1 Mar 2007	1 Jul 2007
Interpretation 12 Service Concession Arrangements	1 Jan 2008	1 Jul 2008
Interpretation 13 Customer Loyalty Programs	1 Jul 2008	1 Jul 2008
Interpretation 14 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 Jan 2008	1 Jul 2008

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group but may change the disclosures presently made in relation to the Group's assets, liabilities, segments and financial instruments.

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

The Group's management of treasury activities is centralised and governed by policies approved by the board of directors who monitor the operating compliance and performance as required. The board provides principles 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.

(a) Market risk

(i) Currency risk

The Group does not have any direct material currency risk as commercial transactions and recognised financial assets and liabilities are all in Australian currency.

(ii) Price risk

The Group does not have any direct material market or commodity price risk relating to its financial assets or liabilities.

(b) Credit risk

Derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions.

The credit risk on financial assets which have been recognised on the balance sheets is generally the carrying amount, net of any provisions.

The Group has no significant concentrations of credit risk relating to debtors except that at balance date the Group has amounts owing from the Cromwell Property Fund and its controlled entities of $73,222,000 (2006: $nil) comprising 86% (2006: nil%) of total receivables and other financial assets. As well as the above the Group has amounts owing from a developer of $3,065,000 comprising 13% of total receivables (refer note 8).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves and finance facilities to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements. The board monitors the Group's cash requirements and raises capital as and when appropriate to meet planned requirements.

(d) Cash flow and fair value interest rate risk

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps a portion of them into fixed rates. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (usually 30 days), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group has significant interest-bearing assets and liabilities primarily comprising cash and cash equivalents (note 7), certain receivables (note 8), other financial assets (note 18) and borrowings (note 23).

The Group's interest-rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's policy is to effectively maintain hedging arrangements on not less than 50% of its borrowings. At balance date 54% of the Group's borrowings were effectively hedged.

3. Critical Accounting Estimates and Judgements

Critical accounting estimates and judgements are:

(a) Estimates of fair value of interest rate derivatives

The fair value of interest rate derivatives has been determined by a third party financial institution by assessing the net present value of future cash flows of the interest rate derivatives based on certain assumptions including market expectations of interest rates and discount rates.

(b) Assumptions underlying management's estimates of fair value

The Group has investment properties with a carrying amount of approximately $927 million plus $156 million of investment properties classified as held for sale, representing estimated fair value. In addition, the carrying amount of the Group's investment in jointly controlled entity/associate of approximately $66 million also reflects investment properties carried at fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the independent valuers considered information about current and recent sales activity, current market rents and discount and capitalisation rates, for properties similar to those owned by the Group.

(c) Deferred tax assets

The benefit of temporary differences and prior year tax losses recognised as deferred tax assets is based on projected earnings over a limited period that the directors consider to be probable. Projected earnings are re-assessed at each reporting date. The following material assumptions were made in assessing projected earnings for the purpose of recognising the benefit of temporary differences and prior year tax losses as deferred tax assets – see also note 20:

(i) Projections include only the following two financial years.

(ii) Earnings for the two financial years are based on budgets approved by the directors.

(d) Critical judgement in applying the Group's accounting policies

The Group did not control the Cromwell Property Fund ("CPF") at balance date and held 22% of the ordinary units of CPF at that time. The Group holds 61,250,000 convertible financing units (CFUs) issued by CPF. The CFUs are convertible to ordinary units and, as such, give rise to potential voting rights. However, the CFUs are not considered to be currently exercisable or convertible as certain third party approvals are necessary prior to conversion. Therefore, the entity was not considered to be a subsidiary. Refer note 34 for further details.

4. Employee Benefits Expense

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Wages and salaries including on costs	7,039	5,487	66	25
Contributions to defined contribution plans	405	279	–	–
Equity settled ESOP share-based payments	282	292	282	292
Increase in liability for long service and annual leave	164	184	–	–
	7,890	6,242	348	317

5. Finance Costs (excluding Unitholders)

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Total interest	23,712	2,496	148	844
Less: interest capitalised	286	339	–	–
Interest expense	23,426	2,157	148	844
Amortisation of loan establishment costs	1,089	–	–	–
Finance costs (excluding unitholders)	24,515	2,157	148	844

6. Income Tax

Income tax credit				
Current tax	2,451	2,607	1,792	1,486
Deferred tax	(311)	(357)	(202)	(75)
Prior year tax losses recognised	(2,870)	(3,009)	(2,870)	(2,994)
Under/(over) provided in prior years	7	(20)	7	(20)
	(723)	(779)	(1,273)	(1,603)
Numerical reconciliation of income tax credit to prima facie tax				
Profit before income tax and unitholders' finance costs	113,234	7,115	5,089	5,414
Unitholders' finance costs	(98,265)	-	-	-
Profit before income tax	14,969	7,115	5,089	5,414
Tax at the Australian tax rate of 30% (2006: 30%)	4,491	2,135	1,527	1,624
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
• Non-taxable trust income	(2,122)	-	-	-
• Non-deductible expenses	63	115	63	87
• Non-assessable income	(292)	-	-	(300)
• Prior year tax losses recognised (note 20)	(2,870)	(3,009)	(2,870)	(2,994)
• Under/(over) provided in prior years	7	(20)	7	(20)
Income tax credit	(723)	(779)	(1,273)	(1,603)
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Tax losses	10,928	14,322	10,928	14,322

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from the deferred tax assets. All unused tax losses were incurred by Australian entities.

Amounts recognised directly in equity

Refer to note 20 for the aggregate deferred tax relating to items that are charged or credited to equity.

Tax consolidation

Refer note 1(d) for details regarding the relevance of the tax consolidation system to the consolidated entity, the tax funding arrangements and other information.

No amounts were recognised during the year (2006: $nil) as tax consolidation contributions by, or distributions to, equity participants (refer note 38 for further information).

7. Cash and Cash Equivalents

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Cash at bank	14,797	12,300	35	822
Deposits	3,048	5,100	-	-
	17,845	17,400	35	822

Cash at bank is earning variable interest at market rates with a weighted average of 6.0% at 30 June 2007 (2006: 5.5%). The deposits are earning variable interest at market rates with a weighted average of 6.35% at 30 June 2007 (2006: 5.75%). The deposits have an average period to maturity of 30 days. At balance date cash and deposits were held at Westpac Banking Corporation and Bank of Western Australia Ltd.

8. Trade and Other Receivables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Trade and other debtors	9,305	6,002	2,001	2,241
Loans - developer	3,065	3,801	–	–
- director related entity (refer note 36)	–	3,500	–	–
- associate	11,972	–	–	–
- other persons	–	249	–	249
Provision for non-recovery – loans to other persons	–	(249)	–	(249)
Amounts owing by controlled entities (refer note 38)	–	–	4,698	4,988
	24,342	13,303	6,699	7,229

Trade and other debtors mainly comprise amounts owing by tenants of the Group's investment properties and other managed investment schemes. Trade and other debtors are usually non-interest bearing, unsecured and generally on 30 day terms. The Group does not have any material credit risk exposure to any single receivable or group of receivables at balance date except as disclosed in note 2.

Loan – developer

The loan is secured by a second registered mortgage over the underlying development property with interest payable at the end of the term at 8.5% fixed. The development property is expected to be sold within 12 months and the loan repaid in full.

Loan – associate

The Trust provided a loan of $13,572,000 to Cromwell Accumulation Fund (now a subsidiary of Cromwell Property Fund) during the 2007 year (prior to disposal) to fund the acquisition of investment properties. Subsequently, further advances of $900,000 were made and repayments of $2,500,000 were received prior to 30 June 2007. The loan is unsecured, at call with no fixed repayment terms and bears interest at a floating rate, which was 7.3% at balance date.

Amounts owing by controlled entities

These amounts are generally non-interest bearing, unsecured and repayable in cash at call.

The net fair values of trade and other receivables approximate their carrying values.

9. Other Financial Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Restricted cash	121	–	–	–

Restricted cash earns interest at a variable rate, which was 5.95% at balance date.

The net fair values of other financial assets approximate their carrying values.

Held for Trading Financial Assets

Movement in held for trading financial assets				
Balance 1 July	–	–	–	–
Investments acquired during the period				
• Interests in TGA	–	26,950	–	26,950
Investments disposed of during the period				
• Interests in TGA	–	(26,950)	–	(26,950)
Balance 30 June	–	–	–	–

On 8 August 2005 the Parent acquired 18,094,065 units (representing a one-third interest) in Cromwell TGA Planned Investment ("TGA"), a scheme for which a subsidiary of the Parent acts as the responsible entity. TGA owns an investment property at Symonston, ACT which is leased by a Commonwealth Government authority, Therapeutic Goods Administration. The purchase price of $26.95 million was funded in part by the assignment of the vendor's interest in a bank loan of $13.5 million which was secured by a charge over the underlying property. The balance of the purchase price was funded by the issue of fixed interest debentures issued by a subsidiary of the Parent to the Trust.

At the same time the Parent entered into an option agreement to sell its one-third interest in TGA to the Trust. The selling price of the Parent's units in TGA under the option agreement was determined by an independent valuation of the property which was completed when a market review of the underlying lease had been finalised. On 23 December 2005 the option was exercised and the Parent sold its units in TGA for $26.95 million and assigned the bank loan of $13.5 million to the Trust. The fixed interest debentures were also repaid at settlement. During the period the Parent held its interest in TGA it received distributions of $810,000 and paid interest of $338,000 on the bank loan and $489,000 on the fixed interest debentures.

10. Derivative Financial Instruments

Interest rate swaps – at fair value	13,498	–	–	–

Loans of the Group bear variable interest rates as disclosed in note 23. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

Swaps in place at balance date cover approximately 54% (2006: nil%) of the loan principal outstanding. The fixed interest rates range between 4.7% and 5.9% and the variable rates are between 0.2% and 0.8% above the 30 day bank bill swap bid rate which at balance date was 6.4%.

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated	
	2007	2006
	$'000	$'000
Less than 1 year	5,820	–
1-2 years	99,450	–
2-3 years	15,060	–
3-4 years	76,745	–
4-5 years	–	–
Greater than 5 years	118,180	–
	315,255	–

The contracts require settlement of net interest receivable or payable, generally every 30 days. The contracts are settled on a net basis. At balance date these contracts represented assets with fair value of $13,498,000 (2006: $nil). During the year ended 30 June 2007 there was an increase in fair value of $4,610,000 (2006: $nil). Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts. This arises with amounts receivable from unrealised gains on derivative financial instruments. The Group currently undertakes all its transactions in interest rate contracts with one financial institution.

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in note 23.

11. Inventories

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current				
Development property – at cost				
Land – at cost	9,540	–	1,140	–
Construction costs	1,848	–	–	–
Capitalised interest	625	–	–	–
	12,013	–	1,140	–
Non-current				
Development property – at cost				
Land – at cost	–	9,540	–	1,140
Construction costs	–	169	–	–
Capitalised interest	–	339	–	–
	–	10,048	–	1,140

At balance date the development property, which is situated at Bundall, Queensland, was subject to put and call options with an expected settlement date in October 2007 (refer note 43).

Assets pledged as security

The Group has a loan secured by a registered first mortgage over the development property (refer note 23).

12. Other Current Assets

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Prepayments	1,108	194	–	8
Deposits and other assets	–	116	–	116
	1,108	310	–	124

13. Investment Properties Classified as Held for Sale

Investment properties – at fair value	156,452	–	–	–

Movement in assets held for sale

Balance 1 July	–	–	–	–
Transfer from investment properties	156,452	–	–	–
Balance 30 June	156,452	–	–	–

At balance date the investment property at 59 Goulburn Street, Sydney was subject to a sale contract which settled on 23 July 2007 (refer to note 43). The Bundall Corporate Centre investment property was subject to put and call options at 30 June 2007 with an expected settlement date in October 2007 (refer note 43).

As the investment properties are carried at fair value no material gain or loss on disposal is expected. The investment properties are included in the property investment segment in note 39.

14. Investment Properties

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Investment properties – at fair value	927,113	–	–	–

Movement in investment properties

Reconciliation of the carrying amounts of investment properties at beginning and end of the financial year is set out below:

Balance at 1 July	–	–	–	–
Balances assumed at stapling (refer note 33)	1,388,280	–	–	–
Additions at cost:				
• Acquisition price	22,725	–	–	–
• Transaction costs	1,356	–	–	–
• Improvements	1,224	–	–	–
Disposal - property held by the Trust	(27,283)	–	–	–
Disposal – property held by subsidiary (refer note 34)	(23,968)	–	–	–
Deconsolidation of CPF (refer note 34)	(350,985)	–	–	–
Transfer to assets held for sale	(156,452)	–	–	–
Straight-lining rentals	1,374	–	–	–
Lease incentives	493	–	–	–
Leasing costs	570	–	–	–
Net gain/(loss) from fair value adjustments	69,779	–	–	–
Balance at 30 June	927,113	–	–	–

Amounts recognised in profit and loss for investment properties

Rental from investment properties	60,702	–	–	–
Direct operating expense from property that generated rental income	(11,923)	–	–	–
	48,779	–	–	–

Assets pledged as security

Loans (refer note 23) are secured by fixed and floating charges over each investment property plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

Leases as a lessor

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

Within one year	81,020	–	–	–
Later than one year but not later than five years	223,065	–	–	–
Later than five years	114,200	–	–	–
	418,285	–	–	–

14. Investment Properties (continued)

Details of investment properties are set out below.

	Title	Acquisition date [1]	Acquisition price [1] $'000	Cost including additions[1] $'000	Most recent independent valuation date [2]	Independent valuation/sale amount 2007 $'000	Independent valuation/sale amount 2006 $'000	Carrying amount 2007 $'000	Carrying amount 2006 $'000	Fair value adjustment 2007 $'000	Fair value adjustment 2006 $'000
Properties held by CDPT:											
NQX Property, QLD	Freehold	Feb 2003	17,778	18,825	Dec 2006	25,000	–	25,052	–	2	–
Henry Waymouth Centre, SA	Freehold	Apr 2003	30,420	33,408	Dec 2006	38,500	–	38,501	–	(27)	–
Hellman Distribution Centre, VIC	Freehold	Jun 2003	9,700	10,620	Jun 2007	11,900	–	11,900	–	805	–
Wesfarmers Woolstore, VIC	Freehold	Jun 2004	34,000	37,061	Dec 2006	41,000	–	41,144	–	–	–
Village Geelong Cinema, VIC	Freehold	Jun 2004	8,900	9,631	Dec 2006	10,500	–	10,500	–	–	–
Village City Centre, VIC	Freehold	Jun 2004	31,900	34,432	Sold	–	–	–	–	(198)	–
Vodafone House, TAS	Freehold	Jun 2004	15,900	16,914	Jun 2006	16,500	–	16,531	–	30	–
Hobart Cinema Complex, TAS	Freehold	Jun 2004	16,000	17,078	Jun 2006	15,450	–	15,476	–	9	–
Village Launceston, TAS	Freehold	Jun 2004	3,500	3,785	Jun 2006	3,400	–	3,430	–	3	–
Heildelberg House, QLD	Freehold	Jun 2004	2,300	2,480	Dec 2006	3,000	–	3,003	–	–	–
Albury Cinema Centre, NSW	Freehold	Jun 2004	9,900	10,975	Jun 2006	10,600	–	10,922	–	(79)	–
Spicers Paper, WA	Freehold	Jun 2004	7,600	8,329	Jun 2007	12,500	–	12,500	–	4,315	–
Bird Cameron Building, WA	Freehold	Jun 2004	11,100	12,187	Jun 2007	21,600	–	21,600	–	5,562	–
Elders Woolstore, SA	Freehold	Jun 2004	10,900	11,821	Jun 2007	15,800	–	15,800	–	2,337	–
700 Collins Street, VIC	Freehold	Dec 2004	133,000	138,116	Dec 2006	161,300	–	161,263	–	12	–
Forsyth Centre, VIC	Freehold	Feb 2005	41,000	43,783	Jun 2007	47,000	–	47,000	–	–	–
Centenary House, ACT	Leasehold	July 2005	35,530	38,511	Dec 2006	40,750	–	41,198	–	5	–
Bundall Corporate Centre, QLD	Freehold	Dec 2005	44,000	47,240	Held for sale	64,400	–	64,400	–	12,901	–
380 LaTrobe Street, VIC	Freehold	Dec 2005	88,000	95,903	Dec 2006	95,000	–	95,538	–	43	–
101 Grenfell St, SA	Freehold	Jan 2006	30,375	32,622	Jun 2007	35,000	–	35,000	–	3,997	–
475 Victoria Av, NSW	Freehold	Mar 2006	102,650	111,818	Dec 2006	125,500	–	127,080	–	126	–
			684,453	735,539		794,700	–	797,838	–	29,843	–

[1] Comprises original acquisition date, price and cost for the Trust which was prior to the stapling transaction in December 2006.

[2] Most recent independent valuation obtained by the Trust.

14. Investment Properties (continued)

	Title	Acquisition date [1]	Acquisition price [1] $'000	Cost including additions[1] $'000	Most recent independent valuation date [2]	Independent valuation/sale amount 2007 $'000	Independent valuation/sale amount 2006 $'000	Carrying amount 2007 $'000	Carrying amount 2006 $'000	Fair value adjustment 2007 $'000	Fair value adjustment 2006 $'000
Properties held by Syndicates [3]:											
200 Mary St, Brisbane, QLD	Freehold	Jun 2001	29,250	36,156	Jun 2007	100,000	–	100,000	–	22,035	–
59 Goulburn St, Sydney, NSW	Freehold	May 2002	67,800	69,585	Held for sale	92,052	–	92,052	–	2,697	–
Terrace Office Park, Brisbane, QLD	Freehold	Jun 1999	13,600	15,261	Jun 2007	36,000	–	36,000	–	8,693	–
243 Northbourne Ave, Canberra, ACT	Leasehold	Nov 2001	23,550	25,605	Jun 2007	33,200	–	33,200	–	3,991	–
Quadrant Building, Canberra, ACT	Leasehold	Jun 2000	5,800	6,765	Jun 2007	9,750	–	9,750	–	595	–
Scrivener Building, Canberra, ACT	Leasehold	Jun 2000	10,750	11,949	Jun 2007	14,725	–	14,725	–	1,925	–
			150,750	165,321		285,727	–	285,727	–	39,936	–
Properties held by CAF [4]:											
Percival Rd, Smithfield, NSW	Freehold	Jun 2007	22,725	23,968	Jun 2007	–	–	–	–	–	–
Properties held by CPF [5]:											
Homeworks Centre, Prospect, NSW	Freehold	Jun 2006	58,750	64,102	Jun 2007	–	–	–	–	–	–
Twin Freeway Centre, Avalon, VIC	Freehold	Jun 2006	21,750	23,479	Jun 2007	–	–	–	–	–	–
321 Exhibition Street, Melbourne, VIC	Freehold	July 2006	120,000	129,244	Jun 2007	–	–	–	–	–	–
43 Bridge Street, Hurstville, NSW	Freehold	July 2006	38,000	40,831	Jun 2007	–	–	–	–	–	–
Forum Properties, Gold Coast, QLD	Freehold	Sept 2006	38,000	40,255	Sep 2006	–	–	–	–	–	–
Lovett Tower, Woden, ACT	Leasehold	Dec 2006	73,170	78,296	Dec 2006	–	–	–	–	–	–
			349,670	376,207		–	–	–	–	–	–
Total investment properties (including amounts classified as held for sale)								1,083,565	–	69,779	–
Less investment properties classified as held for sale								(156,452)	–		
Total investment properties								927,113	–		

[1] *Comprises original acquisition date, price and cost for the Syndicates, CAF and CPF which was mostly prior to the merger and stapling transactions in December 2006.*

[2] *Most recent independent valuation obtained by the Syndicates, CAF and CPF.*

[3] *Investment properties held by Syndicates were acquired by the Group following the merger and stapling transactions in December 2006.*

[4] *Investment properties held by CAF are no longer part of the Group following the disposal of CAF in June 2007 (refer to note 34).*

[5] *Investment properties held by CPF are no longer part of the Group following the loss of control of CPF in February 2007 (refer to note 34).*

Valuation basis

Independent valuations of properties were carried out by qualified valuers with relevant experience in the types of property being valued. Independent valuations are carried out at least every two years.

The value of investment properties is measured on a fair value basis, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In assessing the value of the investment properties, the independent valuers have considered both discounted cash flow and capitalisation methodologies.

15. Available-for-sale Financial Assets

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interests in managed investment schemes				
• Cromwell Mary Street Planned Investment	–	2,938	–	–
• Cromwell Diversified Property Trust	–	275	275	275
	–	3,213	275	275
Movement in available-for-sale financial assets:				
Balance at 1 July	3,213	–	275	–
Reclassification other financial assets, at cost	–	1,389	–	100
Adjustment to fair value on adoption of AASB 132 and AASB 139:				
• Interests in Cromwell Mary Street Planned Investment	–	889	–	–
• Interests in Cromwell Diversified Property Trust	–	175	–	175
Revaluation – fair value adjustment	1,695	760	–	–
Consolidation adjustment upon stapling (note 33)	(4,908)	–	–	–
Balance at 30 June	–	3,213	275	275

Under AGAAP the Group's investment in Cromwell Mary Street Planned Investment was recognised at cost whereas under AASB 139 the investment was reclassified as available-for-sale and measured at fair value. At 1 July 2005 the difference between the asset's fair value and its carrying value of $889,000 was recognised directly in equity, net of tax of $267,000.

Available-for-sale financial assets are fully eliminated on consolidation following stapling on 19 December 2006.

16. Investments in Jointly Controlled Entity and Associate

The Group has an investment in a jointly controlled entity, Cromwell TGA Planned Investment ("TGA"), and an associate, Cromwell Property Fund ("CPF"). The CPF was originally a controlled entity. Control was lost in February 2007 following the issue of units, by the CPF, to external unitholders (refer note 34).

These entities were formed in Australia and their principal activity is property investment. The Group holds a two-thirds interest in TGA which is held by the Trust. The remaining one-third interest is held by an external investor. The Group exercises joint control over TGA, but neither the Group nor the other investor has control in its own right, irrespective of their ownership interest, as both the Group and the other investor must consent to the strategic, financial and operating decisions relating to TGA. The investments are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the investments is detailed below:

Equity accounting information

	Ownership Interest 2007 %	Ownership Interest 2006 %	Consolidated 2007 $'000	Consolidated 2006 $'000
Investments accounted for using the equity method:				
TGA – jointly controlled entity	67%	–	52,349	–
CPF – associate [1]	22%	–	13,896	–
			66,245	–

[1] Controlled entity from 19 December 2006. Associate and deconsolidated from 12 February 2007 (refer note 34).

Movement in the carrying value of the Group's interest in its investments accounted for using the equity method during the 2007 financial year was as follows:

	CPF $'000	TGA $'000	Total $'000
2007 – Consolidated			
Investments acquired on stapling (refer note 33)	–	52,211	52,211
Transfer from controlled entity (refer note 34)	7,921	–	7,921
Gain on dilution [1]	6,341	–	6,341
Share of profit	244	2,174	2,418
Distributions received	(610)	(2,036)	(2,646)
Balance 30 June 2007	13,896	52,349	66,245

[1] The gain on dilution of $6.341 million was recognised on the basis of the Group's interest in the net assets attributable to unitholders of the CPF increasing since deconsolidation following the raising of additional funds from external unitholders.

Details of the Group's share of jointly controlled entity's/associate's financial information at balance date are as follows:

	CPF $'000	TGA $'000	Total $'000
Assets			
Investment properties – at fair value	84,291	52,068	136,359
Other assets	8,440	406	8,846
Liabilities			
Borrowings	(76,944)	–	(76,944)
Other liabilities	(1,891)	(125)	(2,016)
Net assets attributable to members	13,896	52,349	66,245
Revenue	6,938	2,367	
Profit attributable to members [1]	244	2,174	

[1] Represents share of profit during the period the interest was accounted for using the equity method.

The reporting dates of the jointly controlled entity and associate are the same as for the Group. The proportion of voting power held equates to the proportion of ownership interest held except for TGA for which both the Group and the other investor must consent to the strategic, financial and operating decisions. The jointly controlled entity and associate do not recognise income tax expense or liabilities given their nature.

Investments in equity accounted entities are initially accounted for (recognised) at cost by the relevant entity holding the interest. The carrying amount is reduced where the fair value of the underlying interest, primarily representing an indirect interest in a share of an investment property, is less than cost or the equity accounted carrying amount.

There were no investments in jointly controlled entities or associates in 2006 or by the parent.

17. Investments in Controlled Entities

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Shares in subsidiaries – at cost	-	-	475	475

Shares in Subsidiaries

Name	Country of Formation	Equity Holding 2007 %	Equity Holding 2006 %	Carrying Value of Parent's Investment 2007 $'000	Carrying Value of Parent's Investment 2006 $'000
Cromwell Property Securities Limited	Australia	100	100	345	345
Cromwell Property Services Pty Ltd	Australia	100	100	–	–
Marcoola Developments Pty Ltd	Australia	100	100	30	30
Votraint No. 662 Pty Ltd	Australia	100	100	–	–
Peels Trust	Australia	100	100	–	–
Cromwell Capital Limited	Australia	100	100	–	–
Cromwell Finance Limited	Australia	100	100	100	100
Cromwell Operations Pty Ltd	Australia	100	100	–	–
Bundall Corporate Centre Holdings Pty Ltd	Australia	50	50	–	–
Bundall Corporate Centre Partnership	Australia	50	50	–	–
				475	475

Trust and its Controlled Entities

Name	Country of Formation	Equity Holding 2007 %	Equity Holding 2006 %
Cromwell CMBS Pty Ltd	Australia	*	*
Cromwell Loan Note Pty Ltd	Australia	*	*
Cromwell Holding Trust No 1	Australia	*	*
Cromwell Holding Trust No 2	Australia	*	*
Cromwell Holding Trust No 4	Australia	*	*
Cromwell Property Fund	Australia	*	*
Terrace Office Park Property Trust/Planned Investment	Australia	*	*
Cromwell Mary Street Property Trust/Planned Investment	Australia	*	*
Cromwell Goulburn Street Property Trust/Planned Investment	Australia	*	*
Cromwell Northbourne Planned Investment	Australia	*	*
Cromwell Planned Investment #3	Australia	*	*

* *The Trust and its controlled entities listed above are consolidated as part of the Group as required under accounting standards (refer to note 1(b)). The Trust owns 100% of each of its controlled entities except for Cromwell Mary Street Planned Investment for which it owns 92%. The other 8% is held by a subsidiary of the parent (being Cromwell Property Securities Limited). The units in the Trust are stapled with the shares of the parent as described in note 33.*

Cromwell Property Securities Limited ("CPS") holds an Australian Financial Services Licence (AFSL) and acts as responsible entity for the managed investment schemes managed by the Group. The AFSL requires CPS to maintain net tangible assets of $5 million. As such CPS is restricted from paying dividends to the parent entity that would breach its licence conditions. Refer also to note 35.

Bundall Corporate Centre Holdings Pty Ltd ("BCCH") is the nominee for the Bundall Corporate Centre Partnership which the parent entity holds a 50% interest but controls through the appointment of a chairman with a casting vote. The partnership was formed during the 2006 financial year to lease property at Bundall on the Gold Coast from Cromwell Diversified Property Trust. Under the arrangement the partnership was to develop the land (included in inventories – note 11). However, at 30 June 2007 the property was subject to put and call options with an expected settlement date in October 2007. Any profit earned will be shared between the parent and the outside joint venture partner. Apart from the holding of the land, the partnership has had no other significant trading. In particular, it has had no significant revenue, expense or equity contributions.

18. Other Financial Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non-current				
Convertible financing units	61,250	–	–	–

The Group holds 61,250,000 (2006: nil) convertible financing units (CFUs). CFUs are a debt instrument issued by the Cromwell Property Fund ("CPF"). All CFUs on issue are held by the Group and were issued at $1 each and are repayable at $1 each. CFUs have been issued by CPF to fund the acquisition of investment properties, and are expected to be repaid by the maturity date of 3 July 2008 from the proceeds of the issue of ordinary units by CPF. CFUs earn interest at a floating rate equal to the bank bill swap rate, plus a margin of 0.70%, which equated to a rate of 7.1% at 30 June 2007. The net fair values of other financial assets approximate their carrying values.

19. Property Plant and Equipment

Property under construction – at cost	8,507	–	–	–
Leasehold improvements – at cost	697	691	–	–
Accumulated depreciation	(213)	(158)	–	–
	484	533	–	–
Plant and equipment – at cost	990	868	–	–
Accumulated depreciation	(525)	(374)	–	–
	465	494	–	–
Plant and equipment under finance lease – at cost	514	512	–	–
Accumulated depreciation	(176)	(136)	–	–
	338	376	–	–
	9,794	1,403	–	–

Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below.

	Property Under Construction $'000	Leasehold Improvements $'000	Plant and Equipment Owned $'000	Plant and Equipment Under Lease $'000	Total $'000
Consolidated					
Carrying amount at 1 July 2006	–	533	494	376	1,403
Additions	33,004 [1]	8	172	2	33,186
Disposals	(24,497) [2]	–	(38)	–	(24,535)
Depreciation	–	(57)	(163)	(40)	(260)
Carrying amount at 30 June 2007	8,507	484	465	338	9,794
Carrying amount at 1 July 2005	–	425	444	407	1,276
Additions	–	171	206	16	393
Disposals	–	–	–	–	–
Depreciation	–	(63)	(156)	(47)	(266)
Carrying amount at 30 June 2006	–	533	494	376	1,403
Parent					
Carrying amount at 30 June 2007	–	–	–	–	–
Carrying amount at 30 June 2006	–	–	–	–	–

[1] *Represented by:*

	2007 $'000
Acquired on stapling	24,163
Additions at cost	
• Acquisition price	7,100
• Transaction costs	364
• Construction costs	225
• Holding costs	866
• Capitalised interest	286
	33,004

[2] *Disposal of $24,497,000 was recognised on sale of units in Cromwell Accumulation Fund – refer note 34.*

Assets pledged as security

Loans (refer note 23) are secured by a registered floating charge over the assets of the Trust.

20. Deferred Tax Assets

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred tax assets	5,005	3,902	5,860	4,357
Deferred tax assets and liabilities are attributable to the following:				
Receivables	675	127	284	75
Interests in managed investment schemes	(1,562)	(720)	(13)	(6)
Plant and equipment	–	(2)	–	–
Payables	86	19	–	–
Employee benefits	186	137	–	–
Provisions	30	28	–	–
Lease incentives	1	13	–	–
Other	–	12	–	–
Tax losses recognised	5,589	4,288	5,589	4,288
	5,005	3,902	5,860	4,357
Movement in deferred tax assets				
Balance 1 July	3,902	2,569	4,357	2,931
Change on adoption of AASB 132 & AASB 139				
• Reserve – available-for-sale financial assets	–	(267)	–	–
• Accumulated losses	–	120	–	–
Reduction in current tax liability on use of tax losses previously recognised	(1,569)	(1,658)	(1,569)	(1,643)
Credited to income statement	311	357	202	75
Prior year tax losses recognised (note 6)	2,870	3,009	2,870	2,994
Charged to reserve (note 28)	(509)	(228)	–	–
Balance 30 June	5,005	3,902	5,860	4,357

The benefit of temporary differences and prior year tax losses recognised as a deferred tax asset was based on projected earnings over a limited period that the directors considered to be probable. Projected earnings have been re-assessed at each reporting date. There remains a significant amount of tax losses that have not been recognised as a deferred tax asset (refer note 6).

21. Intangible Assets

Software – at cost	849	686	–	–
Accumulated amortisation	(481)	(347)	–	–
	368	339	–	–

Software has been acquired externally. Amortisation of software is included in amortisation/depreciation expense in the income statement.

Reconciliations of the carrying amounts of software are set out below:

Carrying amount at 1 July	339	271	–	–
Additions – acquired separately	230	182	–	–
Disposals	(47)	–	–	–
Amortisation	(154)	(114)	–	–
Carrying amount at 30 June	368	339	–	–

22. Trade and Other Payables

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade payables and accruals	13,530	2,932	181	660
Security deposits	390	–	–	–
	13,920	2,932	181	660

Trade and other payables are generally unsecured, non-interest bearing and paid within 30-60 days of recognition.

The net fair values of trade and other payables approximate their carrying values.

23. Borrowings

Current				
Secured				
Loans – financial institutions	144,106	–	–	–
Debentures	9,812	9,827	–	–
Lease liabilities	75	104	–	–
	153,993	9,931	–	–
Non-Current				
Secured				
Commercial mortgage backed security notes	427,993	–	–	–
Debentures	4,692	10,129	–	–
Lease liabilities - development property	–	8,400	–	–
- other	77	151	–	–
	432,762	18,680	–	–
Unsecured				
Property preference shares	211	211	211	211
	432,973	18,891	211	211

Commercial Mortgage Backed Security ("CMBS") Note Issue

The CMBS facility, repayable in April 2009, is secured by first registered mortgages cross-collateralised over investment properties held by the Group (refer note 14) and a registered floating charge over the assets of the Trust. Interest is payable to the note holders monthly in arrears at variable rates based on a margin over the 30 day BBSW rate which was 6.33% at balance date.

The CMBS note issue of $429 million (face value) comprises five tranches rated by Standard and Poors, comprising 266 million Class A notes (AAA), 42 million Class B notes (AA), 43 million Class C notes (A), 56 million Class D notes (BBB) and 22 million Class E notes (BBB-). Of the $429 million raised through the CMBS note issue, $288 million is effectively at fixed interest rates through interest rate swap arrangements (refer note 10).

Financial Institution Loans

Details regarding financial institution (bank) loans at balance date are as follows:

Loan on investment in Cromwell TGA Planned Investment (see note 16)

Amount	$27 million
Security	First registered mortgage over the TGA property and a registered floating charge over the assets of the TGA (these assets are reflected in the carrying value of the investment in jointly controlled entity)
Maturity date	October 2007
Interest rate	6.89% variable (the loan is effectively fixed through interest rate swap arrangements to 10/08/2010)

Loan on development property (see note 11)

Amount	$5.95 million
Security	First registered mortgage over the development property and a registered floating charge over the assets of the Trust specific to the development property
Maturity date	October 2007
Interest rate	6.94% variable

Loans over investment properties held by Syndicates

Amount	$111.6 million
Security	First registered mortgages over Syndicate investment properties (excluding Northbourne property which is included as security for the CMBS) and a registered floating charge over the assets of the Trust
Maturity date	October 2007
Interest rate	6.94% variable

The amount of the CMBS note issue and loans shown above comprise the gross value of the respective borrowings.
Under accounting standards the amounts recognised in the balance sheet are net of transaction costs which are subsequently amortised using the effective interest method.

Debentures

Cromwell Finance Limited ("CFL"), a controlled entity, has issued a prospectus for the issue of up to $50 million (2006: $30 million) of fixed interest debentures. The term of the debentures varies between 1 – 3 years. The debentures are secured by a first ranking charge over all of the assets of CFL. The assets of CFL comprise cash and cash equivalents of $381,000 (2006: $8,855,000), loans receivable from other Group entities of $14,718,000 (2006: $7,618,000) and loans receivable from other persons of $nil (2006: $3,725,000). Payment of interest and principal is guaranteed by Cromwell Corporation Limited. The proceeds of the debentures are principally used to assist in property and property finance related transactions. The interest rate is fixed for the term of each debenture and is payable at an effective rate of 8% (2006: 8-9%). Interest is payable monthly in arrears and principal is repayable at varying times throughout the year on maturity of the relevant debentures.

Lease Liabilities

Lease liabilities are effectively secured as the rights to the relevant assets (being leased property, plant and equipment) revert to the lessor or financier in the event of default.

The development property lease liabilities recognised by the Group in 2006 are now eliminated on consolidation as a result of the stapling transaction in December 2006 (as the lessee and lessor both form part of the Group).

Finance Facilities

The Group has no unused finance facilities.

Interest Rate Risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

		Fixed interest rate maturing in						
	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
2007								
CMBS note issue	427,993	–	–	–	–	–	–	427,993
Financial institution loans	144,106	–	–	–	–	–	–	144,106
Debentures	–	9,812	4,692	–	–	–	–	14,504
Lease liabilities	–	75	77	–	–	–	–	152
Property preference shares	–	211	–	–	–	–	–	211
Interest rate swaps *	(315,255)	5,820	99,450	15,060	76,745	–	118,180	–
	256,844	15,918	104,219	15,060	76,745	–	118,180	586,966
Weighted average interest rate %	6.28%	6.81%	5.45%	5.59%	5.50%	–	5.81%	
2006								
Debentures	–	9,827	10,129	–	–	–	–	19,956
Property development lease	–	–	–	–	–	–	8,400	8,400
Lease liabilities	–	104	151	–	–	–	–	255
Property preference shares	–	–	211	–	–	–	–	211
	–	9,931	10,491	–	–	–	8,400	28,822
Weighted average interest rate %	–	8.4%	8.4%	–	–	–	10.0%	

** notional principal amounts*

The net fair values of borrowings approximate their carrying values.

24. Dividends/Distributions Payable

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Dividends/distributions payable	15,740	–	5,590	–

Dividends/distributions

The dividends/distributions payable relates to the final June 2007 dividend/distribution for the Group, declared with a record date of 29 June 2007 and paid 31 August 2007 (refer note 31).

25. Provisions

Current				
Employee benefits	526	394	–	–
Non-Current				
Employee benefits	94	62	–	–
Restoration	100	92	–	–
	194	154	–	–

Restoration

The Group's operating leases of its premises requires the asset to be returned to the lessor in a lease stipulated condition. The operating lease payments do not include an element for the refurbishment costs. A provision for refurbishment costs (make good obligations) is recognised over the period of the lease, measured at each reporting date as the expected cost of returning the asset to its agreed condition. Movements in provision for restoration were as follows:

Balance 1 July	92	84	–	–
Additional provisions recognised	8	8	–	–
Unused amounts reversed	–	–	–	–
Balance 30 June	100	92	–	–

26. Other Current Liabilities

Lease incentive	3	44	–	–
Unearned income	3,859	–	–	–
	3,862	44	–	–

Unearned income comprises rent paid in advance by tenants.

27. Contributed Equity

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Share Capital				
698,783,980 (2006: 152,329,146) fully paid ordinary shares	43,347	42,391	43,347	42,391

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Movements in ordinary share capital

	No. of Shares	$'000
Balance – 30 June 2005	151,697,896	42,339
Purchase of treasury shares by ESOP	(500,000)	(200)
Issue of treasury shares to employees for cash on exercise of options	500,000	50
	506,250	152
	125,000	50
Balance – 30 June 2006	152,329,146	42,391
Issue of treasury shares to employees for cash on exercise of options	3,145,000	748
Reconstruction of issued equity on a 0.8879:1 basis prior to stapling – refer note 33	(17,428,250)	–
Issue of shares for stapling – refer note 33	556,969,129	139
	695,015,025	43,278
Shares issued as payment to advisor	462,963	8
DRP issue – 20 March 2007 [1]	1,485,360	28
DRP issue – 21 May 2007 [1]	1,718,992	32
Issue of treasury shares to employees for cash on exercise of options	101,640	1
Balance – 30 June 2007	698,783,980	43,347

[1] *The Group has established a distribution reinvestment plan (DRP) under which stapled securityholders may elect to have all or part of their dividend/distribution entitlements satisfied by the issue of new stapled securities rather than being paid in cash.*

The basis of allocation of the issue price of stapled securities issued post stapling is determined by agreement between the Company and the Trust as set out in the Stapling Deed.

Treasury shares are held by the Employee Share Ownership Plan (ESOP) (refer note 42). Total number of fully paid ordinary shares at balance date comprises:

	2007 Number	2006 Number
Ordinary shares as shown above	698,783,980	152,329,146
Treasury shares held by ESOP	936,096	4,313,750
	699,720,076	156,642,896

Stapled Securities

The ordinary shares of the Company are stapled with the units of the Trust. These 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.

A reconciliation of the stapled number of ordinary shares of the Company and ordinary units of the Trust is as follows:

	Company Number	Trust Number
Ordinary shares / ordinary units	698,783,980	699,995,182
Treasury stapled securities held by ESOP *	936,096	–
Unstapled units (held by the Company)	–	(275,106)
	699,720,076	699,720,076

** The ESOP holds a similar number of Trust units which are included in the total of 699,995,182 units.*

Options

Information relating to the Employee Share Ownership Plan (ESOP), including details of options issued, exercised and lapsed during the financial year, is set out in note 42.

28. Reserves

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Share based payments	610	328	610	328
Available-for-sale financial assets	2,340	1,154	–	–
	2,950	1,482	610	328
Movements in reserves				
Share based payments				
Balance 1 July	328	36	328	36
Options expensed	282	292	282	292
Balance 30 June	610	328	610	328

The share based payments reserve is used to recognise the fair value of options issued for goods and services including employee services.

Available-for-sale financial assets

Balance 1 July	1,154	–	–	–
Adjustment on adoption of AASB 132 and AASB 139:				
• gross	–	889	–	–
• deferred tax	–	(267)	–	–
	1,154	622	–	–
Revaluation:				
• gross	1,695	760	–	–
• deferred tax	(509)	(228)	–	–
Balance 30 June	2,340	1,154	–	–

Changes in the fair value of investments classified as available-for-sale are taken to the available-for-sale financial assets reserve. Amounts are recognised in profit or loss when the associated assets are disposed/sold or impaired. The balance at year end comprises a reserve of a subsidiary attributable to its pre-stapling interest in a Syndicate which continues to be held.

29. Accumulated Losses

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Movements in accumulated losses				
Accumulated losses 1 July	(27,248)	(32,605)	(30,115)	(34,875)
Adjustment on adoption of AASB 132 and AASB 139, net of tax [1]	–	(280)	–	–
Net profit for the year	8,620	7,894	6,362	7,017
Dividends paid/payable	(12,584)	(2,257)	(12,584)	(2,257)
Accumulated losses 30 June	(31,212)	(27,248)	(36,337)	(30,115)

[1] *This adjustment related to remeasurement of a receivable in accordance with AASB 139 upon its adoption.*

30. Minority Interests

Minority interests in:		
Contributed equity	526,145	–
Reserves	131,834	–
	657,979	–

Application of AASB Interpretation 1002 Post-Date-of-Transition Stapling Arrangements and AASB 3 Business Combinations requires, for stapling arrangements which do not involve one of the combining entities obtaining an ownership interest in another combining entity, the net assets and profit or loss of the consolidated acquiree to be identified as minority interests. Even though the interests of the equity holders of the identified acquiree (the Trust) are treated as minority interests (as above) the equity holders of the acquiree are also equity holders in the acquirer (the Company) by virtue of the stapling arrangement.

Up to 1 June 2007 the minority interests in contributed equity and reserves were recorded as a liability, net assets attributable to unitholders. On 1 June 2007 the constitution of the Trust was amended and net assets attributable to unitholders were transferred to contributed equity and reserves. A reconciliation of the movement is as follows:

	$'000
Opening net assets attributable to unitholders – note 33	583,970
Distributions before 1 June 2007 – note 31	(20,928)
Unitholders' finance costs	98,265
Other	(276)
	661,031
Reclassified on 1 June 2007:	
Transfer to contributed equity	526,119
Transfer to reserves	134,912
	661,031

31. Dividends/Distributions

	Parent	
	2007	2006
	$'000	$'000
Dividends paid/payable		
Final dividend for the year ended 30 June 2005 of 1.5 cents per fully paid ordinary share paid on 15 November 2005:		
• Fully franked based on tax paid @ 30% - 0.5 cents per share	–	752
• Unfranked – 1.0 cents per share	–	1,505
Final dividend for the year ended 30 June 2006 of 4.5 cents per fully paid ordinary share paid on 12 October 2006:		
• Fully franked based on tax paid @ 30% - 1.5 cents per share	2,285	–
• Unfranked – 3.0 cents per share	4,570	–
Interim dividend (stapling) of 0.1 cents per fully paid ordinary share paid on 18 December 2006 (fully franked based on tax paid @ 30%) [1]	139	–
Final dividend for the year ended 30 June 2007 of 0.8 cents per fully paid ordinary share, declared with a record date of 29 June 2007 and paid on 31 August 2007:		
• Fully franked based on tax paid @ 30% - 0.27 cents per share	1,863	–
• Unfranked – 0.53 cents per share	3,727	–
	12,584	2,257

Dividends not recognised at year end

In the current year the final dividend of 0.8 cents per fully paid ordinary share was declared prior to year end with a record date of 29 June 2007. In 2006, after the year end, the directors declared the payment of a final dividend of 4.5 cents per fully paid ordinary share, partly franked (1.5 cents) based on the tax paid at 30%. The aggregate amount of proposed dividend paid out of the profit for the 2006 year, but not recognised as a liability at 30 June 2006, was:	–	6,855

[1] *Applied to subscribe for units in Cromwell Diversified Property Trust on behalf of shareholders.*

Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30% (2006 – 30%)	63	1,033

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $nil (2006: $982,000).

	Consolidated	
	2007	2006
	$'000	$'000
Distributions paid/payable by the Trust		
At stapling		
Interim stapling distribution of 0.025 cents per fully paid ordinary unit paid on 18 December 2006 [1]	139	–
After stapling up to 1 June 2007 [2]		
Interim distribution of 1.5 cents per fully paid stapled security paid on 20 March 2007	10,458	–
Interim distribution of 1.5 cents per fully paid stapled security paid on 21 May 2007	10,470	–
	20,928	–
After 1 June 2007 [3]		
Final distribution for the year ended 30 June 2007 of 1.45 cents per fully paid stapled security, declared with a record date of 29 June 2007 and paid on 31 August 2007	10,150	–

[1] *Applied to subscribe for shares in Cromwell Corporation Limited on behalf of unitholders.*
[2] *These distributions are included in unitholders' finance costs in the income statement. This treatment is due to the limited life of the Trust up to 1 June 2007.*
[3] *This distribution is recognised in the consolidated statement of changes in equity due to the amendment of the Trust's constitution on 1 June 2007.*
[4] *All distributions from the Trust are unfranked.*

The determination of the Trust's distributable income excludes unrealised gains including fair value increments to investment properties.

Dividends/distributions paid in cash, payable at balance date or satisfied by the issue of securities under the reinvestment plan during the year were as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Paid in cash [1]	24,232	2,257	6,994	2,257
Satisfied by issue of securities [2]	3,690	–	–	–
Payable at balance date	15,740	–	5,590	–
	43,662	2,257	12,584	2,257

[1] *Excludes distributions paid at stapling.*
[2] *Recognised, in part, by both the Company and the Trust.*

32. Earnings per Share

	Consolidated 2007	Consolidated 2006
Basic earnings per share	1.24¢	1.14¢
Diluted earnings per share	1.24¢	1.14¢
	$'000	$'000
Earnings used to calculate basic and diluted earnings per share		
Profit for the year	15,692	7,894
Profit attributable to minority interest	(7,072)	–
Profit attributable to ordinary equity holders of the company used in calculating basic/diluted earnings per share	8,620	7,894
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	694,363,728	690,907,268
Effect of dilutive securities:		
- Director and employee share options	682,365	1,989,777
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	695,046,093	692,897,045

Options granted under the Employee Share Ownership Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 42.

The weighted average number of ordinary shares used in calculating basic and diluted earnings per share includes adjustments for the pre-stapling reconstruction and stapling issue of 556,969,129 ordinary shares as these transactions were not associated with a corresponding change in resources. Prior year comparatives have also been adjusted.

33. Business Combination / Stapling

(a) Summary of Acquisition

On 19 December 2006 the Company, under the provisions of a Stapling Deed, stapled all its issued ordinary shares with the issued units of the Trust to form the Cromwell Group. Prior to the stapling, between 13 December 2006 and 15 December 2006, the Trust merged with five other Cromwell managed investment schemes collectively referred to as the Syndicates. These Syndicates were Cromwell Mary Street Planned Investment, Terrace Office Park Planned Investment, Cromwell Planned Investment No. 3, Cromwell Northbourne Planned Investment and Cromwell Goulburn Street Planned Investment. Each of these Syndicates also had an associated trust, which also participated in the Merger.

On 19 December 2006 each Company share was consolidated into 0.8879 restructured shares. A stapling dividend of $0.001 was paid to each shareholder for each restructured share held. The Company, on behalf of each shareholder, applied the stapling dividend to subscribe for one unit in the Trust for $0.001 each. On receipt of the subscription amount, Cromwell Property Securities Limited ("CPS"), a 100% owned subsidiary of the Company and the Responsible Entity of the Trust, issued to each shareholder one unit in the Trust for each restructured share held. In addition, on 19 December 2006, the Trust paid a stapling distribution to each unitholder of the Trust of $0.00025 per unit. CPS, on behalf of the unitholders of the Trust, applied the stapling distribution to subscribe for one restructured share in the Company for $0.00025 each. On receipt of the subscription amount, the Company issued to each unitholder one share in the Company for each unit held.

The provisions of the Stapling Deed, the Company Replacement Constitution and amended Trust Constitution together took effect from 19 December 2006 and by operation of these documents each restructured share became stapled to one Trust unit.

For relevant stapling arrangements Australian Accounting Standards require an acquirer to be identified and the general principles in AASB 3 Business Combinations to be applied. In relation to the stapling of the Company and the Trust, the Company has been identified as the acquirer. The following additional accounting principles have also been applied:

(i) no goodwill has been recognised on acquisition of the Trust because no direct ownership interest was acquired by the Company in the Trust;

(ii) the equity issued by the Company to the Trust unitholders to give effect to the transaction is recognised at the dollar value of the consideration paid by the Trust unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purposes of the Company acquiring an ownership interest in the Trust. The consideration paid by the Trust unitholders was a nominal amount of $139,242. The issue of units by the Trust to the Company shareholders was treated similarly; and

(iii) the issued units of the Trust are not owned by the Company. As the Trust was a limited life trust its issued units were treated as a liability rather than equity until amendment of the Trust constitution on 1 June 2007 and were presented as net assets attributable to unitholders in the balance sheet. Following the amendment to the Trust's constitution the net assets of the Trust are now identified as minority interests and presented as such in the consolidated balance sheet within equity.

The Trust contributed revenue and other income of $150,375,000 and profit before unitholders' finance costs of $107,199,000 to the Group for the period from 19 December 2006 to 30 June 2007. It also contributed net profit of $7,072,000 to the Group for the same period. If the acquisition had occurred on 1 July 2006, consolidated revenue and other income and consolidated profit before unitholders' finance costs for the year ended 30 June 2007 would have been $290,537,000 and $201,415,000 respectively. The net profit would not have changed given the limited life nature of the Trust resulted in it recording no net profit (as the 'profits' are reflected in unitholders' finance costs while the issued units are treated as a liability).

(b) Assets and Liabilities Acquired

The assets and liabilities arising from the acquisition of the Trust at the date of stapling were as follows:

	Acquiree's Carrying Amount $'000	Fair Value $'000
Cash and cash equivalents	11,761	11,761
Trade and other receivables	3,646	3,646
Other financial assets	110	110
Derivative financial assets	12,439	12,439
Other assets	921	921
Property, plant and equipment	24,163	24,163
Investment properties	1,388,280	1,388,280
Investment in jointly controlled entity	52,211	52,211
Deposits and preliminary costs	2,273	2,273
Lease receivable	8,400	8,400
Trade and other payables	(23,690)	(23,690)
Other liabilities	(4,957)	(4,957)
Borrowings	(891,587)	(891,587)
Net assets attributable to unitholders [1]	(583,970)	(583,970)
Net assets	–	–

[1] *At the date of stapling the Trust had a limited life. Accordingly, under AASB 132 unitholders' interests were treated as a liability.*

(c) Inflow/Outflow of Cash

Inflow/outflow of cash on acquisition, net of cash acquired:

	Consolidated $'000	Parent $'000
Payment by the Company for 139,083,632 units in the Trust	(139)	(139)
Payment by the Trust for 556,969,129 shares in the Company	139	139
Cash balances acquired	11,761	–
Net cash inflow	11,761	–

34. Subsidiaries Deconsolidated/Disposed

Cromwell Property Fund ("CPF")

CPF was a subsidiary of the Trust at the date of stapling. A Product Disclosure Statement (PDS) was issued by CPF prior to the date of stapling to raise capital from external investors. These funds were used to purchase additional investment properties and repay short term loans associated with the purchase of investment properties. External investors have subscribed for units in CPF via the PDS, diluting the Trust's ownership interest. At 30 June 2007 the Trust's ownership interest in CPF was 22%.

As a result of the above the Trust lost control of CPF on 12 February 2007 at which time the following net assets of CPF were deconsolidated from the Group:

	$'000
Cash and cash equivalents	6,060
Trade and other receivables	859
Other assets	607
Derivative financial instruments	3,358
Investment properties	350,985
Trade and other payables	(4,472)
Other current liabilities – unearned revenue	(1,236)
Other liabiliti–s - CFUs	(61,250)
Borrowings – financial institutions/other lenders	(278,822)
Net assets attributable to unitholders - the Trust	(7,921)
Net assets attributable to external unitholders	(8,168)
Net assets deconsolidated	–
Outflow of cash on deconsolidation	
Cash received on deconsolidation	–
Less: cash balances deconsolidated	(6,060)
Net cash outflow	(6,060)

Since deconsolidation, the Group has accounted for CPF using the equity method of accounting – refer note 16.

Cromwell Accumulation Fund ("CAF")

The CAF was formed on 10 November 2006. The CAF issued 700 units at $1 each. All units were acquired by the Trust. During the year the CAF acquired land at Lenore Lane, Erskine Park, NSW and investment property at Percival Road, Smithfield, NSW. The land at Erskine Park was classified as property under construction and development.

On 14 June 2007 the Trust effectively disposed of the units in CAF to CPF at cost of $700. The net assets disposed of are as follows:

	$'000
Cash and cash equivalents	23
Trade and other receivables	5
Other assets	304
Investment properties	23,968
Property, plant and equipment (property under construction and development)	24,497
Trade and other payables	(663)
Other current liabilities – unearned revenue	(150)
Borrowings – financial institutions	(34,412)
Borrowings – from the Trust	(13,572)
Net assets disposed	–
Outflow of cash on disposal, net of cash disposed	
Cash consideration received	1
Less: cash balances disposed	(23)
Net cash outflow	(22)

35. Cashflow Information

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
(a) Reconciliation of Profit for the Year to Net Cash Provided by Operating Activities				
Profit for the year	15,692	7,894	6,362	7,017
Tax credit	(723)	(779)	(1,273)	(1,603)
Tax paid	(956)	(130)	(956)	(130)
Reimbursements received from tax consolidated entities	–	–	1,106	1,042
Finance costs - unitholders	98,265	–	–	–
Amortisation and depreciation	414	380	–	–
Amortisation (loan establishment costs)	1,089	–	–	–
Bad and doubtful debts	–	249	–	249
Share of profits of jointly controlled entity/associate (net of distributions)	228	–	–	–
Gain on sale of investment property	(4,963)	–	–	–
Share based payments	282	292	282	292
Net gain on fair value adjustments of:				
• Investment properties	(69,779)	–	–	–
• Interest rate derivatives	(4,610)	–	–	–
Gain on dilution of interest in associate	(6,341)	–	–	–
Other	286	204	–	–
Changes in operating assets and liabilities*:				
(Increase)/decrease:				
• Trade and other debtors	(6,449)	(2,351)	153	(3,281)
• Prepayments	(799)	(132)	124	(124)
• Inventories	(1,965)	(1,648)	–	(1,140)
Increase/(decrease):				
• Trade and other payables	7,483	1,184	(479)	392
• Provisions	172	192	–	–
• Unearned revenue	288	(7)	–	–
Net cash provided by operating activities	27,614	5,348	5,319	2,714

** Net of effects of acquisition/disposal of subsidiaries.*

(b) Non-Cash Activities

Securities issued on reinvestment of distributions [1]	3,690	–	60	–
Securities issued as payment to advisor [1]	500	–	8	–
Acquisition of development property (inventories) acquired by means of finance lease [2]	–	8,400	–	–
Acquisition of held for trading financial assets and assignment of vendor bank debt [3]	–	13,500	–	13,500
Acquisition of plant and equipment by means of finance lease	2	16	–	–

[1] Recognised in part by both the Company and the Trust (the Trust's share is included in minority interest while the Company's share is included in share capital).

[2] The finance lease was arranged between a subsidiary of the Company and the Trust pre-stapling. It is now eliminated on consolidation.

[3] On disposal of the interests in Cromwell TGA the financial assets and related bank debt were also assigned to the acquirer (the Trust) in 2006 – see note 9.

In addition to the above notes 33 and 34 detail other non-cash acquisitions and disposals.

(c) Finance Facilities

The Group had no available finance facilities at balance date (2006: nil).

(d) Cash held by Cromwell Property Securities Limited ("CPSL")

At 30 June 2007 cash was held by CPSL, a controlled entity, of $3.3 million (2006: $6.9 million). Of this amount, approximately $0.5 million (2006: $2.4 million) was held as part of the net tangible assets (NTA) required to be maintained by CPSL under its Australian Financial Services Licence (AFSL). As such, the cash is effectively restricted in its use as it cannot readily be used to meet expenses and obligations of other Group entities without consideration of the AFSL requirements. Other assets are also required to be maintained to meet CPSL's minimum NTA requirements.

36. Key Management Personnel Disclosures

(a) Directors

The following persons were directors of Cromwell Corporation Limited during the financial year:

Executive directors

PL Weightman	Chairman/Chief Executive Officer
RL Stiles [1]	Director – Sales and Marketing
DJ Wilson [4]	Chief Financial Officer/Company Secretary
WR Foster	Director – Acquisitions and Property

Non-executive directors

RJ Pullar
MA McKellar [2]
DE Usasz [3]

[1] Resigned as a director on 26 April 2007. Retired on 30 June 2007.
[2] Appointed on 1 March 2007.
[3] Appointed on 26 April 2007.
[4] Resigned as company secretary on 25 January 2007.

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the past two financial years:

Name	Position
SM Morgan [1]	Company Secretary
PA Cronan [2]	Chief Operating Officer
DA Gippel	Structured Finance Manager
MC McLaughlin	Associate Director – Sales and Marketing
MJ Blake	Associate Director – Institutional Markets
PJ McDonnell	National Asset Manager
PJ Cowling	National Facilities Manager

[1] Commenced on 10 May 2006. Appointed company secretary on 25 January 2007.
[2] Commenced on 12 February 2007.

(c) Key Management personnel Compensation

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Short-term employee benefits	3,284,660	2,941,644	1,886,450	1,775,934
Post-employment benefits	142,068	92,579	61,503	33,287
Other long-term benefits	11,708	16,140	2,777	10,532
Share-based payments	205,474	214,553	4,441	22,366
Total	3,643,910	3,264,916	1,955,171	1,842,119

Key management personnel compensation for the parent comprises amounts paid to directors of the parent principally by subsidiaries.

The Company has taken advantage of the relief provided by the Corporations Regulations 2001 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A to D of the remuneration report.

(d) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report in the directors' report.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Cromwell Corporation Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Name	Balance at 1 July	Granted during the year as compensation	Exercised during the year	Restructured on stapling	Balance at 30 June	
					Vested	Not Vested
2007						
Directors						
PL Weightman	–	–	–	–	–	–
RL Stiles	–	–	–	–	–	–
RJ Pullar	–	–	–	–	–	–
MA McKellar	–	–	–	–	–	–
DE Usasz	–	–	–	–	–	–
DJ Wilson	500,000	–	(500,000)	–	–	–
WR Foster	–	–	–	–	–	–
Other key management personnel of the Group						
SM Morgan	–	–	–	–	–	–
PA Cronan	–	–	–	–	–	–
DA Gippel	–	–	–	–	–	–
MC McLaughlin	375,000	–	(375,000)	–	–	–
MJ Blake	750,000	–	(750,000)	–	–	–
PJ McDonnell	–	–	–	–	–	–
PJ Cowling	2,000,000	–	(1,000,000)	(112,100)	887,900	–

Name	Balance at 1 July	Granted during the year as compensation	Exercised during the year	Balance at 30 June	
				Vested	Not Vested
2006					
Directors					
PL Weightman	–	–	–	–	–
RL Stiles	–	–	–	–	–
RJ Pullar	–	–	–	–	–
DJ Wilson	1,000,000	–	(500,000)	–	500,000
WR Foster	–	–	–	–	–
Other key management personnel of the Group					
SM Morgan	–	–	–	–	–
DA Gippel	–	–	–	–	–
PJ McDonnell	–	–	–	–	–
PJ Cowling	–	2,000,000	–	500,000	1,500,000
MJ Blake	–	1,000,000	(250,000)	–	750,000
MC McLaughlin	–	500,000	(125,000)	–	375,000

At 30 June 2007, options entitle the holder to acquire stapled securities in the Group – refer note 42.

Vested options are exercisable.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Cromwell Corporation Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Ordinary share holdings

Name	Balance at 1 July	On exercise of options	Net changes – purchases (sales)	Restructured on stapling	Net changes – purchases (sales)	Balance at 30 June
2007						
Directors						
PL Weightman	16,233,997	–	–	(1,819,830)	950,000	15,364,167
RL Stiles [1]	5,141,362	–	(135,000)	(561,211)	(14,102)	4,431,049
RJ Pullar	13,301,764	–	–	(1,491,127)	1,734,632	13,545,269
MA McKellar [2]	–	–	–	–	20,000	20,000
DE Usasz [2]	1,660,000	–	–	(186,086)	16,486	1,490,400
DJ Wilson	1,663,328	500,000	–	(242,508)	285,162	2,205,982
WR Foster	6,025,000	–	–	(675,402)	–	5,349,598
Other key management personnel of the Group						
PA Cronan	–	–	–	–	–	–
SM Morgan	–	–	–	–	–	–
DA Gippel	616,357	–	–	(69,093)	–	547,264
MC McLaughlin	125,000	375,000	–	(56,049)	13,189	457,140
MJ Blake	1,239,764	750,000	(223,052)	(198,048)	200,000	1,768,664
PJ McDonnell	20,000	–	(20,000)	–	–	–
PJ Cowling	500,000	1,000,000	–	(168,150)	–	1,331,850

[1] *Resigned as director 26 April 2007; retired 30 June 2007.*

[2] *Balance at 1 July is balance at date of appointment.*

Name	Balance at 1 July	On exercise of options	Net changes – purchases (sales)	Balance at 30 June
2006				
Directors				
PL Weightman	16,233,997	–	–	16,233,997
RL Stiles	5,661,362	–	(520,000)	5,141,362
RJ Pullar	13,037,364	–	264,400	13,301,764
DJ Wilson	1,163,328	500,000	–	1,663,328
WR Foster	6,000,000	–	25,000	6,025,000
Other key management personnel of the Group				
DA Gippel	616,357	–	–	616,357
MC McLaughlin	–	125,000	–	125,000
MJ Blake	989,764	250,000	–	1,239,764
PJ McDonnell	–	–	20,000	20,000
PJ Cowling	500,000	–	–	500,000
SM Morgan	–	–	–	–

There were no shares granted during 2007 or 2006 as compensation.

At 30 June 2007 the balances above for the directors and other key management personnel represent the number of stapled securities of the Group held by them.

Property preference share holdings

The numbers of property preference shares in the Company held during the financial year by each director of Cromwell Corporation Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at 30 June 2005	Net Change Other	Balance at 30 June 2006	Net Change Other	Balance 30 June 2007
Directors					
PL Weightman	3,500	–	3,500	–	3,500
RL Stiles [1]	2,500	–	2,500	–	2,500
RJ Pullar	1,000	–	1,000	–	1,000
MA McKellar	–	–	–	–	–
DE Usasz	–	–	–	–	–
DJ Wilson	2,000	–	2,000	–	2,000
WR Foster	–	–	–	–	–
Other key management personnel of the Group					
PA Cronan	–	–	–	–	–
SM Morgan	–	–	–	–	–
DA Gippel	2,000	–	2,000	–	2,000
MC McLaughlin	–	–	–	–	–
MJ Blake	–	–	–	–	–
PJ McDonnell	–	–	–	–	–
PJ Cowling	–	–	–	–	–

[1] *Resigned as director 26 April 2007; retired 30 June 2007.*

(e) Loans – Key Management Personnel

In March 2006 the Group provided Citimark Pty Ltd, a company associated with Robert Pullar (a director of Cromwell Corporation Limited), a $3,500,000 loan facility to fund the refurbishment of the former Brisbane Magistrates Court building at 179 North Quay. The loan was secured by a registered second mortgage over the development property. Interest was charged at 15% fixed per annum and capitalised up to $515,000, thereafter payable monthly in arrears. The loan was repaid on 6 December 2006. Total interest received in 2007 was $238,000 (2006: $95,000).

No other loans were made during the year or the prior year to key management personnel and no loans were outstanding at the reporting date.

(f) Other Transactions With Key Management Personnel

Legal services

The Group obtained legal services from Creagh Weightman, a firm of which Paul Weightman was a partner until 30 June 2006. Total fees expensed by the Group in 2006 were $87,647. In addition Creagh Weightman received remuneration for services relating to other entities (schemes) for which Cromwell Property Securities Limited, a controlled entity, acts as responsible entity. Total fees paid/payable to Creagh Weightman by scheme entities during the 2006 financial year were $272,352.

Sub-lease

Creagh Weightman had an agreement with the Group to sub-lease premises at 200 Mary Street, Brisbane on a month to month basis. During the 2006 financial year the Group received $33,371 as sub-lease income from Creagh Weightman.

Transactions are on commercial terms and conditions unless otherwise stated.

37. Auditor's Remuneration

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
During the year the following fees were paid or payable for services provided by the auditor of the Group (Johnston Rorke) and its related practices:				
Audit Services				
Johnston Rorke:				
Audit and review of financial reports under the Corporations Act 2001	261,000	92,000	70,000	69,000
Audit of a controlled entity's AFS licence	4,000	2,750	–	–
Audit of controlled entities' compliance plans	40,000	–	–	–
Total remuneration for audit services	305,000	94,750	70,000	69,000
Other Services				
Related practice of Johnston Rorke:				
Investigating accountant's report for merger and stapling	200,000	–	200,000	–
Johnston Rorke:				
IFRS accounting services	–	9,600	–	9,600
Tax compliance services	17,620	14,740	11,180	14,740
Total remuneration for other services	217,620	24,340	211,180	24,340

The auditor receives remuneration for audit and other services relating to other entities (schemes) for which Cromwell Property Securities Limited, a controlled entity, acts as responsible entity. The remuneration is disclosed in the relevant entity's financial reports and totalled $42,500 (2006: $221,700).

38. Related Parties

Parent Entity and Subsidiaries

Cromwell Corporation Limited is the ultimate parent entity in the Group. Details of subsidiaries are set out in note 17.

Key Management Personnel

Disclosures relating to key management personnel are set out in note 36.

Transactions with Subsidiaries

	Parent	
	2007 $'000	2006 $'000
Current tax payable assumed from wholly-owned tax consolidated entities	660	1,106
Tax losses assumed from wholly-owned tax consolidated entities	–	–

Transactions between the parent and its subsidiaries also included:

- Loans between the parent and its subsidiaries (refer cash flow statement and note 8). All loans are interest free (except as set out below), unsecured, with no set repayment terms other than being repayable at call in cash;
- Interest was charged in 2006 on all intercompany loans provided by Cromwell Finance Limited at an interest rate of 11% per annum. The parent entity paid Cromwell Finance Limited interest of $489,000 during that year (included in 2006 finance costs of $844,000 in note 5). No such interest was paid in 2007;
- Management fees paid by the parent entity to a controlled entity (refer income statement);
- Dividends paid to the parent entity by a controlled entity of $nil (2006: $1,000,000);
- Transactions between Cromwell Corporation Limited and its wholly-owned controlled entities in accordance with the tax funding agreement (refer note 1(d) – being recognition of receivables and payables in relation to current tax payable and tax losses assumed as disclosed above).

In addition to the above, certain subsidiaries utilise operating leased assets for which the parent is the lessee. As such the subsidiaries pay the lease rentals directly to the lessor and recognises the associated lease rental expense.

Transactions with Jointly Controlled Entity and Associate

Transactions between the Group and its jointly controlled entity and associate also included:

- Loans between the Group and its associate (refer note 8);
- The Group holds 61,250,000 convertible financing units issued by its associate (refer note 18). The Group received $1,737,000 (2006: $nil) in interest payments during the year on these units;
- The Group received $2,646,000 (2006: $nil) in distributions from its jointly controlled entity and associate during the year (refer note 16);
- The Group charged its associate $4,020,000 (2006: $nil) acquisition and capital raising fees during the year, of which the parent charged $2,321,000 (2006: $nil); and
- The Group charged its jointly controlled entity and associate $1,118,000 (2006: $nil) management fees during the year.

Transactions with Managed Investment Schemes (managed by the consolidated entity)

Cromwell Property Securities Limited ("CPS") is the responsible entity of a number of managed investment schemes. The Group derives a range of benefits from schemes managed by CPS including management and acquisition fees. The disclosure below includes the fees and other transactions with the managed investment schemes up to the date of stapling (in December 2006) as after that date the majority of the relevant schemes became part of the Group. For those schemes which are not part of the Group after that date, TGA and CPF (refer note 16), fees and transactions after stapling are disclosed above as being transactions with jointly controlled entity and associate.

(a) Cromwell Diversified Property Trust ("CDPT")

During the financial year the Group charged CDPT the following fees and received the following distributions:

	2007 $'000	2006 $'000
Revenue from CDPT:		
• Acquisition and capital raising fees	2,149	13,889
• Management fees	3,386	4,604
	5,535	18,493
• Distributions	12	16
	5,547	18,509

During the financial year the following loans were provided to CDPT and repaid:

	2007 $'000	2006 $'000
Balance at beginning of the year	–	–
Loans provided to CDPT	6,000	1,900
Loans repaid by CDPT	–	(1,900)
Consolidation adjustment upon stapling [1]	(6,000)	–
Balance at end of year	–	–

[1] *The loan balance of $6,000,000 is included in borrowings of CDPT (the Trust) assumed by the Group upon stapling and, as such, is eliminated on consolidation.*

(b) Other Managed Investment Schemes

During the financial year the Group charged other schemes (excluding CDPT), for which it acts as responsible entity, the following fees and received the following distributions:

	2007 $'000	2006 $'000
Revenue:		
• Acquisition and capital raising fees (Cromwell Property Fund)	1,886	3,222
• Management fees	1,802	1,534
• Distributions		
– Mary Street Planned Investment	65	126
– Cromwell TGA Planned Investment	–	810
	3,753	5,692

Other managed investment schemes are the Syndicates, Cromwell Property Fund and Cromwell TGA Planned Investment (refer note 16).

Acquisition and capital raising fees charged to managed investment schemes are shared between the parent entity and a controlled entity.

39. Segment Information

(a) Description of Segments

Business segments

The Group is organised into the following divisions by product and service type.

Property Investment

The Trust and its controlled entities invest directly in properties located throughout Australia.

Property Funds Management

The Company and its controlled entities establish and manage property trusts and funds throughout Australia.

Property Development

The Company and its controlled entities develop commercial land throughout Australia for sale to external purchasers.

Geographical segments

The Group operates entirely within Australia.

(b) Primary Reporting Format – Business Segments

	Property Investment $'000	Property Funds Management $'000	Property Development $'000	Consolidated $'000
2007				
Segment revenue and other income				
Sales to external customers	60,363	14,701	10,400	85,464
Intersegment sales	162	4,982	–	5,144
Total sales revenue	60,525	19,683	10,400	90,608
Share of profits of equity accounted entities	2,418	–	–	2,418
Gain on dilution of interest in associate	6,341	–	–	6,341
Gain on sale of investment property	4,963	–	–	4,963
Gain on fair value adjustments	74,389	–	–	74,389
Total segment revenue and other income	148,636	19,683	10,400	178,719
Intersegment elimination				(5,144)
Unallocated revenue				2,871
Consolidated revenue and other income				176,446
Segment result				
Segement result	130,874	11,545	4,916	147,335
Intersegment elimination				(88)
Unallocated revenue less unallocated expenses				(2,449)
Finance costs (excluding unitholders)				(24,515)
Stapling transaction costs				(7,049)
Profit before income tax and unitholders' finance costs				113,234
Income tax credit				723
Unitholders' finance costs				(98,265)
Profit for the year				15,692
Segment assets and liabilities				
Segment assets	1,203,680	13,949	12,293	1,229,922
Intersegment elimination				(1,023)
Unallocated assets				66,255
Total assets				1,295,154
Segment liabilities	27,157	7,799	514	35,470
Intersegment elimination				(1,228)
Borrowings [1]				586,966
Unallocated liabilities				882
Total liabilities				622,090

[1] *In accordance with AASB 114 Segment Reporting, borrowings have not been allocated but predominantly relate to the property investment segment.*

(b) Primary Reporting Format – Business Segments (continued)

	Property Investment $'000	Property Funds Management $'000	Property Development $'000	Consolidated $'000
2007				
Other segment information				
Investments in jointly controlled entity and associate	66,245	–	–	66,245
Acquisitions of non-current segment assets				
• Investment properties	25,305	–	–	25,305
• Property, plant and equipment	8,841	182	–	9,023
• Intangibles	–	230	–	230
	34,146	412	–	34,558
Depreciation and amortisation expense	–	414	–	414

The acquisitions of non-current segment assets shown above excludes the acquisition on stapling disclosed in note 33. The stapling acquisition related to the property investment segment.

In 2006 the Group operated in predominantly one business segment. It derived revenue from property funds management services provided to property related managed investment schemes.

(c) Notes to and Forming Part of the Segment Information

Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 1 and Accounting Standard AASB 114 Segment Reporting.

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. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, investment properties, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other payables, employee benefits and provisions. Segment assets and liabilities do not include income taxes.

Inter-segment transactions

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

Equity-accounted investments

The Group has an investment in an Australian jointly controlled entity (Cromwell TGA Planned Investment) and an Australian associate (Cromwell Property Fund) which are accounted for using the equity method and included in the property investment segment.

40. Commitments for Expenditure

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	82	959	–	–
Later than one year but not later than five years	81	3,522	–	–
Later than five years	–	12,110	–	–
Minimum lease payments	163	16,591	–	–
Future finance charges	(11)	(7,936)	–	–
Recognised as a liability	152	8,655	–	–
Representing lease liabilities				
Current	75	104	–	–
Non-current	77	8,551	–	–
	152	8,655	–	–

Finance leases comprise leases over items of plant and equipment under normal commercial terms and conditions. In 2006 finance leases also comprised a lease over a development property. The lease was between the Trust (lessor) and an entity controlled by the Company (lessee). Following stapling, this finance lease is eliminated on consolidation.

Operating Leases

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

Within one year	29	391	95	391
Later than one year but not later than five years	37	462	50	462
	66	853	145	853

Operating leases primarily comprised the lease of the Group's premises. The lease is for 5 years ending August 2007, with an option for a further 5 years with rentals increasing at 3.5% per annum. The lease is with a subsidiary of the Trust and as such the commitment is no longer recognised on consolidation following stapling. Operating lease commitments of the parent entity are paid for and recognised as expenses by a controlled entity as from 1 July 2004.

Acquisition of Development Property

Commitments in relation to acquisition of property under contract in existence at the reporting date but not recognised are as follows:

Purchase of property at Pinkenba	–	4,782	–	4,782

At 30 June 2006 the parent entity had entered into a conditional contract to purchase land and buildings at 200 Holt Street, Pinkenba for $4,782,000. Settlement was completed in August 2006. The property was subsequently sold in February 2007 for $10,400,000.

Capital Expenditure Commitments

Commitments in relation to capital expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Within one year	50,805	–	–	–
Later than one year but not later than five years	30,625	–	–	–
	81,430	–	–	–

The Trust has entered into a development agreement with Citimark Properties Limited ("Citimark"), a company related to Mr. Robert Pullar, who is a director of the Company. Under the agreement, Citimark will develop a commercial office building in Kelvin Grove, Brisbane in accordance with specified terms, and to agreed standards. The land was acquired by the Trust for $7.1 million in June 2007, and construction had commenced prior to balance date (included in property under construction – refer note 19). Under the development agreement, the Trust will reimburse Citimark for the costs of the project, and pay certain fees contingent upon the outcomes of certain events, primarily total construction costs of the property and leasing outcomes. Citimark has provided a rental guarantee to the Trust over the entire property for 18 months from the date construction is complete.

41. Contingent Liabilities

Cromwell Corporation Limited has provided guarantees in respect of debentures issued by its controlled entities which had a carrying value of $14,504,000 at 30 June 2007 (2006: $19,956,000).

42. Share Based Payments

An Employee Share Ownership Plan (ESOP) was established in June 2003 by the directors of the parent entity. All full-time and part-time employees who meet minimum service requirements, including directors of Cromwell Corporation Limited and its controlled entities, are eligible to participate in the Plan at the discretion of the Board. Participation of the directors is subject to shareholder approval. Usually, options granted under the ESOP vest in equal tranches annually between grant date and expiry date. Once vested each tranche must be exercised within a certain period. The options lapse if not exercised.

Under the ESOP interest is charged on a notional employee loan which effectively increases the exercise price. Dividends paid by the parent entity on the treasury shares held by the ESOP effectively reduces the options' exercise price.

The shares allocated to employees under the ESOP are to be transferred at the end of the respective period. If any of the shares have not been acquired by the end of each period, the right to acquire those shares will not be carried forward, but will automatically lapse. The right to acquire any additional shares will lapse on the date the employee ceases employment with the Group. The exercise price of options is to be settled in cash.

Options are granted for no consideration, vest over time and are exercisable by expiry.

Under AASB 2 "Share based Payment", the rights granted to employees to shares acquired by the plan are treated as options for accounting purposes.

Set out below are summaries of options granted and exercised.

Grant Date	Expiry Date	Exercise price (cents)	Balance at start of the year	Granted during the year	Exercised during the year	Reconstructed during the year	Balance at year end
2007							
27/11/2003	26/11/2006	10.0¢	500,000	–	(500,000)	–	–
28/8/2005	30/6/2009	30.9¢	1,438,750	–	(1,371,640)	(18,914)	48,196
28/8/2005	30/9/2009	30.9¢	2,000,000	–	(1,000,000)	(112,100)	887,900
31/10/2005	30/6/2009	40.0¢	375,000	–	(375,000)	–	–
			4,313,750	–	(3,246,640)	(131,014)	936,096
Weighted average exercise price (cents)			29.3¢	–	28.7¢	–	34.8¢
2006							
27/11/2003	26/11/2006	10.0¢	1,000,000	–	(500,000)	–	500,000
28/8/2005	30/6/2009	30.9¢	–	1,945,000	(506,250)	–	1,438,750
28/8/2005	30/9/2009	30.9¢	–	2,000,000	–	–	2,000,000
31/10/2005	30/6/2009	40.0¢	–	500,000	(125,000)	–	375,000
			1,000,000	4,445,000	(1,131,250)	–	4,313,750
Weighted average exercise price (cents)			10.0¢	31.9¢	22.3¢	–	29.3¢

Notes:

[1] *At 30 June 2007 all options (2006: 500,000) were vested and exercisable with a weighted average exercise price of 34.8 cents (2006: 30.9 cents). All options became vested and exercisable on approval of the stapling by shareholders and unitholders in December 2006.*

[2] *The weighted average remaining contractual life of share options outstanding at the end of the year was 2.3 years (2006: 1.7 years).*

[3] *No options were granted in 2007. The assessed fair value of options granted in 2006 was 10.1 cents for options exercisable at 30.9 cents and 7.1 cents for options exercisable at 40 cents.*

[4] *3,145,000 options were exercised on 19 December 2006 (stapling date) and 101,640 options were exercised on 30 June 2007 (2006: – all options were exercised on 30 June 2006). 3,246,640 shares (2006: 1,131,250 shares) were issued to employees on exercise of the options, 3,145,000 on 19 December 2006 and 101,640 on 30 June 2007. The aggregate proceeds received from employees on the exercise of options and recognised as issued capital was $749,000 (2006: $252,000) for the Company and $26,000 (2006: $nil) for the Trust. The fair value of shares issued at the option exercise date was $3,601,950 (that is the weighted average share price at the date of exercise was $1.11 per share) (2006 - $1,119,938; $0.99 per share).*

[5] *As a result of the stapling transaction (refer note 33) all outstanding options under the ESOP became vested and exercisable. Options not exercised were subject to the same reconstruction as ordinary issued shares. Although vested, any options not exercised at stapling are still subject to the same exercisable timetable as prior to stapling.*

To 30 June 2007 no options granted under the ESOP have lapsed, been forfeited or expired.

Fair Value of Options Granted

The fair values at grant date were determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2006 included:

	Options Granted	
Exercise price (cents)	30.9¢	40¢
Grant date	28/8/05	31/10/05
Share price at grant date	34¢	38¢
Expected price volatility of the company's shares	90%	90%
Expected dividend yield	3.66%	3.66%
Risk free interest rate	5.0%	5.18%
Expiry date	30/6-30/9/09	30/6/09

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.

No options were granted during the 2007 financial year.

Expenses arising from share based payment transactions

Total expenses arising from share based transactions recognised during the year as part of employee benefits expense were as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Options issued under employee share plan	282	292	282	292

As noted above the stapling transaction accelerated the vesting of options. Accordingly, the related remaining share option expense was also recognised this year.

43. Subsequent Events

Since balance date and up to the date of this report, the following transactions have occurred:

Sale of investment properties/development property

The 59 Goulburn Street, Sydney investment property, classified as held for sale at balance date, was settled on 23 July 2007. Of the $92,050,000 sale proceeds, $51,900,000 was utilised to repay loans to financial institutions, with the balance received in cash.

The 8 St Georges Terrace (Bird Cameron building), Perth investment property was contracted for sale and sold for $27,300,000 on 23 August 2007. The investment property was independently valued at $21,600,000 at 30 June 2007.

The Bundall Corporate Centre investment property, classified as held for sale at balance date, and Bundall development property, classified as inventories at balance date, were the subject of put and call options at 30 June 2007. Since balance date the call option has been exercised by the buyer with settlement expected in October 2007. The sale proceeds in relation to the investment property and the development property are expected to be $64,400,000 and $39,000,000 respectively.

The financial effects of subsequent events were not recognised as at 30 June 2007.

Directors' Declaration

In the directors' opinion:

(a) the attached financial statements and notes (including the remuneration disclosures that are contained in sections A to D of the remuneration report in the directors' report) are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the remuneration disclosures contained in sections A to D of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2007 required by section 295A of the Corporations Act 2001.

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

P.L. Weightman

Director

Dated this 27th day of September 2007

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3222 8496
Website www.jr.com.au
Email jr@jr.com.au

Independent auditor's report to the members of Cromwell Corporation Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Cromwell Corporation Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Cromwell Corporation Limited (the company) and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Cromwell Corporation Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

JOHNSTON RORKE
Chartered Accountants

J. Evans

J J EVANS
Partner

Brisbane, Queensland
27 September 2007

Securityholder Information

The securityholder information set out below was applicable as at 18 September 2007.

(a) Distribution of Securityholders

Category (size of Holding)	Number of Securityholders Stapled Securities	Number of Securityholders Property Preference Shares
1 – 1,000	358	56
1,001 – 5,000	520	2
5,001 – 10,000	633	2
10,001 – 100,000	7,008	10
100,001 and over	1,145	-
	9,664	70

(b) Unmarketable Parcels

The number of stapled securityholdings held in less than marketable parcels was 193.

The number of property preference shareholdings held in less than marketable parcels was NIL.

(c) Substancial Securityholders

There were no substantial securityholders listed in the company's register.

(d) Voting Rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each security shall have one vote.

(e) 20 Largest Shareholders

Stapled Securities	Number of Stapled Securities Held	% Held of Issued Stapled Securities
RBC Dexia Investor Services Australia Nominees Pty Limited [APN A/C]	30,495,540	4.34
National Nominees Limited	16,325,135	2.32
J P Morgan Nominees Australia Limited	16,238,241	2.31
HSBC Custody Nominees (Australia) Limited	15,835,219	2.25
Stara Investments Pty Ltd	14,060,433	2.00
AWJ Family Pty Ltd	13,989,184	1.99
RJP Family Pty Ltd	13,806,604	1.96
ANZ Nominees Limited	11,825,209	1.68
RBC Dexia Investor Services Australia Nominees Pty Ltd [BKCUST A/C]	8,916,292	1.27
Trial Developments Pty Ltd	8,850,042	1.26
Citicorp Nominees Pty Limited [CFSIL CWLTH Property 1 A/C]	7,431,143	1.06
Cogent Nominees Pty Limited	6,318,692	0.90
Humgoda Investments Pty Ltd	6,020,115	0.86
Perpetual Nominees Ltd [MFS Premium Income FD A/C]	5,066,562	0.72
Panmax Pty Limited [Super Fund A/C]	4,585,392	0.65
Mr Phillip John Wallace & Ms Bernadette Mary Wallace	4,439,500	0.63
Mr Bruce William Wallace & Mrs Zelma Wallace	3,641,378	0.52
Balcony Developments Pty Ltd	3,551,600	0.51
Kovron Pty Ltd	3,352,387	0.48
Citicorp Nominees Pty Limited	3,147,071	0.45
	197,895,739	28.16

(e) 20 Largest Shareholders (continued)

Property Preference Shares	Number of Shares Held	% Held of Issued Shares
South Pacific Equities Pty Ltd	64,000	23.26
Findini Pty Ltd [Valesini Family S/F A/C]	24,000	8.72
ETR Nominees Pty Ltd [Lewis NSW Masonic Youth A/C]	20,539	7.47
Bond Street Custodians Limited [CGF1 – I59387 A/C]	20,000	7.27
CJ Cornwell & Son Pty Ltd [Cornwell Executive S/F A/C]	20,000	7.27
ETR Nominees Pty Ltd [Lewis Sharpe Super A/C]	19,000	6.91
Bond Street Custodians Limited [CGF1 – V77008 A/C]	15,000	5.45
ETR Nominees Pty Ltd [Lewis Lewis J&J A/C]	15,000	5.45
ETR Nominees Pty Ltd [Lewis Rosalie Field Inv A/C]	13,566	4.93
ETR Nominees Pty Ltd [Lewis Tara Hall Egan A/C]	12,500	4.54
Mr Robert Victor Harm & Mrs Jean Audrey Harm	8,000	2.91
Bond Street Custodians Limited [CGF1 – I23261 A/C]	7,500	2.73
Trial Developments Pty Ltd [Creagh Family A/C]	4,000	1.45
Mr Daryl John Wilson & Mrs Shona Maree Wilson [Wilson Family Super A/C]	2,000	0.73
Mr Matthew Dominic Cover & Ms Terina Lee Welch [Our Future Super A/C]	1,000	0.36
Ms Maureen Lyle Graham	1,000	0.36
Jobus Investments Pty Ltd	1,000	0.36
Ms Jennifer Stevenson [Matthew Smith A/C]	1,000	0.36
Ms Jane Adams	500	0.18
Mr Greg Allport	500	0.18
	250,105	90.91

Provision of information for Securityholders

Cromwell is committed to ensuring its securityholders are fully informed on the financial and operational status of the Group as well as its future prospects, in accordance with the rules and guidelines of the Australian Securities Exchange (ASX) and other regulatory bodies. The following information can also be found on the Cromwell website at www.cromwell.com.au.

ASX Listing

Cromwell Group has two separate securities listed on the ASX:

- Stapled Securities (ASX Code: CMW)
- Property Preference Shares (ASX Code: CMWPA)

Securityholding Details

Securityholders can access information on their holdings and update their details through Cromwell's share registry provider:

Computershare Investor Services Pty Limited
Level 19, 307 Queen Street, Brisbane QLD 4000
Telephone: 1300 850 505
Outside Australia: 61 3 9415 4000
Facsimile: (07) 3237 2151
Website: www.computershare.com.au
E-mail: web.queries@computershare.com.au

Securityholders can change or update details relating to their address, bank account and Tax File Number (TFN), Australian Business Number (ABN) or exemption in a number of ways:

- Send written authorisation to the Registry quoting your SRN / HIN and signing the request, or
- Call the Registry.

You will have to verify your identity by providing your personal details. Bank detail changes must be requested in writing and cannot be made over the phone.

Securityholders can also use the Computershare website (www.computershare.com.au) to check current and previous holding balances, communication delivery preferences, security prices, TFN/ABN details and to download a variety of forms.

Quoting of TFN, ABN or exemption details

Securityholders are not obliged to quote their TFN, ABN or exemption. However, if these details are not lodged with the registry, Cromwell is obliged to deduct tax from unfranked portions of dividend payments and distribution payments up to the highest marginal tax rate, depending on residency.

Distributions/Dividends

Cromwell Corporation Limited Dividends

Dividends paid to Cromwell Corporation Limited shareholders prior to the date of the stapling transaction were:

Period Ending	Dividend	Record Date	Payment Date	Franked Amount
30 June 2006	4.5 cents	28 September 2006	5 October 2006	33%
Special Dividend*	0.1 cents	12 December 2006	15 December 2006	100%

** Special Dividend used to subscribe for units in the Trust as part of the stapling transaction.*

Cromwell Group Dividends/Distributions

In December 2006, following a 0.8879:1 reconstruction, shares in Cromwell Corporation Limited (the Company) were stapled to units in the Cromwell Diversified Property Trust (the Trust) creating the ASX-listed Cromwell Group stapled security. At the time of stapling, shareholders in the Company and unitholders in the Trust became Cromwell Group securityholders.

Since the date of the stapling transaction, the following distributions/dividends have been paid:

Period Ending	Distribution/Dividend	Ex Dividend Date	Record Date	Payment Date	DRP Price
31 January 2007	1.50 cents	6 February 2007	12 February 2007	20 March 2007	$1.1794
31 March 2007	1.50 cents	28 March 2007	3 April 2007	21 May 2007	$1.1268
30 June 2007	2.25 cents	25 June 2007	29 June 2007	31 August 2007	$1.1662

Cromwell Property Preference Shares

Cromwell Property Preference Shares (PPS) were created as a liquidity option for the Trust and began trading on the ASX on 5 April 2004. The PPS have the right to an unfranked dividend at a rate equal to the higher of 8.5% pa or 95% of the annualised cash distributions paid by the Trust. Dividends are paid every 6 months.

Since 1 July 2006, the following PPS dividends have been paid:

Period Ending	Dividend	Record Date	Payment Date	Yield
30 June 2006	4.275 cents	17 August 2006	24 August 2006	8.55%
31 December 2006	4.275 cents	25 January 2007	31 January 2007	8.55%
30 June 2007	4.275 cents	26 July 2007	31 August 2007	8.55%

Further Information

The Cromwell website provides a comprehensive range of information on the company, past performance and products. The website address is www.cromwell.com.au. Requests for further information about the Group, its dealings and key securityholder communications should be directed to:

Investor Relations Manager
Cromwell Group
GPO Box 1093, Brisbane Queensland 4001
Telephone: (07) 3225 7777
Facsimile: (07) 3225 7788
Email: cromwell@cromwell.com.au

Directory

Board of Directors

Paul L Weightman
Robert J Pullar
Michelle A McKellar
David E Usasz
Daryl J Wilson
W Richard Foster

Company Secretary

Suzanne M Morgan

Share Registry

Computershare Investor Services Pty Ltd
Level 19
300 Queen Street
Brisbane QLD 4000
Telephone: 1300 850 505
Facsimile: (07) 3237 2152

Registered Office

Level 19
200 Mary Street
Brisbane QLD 4000
Telephone: (07) 3225 7777
Facsimile: (07) 3225 7788

Listing

Cromwell Group (CMW) is listed on the Australian Securities Exchange.

Auditor

Johnston Rorke
Chartered Accountants
Level 30, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Telephone: (07) 3222 8444
Facsimile: (07) 3221 7779

Cromwell