CROMWELL CORPORATION LIMITED

A.B.N. 44 001 056 980

HALF-YEAR REPORT

31 DECEMBER 2003

CROMWELL CORPORATION LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their report on the consolidated entity, consisting of Cromwell Corporation Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2003.

1. Directors

The following persons were directors of Cromwell Corporation Limited during the whole of the half-year and up to the date of this report:

Mr Paul L Weightman
Mr Ross L Stiles
Mr Robert J Pullar
Mr Daryl J Wilson

2. Review of Operations

The Cromwell Group has continued to consolidate ahead of a major growth phase, with an after tax loss to December 31, 2003, of $243,369, compared to a loss of $321,413 in the corresponding period last year.

The overall result was influenced by a number of factors and the company is now positioned for significant growth over coming years.

Total revenue for the half was $2.73 million, and included proceeds from the sale in December last year of the option to acquire 316 Adelaide Street (Century House) in Brisbane and increased contributions from funds management activities. Funds management revenue rose 8% in the half to $1.21 million.

The sale of Century House resulted in a net gain of $736,000 for Cromwell.

While, these positives were largely offset by higher costs associated with planning for future acquisitions and restructuring the product marketing functions, the group is now well placed to acquire significant additional assets under management. Cromwell has secured a contract for the acquisition of 700 Collins Street, Melbourne, for $133 million by the Cromwell Diversified Property Trust (CDPT), the group's flagship investment fund. Cromwell is also negotiating on a number of additional quality commercial and industrial properties which will add further value.

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

Director

Brisbane, Queensland
Dated this 27 day of February 2004

JOHNSTON RORKE JR

Chartered Accountants

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INDEPENDENT REVIEW REPORT

To the Members of Cromwell Corporation Limited

Scope

We have reviewed the financial report being the Directors' Declaration, Consolidated Statements of Financial Performance, Financial Position and Cash Flows and Notes to the Consolidated Financial Statements of Cromwell Corporation Limited (the company) for the half-year ended 31 December 2003. The company's directors are responsible for the financial report which includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cromwell Corporation Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 1029: *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

JOHNSTON RORKE
Chartered Accountants

R C N WALKER
Partner

Brisbane, Queensland
27 February 2004

CROMWELL CORPORATION LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors declare that the attached financial statements and notes:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that Cromwell Corporation Limited will be able to pay its debts as and when they become due and payable.

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

Director

Brisbane, Queensland
Dated this 27 day of February 2004

CROMWELL CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	Note	Half-year 2003 $	Half-year 2002 $
Revenues from ordinary activities	2	2,736,241	3,884,085
Expenses from ordinary activities			
Amortisation and depreciation		99,289	79,122
Borrowing costs		220,519	1,335,530
Commissions		121,212	1,061,397
Compliance costs		60,629	32,239
Consulting fees		48,834	-
Costs incurred in respect of option to acquire investment property	2	378,339	-
Employee and director salaries and related costs		1,053,719	868,367
Insurance		56,130	46,053
Property scheme costs		197,294	202,884
Premises rental		94,120	98,844
Professional fees		126,231	68,713
Systems integration fee – marketing database		100,000	-
Travel and entertainment		63,928	55,750
Telecommunications		49,297	39,565
Other		392,929	317,034
		3,062,470	4,205,498
Loss from ordinary activities before income tax benefit/(expense)		(326,229)	(321,413)
Income tax benefit/(expense)	3	82,860	-
Net loss		(243,369)	(321,413)
		Cents	**Cents**
Basic earnings per share (loss)		(0.16)	(0.21)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

CROMWELL CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2003

	Note	31 Dec 2003 $	30 June 2003 $
Current Assets			
Cash assets		2,331,932	3,104,059
Receivables	4	7,232,440	1,755,238
Other financial assets		15,500	380,500
Other	5	837,464	104,527
Total Current Assets		10,417,336	5,344,324
Non-Current Assets			
Receivables	4	623,412	679,423
Other financial assets		1,537,000	1,537,000
Property, plant and equipment		971,584	858,434
Intangible assets	6	684,137	165,765
Total Non-Current Assets		3,816,133	3,240,622
Total Assets		14,233,469	8,584,946
Current Liabilities			
Payables		1,694,806	1,218,809
Interest-bearing liabilities	7	5,874,870	153,145
Current tax liabilities		13,225	272,313
Provisions		80,383	69,312
Other		40,352	40,352
Total Current Liabilities		7,703,636	1,753,931
Non-Current Liabilities			
Interest-bearing liabilities	7	275,979	313,616
Other		104,244	124,420
Total Non-Current Liabilities		380,223	438,036
Total Liabilities		8,083,859	2,191,967
Net Assets		6,149,610	6,392,979
Equity			
Contributed capital		43,618,619	43,618,619
Accumulated losses		(37,469,009)	(37,225,640)
Total Equity		6,149,610	6,392,979

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

CROMWELL CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	Half-year 2003 $	Half-year 2002 $
Cash Flows From Operating Activities		
Cash receipts in the course of operations	1,715,530	5,136,357
Cash payments in the course of operations	(2,808,504)	(3,630,083)
Interest received	85,303	69,900
Distributions received	89,938	835,152
Borrowing costs paid	(171,829)	(1,415,157)
Income tax paid	(173,808)	-
Net cash provided by/(used in) operating activities	(1,263,370)	996,169
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(198,320)	(254,655)
Payments in respect of unpaid interests	-	(3,415,461)
Payments on behalf of schemes	(603,690)	(2,014,820)
Loans to scheme (CDPT)	(6,000,000)	-
Loans to other persons	(678,000)	(150,317)
Repayment of loans by other persons	899,175	-
Proceeds from redemption of investment	365,000	21,875,461
Proceeds from sale of investment	1,113,900	-
Payments for intangible and other assets	(90,909)	(18,115)
Funds held by custodian	-	(796,739)
Net cash provided by/(used in) investing activities	(5,192,844)	15,225,354
Cash Flows From Financing Activities		
Proceeds from borrowings	5,802,000	4,544,000
Repayment of borrowings	(117,913)	(20,940,269)
Proceeds from lease incentive	-	201,761
Other	-	(16,813)
Net cash provided by/(used in) financing activities	5,684,087	(16,211,321)
Net increase/(decrease) in cash held	(772,127)	10,202
Cash at the beginning of the reporting period	3,104,059	337,093
Cash at the end of the reporting period	2,331,932	347,295

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

1. Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Cromwell Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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

2. Revenue

	Half-year	
	2003	**2002**
	$	**$**
Revenue from operating activities		
- services	1,214,233	2,892,949
Revenue from outside operating activities		
- distributions from managed investment schemes	77,170	690,830
- interest	155,653	69,900
- proceeds from sale of investments	1,113,900	-
- other	175,285	230,406
	1,522,008	991,136
	2,736,241	3,884,085

Revenue from operating activities - services

Property syndication/acquisition fees		
Cromwell Goulburn Street Planned Investment	-	1,768,072
Other service revenue	1,214,233	1,124,877
	1,214,233	2,892,949

Other service revenue includes fees for management and administration of managed investment schemes which has increased as the number of schemes for which a controlled entity acts as responsible entity has increased.

2. Revenue (cont)

Distributions from managed investment schemes

Distributions received during the 2002 half-year primarily related to distributions received from Cromwell Goulburn Street Planned Investment during the period the consolidated entity held interests therein.

Proceeds from sale of investments

	Half-year 2003 $	2002 $
Sale of option to acquire investment property	1,113,900	-

The consolidated entity recorded a gain of $735,561 on the sale of the above option.

Financial performance

The financial performance of the consolidated entity can be irregular due to the timing and frequency of property acquisition/syndication fees, the related expenditure and property development management fees.

3. Income Tax Expense/(Benefit)

The income tax expense/(benefit) for the half-year differs from the amount calculated on the loss. The differences are reconciled as follows:

	2003	2002
Loss from ordinary activities before income tax expense/ (benefit)	(326,229)	(321,413)
Income tax expense/(benefit) calculated at 30%	(97,869)	(96,424)
Tax effect of permanent differences:		
Non-deductible items	5,140	6,645
Income tax adjusted for permanent differences	(92,729)	(89,779)
Benefit of tax losses not recognised	92,729	89,779
Over-provision in prior years	(82,860)	-
Income tax expense/(benefit)	(82,860)	-

4. Receivables

		31 Dec 2003 $	30 June 2003 $
Current			
Trade debtors		619,789	999,663
Other debtors		318,688	176,123
Other loans	- CDPT (see below)	6,000,000	-
	- Canham Commodities Corporation Pty Ltd	143,463	358,627
	- Employee share plan	50,000	-
	- Other	100,500	100,500
Deposits and other recoverables		-	120,325
		7,232,440	1,755,238
Non-current			
Other loans	- Meadowbrook Shopping Village Syndicate	479,423	479,423
	- Employee share plan	143,989	200,000
		623,412	679,423

Other loans – Cromwell Diversified Property Trust ("CDPT")
A loan of $6 million was provided to CDPT to fund deposits on the acquisition of investment properties, 700 Collins Street, Melbourne and a portfolio of properties from Challenger Financial Services Group ("Challenger"). Details are set out below.

In September 2003 CDPT entered into an unconditional contract to purchase the Collins Street property for $133 million and paid a non-refundable deposit of $5 million cash and provided a $5 million bank guarantee. The cash deposit of $5 million was borrowed from Cromwell Corporation. The property is currently under construction with settlement expected to take place at the end of August/September 2004. Interest received by CDPT on the $5 million cash deposit is to be paid to Cromwell Corporation.

In December 2003 CDPT made a conditional offer to purchase the Challenger properties for $153 million. An initial refundable deposit of $1 million was paid by CDPT, which was borrowed from Cromwell Corporation unsecured and interest free. CDPT intends to fund the acquisition through a combination of borrowings and equity.

A Product Disclosure Statement (PDS) is currently being prepared by Cromwell Property Securities Ltd, as the responsible entity for CDPT, in connection with equity capital raising to fund the acquisition of both the Challenger and Collin Street properties.

5. Other Current Assets

	31 Dec 2003 $	30 June 2003 $
Recoverable costs – CDPT (see below)	782,453	-
Prepayments	55,011	104,527
	837,464	104,527

As at 31 December 2003 Cromwell Corporation has incurred costs of $782,453 in respect of the acquisition of the Challenger and Collins Street properties. These costs include legal fees, due diligence costs, loan establishment costs etc, and are to be recovered from CDPT following the proposed capital raising. Since 31 December 2003 further due diligence costs of approximately $260,000 and an interest rate hedge cost of $920,000 have been incurred by Cromwell Corporation for this purpose – see note 11.

At the date of this report, the agreement with Challenger had not been finalised. Should CDPT not proceed with the purchase of the Challenger properties, Cromwell Corporation may not elect to recover those costs incurred by CCL in respect to this acquisition. Under these circumstances, the total costs incurred by Cromwell Corporation may need to be written off. The directors are confident of finalising the contract with Challenger and raising sufficient capital through the PDS to complete the acquisition of both properties.

6. Intangible Assets

	31 Dec 2003	30 June 2003
	$	$
Licence and systems establishment costs	296,365	277,994
Accumulated amortisation	(126,862)	(112,229)
	169,503	165,765
Marketing database	514,634	-
Accumulated amortisation	-	-
	514,634	-
	684,137	165,765

At the company's annual general meeting on 27 November 2003 shareholders approved the acquisition of the marketing database from an entity associated with Richard Foster, a director of Cromwell Property Securities Limited (a wholly owned controlled entity of Cromwell Corporation Ltd). The marketing database has been recognised at cost and is to be amortised on a straight line basis over 10 years.

7. Interest-Bearing Liabilities

Current		
Debentures - CDPT (700 Collins Street)	5,802,000	-
Other loans - unsecured	-	85,088
Lease liabilities	72,870	68,057
	5,874,870	153,145
Non-current		
Lease liabilities	275,979	313,616

The CDPT debentures were issued by Cromwell Corporation on 22 September 2003 to fund the loan provided to CDPT for the deposit and acquisition costs relating to 700 Collins Street (see note 4 above). The debentures have a minimum term of 10 months and a maximum term of 18 months but may be repaid at any time after 10 months. The debentures bear interest at 9% per annum and are secured by a fixed and floating charge over the assets and undertakings of Cromwell Corporation (which includes a charge over CCL's right to repayment of the loan provided to CDPT as shown in note 4 above).

8. Segment Information

During the 2003 financial year and for the six months to 31 December 2003 the consolidated entity operated predominantly in the one business segment. It derived revenue from management and administrative services provided to property and mortgage related managed investment schemes for which a controlled entity is the responsible entity. The consolidated entity operates in Australia only.

9. Notes to Statement of Cash Flows

	Half-year	
	2003	2002
Non-Cash Financing and Investing Activities	$	$
Acquisition of property, plant and equipment by means of finance leases	-	245,000

10. Contingent Liabilities

The directors are not aware of any significant changes in contingent liabilities since the last annual report.

11. Subsequent Events

Cromwell Diversified Property Trust

The consolidated entity has incurred additional due diligence costs of approximately $260,000 in respect of the acquisition of the portfolio of properties from Challenger Financial Services Group ("Challenger") and in the preparation of the PDS in connection with the proposed capital raising – see note 5.

In February 2004 the consolidated entity paid $920,000 on behalf of CDPT to forward fix the interest rate (at 6.5% per annum for three years) on the debt facility of $86.4 million which is due to be drawn down in September 2004 to fund the acquisition of the investment property at 700 Collins Street, Melbourne.

The financial effects of the above were not recognised as at 31 December 2003.