

CROMWELL DIVERSIFIED PROPERTY TRUST
ARSN: 102 982 598

FINANCIAL REPORT

30 JUNE 2005

Cromwell Property Securities Limited
ABN 11 079 147 809
Level 19, 200 Mary Street
BRISBANE QLD 4000

CROMWELL DIVERSIFIED PROPERTY TRUST DIRECTORS' REPORT

The directors of Cromwell Property Securities Limited, the responsible entity of Cromwell Diversified Property Trust ("the Trust"), present their report for the year ended 30 June 2005.

1. Responsible Entity and Term

Cromwell Property Securities Limited has acted as responsible entity of Cromwell Diversified Property Trust since registration of the Trust in December 2002. The Trust has a defined life of 10 years ending 30 November 2012.

The responsible entity undertakes management and administrative duties for the Trust and monitors the Custodian, Trust Company of Australia, which holds Trust assets on behalf of investors.

2. Directors

The directors of the responsible entity during the whole of the financial year and up to the date of this report were:

Mr Paul L Weightman
Mr Ross L Stiles
Mr W Richard Foster
Mr Robert J Pullar

3. Review of Operations and Results

The last year has seen a period of significant growth for the Trust, with the acquisition of a further two properties, 700 Collins Street, Melbourne for \$133 million and the Forsyth Distribution Centre, Hoppers Crossing for \$41 million (plus acquisition costs for both properties). The significant contribution from these additional assets, as well as the Portfolio Properties acquired in June 2004 can be seen in the revenue growth, with total revenue of \$34.0 million for the year, against \$6.7 million in 2004.

Support from existing and new investors has been overwhelming, with an additional 177 million units issued during the year. The Product Disclosure Statement ("PDS") issued in March 2004 closed in February 2005, having raised the maximum subscription of \$146 million earlier than expected. A further PDS was issued in February 2005 to raise an additional \$70 million, and this offer also closed fully subscribed prior to the end of the year.

The past year has seen significant work in re-engineering outgoings cost structures and service contracts for properties in the Trust, while simultaneously undertaking many minor property improvement projects to ensure maximum operational efficiency is achieved in the future. While the financial effects of this are not yet fully evident, it has resulted in a significant platform for consistently better financial performance from many of these properties going forward, with improved maintenance regimes achieved, at a predominantly better cost.

3. Review of Operations and Results (Continued)

The Trust recorded a net profit for the year of \$9.95 million (2004: \$2.06 million) and paid distributions of \$13.48 million (2004: \$2.26 million). The financial performance of the Trust on a cents per unit basis was in line with forecasts contained within the two PDS's on issue during the year. Income for the last quarter was impacted by the funds held on deposit pending acquisition of further property, however the responsible entity undertook to support distributions on these units by way of a reduction in management fees to ensure neither existing or new unitholders were disadvantaged by the Trust holding these funds in cash.

Distributions paid by the Trust averaged 9.10% pa until February 2005, and 9.00% pa for the remainder of the year. This was in line with forecasts contained within the two PDS's on issue during the year.

4. Significant Changes in the State of Affairs

There was a significant change in the state of affairs of the Trust during the year, due to the acquisition of additional properties. The Trust's investment properties increased by \$181.9 million, largely as a result of the purchase of 700 Collins Street, Melbourne, the Forsyth Distribution Centre, Hoppers Crossing, and the associated acquisition costs. These costs, together with loan establishment and equity transaction costs, were funded by an increase in bank loans of \$113.1 million for the year and equity issued.

Cash assets also increased significantly in 2005 to \$62.65 million (2004: \$23.36 million). Cash assets included approximately \$50.5 million proceeds of equity issued which had not yet been utilised to acquire additional property at balance date.

5. Principal Activities

The principal activities of the Trust during the financial year were direct property investment and management.

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

6. Subsequent Events

Other than as set out in Note 17 of the financial report, no matter or circumstance has arisen since 30 June 2005 that has significantly affected or may significantly affect:

- (a) the Trust's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Trust's state of affairs in future financial years.

**CROMWELL DIVERSIFIED PROPERTY TRUST
DIRECTORS' REPORT**

7. Likely Developments and Expected Results of Operations

The activities of the Trust are regulated by the Trust constitution. The Trust's objective is to provide unitholders with a secure income stream through investment in a diversified property portfolio with predominantly long-term leases, utilising borrowings to maximise returns. A Product Disclosure Statement has recently been issued to raise up to \$200 million in equity, as set out in Note 17 of the financial report. Further assets have been acquired since balance date, and additional assets are expected to be acquired in the future. The acquisition of additional assets will be funded by a combination of additional equity issued, and further bank loans. The income of the Trust is expected to continue to increase in future years as a result of the acquisition of additional assets. The responsible entity cannot forecast the timing or value of additional properties to be acquired, as this will be determined by the availability of properties which meet the Trust's criteria for additional purchases, and their compatibility with existing properties in the Trust's portfolio.

8. 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 Trust.

9. Distributions Paid or Payable

Distributions for the year ended 30 June 2005 were \$13,476,000 which comprised \$9,949,000 net profit and \$3,527,000 transfer from capital. Distributions payable at the end of the financial year were \$1,600,000 (2004: \$312,000).

10. Options

No options over unissued interests in the Trust have been issued since the beginning of the year and none are on issue at the date of this report.

11. Fees to Responsible Entity

Amounts paid/payable to the responsible entity or its associates during the year were as follows:

	\$
Acquisition co-ordination fees	11,353,432
Management fees	1,696,042
Property management fees	526,030
Project management fees	75,656
Leasing commission fees	28,882

Acquisition co-ordination fees are allocated between property acquisition costs, loan establishment fees and equity issue transaction costs. Management fees are payable at the rate of 0.6% of the value of the assets under management. Property management fees are partly recoverable from tenants.

In addition to the above, the responsible entity or its associates are reimbursed for costs incurred on behalf of the Trust.

**CROMWELL DIVERSIFIED PROPERTY TRUST
DIRECTORS' REPORT**

12. Interests held by Responsible Entity

100,000 units in the Trust were issued to Cromwell Corporation Limited ("CCL") the parent company of the responsible entity, on 23 June 2004. The units were issued for cash, and on the same terms as those issued to other investors under the relevant PDS. The units are still held by CCL.

13. Indemnifying Officers or Auditors

No indemnities have been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Trust. No insurance premiums have been paid for out of the assets of the Trust in regards to insurance provided to the responsible entity or the auditors of the Trust.

14. Issued Units

Units issued in the Trust during the financial year are set out in Note 13 in the accompanying financial report.

There were 240,659,023 issued units in the Trust as at the end of the financial year.

15. Value of Scheme Assets

The major assets of the Trust, the investment properties, were purchased for \$383.9 million. In addition, stamp duty and other costs totalling \$24.1 million have been capitalised, giving an overall carrying value of \$408.0 million. The properties were independently valued during the year and had a market value of \$401.7 million at balance date.

The total carrying value of the Trust's assets as at the end of the financial year was \$478.4 million and net assets were \$219.5 million.

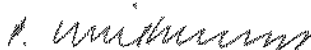
16. Auditor's Independence Declaration

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

17. Rounding of Amounts

Pursuant to class order 98/0100, issued by the Australian Securities & Investments Commission, amounts in the financial report have been rounded off to the nearest one thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the directors of Cromwell Property Securities Limited.



P.L. Weightman
Director

Dated at Brisbane this 27th day of September 2005.

Chartered Accountants

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GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3221 7779
Website www.jr.com.au
Email jr@jr.com.au

The Directors
Cromwell Property Securities Limited
As Responsible Entity for Cromwell Diversified Property Trust
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 Diversified Property Trust for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the 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



ROSS WALKER
Partner

Brisbane, Queensland
27 September 2005

CROMWELL DIVERSIFIED PROPERTY TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Revenue from ordinary activities			
Property income		32,568	5,787
Interest		1,416	519
Reimbursement of net CUU interest cost		-	369
Total revenue from ordinary activities	2	33,984	6,675
Expenses from ordinary activities			
Operating expenses			
- Property management		820	60
- Insurance		682	95
- Rates and charges		1,588	148
- Air conditioning		246	-
- Cleaning		325	-
- Electricity and gas		447	-
- Lifts		133	-
- Repairs and maintenance		261	7
- Security		313	-
- Land tax		581	73
Management fees		1,696	370
Custodian fees		56	15
Borrowing costs - amortisation of loan establishment costs		2,604	197
- bank interest		12,384	2,282
- CUU interest		776	1,014
- other interest		639	270
Other expenses		484	87
Total expenses from ordinary activities		24,035	4,618
Profit from ordinary activities before income tax expense		9,949	2,057
Income tax expense		-	-
Net profit	14	9,949	2,057

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

CROMWELL DIVERSIFIED PROPERTY TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Current Assets			
Cash assets		62,650	23,356
Receivables	5	2,136	625
Other financial assets	6	80	65
Other	7	1,153	1,051
Total current assets		<u>66,019</u>	<u>25,097</u>
Non-Current Assets			
Investment properties	8	408,033	226,101
Deposit and preliminary costs	9	-	5,201
Other	7	4,317	5,542
Total non-current assets		<u>412,350</u>	<u>236,844</u>
Total assets		<u>478,369</u>	<u>261,941</u>
Current Liabilities			
Payables	10	7,157	12,338
Interest-bearing liabilities	11	31,730	50,196
Other	12	1,576	-
Total current liabilities		<u>40,463</u>	<u>62,534</u>
Non-Current Liabilities			
Interest-bearing liabilities	11	218,390	142,000
Total non-current liabilities		<u>218,390</u>	<u>142,000</u>
Total liabilities		<u>258,853</u>	<u>204,534</u>
Net assets		<u>219,516</u>	<u>57,407</u>
Equity			
Contributed capital	13	219,516	57,407
Total equity		<u>219,516</u>	<u>57,407</u>

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

CROMWELL DIVERSIFIED PROPERTY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts in course of operations		36,007	6,366
Payments in course of operations		(8,463)	(1,697)
Interest received		1,055	220
Other income		-	369
Borrowing costs - bank		(12,213)	(2,708)
- CUUs		(903)	(919)
Net cash provided by operating activities	4	15,483	1,631
Cash flows from investing activities			
Payments for investment properties		(181,821)	(158,175)
Payments for improvements		(569)	(1,773)
Recovery of improvement costs from vendor		199	1,278
Payments for deposit and preliminary costs		-	(5,201)
Proceeds from restricted deposits		-	580
Other payments		(15)	(65)
Net cash used in investing activities		(182,206)	(163,356)
Cash flows from financing activities			
Proceeds from issue of ordinary units		169,915	38,708
Proceeds from the issue of CUUs		-	12,509
Redemption of CUUs		(7,225)	(2,374)
Proceeds from bank borrowings		144,239	99,450
Proceeds from other borrowings		-	43,087
Repayment of borrowings		(73,206)	(1,000)
Equity issue transaction costs		(13,631)	(594)
Loan establishment costs		(3,229)	(3,535)
Distributions paid – ordinary units		(10,828)	(1,978)
Proceeds from tenant security deposits		-	114
Payments to tenant security deposits		(18)	-
Net cash provided by financing activities		206,017	184,387
Net increase in cash held		39,294	22,662
Cash at the beginning of the financial year		23,356	694
Cash at the end of the financial year		62,650	23,356

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

**CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

1. Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the financial report.

(a) The Trust

The Trust was registered with the Australian Securities & Investments Commission in December 2002 and acquired its first property (the NQX Property) in February 2003.

(b) Cash

For the purposes of the statement of cash flows, cash includes cash at bank and on hand as well as highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(c) Receivables

Trade debtors, where applicable, comprise lease commitments receivable and recoverable outgoings.

All debtors are recognised at the amounts receivable as they are normally settled no more than 90 days from the date of recognition.

Collectibility of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where significant doubt as to collection exists.

(d) Investment Properties

Investments are recognised at cost. Depreciation has not been provided as Accounting Standard AASB 1021 *Depreciation* does not require depreciation of investment properties.

(e) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. Trade accounts payable are normally unsecured and settled within 30-60 days of recognition.

(f) Interest-Bearing Liabilities

Interest-bearing liabilities are recognised in the statement of financial position at principal amount. Interest, where applicable, is charged as an expense as it accrues and is included in trade creditors and accruals.

(g) Lease Incentives

Lease incentives are provided to lessees of the Trust's properties. The cost of incentives, where applicable, is recognised as an asset and is allocated to the statement of financial performance over the relevant lease period. Where lease incentives are provided in the form of a rent free period rental revenue is recognised proportionately over the full rental period.

(h) Income Tax

Under current tax legislation, the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders.

**CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

1. Summary of Significant Accounting Policies (Continued)

(i) 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 other assets or payables.

(j) Revenue Recognition

Rental revenue is recognised by allocating the minimum lease payments due on a basis representative of the pattern of service rendered through provision of the relevant asset.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to financial assets.

(k) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are initially recognised as loan establishment costs and amortised over the period of the loan.

(l) Acquisition of Assets

The purchase method of accounting is used for all acquisitions regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(m) Carrying Value of Non-Current Assets

The carrying amount of non-current assets is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

(n) Comparatives

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

(o) General

This financial report covers Cromwell Diversified Property Trust as an individual entity.

Cromwell Diversified Property Trust is a managed investment scheme, registered and domiciled in Australia. The responsible entity is Cromwell Property Securities Limited, whose registered office and principal place of business is:

Level 19
200 Mary Street
Brisbane QLD 4000

There were no employees of the Trust during the financial year.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

2. <u>Revenue</u>	2005 \$'000	2004 \$'000
Revenue from operating activities		
- rental income and recoveries	32,568	5,787
Revenue from outside operating activities		
- interest	1,416	519
- reimbursement of net CUU interest cost (see below)	-	369
Total revenue	<u>33,984</u>	<u>6,675</u>

The CUU application monies in respect of the acquisition of the Portfolio Properties were received between December 2003 and March 2004. Cromwell Corporation Ltd agreed to reimburse the Trust for the net interest cost of the Portfolio CUUs from the date received to the settlement date of the Portfolio Properties (23 June 2004).

3. Segment Information

The Trust has one business segment and operates in one geographical segment. The Trust holds properties throughout Australia except the Northern Territory. Revenue is derived from rentals and associated recoveries. The Trust's properties are leased to various tenants on a commercial basis incorporating varying lease terms and conditions. These include the lease period, renewal options, periodic rent and, where applicable, indexation based on CPI, fixed and/or market reviews.

4. Cash Flow Information

Reconciliation of Profit after Income Tax to Net Cash Provided by Operating Activities	2005 \$'000	2004 \$'000
Net profit	9,949	2,057
Amortisation of loan establishment costs	2,604	197
Changes in operating assets and liabilities		
(Increase)/Decrease in:		
Receivables	(1,710)	(305)
Prepayments	(808)	(260)
Other assets	706	(551)
Increase/(Decrease) in:		
Trade creditors, accruals and GST payable	3,166	493
Unearned income	1,576	-
Net cash provided by operating activities	<u>15,483</u>	<u>1,631</u>
Non-Cash Items		
Conversion of CUUs to ordinary units	5,884	1,435
Units issued on reinvestment of distributions	1,360	148

5. Receivables

Trade debtors	1,270	127
Accrued interest	202	299
Other debtors	664	199
	<u>2,136</u>	<u>625</u>

6. Other Financial Assets

Restricted cash (sinking fund)	80	65
	<u>80</u>	<u>65</u>

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$'000	2004 \$'000
7. <u>Other Assets</u>		
Current		
Prepayments	695	79
Prepaid interest costs	458	266
GST recoverable	-	706
	<u>1,153</u>	<u>1,051</u>
Non-Current		
Loan establishment costs	7,183	5,804
Accumulated amortisation	(2,866)	(262)
	<u>4,317</u>	<u>5,542</u>

Movement in loan establishment costs during the year was as follows:

Balance at beginning of financial year	5,542	477
Loan establishment costs incurred in respect of borrowings used to fund the acquisition of:		
- Portfolio Properties	55	3,975
- 700 Collins Street	982	1,287
- Forsyth Centre	342	-
Amortisation of loan establishment costs	(2,604)	(197)
Balance at end of financial year	<u>4,317</u>	<u>5,542</u>

Loan establishment costs incurred in the 2004 financial year include costs to forward fix interest rates in respect of bank borrowings to fund the acquisition of:

- Portfolio Properties	-	1,602
- 700 Collins Street	-	921
	<u>-</u>	<u>2,523</u>

Further information relating to these costs is shown in Note 18.

8. <u>Investment Properties</u>	2005 \$'000	2004 \$'000
Investment properties – at cost	<u>408,033</u>	<u>226,101</u>
Movement in investment properties:		
Balance at beginning of the financial year	226,101	62,061
Additions		
- Initial acquisition cost - Portfolio properties	-	163,669
- 700 Collins Street	137,583	-
- Forsyth Distribution Centre	43,780	-
- Improvements - Adelaide property	138	371
- NQX Distribution Centre	3	-
- 700 Collins Street	269	-
- Portfolio Properties	159	-
Balance at end of financial year	<u>408,033</u>	<u>226,101</u>

Investment properties at 30 June 2003 comprised the Henry Waymouth Centre, Adelaide, NQX Distribution Centre, Brisbane and Hellmann Distribution Centre, Tullamarine properties. On 23 June 2004 the Trust acquired the Portfolio Properties.

During 2005, the Trust acquired two properties, 700 Collins Street, which settled on 13 December 2004, and the Forsyth Distribution Centre, Victoria, which settled on 21 February 2005.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

8. Investment Properties (Continued)

The initial acquisition costs of properties acquired in 2005 and 2004 comprise:

	2005		2004
	Forsyth Centre \$'000	700 Collins Street \$'000	Portfolio Properties \$'000
Purchase cost	41,000	133,000	152,000
Stamp duty & transfer fees	2,255	2,831	7,975
Legal fees	41	146	446
Acquisition co-ordination	410	1,330	1,520
Other	74	276	526
	43,780	137,583	163,669

Independent valuation

The following independent valuations were prepared as at 30 June 2005 for the purpose of complying with Australian Equivalents of International Financial Reporting Standards – see Note 20:

Property	Valuer	Market Value \$'000	Carrying Value \$'000
Waymouth Centre, Adelaide	Knight Frank	35,500	33,390
NQX, Brisbane	CB Richard Ellis	19,700	18,797
Hellmann, Tullamarine	Landmark White	10,200	10,387
Portfolio Properties	CB Richard Ellis	155,800	163,828
Collins Street	Urbus	139,500	137,851
Forsyth Centre	DTZ	41,000	43,780
		401,700	408,033

Leasing Arrangements

The investment properties are 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:

	2005 \$'000	2004 \$'000
Within one year	36,248	20,805
Later than one year but not later than five years	134,443	84,361
Later than five years	40,592	47,730
	211,283	152,896

9. Deposit and Preliminary Costs

Deposit – 700 Collins Street	-	5,000
Preliminary costs – 700 Collins Street	-	201
	-	5,201

In 2004, the Trust entered into an unconditional contract to purchase 700 Collins Street for \$133 million and paid a non-refundable deposit comprising \$5 million cash and provided a \$5 million bank guarantee (secured by a charge over the Trust's assets). The property was settled on 13 December 2004 – refer to Note 8.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

10. <u>Payables</u>	2005 \$'000	2004 \$'000
Trade creditors and accruals	2,924	882
GST payable	821	-
Other creditors	-	7,666
Amounts payable to Cromwell Corporation Ltd	1,716	3,364
Security deposits	96	114
Distributions payable	1,600	312
	<u>7,157</u>	<u>12,338</u>

In the prior year other creditors and amounts owing to Cromwell Corporation Limited mostly relate to unpaid costs in respect of the acquisition of investment properties, loan establishment costs and equity issue transaction costs.

Distributions payable relate to June distributions which were paid in July of each year.

11. Interest-Bearing Liabilities

Current

Bank loans – secured	31,730	-
Convertible underwriting units – unsecured	-	13,109
Other loans – secured	-	37,087
	<u>31,730</u>	<u>50,196</u>

Non-Current

Bank loans – secured	218,390	137,000
Loan – Cromwell Corporation Ltd – unsecured	-	5,000
	<u>218,390</u>	<u>142,000</u>

Convertible Underwriting Units (CUUs)

CUUs were issued in March 2004 to assist in funding the deposits on the Portfolio Properties and certain acquisition costs.

Movement in CUUs during the year was as follows:

Balance at beginning of the financial year	13,109	4,409
Issued to assist in funding the acquisition of:		
- Portfolio Properties	-	12,509
Converted into ordinary units (see Note 13):		
- PDS No 2	(5,334)	(1,435)
- PDS No 3	(550)	-
Redeemed for cash	(7,225)	(2,374)
Balance at end of financial year	<u>-</u>	<u>13,109</u>

Other Loans - Secured

The Trust had a facility with Investec Bank (Australia) Ltd of which approximately \$37.1 million was used to assist in funding the acquisition of the Portfolio Properties in 2004. The loan was repaid in October 2004 following the issue of additional units in the Trust from the capital raising pursuant to PDS No 2 (March 2004). The loan was secured by a second registered mortgage over the Portfolio Properties and a floating charge over the assets of the Trust specific to the Portfolio Properties.

Loan – Cromwell Corporation Ltd - Unsecured

The loan from Cromwell Corporation Limited in 2004 of \$5 million was used to fund part of the deposit in respect of the acquisition of 700 Collins Street – see Note 9. Interest received by the Trust on the \$5 million deposit (which was at variable market bank rates) was paid to Cromwell Corporation Limited. The loan was repaid in February 2005.

Bank Loans – Secured

The bank loans are secured by way of first mortgages over the Trust's investment properties and fixed and floating charges over the assets of the Trust. Refer to Note 18 for further information regarding the bank loans. Current bank loans of \$31.73 million are expected to be refinanced on similar terms.

Assets Pledged as Security

The investment properties and assets of the Trust are pledged as security as noted above.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

12. <u>Other Current Liabilities</u>	2005 \$'000	2004 \$'000
Unearned income	1,576	-

Unearned income comprises rent paid in advance by tenants.

13. Contributed Capital

Issued units		
240,659,023 (2004: 63,500,000) fully paid units	219,516	57,407

Movements in ordinary units:	2005		2004	
	No. of Units '000	\$'000	No. of Units '000	\$'000
Balance at beginning of financial year	63,500	57,407	23,209	20,997
Units issued pursuant to PDS No 2:				
- for cash	100,529	100,529	38,708	38,708
- on conversion of CUUs (Note 11)	5,334	5,334	1,435	1,435
- equity issue transaction costs		(7,976)		(3,677)
Units issued pursuant to PDS No 3:				
- for cash	69,386	69,386	-	-
- on conversion of CUUs (Note 11)	550	550	-	-
- equity issue transaction costs		(3,547)		-
Reinvestment of distributions	1,360	1,360	148	148
Transfer to distribution account		(3,527)		(204)
Balance at end of financial year	240,659	219,516	63,500	57,407

The Trust issued a Product Disclosure Statement ("PDS") in March 2004 ("PDS No 2") for subscription of up to 146 million units at \$1.00 each which comprised a non-renounceable rights issue to existing unitholders and a general offer to holders of Convertible Underwriting Units and new investors. Maximum subscription was reached in February 2005.

On 14 February 2005 the Trust issued its third PDS ("PDS No. 3") for subscription of up to 70 million units at \$1.00 each comprising a non-renounceable rights issue to existing unitholders and a general offer to new investors. Maximum subscription was received by June 2005. Equity issue transaction costs in respect of PDS No 3 includes an amount payable to Cromwell Corporation Limited ("CCL") of \$1.716 million for costs incurred by CCL in respect of the \$70 million capital raising. As further properties are acquired by the Trust from the funds raised pursuant to PDS No 3, further fees will be paid by the Trust to CCL and allocated to equity issue transaction costs.

Units in the Trust entitle the holder to participate in distributions and proceeds on the winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands each unitholder present at a meeting in person or by proxy is entitled to one vote, and on a poll each member has one vote for each dollar of the value of the total units they have in the Trust.

14. Distributions/Retained Profits

	2005 \$'000	2004 \$'000
Net profit	9,949	2,057
Transfer from contributed capital (see Note 13)	3,527	204
Distributions paid/payable *	(13,476)	(2,261)
Retained profits at the end of the financial year	-	-

* Distributions are paid monthly.

As the entity is a trust, distributions are not franked.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

15. Remuneration of Auditor

	2005	2004
	\$	\$
Remuneration of the auditor of the Trust for:		
- auditing or reviewing the financial reports	32,500	30,000
- audit of compliance plan	8,500	7,500
- preparation of independent accountant's report for inclusion in PDS No 2 (March 2004)	-	105,000
- other services	11,700	7,500

The remuneration for the independent accountant's report was paid to a related practice of the auditor.

16. Commitments

Acquisitions under put and call agreements

Commitments in relation to acquisition of financial assets under put and call agreements in existence at the reporting date but not recognised are as follows:

Purchase of property – Centenary House – see note 17(a)	35,528	-
Purchase of units in Cromwell TGA Planned Investment – see note 17(b)	26,950	-

The above commitments were settled in the 2006 financial year.

17. Subsequent Events

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

- (a) Purchase of Centenary House, ACT - \$35.5 million.
On 14 July 2005 the Trust acquired the property at 19 National Circuit, Barton ACT for \$35,528,500. The property was previously subject to a Put and Call Option agreement dated 30 June 2005. Settlement was funded in part by way of a secured bank loan of \$23,094,500 which expires in July 2008.
- (b) Purchase of units in Cromwell TGA Planned Investment - \$26.95 million
On 8 August 2005 the Trust acquired 18,094,065 units (representing a one-third interest) in Cromwell TGA Planned Investment ("TGA"), a scheme which Cromwell Property Securities Ltd acts as the responsible entity. The purchase price of \$26,950,000 was funded in part by the assignment of the vendor's interest in the bank loan of \$13,500,000 which is secured by a charge over the underlying property. TGA owns an investment property at Symonston, Canberra, ACT which is leased by a Commonwealth Government authority, Therapeutic Goods Administration.
- (c) Investment in Cromwell Fixed Interest Debenture - \$13.5 million
On 8 August 2005 the Trust invested \$13.5 million in Cromwell Fixed Interest Debentures (the Debentures) which were issued by Cromwell Finance Limited ("CFL") a wholly owned controlled entity of Cromwell Corporation Limited ("CCL"). The Debentures have a fixed interest rate of 9% per annum, a 3 month term and are secured by a first ranking charge over the assets of CFL and a guarantee provided by CCL.

At the same time as the Trust acquired its one-third interest in TGA, CCL also acquired 18,094,065 units in TGA (from a different vendor) at a cost of \$26,950,000 funded in part by the assignment of the vendor's interest of \$13.5 million in the bank loan which holds security over the underlying property. The Debenture funds were used by CFL to provide a loan to CCL to fund the balance of CCL's investment in TGA.

**CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

17. Subsequent Events (Continued)

(d) Option over CCL's one-third interest in TGA

On 8 August 2005 the Trust entered into an option agreement to acquire CCL's one-third interest in TGA. The purchase price of CCL's 18,094,065 units in TGA under the Option Agreement will be determined by an independent valuation of the property when a market review of the underlying lease has been finalised. The lease over the property was subject to a market review in June 2005 which has not yet been determined. Both the Trust and CCL acquired their interest in TGA at a price which equalled the independent valuation of the property based on the valuer's estimate of the market rent of the property.

The purchase price payable under the option agreement will represent the amount which, when added to the acquisition cost to the Trust of its one-third interest, equates to two-thirds of the value of the property plus acquisition costs. The option may be exercised by the Trust in the period of 90 days after the completion of the rent review and the independent valuation of the property. The responsible entity expects that the rent review and the valuation will be completed prior to 31 December 2005, and does not foresee any reason why the option would not be exercised such that the Trust will then own two-thirds of TGA.

(e) PDS No 4

On 29 August 2005 the Trust issued its fourth Product Disclosure Statement ("PDS No. 4") to raise up to \$200 million by the issue of units in the Trust at \$1.00 per unit. The subscriptions will be used to fund the acquisition of additional properties which meet the acquisition criteria of the Trust. The issue comprises a non-renounceable rights issue to existing unitholders and a general offer to new investors.

The financial effects of subsequent events were not recognised as at 30 June 2005.

18. Financial Instruments

Derivative Financial Instruments

Interest rate swap contracts

The Trust has entered into interest rate swap contracts under which it pays interest on the notional swap amount at fixed rates, and receives interest at variable rates equivalent to the interest payable on the underlying facility.

In the 2003 financial year the Trust entered into forward fix interest rate swap contracts in respect of the debt used to partly fund the acquisition of the NQX Warehouse in Brisbane and the Henry Waymouth Centre in Adelaide. During the 2004 financial year the Trust entered into forward fix interest rate swap contracts in respect of the debt used to partly fund the acquisition of 700 Collins Street (which settled in December 2004) and the Portfolio Properties.

During the 2005 financial year the Trust entered into further interest rate swaps which effectively extended the interest rate terms of the Collins Street loan for a further 10 years (to September 2017) and the NQX/Waymouth interest rate terms a further 10 years (to February 2016).

The effective interest rates quoted below include the banks margin payable on the current facility. As each underlying loan facility is extended or refinanced any change in the applicable margin will change the effective interest rate.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

18. Financial Instruments (continued)

Details of the interest rate swap contracts are as follows:

	Effective Interest %	Term	2005 \$'000	2004 \$'000
Loan – Westpac (NQX/Waymouth)				
• Notional principal amount			31,730	31,730
• Cost of swap	5.7%	3/03-2/06	-	-
• Market value of swap at 30 June			181	463
• Cost of swap	6.8%	2/06-2/16	-	N/A
• Market value of swap at 30 June			(695)	N/A
Loan – CBA (Portfolio Properties)				
• Notional principal amount			99,450	99,450
• Cost of swap – see Note 7	6.5%	6/04-6/09	-	1,602
• Market value of swap at 30 June			354	2,895
Loan – Westpac (Collins Street)				
• Notional principal amount			86,450	86,450
• Cost of swap – see Note 7	6.5%	9/04-9/07	-	921
• Market value of swap at 30 June			(90)	694
• Cost of swap	6.85%	9/07-9/17	-	N/A
• Market value of swap at 30 June			(1,855)	N/A

The Trust did not use any other derivative financial instrument during the year.

Interest Rate Risk

Cash – is held in at call bank accounts and short term deposits with interest receivable thereon at variable market bank rates of 5.55% on average at balance date (2004: 4.7%).

Receivables/payables – generally no interest is receivable or payable thereon.

Loans

Details regarding the interest rate of the Trust's borrowings at balance date are as follows:

	Expiry	Amount Borrowed		Interest Rate	
		2005	2004	2005	2004
		\$'000	\$'000	%	%
Bank Loans					
Westpac	Feb 06	31,730	31,730	6.6	6.6
Westpac	Sep 07	86,470	-	6.6	-
Westpac	Feb 08	26,650	-	7.0	-
St George	Jun 08	5,820	5,820	5.7	5.7
CBA	Jun 07	99,450	99,450	6.5	6.5
		250,120	137,000		
Other Loans					
CUUs		-	13,109	-	11.0
Investec		-	37,087	-	10.5
Cromwell		-	5,000	-	4.4
		-	55,196		

Interest rates on the bank loans are effectively fixed at the above rates for at least the term of the loan. Interest is payable monthly.

**CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

18. Financial Instruments (continued)

Credit Risk

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

The Trust did not have any material credit risk exposure to any single debtor or group of debtors at balance date. Debtors generally comprise tenants of the Trust's properties.

At balance date cash was held with the Westpac Banking Corporation, Commonwealth Bank of Australia and Bank West.

Net Fair Values

At balance date the net fair values of financial assets and financial liabilities approximate their carrying amounts except as disclosed above.

Finance Facilities

The Trust had no unused finance facilities at balance date.

19. Related Parties

The names of persons who were directors and specified directors of Cromwell Property Securities Limited (the Responsible Entity) at any time during the financial year are as follows:

Executive directors

Mr PL Weightman (Chairman)

Mr RL Stiles

Mr WR Foster

Non-executive director

Mr RJ Pullar

Specified executive

Mr DJ Wilson (Company Secretary)

All of the above persons were directors and specified executive of the Responsible Entity from 1 July 2004 to 30 June 2005, unless otherwise stated.

There were no specified executives employed by the Trust at any time during the year, nor were there any other specified executives of the responsible entity.

Remuneration of directors and specified executives of the Responsible Entity

Remuneration of directors and specified executive

The Trust is charged a management fee. **The Trust does not directly pay any remuneration of the directors and specified executive and the amounts disclosed below, as required by AASB 1046, were not charged to the Trust.** There is no direct correlation between the level of remuneration provided to directors of the Responsible Entity and the management fee paid by the Trust to the Responsible Entity in accordance with the Trust's Constitution.

The executive directors are employed as executives of Cromwell Corporation Limited ("CCL"), and in that capacity, part of their role is to act as a director of the Responsible Entity. There are no agreements in place between the directors and specified executive of the Responsible Entity and the Trust. The specified executive is also employed as an executive of CCL.

The Responsible Entity and CCL determine remuneration levels and ensure they are competitively set to attract and retain appropriately qualified and experienced directors and executives. Remuneration and terms and conditions of employment are specified in an individual's contract of employment with each executive director and specified executive which is signed by them and CCL.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

19. Related Parties (continued)

Principles of directors' and specified executive's remuneration allocation

The remuneration of the directors and specified executive disclosed has been determined by apportioning the total remuneration provided to the directors and specified executive in connection with their management of all schemes to each scheme for which they are responsible. A portion of directors' and executive's remuneration has been apportioned to each scheme on the basis of an estimate of the amount of time spent on each scheme.

	Primary			Post-employment	Total
	Cash salary and fees*	Cash bonus	Non-cash benefits	Superannuation	
	\$	\$	\$	\$	\$
Specified Directors					
Executive					
• PL Weightman	424,140	-	20,668	-	444,808
• RL Stiles	113,733	120,600	24,746	9,348	268,427
• WR Foster	180,000	340,800	-	-	520,800
Non-executive					
• RJ Pullar	2,849	-	-	-	2,849
	720,722	461,400	45,414	9,348	1,236,884
Specified Executive					
• DJ Wilson	63,332	7,500	339	4,897	76,068

* includes movement in leave entitlements.

The directors and executive are also directors and executives of other entities within the CCL group. The amount of remuneration disclosed in the Trust is based firstly on allocation of their activities attributed to the Responsible Entity and, secondly, on an allocation to each Scheme and Trust managed by the Responsible Entity.

The terms and conditions attaching to the remuneration are disclosed in CCL's 2005 Annual Report.

ASIC Class Order

Registered schemes were exempted under an ASIC Class Order No. 04/967 from any requirement for financial reports of disclosing entities, to disclose remuneration paid directly or indirectly to directors and executives of the Responsible Entities for the year ended 30 June 2004.

Unit Holdings

The directors and specified executive including their personally related entities, held no units in the Trust during the year ended 30 June 2005.

Loans to/from directors and specified executive

The directors and specified executive, including their personally related entities, held no loans payable to/receivable from the Trust during the year ended 30 June 2005.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

19. Related Parties (continued)

	2005 \$	2004 \$
Transactions with Directors/Director Related Entities		
Fees for legal services provided by a firm of which PL Weightman is a partner were as follows:		
- Equity issue transaction costs	56,828	100,578
- Investment properties	5,480	-
- Expenses	3,418	8,908
	65,726	109,486
Transactions with Responsible Entity and Associates		
Acquisition fees paid/payable in respect of:		
- property acquisition (investment properties)	1,740,000	1,520,000
- arranging finance facility (loan establishment cost)	523,793	1,057,600
- capital raising (equity issue cost)	9,089,639	2,731,506
	11,353,432	5,309,106
Management fees, net of amount waived ⁽¹⁾	1,696,042	370,151
Property management fees ⁽²⁾	526,030	60,000
Project management fees (investment property improvements)	75,656	45,579
Leasing commissions	28,882	-
Reimbursement of net CUU interest costs (other income)	-	(369,178)
Distributions paid/payable to Cromwell Corporation Limited ("CCL") on below units	9,058	259
Interest paid to CCL (on loan – see below)	107,954	181,844
Aggregate amount payable to responsible entity and associates at balance date included in payables:		
- accrued equity issue costs ⁽³⁾	1,716,857	745,008
- other	311,474	2,726,990
	2,028,331	3,471,998
Units issued to CCL for cash	-	100,000
Loan from CCL	-	5,000,000

The directors of the responsible entity believe the above transactions were on commercial terms and conditions.

(1) The responsible entity agreed to partially underwrite the distributions to investors of PDS No. 2 (March 2004) and PDS No. 3 (February 2005) during the forecast period (2005 and 2006 financial years) by agreeing to waive its management fees to the extent necessary to ensure that distributions are maintained at not less than 9% per annum. The management fee waived during the 2005 financial year was \$473,549.

(2) These fees were partly recovered from tenants.

(3) At balance date these costs had been accrued as owing to CCL although they had not yet been invoiced. They relate to costs incurred by CCL that are effectively recoverable from the Trust.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

20. Impact of Adopting Australian Equivalents to IFRS

(a) Transition management

The Trust will be required to present its financial statements in accordance with Australian Accounting Standards that are equivalent to International Financial Reporting Standards (AIFRS) for the financial year commencing 1 July 2005 and subsequent years, including the interim financial report for the half-year ending 31 December 2005 and the annual financial report for the year ending 30 June 2006.

The comparative financial statements for each of these periods will be required to be restated using AIFRS, except for Accounting Standard AASB 132 *Financial Instruments: Disclosure and Presentation* (AASB 132) and AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). As permitted by the transitional provisions of AIFRS, the Trust has elected to defer the application of AASB 132 and AASB 139 for 12 months.

In order to restate the comparative information, opening retained profits at 1 July 2004 will be adjusted to include the changes necessary to transition to AIFRS, except for changes relating to AASB 132 and AASB 139 which will be adjusted in opening retained profits at 1 July 2005.

The responsible entity has established a project team to manage the transition to AIFRS, including assessment of the impact and implementation of any required changes to the Trust's financial reporting processes. To date, the project team has identified the accounting policy changes that will be required as a result of adopting AIFRS and has quantified the key areas of impact except for those areas impacted by AASB 132 and AASB 139 and areas in which AIFRS interpretations are still subject to some change.

The responsible entity has been working with AIFRS specialists to ensure the new standards are being appropriately interpreted and applied. Alternative views continue to exist within the accounting profession as to the appropriate interpretation of many aspects of AIFRS. The responsible entity recognises that AIFRS interpretations are continuing to evolve and, as such, the accounting treatments under AIFRS outlined in these financial statements may change prior to the Trust's first financial report prepared in accordance with AIFRS.

(b) Changes applicable in comparative period commencing 1 July 2004

The significant changes in accounting policies and adjustments expected to be made to the Trust's Statement of Financial Position as at 1 July 2004 and the Statement of Financial Performance for the year ended 30 June 2005 are outlined below. This includes material AIFRS changes excluding those arising from AASB 132 and AASB 139. Additional adjustments may be reported in the Trust's first financial statements under AIFRS, as noted above.

The information provided below is based on the responsible entity's expected interpretations of AIFRS at the time of this report and is based on current facts and circumstances. As interpretations on some issues are still evolving, estimates are indicative only and actual results may vary from these estimates when the actual results are reported in accordance with AIFRS for the half-year ending 31 December 2005 and the year ending 30 June 2006.

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

20. Impact of Adopting Australian Equivalents to IFRS (Continued)

(b) Changes applicable in comparative period commencing 1 July 2004 (Continued)

While the adoption of AIFRS may introduce volatility into the Trust's reported net profit, it is not expected to impact the amounts available for distribution to the Trust's unitholders. The introduction of volatility into the Trust's reported net profit from the adoption of AIFRS is not unique to the Trust.

Due to the introduction of a number of non-cash items into the Trust's reported net profit, it is the responsible entity's current intention to continue to determine distributions to unitholders based on the underlying operating performance of the Trust excluding the impact of these non-cash items.

Investment properties

Under AIFRS, investment properties are able to be recorded at either fair value or depreciated cost. Under current Australian Accounting Standards (AGAAP), investment properties are not depreciated and the impacts of revaluations (if any) are recorded in the asset revaluation reserve or Statement of Financial Performance, as appropriate. Under AIFRS, revaluation increments or decrements are required to be recognised in the Statement of Financial Performance. The Trust has elected to record its investment properties at fair value under AIFRS.

The value of properties owned by the Trust may fluctuate from time to time due to market and other conditions. Factors relevant to determining fair value include interest rates and rental occupancy levels and these may change significantly over time for a variety of reasons.

On transition to AIFRS on 1 July 2004 the fair value of the Trust's investment properties was \$215.8 million compared to the carrying value of \$226.1 million. The difference of \$10.3 million will be charged to retained profits as at 1 July 2004. At 30 June 2005 the fair value of the Trust's investment properties was \$401.7 million. The estimated financial impact on the Statement of Financial Performance of recording investment properties at fair value under AIFRS for the year ended 30 June 2005 is a net gain of \$3.968 million.

Property rental income

The Trust currently accounts for fixed increases in rental income as they arise under lease agreements with tenants. Under AIFRS, the Trust is required to calculate the fixed rental increases on each lease contract upfront and recognise this income on a straight-line basis over the lease term.

On transition to AIFRS on 1 July 2004, a separate asset of \$254,000 is created and included as part of investment properties for disclosure purposes and, as a result, there is no impact on the Statement of Financial Position. For the year ended 30 June 2005 the additional rental revenue from recording fixed rent increases on a straight-line basis is \$1.88 million, however, this is offset by a revaluation decrease for the same amount to ensure the investment properties remained at fair value.

Reconciliation of AGAAP equity to estimated AIFRS equity

The table below shows the impact of the abovementioned adjustments on the reported equity as at 1 July 2004. The adjustments are indicative only and actual results may vary from these estimates when the actual results are reported in accordance with AIFRS. Additional adjustments may also be reported in the Trust's first financial statements under AIFRS.

	\$'000	
	30 June 2005	1 July 2004
AGAAP equity	219,516	57,407
Estimated AIFRS adjustment:		
Net increase/(decrease) on revaluation of investment properties	(6,333)	(10,301)
Estimated AIFRS equity	213,183	47,106

CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

20. Impact of Adopting Australian Equivalents to IFRS (Continued)

Reconciliation of AGAAP net profit to estimated AIFRS net profit

The table below shows the impact of the abovementioned adjustments on the reported net profit for the year ended 30 June 2005.

	30 June 2005 \$'000
AGAAP net profit for the year ended 30 June 2005	9,949
Estimated AIFRS adjustments:	
Straight-lining of fixed rent increases	1,880
Net increase/(decrease) on revaluation of investment properties (including adjustment for straight-lining)	<u>2,088</u>
Estimated AIFRS net profit for the year ended 30 June 2005	<u>13,917</u>

(c) Changes applicable from 1 July 2005

The Trust has elected to take advantage of the transition provisions of AIFRS and will apply AASB 132 and AASB 139 from 1 July 2005 rather than from 1 July 2004. This allows the Trust to apply AGAAP to the comparative information within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report. AASB 132 and AASB 139 govern the measurement and presentation of financial instruments including derivatives.

Summarised below are the significant changes in accounting policies and adjustments expected to be made to the Trust's Statement of Financial Position as at 1 July 2005 arising from the adoption of AASB 132 and AASB 139. The adjustments are indicative only and actual results may vary from these estimates when the actual results are reported in accordance with AIFRS.

Derivatives

The Trust currently uses derivative contracts to hedge some of its economic exposures to interest rates. Under AIFRS, all derivative contracts, whether used for hedging purposes or not, will be required to be recorded in the Statement of Financial Position at fair value. Derivative contracts that do not qualify for hedge accounting will be required to have any subsequent changes in fair value recognised in the Statement of Financial Performance. In order to qualify for hedge accounting, strict requirements over hedge designation, documentation and effectiveness must be satisfied.

The expected transition adjustments as at 1 July 2005 for the Trust's derivative instruments are made up of the following:

	1 July 2005 \$'000
Interest rate swaps	
Fair value – asset/(liability) under AIFRS	(2,105)
Carrying value under AGAAP	<u>(1,974)</u>
Gain/(loss) on transition	<u>(4,079)</u>

Under AGAAP the cost of interest rate swaps was included in loan establishment costs and amortised over the term of the contract – see Note 7. The above loss on transition to AIFRS will be charged to retained profits at 1 July 2005.

**CROMWELL DIVERSIFIED PROPERTY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

20. Impact of Adopting Australian Equivalents to IFRS (Continued)

Unitholders' funds – classified as financial liabilities instead of equity

Owing to the fixed nature of the Trust, under AASB 132 *Financial Instruments: Disclosure and Presentation*, the units on issue in the Trust, previously recognised as equity (contributed capital), will be reclassified as debt and the corresponding distributions to unitholders will be classified as interest expense.

The reclassification of units on issue in the Trust from equity to debt will not alter the underlying economic interest of the unitholders in the net assets and profits of the Trust. The AIFRS statements of financial performance and financial position reported in future periods will present net assets attributable to unitholders and profits attributable to unitholders in a manner permitted under AIFRS.

Other

Financial instruments will be measured on the basis of fair value or amortised costs, as appropriate. The balances of loan establishment costs will be de-recognised and reflected in the measurement of the related interest bearing liabilities, with interest determined using the effective interest method (where appropriate).

**CROMWELL DIVERSIFIED PROPERTY TRUST
DIRECTORS' DECLARATION**

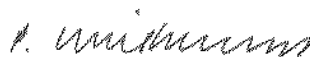
The directors of the responsible entity declare that the attached financial statements and notes:

- (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 Trust's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the 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 the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Cromwell Property Securities Limited.



PL Weightman
Director

Dated at Brisbane this 27th day of September 2005.

INDEPENDENT AUDIT REPORT TO MEMBERS OF CROMWELL DIVERSIFIED PROPERTY TRUST

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Cromwell Diversified Property Trust ("the Trust"), for the year ended 30 June 2005.

The directors of the responsible entity (Cromwell Property Securities Limited) are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 provided to directors of the Responsible Entity (Cromwell Property Securities Limited) would be in the same terms if provided to the directors of the responsible entity as at the date of this audit report.

Audit Opinion

In our opinion, the financial report of Cromwell Diversified Property Trust is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2005, and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

JOHNSTON RORKE
Chartered Accountants



RCN WALKER
Partner

Brisbane, Queensland
27 September 2005