Cromwell Direct Property Fund

Consisting of the consolidated financial report of Cromwell Direct Property Fund (ARSN 165 011 905) and the entities it controlled

Annual Financial Report

30 JUNE 2021

Responsible entity:
Cromwell Funds Management Limited
ABN 63 114 782 777 AFSL 333 214
Level 19, 200 Mary Street
Brisbane QLD 4000

Contents

DIRECTORY

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Directors' Report

The Directors of Cromwell Funds Management Limited ("CFM"), the responsible entity of Cromwell Direct Property Fund present their report together with the consolidated financial statements for Cromwell Direct Property Fund and the entities it controlled (the "Fund") at the end of the year ended 30 June 2021.

The responsible entity and its Directors

Cromwell Funds Management Limited has been the responsible entity of the Fund since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with $11.9 billion of assets under management. The responsible entity undertakes management and administrative duties for the Fund and monitors the Custodian, Cromwell BT Pty Ltd, which holds the Fund's assets on behalf of the unitholders.

The responsible entity's Directors are as follows (collectively referred to as "the Directors"):

Ms TL Cox	Non-executive Chair	Appointed 14 January 2021, Chair since 14 January 2021
Ms MA McKellar	Non-executive Director	Appointed 27 July 2011
Ms JA Tongs	Non-executive Director	Appointed 18 December 2014
Mr WRL Foster	Non-executive Director	Appointed 29 November 2017
Mr PL Weightman	Executive Director and Chair	Retired 31 December 2020

Principal activity

The Fund's principal activity is direct and indirect property investment and aims to provide investors with a monthly tax advantaged income stream combined with potential for capital growth.

Fund liquidity event

On 1 July 2020, the first full liquidity event for the Fund commenced. Pursuant to the Product Disclosure Statement (PDS) for the Fund specified (in section 7.4) that after expiry of the Initial Term in July 2020, Cromwell Funds Management Limited (CFM) would give all investors an opportunity to withdraw from the Fund (the "Liquidity Event"). The Fund extension notice period commenced on 1 July 2020 and concluded on 31 July 2020.

On 3 August 2020, due to the outcome of the liquidity event, CFM announced the extension of the Fund for a second term, with withdrawal requests totalling 9.9% of issued capital funded by a combination of existing cash reserves and undrawn debt.

Sale and acquisition of investment properties

On 20 August 2020 the Parafield Retail Complex located in Parafield, South Australia, sold for a sum of $27.25 million, with settlement completing in October 2020. The sale proceeds were utilised to reduce Fund debt.

On 5 May 2021 the Fund added to its direct property portfolio with the acquisition of 545 Queen Street, Brisbane for a purchase price of $117.5 million. The property is 100% leased and takes the Fund's direct property portfolio to seven assets valued at $443.4 million.

On 16 August 2021, following a brief marketing campaign, an unconditional offer was received to sell the Bunnings Munno Para West, SA property for a purchase price of $48.8 million, which represents a significant premium of $12.3 million over the properties previous fair value. As such, Management considered the sale was in the best interests of unitholders and have proceeded with the sale offer, with settlement expected in late August 2021. The increase of $12.3 million in the properties fair value has been recognised in the current year.

Review of operations and results

Financial performance

The Fund recorded a statutory profit of $34,200,000 for the year ended 30 June 2021 (2020: statutory profit of $11,651,000) and declared distributions of $19,310,000 (2020: $19,077,000). The statutory profit was greater than the prior year due to increased distribution income from investments in other property schemes, the fair value uplift from the sale of Bunnings Munno Para West and lower fair value losses on investment properties than recognised in the prior year.

The statutory profit includes a number of items which are non-cash in nature, occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities and in the opinion of the Directors of the responsible entity, these items need to be adjusted for in order to allow unitholders to gain a better understanding of the Fund's underlying operating profit. Operating profit is considered by the Directors to reflect the underlying earnings of the Fund. It is a key metric considered in determining distributions for the Fund.

The Fund recorded an operating profit for the year of $25,300,000 (2020: $19,654,000). The increase in operating profit during the year is primarily due to the receipt of an extraordinary distribution from the Cromwell Property Trust 12 (this being due to the realisation of a significant gain on the disposal of one of Cromwell Property Trust 12's own investment properties). Operating profit is not calculated in accordance with International Financial Reporting Standards ("IFRS") and has not been audited or reviewed by the Fund's auditor.

The following table shows the Fund's performance against its benchmark index since the Fund's inception:

Directors' Report

	1 year	3 year (annualised)	5 year (annualised)	Since inception (annualised)
Fund performance (after fees and costs)	8.2%	6.1%	7.7%	9.1%
PCA/IPD Unlisted Retail Property Fund Core Index	17.3%	14.1%	16.3%	18.5%
Excess /(under) return (after fees and costs)	(9.1)%	(8.0)%	(8.6)%	(9.4)%

The Fund has achieved an annualised return since inception of 9.1%. Retaining a high cash balance relative to benchmark funds that offer no liquidity continues to impact on performance versus benchmark. Direct gearing at the end of the year was 29.9% with look-through gearing at 33.9%, comparatively low in the sector. The risk adjusted returns of the Fund and the benchmark are not alike. The benchmark profited from significant valuation increases across the unlisted property fund sector in Australia during the comparison periods whilst also maintaining a materially higher level of gearing. Management continue to seek prudent investment opportunities to deploy available capital.

The Fund reached the end of its Initial Term in July 2020, which also included the first opportunity for all investors to make a full withdrawal. With withdrawal requests coming in under 10% of issued capital, the Fund continues into its second Term, with the next maturity and withdrawal opportunity being July 2025.

In August 2020 the Parafield Retail Complex located in Parafield, South Australia, sold for a sum of $27.25 million, with settlement following in October. The sale proceeds were utilised to reduce Fund debt. In May 2021, the Fund acquired 545 Queen Street, Brisbane for $117.5 million, taking the Fund's direct property portfolio to seven assets valued at $431 million at year-end. In August 2021, an unconditional contract to sell the Bunnings Munno Para West, SA property was entered into for a sale price of $48.8 million.

A reconciliation of operating profit for the Fund, as assessed by the Directors, to the reported profit for the year is as follows:

	2021 $'000	2020 $'000
Operating profit	**25,300**	19,654
Reconciliation to profit for the year		
Loss on disposal of investment property	**(171)**	-
Fair value net (losses) / gains:		
Investment properties	**8,812**	(7,155)
Investments in unlisted property schemes	**(50)**	1,355
Derivative financial instrument	**599**	(1,086)
Non-cash property investment income / (expense):		
Straight-line lease income	**1,285**	1,642
Lease incentive, lease cost amortisation and lease abatement	**(1,234)**	(2,198)
Depreciation of right-of-use asset	**(165)**	(420)
Amortisation of loan transaction costs	**(176)**	(141)
Profit for the year	**34,200**	11,651

Impact of COVID-19 on financial performance

For the year-ended 30 June 2021, rent relief in the form of rental abatements of $225,000 (2020: $366,000) and deferred payment plans resulting in the deferred collection of $178,000 over periods from 1 to 3 months (2020: $355,000 over periods from 3 to 6 months). No other tenant requests for rent relief or deferral as a result of COVID-19 have been received and given the tenant base of the property, no further requests are anticipated.

Rental income, excluding straight-line lease income and lease incentive amortisation, which are non-cash items, was $28,280,000 (2020: $26,945,000).

	2021 $'000	2020 $'000
Base rent and recoverable outgoings	**28,280**	26,945
Straight-line lease income	**1,285**	1,642
Lease incentive and lease cost amortisation	**(1,181)**	(2,156)
Rental income and recoverable outgoings	**28,384**	26,431

The increase in base rent and recoverable outgoings is largely due to annual increases in rent received from the tenants at the properties.

Operating profit per unit for the year was 8.65 cents (2020: 7.71 cents). Distributions paid/payable per unit for the year were on average 7.25 cents (2020: 7.25 cents).

	2021 Cents	2020 cents
Operating profit per unit [(1)]	**8.65**	7.71
Profit per unit	**11.70**	4.57
Distribution per unit	**6.61**	7.49

(1) Based upon operating profit disclosed above.

Directors' Report

Financial position

	2021	2020
Total assets ($'000)	**543,571**	445,408
Net assets ($'000)	**340,744**	346,211
Net tangible assets ($'000) (1)	**340,783**	346,457
Net debt ($'000) (2)	**149,410**	45,120
Gearing (%) (3)	**30%**	11%
Units issued ('000)	**275,391**	292,221
NTA per unit	**$1.24**	$1.18

(1) Net assets less right-of-use asset and associated lease liability.
(2) Interest bearing liabilities excluding lease liabilities less cash and cash equivalents.
(3) Net debt divided by total tangible assets less cash and cash equivalents.

Net tangible asset (NTA) per unit is a key measure of the underlying value of the Fund's assets. This was $1.24 per unit at year end compared with $1.18 per unit at the end of the last financial year. The increase in NTA is a result of the change in the debt, equity and investment profile that effectively now underpins the Fund as a result of the Liquidity event, disposal of Parafield Retail Complex, Parafield, SA acquisition of 545 Queen Street, Brisbane, QLD and the fair value uplift from the unconditional sale offer of Bunnings Munno Para West.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Fund during the year except as disclosed in the accompanying financial report.

Subsequent events

Other than as disclosed below, no matter or circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

On 16 August 2021, Management entered into an unconditional contract to sell the Bunnings Munno Para West property for $48.8 million, with settlement expected in late August 2021. As such, the fair value of the property at 30 June 2021 reflects the contractual sale price less costs to sell.

Likely results and expected results of operations

The activities of the Fund are regulated by the Fund's constitution. Future activities of the Fund will be confined to direct investment and indirect investment, through unlisted property trusts, in non-residential Australian property with a primary focus on commercial, industrial and retail property to provide a mixture of income and capital growth to investors.

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 Fund.

Distributions

Distributions paid to unitholders for the year ended 30 June 2021 were $19,310,000 (2020: $19,077,000), equating to an annualised rate of 7.25 cents per unit (2020: 7.25 cents). Distributions payable at balance date were $1,646,000 (2020: $1,782,000), representing distributions for the month of June, which were paid in July.

Options

No options over unissued units in the Fund have been issued since inception date and none are on issue at the date of this report.

Fees to responsible entity

Total fees paid/payable to the responsible entity or their associates during the year were $4,448,000 (2020: $2,896,000).

Directors' Report

Units held by the responsible entity

No units in the Fund have been issued to the responsible entity during the year. Units issued to the Directors are set out in note 14.

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 Fund. No insurance premiums have been paid for out of the assets of the Fund in regards to insurance provided to the responsible entity or the auditors of the Fund.

Issued units

A total of 46,125,494 (2020: 123,585,799) units were issued by the Fund during the year and 62,955,447 units (2020: 20,406,713) were redeemed during the year. At the end of the financial year a total of 275,391,343 (2020: 292,221,296) units in the Fund were on issue.

Value of scheme assets

The Fund held investments in unlisted property schemes valued at $68,138,000 (2020: $69,760,000) and investment properties valued at $442,943,000 (2020: $341,411,000) at the end of the financial year.

The total carrying value of the Fund's assets as at the end of the financial year was $543,059,000 (2020: $445,408,000) and net assets attributable to unitholders were $341,232,000 (2020: $346,211,000) equating to $1.24 per unit (2020: $1.18).

Rounding of amounts

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) accompanies this report on page 7.

This report is made pursuant to section 306(3) of the *Corporations Act 2001* (Cth).

Ms TL Cox

Chair

25 August 2021

Sydney

Level 38, 345 Queen Street
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Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Cromwell Funds Management Limited
As Responsible Entity for Cromwell Direct Property Fund
Level 19, 200 Mary Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards).*

This declaration is in respect of Cromwell Direct Property Fund and the entities it controlled during the year.

Pitcher Partners

PITCHER PARTNERS

CHERYL MASON
Partner

Brisbane, Queensland
25 August 2021

Consolidated Statement of Profit or Loss

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue and other income			
Rental income and recoverable outgoings		**28,384**	26,431
Distribution income		**8,951**	4,245
Interest		**35**	245
Fair value net gains from:			
Investment properties		**8,812**	-
Investments in unlisted property schemes		**-**	1,355
Derivative financial instrument		**599**	-
Total revenue and other income	3	**46,781**	32,276
Expenses			
Property expenses and outgoings		**6,513**	5,950
Finance costs	8(c)	**3,309**	3,721
Management and administration costs		**2,538**	2,713
Loss on disposal of investment property	5(f)	**171**	-
Fair value net losses from:			
Investment properties	5(c)	**-**	7,155
Derivative financial instrument		**-**	1,086
Investments in unlisted property schemes		**50**	-
Total expenses		**12,581**	20,625
Profit for the year		**34,200**	11,651
Other comprehensive income for the year		**-**	-
Total comprehensive profit for the year		**34,200**	11,651

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents		**30,206**	32,345
Receivables	4	**1,065**	1,639
Other current assets		**219**	253
Investment property classified as held for sale	5(c)	**-**	36,323
Total current assets		**31,490**	70,560
Non-current assets			
Investment properties	5	**442,943**	305,088
Investments in unlisted property schemes	6	**68,138**	69,760
Total non-current assets		**511,081**	374,848
Total assets		**542,571**	445,408
Current liabilities			
Trade and other payables	7	**17,389**	7,065
Distribution payable		**1,646**	1,782
Derivative financial instrument	9	**821**	728
Unearned income		**1,185**	455
Interest bearing liabilities	8	**57**	9,841
Total current liabilities		**21,098**	19,871
Non-current liabilities			
Derivative financial instrument	9	**-**	692
Interest bearing liabilities	8	**180,729**	78,634
Total non-current liabilities		**180,729**	79,326
Total liabilities		**201,827**	99,197
Net assets		**340,744**	346,211
Equity			
Contributed equity	10	**328,811**	349,168
Retained earnings / (accumulated losses)		**11,933**	(2,957)
Total equity		**340,744**	346,211

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

30 June 2021	Notes	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2020		**349,168**	**(2,957)**	**346,211**
Profit for the year		**-**	**34,200**	**34,200**
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with unitholders in their capacity as unitholders:				
Units issued:				
For cash	10	**55,351**	**-**	**55,351**
Reinvestment of distributions	10	**1,792**	**-**	**1,792**
Units redeemed for cash	10	**(77,500)**	**-**	**(77,500)**
Distributions paid / payable	2	**-**	**(19,310)**	**(19,310)**
Total transactions with unitholders		**(20,357)**	**(19,310)**	**(39,667)**
Balance at 30 June 2021		**328,811**	**11,933**	**340,744**

30 June 2020	Notes	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2019		219,108	4,469	223,577
Profit for the year		-	11,651	11,651
Total comprehensive income for the year		-	-	-
Transactions with unitholders in their capacity as unitholders:				
Units issued:				
For cash	10	153,959	-	153,959
Reinvestment of distributions	10	1,643	-	1,643
Units redeemed for cash	10	(25,542)	-	(25,542)
Distributions paid / payable	2	-	(19,077)	(19,077)
Total transactions with unitholders		130,060	(19,077)	110,983
Balance at 30 June 2020		349,168	(2,957)	346,211

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Receipts in the course of operations		**31,633**	27,369
Payments in the course of operations		**(10,300)**	(11,470)
Distributions received		**8,932**	4,219
Interest received		**35**	245
Finance costs paid		**(3,085)**	(3,527)
Net cash provided by operating activities	13	**27,215**	16,836
Cash flows from investing activities			
Payments for investment properties		**(119,994)**	(40,386)
Proceeds from sale of investment property		**26,951**	(3,364)
Payments for investments in unlisted property schemes		**(1,349)**	-
Proceeds from investments in unlisted property schemes		**2,921**	-
Net cash used in investing activities		**(91,471)**	(43,750)
Cash flows from financing activities			
Proceeds from interest bearing liabilities	13(e)	**208,155**	-
Repayment of interest bearing liabilities	13(e)	**(105,832)**	(65,174)
Payment of loan transaction costs	13(e)	**(404)**	(104)
Proceeds from issue of units		**55,351**	153,959
Payment for units redeemed		**(77,500)**	(25,542)
Payment of distributions	13(e)	**(17,654)**	(16,733)
Net cash provided by financing activities		**62,117**	46,405
Net (decrease) / increase in cash and cash equivalents		**(2,139)**	19,491
Cash and cash equivalents at 1 July		**32,345**	12,854
Cash and cash equivalents at 30 June		**30,206**	32,345

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. Basis of preparation

The annual financial report of Cromwell Direct Property Fund and the entities it controlled (the "Fund") for the year ended 30 June 2021 is a general purpose financial report that has been prepared to comply with the Fund's annual reporting requirements contained in the *Corporations Act 2001* (Cth) and to provide investors in the Fund with information about the financial position of the Fund at the end of the financial year and the Fund's financial performance for the year.

The financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The Fund is a for-profit entity for the purpose of preparing financial statements.

The principal accounting policies adopted in the preparation of the financial report of Cromwell Direct Property Fund are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial report includes financial statements for the Fund as an individual entity.

Fund liquidity event

On 1 July 2020, the first full liquidity event for the Fund commenced. Pursuant to the Product Disclosure Statement (PDS) for the Fund specified (in section 7.4) that after expiry of the Initial Term in July 2020, Cromwell Funds Management Limited (CFM) would give all investors an opportunity to withdraw from the Fund (the "Liquidity Event"). The Fund extension notice period commenced on 1 July 2020 and concluded on 31 July 2020.

On 3 August 2020, due to the outcome of the liquidity event, CFM announced the extension of the Fund for a second term to July 2025, with withdrawal requests totalling 9.9% of issued capital funded by a combination of existing cash reserves and undrawn debt.

Sale and acquisition of investment properties

On 20 August 2020 the Parafield Retail Complex located in Parafield, South Australia, sold for a sum of $27.25 million, with settlement completing in October 2020. The sale proceeds were utilised to reduce Fund debt.

On 5 May 2021 the Fund added to its direct property portfolio with the acquisition of 545 Queen Street, Brisbane for a purchase price of $117.5 million. The property is 100% leased and takes the Fund's direct property portfolio to seven assets valued at $431.1 million.

On 21 August 2021, following a brief marketing campaign, an unconditional offer was received to sell the Bunnings Munno Para West, SA property for a purchase price of $48.8 million, which represents a significant premium of $12.3 million over the properties previous fair value. As such, Management considered the sale was in the best interests of unitholders and have proceeded with the sale offer, with settlement expected in late August 2021. The increase of $12.3 million in the properties fair value has been recognised in the current year.

Compliance with IFRS

The financial report complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

Historical cost convention

The financial report is prepared on the historical cost basis except for the following:

- investment properties are measured at fair value;
- Investments in unlisted property schemes are measured at fair value; and
- derivative financial instruments are measured at fair value.

The methods used to measure fair value are disclosed in notes 5, 6 and 11 respectively.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

Rounding of amounts

The Fund is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Comparatives

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

Continuous disclosure

Continuous disclosure and updates on the Fund's performance and events significant to the Fund are provided on Cromwell's webpage at www.cromwell.com.au/dpf.

Segment information

The Fund operates in one operating segment, being direct and indirect property investment in Australia. The Fund generates revenues from investment property and earns distributions and derives capital appreciation from its investments in unlisted property schemes.

Income tax

Under current income tax legislation the Fund 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 property was sold is not accounted for in this report.

a) Critical accounting estimates and judgements

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

The areas that involved a higher degree of judgement or complexity and may need material adjustment if estimates and assumptions made in preparation of these financial statements are incorrect are:

Area of estimation	Note
Revenue	3
Fair value of investment property	5
Fair value of financial instruments	11

b) COVID-19 impact upon financial statement preparation

Key items and related disclosures that have been impacted by COVID-19 were as follows:

- **Rental income and recoverable outgoings** – For the year-ended 30 June 2021, rent relief in the form of rental abatements of $225,000 and deferred payment plans resulting in the deferred collection of $178,000 over periods from 1 to 3 months (period to 30 June 2020: $355,000 over periods from 3 to 6 months). No other tenant applications for rent relief or deferral as a result of COVID-19 were received and given the tenant base of the remaining property, none are anticipated. For further information refer to note 3.
- **Investment property** - management reviewed the appropriateness of inputs into investment property valuations. Disclosures with respect to the Fund's investment property are provided in note 5.
- **Receivables** - in response to COVID-19 management has undertaken a review of its relevant tenant receivables. At balance date no receivables were deemed to be impaired.

c) New accounting standards and interpretations adopted by the Fund

New and amended accounting standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

New standards, amendments and interpretations effective after 1 July 20210 and have not been early adopted

A number of new standards, interpretations or amendments are effective for annual periods beginning after 1 July 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2. Distributions

a) Overview

The Fund's distribution policy is to distribute an amount which is no more than 100% of expected profits available for distribution over the medium term. Profits available for distribution exclude fair value gains or losses.

b) Distributions paid / payable

Distribution rates per unit since inception of the Fund were as follows:

From inception:	7.00 cents
1 July 2014 to 30 April 2015:	7.25 cents
1 May 2015 to 30 June 2015:	4.75 cents
1 July 2015 to 30 June 2016:	6.00 cents
1 July 2016 to 30 June 2019:	7.00 cents
1 July 2019 to 30 June 2020:	7.25 cents
1 July 2020 to 30 June 2021:	**7.25** cents

Total distributions paid / payable during the year were as follows:

	2021 $'000	2020 $'000
Distributions paid / payable	**19,310**	19,077

3. Revenue

a) Overview

The Fund recognises revenue from the transfer of goods and services over time and at a point in time in respect of relevant non-lease elements of rental income and recoverable outgoings. The Fund also recognises lease revenue from tenant customers and revenue items from other sources, including interest and fair value gains from derivative financial instruments, investment properties and investments in unlisted property schemes.

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

	2021 $'000	2020 $'000
Rental income – lease components	**24,471**	23,032
Recoverable outgoings – non-lease components	**3,913**	3,399
Rental income and recoverable outgoings	**28,384**	26,431
Other revenue items recognised:		
Distribution income	**8,951**	4,245
Interest	**35**	245
Fair value gains from:		
	9,788	-
Derivative financial instrument	**599**	-
Investments in unlisted property schemes	**-**	1,355
Total other revenue	**19,373**	5,845
Total revenue	**47,759**	32,276

b) Disaggregation of revenue from contracts

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

	2021 $'000	2020 $'000
Rental income and recoverable outgoings – non-lease components:		
Recoverable outgoings (1)	**2,945**	2,562
Cost recoveries (2)	**968**	837
Total rental income and recoverable outgoings – non-lease components	**3,913**	3,399

(1) Revenue items recognised over time.
(2) Revenue item recognised at point in time.

c) Accounting policy

Rental revenue and recoverable outgoings

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

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For the year ended 30 June 2021

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

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method. Interest revenue is predominately earned from financial assets including cash and trade and other receivables.

Contract liabilities (unearned income)

The Fund sometimes receives payments from customers in relation to future periods whereby the underlying receipt is not actually due and payable to the Fund. This results in a contract liability being recognised upon receipt of the cash which is recognised in the Fund's balance sheet as unearned income.

d) Critical accounting estimates and judgements

Impact of COVID-19

The Fund's collections were not materially impacted by the government relief measures imposed to combat COVID-19 due to the tenant population being largely unaffected by the pandemic.

4. Receivables

a) Overview

Receivables of the Fund generally consist of rental receivables, distributions receivable from the Fund's investments in unlisted property schemes and other receivables.

	2021 $'000	2020 $'000
Rent receivables	**516**	1,139
Distribution receivables	**379**	360
Other receivables	**170**	140
Total receivables	**1,065**	1,639

At year-end no receivables (2020: nil) were past due date but not impaired. No receivables have been determined to be impaired (2020: nil).

b) Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables relating to operating leases of investment properties are due on the first day of each month, payable in advance. Other receivables are usually due for settlement no more than 90 days from the date of recognition. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

5. Investment properties

c) Overview

Following the sale of the Parafield Retail Complex, Parafield, SA in October 2020, and acquisition of 545 Queen Street, Brisbane, QLD in May 2021, the Fund holds seven investment properties:

- **64 Allara Street, Canberra ACT** is a six-level A-grade office building. The major tenants of the building are Knight Frank Australia, Peet Limited and Jacobs Australia Pty Ltd.
- **Bunnings Munno Para West, SA** is a Bunnings home improvement and hardware store in SA, of which an unconditional contract for sale has been entered into subsequent to year-end, with settlement expected in late August 2021.
- **433 Boundary Street, Spring Hill QLD** is an A-grade office building. The major tenant is International Education Services Limited.
- **420 Flinders Street, Townsville QLD** is the head office for a state-owned electricity corporation, Energex Queensland.
- **163 O'Riordan Street, Mascot NSW** is a high quality commercial office located close to Sydney Airport. The major tenants of the building are Electrolux and Winc Australia.
- **11 Farrer Place, Queanbeyan NSW** is located approximately 15km south-east of the Canberra CBD and is fully let to the NSW State Government until June 2028**.**
- **545 Queen Street, Brisbane QLD** was acquired in May 2021 for $117,500,000. The fully-refurbished property is a 2,735m2 site at the entrance to the Brisbane CBD's 'Golden Triangle' comprising an A-Grade 9-storey commercial office building which is 100% leased with a WALE of 4.2 years and includes major tenants Sonic Healthcare, Federal Government and Calibre Professional Services.

d) Details of the Fund's investment properties

	Independent valuation		Carrying amount		Fair value adjustment	
	Date	Amount $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
64 Allara Street, Canberra, ACT	Mar-21	18,500	**18,500**	17,500	**1,030**	(650)
Bunnings Munno Para West, SA	Sept-20	36,500	**48,312**	34,700	**13,083**	3,301
433 Boundary Street, Spring Hill, QLD	Dec-20	39,000	**39,000**	38,400	**519**	(6,045)
420 Flinders Street, Townsville, QLD	Sept-20	63,500	**63,500**	63,800	**(968)**	(731)
163 O'Riordan Street, Mascot, NSW (1)	Jun-21	117,000	**117,000**	114,000	**2,920**	1,303
11 Farrer Place, Queanbeyan, NSW	Dec-20	38,000	**38,000**	35,500	**2,500**	(2,051)
545 Queen Street, Brisbane, QLD	NA	117,500	**117,500**	-	**(10,935)**	-
Investment properties		430,000	**441,812**	303,900	**8,149**	(4,873)
Right of use assets						
163 O'Riordan Street, Mascot, NSW (1)	NA	-	**1,131**	1,188	**-**	-
Parafield Retail Complex, Parafield, SA (1) (2)	NA	-	**-**	9,576	**-**	-
Held for sale						
Parafield Retail Complex, Parafield, SA (1)	NA	-	**-**	26,747	**663**	(2,282)
Total investment properties		430,000	**442,943**	341,411	**8,812**	(7,155)

(1) The carrying value of 163 O'Riordan Street, Mascot, NSW and Parafield Retail Complex, Parafield, SA included right of use assets with respect to relevant ground leases recognised under AASB 16 *Leases*.

(2) The related lease liability in respect of Parafield Retail Complex, Parafield, SA, was derecognised as a result of the disposal of this property (see note 5(f)).

e) Movements in investment properties

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

	2021 $'000	2020 $'000
Balance at 1 July	**341,411**	299,406
Additions at cost:		
Acquisitions	**107,638**	35,000
Acquisition / disposal transaction costs	**9,475**	2,424
Lifecycle	**259**	454
Disposal	**(36,323)**	-
Lease costs and lease incentive costs	**11,785**	1,074
Straight-line lease income	**1,285**	1,642
Amortisation of right-of-use asset	**(165)**	(420)
Lease incentive and lease cost amortisation and lease abatement	**(1,234)**	(2,198)
Net gain / (loss) from fair value adjustments	**8,812**	(7,155)
Opening balance adjustment:		
Initial recognition of Right of use asset – ground rent	**-**	11,184
Total investment properties	**442,943**	341,411

f) Amounts recognised in profit and loss for investment properties

	2021 $'000	2020 $'000
Rental income and recoverable outgoings	**28,384**	26,431
Property expenses and outgoings	**(6,513)**	(5,950)
	21,871	20,481

g) Investment property acquired – 545 Queen Street, Brisbane, QLD

During the year the Fund completed the acquisition of 545 Queen Street, Brisbane, QLD for $117.5 million, the details of which are noted in Note 5(a).

h) Investment property sold – Parafield Retail Complex, Parafield, SA

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

	Gross sale price $'000	Carrying amount at 30 June 2020 (1) $'000	Last independent valuation $'000	Gain on sale recognised $'000
Parafield Retail Complex, Parafield, SA	27,250	26,747	29,000	171
Add: Right-of-use asset	-	9,576	-	-

(3) The carrying value of Parafield Retail Complex, Parafield, SA included a right of use asset with respect to relevant ground lease recognised under AASB 16 *Leases*. The related lease liability was derecognised as a result of the disposal of this property (see note 5(b)).

i) Non-cancellable operating lease receivable from investment property tenants

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

	2021 $'000	2020 $'000
Within one year	**30,256**	24,817
Later than one year but not later than five years	**106,636**	95,272
Later than five years	**57,752**	86,468
	194,644	206,557

j) Accounting policy

Investment property

Investment property is initially measured at cost including transaction costs and is subsequently measured at fair value, with any change therein recognised in profit or loss.

Fair value is based upon active market prices, given the assets highest and best use, adjusted if necessary, for any difference in the nature, location or condition of the relevant asset. If this information is not available, the Fund uses alternative valuation methods such as discounted cash flow projections or the capitalised earnings approach. The highest and best use of an investment property refers to the use of the investment property by market participants that would maximise the value of that investment property.

The carrying value of the investment property includes components relating to lease incentives and other items relating to the maintenance of, or increases in, lease rentals in future periods.

Lease incentives

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

Initial direct leasing costs

Initial direct leasing costs incurred by the Fund 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.

k) Critical accounting estimates (fair value measurement)

The Fund's investment property, with a carrying amount of $442.9 million (2020: $341.4 million) represent a significant balance on the Fund's balance sheet. Investment property is measured at fair value using valuation methods that utilise inputs based upon estimates. Note 5(j) provides further details in relation to the valuation of investment property.

Impact of COVID-19

For the year ended 30 June 2021 the Trust's approach to property valuations was substantially consistent with prior years, being in accordance with the established Valuations policy, but with an added emphasis in relation to the impact of COVID-19 upon inputs relevant to the valuation model for each property.

It should be noted that external valuers have specified in their reports that their valuations at 30 June 2021 were performed in an unusual market context, notably the absence of transactions initiated after the outbreak of the pandemic and difficulties associated with estimating the outlook for changes in the investment property market given the nature of the recent health crisis, and they were working within the context of valuation uncertainty.

l) Fair value measurement

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

Valuation methodologies

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this perpetually, using an appropriate, market derived capitalisation rate, to derive a capital value, with allowances for capital expenditure reversions such as lease incentives and required capital works payable in the near future and overs / unders when comparing market rent with passing rent.
DCF method	Under the DCF method, a property's fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit terminal value. The DCF method involves the projection of expected cash flows from a real property asset over a period of time (generally ten years) discounted to present value using an appropriate discount rate. An exit terminal value is added to the present value of the property cash flows using an appropriate terminal yield, to derive the value of the property.

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

Unobservable inputs

Net market rent	A net market rent is the estimated amount for which a property or space within a property could be leased between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion.
Capitalisation rate	The rate at which net market income is capitalised to determine the value of the property. The rate is determined with regards to market evidence (and the prior external valuation for internal valuations).
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence (and the prior external valuation for internal valuations).
Terminal yield	The capitalisation rate used to estimate the residual value of the cash flows associated with the investment property at the end of the expected holding period.

The sensitivity to changes in the significant unobservable inputs associated with the valuation of the Fund's investment properties are as follows:

	Input values		Sensitivity	
	2021	2020	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income ($'000)	**1,247 - 6,979**	1,295 - 6,721	Increase	Decrease
Capitalisation rate (%)	**5.50 - 6.75**	5.75 - 7.00	Decrease	Increase
Discount rate (%)	**6.25 - 7.00**	7.00 - 8.50	Decrease	Increase
Terminal yield (%)	**5.88 - 7.00**	5.75 - 6.58	Decrease	Increase
WALE (years)	**4.10 - 7.92**	2.60 - 10.40	Increase	Decrease
Occupancy	**96%**	100%	Increase	Decrease

6. Investments in unlisted property schemes

a) Overview

The Fund's investment portfolio comprises investments in units of unlisted property trusts also managed by the responsible entity, Cromwell Funds Management Limited. These property trusts directly own a number of commercial investment properties. The Fund receives distributions from these trusts on a monthly basis.

Notes to the Financial Statements

For the year ended 30 June 2021

b) Investment details

As at year-end the Fund held the following investments:

	2021 $'000	2020 $'000
Cromwell Riverpark Trust	**42,646**	41,707
Cromwell Ipswich City Heart Trust	**13,315**	11,182
Cromwell Property Trust 12	**12,177**	16,871
Total investments in unlisted property schemes	**68,138**	69,760

c) Accounting policy

Investments at fair value through profit or loss include units in unlisted property trusts. Such investments are designated as investments at fair value through profit or loss upon recognition.

Investments at fair value through profit or loss are initially measured at fair value. Transaction costs are expensed in profit or loss. Subsequent to initial recognition investments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss statement. For further information in relation to valuation to the valuation methodology utilised to establish the fair value of investments at fair value through profit or loss refer to note 11 to the financial statements.

Distribution revenue

Distribution income is recognised on a receivable basis on the date the right to receive the distribution has been established.

For accounting purposes these investments are classified as investments at fair value through profit or loss. At each year end the fair value of these investments is determined based on the net tangible asset (NTA) value of the respective trust with fair value gains or losses recognised in profit or loss.

7. Trade and other payables

a) Overview

Payables of the Fund generally consist of trade payables, accrued lease incentives and other payables such as Goods and Services Tax.

	2021 $'000	2020 $'000
Trade and other payables	**2,743**	2,164
Lease incentive payables	**14,646**	4,901
Total payables	**17,389**	7,065

b) Accounting policy

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 Fund prior to the end of the year and which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

8. Interest bearing liabilities

a) Overview

The Fund borrows funds from financial institutions to partly fund the acquisition of income producing assets, such as investment properties, or units in unlisted property schemes. A proportion of these borrowings are fixed through the use of an interest rate swap and have a fixed term. This note provides information about the Fund's debt facilities, including maturity dates, security provided and facility limits.

Notes to the Financial Statements

For the year ended 30 June 2021

	2021 $'000	2020 $'000
Current		
Unsecured		
Lease liabilities – ground lease 163 O'Riordan Street, Mascot, NSW (1)	**57**	57
Lease liabilities – ground lease Parafield Retail Complex, Parafield, SA (1) (2)	**-**	9,784
Total current	**57**	9,841
Non-current		
Unsecured		
Lease liabilities – ground lease 163 O'Riordan Street, Mascot, NSW (1)	**1,112**	1,169
Secured		
Bank loan – financial institutions	**180,126**	77,746
Unamortised loan transaction costs	**(509)**	(281)
Total non-current	**180,729**	78,634
Total interest bearing liabilities	**180,786**	88,475

(1) The carrying value of 163 O'Riordan Street, Mascot, NSW and Parafield Retail Complex, Parafield, SA included right of use assets with respect to relevant ground leases recognised under AASB 16 *Leases*.

(2) The related lease liability in respect of Parafield Retail Complex, Parafield, SA was derecognised as a result of the disposal of this property (see note 5(b)).

b) Details of interest bearing liabilities

Bilateral facility agreements

The Fund has a Common Terms Deed ("CTD"), allowing bilateral facility agreements ("BFA") to be entered with multiple lenders as funding requirements change. The CTD is secured by first registered mortgages over all of the investment properties owned by the Fund. The Fund is able to repay and refinance with individual providers. During the year the Fund extended the facility to February 2024, with interest payable monthly in arrears at the applicable 30-day bank bill rate (BBSY) plus a bank margin.

During the year, the Fund entered into a new $75,000,000 facility under the CTD, which has a term of three years, expiring in April 2024. Interest is payable monthly in arrears at the applicable 30-day BBSY plus a bank margin.

During the year, a total of $217,126,000 of funds were drawn-down from the facilities and $114,802,000 repaid.

c) Finance costs

	2021 $'000	2020 $'000
Interest	**2,958**	3,211
Lease liability interest	**142**	369
Amortisation of loan transaction costs	**176**	141
Borrowing costs – ongoing fees	**33**	-
Total finance costs	**3,309**	3,721

d) Lease liabilities

The Fund recognises lease liabilities and related right-of-use assets in respect of ground-rent leases. During the year, the ground-rent lease at the Parafield Retail Complex, Parafield was derecognised on sale of the property, with the ground-rent lease at the O'Riordan Street, Mascot property the only lease that remains at balance date. The remaining lease matures in 2036 and is subject to an annual interest rate review. Refer Note 11 for the maturity of minimum lease payments in relation to leases in existence at the reporting date.

e) Accounting policy

Interest bearing liabilities are initially recognised at fair value, net of transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life.

Finance costs incurred on funds borrowed for the construction of a property are capitalised, forming part of the construction cost of the asset. Capitalisation ceases upon practical completion of the property. Other finance costs are expensed.

9. Derivative financial instrument

a) Overview

The Fund manages its cash flow interest rate risk by using a floating-to-fixed interest rate swap contract. In this contract the Fund agrees with the other counterparty to exchange, at specified intervals (usually 30 days), the difference between the contract rate and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Under the contract, the Fund will effectively pay interest on a notional swap amount of $73,250,000 until June 2022 at a fixed rate of 1.18%.

	2021 $'000	2020 $'000
Current		
Interest rate swap contract	**821**	728
Non-current		
Interest rate swap contract	**-**	692

b) Accounting policy

The Fund is exposed to changes in interest rates and uses interest rate derivatives 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 Fund enters into the interest rate swap agreements to convert certain future variable interest rate borrowings to fixed interest rates. The derivative is entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Fund 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 profit or loss. The derivative financial instrument is not offset in the balance sheet unless the Fund has both the legal right and intention to offset. A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

For details of the Fund's fair value measurement of financial instrument refer to note 11(e).

10. Contributed equity

a) Overview

Units are issued and redeemed by the Fund at a unit price determined daily in accordance with the responsible entity's Unit Pricing Policy. Per the Australian Securities and Investments Commission ("ASIC") and the Australian Prudential Regulation Authority's ("APRA") Unit Pricing: Guide to Good Practice, investors will receive compensation for any material unit pricing errors. In accordance with these guidelines the Fund does not pay exited members compensation for material unit pricing errors where the amount of any compensation payable is less than $20.

	2021		2020	
	#'000	**$'000**	# '000	$'000
Issued units	**275,391**	**328,811**	292,221	349,168

b) Movements in contributed equity

	# '000	**$'000**
Balance at 30 June 2019	189,042	219,108
Units issued for cash	122,271	153,959
Reinvestment of distributions	1,315	1,643
Units redeemed for cash	(20,407)	(25,542)
Balance at 30 June 2020	292,221	349,168
Units issued for cash	**44,675**	**55,351**
Reinvestment of distributions	**1,451**	**1,792**
Units redeemed for cash	**(62,956)**	**(77,500)**
Balance at 30 June 2021	**275,391**	**328,811**

c) Accounting policy

A financial instrument that includes a contractual obligation for the Fund to deliver to each instrument holder their pro rata share of the Fund's net assets on liquidation is classified as an equity instrument (contributed equity) when it has all the following features:

(1) The instrument entitles each instrument holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation. The Fund's net assets are those assets that remain after deducting all other claims on the entity's assets. A pro rata share is determined by dividing the net assets of the Fund at the end of its term into units of equal amount and multiplying that amount by the number of units held by the instrument holder.

(2) The instrument is subordinate to all other classes of financial instruments of the Fund. For this to be the case, the instrument must give the instrument holder no priority over other claims to the assets of the Fund on liquidation and must not need to be converted into another instrument to be in a class of instruments that is subordinate to all other classes of instruments.

(3) All instruments in the class of instruments must have an identical contractual obligation for the entity to deliver a pro rata share of its net assets on liquidation.

In addition to the above features, the Fund must have no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund and the effect of substantially restricting or fixing the residual return to instrument holders.

11. Financial risk management

a) Overview

The Fund's activities expose it to a variety of financial risks which include credit risk, liquidity risk and market risk. The responsible entity's overall risk management program focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Fund. The Fund uses derivative financial instruments such as interest rate derivatives to hedge certain risk exposures. The Fund seeks to deal only with creditworthy counterparties. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

The Responsible entity's treasury activities are centralised and governed by policies approved by the Directors who monitor the operating compliance and performance as required. The responsible entity has policies for overall risk management as well as policies covering specific areas such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

The Fund holds the following financial instruments that are subject to the responsible entity's risk management practices:

	Type of financial instrument	2021 $'000	2020 $'000
Financial assets:			
Cash and cash equivalents	(1)	**30,206**	32,345
Receivables	(1)	**1,065**	1,639
Investments at fair value through profit or loss	(2)	**68,138**	69,760
Total financial assets		**99,409**	103,744
Financial liabilities			
Trade and other payables	(1)	**17,389**	7,065
Distribution payable	(1)	**1,646**	1,782
Derivative financial instruments	(2)	**821**	1,420
Interest bearing liabilities	(1)	**180,729**	88,475
Total financial liabilities		**200,585**	98,742

(1) At amortised cost; and
(2) At fair value through profit or loss.

The Fund is exposed to the following key financial risks:

Risk	Definition of risk	Fund's exposure	Responsible entity's management of risk
Credit risk (Section 11(b))	The risk a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Fund.	• Cash and cash equivalents; • Receivables; • Derivative financial instruments.	The responsible entity manages this risk by: • establishing credit limits for customers and managing exposure to individual entities; • monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality;

			• derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions; and • regularly monitoring loans and receivables on an ongoing basis.
Liquidity risk (Section 11(c))	The risk the Fund will default on its contractual obligations under a financial instrument.	• Payables; • Borrowings; • Derivative financial instruments.	The responsible entity manages this by: • maintaining sufficient cash reserves and undrawn finance facilities to meet ongoing liquidity requirements • preparation of rolling forecasts of short-term and long-term liquidity requirements • monitoring maturity profile of borrowings and putting in place strategies to ensure all maturing borrowings are refinanced significantly ahead of maturity.
Market risk – interest rate risk (Section 11(d))	The risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.	• Borrowings at variable or fixed rates; • Derivative financial instruments.	The responsible entity manages this risk through interest rate hedging arrangements (swap or cap contracts) on not less than 50% of the Fund's borrowings.

b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount of financial assets recognised in the Balance sheet of the Fund. The Fund holds no significant collateral as security. Cash is held with an Australian financial institution, and the interest rate derivative counterparty is an Australian financial institution.

c) Liquidity risk

The contractual maturity of the Fund's financial liabilities at balance date are shown in the table below. It shows undiscounted contractual cash flows required to discharge the Fund's financial liabilities, including interest at current market rates.

	1 year or less $000	2 – 5 years $000	Over 5 years $000	Total $000
2021				
Trade and other payables	**17,389**	**-**	**-**	**17,389**
Distribution payable	**1,646**	**-**	**-**	**1,646**
Lease liabilities	**90**	**366**	**958**	**1,414**
Interest bearing liabilities	**3,602**	**186,171**	**-**	**189,773**
Total financial liabilities	**22,727**	**186,537**	**958**	**210,222**
2020				
Trade and other payables	7,065	-	-	7,065
Distribution payable	1,785	-	-	1,782
Lease liabilities	549	2,268	14,211	17,028
Interest bearing liabilities	2,486	80,231	-	82,717
Total financial liabilities	11,882	82,499	14,211	108,592

d) Market risk

Interest rate risk

The Fund's interest-rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Fund to cash flow interest rate risk. Borrowings issued at fixed rates will expose the Fund to fair value interest rate risk. The Fund's policy is to effectively maintain hedging arrangements of its borrowings where it is considered appropriate and cost effective to do so. For details of the Fund's interest rate swap contract in place refer to note 9.

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

Interest rate increase / decrease of:	+1%		-1%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2021	**1,446**	**1,446**	**(1,446)**	**(1,446)**
2020	449	449	(449)	(449)

Price risk – equity investments

The Fund is exposed to equity price risk in relation to its investment in Cromwell Property Group managed unlisted funds. The investments are recognised as investments at fair value through profit or loss in the balance sheet. Unlisted funds invest in investment property with the price of the equity instruments of these unlisted funds largely dependent on the valuation of the underlying investment properties.

While the Fund cannot mitigate the risk of general market movements in investment property prices in the underlying unlisted funds, the Fund reduces risk by only investing in unlisted funds that carry high quality investment properties long-term leases of low risk tenants.

The table below details Fund's sensitivity to movements in the fair value of the Fund's investments at fair value through profit or loss:

Net asset value of unlisted funds	+1%		-1%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2021	**681**	**681**	**(681)**	**(681)**
2020	698	698	(698)	(698)

e) Fair value measurement of financial instruments

The Fund uses a number of methods to determine the fair value of its financial assets and financial liabilities. The methods comprise the following:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Fund measures and recognises the following financial instruments at fair value on a recurring basis:

- Interest rate swap and cap contracts – derivative financial instruments measured at fair value under the Level 2 method.

Valuation techniques used to derive Level 1 fair values

At balance date, the Fund held no Level 1 assets. The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data, assessed for the impact of COVID-19 where it is applicable and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Fair value of interest rate swaps and caps

Level 2 financial assets and financial liabilities held by the Fund include "Vanilla" fixed to floating interest rate swap and interest rate cap derivatives (over-the-counter derivatives). The fair value of these derivatives has been determined using pricing models based on discounted cash flow analysis which incorporates assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivatives and counterparty or own credit risk.

Fair value of unlisted equity securities

The fair value of the Fund's financial assets at fair value through profit or loss are level 2 fair value measurements. These investments comprise of unlisted equity securities of Cromwell Property Group managed investment trusts which invest in investment property. The Fund uses net assets of these trusts to determine the fair value of the equity securities investments as the value of net assets is predominantly dependent on the fair value of the investment properties they hold.

The Fund does not hold any other financial instruments at fair value in the current or prior period and there were no transfers between levels of the fair value hierarchy during the period.

f) Fair value of other financial instruments not measured at fair value

The carrying amounts of receivables, other current assets, trade and other payables and distributions payable are assumed to approximate their fair values due to their short-term nature. The fair value of interest bearing liabilities is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Fund for similar financial instruments. The fair value of these interest bearing liabilities is not materially different from the carrying value.

g) Accounting policy

The accounting policies with respect to the initial recognition, measurement, classification and subsequent measurement of the Fund's financial assets and financial liabilities are detailed below:

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Fund's Balance sheet when it becomes a party to the contractual provisions of the instrument.

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

Financial assets

Classification and subsequent recognition and measurement

Subsequent to initial recognition the Fund classifies its financial assets in the following measurement categories:

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

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

Financial assets recognised at amortised cost

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

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

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

Financial assets recognised at fair value through profit or loss

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

Impairment

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

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

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

Financial liabilities

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

Notes to the Financial Statements

For the year ended 30 June 2021

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the Statement of profit or loss.

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

12. Leased assets and related leases

a) Overview

The below table shows the information in relation to the Fund's leased assets and relevant lease liabilities for the year ending and as at 30 June 2021:

	Investment property (1) $'000
Right-of-use assets	
Reconciliation of movements in right-of-use assets:	
Right-of-use assets recognised on 1 July 2019	11,184
Amortisation (4)	(420)
Balance as at 30 June 2020	**10,764**
Disposals, terminations and modifications	**(9,468)**
Amortisation (4)	**(165)**
Right-of-use assets at 30 June 2021	**1,131**
Lease liabilities	
Reconciliation of movements in lease liabilities:	
Lease liabilities recognised on 1 July 2019	11,184
Principle payments	(543)
Finance costs (2)	369
Balance as at 30 June 2020	**11,010**
Principle payments	**(242)**
Finance costs (2)	**142**
Disposals, terminations and modifications	**(9,740)**
Lease liabilities at 30 June 2021	**1,169**
2020	
Current	9,841
Non-current	1,169
Lease liabilities at 30 June 2020	11,010
2021	
Current	**57**
Non-current	**1,112**
Lease liabilities at 30 June 2021	**1,169**
Payments in relation to lease liabilities recognised above (3)	
2020	(543)
2021	**(242)**

(1) Right-of-use assets included as a component of Investment property in the balance sheet. See note 5 for further information.
(2) Included as a component of Finance costs in the consolidated statement of profit or loss.
(3) Represents total cash flows in respect of leases.
(4) Included as a component of Amortisation and depreciation in the consolidated statement of profit or loss.

b) Accounting policy

Accounting as lessor

The Fund enters into lease agreements as a lessor with respect to its investment properties. All these leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. When a contract includes both lease and non-lease components the Fund applies AASB 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component and account for the lease component as a lease in accordance with AASB 16 and the non-lease component as a service contract in accordance with AASB 15.

Initial direct costs incurred in negotiating and arranging such operating leases are added to the carrying value of the leased asset (investment property) and amortised on a straight-line basis over the lease term.

Accounting as lessee

The Fund recognises all relevant operating leases as a financial liability with a corresponding right-of-use asset, except for short-term leases and leases of low value assets (for these leases the Fund recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern in which economic benefits from the leased assets are consumed).

The lease liability is initially measured as the present value of the lease payments that are unpaid at the commencement date, discounted using the rate implicit in the lease or relevant incremental borrowing rate. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. The lease liability is presented as a component of Interest bearing liabilities in the balance sheet (see note 8).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement, less any lease incentives received and any initial direct costs. The right-of use asset is subsequently measured as cost less accumulated depreciation and impairments.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. Impairments are recognised when identified.

Right-of-use assets are presented as components of Investment property and Property, plant and equipment in the Balance sheet.

13. Cash flow information

a) Overview

This note provides further information on the cash flow statement of the Fund. It reconciles profit for the year to cash flows from operating activities and information about non-cash transactions.

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

	2021 $'000	2020 $'000
Net profit	**34,200**	11,651
Fair value net loss / (gain):		
Investment properties	**(8,812)**	7,155
Investments in unlisted property schemes (net of acquisition costs)	**50**	(1,355)
Interest rate swap	**(599)**	1,086
Loss on disposal of investment property	**171**	-
Straight-line lease income	**(1,285)**	(1,642)
Amortisation of lease incentives, lease costs and lease abatement	**1,234**	2,198
Amortisation of loan transaction costs	**176**	141
Amortisation of right of use asset – ground lease	**165**	420
Changes in operating assets and liabilities		
Decrease / (increase) in:		
Receivables	**574**	(880)
Other current assets	**35**	253
Increase / (decrease) in:		
Trade and other payables	**85**	(1,163)
Unearned income	**731**	(1,028)
Net cash provided by operating activities	**27,215**	16,836

c) Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Non-cash items

	2021 $'000	2020 $'000
Units issued on reinvestment of distributions profit	**1,792**	1,643

e) Reconciliation of liabilities arising from financing activities

	Borrowings $000	Distributions payable $000	Derivative financial instrument $000	Lease liabilities $000	Total $000
Opening balance 1 July 2019	142,428	1,081	334	11,184	155,027
Changes from financing cash flows:					
Repayments of borrowings	(65,000)	-	-	-	(65,000)
Payment of loan transaction costs	(104)	-	-	-	(104)
Payment of lease liabilities	-	-	-	(543)	(543)
Payment of distributions	-	(16,733)	-	-	(16,733)
Total changes from financing cash flows	(65,104)	(16,733)	-	(543)	(82,380)
Other movements:					
Fair value net gains / losses	-	-	1,086	-	1,086
Amortisation of loan transaction costs	141	-	-	-	141
Units issued on reinvestment of distributions	-	(1,643)	-	-	(1,643)
Interest expense on lease liabilities	-	-	-	369	369
Distributions for the year	-	19,077	-	-	19,077
Balance at 30 June 2020	77,465	1,782	1,420	11,010	80,493
Changes from financing cash flows:					
Proceeds from borrowings	**217,126**	**-**	**-**	**-**	**217,126**
Repayments of borrowings	**(114,745)**	**-**	**-**	**(57)**	**(114,802)**
Payment of loan transaction costs	**(404)**	**-**	**-**	**-**	**(404)**
Payment of lease liabilities	**-**	**-**	**-**	**(543)**	**(543)**
Payment of distributions	**-**	**(17,654)**	**-**	**-**	**(17,654)**
Total changes from financing cash flows	**101,977**	**(17,654)**	**-**	**(600)**	**83,721**
Other movements:					
Disposal of investment property	**-**	**-**	**-**	**(9,383)**	**(9,383)**
Fair value net gains / losses	**-**	**-**	**(599)**	**-**	**(599)**
Amortisation of loan transaction costs	**176**	**-**	**-**	**-**	**176**
Units issued on reinvestment of distributions	**-**	**(1,792)**	**-**	**-**	**(1,792)**
Interest expense on lease liabilities	**-**	**-**	**-**	**142**	**142**
Distributions for the year	**-**	**19,310**	**-**	**-**	**19,310**
Balance at 30 June 2021	**179,617**	**1,646**	**821**	**1,169**	**172,068**

14. Related parties

a) Overview

Related parties are persons or entities that are related to the Fund as defined by AASB 124 *Related Party Disclosures*. These include Directors and other key management personnel of the responsible entity and their close family members and any entities they control. They also include any associated entities of the responsible entities, such as entities that are also controlled by the parent entity of the responsible entity Cromwell Corporation Limited.

This note provides information about transactions with related parties during the year. All of the Fund's transactions with related parties are on normal commercial terms and conditions and at market rates.

b) Key management personnel disclosures

The following persons were Directors and other key management personnel of the responsible entity during the entire year, unless otherwise stated:

Cromwell Funds Management Limited	
Non-executive directors	
TL Cox	Director – appointed 14 January 2021, Chair since 14 January 2021
MA McKellar	Director
JA Tongs	Director
WRL Foster	Director
Executive directors and other key management personnel	
PL Weightman	Managing Director and Chief Executive Officer – retired 31 December 2020
M Wilde	Chief Financial Officer to 31 December 2020. Acting Chief Executive Officer from 1 January 2021.
B Hinton	Acting Chief Financial Officer from 1 January 2021.

There were no key management personnel employed by the Fund at any time during the year.

c) Remuneration

Key management personnel are paid by Cromwell Operations Pty Ltd. Cromwell Operations Pty Ltd is a wholly owned subsidiary of Cromwell Corporation Limited, which is the parent entity of the responsible entity. Payments made from the Fund to either Cromwell Operations Pty Ltd or Cromwell Funds Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

d) Unitholdings / loans

The Directors and other KMP of the responsible entity, including their personally related parties, had no loans payable to/receivable from the Fund nor held any units in the Fund during the financial year or at year-end.

e) Transactions with the responsible entity and its associates

	2021 $	2020 $
Amounts paid / payable		
Fund administration fees	**2,031,184**	1,972,352
Acquisition fees	**2,350,000**	350,334
Property and facility management fees	**614,961**	573,804
Aggregate amount payable to the responsible entity and its associate at year-end	**434,152**	489,747

The Fund's investment portfolio comprises investments in units of unlisted property trusts also managed by the responsible entity, Cromwell Funds Management Limited, for which it receives distributions from these trusts on a monthly basis – refer Note 6.

15. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	2021 $	2020 $
Audit services		
Pitcher Partners Brisbane		
• Audit and review of financial report	**28,000**	24,500
• Audit of compliance plan	**3,500**	3,100
Total remuneration for audit and other assurance services	**31,500**	27,600

There were no fees paid for other services.

16. Controlled entities and parent entity disclosure

a) Controlled entities

	Country of registration	Equity holding 2021 %	Equity holding 2020 %
Cromwell Allara Street Trust	Australia	100	100
Cromwell BMP Trust	Australia	100	100
Cromwell Farrer Place Trust	Australia	100	100
Cromwell Flinders Street Trust	Australia	100	100
Cromwell Masters Parafield Trust	Australia	100	100
Cromwell O'Riordan Street Trust	Australia	100	100
Cromwell Queen Street Trust	Australia	100	-
Cromwell Spring Hill Trust	Australia	100	100

b) Parent entity disclosure

The financial information below on the Fund's parent entity Cromwell Direct Property Fund ("DPF") as a stand-alone entity has been provided in accordance with the requirements of the *Corporations Act 2001* (Cth).

	Cromwell Direct Property Fund	
	2021 $'000	2020 $'000
Results		
Profit for the year	**22,876**	11,651
Total comprehensive income for the year	**22,876**	11,651
Financial position		
Current assets	**31,214**	32,057
Total assets	**512,434**	427,757
Current liabilities	**(3,398)**	(4,081)
Total liabilities	**(183,014)**	(81,546)
Net assets	**329,420**	346,211
Equity		
Contributed equity	**328,811**	349,168
Retained earnings	**609**	(2,957)
Total equity	**329,420**	346,211

c) Accounting policy

The financial information of the parent entity of the Fund has been prepared on the same basis as the consolidated financial statements except for investments in subsidiaries and consolidated accounting policies adopted by the Fund.

Investments in subsidiaries are accounted for at cost less accumulated impairment charges in the financial report of the parent entity. Distributions received from subsidiaries and equity accounted investments are not eliminated and recognised in profit or loss.

d) Commitments

At balance date DPF had no commitments (2020: none) in relation to capital expenditure contracted for but not recognised as liabilities.

e) Guarantees provided

At balance date DPF provided no guarantees (2020: none) on behalf of its subsidiaries.

f) Contingent liabilities

At balance date DPF had no contingent liabilities (2020: none).

17. Unrecognised items

a) Overview

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

b) Commitments

The Directors are not aware of any material commitments of the Fund (2020: nil).

c) Contingent liabilities

The Directors are not aware of any material contingent liabilities of the Fund (2020: nil).

18. Subsequent events

Other than as disclosed below, no matter or circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- the Fund's operations in future financial years; or
- the results of those operations in future financial years; or
- the Fund's state of affairs in future financial years.

On 16 August 2021, Management entered into an unconditional contract to sell the Bunnings Munno Para West property for $48.8 million, with settlement expected in late August 2021. As such, the fair value of the property at 30 June 2021 reflects the contractual sale price less costs to sell.

Directors' Declaration

In the opinion of the Directors of Cromwell Funds Management Limited as responsible entity for Cromwell Direct Property Fund:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:

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

(ii) giving a true and fair view of the Funds' financial position as at 30 June 2021 and of its performance, for the financial year ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 Basis of preparation; and

(c) there are reasonable grounds to believe that the Fund 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 of Cromwell Funds Management Limited.

Ms TL Cox

Chair

25 August 2021

Sydney

PITCHER PARTNERS

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Independent Auditor's Report
To the Members of Cromwell Direct Property Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cromwell Direct Property Fund and its controlled entities ("the Fund"), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' of the responsible entity's declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the responsible entity of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors of Cromwell Funds Management Limited as responsible entity for the Fund (the "directors") are responsible for the other information. The other information comprises the information included in the Fund's directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pitcher Partners

PITCHER PARTNERS

C Mason

CHERYL MASON
Partner

Brisbane, Queensland
25 August 2021