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 2024

Responsible entity:
Cromwell Funds Management Limited
ABN 63 114 782 777 AFSL 333 214
Level 10, 100 Creek 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) for the year ended 30 June 2024.

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 ("Cromwell"), a global real estate investment manager with $11.0 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 LJC Crombie	Non-executive Director	Appointed 30 June 2022
Ms RJ Lloyd	Non-executive Director	Appointed 18 July 2022
Mr GG Ross	Non-executive Director	Appointed 18 July 2022

Principal activity

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

Review of operations and results

Financial performance

The Fund recorded a loss for the year of $71,419,000 (2023: loss of $38,187,000) and declared distributions of $19,524,000 (2023: $23,891,000). The loss for the year compared to the prior year was predominantly the result of fair value losses on investment properties and investments in unlisted property schemes.

The loss for the year 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, 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 with 88.9% of operating profit distributed to unitholders during 2024 (2023: 103.0%).

The Fund recorded an operating profit for the year of $21,965,000 (2023: $23,201,000). 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:

	1 year	3 year (annualised)	5 year (annualised)	Since inception (annualised)
Fund performance (after fees and costs)	(21.20%)	(7.60%)	(2.47%)	4.21%
PCA/IPD Unlisted Retail Property Fund Core Index	(16.76%)	(2.40%)	4.20%	12.28%
(Under) return (after fees and costs)	**(4.44%)**	**(5.20%)**	**(6.67%)**	**(8.07%)**

The Fund continues to deliver regular, tax advantaged income for investors. Monthly distributions were 6.75cpu p.a. for the period from July 2023 to September 2023, reducing to 5.75cpu p.a. from October 2023 to December 2023, and 4.75cpu p.a. from 1 January 2024 representing a 5.72% yield on the 30 June 2024 unit price (excluding distribution) of $0.8309. Average distributions during the year were 5.50cpu (2023: 6.75cpu). Whilst revaluations of the portfolio impacted performance, the Fund has generated an annualised total return of 4.21% per annum since inception. Over the period, the Fund had net equity outflows of $1,971,000 with Cromwell Property Group owning a 4.17% stake in the Fund.

With economic conditions remaining challenging, resulting in continued reductions in property valuations, the responsible entity has decided to cease offering redemptions under the Limited Monthly Withdrawal Facility until further notice. Continuing to offer redemptions would require either the sale of one or more assets in what is currently a market with limited buyers, or drawing down on available debt at heightened interest rates. By carefully managing the Fund's gearing and liquidity through the property cycle, the responsible entity believes the Fund will be best placed when the market commences its recovery.

This decision does not alter the timing of DPF's next Periodic Withdrawal Opportunity which is expected to occur on or around July 2025.

In July 2023, the responsible entity announced that the Fund had entered into a Merger Implementation Deed with Australian Unity Property as responsible entity of the Australian Unity Diversified Property Fund, with the transaction expected to complete in late-2023. Due to difficult market conditions, both parties agreed to terminate the agreement and the merger did not proceed. Transaction costs of $627,000 were incurred in relation to the potential merger and have been expensed in the current period as other non-operating costs.

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

	2024 $'000	2023 $'000
Operating profit	**21,965**	23,201
Reconciliation to loss for the year		
Fair value net (losses) / gains:		
Investment properties	**(66,729)**	(50,781)
Investments at fair value through profit or loss (net acquisition costs)	**(14,440)**	(5,322)
Derivative financial instruments	**(1,705)**	1,195
Non-cash property investment income / (expense):		
Straight-line lease income	**996**	1,525
Amortisation of lease incentives and lease costs	**(9,731)**	(7,414)
Amortisation of right-of-use asset	**(75)**	(75)
Amortisation of loan transaction costs	**(1,073)**	(516)
Other non-operating costs	**(627)**	-
Loss for the year	**(71,419)**	(38,187)
Loss per unit (cents)	**(20.43)**	(10.85)
Operating profit per unit (cents)	**6.19**	6.60
Annualised distribution paid/payable per unit (cents)	**5.50**	6.75
Weighted average number of units ('000)	**354,821**	351,800

Net operating income from the Fund's investment properties for the year was $39,482,000 (2023: $37,992,000), an increase of 3.9% compared to the previous year.

Net operating income is calculated based on investment property rental income and direct recoveries, less property expenses and outgoings and non-cash property income and expenses. Net operating income is not calculated in accordance with International Financial Reporting Standards (IFRS) and has not been audited or reviewed by the Fund's auditor.

A reconciliation of rental income and recoverable outgoings to net operating income for the year is as follows:

	2024 $'000	2023 $'000
Rental income and recoverable outgoings	**46,633**	46,601
Property expenses and outgoings	**(15,870)**	(14,483)
Straight-line lease income	**(996)**	(1,525)
Amortisation of lease cost and lease incentives	**9,731**	7,414
Other property expenses	**(16)**	(15)
Net operating income	**39,482**	37,992

Financial position

	2024	2023
Total assets ($'000)	**584,840**	696,177
Net assets ($'000)	**289,038**	381,952
Net tangible assets ($'000) (1)	**289,116**	382,020
Total debt ($'000) (2)	**288,740**	274,740
Gearing (%) (3)	**49%**	39%
Weighted average debt maturity (years)	**2.3**	3.7
Percentage of debt hedged	**52%**	49%
Units issued ('000)	**355,511**	357,035
NTA per unit	**$0.81**	$1.07
Net assets per unit (including interest rate derivatives)	**$0.81**	$1.07
Net assets per unit (excluding interest rate derivatives)	**$0.81**	$1.06

(1) Net assets less right-of-use asset and associated lease liability.
(2) Interest bearing liabilities excluding unamortised borrowing costs.
(3) Total debt divided by total assets.

Directors' Report

Net tangible asset (NTA) per unit is a key measure of the underlying value of the Fund's assets. The decrease in NTA is a result of the decrease in the net assets of the fund, predominately driven by the fair value decreases on investment properties and investments in unlisted property schemes.

Value of scheme assets

The Fund held investments in unlisted property schemes valued at $42,272,000 (2023: $56,712,000), investment properties valued at $491,714,000 (2023: $620,227,000) and investment property classified as held for sale at $41,061,000 (2023: nil) as disclosed in the accompanying financial report.

The total carrying value of the Fund's assets as at the end of the financial year was $584,840,000 (2023: $696,177,000) and net assets attributable to unitholders were $289,038,000 (2023: $381,952,000) equating to $0.81 per unit (2023: $1.07). The Fund's assets have been valued using the basis set out in the notes to the financial statements.

Investment property metrics

	2024	2023
Total investment property carrying value ($'000) (1)	**491,714**	620,227
Capitalisation rate (%) (2)	**6.75 - 7.75**	5.75 - 6.88
Occupancy (%) (3)	**76.88 - 100.0**	87.2 - 100.0
Weighted average lease expiry (years)	**2.22 - 4.65**	2.77 - 6.45

(1) Excludes investment property classified as held for sale.
(2) The capitalisation rate is the range for directly held investment properties.
(3) The occupancy is the range for directly held investment properties. The weighted average occupancy as at 30 June 2024 was 92.2% (2023: 94.9%).

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

Subsequent to year end, the responsible entity entered into and settled an unconditional contract for the sale of 433 Boundary Street, Spring Hill, QLD. The fair value of the property at 30 June 2024 reflects the contractual sale price, less costs to sell. Proceeds from the sale were used to reduce borrowings.

No other matter or circumstance has arisen since 30 June 2024 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.

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 continue to 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.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests and other economic impacts (such as tightened monetary policy). Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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/payable to unitholders for the year ended 30 June 2024 were $19,524,000 (2023: $23,891,000), equating to an annualised rate of 5.50 cents per unit (2023: 6.75 cents per unit p.a.). Distributions payable at balance date were $1,440,000 (2023: $2,011,000), primarily representing distributions for the month of June, which were paid in July. The distribution rate as at 30 June 2024 was 4.75 cents per unit p.a. (30 June 2023: 6.75 cents per unit p.a.).

Directors' Report

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 $6,290,000 (2023: $6,200,000).

Units held by the responsible entity

No units in the Fund have been issued to the responsible entity during the year. Refer note 15(d) for details of units held by Directors, their related parties, and associates of the responsible entity.

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 5,704,183 (2023: 40,028,237) units were issued by the Fund during the year and 7,228,511 units (2023: 26,224,794) were redeemed during the year. At the end of the financial year a total of 355,510,766 (2023: 357,035,094) units in the Fund were on issue.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in these financial statements 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 in accordance with a resolution of the Directors pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

Ms TL Cox

Chair

11 September 2024

Sydney

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The Directors
Cromwell Funds Management Limited
As Responsible Entity for Cromwell Direct Property Fund
Level 10, 100Creek Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2024, 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
11 September 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

	Notes	**2024 $'000**	2023 $'000
Revenue and other income			
Rental income and recoverable outgoings	3(a)	**46,633**	46,601
Distribution income	7(d)	**3,340**	3,306
Fair value net gains from derivative financial instruments		**-**	1,195
Other income		**-**	25
Interest		**432**	555
Total revenue and other income	3(a)	**50,405**	51,682
Expenses			
Property expenses and outgoings		**15,870**	14,483
Management and administration costs	4	**5,093**	4,870
Finance costs	9(c)	**17,987**	14,413
Fair value net losses from:			
Investment properties	6(b)	**66,729**	50,781
Investments in unlisted property schemes	7(d)	**14,440**	5,322
Derivative financial instruments		**1,705**	-
Total expenses		**121,824**	89,869
Loss for the year attributable to unitholders		**(71,419)**	(38,187)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year attributable to unit holders		**(71,419)**	(38,187)

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

Consolidated Balance Sheet

As at 30 June 2024

	Notes	**2024 $'000**	2023 $'000
Current assets			
Cash and cash equivalents		**6,901**	14,481
Receivables	5	**1,331**	1,676
Other current assets		**344**	311
Derivative financial instruments	10	**855**	1,801
Investment property classified as held for sale	6	**41,061**	-
Total current assets		**50,492**	18,269
Non-current assets			
Investment properties	6	**491,714**	620,227
Investments in unlisted property schemes	7	**42,272**	56,712
Derivative financial instruments	10	**362**	969
Total non-current assets		**534,348**	677,908
Total assets		**584,840**	696,177
Current liabilities			
Payables	8	**2,636**	35,490
Distribution payable		**1,440**	2,011
Unearned income		**2,749**	2,657
Interest bearing liabilities	9	**65**	62
Total current liabilities		**6,890**	40,220
Non-current liabilities			
Interest bearing liabilities	9	**288,912**	274,005
Total non-current liabilities		**288,912**	274,005
Total liabilities		**295,802**	314,225
Net assets		**289,038**	381,952
Equity			
Contributed equity	11	**435,401**	437,372
Accumulated losses		**(146,363)**	(55,420)
Total equity		**289,038**	381,952

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 2024

30 June 2024	Notes	Contributed equity $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2023		**437,372**	**(55,420)**	**381,952**
Loss for the year		**-**	**(71,419)**	**(71,419)**
Other comprehensive income for the year		**-**	**-**	**-**
Transactions with unitholders in their capacity as unitholders:				
Units issued:				
For cash	11	**5,083**	**-**	**5,083**
Reinvestment of distributions	11	**972**	**-**	**972**
Units redeemed for cash	11	**(8,026)**	**-**	**(8,026)**
Distributions paid / payable	2	**-**	**(19,524)**	**(19,524)**
Total transactions with unitholders		**(1,971)**	**(19,524)**	**(21,495)**
Balance at 30 June 2024		**435,401**	**(146,363)**	**289,038**

30 June 2023	Notes	Contributed equity $'000	Retained earnings / (Accumulated losses) $'000	Total $'000
Balance at 1 July 2022		419,371	6,658	426,029
Loss for the year		-	(38,187)	(38,187)
Other comprehensive income for the year		-	-	-
Transactions with unitholders in their capacity as unitholders:				
Units issued:				
For cash	11	49,266	-	49,266
Reinvestment of distributions	11	2,456	-	2,456
Units redeemed for cash	11	(33,721)	-	(33,721)
Distributions paid / payable	2	-	(23,891)	(23,891)
Total transactions with unitholders		18,001	(23,891)	(5,890)
Balance at 30 June 2023		437,372	(55,420)	381,952

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 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts in the course of operations		**51,969**	53,374
Payments in the course of operations		**(24,577)**	(22,262)
Distributions received		**3,338**	3,303
Interest received		**432**	555
Net finance costs paid		**(16,933)**	(13,689)
Net cash provided by operating activities	14(b)	**14,229**	21,281
Cash flows from investing activities			
Payments for investment properties		**(13,429)**	(16,069)
Proceeds from sale of investment property		**-**	17,216
Payments for investments in unlisted property schemes		**-**	(45)
Net cash (used in) / provided by investing activities		**(13,429)**	1,102
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**119,000**	82,190
Repayment of interest bearing liabilities		**(105,000)**	(115,239)
Payment of loan transaction costs		**(98)**	(619)
Proceeds from issue of units		**5,083**	49,266
Payment for units redeemed		**(8,026)**	(33,721)
Payment of distributions		**(19,123)**	(25,851)
Payment for derivatives		**(1,098)**	(399)
Proceeds from sale of derivatives		**947**	-
Payment for lease liabilities		**(65)**	(61)
Net cash used in financing activities		**(8,380)**	(44,434)
Net decrease in cash and cash equivalents		**(7,580)**	(22,051)
Cash and cash equivalents at 1 July		**14,481**	36,532
Cash and cash equivalents at 30 June		**6,901**	14,481

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 2024

1. Basis of preparation

The annual financial report of Cromwell Direct Property Fund and the entities it controlled for the year ended 30 June 2024 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 material accounting policy information 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.

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 6, 7 and 12 respectively.

Functional and presentation currency

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

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in these financial statements have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

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 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 Fund 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. 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
Fair value of investment property	6
Fair value of investments in unlisted property schemes	7 & 12
Fair value of financial instruments	12

b) New and amended accounting standards and interpretations adopted by the Fund

The Fund has adopted all applicable new Australian accounting standards and interpretations. Any new standards or amendments adopted in the current period do not have a material impact on the financial statements.

Any new relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted are unlikely to have any material impact on 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 are determined with reference to the Fund's operating profit. Operating profit is a non-IFRS measure calculated and discussed on page 4 of this Annual Financial Report.

b) Distributions paid / payable

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

From inception to 30 June 2014 (1)	7.00 cents
1 July 2014 to 30 April 2015 income	7.25 cents
1 May 2015 to 30 June 2015 income	4.75 cents
1 July 2015 to 30 June 2016 income	6.00 cents
1 July 2016 to 30 June 2019 income	7.00 cents
1 July 2019 to 30 June 2021 income	7.25 cents
1 July 2021 to 30 June 2022 income	7.25 cents
1 July 2021 to 30 June 2022 capital (2)	1.27 cents
1 July 2022 to 30 June 2023 income	6.75 cents
1 July 2023 to 30 September 2023 income (1)	6.75 cents
1 October 2023 to 31 December income 2023 (1)	5.75 cents
1 January 2024 to 30 June 2024 income (1)	**4.75 cents**

(1) Annualised distribution rate.

(2) A special capital distribution of 1.27 cents per unit for the month of June 2022, paid in July 2022.

The annualised distribution rate for the year was 5.50 cents per annum and was paid in monthly instalments. Total distributions paid / payable during the year were as follows:

	2024 $'000	2023 $'000
Distributions paid / payable	**19,524**	23,891

3. Revenue and other income

a) Overview

The Fund recognises revenue from the provision of 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.

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

	2024 $'000	2023 $'000
Rental income – lease components	**37,244**	38,409
Rental income and recoverable outgoings – non-lease components	**9,389**	8,192
Rental income and recoverable outgoings	**46,633**	46,601
Other income items recognised:		
Distribution income	**3,340**	3,306
Fair value net gains from derivative financial instruments	**-**	1,195
Other revenue	**-**	25
Interest	**432**	555
Total other income	**3,772**	5,081
Total revenue and other income	**50,405**	51,682

b) Disaggregation of revenue from contracts with customers

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

	2024 $'000	2023 $'000
Rental income and recoverable outgoings – non-lease components:		
Recoverable outgoings (1)	**5,830**	5,330
Cost recoveries (2)	**3,559**	2,862
Total rental income and recoverable outgoings – non-lease components	**9,389**	8,192

(1) Revenue items recognised over time.
(2) Revenue items 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 as rates, levies, utilities, cleaning etc.

Rental income is recognised on a straight-line basis over the lease term. Lease incentives granted are considered an integral part of the total rental 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 receivables.

Contract liabilities (unearned income)

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

4. Management and administration costs

a) Overview

This note provides a breakdown of the main expense items included in the Fund's management and administration costs:

	2024 $'000	2023 $'000
Fund administration fees	**3,573**	4,008
Administration costs	**893**	862
Other non-operating costs	**627**	-
Total management and administration costs	**5,093**	4,870

5. 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 such as Goods and Services Tax (GST).

	2024 $'000	2023 $'000
Rent receivables	**709**	735
Distribution receivables	**278**	276
Other receivables	**344**	665
Total receivables	**1,331**	1,676

No receivables have been determined to be impaired (2023: $79,000). At year-end receivables of $182,000 (2023: $6,000) were past due date but not impaired.

6. Investment properties

a) Overview

The Fund holds seven investment properties. Ownership details of the seven investment properties are shown below:

	Ownership %	
	30 June 2024	30 June 2023
100 Creek Street, Brisbane, QLD	**100%**	100%
545 Queen Street, Brisbane, QLD	**100%**	100%
420 Flinders Street, Townsville, QLD	**100%**	100%
433 Boundary Street, Spring Hill, QLD (1)	**100%**	100%
163 O'Riordan Street, Mascot, NSW	**100%**	100%
11 Farrer Place, Queanbeyan, NSW	**100%**	100%
95 Grenfell Street, Adelaide, SA	**100%**	100%

(1) An unconditional contract for sale was entered into and settled subsequent to year-end.

b) Details of the Fund's investment properties

	Independent valuation (1)	Carrying amount		Fair value adjustment	
	Amount $'000	**30 June 2024 $'000**	30 June 2023 $'000	**30 June 2024 $'000**	30 June 2023 $'000
Investment properties		**490,809**	619,247	**(66,729)**	(50,781)
Right of use assets (2)		**905**	980	**-**	-
Total investment properties	489,950	**491,714**	620,227	**(66,729)**	(50,781)

(1) Four investment properties (545 Queen Street, Brisbane, QLD, 420 Flinders Street, Townsville, QLD, 11 Farrer Place, Queanbeyan, NSW and 95 Grenfell Street, Adelaide, SA) representing 61% of the portfolio were independently valued at June 2024. The remaining properties were independently valued at 30 April 2024 (100 Creek Street, Brisbane, QLD) and 31 May 2024 (163 O'Riordan Street, Mascot, NSW). The carrying values of investment properties at 30 June 2024 are based on the most recent independent valuation, adjusted for capitalised building costs, lease costs and lease incentives recognised subsequent to the valuation.

(2) The carrying value of 163 O'Riordan Street, Mascot, NSW includes a right of use asset with respect to relevant ground lease recognised under AASB 16 Leases.

c) Held for sale investment properties

Subsequent to year end, the responsible entity entered into an unconditional contract for the sale of 433 Boundary Street, Spring Hill, QLD. The carrying value at 30 June 2024 represents the unconditional contractual sale price less costs to sell.

	2024 $'000	2023 $'000
Held for sale investment property	**41,061**	-

d) 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:

	2024 $'000	2023 $'000
Balance at 1 July	**620,227**	678,805
Lifecycle capital expenditure	**4,317**	4,627
Disposal, net of transaction costs (1)	**155**	(17,678)
Lease costs and lease incentive costs (2)	**(16,385)**	11,218
Straight-line lease income	**996**	1,525
Amortisation of right-of-use asset	**(75)**	(75)
Amortisation of lease incentives and lease costs	**(9,731)**	(7,414)
Transfer to held for sale investment property (3)	**(41,061)**	-
Net loss from fair value adjustments	**(66,729)**	(50,781)
Total investment properties	**491,714**	620,227

(1) Current year costs for disposal represent expenses incurred by the Fund in relation to sale contracts for investment properties that have not yet completed.
(2) Lease incentives payable were previously categorised as a liability and have been reclassified to assets to form a net investment property balance as at 30 June 2024.
(3) At 30 June 2024, the carrying value of 433 Boundary Street, Spring Hill, QLD was transferred to held for sale investment property. Refer to note 6(c) for further information.

e) 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, exclusive of lease incentives of the Fund's investment properties, not recognised in the financial statements are receivable as follows:

	2024 $'000	2023 $'000
Within one year	**41,245**	42,226
Later than one year but not later than five years	**114,971**	137,974
Later than five years	**29,564**	29,577
Total minimum lease payments	**185,780**	209,777

f) 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 properties 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.

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.

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.

g) Critical accounting estimates (fair value measurement)

The Fund's investment properties, with a carrying amount of $491,714,000 (2023: $620,227,000) 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 6(h) provides further details in relation to the valuation of investment property.

h) Fair value measurement

As noted above in the Fund's accounting policy, the Fund's 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 calculate a capital value, with allowances for capital expenditure reversions such as lease incentives and required capital works payable in the near future and overs / unders when comparing market rent with passing rent.
DCF method	Under the DCF method, a property's fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit terminal value. The DCF method involves the projection of expected cash flows from a real property asset over a period of time (generally five to 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

Annual net property income	Annual net property income is the contracted 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 regard to market evidence (and the prior external valuation for internal valuations).
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regard to market evidence (and the prior external valuation for internal valuations).
Terminal yield	The capitalisation rate used to estimate the residual value of the cash flows associated with the investment property at the end of the expected holding period.

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

	Input values		Sensitivity	
	2024	2023	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income ($'000)	**2,379 – 11,665**	2,263 – 12,060	Increase	Decrease
Capitalisation rate (%)	**6.75 – 7.75**	5.75 – 6.88	Decrease	Increase
Discount rate (%)	**7.00 – 8.00**	6.25 – 7.00	Decrease	Increase
Terminal yield (%)	**7.00 – 7.88**	6.00 – 7.13	Decrease	Increase
WALE (years)	**2.22 – 4.65**	2.77 – 6.45	Increase	Decrease
Occupancy	**76.88 – 100.0**	87.2 – 100.0	Increase	Decrease

Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property, especially in the current economic environment. Owing to this significant judgement, a sensitivity analysis is included below. The sensitivity analysis shows the impact on the carrying values of the Fund's investment properties of an increase or decrease of 0.50% on the capitalisation rate, discount rate and terminal yields as at 30 June 2024.

	2024 $'000	2024 $'000
	0.50%	**(0.50%)**
Impact to investment property portfolio	**(38,905)**	**41,851**

7. Investments in unlisted property schemes

a) Overview

The Fund's investment portfolio includes 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.

b) Investment details

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

	2024 $'000	2023 $'000
Non-current		
Cromwell Riverpark Trust	**32,206**	43,361
Cromwell Property Trust 12	**10,066**	13,351
Total investments in unlisted property schemes	**42,272**	56,712

c) Accounting policy

Investments at fair value through profit or loss include units in unlisted property trusts. Such investments are classified 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.

Distribution revenue

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

d) Fair value measurement

The Fund is exposed to price risk in relation to its investment in unlisted equity securities. Refer to note 12(d) for further information.

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.

Distribution income from investments in unlisted property schemes of $3,340,000 (2023: $3,306,000) was recognised during the year.

Fair value losses from investments in unlisted property schemes of $14,440,000 (2023: $5,322,000) was during the year.

8. Payables

a) Overview

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

	2024 $'000	2023 $'000
Current		
Payables	**2,636**	5,335
Lease incentive payables (1)	**-**	30,155
Total payables	**2,636**	35,490

(1) Lease incentive payables were previously categorised as a liability and have been reclassified to assets to form a net investment property balance as at 30 June 2024. Refer to note 6(d) for further information.

9. Interest bearing liabilities

a) Overview

The Fund borrows from financial institutions to acquire investment properties. A proportion of these borrowings are fixed through the use of interest rate derivative contracts and have a fixed term. This note provides further information about the Fund's debt facilities, including maturity dates, security provided and facility limits.

	2024		2023	
	Limit $'000	**Drawn $'000**	Limit $'000	Drawn $'000
Current				
Unsecured				
Lease liability	**-**	**65**	-	62
Total current	**-**	**65**	-	62
Non-current				
Unsecured				
Lease liability	**-**	**918**	-	986
Secured				
Bank loan – financial institutions	**373,250**	**288,740**	446,500	274,740
Unamortised loan transaction costs	**-**	**(746)**	-	(1,721)
Total non-current	**373,250**	**288,912**	446,500	274,005
Total interest bearing liabilities	**373,250**	**288,977**	446,500	274,067

Total interest-bearing liabilities

	2024 $'000	2023 $'000
Secured bank loan – financial institutions	**288,740**	274,740
Lease liability	**983**	1,048
Unamortised loan transaction costs	**(746)**	(1,721)
Total interest bearing liabilities	**288,977**	274,067

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 directly owned by the Fund. The Fund is able to repay and refinance with individual providers.

In November 2023, the Fund terminated Tranche 2 which was excess to requirements, reducing the total available facility to $373,250,000 (30 June 2023: $446,500,000). Tranche 2 had an original maturity of May 2027.

During the year, the loan to value ratio (LVR) covenant was increased to 65% until December 2024 (previously 55%) and the draw stop increased to 60% also until December 2024 (previously 50%) resulting in $29,200,000 available to draw (2023: $21,800,000). During the year, $119,000,000 was drawn from the facilities and $105,000,000 was repaid.

A summary of the Fund's debt facility maturity dates, facility limits and utilisation is below:

	2024			2023		
	Facility maturity	**Facility limit $'000**	**Facility utilised $'000**	Facility maturity	Facility limit $'000	Facility utilised $'000
Tranche 1	**Jun 2026**	**76,750**	**76,750**	Jun 2026	76,750	76,750
Tranche 2	**-**	**-**	**-**	May 2027	73,250	73,250
Tranche 3	**Jun 2027**	**150,000**	**101,550**	Jun 2027	150,000	124,300
Tranche 4	**Jun 2026**	**146,500**	**110,440**	Jun 2026	146,500	440
Total debt facilities		**373,250**	**288,740**		446,500	274,740

A summary of the key bank covenants for the debt facility are set out below:

	2024			2023		
Covenant	**Actual**	**Limit**	**Headroom** (1)	Actual	Limit	Headroom (1)
Loan to value (2)	**54.5%**	**65.0%** (3)	**$85,735,000**	46.3%	55.0% (3)	$93,474,000
Interest cover	**2.3 times**	**1.75 times** (4)	**$9,930,000**	2.7 times	2.0 times (4)	$10,255,000

(1) Headroom on LVR is calculated on the net property valuation.
(2) The loan to value ratio is calculated as drawn debt over net property valuations, including valuation on held for sale investment property.
(3) During the year the LVR was increased to 65% until December 2024 from 55% and the draw stop was increased to 60% also until December 2024 from 50%.
(4) In December 2023, the interest cover ratio reduced to 1.75 times from 2.00 times.

c) Finance costs

	2024 $'000	2023 $'000
Interest on borrowings (1)	**16,847**	13,839
Lease liability interest	**27**	29
Amortisation of loan transaction costs	**1,073**	516
Borrowing costs – ongoing fees	**40**	29
Total finance costs	**17,987**	14,413

(1) Net of interest received under interest rate derivative agreements.

d) Lease liabilities

The Fund recognises lease liabilities and related right-of-use assets in respect of a ground-rent lease at the O'Riordan Street, Mascot property. The lease matures in 2036 and is subject to an annual interest rate review. Refer note 13 for the maturity of minimum lease payments in relation to leases in existence at the reporting date.

10. Derivative financial instruments

a) Overview

The Fund manages its cash flow interest rate risk by using various interest rate derivatives.

During the year, the Fund entered into an interest rate cap contract, for a premium of $1,098,000. Under the contract, the counterparty pays the Fund the difference between 90-day BBSY and the cap strike rate of 4.16%, when 90-day BBSY is above the cap strike, on a notional amount of $88,000,000 on a quarterly basis until November 2025.

Under the existing collar contract, the Fund agrees with the counterparty to pay interest on a notional amount of $26,400,000 on a quarterly basis until March 2026. Interest is calculated by reference to the agreed notional principal amount, and only payable if the 90-day BBSY rate falls below the floor strike rate of 2.87% (Fund to pay the counterparty the difference between rates) or the 90-day BBSY rate is above the cap strike rate of 3.45% (counterparty to pay the Fund the difference between rates).

Under the existing swap contract, the Fund agrees with the counterparty to pay interest on a notional swap amount of $35,000,000 until June 2025 at a fixed rate of 3.75% with the counterparty paying at the variable 90-day BBSY rate + 0.05%.

During the period, the Fund terminated two interest rate swap contracts that had a total notional swap value of $73,250,000 with the Fund receiving a refund on the premiums it had paid previously of $947,000.

The notional value of the derivative contracts of $149,400,000 represents 52% of the utilised bank facility of $288,740,000 as at 30 June 2024 (30 June 2023: notional value of $134,650,000 represented 49.0% of $274,740,000 utilised bank facility).

	2024 $'000	2023 $'000
Current Asset		
Interest rate derivatives	**855**	1,801
Non-current asset		
Interest rate derivatives	**362**	969

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 entered into various interest rate derivative agreements to convert certain future variable interest rate borrowings to fixed interest rates. The derivatives were 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 instruments are 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 12(e).

11. 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.

	2024		2023	
	#'000	**$'000**	# '000	$'000
Issued units	**355,511**	**435,401**	357,035	437,372

The weighted average number of units for the year is 354,821,000 (2023: 351,800,000).

b) Movements in contributed equity

	#'000	**$'000**
Balance at 30 June 2022	343,232	419,371
Units issued for cash	38,041	49,266
Reinvestment of distributions	1,987	2,456
Units redeemed for cash	(26,225)	(33,721)
Balance at 30 June 2023	357,035	437,372
Units issued for cash	**4,748**	**5,083**
Reinvestment of distributions	**956**	**972**
Units redeemed for cash	**(7,228)**	**(8,026)**
Balance at 30 June 2024	**355,511**	**435,401**

c) Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the responsible entity. Under the terms of the Fund's constitution, the responsible entity has the discretion to reject an application for units and to defer withdrawal of units if the exercise of such discretion is in the best interests of unitholders. The responsible entity has ceased offering redemptions under the Limited Monthly Withdrawal Facility until further notice.

d) 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.

12. 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 using 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	**2024 $'000**	2023 $'000
Financial assets:			
Cash and cash equivalents	(1)	**6,901**	14,481
Receivables	(1)	**1,331**	1,676
Investments at fair value through profit or loss	(2)	**42,272**	56,712
Derivative financial instruments	(2)	**1,217**	2,770
Total financial assets		**51,721**	75,639
Financial liabilities			
Payables	(1)	**2,636**	35,490
Distribution payable	(1)	**1,440**	2,011
Interest bearing liabilities	(1)	**288,977**	274,067
Total financial liabilities		**293,053**	311,568

Type of financial instrument per AASB 9 Financial Instruments:
(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 12(b))	The risk a counterparty will default on its contractual obligations under a financial	• Cash and cash equivalents; • Receivables;	The responsible entity manages this risk by: • establishing credit limits for customers and managing exposure to individual entities;

Risk	Definition of risk	Fund's exposure	Responsible entity's management of risk
	instrument and result in a financial loss to the Fund.	• Derivative financial instruments.	• 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 receivables on an ongoing basis.
Liquidity risk (Section 12(c))	The risk the Fund will default on its contractual obligations under a financial instrument.	• Payables; • Borrowings; • Derivative financial instruments; • Distribution payable	The responsible entity manages this by: • preparation of rolling forecasts of short-term and long-term liquidity requirements; • maintaining sufficient cash reserves and undrawn finance facilities to meet ongoing liquidity requirements; • monitoring maturity profile of borrowings and putting in place strategies to ensure all maturing borrowings are refinanced significantly ahead of maturity; and • redemption management.
Market risk – interest rate risk (Section 12(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 rates; • Derivative financial instruments.	The responsible entity manages this risk through interest rate hedging arrangements (swap or collar contracts).
Market risk – price risk – equity investments (Section 12(d))	The risk that the fair value of investments in equity instruments will fluctuate due to changes in the underlying funds.	• Investments in unlisted property schemes.	The responsible entity reduces this risk by only investing in unlisted funds that carry high quality investment properties with long-term leases to low risk tenants.

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 counterparties are Australian or European financial institutions.

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
2024				
Payables	**2,636**	**-**	**-**	**2,636**
Distribution payable	**1,440**	**-**	**-**	**1,440**
Lease liabilities	**91**	**373**	**678**	**1,142**
Interest bearing liabilities	**20,101**	**315,887**	**-**	**335,988**
Total financial liabilities	**24,268**	**316,260**	**678**	**341,206**
2023				
Payables	35,490	-	-	35,490
Distribution payable	2,011	-	-	2,011
Lease liabilities	91	371	772	1,234
Interest bearing liabilities	17,444	321,493	-	338,937
Total financial liabilities	55,036	321,864	772	377,672

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. During the current year, the Trust entered into an interest rate collar. For details of the Fund's interest rate swap and collar contracts in place refer to note 10.

The table below shows the impact on profit and equity if interest rates changed by 100 basis points based on net 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
2024	**199**	**199**	**(1,799)**	**(1,799)**
2023	723	723	(690)	(690)

Price risk – equity investments

The Fund is exposed to equity price risk in relation to its investment in unlisted property trusts also managed by the responsible entity. 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 with long-term leases to low risk tenants.

Significant judgement is required when assessing the fair value of unlisted property trusts, especially in the current global economic environment. Owing to this significant judgement, the sensitivity analysis included below shows the impact on a change to the carrying values of the Fund's investments in unlisted property trusts of an increase or decrease of 10% (2023: 10%) to the fair value of the Fund's investments. The impact is shown for Profit and Equity.

Net asset value of unlisted funds	+10%		-10%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2024	**4,227**	**4,227**	**(4,227)**	**(4,227)**
2023	5,671	5,671	(5,671)	(5,671)

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 recognised the following financial instruments at fair value on a recurring basis:

- Interest rate derivative contracts- derivative financial instruments measured at fair value under the Level 2 method;
- Fair value of investments at fair value through profit or loss - Level 2 assets held by the Fund include unlisted equity securities in Cromwell managed investment schemes.

Valuation techniques used to derive Level 1 and Level 3 fair values

At balance date, the Fund held no Level 1 or Level 3 financial instruments. The fair value of financial instruments 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 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 derivatives

Level 2 financial instruments held by the Fund include fixed to floating interest rate derivatives (over-the-counter derivatives). The fair value of the 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 managed investment schemes. The fair value of these financial instruments is based upon the net tangible assets as publicly reported by the underlying unlisted entity, adjusted for inherent risk where appropriate.

The Fund does not hold any other financial instruments at fair value in the current or prior year. The Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels of the fair value hierarchy during the current and prior financial years.

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

The carrying amounts of receivables, other current assets, 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; 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

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 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 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 receivables that are measured at amortised cost. 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 receivables, the Fund applies the simplified approach, which requires expected lifetime credit losses to be recognised from initial recognition. 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.

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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.

13. 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 2024:

	$'000
Right-of-use assets (1)	
Reconciliation of movements in right-of-use assets:	
Balance at 30 June 2022	1,055
Amortisation (2)	(75)
Balance as at 30 June 2023	**980**
Amortisation	**(75)**
Right-of-use assets at 30 June 2024	**905**
Lease liabilities	
Reconciliation of movements in lease liabilities:	
Balance at 30 June 2022	1,109
Amortisation	(61)
Balance as at 30 June 2023	**1,048**
Principal payments	**(65)**
Lease liabilities at 30 June 2024	**983**
2023	
Current	62
Non-current	986
Lease liabilities at 30 June 2023	1,048
2024	
Current	**65**
Non-current	**918**
Lease liabilities at 30 June 2024	**983**
Payments in relation to lease liabilities recognised above (3)	
2023	(90)
2024	**(90)**

(1) Right-of-use assets included as a component of investment property in the balance sheet. See note 6 for further information.
(2) Included as a component of property expenses and outgoings in the consolidated statement of profit or loss.
(3) Represents total cash flows in respect of leases.

b) Accounting policy

Accounting as lessee

The Fund recognises all relevant 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 9).

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 in the balance sheet.

14. Cash flow information

a) Overview

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

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

	2024 $'000	2023 $'000
Loss for the year	**(71,419)**	(38,187)
Fair value net loss / (gain):		
Investment properties	**66,729**	50,781
Investments in unlisted property schemes (net of acquisition costs)	**14,440**	5,322
Derivative financial instruments	**1,705**	(1,195)
Straight-line lease income	**(996)**	(1,525)
Amortisation of lease cost and lease incentives	**9,731**	7,414
Amortisation of loan transaction costs	**1,073**	516
Amortisation of right-of-use asset	**75**	75
Changes in operating assets and liabilities		
(Increase) / decrease in:		
Receivables	**53**	(17)
Other current assets	**(34)**	67
(Decrease) / increase in:		
Payables	**(7,220)**	(2,108)
Unearned income	**92**	138
Net cash provided by operating activities	**14,229**	21,281

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

	2024 $'000	2023 $'000
Units issued on reinvestment of distributions	**972**	2,456

e) Reconciliation of liabilities arising from financing activities

	Borrowings $000	Distributions payable $000	Derivative financial instruments $000	Lease liabilities $000	Total $000
Opening balance 1 July 2022	306,171	6,427	347	1,109	314,054
Changes from financing cash flows:					
Proceeds from borrowings	82,190	-	-	-	82,190
Repayments of borrowings	(115,239)	-	-	-	(115,239)
Payment of loan transaction costs	(619)	-	-	-	(619)
Payment of lease liabilities	-	-	-	(61)	(61)
Payment of distributions	-	(25,851)	-	-	(25,851)
Total changes from financing cash flows	(33,668)	(25,851)	-	(61)	(59,580)
Other movements:					
Fair value net gains / losses	-	-	(347)	-	(347)
Amortisation of loan transaction costs	516	-	-	-	516
Units issued on reinvestment of distributions	-	(2,456)	-	-	(2,456)
Distributions for the year	-	23,891	-	-	23,891
Balance at 30 June 2023	273,019	2,011	-	1,048	276,078
Changes from financing cash flows:					
Proceeds from borrowings	**119,000**	**-**	**-**	**-**	**119,000**
Repayments of borrowings	**(105,000)**	**-**	**-**	**-**	**(105,000)**
Payment of loan transaction costs	**(98)**	**-**	**-**	**-**	**(98)**
Payment of lease liabilities	**-**	**-**	**-**	**(65)**	**(65)**
Payment of distributions	**-**	**(19,123)**	**-**	**-**	**(19,123)**
Payment for derivatives	**-**	**-**	**(1,098)**	**-**	**(1,098)**
Proceeds from sale of derivatives	**-**	**-**	**947**	**-**	**947**
Total changes from financing cash flows	**13,902**	**(19,123)**	**(151)**	**(65)**	**(5,437)**
Other movements:					
Fair value net gains / losses	**-**	**-**	**151**	**-**	**151**
Amortisation of loan transaction costs	**1,073**	**-**	**-**	**-**	**1,073**
Units issued on reinvestment of distributions	**-**	**(972)**	**-**	**-**	**(972)**
Distributions for the year	**-**	**19,524**	**-**	**-**	**19,524**
Balance at 30 June 2024	**287,994**	**1,440**	**-**	**983**	**290,417**

15. Related parties

a) Overview

Related 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 and up to the date of this report, unless otherwise stated:

Cromwell Funds Management Limited	
Non-executive directors	
Ms TL Cox	Director – appointed 14 January 2021, Chair since 14 January 2021
Ms LJC Crombie	Director – appointed 30 June 2022
Ms RJ Lloyd	Director – appointed 18 July 2022
Mr GG Ross	Director – appointed 18 July 2022
Other key management personnel	
Mr J Callaghan	Chief Executive Officer
Mr M Wilde	Chief Financial Officer – resigned 31 December 2023
Ms M Dance	Chief Financial Officer – appointed 1 January 2024

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 Cromwell Diversified Property Trust (DPT), an entity related to the responsible entity, held 14,814,923.14 units in the Trust at 30 June 2024 (2023: 14,780,873.55).

The Directors and other KMP of the responsible entity, including their personally related parties, had no loans payable to/receivable from the Fund. A related party to Ms TL Cox acquired 371,720 units in the Fund during 2022, these units continue to be held in the current year. No other KMP or their related parties held any units in the Fund during the financial year or at year-end.

e) Transactions with the responsible entity and its associates

	2024 $	2023 $
Amounts paid / payable		
Fund administration fees	**3,485,554**	3,960,015
Acquisition and disposal fees	**-**	1,267
Property and facility management fees	**1,368,720**	1,177,621
Leasing commissions	**92,401**	497,827
Project management fees	**452,280**	323,757
Accounting service fee	**264,000**	240,000
Amounts reimbursed		
Reimbursement of scheme costs	**627,000**	-
Aggregate amount payable to the responsible entity and its associate at year-end	**578,550**	795,312

On 1 March 2024, the Fund entered into a lease agreement with Cromwell Corporation Limited, a related entity to the Fund. The lease relates to the 10th and 11th Floors of the 100 Creek Street, Brisbane, QLD investment property owned by the Fund. The lease, which was entered into at arm's length commercial terms has a term of 7 years, requires annual lease payments of $1,001,422 with fixed annual rent increases of 3.5% p.a. before deducting the rental incentive ($4,021,880 taken as an abatement over the life of the lease). For the year ending 30 June 2024, the Fund received lease payments of $161,479.

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.

16. Remuneration of auditor

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

	2024 $	2023 $
Audit services		
Pitcher Partners Brisbane		
• Audit and review of financial report	**34,000**	32,000
• Audit of compliance plan	**7,800**	7,400
• Outgoings audits	**14,700**	14,000
Total remuneration for audit services	**56,500**	53,400

There were no fees paid for other services.

17. Controlled entities and parent entity disclosure

a) Controlled entities

	Country of registration	Equity holding 2024 %	Equity holding 2023 %
Cromwell Creek Street Trust	Australia	100	100
Cromwell Farrer Place Trust	Australia	100	100
Cromwell Flinders Street Trust	Australia	100	100
Cromwell Grenfell Street Trust	Australia	100	100
Cromwell O'Riordan Street Trust	Australia	100	100
Cromwell Queen Street Trust	Australia	100	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	
	2024 $'000	2023 $'000
Results		
Loss for the year	**(71,419)**	(38,187)
Total comprehensive loss for the year	**(71,419)**	(38,187)
Financial position		
Current assets	**12,717**	20,225
Total assets	**579,724**	658,528
Current liabilities	**(2,692)**	(3,557)
Total liabilities	**(290,686)**	(276,576)
Net assets	**289,038**	381,952
Equity		
Contributed equity	**435,401**	437,372
Retained losses	**(146,363)**	(55,420)
Total equity	**289,038**	381,952

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 fair value in the financial report of the parent entity. Distributions received from subsidiaries are not eliminated and are recognised in profit or loss.

d) Commitments

At balance date DPF had no commitments (2023: none) in relation to capital expenditure contracted for but not recognised as liabilities.

e) Guarantees provided

At balance date DPF provided no guarantees (2023: none) on behalf of its subsidiaries.

f) Contingent assets and contingent liabilities

At balance date DPF had no contingent assets or contingent liabilities (2023: none).

18. 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) Contingent assets and contingent liabilities

The Directors are not aware of any material contingent assets or contingent liabilities and the Directors are not aware of any material changes in contingent assets or contingent liabilities of the Fund.

c) Commitments

At balance date the Fund had $2,805,000 of commitments in relation to capital expenditure contracted for but not recognised as liabilities (2023: $5,879,000).

19. Subsequent events

Subsequent to year end, the responsible entity entered into and settled an unconditional contract for the sale of 433 Boundary Street, Spring Hill, QLD. The fair value of the property at 30 June 2024 reflects the contractual sale price, less costs to sell. Proceeds from the sale were used to reduce borrowings.

No other matter or circumstance has arisen since 30 June 2024 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.

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 2024 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

11 September 2024

Sydney

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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 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information and the directors' declaration by the responsible entity's directors of Cromwell Funds Management Limited.

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 2024 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, would be in the same terms if given to the directors of the Responsible Entity 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 the Responsible Entity for the Fund 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 2024, 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.

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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 of the Responsible Entity for the Financial Report

The directors of the Responsible Entity 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 controls as the directors of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity 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 the directors of the Responsible Entity.
- Conclude on the appropriateness of the directors' of the Responsible Entity'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

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

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CHERYL MASON
Partner

Brisbane, Queensland
11 September 2024