



CROMWELL
FUNDS MANAGEMENT

Cromwell Direct Property Fund Half–Year Financial Report

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

31 DECEMBER 2024

Responsible entity:
Cromwell Funds Management Limited
ABN 63 114 782 777 AFSL 333 214
Level 10, 100 Creek Street
Brisbane QLD 4000

Contents

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	7
FINANCIAL STATEMENTS	
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
NOTES TO THE FINANCIAL STATEMENTS	12
DIRECTORS' DECLARATION	21
INDEPENDENT AUDITOR'S REVIEW REPORT	22

DIRECTORY

Responsible entity:

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Directors' Report

The Directors of Cromwell Funds Management Limited (CFM), the responsible entity of Cromwell Direct Property Fund present their report together with the consolidated financial statements for Cromwell Direct Property Fund and the entities it controlled (the Fund) at the half-year ended 31 December 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 real estate investment manager with \$4.5 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, aiming to provide investors with monthly distributions with potential for tax deferred income and capital growth.

Withdrawal opportunity

A full withdrawal opportunity is expected to occur every five years commencing on 1 July 2020. At every withdrawal opportunity, the unitholders of the Fund will have an opportunity to withdraw from the Fund at a stated withdrawal price, determined in accordance with the Constitution. If withdrawal requests do not exceed 50% of the Fund's units on issue, the responsible entity will seek to satisfy withdrawal requests within the stated period, the Fund will continue, and the next withdrawal opportunity will be made available five years after the first and each five years following. If all the withdrawal requests cannot be satisfied in the stated period, or if withdrawal requests exceed 50% or more of the Fund's units on issue on the first business day after the close of the notice period, the responsible entity will take steps to wind up the Fund in accordance with the Constitution and distribute net proceeds to investors.

Review of operations and results

Financial performance

The Fund recorded a loss for the half-year of \$17,725,000 (2023: loss of \$56,111,000) and declared distributions of \$8,471,000 (2023: \$11,100,000).

The loss for the half-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.

The Fund recorded an operating profit for the half-year of \$10,870,000 (2023: \$11,931,000). 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)	-13.0%	-12.7%	-4.6%	3.4%
PCA/MSCI Unlisted Retail Property Fund Core Index	-8.8%	-5.5%	2.0%	11.6%
Under return (after fees and costs)	-4.2%	-7.2%	-6.6%	-8.2%

The Fund continues to deliver for investors regular, reliable, tax deferred income. Monthly distributions were 4.75cpu p.a. representing a 6.3% yield on the 31 December 2024 ex-unit price of \$0.7515. Whilst revaluations of the portfolio impacted performance, the Fund has generated an annualised total return of 3.4% per annum since inception. Over the period, the Fund had net equity outflows of \$1,405,000 with Cromwell Property Group owning a 4.15% stake in the Fund.

With economic conditions remaining challenging, resulting in continued reductions in property valuations, the responsible entity decided that from 1 October 2023 redemptions under the Limited Monthly Withdrawal Facility would cease 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

Directors' Report

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.

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

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Operating profit	10,870	11,931
Gain on disposal of investment property	30	-
<i>Reconciliation to loss for the half-year</i>		
Fair value net (losses) / gains:		
Investment properties	(22,962)	(52,363)
Investments in unlisted property schemes	116	(8,041)
Derivative financial instruments	(38)	(2,032)
Non-cash property investment income / (expense):		
Straight-line lease income	135	363
Amortisation of lease incentives and lease costs	(5,635)	(4,507)
Amortisation of right-of-use asset	(38)	(38)
Amortisation of loan transaction costs	(203)	(824)
Other non-operating costs	-	(600)
Loss for the half-year	(17,725)	(56,111)
Loss per unit (cents)	(5.0)	(15.8)
Operating profit per unit (cents)	3.0	3.4
Distribution paid/payable per unit (cents)	2.4	3.1
Weighted average number of units ('000)	356,504	355,065

Net operating income from the Fund's investment properties for the half-year was \$19,012,000 (2023: \$20,363,000), a decrease of 6.6% compared to the previous period.

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 half-year is as follows:

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Rental income and recoverable outgoings	20,892	23,746
Property expenses and outgoings	(7,373)	(7,519)
Straight-line lease income	(135)	(363)
Amortisation of lease incentives and lease costs	5,635	4,507
Other expenses	(7)	(8)
Net operating income	19,012	20,363

Directors' Report

Financial position

	As at	
	31 December 2024	30 June 2024
Total assets (\$'000)	522,143	584,840
Net assets (\$'000)	264,247	289,038
Net tangible assets (\$'000) ⁽¹⁾	264,331	289,116
Total debt (\$'000) ⁽²⁾	249,940	288,740
Gearing (%) ⁽³⁾	48%	49%
Weighted average debt maturity (years)	1.8	2.3
Percentage of debt hedged	59%	52%
Units issued ('000)	357,284	355,511
NTA per unit	\$0.74	\$0.81
Net assets per unit (excluding interest rate derivatives)	\$0.74	\$0.81
Net assets per unit (including interest rate derivatives)	\$0.74	\$0.81

(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.

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 with a carrying amount of \$42,388,000 (30 June 2024: \$42,272,000) and investment properties with a carrying amount of \$470,306,000 (30 June 2024: \$491,714,000) as disclosed in the accompanying financial report.

The total carrying value of the Fund's assets as at the end of the financial period was \$522,143,000 (30 June 2024: \$584,840,000) and net assets attributable to unitholders were \$264,247,000 (30 June 2024: \$289,038,000) equating to \$0.74 per unit (30 June 2024: \$0.81).

Investment property metrics

	As at	
	31 December 2024	30 June 2024
Total investment property carrying value (\$'000)	470,306	491,714
Capitalisation rate (%)	6.75 - 7.90	6.75 - 7.75
Occupancy (%) ⁽¹⁾	82.9 - 100.0	76.9 - 100.0
Weighted average lease expiry (years)	2.63 - 4.86	2.22 - 4.65

(1) The occupancy is the range for directly held investment properties. The weighted average occupancy as at 31 December 2024 was 94.6% (30 June 2024: 92.2%).

Subsequent events

Subsequent to period end, the responsible entity of the Fund announced on 13 January 2025 it will temporarily suspend accepting new applications and the Distribution Reinvestment Plan.

No other matter or circumstance has arisen since 31 December 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 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.

Directors' Report

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 global economic impacts (such as global geopolitical instability and 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.

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 pursuant to section 306(3) of the *Corporations Act 2001* (Cth).



Ms TL Cox

Chair

14 March 2025

Sydney

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

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 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 period.



PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
14 March 2025

Adelaide | Brisbane | Melbourne | Newcastle | Perth | Sydney



bakertilly
NETWORK MEMBER

Nigel Fischer
Mark Nicholson
Peter Camenzuli

Jason Evans
Kylie Lamprecht
Norman Thurecht

Brett Headrick
Warwick Face
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell
Robyn Cooper

Felicity Crimston
Cheryl Mason
Kieran Wallis

Murray Graham
Andrew Robin
Karen Levine

Edward Fletcher
Robert Hughes
Ventura Caso

Tracey Norris

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2024

	Notes	Half-year ended	
		31 December 2024 \$'000	31 December 2023 \$'000
Revenue and other income			
Rental income and recoverable outgoings	3	20,892	23,746
Distribution income	3	1,687	1,670
Fair value net gains from investments in unlisted property schemes	6	116	-
Gain on sale of investment property	3	30	-
Interest	3	212	232
Total revenue and other income		22,937	25,648
Expenses			
Property expenses and outgoings		7,373	7,519
Management and administration costs	4	1,883	2,899
Finance costs		8,406	8,905
Fair value net losses from:			
Investment properties	5	22,962	52,363
Derivative financial instruments		38	2,032
Investments in unlisted property schemes	6	-	8,041
Total expenses		40,662	81,759
Loss for the half-year attributable to unitholders		(17,725)	(56,111)
Other comprehensive income for the half-year		-	-
Total comprehensive loss for the half-year attributable to unitholders		(17,725)	(56,111)

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

Consolidated Balance Sheet

As at 31 December 2024

	Notes	As at	
		31 December 2024 \$'000	30 June 2024 \$'000
Current assets			
Cash and cash equivalents		5,454	6,901
Receivables		844	1,331
Other current assets		1,756	344
Derivative financial instruments	9	962	855
Investment property classified as held for sale	5	-	41,061
Total current assets		9,016	50,492
Non-current assets			
Investment properties	5	470,306	491,714
Investments in unlisted property schemes	6	42,388	42,272
Derivative financial instruments	9	433	362
Total non-current assets		513,127	534,348
Total assets		522,143	584,840
Current liabilities			
Payables	7	3,092	2,636
Distribution payable		1,427	1,440
Unearned income		2,870	2,749
Interest bearing liabilities	8	65	65
Total current liabilities		7,454	6,890
Non-current liabilities			
Derivative financial instruments	9	160	-
Interest-bearing liabilities	8	250,282	288,912
Total non-current liabilities		250,442	288,912
Total liabilities		257,896	295,802
Net assets		264,247	289,038
Equity			
Contributed equity	10	436,806	435,401
Accumulated losses		(172,559)	(146,363)
Total equity		264,247	289,038

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2024

		Contributed equity \$'000	Accumulated losses \$'000	Total \$'000
31 December 2024	Notes			
Balance at 1 July 2024		435,401	(146,363)	289,038
Loss for the half-year		-	(17,725)	(17,725)
Other comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	10	887	-	887
Reinvestment of distributions	10	518	-	518
Distributions paid / payable	2	-	(8,471)	(8,471)
Total transactions with unitholders		1,405	(8,471)	(7,066)
Balance at 31 December 2024		436,806	(172,559)	264,247

		Contributed equity \$'000	Accumulated losses \$'000	Total \$'000
31 December 2023	Notes			
Balance at 1 July 2023		437,372	(55,420)	381,952
Loss for the half-year		-	(56,111)	(56,111)
Other comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Units issued:				
For cash	10	4,259	-	4,259
Reinvestment of distributions	10	705	-	705
Units redeemed for cash	10	(7,961)	-	(7,961)
Distributions paid / payable	2	-	(11,100)	(11,100)
Total transactions with unitholders		(2,997)	(11,100)	(14,097)
Balance at 31 December 2023		434,375	(122,631)	311,744

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2024

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Cash flows from operating activities		
Receipts in the course of operations	26,803	25,413
Payments in the course of operations	(12,185)	(14,864)
Distributions received	1,684	1,667
Interest received	212	232
Finance costs paid	(7,927)	(8,013)
Net cash provided by operating activities	8,587	4,435
Cash flows from investing activities		
Payments for investment properties	(5,658)	(7,335)
Proceeds from the sale of investment property	41,536	-
Net cash provided by / (used in) investing activities	35,878	(7,335)
Cash flows from financing activities		
Repayment of interest-bearing liabilities	(38,800)	(105,000)
Proceeds from interest-bearing liabilities	-	119,000
Payment for derivatives	-	(1,098)
Proceeds from sale of derivatives	-	947
Proceeds from issue of units	887	4,259
Payment for units redeemed	-	(7,961)
Payment of distributions	(7,966)	(10,690)
Payment of loan transaction costs	-	(57)
Payment for lease liabilities	(33)	(33)
Net cash used in financing activities	(45,912)	(633)
Net decrease in cash and cash equivalents	(1,447)	(3,533)
Cash and cash equivalents at 1 July	6,901	14,481
Cash and cash equivalents at 31 December	5,454	10,948

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

Notes to the Financial Statements

For the half-year ended 31 December 2024

1. Basis of preparation

The half-year financial report of Cromwell Direct Property Fund and the entities it controlled for the half-year reporting period ended 31 December 2024 is a general purpose financial report that has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The financial report is designed to provide an update on the Fund's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual financial report for the year ended 30 June 2024. The Fund is a for-profit entity for the purpose of preparing the financial statements. The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Fund's annual financial report for the year ended 30 June 2024. These accounting policies are consistent with applicable Australian accounting standards and with international financial reporting standards.

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.

Going concern basis and withdrawal opportunity

A full withdrawal opportunity is expected to occur every five years commencing on 1 July 2020. At every withdrawal opportunity, the unitholders of the Fund will have an opportunity to withdraw from the Fund at a stated withdrawal price, determined in accordance with the Constitution. If withdrawal requests do not exceed 50% of the Fund's units on issue, the responsible entity will seek to satisfy withdrawal requests within the stated period, the Fund will continue, and the next withdrawal opportunity will be made available five years after the first and each five years following. If all the withdrawal requests cannot be satisfied in the stated period, or if withdrawal requests exceed 50% or more of the Fund's units on issue on the first business day after the close of the notice period, the responsible entity will take steps to wind up the Fund in accordance with the Constitution and distribute net proceeds to investors. This report has been prepared on a going concern basis as a decision has not been made at the end of the reporting period regarding the next withdrawal opportunity.

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	5
Fair value of investments in unlisted property schemes	6
Fair value of financial instruments	11

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.

Notes to the Financial Statements

For the half-year ended 31 December 2024

2. Distributions

a) Overview

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

b) Distributions paid / payable

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

From inception 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 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 2023 income ⁽¹⁾	5.75 cents
1 January 2024 to 31 December 2024 income ⁽¹⁾⁽³⁾	4.75 cents

(1) Annualised distribution rate.

(2) A special capital distribution of 1.267 cents per unit for the month of June 2022, paid in July 2022.

(3) Income distributions from 1 January 2024 are 4.75 cents per unit p.a.

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

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Distributions paid / payable	8,471	11,100

3. Revenue

a) Overview

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

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

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Rental income – lease components	16,449	19,379
Rental income and recoverable outgoings – non-lease components	4,443	4,367
Rental income and recoverable outgoings	20,892	23,746
<i>Other income items recognised:</i>		
Distribution income	1,687	1,670
Fair value net gains from investments in unlisted property schemes	116	-
Gain on sale of investment property	30	-
Interest	212	232
Total other income	2,045	1,902
Total revenue and other income	22,937	25,648

Notes to the Financial Statements

For the half-year ended 31 December 2024

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:

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
<i>Rental income and recoverable outgoings – non-lease components:</i>		
Recoverable outgoings ⁽¹⁾	2,933	2,645
Cost recoveries ⁽²⁾	1,510	1,722
Total rental income and recoverable outgoings – non-lease components	4,443	4,367

(1) Revenue items recognised over time.

(2) Revenue items recognised at point in time.

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.

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Fund administration fees	1,513	1,869
Administration costs	370	430
Other non-operating costs	-	600
Total management and administration costs	1,883	2,899

5. Investment properties

a) Overview

The Fund holds six directly owned investment properties. Ownership details of the six investment properties is shown below:

	Ownership %	
	As at	
	31 December 2024	30 June 2024
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%
163 O'Riordan Street, Mascot, NSW	100%	100%
11 Farrer Place, Queanbeyan, NSW	100%	100%
95 Grenfell Street, Adelaide, SA	100%	100%

(1) 433 Boundary Street, Spring Hill, QLD was sold during the period and at 30 June 2024 was classified as held for sale.

Notes to the Financial Statements

For the half-year ended 31 December 2024

b) Details of the Fund's investment properties

	Independent	Carrying amount		Fair value adjustment	
	valuation ⁽¹⁾	As at		Half-year ended	
	Amount \$'000	31-Dec 2024 \$'000	30-Jun 2024 \$'000	31-Dec 2024 \$'000	31-Dec 2023 \$'000
Investment properties		469,439	490,809	(22,962)	(52,363)
Right of use assets ⁽²⁾		867	905	-	-
Total investment properties	464,950	470,306	491,714	(22,962)	(52,363)

(1) Four investment properties representing 50% of the portfolio were independently valued at June 2024. 100 Creek Street, Brisbane, QLD was independently valued at 30 September 2024. 163 O'Riordan Street, Mascot, NSW was independently valued at 31 October 2024. The carrying values of investment properties at 31 December 2024 are based on the most recent independent valuations, 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) Movements in investment properties

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

	Half-year ended	
	31 December 2024 \$'000	31 December 2023 \$'000
Balance at 1 July	491,714	620,227
Lifecycle capital expenditure	1,369	3,354
Disposal, net of transaction costs	-	35
Lease costs and lease incentive costs	3,812	(1,418)
Straight-line lease income	135	363
Amortisation of right-of-use asset	(38)	(38)
Amortisation of lease incentives and lease costs	(5,635)	(4,507)
Net loss from fair value adjustments	(22,962)	(52,363)
Unpaid lease incentives	1,911	-
Total investment properties	470,306	565,653

d) Investment properties sold – 433 Boundary Street, Brisbane, QLD

During the period, 433 Boundary Street, Brisbane, QLD was sold for a gross sale price of \$41,536,000. At 30 June 2024 the property was classified as held for sale.

e) Critical accounting estimates (fair value measurement)

Property valuations

At 31 December 2024 the adopted fair value for all six of the directly owned investment properties is based on independent external valuations, adjusted for capitalised building costs, lease costs and lease incentives subsequent to the valuation date. The Fund's Valuation policy requires properties to be valued by an independent professionally qualified valuer with a recognised relevant professional qualification at least once annually.

Internal tolerance check

On a regular basis and at least every six months, with the exception of properties independently valued during the six-month period, an internal tolerance check is prepared to compare to the most recent independent valuation and carrying amount. The internal tolerance check involves the preparation of a discounted cashflow and income capitalisation valuation for each investment property. These are produced using a capitalisation rate, terminal yield and discount rate based on comparable market evidence and recent independent valuation parameters. The tolerance measure will typically be a mid-point of these two approaches.

These internal tolerance checks are used to determine whether the carrying amount for financial reporting purposes is in line with the fair value or whether an independent valuation is required.

Notes to the Financial Statements

For the half-year ended 31 December 2024

The sensitivity to changes in the significant unobservable inputs associated with the valuation of the Fund's directly owned investment properties at the current half-year and prior year ends are as follows:

	Input values		Sensitivity	
	31 December 2024	30 June 2024	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income (\$'000)	2,379 – 8,512	2,379 – 11,665	Increase	Decrease
Capitalisation rate (%)	6.75 – 7.90	6.75 – 7.75	Decrease	Increase
Discount rate (%)	7.00 – 8.00	7.00 – 8.00	Decrease	Increase
Terminal yield (%)	7.00 – 7.90	7.00 – 7.88	Decrease	Increase
WALE (years)	2.63 – 4.86	2.22 – 4.65	Increase	Decrease
Occupancy (%) ⁽¹⁾	82.9 – 100.0	76.8 – 100.0	Increase	Decrease

(1) The occupancy is the range for directly held investment properties. The weighted average occupancy as at 31 December 2024 was 94.6% (30 June 2024: 92.2%).

Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property. 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 31 December 2024.

	31 December 2024 \$'000	31 December 2024 \$'000
	0.50%	(0.50%)
Impact to investment property portfolio	(40,000)	46,500

6. 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 each directly own a single commercial investment property. The Fund receives monthly distributions from these trusts.

b) Investment details

As at period end the Fund held the following investments:

	As at	
	31 December 2024 \$'000	30 June 2024 \$'000
Non-current		
Cromwell Riverpark Trust	32,433	32,206
Cromwell Property Trust 12	9,955	10,066
Total investments in unlisted property schemes	42,388	42,272

For accounting purposes these investments are classified as investments at fair value through profit or loss. At each period 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. For further details about the fair value measurement of these financial assets refer to note 11.

The fair value gain from investments in unlisted property schemes during the period was \$116,000 (2023: fair value loss of \$8,041,000).

Distribution income from investments in unlisted property schemes of \$1,687,000 (2023: \$1,670,000) was recognised during the period.

Notes to the Financial Statements

For the half-year ended 31 December 2024

7. Payables

a) Overview

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

	As at	
	31 December 2024 \$'000	30 June 2024 \$'000
Current		
Payables	3,092	2,636
Total payables	3,092	2,636

8. 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 information about the Fund's debt facilities, including maturity dates, security provided and facility limits.

	As at			
	31 December 2024		30 June 2024	
	Limit \$'000	Drawn \$'000	Limit \$'000	Drawn \$'000
Current				
<i>Unsecured</i>				
Lease liability	-	65	-	65
Total current	-	65	-	65
Non-current				
<i>Unsecured</i>				
Lease liability	-	885	-	918
<i>Secured</i>				
Bank loan – financial institutions	279,250	249,940	373,250	288,740
Unamortised loan transaction costs	-	(543)	-	(746)
Total non-current	279,250	250,282	373,250	288,912
Total interest-bearing liabilities	279,250	250,347	373,250	288,977

Total interest-bearing liabilities	As at	
	31 December 2024 \$'000	30 June 2024 \$'000
Secured bank loan – financial institutions	249,940	288,740
Lease liability	950	983
Unamortised loan transaction costs	(543)	(746)
Total interest-bearing liabilities	250,347	288,977

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.

Notes to the Financial Statements

For the half-year ended 31 December 2024

In December 2024, the Fund cancelled unused limits of \$94,000,000 which reduced the total available facility to \$279,250,000 (30 June 2024: \$373,250,000).

During the period, the Fund amended the CTD to extend the loan-to-value ratio (LVR) threshold of 65% and the draw stop at 60% until December 2025 (previously December 2024). From 1 January 2026, the LVR will be reduced to 55%, with the draw stop also set at 50%, or earlier if the LVR falls below 50% at any time after June 2024. As at the balance date, funds available to draw from the facilities are \$29,030,000 (30 June 2024: \$29,200,000). During the period, \$19,940,000 was drawn from the facilities, while \$58,740,000 was repaid, resulting in a net payment of \$38,800,000.

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

	As at					
	31 December 2024			30 June 2024		
	Facility maturity	Facility limit \$'000	Facility utilised \$'000	Facility maturity	Facility limit \$'000	Facility utilised \$'000
Tranche 1	Jun 2026	57,750	57,750	Jun 2026	76,750	76,750
Tranche 2	Jun 2027	112,000	82,690	Jun 2027	150,000	101,550
Tranche 3	Jun 2026	109,500	109,500	Jun 2026	146,500	110,440
Total debt facilities		279,250	249,940		373,250	288,740

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

Covenant	As at					
	31 December 2024			30 June 2024		
	Actual	Limit	Headroom ⁽¹⁾	Actual	Limit	Headroom ⁽¹⁾
Loan to value ⁽²⁾	53.8%	65.0% ⁽³⁾	\$80,427,000	54.5%	65.0% ⁽³⁾	\$85,735,000
Interest cover	2.20 times	1.75 times	\$8,361,000 ⁽⁴⁾	2.30 times	1.75 times	\$9,930,000 ⁽⁴⁾

(1) Headroom on LVR is calculated on the property valuation net of outstanding lease incentives.

(2) The LVR ratio is calculated with reference to net bank valuations of \$464,950,000 (30 June 2024: \$529,950,000).

(3) The LVR ratio is 65% with a draw stop at 60%.

(4) Annualised interest cover calculation

9. Derivative financial instruments

The Fund manages its cash flow interest rate risk by using floating-to-fixed interest rate derivatives.

During the period, the Fund entered into two interest rate swap contracts, incurring a premium payment of \$316,000:

- The Fund agreed with the counterparty to pay interest on a notional swap amount of \$100,000,000 at a fixed rate of 3.37% until September 2028 with the counterparty paying at the variable 90-day BBSY rate, with an option that counterparty might exercise the early termination in September 2026.
- The Fund agreed with the counterparty to pay interest on a notional swap amount of \$20,000,000 at a fixed rate of 3.44% until September 2030 with the counterparty paying at the variable 90-day BBSY rate.

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).

During the period, the Fund terminated two interest rate contracts as follows:

- A \$35,000,000 notional swap amount at a fixed rate of 3.75% with the counterparty paying at the variable 90-day BBSY; and received the residual value of \$147,000.
- A \$88,00,000 notional cap amount with the counterparty paying the difference between 90-day BBSY and the cap strike of 4.16%; and received the residual value of \$169,000.

The premium payment of \$316,000 was netted against the residual value of terminated interest rate contracts totalling \$316,000.

The notional value of the derivative contracts of \$146,400,000 represents 58.6% of the utilised bank facility of \$249,940,000 as at 31 December 2024 (30 June 2024: notional value of \$149,400,000 represented 51.7% of \$288,740,000 utilised bank facility).

Notes to the Financial Statements

For the half-year ended 31 December 2024

	As at	
	31 December 2024 \$'000	30 June 2024 \$'000
Current assets		
Interest rate derivative contracts	962	855
Non-current assets		
Interest rate derivative contracts	433	362
Non-current liabilities		
Interest rate derivative contracts	160	-

10. Contributed equity

a) Overview

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

	As at 31 December 2024		As at 30 June 2024	
	#'000	\$'000	# '000	\$'000
Issued units	357,284	436,806	355,511	435,401

b) Movements in contributed equity

	# '000	\$'000
Balance at 30 June 2023	357,035	437,372
Units issued for cash	3,827	4,259
Reinvestment of distributions	641	705
Units redeemed for cash	(7,157)	(7,961)
Balance at 31 December 2023	354,346	434,375
Units issued for cash	921	824
Reinvestment of distributions	315	267
Units redeemed for cash	(71)	(65)
Balance at 30 June 2024	355,511	435,401
Units issued for cash	1,089	887
Reinvestment of distributions	684	518
Units redeemed for cash	-	-
Balance at 31 December 2024	357,284	436,806

11. Fair value disclosures – financial instruments

a) 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 measured and recognised the following financial instrument at fair value on a recurring basis:

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

Valuation techniques used to derive Level 1 fair values

At balance date, the Fund held no Level 1 or Level 3 financial assets or financial liabilities.

Notes to the Financial Statements

For the half-year ended 31 December 2024

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 liabilities 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 a pricing model 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 period and there were no transfers between levels of the fair value hierarchy during the period.

b) Fair values of other financial instruments not measured at fair value

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

12. 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

As disclosed in the Fund's 30 June 2024 annual financial report, 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 since the last annual financial report.

c) Commitments

As at 31 December 2024 the Fund had no commitments in relation to capital expenditure contracted for but not recognised as liabilities.

13. Subsequent events

Subsequent to period end, the responsible entity of the Fund announced on 13 January 2025 it will temporarily suspend accepting new applications and the Distribution Reinvestment Plan,

No other matter or circumstance has arisen since 31 December 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 (collectively referred to as the Directors):

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth), and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- (b) 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 report is made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).



Ms TL Cox

Chair

14 March 2025

Sydney

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cromwell Direct Property Fund and its controlled entities "the Fund", which comprises the consolidated balance sheet as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of material accounting policies and other explanatory information, and the directors of the responsible entity's declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Cromwell Direct Property Fund does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 annual 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 review report.

Responsibility of the Directors of the Responsible Entity for the Financial Report

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

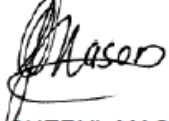
Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PITCHER PARTNERS



CHERYL MASON
Partner

Brisbane, Queensland
14 March 2025