



CROMWELL
FUNDS MANAGEMENT

● ● ● Phoenix Portfolios

Cromwell Phoenix Property Securities Fund

ARSN 129 580 267

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

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DIRECTORY

Responsible entity:

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Brisbane QLD 4000
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Directors' Report

The Directors of Cromwell Funds Management Limited (CFM), the responsible entity of Cromwell Phoenix Property Securities Fund (the "Fund"), present their report 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, 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, MUFG Pension & Market Services (formerly Link Fund Solutions Pty Limited), which holds the Fund's assets on behalf of the unitholders.

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

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 investment in Australian property securities to provide a mixture of income and capital growth to investors. The Fund aims to achieve this by investing primarily in a broad range of Australian listed property securities and selected other investments with similar characteristics. The Fund aims to provide investors with a total return (after management fees) in excess of the S&P/ASX 300 Australian Real Estate Investment Trusts (A-REIT) Accumulation Index over rolling 3 year and 5 year periods.

Review of operations and results

Financial performance

The Fund recorded a profit before finance costs for the year attributable to unitholders of \$22,964,000 (2023: \$17,396,000) and declared distributions of \$11,396,000 (2023: \$18,029,000).

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

	1 year	3 years (annualised)	5 years (annualised)	Since inception (annualised)
Fund performance (before fees and costs)	12.2%	3.9%	4.3%	8.7%
Fund performance (after fees and costs)	11.0%	3.0%	3.4%	7.7%
S&P/ASX 300 A-REIT Index	23.8%	5.7%	4.6%	5.2%
Excess / (shortfall) return (after fees and costs)	(12.8%)	(2.7%)	(1.2%)	2.5%

For the year ending 30 June 2024, the Fund posted a positive return of 11.0%. The Fund is managed in a "benchmark unaware" manner, with diversification restrictions limiting positions to a maximum of 20% in any single security. Over the year to 30 June 2024, the largest security in the benchmark, at approximately 40%, was industrial property heavyweight Goodman Group, which delivered a total return of 74.6%. The benchmark, excluding Goodman Group posted a small negative return. The Fund's material under-weight position in Goodman Group, along with the very strong performance of the stock, explains the vast majority of the Fund's performance relative to the index.

Positive contributions to the Fund's relative performance over the year included holdings in shopping centre owner Unibail-Rodamco-Westfield and WA based property development company Finbar. Not holding office stock, Dexus, was also a positive relative contributor, given the stock's poor performance over the period.

Listed Real Estate Investment Trusts continue to show resilience, with strong recoveries in both foot traffic and sales within shopping centres, and ongoing strength in Industrial markets. Office owners continue to face tougher operating conditions, with rising vacancies and higher incentives required to induce tenants to sign leases.

Significant changes in the state of affairs

On the 15th of November 2023 a Wholesale class of units was established for the Fund which has its own Product Disclosure Statement (PDS) and unit pricing. The Wholesale class requires a minimum initial deposit of \$500,000 with a commitment that within the following 12 months, the deposit is increased to \$5,000,000.

All existing units on issue by the Fund prior to this date are now known as Ordinary units and all Fund units are now considered a financial liability for accounting purposes as required by IFRS. This has resulted in a reclassification in the financial statements. Net assets attributable to unitholders for the current year are now disclosed as a liability on the balance sheet (shown as equity in the prior year). Additionally, distributions to unitholders and movements in net assets after the Wholesale class of units was established are shown as a finance cost in the statement of profit or loss (previously these movements were shown in the statement of changes in equity). The reclassification and

Directors' Report

changes to financial statement disclosures does not change the underlying value of net assets attributable to unitholders or change any fund performance measures.

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

Subsequent events

No 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. Owing to the limitations on the scope of activities contained in the constitution, future activities of the Fund will continue to be confined to investment in Australian listed property securities and selected other investments with similar characteristics 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 \$11,396,000 (2023: \$18,029,000). Distributions payable at balance date were \$4,523,000 (2023: \$5,756,000).

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 \$2,343,000 (2023: \$2,303,000).

Units held by the responsible entity

No units in the Fund have been issued to the responsible entity or its Directors during the year and none are held by the responsible entity, its associates or its Directors at the date of this report. Phoenix Portfolios Pty Ltd is the investment manager of the Fund and holds 1,583,334 ordinary units in the Fund (2023: 1,496,407). The Cromwell Diversified Property Trust (DPT), an entity related to the responsible entity, holds 521 wholesale units in the Fund (2023: nil).

Indemnifying officers or auditors

No indemnities have been given by the Fund 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 28,336,000 (2023: 33,455,000) ordinary units and 1,000 (2023: nil) wholesale units were issued by the Fund during the financial year and 48,686,000 (2023: 39,934,000) ordinary units in the Fund were redeemed by investors during the year. There were 180,964,000 (2023: 201,314,000) ordinary and 1,000 (2023: nil) wholesale issued units in the Fund as at the end of the financial year.

Value of scheme assets

The total carrying value of the Fund's assets at the end of the financial year was \$219,448,000 (2023: \$228,779,000). The Fund held investments valued at \$207,839,000 (2023: \$216,056,000) and net assets attributable to unitholders of \$210,269,000 (2023: \$222,017,000)

Directors' Report

at balance date. This represents net tangible assets of \$1.16 (2023: \$1.10) per unit, before any allowance for selling costs. The Fund's assets have been valued using the basis set out in the notes to the financial statements.

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 6.

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



Level 38, 345 Queen Street
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The Directors
Cromwell Funds Management Limited
As Responsible Entity for Cromwell Phoenix Property Securities Fund
Level 10, 100 Creek 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)*.

Pitcher Partners

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CHERYL MASON
Partner

Brisbane, Queensland
11 September 2024

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Nigel Fischer	Jason Evans	Brett Headrick	Simon Chun	James Field	Felicity Crimston	Murray Graham	Edward Fletcher	Tracey Norris
Mark Nicholson	Kylie Lamprecht	Warwick Face	Jeremy Jones	Daniel Colwell	Cheryl Mason	Andrew Robb	Robert Hughes	
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Statement of Profit or Loss

For the year ended 30 June 2024

		2024 \$'000	2023 \$'000
Investment and other income			
Distributions and dividend income	4(c)	10,122	17,746
Net fair value gain from investments in equity securities	4(b)	15,148	1,879
Interest and other income		102	193
Total investment and other income		25,372	19,818
Expenses			
Fund administration costs	8(e)	2,343	2,303
Brokerage fees		65	119
Total expenses		2,408	2,422
Profit before finance costs for the year attributable to unitholders ⁽¹⁾		22,964	17,396
<i>Finance costs attributable to unitholders ⁽¹⁾</i>			
Distributions to unitholders ⁽²⁾	2	9,098	-
Increase in net assets attributable to unitholders		13,866	-
Profit after finance costs for the year attributable to unitholders		-	-
Other comprehensive income for the year after finance costs attributable to unitholders		-	-
Total comprehensive income for the year after finance costs attributable to unitholders		-	17,396

(1) Net assets attributable to unitholders were reclassified from equity to liability during the year ended 30 June 2024. Accordingly, the Fund's distributions to unitholders and increase in the net assets attributable to unitholders subsequent to the establishment of the wholesale class of units have been classified as finance costs in the statement of profit or loss. Refer to Note 5 for further detail.

(2) Represents the December 2023, March 2024 and June 2024 distributions, subsequent to establishment of the wholesale class of units and resultant reclassification of distributions to finance costs. Refer to Note 5 for further detail.

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

Balance Sheet

As at 30 June 2024

	Notes	2024 \$'000	2023 \$'000
Assets			
Cash and cash equivalents		6,903	4,402
Receivables	3	4,706	8,321
Investments at fair value through profit or loss	4	207,839	216,056
Total assets		219,448	228,779
Liabilities			
Payables		4,656	1,006
Distribution payable		4,523	5,756
Total liabilities (excluding net assets attributed to unitholders)		9,179	6,762
Net assets attributed to unitholders – liability ⁽¹⁾	5	210,269	-
Net assets attributed to unitholders – equity ⁽¹⁾	5	-	222,017

(1) Net assets attributable to unitholders are classified as financial liability at 30 June 2024 and equity at 30 June 2023. Refer to Note 5 for further detail.

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

Statement of Changes in Equity

For the year ended 30 June 2024

2024	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2023		199,701	22,316	222,017
Distributions paid / payable ⁽¹⁾		-	(2,298)	(2,298)
Reclassification due to issuance of a second class of units ⁽²⁾		(199,701)	(20,018)	(219,719)
Balance at 30 June 2024		-	-	-

2023	Notes	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2022		207,024	22,949	229,973
Profit for the year		-	17,396	17,396
Other comprehensive income for the year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
<i>Units issued:</i>				
For cash	5	37,385	-	37,385
Reinvestment of distributions	5	1,497	-	1,497
Units redeemed	5	(46,205)	-	(46,205)
Distributions paid / payable	2	-	(18,029)	(18,029)
Total transactions with unitholders		(7,323)	(18,029)	(25,352)
Balance at 30 June 2023		199,701	22,316	222,017

(1) Represents the September 2023 distributions, prior to establishment of the wholesale class of units and resultant reclassification of distributions to finance costs.

(2) Net assets attributable to unitholders were reclassified from equity to liability during the year ended 30 June 2024. Accordingly, the Fund's distributions to unitholders and increase in the net assets attributable to unitholders subsequent to the establishment of the wholesale class of units have been classified as finance costs in the statement of profit or loss. Profit or loss prior to the establishment of the wholesale class of units has been included in this reclassification. Refer to Note 5 for further detail.

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

Statement of Cash Flows

For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Distributions and dividends received		9,069	16,120
Expenses paid		(2,367)	(2,851)
Interest and other income received		102	193
Net cash provided by operating activities	7(b)	6,804	13,462
Cash flows from investing activities			
Payments for investments at fair value through profit or loss		(25,816)	(50,753)
Proceeds from sale of investments at fair value through profit or loss		53,813	61,244
Net cash provided by investing activities		27,997	10,491
Cash flows from financing activities			
Proceeds from issue of units		31,017	37,385
Payment for units redeemed		(51,550)	(45,592)
Payment of distributions		(11,767)	(19,666)
Net cash used in financing activities		(32,300)	(27,873)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July		4,402	8,322
Cash and cash equivalents at 30 June		6,903	4,402

The above 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 Phoenix Property Securities Fund 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 (AASB) and accounting policies have been consistently applied since inception of the Fund. Further details about the Funds accounting policies are contained in the respective notes.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be reliably determined at balance date.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

The material accounting policy information adopted in the preparation of the financial report of Cromwell Phoenix Property Securities 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.

The financial report has been prepared on a going concern basis.

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 investments at fair value through profit or loss which are measured at fair value.

The method used to measure fair value is disclosed in note 6.

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/psf.

Segment information

The Fund operates in one operating segment, being investment in ASX listed property securities and selected other investments with similar characteristics. The Fund earns distributions/dividends and derives capital appreciation from investments in listed ASX securities in Australia.

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 investments are sold is not accounted for in this report.

Notes to the Financial Statements

For the year ended 30 June 2024

a) Critical accounting estimates and judgements

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

As at 30 June 2024 and 30 June 2023 the only assets carried at fair value are investments at fair value through profit or loss. Detailed information about the fair value measurement of these financial instruments is contained in note 6.

b) New 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 by the Fund are unlikely to have any material impact on the Fund.

2. Distributions

a) Overview

Distributions to unitholders are paid quarterly. When calculating the amount of distribution, the expected return from the Fund's investments (on an annualised basis) is taken into account. The actual amount distributed may be higher or lower than this amount but is no less than the Fund's net taxable income.

b) Distributions paid / payable

The distribution history of the Fund may be viewed on Cromwell's webpage at www.cromwell.com.au/psf. Total distributions paid / payable during the year were as follows:

	2024 \$'000	2023 \$'000
Distributions paid / payable	11,396	18,029

c) Distributions by class

Distributions paid / payable during the year by class were as follows:

	2024 \$ per unit \$'000	2023 \$ per unit \$'000
Ordinary class		
30 September ⁽¹⁾	0.0116 2,298	0.0124 2,550
31 December ⁽²⁾	0.0120 2,318	0.0139 2,837
31 March ⁽²⁾	0.0121 2,286	0.0341 6,904
30 June ⁽²⁾	0.0248 4,494	0.0285 5,737
	0.0605 11,396	0.0889 18,029
Wholesale class		
30 September ⁽³⁾	-	-
31 December ⁽⁴⁾	0.0095	-
31 March ⁽⁴⁾	0.0140	-
30 June ⁽⁴⁾	0.0248	-
	0.0483	-
Total distributions paid / payable	11,396	18,029

- (1) Distribution prior to establishment of wholesale class of units and presented as a unitholder distribution in the statement of changes in equity.
(2) Distribution after the establishment of wholesale class of units and shows as a finance cost in the statement of profit or loss.
(3) Wholesale class was established on 15th November 2023, so no distribution was payable for September quarter.
(4) Total distributions declared of \$25.18 due to only 521 units on issue, rounded to \$0.

Notes to the Financial Statements

For the year ended 30 June 2024

3. Receivables

a) Overview

Receivables of the Fund generally consist of distributions and dividends receivable from its investments, unsettled sales and other receivables such as Goods and Services Tax (GST).

	2024 \$'000	2023 \$'000
Distributions and dividends receivable	3,848	3,972
Unsettled sales ⁽¹⁾	680	4,135
Other receivables	178	214
Total receivables	4,706	8,321

(1) Unsettled sales represent sale of equity securities prior to year end, which settled subsequent to year-end.

b) Accounting policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables may include amounts for trust distributions which are accrued when the right to receive payment is established and unsettled sales.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off.

At year end there were no receivables past due but not impaired (2023: nil). No receivables have been determined to be impaired (2023: nil).

4. Investments at fair value through profit or loss

a) Overview

The Fund invests in listed property securities with the aim to deliver a total return (after fees) in excess of the S&P/ASX 300 A-REIT Accumulation Index over 3-5 years with lower overall risk. As at 30 June 2024 the investments of the Fund comprised of securities listed on the ASX.

b) Investment details

As at year end the Fund held the following investments:

	2024 \$'000	2023 \$'000
Listed equity securities	207,839	216,056
Total investments	207,839	216,056

For accounting purposes, the fund's investments in listed and unlisted securities are classified as investments at fair value through profit or loss 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 6. During the year the Fund recognised fair value gains of \$15,148,000 (2023: fair value gains of \$1,879,000).

c) Distributions and dividend income

Dividend and distribution income from investments at fair value through profit or loss is recognised in the statement of profit or loss within distributions and dividend income when the Fund's right to receive payments is established. During the year the Fund recognised distributions and dividend income of \$10,122,000 (2023: \$17,746,000) from its investments at fair value through profit or loss.

d) Accounting policy

Investments at fair value through profit or loss include ASX listed and unlisted equity securities held for trading purposes. Investments are recognised and derecognised on the relevant trade date.

Investments held at fair value through profit or loss are initially measured at fair value. 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 statement of profit or loss.

For listed equity securities, the fair value is determined by reference to the final closing price on the ASX. For further information regarding the accounting policies of the Fund's financial assets recognised at fair value through profit or loss refer to note 6(g).

Notes to the Financial Statements

For the year ended 30 June 2024

5. Net assets attributable to unitholders – liability

a) Overview

The Fund commenced in April 2008 as a wholly owned fund of the Cromwell Property Group.

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.

On 15 November 2023, a Wholesale class of units was established for the Fund which has its own Product Disclosure Statement (PDS) and unit pricing. The Wholesale class requires a minimum initial deposit of \$500,000 with a commitment that within the following 12 months, the deposit is increased to \$5,000,000. Coinciding with this investment requirement the Wholesale unitholders are charged a management fee of 0.86% compared to that of Ordinary unitholders of 0.96%. All existing units on issue by the Fund prior to this date are now known as Ordinary units.

As a result of the issuance of a new class of units, the Fund's units no longer meet the definition of equity and have been reclassified as a financial liability during the year. The Fund's distributions to unitholders and increase in net assets attributable to unitholders are now classified as a finance cost attributable to unitholders in the statement of profit or loss.

Each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are two separate classes of units. Each unit within the same class has the same rights as all other units within that class.

b) Movements in number of units and net assets attributable to unitholders

	Year ended		Year ended	
	2024	2024	2023	2023
	Units '000	\$'000	Units '000	\$'000
Ordinary class				
Opening balance	201,314	222,017	207,793	229,973
Applications	27,569	31,014	32,099	37,385
Units issued on reinvestment of distributions	767	862	1,356	1,497
Redemptions	(48,686)	(55,193)	(39,934)	(46,205)
Increase in net assets attributable to unitholders	-	13,866	-	-
Distributions paid and payable ⁽¹⁾	-	(2,298)	-	(18,029)
Profit for the year	-	-	-	17,396
Closing balance	180,964	210,268	201,314	222,017
Wholesale class				
Opening balance	-	-	-	-
Applications	1	1	-	-
Closing balance	1	1	-	-
Total	180,965	210,269	201,314	222,017

(1) 2024 distributions represent the September 2023 distributions, prior to establishment of the wholesale class of units and resultant reclassification of distributions to finance costs. 2023 distributions represent all distributions paid to unitholders prior to the reclassification of equity.

c) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. 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 suspend withdrawals of units in certain circumstance if the exercise of such discretion is in the best interests of unitholders.

Notes to the Financial Statements

For the year ended 30 June 2024

d) Accounting policy

Net assets attributable to unitholders

Under AASB 132, puttable financial instruments can only be classified as equity where certain strict criteria are met. The units issued by the Fund do not meet these criteria as they have different contractual features as detailed below:

- all units issued by the Fund provide unitholders with the right to redeem their units at the unitholders' option. The fair value of redeemable units is measured at the net asset value price that is payable at the balance sheet date; and
- due to the different management fee structures applying to the different classes of units the interest of unitholders does not meet the criteria to be classified as equity, as the different classes of units do not have identical features.

Changes in net assets attributable to unitholders

Unrealised gains and losses arising from movements in the fair value of assets are held within net assets attributable to unitholders. The taxable and concessional tax portions of realised capital gains on the disposal of investments are attributed to unitholders in the period for which they are assessable for tax purposes.

6. Financial risk management

a) Overview

The Fund's activities exposed it to a variety of financial risks which included 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 holds the following financial instruments that are subject to the responsible entity's risk management practice:

	Type of financial instrument	2024 \$'000	2023 \$'000
Financial assets			
Cash and cash equivalents	(1)	6,903	4,402
Receivables	(1)	4,706	8,321
Investments at fair value through profit or loss	(2)	207,839	216,056
Total financial assets		219,448	228,779
Financial liabilities			
Payables	(1)	4,656	1,006
Distribution payable	(1)	4,523	5,756
Total financial liabilities		9,179	6,762

(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 6(b))	The risk a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Fund.	<ul style="list-style-type: none"> • Cash and cash equivalents • Receivables • Listed securities 	The responsible entity manages this risk by: <ul style="list-style-type: none"> • managing and monitoring exposure to all counterparties; • monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality; • cash transactions are transacted with high credit quality financial institutions; and • regularly monitoring receivables on an ongoing basis.
Liquidity risk (Section 6(c))	The risk the Fund will default on its contractual obligations under a financial instrument.	<ul style="list-style-type: none"> • Payables • Listed securities • Ordinary and wholesale units 	The responsible entity manages this by: <ul style="list-style-type: none"> • maintaining sufficient cash to meet ongoing liquidity requirements. • the investments in equity securities are considered to be readily realisable and can be disposed of when required.

Notes to the Financial Statements

For the year ended 30 June 2024

Market risk – price risk (Section 6(d))	The risk that the fair value or cash flows of listed and unlisted securities will fluctuate due to changes in the price due to equity market movements.	<ul style="list-style-type: none"> Listed securities 	The responsible entity manages this risk by monitoring the investment manager and ensuring their performance and investment decisions are in accordance with the terms and conditions of the investment management agreement.
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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. The Fund does not have any significant credit risk exposure to any single counterparties having similar characteristics, other than cash and cash equivalents which are held with high credit quality financial institutions.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the Fund. It is the responsible entity's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements.

Ordinary and wholesale units are redeemed upon request by unitholders, as such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined. At 30 June 2024 and 30 June 2023 all other financial liabilities were due within one year.

d) Market risk

Interest rate risk

The Fund does not carry any direct interest bearing liabilities and does not have material cash balances and is therefore not exposed to any material interest rate risk.

Price risk - equity investments

The Fund is exposed to equity price risk in relation to its investments in listed and unlisted equity securities recorded at fair value through profit or loss in the balance sheet. The price of listed equity securities is dependent on equity market movements on the ASX.

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

Fair value increase / (decrease) of:	Carrying amount \$'000	+10%		-10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2024					
Investments at fair value through profit or loss	207,839	20,784	20,784	(20,784)	(20,784)
2023					
Investments at fair value through profit or loss	216,056	21,606	21,606	(21,606)	(21,606)

e) Fair value measurement of financial instruments

The Fund's only financial instruments measured at fair value are its investments in ASX listed securities and unlisted securities.

The Fund measures and recognises the following financial instruments at fair value on a recurring basis as level 1 (quoted market prices) or level 2 (inputs other than quoted prices).

- Listed equity investments – at level 1, where quoted prices (unadjusted) in active markets for identical assets.

Valuation techniques used to derive Level 1 fair values

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.

At balance date, the Fund held no Level 2 or Level 3 financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2024

The table below presents the Fund's financial assets measured and carried at fair value at 30 June 2024 and 30 June 2023:

	2024			2023		
	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets at fair value						
Investments at fair value through profit or loss						
Listed equity securities	207,839	-	207,839	216,056	-	216,056
Total	207,839	-	207,839	216,056	-	216,056

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 values of other financial instruments not measured at fair value

The carrying amounts of receivables, payables and distributions payable are assumed to approximate their fair values due to their short-term nature.

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 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 statement of profit or loss.

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

Financial assets recognised at amortised cost

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2024

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.

7. Cash flow information

a) Overview

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

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

	2024 \$'000	2023 \$'000
Profit before finance costs for the year attributable to unitholders	22,964	17,396
Fair value net gain from investments	(15,148)	(1,879)
Dividend income reinvested	(1,177)	(717)
<i>Changes in operating assets and liabilities:</i>		
Decrease / (increase) in receivables	160	(901)
Increase / (decrease) in payables	5	(437)
Net cash provided by operating activities	6,804	13,462

c) Non-cash financing and investing items

	2024 \$'000	2023 \$'000
Units issued on reinvestment of distributions	862	1,497
Dividend income reinvested	(1,177)	(717)

d) 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.

8. Related Parties

a) Overview

Related parties 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 entity, 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.

Notes to the Financial Statements

For the year ended 30 June 2024

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	
<i>Non-executive Directors</i>	
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
<i>Other key management personnel</i>	
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

Phoenix Portfolios Pty Ltd, the entity engaged by the responsible entity to manage the Fund's equity investments, holds 1,583,334 ordinary units in the Fund (2023: 1,496,407). The Cromwell Diversified Property Trust (DPT), an entity related to the responsible entity, holds 521 wholesale units in the Fund (2023: nil).

The Directors and other key management personnel of the responsible entity, including its personally related parties, held no units in the Fund and had no loans payable to/receivable from the Fund during the financial year.

e) Transactions with the responsible entity and its associates

	2024	2023
	\$	\$
<i>Amounts paid / payable</i>		
Management fee ⁽¹⁾	1,364,753	1,477,327
Administration fee ⁽¹⁾	440,243	476,627
Expense re-imburement recovery ⁽¹⁾	538,332	348,716
Aggregate amounts payable to the responsible entity and its associate at year-end	187,460	182,714

(1) Included in Fund administration costs in the statement of profit or loss.

9. 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		
<i>Pitcher Partners Brisbane</i>		
• Audit and review of financial report	16,000	14,900
• Audit of compliance plan	7,800	7,400
Total remuneration for audit services	23,800	22,300

Notes to the Financial Statements

For the year ended 30 June 2024

10. 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 year end the Fund does not have any material expenditure commitments.

11. Subsequent events

No 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 Phoenix Property Securities 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 Fund's 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 Phoenix Property Securities Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cromwell Phoenix Property Securities Fund ("the Fund"), which comprises the balance sheet as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Cromwell Phoenix Property Securities 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 of the Fund, 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.

Adelaide | Brisbane | Melbourne | Newcastle | Perth | Sydney



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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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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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 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 Fund's ability 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 have 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.



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

Pitcher Partners

PITCHER PARTNERS

A handwritten signature in black ink, appearing to read 'Mason', written over a horizontal line.

CHERYL MASON
Partner

Brisbane, Queensland
11 September 2024