



**CROMWELL**  
FUNDS MANAGEMENT

# CROMWELL PROPERTY TRUST 12

ARSN 166 216 995

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## NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

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Issued by Cromwell Funds Management Limited  
ABN 63 114 782 777, AFSL No. 333214



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## Important Notice

**Date** This Explanatory Memorandum is dated 13 November 2020.

**Purpose** This Explanatory Memorandum is issued by Cromwell Funds Management Limited (ABN 63 114 782 777, AFSL No.333214) ("CFM", "we", "us" or "our" and provides Unitholders of the Cromwell Property Trust 12 (ARSN 166 216 995) ("Trust" or "C12") with an explanation of, and information about, the Rollover Proposal.

**No personal investment or tax advice** This Explanatory Memorandum does not contain personal financial product advice or tax advice and has been prepared without reference to your investment objectives, financial situation, tax position or particular needs, or those of any other person. It is important that you read the entire Explanatory Memorandum and consider your own objectives, financial situation, tax position and needs before deciding how to vote on the Resolutions. If you are in any doubt in relation to these matters, you should contact your financial, legal, tax or other professional adviser.

**Forward looking statements** Certain statements in this Explanatory Memorandum relate to the future. The forward-looking statements in this Explanatory Memorandum are not based on historical facts, but reflect the current expectations of CFM. These statements generally may be identified by the use of forward-looking words or phrases such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', and other similar words and phrases. Statements that describe the Trust's objectives, plans, goals or expectations are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the Trust to be materially different from future results, performance or achievements expressed or implied by such statements. The forward-looking statements are based on numerous assumptions regarding present and future operating strategies and the environment in which the Trust will operate in future. The financial assumptions described in Section 8 could affect future results of the Trust, causing these results to differ materially from those expressed or implied in any forward-looking statements. These factors are not a complete list of all of the important factors that could cause actual results to differ materially from those expressed in any forward-looking statement. Other unknown factors could also have a material adverse effect on future results of the Trust. Forward-looking statements should, therefore, be construed in light of these assumptions and undue reliance should not be placed on forward-looking statements.

The historical financial performance of the Trust is no assurance or indicator of the future financial performance of the Trust (whether or not the Further Term is implemented). Neither CFM nor Cromwell guarantees any particular rate of return or the performance of the Trust, or the repayment of capital from the Trust or any particular tax treatment.

All subsequent written and oral forward-looking statements attributable to CFM or any person acting on their behalf are qualified by this cautionary statement. Other than to the extent required by law, neither CFM nor Cromwell, and none of their directors or any other person gives any representation, assurance, warranty (whether express or implied) or guarantee about the accuracy, or the likelihood of the events or results expressed or implied in any forward-looking statements in this Explanatory Memorandum will actually occur.

The forward-looking statements in this Explanatory Memorandum reflect views held only at the date of this Explanatory

Memorandum. Subject to any continuing obligations under the Corporations Act, and except as otherwise set out in this Explanatory Memorandum, CFM, Cromwell and their respective directors disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any forward-looking statements to reflect any change in expectations or any change in events, conditions or circumstances on which any such statement is based.

An investment in the Trust is subject to investment and other risks, including possible delays in repayment and loss of income and capital invested. CFM does not give any guarantee or assurance as to the performance of the Trust or the repayment of capital. Investments in the Trust are not investments in, or deposits or other liabilities of, CFM or Cromwell. Neither CFM nor Cromwell is an authorised deposit-taking institution.

**Privacy and personal information** CFM may need to collect and share personal information for the primary purpose of assisting CFM to conduct the meeting and implement the Rollover Proposal if the Resolutions are approved. Such personal information may include the names, dates of birth, addresses, other contact details, bank account details and details of the holdings of Unitholders, and the names of persons they have appointed to act as a proxy, body corporate representative or attorney at the Meeting.

The personal information may be disclosed to the registry of the Trust, related bodies corporate of CFM, third party service providers (including print and mail service providers), professional advisers and regulatory authorities where disclosure is required or allowed by law or where the individual has consented. Personal information may also be used to call Unitholders in relation to voting at the Meeting.

Unitholders who are individuals, and the other individuals in respect of whom personal information is collected as outlined above, have certain rights to access and correct the personal information collected in relation to them, and may contact Cromwell's Investor Services Team on 1300 268 078 if they wish to exercise those rights.

**Disclaimer** CFM has prepared, and is responsible for, the information set out in this Explanatory Memorandum.

Whilst every effort is made to prepare accurate and complete information (any of which may change without notice), this Explanatory Memorandum has been prepared in good faith and no member of Cromwell nor its directors, officers, employees or advisers make any representation or warranty, express or implied, as to the adequacy, accuracy, reasonableness, reliability or completeness of any statement herein. To the maximum extent permitted by law, each member of Cromwell and its directors, officers, employees and advisers expressly disclaim all or any liability which may arise out of the provision to, or use by, any person, of the information contained in or omitted from this Explanatory Memorandum.

**Defined Terms** Capitalised terms used in this Explanatory Memorandum are defined in Section 13.

**Currency** Unless stated otherwise, references to dollars, \$ or cents are to Australian currency.

**Time** Unless stated otherwise, references to time are to Brisbane time.

**Further information** If you have any questions about the proposal contained in this Explanatory Memorandum, please contact Cromwell's Investor Services Team on 1300 268 078 or [invest@cromwell.com.au](mailto:invest@cromwell.com.au).

# Why the Meeting?

**The purpose of the Meeting is to consider the Rollover Proposal and vote on the Resolutions required to implement this proposal, which is explained in detail in this Explanatory Memorandum.**

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The meeting will be held at:

<b>Venue:</b>	Cromwell Property Group, Level 19 200 Mary Street Brisbane, Queensland 4000
<b>Date:</b>	17 December 2020
<b>Meeting registration:</b>	12.30pm (AEST)
<b>Meeting commences:</b>	1pm (AEST)

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The meeting can also be viewed online with the ability to ask questions however the online viewing facilities will not provide a means to vote.

The meeting may be viewed online at the following link:  
[www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote).

## Why the vote?

The Cromwell Property Trust 12 (the Trust) reached the end of its initial seven-year term on 31 October 2020 and Unitholders are asked to have their say about the future of the Trust.

The Trust has over 740 Unitholders. With such a widely held register, every vote counts in reaching a bona fide outcome.

## How do I vote?

### SEND YOUR PROXY FORM

Complete and return a Proxy Form by fax, email or post.

**Proxy Forms delivered via post must be received by 1pm (AEST) on 15 December 2020.**

### SUBMIT YOUR PROXY FORM ONLINE

[www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote)

### SUBMIT YOUR PROXY FORM BY SMARTPHONE

You will need:

- the eight (8) digit Voting Access Code (VAC); and
- the postcode of your registered holding.

### ATTEND THE MEETING

You can vote at the Meeting if attending in person, or you can elect a proxy to attend on your behalf (your attorney, or in the case of a body corporate, a body corporate representative) however the online viewing facilities will not provide a means to vote.

Full details of how to vote are on page 47 in Annexure A of this document.

## Get advice

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote and, if necessary, consult your investment, tax, legal or other professional adviser.

## We are here to help

Please contact Cromwell's Investor Services Team on 1300 268 078 or [invest@cromwell.com.au](mailto:invest@cromwell.com.au) if you have any questions.

# 1. Chair's letter



Paul Weightman, Chair

Friday 13 November 2020

Dear Unitholder,

This Explanatory Memorandum relates to your investment in the Cromwell Property Trust 12 ("Trust") which has reached the end of its initial Term. Your vote is now required to decide the future of the Trust.

Throughout 2013, Cromwell Funds Management (CFM) successfully raised \$76 million from you and other investors to purchase:

- 19 George Street in Dandenong, Victoria;
- The Rand Distribution Centre in Direk, South Australia; and
- 10-16 Dorcas Street in South Melbourne, Victoria.

The South Melbourne property was sold in August 2015 and resulted in an extraordinary distribution to Unitholders of 4.5 cents per unit in July 2015. The Rand Distribution Centre has been sold and will settle in December 2020. Following settlement, the Special Distribution of \$0.6184 per unit is expected to be paid from sale proceeds, on the 16th of December 2020<sup>1</sup>.

The Australian Tax Office at 19 George Street in Dandenong (the Property) will therefore be the sole property asset remaining in the Trust following the sale of the Rand Distribution Centre. The Property is 93% leased to the Australian Taxation Office until September 2030. On 31 October 2020, the Property was independently valued at \$107 million.

As an investment, the Trust has been one of Cromwell's most successful, with monthly distributions increasing from 7.75 cents per Unit per annum to 9.25 cents per Unit per annum today. The value of the three properties above increased since their acquisition, as reflected in the Pro Forma NTA of \$1.5695, as detailed in Section 8.4, and in the sale price which was achieved for the South Melbourne property.

As the Trust has reached the end of its initial Term, CFM is calling a meeting of Unitholders to vote on the Resolutions required to implement the Rollover Proposal, which includes a proposal to extend the term of the Trust.

## The Rollover Proposal

The key terms of the Rollover Proposal are as follows:

1. Extend the term of the Trust for five years to 31 October 2025 (Further Term). Any sale of the Property during the first two years of the Further Term will require approval of Unitholders by Extraordinary Resolution. Any sale after the first two years will not require approval by Unitholders provided the sale price is higher than or equal to the most recent independent valuation of the Property.
2. Provide Unitholders with a Matching Facility which should give them the ability to either:
  - a) acquire more Units at the Matching Price of \$0.9349. The Matching Price is calculated net of any selling costs and after the payment of the Special Distribution of \$0.6184 per unit; or
  - b) sell some or all of their Units at the Matching Price.

The ability to buy and sell Units will be subject to availability in each case, as detailed in Section 5.3. The Matching Facility will be supported by a binding commitment from the Cromwell Direct Property Fund (DPF) of an offer to purchase 4.18% of the issued Units (as at the Record Date) from selling Unitholders through the Matching Facility (subject to availability). This will help provide those Unitholders who wish to sell some or all of their Units with some certainty that they will likely be matched to a buyer.

<sup>1</sup> Date is indicative only and requires the settlement to occur as forecast on the 14th of December 2020.

3. Amend the Constitution to:  
Introduce provisions to give CFM the power to give full effect to the Matching Facility (including Unitholders appointing CFM as their agent and attorney for the purpose of implementing the Matching Facility).

**If the Rollover Proposal is approved, the term of the Trust will be extended, the Matching Facility will proceed and the Constitution will be amended.**

**If the Rollover Proposal is not approved, the Property will be sold and the Trust will be wound up.**

More detail about each of these consequences is outlined in this Explanatory Memorandum which we ask you to read carefully in full.

## Summary of your options

- a) Vote **FOR** to retain your current investment in the Trust. Continue to receive monthly distributions for the Further Term.
- b) Vote **FOR** and apply to buy additional Units at the Matching Price by completing the enclosed yellow Buy Form. Continue to receive monthly distributions for the Further Term on your current investment, plus on the Units you buy.
- c) Vote **FOR** and apply to sell some or all of your Units at the Matching Price by completing the enclosed blue Sell Form. Continue to receive monthly distributions for the Further Term on the Units you do not sell.
- d) Vote **AGAINST**, and if the Rollover Proposal is rejected, receive your share of the sale proceeds when the Property is sold on-market and the Trust wound up. Please note that this process may take up to 12 months to fully complete.
- e) Vote **AGAINST** and in case the Rollover Proposal is approved, also apply to sell some or all of your Units at the Matching Price by completing the enclosed blue Sell Form.

## Directors' Recommendation

The Directors of CFM have carefully considered the advantages and disadvantages of the Rollover Proposal. The Directors are not recommending how Unitholders should vote, as any recommendation would need to take into account the particular circumstances of each individual Unitholder. As such, CFM is presenting the Unitholders with the opportunity to vote on the Resolutions required to implement the Rollover Proposal. The Directors of CFM recommend that you consider the options carefully, and where applicable, consult with your independent financial, legal or taxation adviser to assess how you should cast your vote.

## What you need to do

1. Carefully read this Explanatory Memorandum and associated material in full. If appropriate to your needs, you should also obtain independent financial or other professional advice before making your decision about how to vote.
2. Vote on the Resolutions.
3. Make your election to either:
  - a) Retain your current Unitholding in the Trust.
  - b) Apply to purchase further Units (subject to availability) by completing and returning the enclosed yellow Buy Form to Boardroom Pty Limited by 1pm (AEST) on Thursday 17 December 2020.
  - c) Apply to sell some or all of your Units (subject to availability) by completing and returning the enclosed blue Sell Form to Boardroom Pty Limited by 1pm (AEST) on Thursday 17 December 2020.

## Further information

If you have any questions in relation to the Explanatory Memorandum, you can contact Cromwell's Investor Services Team on 1300 268 078.

Yours faithfully



**Paul Weightman, Chair**  
Cromwell Funds Management Limited

# WHAT YOU NEED TO DO

This Explanatory Memorandum sets out information relating to the meeting of Unitholders to be held at **1pm (AEST) on Thursday 17 December 2020** at Cromwell Property Group, Level 19, 200 Mary Street, Brisbane, Queensland 4000 to consider the Rollover Proposal, and includes the Notice of Meeting at Annexure A on page 47.

The meeting can also be viewed online with the ability to ask questions. A link to the meeting is [www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote).

## 1 Carefully read this Explanatory Memorandum

The information contained in this Explanatory Memorandum and the Notice of Meeting is important. You should read this document carefully.

Section 3 - Key information, Section 4 - About the Property and Section 5 - Details of the Rollover Proposal may help answer some of your questions and are important in making your decision about how to vote.

If you have any doubts about which action to take, you should seek your own independent financial, legal, tax or other professional advice before deciding how to vote at the Meeting.

## 2 Vote on the Rollover Proposal

If you are a Unitholder on the Register at 5pm (AEST) on Wednesday 11 November 2020 you are entitled to vote on the Resolutions to approve the Rollover Proposal (unless you are subject to the voting exclusions listed in the Notice of Meeting in Annexure A).

### YOU CAN VOTE

- by proxy, by completing and returning a Proxy Form by fax, post, email, smart phone or online at [www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote). Proxy Forms must be received by 1pm (AEST) on Tuesday 15 December 2020; or
- in person, by attending the Meeting (or having your attorney, or in the case of a body corporate, a body corporate representative attend) to be held at Cromwell Property Group, Level 19, 200 Mary Street, Brisbane, Queensland 4000 on Thursday 17 December 2020 commencing at 1pm (AEST).

For details on how to complete and lodge the Proxy Form, please refer to the instructions on your Proxy Form or the online instructions at [www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote).

For details on having your attorney or corporate representative attend the Meeting, please refer to the Proxy Form.

## 3 Make your election

As part of the Rollover Proposal, Unitholders have the opportunity to elect to either:

1. Remain in the Trust in full.
2. Acquire further Units (subject to availability).
3. Exit the Trust in part (by selling some of their Units, subject to availability).
4. Exit the Trust in full (by selling all of their Units, subject to availability).

If you want to remain in the Trust in full without acquiring additional Units, then you do not need to do anything further besides vote on the Resolutions.

If you want to acquire additional Units, then you should complete the **yellow Buy Form** and return it to Boardroom Limited by 1pm (AEST) on Thursday 17 December 2020, along with the monies necessary to purchase those additional Units. Methods for payment is detailed on the **yellow Buy Form**.

If you want to exit the Trust and sell some or all of your Units, then you need to complete the enclosed **blue Sell Form**.

For further information on how to complete and lodge the Buy Form and the Sell Form, please refer to Section 5.3 - Details of Matching Facility on page 12. The Notice of Meeting in Annexure A also provides further information about the process.

**Please note: the Resolutions are inter-conditional and require both to be approved by the required majority in order to proceed with the Rollover Proposal.**

Resolution 1 to extend the Trust Term for a further five years requires an Extraordinary Resolution, being a resolution passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy).

Resolution 2 to amend the Constitution requires a Special Resolution, being a resolution passed by at least 75% of the votes cast by Unitholders entitled to vote on the resolution.

**Given the high voting threshold and the inter-conditional resolutions, it is important to cast your vote on both Resolutions if you wish to have the Trust term extended, or to participate in the Matching Facility.**

## 2. Key dates and terms

### 2.1 Key dates<sup>1</sup>

EVENT	DATE
Notice of Meeting and Explanatory Memorandum sent to Unitholders	Friday 13 November 2020
Record date for the Special Distribution	Monday 14 December 2020
Last date and time for receipt of Proxy Forms	1pm (AEST) on Tuesday 15 December 2020
Payment of Special Distribution from Rand Sale <sup>2</sup>	Wednesday 16 December 2020
Last date and time to lodge the Buy Form and the Sell Form with accompanying funds to apply to purchase/sell Units	1pm (AEST) on Thursday 17 December 2020
Meeting of Unitholders	1pm (AEST) on Thursday 17 December 2020
Announcement of voting result on <a href="http://www.cromwell.com.au/c12vote">www.cromwell.com.au/c12vote</a>	5pm (AEST) on Friday 18 December 2020
Allocations for buying Unitholders determined / potential scale-back for selling Unitholders determined	Friday 18 December 2020 – Wednesday 23 December 2020
Unitholders notified of Matching Facility scale-back and over-subscription monies refunded (if applicable)	On or around Wednesday 23 December 2020
Settlement date for the Matching Facility / Transfer Date of Units / Transaction Statements posted	Friday 8 January 2021
The Further Term commences (if approved by Unitholders)	Sunday 1 November 2020

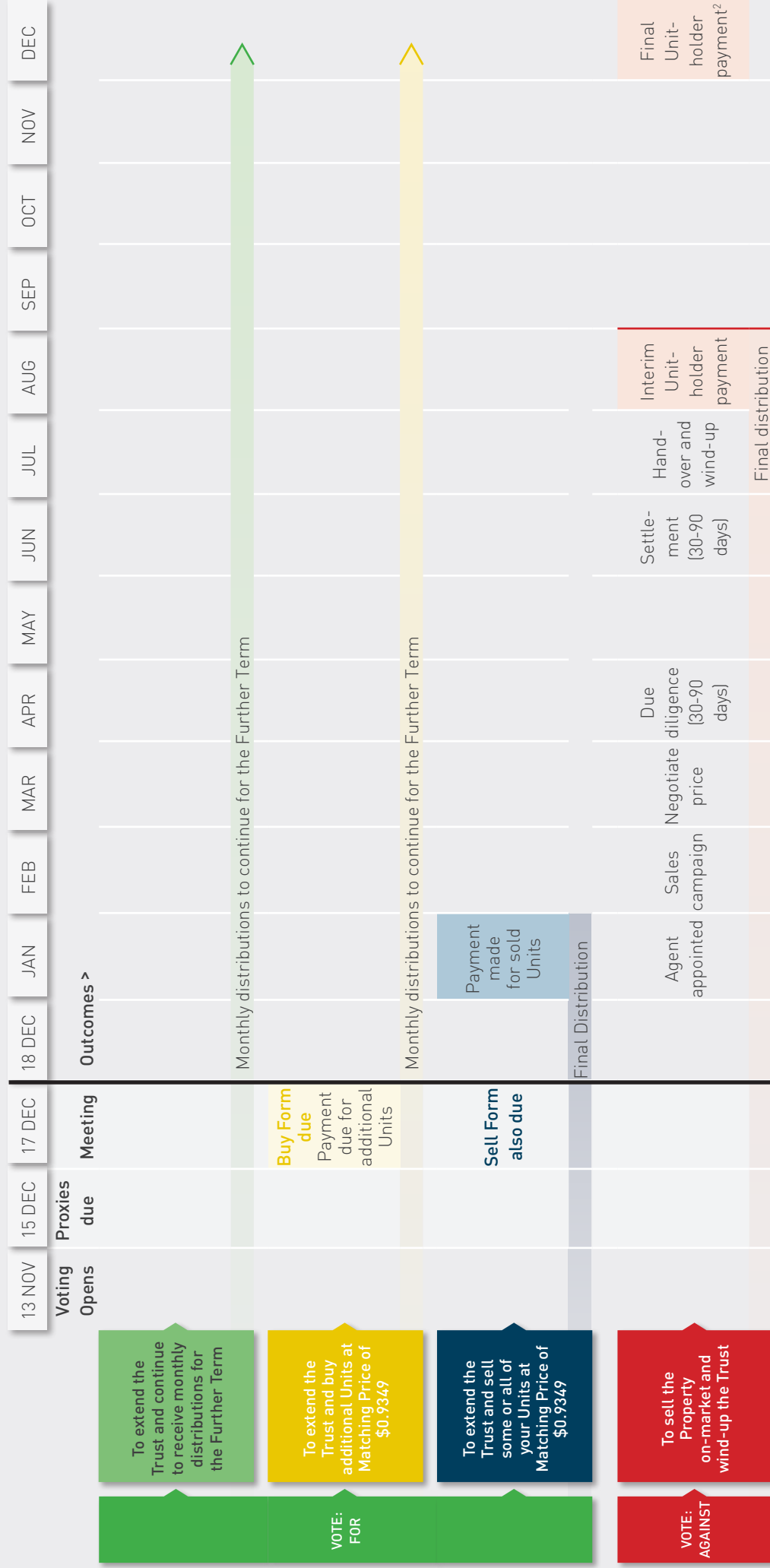
### 2.2 Key terms

TERM	MEANING
CFM	we, us, or our means Cromwell Funds Management Limited (ABN 63 114 782 777, AFSL No. 333214).
Cromwell or Cromwell Property Group	means Cromwell Property Group comprising Cromwell Corporation Limited (ABN 44 001 056 980) and Cromwell Diversified Property Trust (ARSN 102 982 598) the responsible entity of which is Cromwell Property Securities Limited (ABN 11 079 147 809, AFSL No. 238052).
DPF	means the Cromwell Direct Property Fund (ARSN 165 011 905), the responsible entity of which is CFM.
Further Term	means the proposed extension of the Trust's term for five years until 31 October 2025, unless there is an earlier sale of the Property.
Matching Facility	means the opportunity provided for Unitholders wanting to exit to sell Units, and Unitholders wanting to buy Units (both subject to sufficient availability), that is being offered to Unitholders only if the Resolutions are approved. See Chair's letter, Key information or Section 5 for further details.
Matching Price	means \$0.9349 per Unit after allowing for the payment of a \$0.6184 Special Distribution following the sale of the Rand Distribution Centre.
Property	means the Australian Tax Office Building at 19 George Street in Dandenong.
Trust	means the Cromwell Property Trust 12 (ARSN 166 216 995).
Units	means fully paid ordinary units issued in the Trust.

<sup>1</sup> All dates following the date of the Meeting are indicative only and are subject to satisfaction of the conditions precedent to the implementation of the Rollover Proposal (see Section 5.5 on page 13. CFM reserves the right to vary these dates without prior notice. Any changes to the above timetable will be announced at [www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote).

<sup>2</sup> Date is indicative only and requires the settlement to occur as forecast on the 14th of December 2020.

## Four Potential Outcomes for Investors<sup>1</sup>



1 All dates following the date of the Meeting are indicative only and are subject to satisfaction of the conditions precedent to the implementation of the Rollover Proposal (see Section 5). CFM reserves the right to vary these dates without prior notice. All dates in relation to the sale of the Property are estimated only, and are subject to a range of factors, including prevailing market conditions at the time.

2 If the Resolutions are not passed and the Property is sold, the majority of the sale proceeds following settlement will be paid to Unitholders as an interim payment. The balance of the sale proceeds will be paid to Unitholders as a final payment after the procedural steps and filings required to wind-up the Trust have been finalised.



## 3. Key information

### 3.1 What is the Rollover Proposal?

The Rollover Proposal is:

1. To extend the initial Term of the Trust for a further five years (the Further Term). If the Resolutions are approved, the Trust's Further Term will expire on 31 October 2025. However, CFM will have the discretion to sell the Property after two years (i.e. after 31 October 2022) if it considers the sale to be in the Unitholders' best interests and the sale price is higher than or equal to the most recent independent valuation of the Property. The Property cannot be sold within two years of the commencement of the Further Term without the approval of Unitholders by Extraordinary Resolution.
2. To introduce the Matching Facility, which will provide Unitholders with the ability to either:
  - a) acquire more Units at the Matching Price; or
  - b) sell some or all of their Units at the Matching Price.

The ability to buy and sell Units will be subject to availability in each case.

3. Amend the Constitution to introduce provisions to give CFM the power to give full effect to the Matching Facility (including Unitholders appointing CFM as their agent and attorney for the purpose of implementing the Matching Facility).

### 3.2 Reasons for Unitholders to vote For or Against the Rollover Proposal

This section is a summary only and is not intended to address all of the relevant issues for Unitholders. You should read all of the Explanatory Memorandum, and in particular Section 5 - Details of the Rollover Proposal.

#### REASONS TO VOTE FOR THE ROLLOVER PROPOSAL

**Maintain a strong performing investment:** The Trust has performed strongly since inception in 2013 and in particular has achieved a 52% increase in the Property value and a 76% increase in the NTA.

**Maintain exposure to a quality property with a long lease:** The fundamentals of the Property remain strong and include:

- Achieving a 5.5 Star NABERS Energy Rating, a 5.5 Star NABERS Water Rating and a 6 Star Green Star Office Design & As Built v3 Rating.
- The Australian Tax Office has almost ten years remaining on the current lease term (as at 31 October 2020) and it occupies 93% of the Property by gross income.

**Distributions over the Further Term:** Within Section 8, distributions are forecast to be 5.75 cents per Unit per annum from 1 July 2021, increasing at a rate of 0.25 cents per Unit each July over the Further Term. This reflects a distribution yield of 6.2% on the Matching Price of \$0.9349.

**May be difficult to replace your investment with a similar quality investment:** In the current low interest rate environment, Unitholders may not be able to replace their investment in the Trust with a similar performing investment.

#### REASONS TO VOTE AGAINST THE ROLLOVER PROPOSAL

**Potential to capitalise on a strong property market:**

Unitholders may believe that now is the optimal time to sell the Property to obtain the highest sale price. There is a possibility that the sale price received if the Property is sold now could be higher than the independent valuation of \$107 million, which has been used to determine the Matching Price.

**Potential for scale-back or pro-rata of Units for Unitholders wanting to exit:** Unitholders may not be able to sell all of the Units they want to sell, and may be subject to a scale-back or pro-rata in the event of more sellers than buyers participating in the Matching Facility. Unitholders may therefore have an ongoing investment in the Trust for the Further Term, even if they wished to exit in full.

**Risk of investment:** The normal risks of investing will continue and are as outlined in the original PDS available at [www.cromwell.com.au/c12](http://www.cromwell.com.au/c12). These risks include, but are not limited to, the following:

- Valuation risk: The potential for a decrease in the value of the Property.
- Tenancy risk: The Trust's forecast income is largely dependent upon tenants, particularly the Australian Tax Office, paying rent in accordance with their lease terms.
- Insurance risk: The performance of the Trust may be adversely affected where losses are incurred due to uninsurable risks, uninsured risks or under-insured risks.

## REASONS TO VOTE FOR THE ROLLOVER PROPOSAL

**Certainty of price if you want to exit the Trust:** Those Unitholders who wish to exit the Trust, in whole or in part, will receive the price of \$0.9349 per Unit sold, subject to there being a sufficient number of buyers under the Matching Facility.

**Certainty of timing if you want to exit the Trust:** Those Unitholders who wish to exit the Trust, in whole or in part, will receive payment for the Units they sell on or around 8 January 2021, subject to there being a sufficient number of buyers under the Matching Facility. If the Rollover Proposal is not approved, then it is not possible to know with any certainty the time it will take to sell the Property, and therefore when Unitholders will receive their final proceeds on wind-up of the Trust.

**Capital gains tax deferred:** Rolling the term defers the capital gains tax event for the sale of the Property or cancellation of your Units on wind up, to a future date.

**Tenancy profile insulates income from COVID-19 risk:** The ATO accounts for 93% of the Property's gross income. As a Commonwealth department, the ATO is not exposed to the same market conditions as a private enterprise. To date, the ATO has met all of its rental obligations without seeking any form of rental relief. As at 31 October 2020, there remains almost 10 years on the initial lease term with two (2) five-year options.

## REASONS TO VOTE AGAINST THE ROLLOVER PROPOSAL

- **Capital expenditure risk:** Capital expenditure on the Property could exceed expectations.
- **Contamination risk:** The valuation of the Property or rental income could be adversely affected by the discovery of an environmental contamination.
- **Economic and market risk:** The risk overall investment performance of the Trust may be impacted by changing economic or property market conditions. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.
- **Disaster risk:** Disasters such as natural phenomena, acts of god and terrorist attacks may damage or destroy the Property. It is not possible to insure the Property against some of these events. Occurrence of these events could also lead to insurance becoming unavailable for such events in the future, or premiums increasing above levels expected by CFM.

**Interest rate risk:** The interest rate via a five-year swap has not yet been fixed. Therefore there is the possibility or risk of some movement in interest rates which may negatively impact earnings.

**Valuation & performance Fee risk:** There is a risk the Property valuation will fall during the Further Term and the ultimate sale price of the Property will be lower than the valuation of \$107 million on 31 October 2020. The Performance Fee CFM is receiving is based upon the current valuation. If the ultimate sale price of the Property is lower than the current valuation, the interim Performance Fee paid to CFM will not be clawed back or repaid to the Trust (in whole or in part).

**Distribution risk:** There is no guarantee that the Trust will pay distributions at the rate forecast in Section 8 or at all. The tax advantaged component of the forecast distributions is subject to changes and the availability of forecast tax deductions could be materially different.

**COVID risk:** The current COVID-19 pandemic is a global event unprecedented in modern times. The precise continued impact this pandemic may have upon the broader economy and the potential flow-on effects on the Trust is not yet known.

What is known is that the impact on businesses has varied significantly. The Trust's income is dependent upon its tenants paying their rent, in accordance with their leases. Depending on the nature of a tenant's business, there is a risk that current events will adversely impact the ability of some tenants to meet their financial obligations.

This may result in the Trust, as a commercial landlord, providing temporary relief to some tenants.

As at 30 September 2020, no COVID-19 rental relief had been provided to the tenants.

## 4. About the Property

### 4.1 Background

The Trust was the fourth of Cromwell's 'Back to Basic' property trusts. The Trust replicated many features of the successful Cromwell Riverpark Trust launched in 2009, including the seven-year investment period, innovative construction funding structure, strong tenant covenant, and long lease terms.

Following the sale of South Melbourne property in 2015 and the sale of the Rand Distribution Centre in December 2020, the ATO Dandenong Building will be the sole property asset remaining in the Trust.

The ATO Dandenong Building is an A-Grade seven-level office building located at 19 George Street, Dandenong, Victoria. The land the Property occupies was acquired by the Trust in 2013, with the building construction starting soon after. Practical completion of the Property was reached in October 2015.

The Property has achieved a 5.5 Star NABERS Energy rating, a 5.5 Star NABERS Water rating and a 6 Star Green Star Office As Built v3 rating. Under the Green Building Council of Australia's Green Star rating tool, Five Stars represents 'Australian Excellence' in environmentally sustainable design and construction, responding to the Government tenant's requirement for a purpose built, long term, flexible working environment in a landmark location.

The Property's main tenant is the Australian Government's Australian Taxation Office (ATO). ATO is currently under a 15-year lease, due to expire on 30 September 2030, with two further five-year options.

In the absence of any future office development, the building should continue to be attractive as an office location for both government and corporate tenants.



## 5. Details of the Rollover Proposal

### 5.1 Background

Upon establishment of the Trust, the PDS stated that the initial Term of the Trust was seven (7) years from the date Units were first issued under the PDS in October 2013. The PDS further explained that at the expiry of the initial Term, the Property would be sold unless the Trust was extended for a further period, on recommendation by CFM if it believed it is appropriate to do so. The PDS can be accessed at [www.cromwell.com.au/c12](http://www.cromwell.com.au/c12). Any extension requires the approval of the Unitholders by Extraordinary Resolution. An Extraordinary Resolution is a resolution passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy). If an Extraordinary Resolution is passed, all Unitholders will be bound by its outcome regardless of whether they voted in favour of, or against, the resolution. CFM deliberately chose to make such a resolution an Extraordinary Resolution rather than a resolution that could be passed by a simple majority, to give Unitholders comfort as to the certainty of the fixed seven-year term, unless an extension of the Trust reflected the wishes of a large number of Unitholders.

The Trust's initial Term expired on 31 October 2020.

### 5.2 Details of the Further Term

If the Resolutions are approved, it is expected the Further Term will expire on 31 October 2025. However, after two years, being 31 October 2022, CFM could sell the Property without a Unitholder vote and wind-up the Trust if it secures a sale price that is higher than or equal to the most recent independent valuation and if it considers it is in the best interests of Unitholders to do so. Before 31 October 2022, Unitholders would need to approve any sale of the Property by an Extraordinary Resolution.

As soon as practicable after the end of the Further Term on 31 October 2025, CFM will sell the Property and wind-up the Trust, unless Unitholders vote by Extraordinary Resolution to extend the Term of the Trust again.

### 5.3 Details of the Matching Facility

The Matching Facility will only operate if the Resolutions are approved. The Matching Facility provides Unitholders who want to exit the Trust the opportunity to sell some or all of their Units to Unitholders who wish to buy more Units in the Trust. The offer to sell and buy is open to

all Unitholders registered on the Record Date and will be subject to availability in each case. Unitholders that participate in the Matching Facility will be pro-rated (in proportion to the number of Units nominated to be sold or purchased) if there is not sufficient supply or demand for units. More specifically:

- If Units offered for sale exceed Units applied for then sellers will not be able to sell all of the Units nominated on their Sell Form and will retain some Units in the Trust. All Units able to be matched to a buyer will be sold and the proceeds of the sale will be paid to the seller.
- If Units applied for purchase exceed Units offered for sale, then buyers will not receive all the Units they nominated to purchase on their Buy Form. Should this occur, buyers will be scaled-back based on the number of Units they intended to acquire. Any excess application monies will be returned to the buyer.

The Matching Facility will be supported by a binding commitment from the Cromwell Direct Property Fund (DPF) of an offer to purchase 4.18% of the issued Units (as at the Record Date) from selling Unitholders through the Matching Facility (subject to availability). This will help provide those Unitholders who want to sell some or all of their Units with some certainty that they will likely be matched to a buyer. The DPF will participate alongside other Unitholders wishing to purchase and will not be given any priority. The DPF will therefore be subject to a scale-back on the same terms as other purchasing Unitholders if there are more buyers than sellers, in proportion to the number of Units nominated to be purchased.

Unitholders and CFM, as responsible entity for the Trust, will not be charged a fee (or receive any fee) for utilising (or organising) the Matching Facility.

Sellers' and buyers' allocations may also be scaled-back to ensure the Trust remains widely held for stamp duty and income tax purposes.

The Matching Price of \$0.9349 is calculated on the Pro Forma Balance Sheet (refer to section 8.4) but adjusted for the following item:

- Sales costs on ATO Dandenong Building estimated to be 1.15% deducted from NTA. This 1.15% has been calculated taking into account the selling fee payable to Cromwell Property Services Pty Ltd as a selling agent and as disclosed in the PDS and CFM's estimate of marketing, legal, and Trust wind-up costs etc.

The income and expenses of the Trust for the period 1 July 2020 to 31 October 2020 have specifically been excluded from the Matching Price calculation because Unitholders have continued to receive monthly distributions during this period.

For both buying and selling Unitholders, the following will apply:

- CFM will be appointed your agent/attorney to effect the purchase and sale. This includes effecting the transfer of Units, transacting the required payment, updating the Register of Unitholders and any other steps necessary to effect settlement.
- Settlement of the transfer of Units is scheduled for 8 January 2021 with payment to occur on that same date. Although every effort will be made to effect the transfer on this day, CFM makes no guarantee that settlement of all Units will take place on this day and it may take up to one (1) week to process.
- As settlement of the Unit transfer is scheduled to occur on 8 January 2021, the monthly distribution for December 2020 will be paid to all selling Unitholders, on or around 10 January 2021, based on their Unitholding prior to settlement of the Unit transfer. Buying Unitholders will receive distributions on their revised total Units starting from 8 January 2021; payable on or around 10 February 2021. Selling Unitholders will continue to receive distributions on Units until 7 January 2021; payable on or around 10 February 2021.

#### **PURCHASING ADDITIONAL UNITS - YELLOW BUY FORM**

If you want to purchase additional Units in the Trust you will need to complete the yellow Buy Form accompanying this Explanatory Memorandum. You will need to ensure you have provided all requested information and payment of funds to Boardroom Pty Limited by 1pm (AEST) on Thursday 17 December 2020. Payment can be made by BPAY or cheque. The funds will be held in trust pending the outcome of the Resolutions at the Meeting on Thursday 17 December 2020.

If the Resolutions are not approved, the funds will be returned to you in full, without interest.

If the Resolutions are approved, then your allocation of Units will be determined by Wednesday 23 December 2020, and Cromwell's Investor Services Team will inform you of your successful allocation. Processing of the transfers of Units will take place on or around 8 January 2021 and a transaction statement will be sent to you with details of your new Unit balance.

Any interest earned on funds received to apply to buy more Units will be paid to the Trust.

#### **SELLING UNITS - BLUE SELL FORM**

If you want to sell your Units, you will need to complete the blue Sell Form accompanying this Explanatory Memorandum and return this to Boardroom Pty Limited prior to 1pm (AEST) on Thursday 17 December 2020. You must nominate the number of Units you want to sell and payment will be made to your nominated distribution account. Please note that the sale of your Units is conditional upon the Resolutions being passed at the Meeting on Thursday 17 December 2020.

If the Resolutions are not approved, the sale of your Units will not take place. CFM will commence the process to sell the Property and wind-up the Trust. Unitholders can expect to receive an interim distribution of their share of the net sale proceeds after the Property is sold, with the balance paid as a final distribution when the Trust is wound up. The process of selling the Property and winding up the Trust may take up to 12 months.

If the Resolutions are passed, the transfer of Units will take place on or around 8 January 2021, with payment being scheduled soon after.

Please contact Cromwell's Investor Services Team on 1300 268 078 if you have any questions regarding the purchase or sale of Units.

## **5.4 Details of the Constitutional amendments**

The Constitution will be amended to introduce provisions to give CFM the power to give full effect to the Matching Facility (including Unitholders appointing CFM as their agent and attorney for the purpose of implementing the Matching Facility). Under the Corporations Act, amendments to the Constitution require approval by a Special Resolution. The Constitution will therefore not be amended unless at least 75% of the votes cast by Unitholders entitled to vote on the resolution are in favour.

## **5.5 Details of the Resolutions that need to be approved to give effect to the Rollover Proposal**

#### **INTER-CONDITIONAL RESOLUTIONS**

CFM has proposed two Resolutions to be considered by Unitholders. The Resolutions will not proceed unless both are approved by the required majority.

- **Further Term - extension of the Trust Term for a further five years**

The first resolution is to extend the term of the Trust for the Further Term, meaning that the Trust's Term

will expire on 31 October 2025, unless the Property is sold earlier (which requires Unitholder approval). The PDS requires that this resolution be approved by an Extraordinary Resolution. The voting threshold required to pass an Extraordinary Resolution is at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution. Unitholders that are entitled to vote will also include those Unitholders who choose not to vote (in person or by proxy).

- **Amendment to the Constitution**

Introduce provisions to give CFM the power to give full effect to the Matching Facility (including Unitholders appointing CFM as their agent and attorney for the purpose of implementing the Matching Facility). Under the Corporations Act, amendments to the Constitution require approval by a Special Resolution. The Constitution will therefore not be amended unless at least 75% of the votes cast by Unitholders entitled to vote on the resolution are in favour.

Given the high voting threshold and the inter-conditional resolutions, it is important to cast your vote on both Resolutions if you wish to have the Trust's Term extended and/or to participate in the Matching Facility.

If the Resolutions are both approved, then all Unitholders will be bound by the outcome regardless of whether or not they voted or whether they voted against the Resolutions. This takes effect pursuant to the Corporations Act and has been disclosed previously in the PDS.

#### **WHAT HAPPENS IF THE TWO RESOLUTIONS ARE PASSED?**

The Resolutions are inter-conditional. This means that the Further Term will only proceed if both of the Resolutions are passed by the requisite majorities at the Meeting. In other words, if one Resolution does not reach the majority required for approval, then neither the Further Term nor the Constitutional amendments will proceed.

However, if both Resolutions achieve the necessary voting threshold required for their approval the following will occur:

1. The Trust will be extended for the Further Term. The Trust's Term will then expire on 31 October 2025, unless Unitholder approval is obtained to sell the Property earlier.
2. The Constitution will be amended as outlined above.
3. The Matching Facility will proceed as detailed in Section 5.3.
4. CFM will be paid an interim Performance Fee, arising from the extension for the Further Term.

#### **WHAT HAPPENS IF THE TWO RESOLUTIONS ARE NOT PASSED?**

If the Resolutions are not approved, then the Term will not be extended. CFM will then take steps under the Constitution to sell the Property and wind-up the Trust. Unitholders can expect to receive an interim distribution of their share of the net sale proceeds after the Property is sold, with the balance paid as a final distribution when the Trust is wound up. The process of selling the Property and then winding up the Trust may take up to 12 months.

#### **IS CFM ABLE TO VOTE ON THE RESOLUTIONS?**

CFM is also the responsible entity of the Cromwell Direct Property Fund (DPF), which holds approximately 15.8% of the issued Units. CFM considers itself ineligible to vote the DPF's interest in the Trust according to the operation of section 253E of the Corporations Act.

## 6. Evaluation of the Rollover Proposal

This section is a summary only, and is not intended to address all the relevant issues for Unitholders in respect of the Rollover Proposal. This section should be read in conjunction with the other sections of this Explanatory Memorandum. Unitholders should read the Explanatory Memorandum in its entirety.

### 6.1 Extension of the Term of the Trust

The initial Term of the Trust was seven (7) years from the date Units were first issued under the PDS, which was 29 October 2013. As outlined in the PDS, CFM may make a recommendation to Unitholders to sell the Property prior to the end of the Term, or to extend the Term of the Trust for a further period if CFM believes it is appropriate to do so.

While CFM is not making a recommendation as to how Unitholders should vote on the Rollover Proposal (see Section 6.4 below), CFM considers it appropriate to extend the Term of the Trust for the following reasons:

#### REGULAR CASHFLOW

The Property's major tenant (93% of gross income) is the Australian Tax Office whose lease does not expire until September 2030. Therefore, at 31 October 2020 there remains almost 10 years on the initial lease term with two (2) five-year options. The rent review remains at 3.75% per annum fixed until September 2028.

#### LOW YIELD ENVIRONMENT

In the current low interest rate environment, Unitholders wanting to re-invest the proceeds they receive following any sale of the Property may not be able to find another investment that provides a similar income return and with similar risk characteristics as their investment in the Trust.

Unitholders would need to achieve an income return of approximately 6.2% per annum (without taking into account any taxation implications or transaction costs) on the estimated Matching Price of \$0.9349 per Unit to be in the same position as if they received the forecast distribution from the Trust of 5.75 cents per Unit from 1 July 2021 (annualised). Distributions are forecast to increase over the Further Term, increasing at a rate of 0.25 cents per Unit each July over the Further Term (see Section 8 for more information).

#### HIGH QUALITY ASSET RELATIVE TO MARKET

The Property remains a quality commercial property asset in the Dandenong CBD. In the absence of further office developments, the Property should remain attractive for Government and corporate tenants.

### 6.2 Reasons for Unitholders to vote For the Rollover Proposal

#### SALE OF UNITS

Unitholders might want to vote for the Resolutions if they want to exit the Trust in the short-term (given the sale of the Property and winding up the Trust may take up to 12 months) and take advantage of the Matching Facility, which is conditional upon the successful approval of both Resolutions. CFM would then allow Unitholders to exit the Trust at the Matching Price of \$0.9349 per Unit, subject to there being a sufficient number of buyers.

Remaining Unitholders may want to express an interest in purchasing further Units, also at the Matching Price.

In the event that Units offered for sale exceed Units applied for, applications to sell will be pro-rated (scaled-back) in proportion to the number of Units each Unitholder indicated they want to sell.

In the event that Units applied for exceed Units offered for sale, Unitholder applications, including the application submitted by the DPF, to buy additional Units will be pro-rated (scaled-back) in proportion to the number of Units each Unitholder indicated they want to purchase. Allocations may also be scaled-back to ensure the Trust remains widely held for stamp duty and income tax purposes.

If the Resolutions are not approved, then Unitholders wanting to exit from the Trust will have to wait longer to realise their investment, given the Property would need to be sold and the winding up of the Trust completed. In order to distribute the proceeds of the sale of the Property to Unitholders, CFM would need to find a buyer at a competitive price, have the buyer complete due diligence, effect the sale and then proceed with the winding up of the Trust. This process may take up to 12 months.

Furthermore, the sale of the Property may be conditional upon a number of factors, which may or may not be achieved within a desired required timeframe (e.g. government approvals, finance conditions).

In addition, the final consideration that Unitholders receive may be lower than the Matching Price of \$0.9349 per Unit. However, this largely depends on the ultimate net sale price of the Property and the market conditions for office property at the time of sale. It is also possible that the final consideration Unitholders receive could be higher than the Matching Price.

#### **RISK OF INVESTMENT**

Every investment is subject to risk. CFM set out the risks associated with an investment in the Trust in the PDS (available at [www.cromwell.com.au/c12](http://www.cromwell.com.au/c12)). Unitholders who are concerned about one or more of those risks eventuating may prefer to accept the Matching Facility at a price of \$0.9349 per Unit based on the independent valuation that takes into consideration current market conditions. The Matching Facility will only be offered if the Resolutions are approved, and is subject to the availability of a sufficient number of buyers and sellers.

#### **CERTAINTY OF PRICE AND TIMING OF PAYMENT**

The Matching Facility provides Unitholders wanting to sell with a degree of certainty that they will receive \$0.9349 per Unit held and the payment will be made on or around 8 January 2021 on the terms outlined within this Explanatory Memorandum.

#### **ALTERNATIVE INVESTMENTS MAY NOT BE READILY AVAILABLE**

In the current low interest rate environment, Unitholders wanting to re-invest the proceeds they receive following completion of the Matching Facility or sale of the Property may not be able to find another investment that provides a similar income return and with similar risk characteristics as their investment in the Trust.

Unitholders would need to achieve an income return of approximately 6.2% per annum (without taking into account any taxation implications or transaction costs) on the Matching Price of \$0.9349 per Unit to be in the same position as if they received the forecast distribution from the Trust of 5.75 cents per Unit from 1 July 2021 (annualised). Distributions are forecast to increase over the Further Term within Section 8, increasing at a rate of 0.25 cents per Unit each July over the Further Term.

#### **MAINTAIN EXPOSURE TO A QUALITY PROPERTY WITH A LONG LEASE**

The fundamentals of the Property remain strong and include a 5.5 Star NABERS Energy Rating, a 5.5 Star NABERS Water Rating and a 6 Star Green Star Office As Built v3 Rating. In addition, the Australian Tax Office has almost ten years remaining on the current lease term (as at 31 October 2020) and they occupy 93% of the Property by gross income.

#### **DEFERRAL OF CAPITAL GAINS TAX EVENT**

Unitholders may prefer to vote in favour of the Resolutions to delay the crystallisation of the capital gains tax events for the sale of the Property and cancellation of your Units on wind up, until a later point. Tax deferred distributions received since inception until the Trust elected into the AMIT regime, and non-assessable distributions received after this date, will have significantly reduced the cost base of Unitholders units. If the Property is sold, all Unitholders will be subject to the taxation consequences outlined within Section 9.

### **6.3 Reasons for Unitholders to vote Against the Rollover Proposal**

#### **SALE PRICE ACHIEVED VIA AN OPEN MARKET CAMPAIGN MAY RESULT IN A GREATER RETURN TO UNITHOLDERS**

Having regard to previous property cycles, CFM believes the current valuation and property capital markets are very attractive. There is no certainty that current conditions will prevail if the Property is retained through to the expiry of the Further Term, expected to be on 31 October 2025. A downturn in property capital markets could result in the final consideration Unitholders receive being lower than the Matching Price, noting however the ability to sell at the Matching Price depends on there being a sufficient number of buyers.

#### **RISK OF INVESTMENT**

Every investment is subject to risk. CFM set out the risks associated with an investment in the Trust in the PDS (available at [www.cromwell.com.au/c12](http://www.cromwell.com.au/c12)). Unitholders who are concerned about one or more of those risks eventuating may prefer that the Property is sold, and the Trust is wound up in the current market conditions.

#### **POTENTIAL FOR SCALE-BACK OR PRO-RATA OF UNITS FOR UNITHOLDERS WANTING TO EXIT**

Unitholders may not be able to sell all of the Units they want to sell, and may be subject to a scale-back or pro-rata in the event of more sellers than buyers participating in the Matching Facility or so the Trust remains widely held for tax reasons.

#### **PERFORMANCE FEE RISK**

There is a risk the Property valuation will fall during the Further Term and the ultimate sale price of the Property will be lower than the valuation of \$107 million as at 31 October 2020. The Performance Fee CFM is receiving is based upon the current valuation. If the ultimate sale price of the Property is lower than the current valuation, then the interim Performance Fee paid to CFM upon rollover of the Trust will not be clawed back or repaid to the Trust (in whole or in part).



## DISTRIBUTION RISK

There is no guarantee that the Trust will pay distributions at the rate forecast in Section 8 or at all. The tax advantaged component of the forecast distributions is subject to changes and the availability of forecast tax deductions could be materially different.

## 6.4 CFM recommendation

The Directors of CFM have carefully considered the advantages and disadvantages of the Rollover Proposal. The Directors are not recommending how Unitholders vote, as this is subject to individual circumstances. However, the Directors believe it is important to allow all options to be considered and is therefore presenting Unitholders with the opportunity to vote on the Resolutions required to implement the Rollover Proposal.

Whether you vote to extend the Trust Term or to terminate the Trust (and sell the Property) will depend on your individual circumstances. Consequences such as personal taxation outcomes and ongoing income and capital requirements should be considered when assessing the Rollover Proposal.

External factors such as current office property market conditions, interest rates and potential investment alternatives should also be taken into consideration when assessing whether you vote to approve the Rollover Proposal or sell the Property.

CFM recommends that you consider the options carefully and, where applicable, consult with your independent financial, legal or taxation adviser to assess how you should cast your vote.



## 7. Information about the Trust

### 7.1 Trust background

The Trust was established in October 2013 as a closed-end, unlisted property trust with the investment objective of providing Unitholders with a minimum distribution yield of 7.75% per annum paid monthly over the seven-year term and capital growth potential. Units in the Trust were issued under the PDS and in accordance with the Constitution.

The Trust consisted of 3 properties:

- Rand Distribution Centre in Direk, South Australia: As if complete valuation of \$32.75 million in 2013 and subsequently sold for \$63.05 million (settling in December 2020), an increase of 92.5%;
- Australian Tax Office at 19 George Street in Dandenong, Victoria: As if complete valuation of \$70.39 million in 2013. Independently valued at 31 October 2020 for \$107 million, an increase of 52%; and
- commercial office building at 10-16 Dorcas Street in South Melbourne, Victoria: \$25.54 million in 2013 and subsequently sold for \$30.75 million in August 2015, an increase of 20.4%.

The NTA when the Trust was established in October 2013 was \$0.89 as disclosed in the PDS. The Pro Forma Balance Sheet reflects an NTA of \$1.5695 which represents a 76% increase over \$0.89.

### 7.2 Trust performance

Taking into account the value of the Property, the Trust has generated an internal rate of return (IRR) since inception of 14.8% per annum annualised to 31 October 2020. This return is calculated using the current \$107 million independent valuation of the Property as at 31 October 2020 included within the Pro Forma Balance Sheet NTA of \$1.5695.

The Unit price has increased 57% from the issue price of \$1.00 per Unit as disclosed in the PDS to the Pro Forma Balance Sheet NTA of \$1.5695 as detailed within Section 5.4, based on the most recent independent valuation. Similarly, the loan to value ratio (LVR) has reduced from 50.0% in 2013 to 26.8% at 30 June 2020, and is expected to be 34.6% if the Resolutions are approved.

Distributions from the Trust have been paid monthly since inception and commenced at 7.75 cents per Unit per annum and have increased by 0.25 cents each year to be currently 9.25 cents per Unit per annum.

Please refer to [www.cromwell.com.au/c12](http://www.cromwell.com.au/c12) for the latest RG46 Disclosure Guide for the Trust for information about the current status of the Trust.

### 7.3 Key Property metrics

The key statistics relating to the Trust's remaining property asset as at 31 October 2020, assuming the settlement of the Rand Distribution Centre (under contract for sale) are as follows:

#### ATO Building, Dandenong

Property value	\$107 million
Occupancy	97%
WALE (by income)	9.24 years
Capitalisation rate	5.5%
Net lettable area	13,865 sqm

The Australian Taxation Office is the major tenant, which occupies 93% by income. Building tenants are as follows:

Tenant	% of Gross Income
Commonwealth of Australia (ATO)	93%
Vacant	3%
Hearing Australia Services	2%
Wise Employment Ltd	1%
Banh Mi & Noodle Co Pty Ltd	1%
<b>Total</b>	<b>100%</b>

### 7.4 Trust borrowings

Key statistics relating to the Trust's borrowings are as follows:

Bank loan as at 30 June 2020	\$41,000,000
Bank loan as at 31 December 2020 after sale of Rand Distribution Centre	\$37,000,000
LVR as at 30 June 2020	26.8%
LVR if Resolutions approved	34.6%
Credit approved facility amount	\$41,000,000

The Trust has negotiated an extension to the current facility referred to in the table above on the following terms:

- Borrower - Cromwell Funds Management Limited (ABN 63 114 782 777) as responsible entity for the Cromwell Property Trust 12 (ARSN 154 498 923).

- Facility Term - a total of five (5) years from the date of extension, to 31 July 2025.
- Loan to Value Ratio - At all times, loan to value ratio to be no greater than 45%.
- Interest Cover Ratio - The interest cover ratio must be no less than 2.5 times.
- Prepayment - No prepayment penalty if loan is repaid before July 2021, or after July 2024.
- Establishment Fee - 0.50% split 0.15% in July 2020 and 0.35% in July 2021. The Borrower is not obliged to pay the establishment fee if the principal outstanding together with any accrued but unpaid interest and all other amounts then outstanding is repaid in full before July 2021.



## 8. Financial analysis if the Rollover Proposal is approved

### 8.1 Basis of preparation

Financial Information has been presented in an abbreviated form, in so far as it does not include all the disclosures required by International Financial Reporting Standards (IFRS) applicable to annual financial reports prepared in accordance with the Corporations Act.

The Directors of CFM believe the forecasts contained within the Financial Information are reasonable and are based on best estimate assumptions as set out in this section. Although due care and attention has been taken in preparing the Financial Information many factors which affect the Financial Information are outside the control of the Directors or are not capable of being foreseen or accurately predicted. As such actual results may differ materially from the Financial Information.

Forecasts have been prepared for the Trust for the 12-month period ending 30 June 2021, and for each of the following four financial years (Forecast Period).

### 8.2 Forecast Income Statement

Set out below is the Forecast Income Statement of the Trust for the proposed Further Term. The Forecast Income Statement should be read in conjunction with the Key Forecast Assumptions.

#### Forecast income statement (\$'000)

	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
<b>Revenue and Property Expenses</b>					
Rental Income	9,623	7,930	7,994	8,035	8,078
Property Expenses	(1,479)	(1,327)	(1,360)	(1,394)	(1,429)
<b>Net Property Income</b>	<b>8,144</b>	<b>6,603</b>	<b>6,634</b>	<b>6,641</b>	<b>6,649</b>
Interest	3	-	-	-	-
<b>Other Expenses</b>					
Responsible entity fees	(841)	(650)	(651)	(653)	(655)
Administration costs	(242)	(162)	(167)	(172)	(177)
Performance Fees	(3,588)	-	-	-	-
Finance costs - interest	(1,197)	(966)	(966)	(969)	(966)
Finance costs - amortisation	(104)	(35)	(28)	(28)	(28)
<b>Profit before fair value adjustments</b>	<b>2,175</b>	<b>4,790</b>	<b>4,822</b>	<b>4,819</b>	<b>4,823</b>

## 8.3 Forecast Distribution Statement

Set out below is the Forecast Distribution Statement of the Trust for the Further Term. The Forecast Distribution Statement shows the profit available for distribution to Unitholders by adjusting profit before fair value adjustments for certain non-cash and significant items.

### Forecast Distribution Statement (\$'000)

	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
<b>Profit before fair value adjustments</b>	<b>2,175</b>	<b>4,790</b>	<b>4,822</b>	<b>4,819</b>	<b>4,823</b>
<b>Add back:</b>					
Straight line rental	(605)	(281)	(46)	198	451
Finance costs - amortisation	104	35	28	28	28
Performance Fees	3,588	-	-	-	-
Trust extension costs	85	-	-	-	-
<b>Profit available for distribution</b>	<b>5,347</b>	<b>4,544</b>	<b>4,804</b>	<b>5,045</b>	<b>5,302</b>
Distributions paid/payable	7,030	4,370	4,560	4,750	4,940
<b>Surplus</b>	<b>(1,683)</b>	<b>174</b>	<b>244</b>	<b>295</b>	<b>362</b>
Forecast distributions per Unit (annualised rate)	9.25	5.75	6.00	6.25	6.50
Forecast non-assessable distributions <sup>1</sup>	60.8%	34.7%	27.3%	23.4%	19.8%

<sup>1</sup> See Section 8.6.

## 8.4 Current Balance Sheet and Pro Forma Balance Sheet (\$'000)

Set out below is the audited Balance Sheet at 30 June 2020 and Pro Forma Balance Sheet should the Resolutions be approved. The Pro Forma Balance Sheet assumes the sale of the Rand Distribution Centre completes, the interim Performance Fee payable to CFM is paid and funded by cash and a new five-year debt facility is entered into.

The Pro Forma Balance Sheet should be read in conjunction with the best estimate assumptions set out within the relevant sections of the Financial Information.

	30-Jun-20 Audited	1	2	3	4	5	Pro Forma Pre-Special Distribution	Special Distribution	Pro Forma Post Special Distribution	Sales Cost 1.15%	Matching Price
Pro Forma Adjustments											
<b>Assets</b>											
Cash and Cash Equivalents	3,251	61,805			(4,130)	(9,695)	51,231	(47,000)	4,231		4,231
Trade and Other Receivables	150						150		150		150
Investment Properties	153,000	(53,000)		7,000			107,000		107,000	(1,231)	105,769
Other Assets	43						43		43		43
<b>Total Assets</b>	<b>156,444</b>	<b>8,805</b>	<b>-</b>	<b>7,000</b>	<b>(4,130)</b>	<b>(9,695)</b>	<b>158,424</b>	<b>(47,000)</b>	<b>111,424</b>	<b>(1,231)</b>	<b>110,193</b>
<b>Liabilities</b>											
Trade and Other Payables	(695)						(695)		(695)		(695)
Loan Establishment Costs	23				107		130		130		130
Total Debt	(41,000)				4,000		(37,000)		(37,000)		(37,000)
Distribution/Dividend Payable	(577)						(577)		(577)		(577)
Derivative Financial Liabilities	(344)				344		-		-		-
Performance Fee Payable	(6,107)						(3,588)		-		-
Other Liabilities	(998)						(998)		(998)		(998)
<b>Total Liabilities</b>	<b>(49,698)</b>	<b>-</b>	<b>(3,588)</b>	<b>-</b>	<b>4,451</b>	<b>9,695</b>	<b>(39,140)</b>	<b>-</b>	<b>(39,140)</b>	<b>-</b>	<b>(39,140)</b>
<b>Net Assets</b>	<b>106,746</b>	<b>8,805</b>	<b>(3,588)</b>	<b>7,000</b>	<b>321</b>	<b>-</b>	<b>119,284</b>	<b>(47,000)</b>	<b>72,284</b>	<b>(1,231)</b>	<b>71,053</b>
Units on Issue	76,000						76,000		76,000		76,000
NTA per Unit	\$1.4046						\$1.5695		\$0.9511		\$0.9349

### Pro Forma Adjustments:

- Completion of the Rand Distribution Sale for \$63,050,000 less a selling fee of \$1,245,000 and reversal of 30 June 2020 Valuation of \$53 million;
- Increase accrual of Performance Fee from Rand Sale and ATO Dandenong Building revaluation;
- Revaluation of ATO Dandenong Building at 31 October 2020 for \$107 million;
- Several Debt related adjustments including:
  - Repayment of \$4,000,000 off the current debt facility;
  - Payment of loan establishment fees of \$129,500 to the existing lender for a new debt facility;
  - Capitalisation of the loan establishment fees of \$129,500 into the value of the loan;
  - Expensing of existing unamortised loan establishment costs of \$22,764; and
  - Write-off of interest rate derivative of \$344,022.
- Payment of interim Performance Fee of \$9,695,000 funded by cash totalling \$9,695,000.

## 8.5 How was the Matching Price calculated?

CFM has calculated the Matching Price of \$0.9349 by taking the net assets of the Trust calculated using the Pro Forma Balance Sheet illustrated in Section 8.4 and making an adjustment for the estimated selling costs of the Property. Estimated selling costs if the Property was sold at the current valuation are \$1,230,500, equal to 1.15% of the Property valuation.

## 8.6 Key forecast assumptions

### INVESTMENT PROPERTY VALUATION AS AT 31 OCTOBER 2020

The Pro Forma Balance Sheet records the Property at \$107 million based on an independent valuation at 31 October 2020. The carrying amount of the Property in the Pro Forma Balance Sheet assumes there will be no material changes in the property market or the Property.

### NET PROPERTY INCOME

Net property income is the gross income received from the Property less property outgoings. The main assumptions underlying the Trust's forecast net property income are:

- The Australian Taxation Office lease continues for the Forecast Period and is fixed at 3.75% per annum;
- Current non-government leases continue representing approximately 4% of gross passing income;
- Allowances have been made for re-leasing costs, vacancy periods and lease incentives during the Forecast Period;
- Income increases are in accordance with lease provisions;
- There are no tenant defaults during the Forecast Period;
- Property outgoings consist of rates, taxes and other property outgoings in relation to the Property. The Australian Tax Office lease provides for net recovery of outgoings. Management fees are fixed at 1.5% of gross income. The retail food tenant pays outgoings, the balance retail leases are gross; and
- Property outgoings increase by CPI of 2.50% per annum.

### FINANCE COSTS

Finance costs include interest and other costs incurred in connection with the arrangement of borrowings. Interest costs have been shown separately from amortisation costs in the Forecast Income Statement. The margin rate is assumed to be fixed under the bank loan for the Forecast Period. The effective interest rate forecast throughout the

Forecast Period is 2.61%. Forecast interest expense will change to the extent the executed margin differs from forecast rates.

### DISTRIBUTIONS PAID TO UNITHOLDERS

Distributions are paid monthly in arrears.

### NON-ASSESSABLE DISTRIBUTIONS

Due to the availability of tax deductions for depreciation and building allowances, interest and fees and other tax timing adjustments, distributions are forecast to be partially non-assessable during the Further Term. The forecast non-assessable component will result in a net decrease to the Unitholder's cost base and will be reflected in the Unitholder's annual AMMA Statement. The forecast non-assessable distributions assumes the Property will not be sold. For further information please refer to Section 9.

### GST

The Trust is registered for GST and will generally be able to claim input tax credits in respect of GST paid on a monthly basis.

### FEES TO CFM

If the Resolutions are passed, and the Term is extended, CFM will receive a Performance Fee of \$9,695,000 and ongoing responsible entity fees of 0.6% of gross assets per annum, approximately \$642,000 (on the current valuation).

Both of these fees were detailed in the PDS.

## 8.7 Sensitivity Analysis

The forecasts have been based on certain economic and business assumptions about future events. The forecast profit, profit available for distribution and distributions payable for each period during the Forecast Period are sensitive to a number of factors. A summary of the possible impact of different outcomes in the key assumptions underlying the forecasts is set out below. However, the disclosed movements in these key assumptions are not intended to be indicative of the complete range of variations that may occur.

### VARIABLE EFFECT

#### Change in Property income

Under the Australian Tax Office lease, 93% of the gross property income is fixed for the Forecast Period. Should property income increase or decrease during the Forecast Period for any unforeseen reason (e.g. tenant default), each +/- 5% change in property income would lead to approximately a +/- \$304,000 annual change in profit

available for distribution, which represents +/- 0.4 cents per Unit per annum.

#### **Change in interest rates**

If variable interest rates increased or decreased by 1% per annum for the Forecast Period, the impact of the change in interest payable for the relevant period would lead to an annual change in profit available for distribution of approximately +/- \$370,000, which represents +/- 0.49 cents per Unit per annum. The majority of interest expense will be fixed for the Forecast Period as soon as the Resolutions are approved by Unitholders.

#### **Fair value of Property**

Each +/- 1% increase in the fair value of the Property would lead to an approximate change in the fair value adjustment of +/- \$1,070,000 and a change in the net assets of the Trust by the same amount, representing approximately a +/- 1.4 cent change in the net asset value per Unit.





## 9. Taxation report

### 9.1 Overview

The following is a general discussion of the key Australian taxation issues arising as a direct result of the approval of the Rollover Proposal, or if the Resolutions for the Rollover Proposal are not approved, from the sale of the Property and wind up of the Trust.

The information is provided for Australian resident Unitholders who hold Units in the Trust on capital account for Australian income tax purposes. We have also provided general observations in relation to the Australian taxation implications for non-resident Unitholders who hold their Units as long-term investments on capital account.

The comments do not apply to Unitholders who hold their Units on revenue account or as trading stock. The taxation information in this Explanatory Memorandum does not consider the treatment of indirectly investing through an Investor Directed Portfolio Service (IDPS).

The discussion is based on Australian taxation laws, announcements and practices as at the date of this Explanatory Memorandum. The discussion is general in nature and is not intended to cover all of the potential taxation consequences that could arise for particular Unitholders.

The following comments should not be regarded as tax advice and the tax treatment may vary according to each Unitholder's individual circumstances. Unitholders are advised to seek their own taxation advice in respect of their investment in the Trust.

### 9.2 Special Distribution

Unitholders will receive a Special Distribution on 16 December 2020 of \$0.6184 per unit following the sale of the Rand Distribution Centre by the Trust. The Special Distribution will be paid to all unitholders recorded on the register on 14 December 2020 and will be paid irrespective of whether the Rollover Proposal is approved and before any Matching Facility is executed.

The components of the Special Distribution will be calculated assuming 19 George Street, Dandenong will not be sold in FY21. The components are forecast to be 39.20% taxable (comprised mainly of net capital gains) and the remaining 60.80% non-taxable distributions. The indicative example tax calculations at section 9.3 below includes the impact of the sale of the Rand Distribution Centre and the payment of the Special Distribution.

### 9.3 Tax consequences of approving the Rollover Proposal

If the Rollover Proposal is approved, Unitholders have the choice to remain Unitholders in the Trust or to exit using the Matching Facility (subject to availability).

#### **UNITHOLDERS REMAINING AFTER ROLLOVER**

For Unitholders who remain in the Trust after approval of the Rollover Proposal, no Capital Gains Tax (CGT) event will arise from the Rollover Proposal because the Property will not sold by the Trust and Unitholders will not dispose of their Units in the Trust.

#### **Australian resident Unitholders remaining after Rollover**

The current tax treatment from investing in the Trust should continue if the Rollover Proposal is approved. The tax treatment was summarised in the original PDS, and was updated by way of a Continuous Disclosure Notice (CDN) on 5 July 2017 when CFM resolved to apply the Attribution Management Investment Trust (AMIT) regime to the Trust for all income years beginning from 1 July 2017. This CDN is available on CFM's website and the tax treatment is also summarised below.

The Trust is an Australian resident trust for tax purposes. CFM intends to limit the Trust's investment activities to only include those activities that are within the ambit of an eligible investment business (including the derivation of rent) to ensure that the Trust is treated as a flow-through entity for Australian taxation purposes, and is able to qualify as a Managed Investment Trust (MIT) and an AMIT each year.

The Trust is expected to continue qualifying as a MIT and AMIT each year. The tax implications below are therefore noted on the basis of such qualification.

#### **Attribution of Taxable Components**

Unitholders will be attributed the taxable components of the Trust each year regardless of whether the Trust makes a distribution of income or capital to the Unitholders in that year. The Trust will attribute these taxable components to Unitholders on a fair and reasonable basis. The attribution will generally be based on the rights of Unitholders to the income and capital in the Trust as provided for in the Constitution. Unitholders will be attributed taxable components that may include capital gains and income from the Trust's investments in real property and cash.

CFM will provide each Unitholder with an AMMA Statement each year outlining the taxable components for that Unitholder for that year.

Unitholders should include the taxable components attributed to them in the calculation of their assessable income for the relevant year. The tax implications for Unitholders will depend upon the character of the taxable components attributed to them and the amount of cash distributed by the Trust to the Unitholders for that year of income.

Where the Trust discovers in an income year (discovery year) an over attribution or under attribution of a taxable component relating to a previous year that is within the AMIT amendment period (being broadly all previous years that ended no more than four years prior to the end of the discovery year), the AMIT rules allow CFM to either amend the attribution of taxable components for that previous year, or to adjust the taxable components in the discovery year for the prior year over attribution or under attribution.

### **Capital Gains of the Trust**

The Trust has made an election pursuant to which the Property is deemed to be held on capital account for taxation purposes. Consequently, gains or losses made on the disposal of the Property will give rise to a capital gain or a capital loss.

Where the Trust disposes of the Property, which it has held for at least 12 months, it is currently eligible for the discount capital gain concession which reduces the capital gain by 50% in the Trust. The discount capital gain will be attributed to Unitholders in the year that the discount capital gain is made by the Trust. Where a Unitholder is an eligible Unitholder, such as an individual, trust or complying superannuation fund, the Unitholder will be required to calculate their net capital gain by firstly grossing up the discount capital gain for the concession, and thereafter applying the discount capital gain concession at the relevant rate for that Unitholder after taking into account any capital losses. Certain Unitholders (including companies and non-residents) are not eligible for the discount capital gains concession. Any capital gain (including if it is a discount capital gain) will be identified in the AMMA Statement to ensure that Unitholders can calculate their net capital gain position for the relevant year.

The Government announced in the 2018 Federal Budget that a MIT will no longer be eligible for the discount capital gain concession. This measure will apply for income years commencing on or after three months after the date of Royal Assent of the enabling legislation. This measure has not been legislated as at the date of this Explanatory Memorandum.

### **Cost Base adjustments**

The Trust normally distributes income monthly in arrears based on the number of days in the month a Unitholder holds Units in the Trust. The amount of the aggregate cash distribution for a year may be greater than, or less than, the taxable components attributed to a Unitholder for that year. Broadly, the tax cost base of the Units will be increased by any taxable components attributed (with any discount capital gain being doubled), and the tax cost base will be reduced by any payments distributed to Unitholders. These amounts are offset resulting in either a net increase or decrease in the tax cost base of each Unit in the Trust held by a Unitholder.

CFM will specify the net increase or decrease in the tax cost base in the AMMA Statement issued to each Unitholder. Where any net decrease to the tax cost base of a Unit exceeds the tax cost base of that Unit (before applying that net decrease) a capital gain is made equal to that excess, and the tax cost base of the Unit is reduced to nil.

### **Disposal of Units**

Unitholders may be liable for tax on capital gains realised on transfer, redemption or otherwise disposing of Units in the Trust.

In order to determine their capital gains tax position, Unitholders will need to adjust the tax cost base of their Units in the Trust for any tax deferred distributions that were received from the Trust prior to the Trust electing to become an AMIT. Unitholders will also need to adjust the tax cost base of their Units to take into account any adjustments under the AMIT rules as noted above.

Unitholders may also be entitled to the discount capital gain concession where the Units have been held for at least 12 months. The Trust does not issue a separate statement if the Unitholder disposes of Units in the Trust.

### **Non-resident Unitholders remaining after Rollover**

The Trust currently qualifies as a withholding MIT. CFM is required to withhold tax (MIT WHT) on a non-resident Unitholder's behalf in respect of any Australian sourced taxable components distributed or attributed by the Trust to the non-resident Unitholder that are regarded as a 'fund payment'. A 'fund payment' is a distribution or attribution of an amount other than an amount referable to interest, dividends, royalties, non-taxable Australian property capital gains or amounts that are not from an Australian source.

For taxable components distributed or attributed by the Trust that are regarded as a 'fund payment' to an address or place in countries approved as 'information exchange

countries', a final MIT WHT rate of 15% will apply. A final MIT WHT rate of 30% will apply to fund payments attributed or distributed to an address or place in countries not approved as 'information exchange countries'.

Where there is a distribution or attribution of Australian sourced interest, a final WHT tax of 10% will apply to that component.

Where a non-resident Unitholder together with its associates holds less than 10% of the Units in the Trust, the Unitholder should not be subject to Australian capital gains tax on a disposal of Units in the Trust.

#### **Other taxes**

Unitholders should not be liable for Australian stamp duty in relation to the Rollover Proposal. Unitholders should not be liable for GST in Australia in relation to the Rollover Proposal.

#### **UNITHOLDERS WHO CHOOSE TO EXIT THROUGH THE MATCHING FACILITY**

The sale of Units in the Trust by a Unitholder under the Matching Facility would result in a CGT event for the disposed Units.

#### **Australian resident Unitholders - disposal of Units**

The disposal of Units using the Matching Facility will result in a CGT event during the income year ending 30 June 2021.

Unitholders will make a capital gain to the extent that their capital proceeds of \$0.9349 per Unit exceeds the tax cost base of the Unit. A capital loss will be made to the extent that the capital proceeds for a Unit is less than the reduced cost base for the Unit. In order to determine their capital gain position, Unitholders will need to adjust the tax cost base and reduced cost base of their Units in the Trust in the manner summarised above in the 'Disposal of Units' section. Please also see below for an indicative example calculation.

Eligible Unitholders should be able to reduce any capital gain made by the relevant discount percentage after applying any available capital losses. Australian resident individuals and trustees of other trusts should currently be entitled to a discount capital gains concession of 50% and complying superannuation funds should currently be entitled to a discount capital gains concession of 33 1/3%

provided that the Unitholder has held the Units for at least 12 months at the time of the disposal.

#### **Non-resident Unitholders - disposal of Units**

Where a non-resident Unitholder owns less than 10% of the Units in the Trust, the Unitholder will not be subject to Australian CGT on disposal of the Units on the basis the Units are not taxable Australian property.

#### **Other taxes**

Unitholders should not be liable for Australian stamp duty in relation to the disposal of Units.

Unitholders should not be liable to GST in Australia in relation to the disposal of Units.

#### **INDICATIVE EXAMPLE OF EXITING THROUGH THE MATCHING FACILITY**

The tax liability calculated for the Unitholder below is only an example and is not to be relied on. It is based on forecasts and estimates of future distribution components and taxation positions adopted by the Trust.

Set out below is an indicative example of the taxation treatment per Unit for different types of Unitholders who:

- dispose of their Units using the Matching Facility on 8 January 2021 for \$0.9349 per Unit and do not incur any incidental costs on sale;
- are Australian residents for tax purposes;
- hold their Units on capital account;
- acquired their Units for \$1.00 on 1 August 2013 and did not incur any incidental costs on purchase;
- received their last pro-rata income distribution for the period up to 8 January 2021;
- have received non-assessable distributions of \$0.7931 per Unit in total over all financial years including the Special Distribution (inclusive of tax deferred distributions). Consequently, the cost base of these Units prior to the sale is estimated to be \$0.2069 (assuming no other capital costs have been added to the cost base); and
- do not have any carry forward tax losses or capital losses.

## Taxable income

CFM has modelled the indicative after tax cash return on the disposal of Units under the Matching Facility in the 2021 income year for an individual on a marginal tax rate (including Medicare levy) of 21%, a company, an individual on a marginal tax rate (including Medicare levy) of 47%, and a complying superannuation fund.

	Individual 21%	Company 30%	Individual 47%	Complying Super Fund 15%
Attributed FY2021 Assessable Income <sup>1</sup>				
- Gross CGT Gain From Sale of Rand Distribution Centre	0.26	0.26	0.26	0.26
Plus: Gross CGT Gain On Disposal Under Matching Facility <sup>2</sup>	0.73	0.73	0.73	0.73
<b>Total Gross Capital Gains</b>	<b>0.99</b>	<b>0.99</b>	<b>0.99</b>	<b>0.99</b>
Less: Applicable CGT Discount	(0.49)	-	(0.49)	(0.33)
Taxable Income	0.50	0.99	0.50	0.66
Tax Applicable at Applicable Rate	(0.10)	(0.30)	(0.23)	(0.10)
Sales Proceeds	0.93	0.93	0.93	0.93
FY2021 Distributions	0.67	0.67	0.67	0.67
<b>Total Amounts Received<sup>3</sup></b>	<b>1.60</b>	<b>1.60</b>	<b>1.60</b>	<b>1.60</b>
<b>Less: Tax at Applicable Rate</b>	<b>(0.10)</b>	<b>(0.30)</b>	<b>(0.23)</b>	<b>(0.10)</b>
<b>Cash Return After Tax Post Participation in Matching Facility</b>	<b>1.50</b>	<b>1.30</b>	<b>1.37</b>	<b>1.50</b>

Notes: All numbers in the table above have been rounded to 2 decimal places.

1 The "Attributed FY2021 Assessable Income" is the estimated Unitholders attribution of taxable components for FY2021.

2 The "Gross CGT Gain - Disposal Under Matching Facility" is the CGT gain on the disposal of Units through the Matching Facility, being the capital proceeds of \$0.9349 less the tax cost base of \$0.2069.

3 Includes the sale proceeds received from participating in the Matching Facility.

## 9.4 Tax Consequences from the Sale of the Property and Wind-up of the Trust

If the Rollover Proposal is not approved, the Property will be sold, the Trust will be wound up and the net sale proceeds will be returned to Unitholders.

### TRUST CAPITAL GAIN ON DISPOSAL OF THE PROPERTY

The Trust is a MIT and has made an election such that the Property is deemed to be held on capital account for taxation purposes.

Consequently, gains or losses made on the disposal of the Property will give rise to a capital gain or capital loss.

Based on the current valuation, it is expected that the Trust will make a capital gain on the sale of the Property. The CGT event will be taken to occur when the Trust enters into a binding contract for the sale of the Property, the timing of which is currently unknown.

As the Trust would have held the Property for longer than 12 months at the time of the CGT event in respect of the sale, the Trust should currently be eligible to discount the capital gain made by 50% (the Trust does not currently have any capital losses).

### Distribution and wind-up of the Trust

It is expected the Trust will make an interim distribution to Unitholders of most of the net sale proceeds received on the disposal of the Property in proportion to their Unit holdings (Interim Distribution).

The Interim Distribution would comprise a share of the:

- taxable components, including the capital gain from the sale of the Property;
- non-assessable other capital gains distribution amount, representing the 50% CGT discount on the Trust's capital gain; and
- other non-assessable amount, representing a return of corpus of the trust (capital).

The taxable components of the Trust will include the Trust's discounted capital gain from the disposal of the Property and any rent collected from tenants for the period, less any tax losses and other revenue deductions incurred by the Trust.

The other capital gains distribution amount, representing the CGT discount for the Trust, may be distributed to Unitholders without resulting in a cost base reduction of the Units held by the Unitholders.

The Interim Distribution would also include a share of the other non-assessable amount, representing a return of corpus of the trust (capital). This non-assessable amount

will reduce the tax cost base of the Units held by the Unitholders. To the extent that this non-assessable capital amount on a Unit is greater than the tax cost base of that Unit (prior to the receipt of the Interim Distribution), the Unitholder will be taken to have made a capital gain on that Unit (refer below).

Following the Interim Distribution, and once the Trust is able to be wound up, any remaining property of the Trust will be distributed to Unitholders as a final distribution before all of the Units in the Trust will be cancelled.

### AUSTRALIAN RESIDENT UNITHOLDERS - SALE OF PROPERTY AND WIND-UP OF THE TRUST

#### Share of the Trust capital gain

Australian resident Unitholders should include the taxable components of the distributions attributed to them in their assessable income. Where the attributed taxable components include a share of the Trust's capital gain component (which has qualified for the CGT discount), Unitholders are required to include in their net capital gain calculation an amount equal to double their share of the Trust's capital gain component.

When calculating their net capital gain, Unitholders should apply any available prior year or current year capital losses from other assets and to the extent that they are eligible Unitholders, they should be entitled to discount any remaining capital gain by the relevant discount percentage of that Unitholder.

The resulting net capital gain is included in the Unitholder's assessable income. CFM will provide Unitholders with an AMMA Statement outlining their taxable components, including the capital gain, to assist Unitholders in preparing their income tax return.

In determining whether the CGT discount is available to Unitholders in respect of the capital gain attributed to them by the Trust, it does not matter whether the Units were held by the Unitholder for 12 months or more at the time that the Unitholders were attributed the capital gain from the Trust.

#### Non-assessable capital component

The distribution of the non-assessable corpus of the trust (capital) amount (other than the other capital gains distribution amount, representing the Trust's CGT discount), will cause a reduction in the Unitholder's tax cost base. CFM will disclose the net decrease in the cost base in the AMMA Statement issued to each Unitholder.

Note that the Unitholder's tax cost base of the Units should also be reduced by non-assessable capital distributions (including previously distributed tax deferred amounts) received in prior periods. Where a Unitholder's cost base in

a Unit is reduced to nil, a capital gain arises to the extent of the excess of the non-assessable capital distribution (other than the amount representing the CGT discount) over the tax cost base of that Unit.

It is likely that the net decrease in the cost base from the distributions will exceed the Unitholder's cost base and accordingly, a capital gain for Unitholders is likely to arise. The timing of this CGT event should occur at the end of the year of income or immediately prior to the cancellation of the Units, whichever is the earlier.

Eligible Unitholders that have held their Units for at least 12 months at the time of the CGT event will be entitled to the CGT discount at the relevant discount percentage.

### Wind-up of the Trust

On the final wind-up of the Trust, there will be a cancellation of all Units in the Trust.

The cancellation of the Units will result in a CGT event for the Unitholders. The time of the CGT event will be when the Units are cancelled.

If the Unitholders' tax cost base and reduced tax cost base in the Units have been reduced to nil as a result of the distributions, any remaining capital proceeds from the cancellation of the Units will result in a capital gain for the Unitholders.

Eligible Unitholders should be able to reduce the capital gain by the relevant discount percentage after applying any available carry forward or current year capital losses. Australian resident individuals and trustees of trusts should be entitled to a CGT discount of 50% and complying superannuation funds should currently be entitled to a CGT discount of 33 1/3%, provided that the Unitholder has held their Units for at least 12 months prior to the cancellation of the Units.

Any resulting net capital gain is included in the Unitholder's assessable income.

### NON-RESIDENT UNITHOLDERS - SALE OF PROPERTY AND WIND-UP OF THE TRUST

#### Share of the Trust capital gain

As the Trust is a withholding MIT the trustee is required to withhold MIT WHT from 'fund payments' made to non-resident Unitholders. The rate of the MIT WHT is 15% of the fund payment for distributions to an address or place in an information exchange country and 30% of the fund payment for distributions to an address or place not in an information exchange country.

For the Trust, fund payments would include the taxable components attributed or distributed to a Unitholder, other than interest. Where the taxable components of the Trust include a discounted capital gain made on disposal of

taxable Australian property, the fund payment is increased such that it includes double the discounted capital gain in order to ensure that the CGT discount does not apply to amounts distributed or attributed to an address or place outside of Australia.

#### Non-assessable capital distribution

The trustee of a MIT does not have an obligation to withhold WHT in respect of the non-assessable capital distribution amount. Non-assessable capital distributions will decrease the cost base of a non-resident Unitholder's Units. However, where the net reduction in cost base exceeds the tax cost base of that Unit, it should not result in a taxable capital gain for the non-resident Unitholder on the basis the Units are not taxable Australian property (assuming that the Unitholder together with its associates holds less than 10% of the Units in the Trust at the time of the CGT event).

#### Wind-up of the Trust

Where a non-resident Unitholder together with its associates owns less than 10% of the Units in the Trust, the Unitholder should not be subject to Australian CGT on wind-up on the basis the Units are not taxable Australian property.

### INDICATIVE EXAMPLE OF SALE OF THE PROPERTY AND WIND-UP OF THE TRUST

The tax liability calculated for a Unitholder below is only an example and is not to be relied on. It is based on forecasted information and estimates of the capital gain and the number of Units on issue and the taxation positions adopted by CFM as responsible entity of the Trust. The actual capital gain will ultimately depend on the final sale price, the timing of the sale of the Property and related expenses.

CFM will provide an AMMA Statement providing a detailed breakdown of Unitholders' final distribution and capital gains, to assist Unitholders in preparing their income tax return for the income year in which the sale of the Property occurs.

The example set out below is indicative of the taxation treatment for different classes of Unitholders who:

- are Australian residents for tax purposes;
- hold their Units on capital account;
- acquired their Units for \$1.00 on 1 August 2013 and did not incur any incidental costs on purchase.
- have received non-assessable distributions (including tax deferred distributions) up until 30 June 2020 resulting in reductions in the cost base totalling \$0.3878 per Unit. Consequently, the cost base of these Unitholders prior to the year of sale of the Property and cancellation of Units is estimated to be \$0.6122 per unit (assuming no other capital costs have been added to the cost base); and
- do not have any carry forward tax losses or capital losses.

The indicative calculation assumes that:

- the Trust sells the Property for \$107 million;
- the CGT event for disposal of the Property occurs on 31 March 2021;
- the Trust is wound up in the 30 June 2021 income tax year;
- the Distribution occurs in the 30 June 2021 income year and all distributions paid by the Trust for the year total \$1.6117 per Unit comprised of the following components:
  - \$0.4341 - share of the assessable attributed discount capital gain component (less deductible expenses).
  - \$0.4341 - share of non-assessable other capital gains distribution amount, representing the 50% CGT discount on the Trust's capital gain.
  - \$0.7435 - other non-assessable amount, representing a return of corpus of the trust (capital).

### Non-assessable capital payment and redemption

Based on the above, as a result of the distribution of the non-assessable capital amounts, each Unitholder would derive a gross capital gain of \$0.1313 per Unit (being capital proceeds and distributions of \$0.7435 less the remaining cost base of \$0.6122).

### Taxable income

We have modelled the indicative tax and after-tax cash return on the sale of the Property and cancellation of Units as follows:

	Individual 21%	Company 30%	Individual 47%	Complying Super Fund 15%
Attributed Assessable Income				
- Net Capital Gains From Sale of Rand Distribution Centre and the Property <sup>1</sup>	0.43	0.43	0.43	0.43
Grossed Up Attributed Assessable Income - CGT Component	0.86	0.86	0.86	0.86
Attributed Assessable Trust Income (Non-CGT)	-	-	-	-
Plus CGT Gain from Non-Assessable Distributions <sup>2</sup>	0.13	0.13	0.13	0.13
<b>Sub Total</b>	<b>0.99</b>	<b>0.99</b>	<b>0.99</b>	<b>0.99</b>
Less Applicable CGT Discount	(0.50)	-	(0.50)	(0.33)
Taxable income	0.49	0.99	0.49	0.66
<b>Total Cash Distribution for the Year<sup>3</sup></b>	<b>1.61</b>	<b>1.61</b>	<b>1.61</b>	<b>1.61</b>
<b>Less: Tax Applicable at Applicable Rate</b>	<b>(0.10)</b>	<b>(0.30)</b>	<b>(0.23)</b>	<b>(0.10)</b>
<b>Cash Return After Tax</b>	<b>1.51</b>	<b>1.31</b>	<b>1.38</b>	<b>1.51</b>

Notes:

All numbers in the table above have been rounded to 2 decimal places.

1 The "Net Capital Gains From Sale of Rand Distribution Centre and the Property" amount is the Unitholder's attribution of the discount capital gain (less deductible expenses) as discussed above (after applying the CGT discount).

2 The "CGT Gain from Non-Assessable Distributions" is the gain from distribution of the non-assessable capital component in excess of cost base.

3 Includes the monthly distributions, Special Distribution, the Interim Distribution and final distribution.

### Other taxes

Unitholders should not be liable for Australian stamp duty in relation to the sale of the Property or wind-up of the Trust. Unitholders should not be liable to GST in Australia in relation to the sale of the Property or wind-up of the Trust.

# 10. Valuation summary letter

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Melbourne VIC 3000

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30 October 2020

The Directors,  
Cromwell Funds Management Limited  
Level 19, 200 Mary Street  
Brisbane QLD 4000

**RE: VALUATION SUMMARY LETTER AS AT 31 OCTOBER 2020  
19 GEORGE STREET, DANDENONG, VICTORIA 3175**

We refer to the instructions issued by Cromwell Funds Management Limited as responsible entity for the Cromwell Property Trust 12 requesting Colliers International Valuation & Advisory Services (CIVAS (VIC) Pty Limited) to assess the Market Value of 19 George Street, Dandenong, Victoria (the Property) for Financial Reporting and First Mortgage Security purposes, and to provide a summary of the valuation report suitable for inclusion in an Explanatory Memorandum for the proposed extension of the term of Cromwell Property Trust 12 (Trust) to be issued by Cromwell Funds Management Limited.

This summary outlines the key considerations adopted in arriving at our opinion of Market Value. For further information reference should be made to the full valuation report (Our Ref: VM9801) as at 31 October 2020 to be held by Cromwell Funds Management Limited.

We inspected the property on 13 October 2020 and we are informed by Cromwell Funds Management Limited that there have been no material changes in circumstances relating to the property up to the effective date of valuation (being 31 October 2020), that would materially affect the valuation. Note we have not made additional detailed inquiries in this regard nor have we re-inspected the property.

## Basis of Valuation

This valuation has been completed in accordance with the following definition of Market Value as defined by the International Valuation Standards Council (IVSC) and endorsed by the API:

### Market Value

*"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion."*

Value is to a third party owner other than the present owner.



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## Fair Value Definition

We further note that this valuation has been undertaken for financial reporting purposes and has been completed in accordance with International Financial Reporting Standards 13 (as defined in the International Valuation Standards 2017 – Fair Value), Australian Accounting Standards Board AASB 13 – Fair Value Measurement and AASB 140 – Investment Property. The respective Fair Value definitions are as follows:

<b>AASB 13</b>	<i>“...the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”</i>
<b>Highest &amp; Best Use</b>	The Fair Value of an asset is determined by reference to its highest and best use, that is, the use of the asset that is physically possible, legally permissible and financially feasible. We believe that the current use of the property is reflective of its highest and best use.

## Summary of Value

We have assessed the Market Value of the freehold interest in the Property as at 31 October 2020 to be the sum of \$107,000,000 (excluding GST), subject to the qualifications and assumptions contained within our formal valuation report. Refer to the ‘Material Assumptions’ section further in this letter.

## Brief Description of the Property

19 George Street, Dandenong comprises a modern seven storey commercial office building completed in October 2015 with ten ground level retail/office tenancies and secure under cover car parking over the Lower Ground Level. In total the building provides a Net Lettable Area (NLA) of 13,865.10 m<sup>2</sup>, including 1,952.10 m<sup>2</sup> of Upper Ground and Lower Ground retail accommodation, 11,913.00 m<sup>2</sup> of office accommodation over Levels 1 to 5 and the Upper Ground Level, and Basement car parking for 61 vehicles. The office floor plates range between 2,074.00 m<sup>2</sup> and 2,811.00 m<sup>2</sup> NLA. The building provides a high quality office accommodation with efficient, ‘centre-core’ floorplates offering good natural light and views. Outdoor terraces are located on Levels 2 and 4 at the southern side of the building. The building has a current NABERS Energy rating of 5.5 Stars and NABERS Water rating of 5.5 Stars with both ratings valid until April 2021.

The property is located towards the southern end of the Dandenong Central Business District on the south eastern corner of George Street and Moysey Lane with rear frontage to Halpin Way. Dandenong is located approximately 30 radial kilometres south east of the Melbourne Central Business District.

The building was specifically developed for the Australian Taxation Office (ATO). The ATO occupies all of the office space and two of the retail tenancies (91.56% of total accommodation) along with 51 car parking bays under a 15 year lease which commenced 1 October 2015 and expires 30 September 2030. The remainder of the Upper Ground and Lower Ground retail accommodation comprises a further seven tenancies with four being leased to separate tenants and three being currently vacant. As at the date of valuation the building has a weighted average lease expiry of 9.11 years by Area and 9.24 years by Income and a vacancy rate of 3.21% (446.60 m<sup>2</sup>).



## Rental Profile

The current 'as leased' passing rental equates to \$7,679,975 per annum gross or \$6,313,519 per annum net with a potential 'fully leased' passing rental of \$7,903,693 per annum gross or \$6,537,237 per annum net. The average passing office rent equates to \$465/m<sup>2</sup> net with additional income generated from car parking and signage. The current passing net income of \$6,537,237 per annum (potential 'fully leased') is above our estimated net market income of \$5,540,304 per annum.

It is noted that the adopted Average Market Office rental reflects \$390/m<sup>2</sup> net face, as compared with an Average Passing Office rental of \$465/m<sup>2</sup> net, a variance of \$75 per m<sup>2</sup>. We have made an adjustment for the Present Value of the rental overage (or 'profit rent') in the Reversionary Capitalisation approach. In the Discounted Cashflow Approach we have adopted our assessed market rentals on expiry of the existing leases which have been escalated in accordance with our market rental growth forecasts as stated in the full valuation report.

A schedule of the current annual rentals and estimated future annual rentals is included in the 'Income Summary' section of the detailed valuation report. We note that these estimated future rentals are presented for the purposes of our analysis only and are undertaken on a consistent basis with comparable evidence. However future income streams, outgoings and capital expenditure items at the property will be variable and dependant on changing market conditions which we cannot predict with any accuracy. The estimated future annual rentals are provided as a valuation tool only, and we make no representation in relation to the actual future income streams to be derived from the property and we do not provide any warranty in this regard.

## Valuation Methodology

In determining the Market Value of the Property, CIVAS (VIC) Pty Limited has examined the available market evidence and applied this analysis to the Capitalisation of Net Income and Discounted Cash Flow (DCF) Approaches. These approaches have in turn been checked by the Direct Comparison Approach on the basis of sales analysed at a rate per square metre of NLA.

The Capitalisation of Net Income Approach has been undertaken by applying a yield to both the potential fully let passing net income (initial yield) and the potential reversionary net income (equated reversionary yield). To the value derived, adjustments have been made for any rental reversions, vacancies, leasing costs and capital expenditure required over the first 24 months.

The DCF has been undertaken over a 10-year time horizon discounting the net income over this period on a monthly basis together with the value of the property, net of selling expenses, in the 121st month. The net present value has been determined after allowing for capital expenditure and costs associated with the purchase of the property.

Our valuation has been undertaken on a GST exclusive basis.



## Valuation Analysis and Assumptions

The following criteria has been adopted:

- i. We have capitalised the net passing income at 6.00% in line with available market evidence. We have also considered the reversionary approach, whereby the net market income has been capitalised at a market yield of 5.50% with cognisance of available market evidence.
- ii. A DCF analysis over a 10-year investment horizon has been undertaken, based upon a discount rate of 6.125%, average net face office rental growth over the cash flow term of 3.19% per annum, and an adopted terminal yield of 6.00%.
- iii. Outgoings have been adopted at \$1,366,456 per annum or \$98.55 per m<sup>2</sup>, which appears appropriate for this style of property, being a modern office building.
- iv. We have allowed 15 month gross down time periods for the current vacancies, and 12 month gross down time periods for future vacancies to which we have applied a 50% renewal probability, i.e. 6 months for office, retail, storage and car parking tenancies.
- v. Where passing rentals are different to market rentals we have made adjustments to the future speculative income which reflect our opinion of market rentals.
- vi. Based upon our adopted value of \$107,000,000 the subject property reflects an initial passing yield of 5.90%; an equivalent initial yield of 5.98%; an equivalent reversionary yield of 5.44%, an IRR of 6.21% (including capital expenditure), 6.64% (excluding capital expenditure) and a capital value of \$7,717 per m<sup>2</sup> of NLA. These parameters are considered reasonable given the available and comparable sales evidence and the current market dynamics.

We reiterate that this letter should be read in conjunction with our full valuation report (Our Ref: VM9801) and not in isolation. Extensive commentary on market conditions including analysis of recent leasing and sale transactions are contained within our full valuation report.

## Material Assumptions

Material assumptions are contained within the full valuation report (Our Ref: VM9801) as at 31 October 2020. This letter should be read in conjunction with the full valuation report and we cannot fully summarise all matters discussed in the full valuation report within this letter. That said some of the primary matters that could affect the valuation are noted below, however we caution that such matters are not limited to the following:

- Since the buildings completion in 2015, take up of available retail space and sustainability of some of the retail occupants has been poor. As at the date of valuation there are three retail tenancies available for lease and it is our understanding that there are no immediate prospects to lease these areas. Furthermore we highlight that considering the weak economic conditions currently as a result of the ongoing COVID-19 pandemic, it would be reasonable to assume a significant letting up and loss of income period for these tenancies. In this regard we have allowed for 15 month letting up periods for the currently vacant tenancies.



- The major lease to the ATO benefits from rental increases of 3.75% in each year of the lease with the exception of year 11 of the lease as at 1 October 2025 (year 5 of the valuation cash flow) which is subject to a market rent review to be assessed on an 'effective rental' basis (i.e. adjusting for market leasing incentives). Under the terms of this market review the rental cannot fall below the previous year's rental, nor can it rise by more than 10% above the previous years rental (i.e. 0% collar and 10% cap). For the purposes of our valuation cash flow we have assumed no rental increase as at the market review date.
- Under the ATO lease the landlord must re-paint and re-carpet the premises in 2022. We have not been provided with a cost estimate for these works and accordingly we have made our own estimate based on our experience with similar buildings however we highlight that we are not qualified quantity surveyors. We recommend that the reliant party seeks appropriate advice in this regard and in the event that the costs associated with these works are materially different to our allowance, this information should be provided to the valuer for comment and if necessary, review of the valuation.

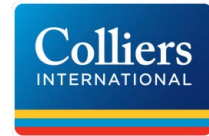
### Information Sources

Our valuation conclusions have been reached after reviewing financial and tenancy information provided by the client. The information reviewed and supplied includes, although is not limited to, the following:

- Tenant Lease Documents;
- Tenancy Schedule dated 1 July 2020;
- Forecast Outgoings for FY 2020;
- Budgeted Outgoings for FY 2021;
- Council Rates Notices;
- Survey Plans;
- Capital Expenditure Budget;
- NABERS Energy and Water Rating Certificates; and
- Other relevant information.

### Qualification and Warning

- i. CIVAS (VIC) Pty Limited has been engaged by Cromwell Funds Management Limited to provide a valuation of 19 George Street, Dandenong, Victoria.
- ii. Cromwell Funds Management Limited wishes to include this summary letter in the Explanatory Memorandum and has requested that CIVAS (VIC) Pty Limited consent to the inclusion of this summary letter. CIVAS (VIC) Pty Limited consents to the inclusion of this summary letter in the Explanatory Memorandum and to being named in the Explanatory Memorandum, subject to the comments, terms and assumptions contained within our full valuation report, this summary letter and the further condition that Cromwell Funds Management Limited includes this Qualification and Warning.



- iii. In the event that Cromwell Funds Management Limited is currently, or subsequently becomes, the Responsible Entity for an investment vehicle with an interest in the subject property (currently Cromwell Property Trust 12) CIVAS (VIC) Pty Limited does not extend reliance authority for the valuation to any party beyond the Responsible Entity and does not extend reliance authority for the valuation to any third parties which may have an interest in such an investment vehicle.
- iv. In accordance with the Australian Property Institute Valuers Limited (APIV), our valuation is current as at the date of valuation only. The value assessed in our valuation may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon more than 90 days after the date of valuation.
- v. CIVAS (VIC) Pty Limited makes no representation or recommendation to a Recipient in relation to the valuation of the property or the investment opportunity contained in the Report.
- vi. Recipients must seek their own advice in relation to the investment opportunity contained in the Explanatory Memorandum.
- vii. We assume all information provided by the Instructing Party and Property Manager is correct and current.
- viii. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global Standards and the API Valuation Protocol – Significant Valuation Uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Additionally, given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the property under frequent review.
- ix. On a real estate and sector specific basis, we consider office markets to be less affected than sectors such as the accommodation, health and age care sectors. For office, it remains too early to fully understand the extent to which leasing requirements will be adversely affected. However, both tenant and landlord decision making has been influenced in the short term. Both demand for, and supply of, office space will be impacted by the economic downturn however the extent and duration of any such impact is unclear at the time of writing. Anecdotal evidence has begun to emerge of supply chain impacts affecting both construction and fit-out materials which may cause delays in current developments under construction and office fit-outs which in turn may impact lease commencement dates. With regard to the investment market, at the time of writing we consider the key impact is the ability for offshore investors to cope with both the COVID-19 impacts in their domestic markets and physically access property opportunities in Australia. This coupled with a weaker global economy may affect investor demand. Where the virus peaks and tapers within a reasonable timeframe and this impact on demand is short term we may well see higher levels of activity in 2021.



- x. Within the Melbourne Metropolitan office market, both occupier demand and investment demand have been negatively impacted by the current economic downturn and COVID-19 pandemic. At the time of writing Melbourne remains under significant government restrictions limiting movement for both personal and occupational reasons, and this has reduced the number of people working in office buildings. Both leasing and investment activity has slowed dramatically as a result, and the extent to which transactions will recover in the short term remains unknown.

In terms of occupier demand we expect significant weakness to continue in the short term. Over the medium to longer term the question of whether a greater prevalence of 'working-from-home' and a longer term need for social distancing will result in a structural decline in tenant demand is the subject of extensive debate and speculation, with potential for major implications in office markets.

With regard to office investment markets capitalisation rates and discount rates are now at the bottom of the historical range which suggests that we are most likely at the bottom of the yield cycle. That said, returns on certain property investment assets, particularly those with long term secure income streams, remain relatively attractive when compared with some alternative investment options (i.e. government or corporate bonds, cash, equities, etc.). Either way, many office investment asset values are at, or near, historic highs and are therefore at risk of valuation reductions in the event that investment markets were to deteriorate.

- xi. The outcome of issues raised above will be largely dependent upon the behaviour of the COVID-19 virus and any government responses to the evolving situation. CIVAS (VIC) Pty Limited recognises that the global risk outlook, particularly with regard to COVID-19, is extremely fluid. For that reason, we recommend the situation be closely monitored and regular updates be initiated by the reliant parties.

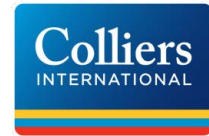
### Liability Disclaimer

In the case of advice provided in this letter and our report which is of a projected nature, we must emphasise that specific assumptions have been made by us which appear realistic based upon current market perceptions. It follows that any one of our associated assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted by us in this event.

This report has been prepared subject to the conditions referred to in our Qualification & Warning. Neither CIVAS (VIC) Pty Limited nor any of its Directors makes any representation in relation to the Explanatory Memorandum nor accepts responsibility for any information or representation made in the Explanatory Memorandum, apart from this letter.

CIVAS (VIC) Pty Limited has prepared this summary which appears in the Explanatory Memorandum. CIVAS (VIC) Pty Limited was involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaim any liability to any person in the event of any omission from, or false or misleading statement included in the Explanatory Memorandum, other than in respect of the valuation and this summary. We confirm that this summary may be used in this Explanatory Memorandum.

The valuation is current as at the date of the valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements or factors specific to the particular property. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.



CIVAS (VIC) Pty Limited confirms that it does not have a pecuniary interest that would conflict with its valuation of the property.

CIVAS (VIC) Pty Limited is not providing advice about a financial product, nor the suitability of the investment set out in the Explanatory Memorandum. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Colliers International does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the properties detailed in this report.

### Valuation Experience and Interest

The Valuer, Peter Volakos, AAPI MRICS (Certified Practising Valuer No. 62971 (VIC)) has had in excess of five (5) years continuous experience in the valuation of property of similar type and is authorised by law to practise as a Valuer in Victoria.

We advise that CIVAS (VIC) Pty Limited has received a total fee of \$16,750 (GST Exclusive) for the preparation of the full valuation report and this summary letter.

Further, we confirm that the nominated Valuer does not have a pecuniary interest that could conflict with the proper valuation of the property, and we advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

Yours sincerely,

**CIVAS (VIC) Pty Limited**

A handwritten signature in black ink, appearing to read "P. Volakos", written over a horizontal line.

**Peter Volakos, AAPI MRICS**  
National Director, Office  
Valuation & Advisory Services

# 11. Independent accountant's report



6 November 2020

The Directors  
Cromwell Funds Management Limited  
As Responsible Entity for the Cromwell Property Trust 12  
Level 19  
200 Mary Street  
BRISBANE QLD 4000

Pitcher Partners Corporate Finance  
Limited

ABN 99 054 784 619  
AFS LICENCE NO.255516

Real Estate  
Licence (QLD) No. 3668087

Level 38, 345 Queen Street  
Brisbane, QLD 4000

Dear Directors

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE AUDITED HISTORICAL BALANCE SHEET, PRO FORMA HISTORICAL BALANCE SHEET AND FORECAST INCOME STATEMENT AND FINANCIAL SERVICES GUIDE**

### **Introduction**

This report has been prepared at the request of the Cromwell Funds Management Limited (CFM) as the responsible entity of the Cromwell Property Trust 12 (C12 or the Trust) to report on the financial information of C12, as summarised in the Scope Section below, for inclusion in the Explanatory Memorandum dated on or about 13 November 2020. The purpose of the Explanatory Memorandum is to provide C12 unitholders with information to consider and vote on the resolutions to approve the Rollover Proposal.

C12 is a fixed term trust with an expiry date of 31 October 2020. The Rollover Proposal is:

1. to amend the term of the Trust for a further five years to 31 October 2025; and
2. introduce a Matching Facility, which will provide unitholders with the ability to dispose of some or all of their units or acquire additional units in C12.

Pitcher Partners Corporate Finance Limited (a related entity of Pitcher Partners Queensland Partnership) holds the appropriate Australian Financial Services Licence under the Corporations Act 2001 for the issue of this report.

References to the Trust and other capitalised terms used in this report have the same meaning as defined in the glossary of the Explanatory Memorandum.

### **Scope**

#### **Audited Historical Balance Sheet**

Pitcher Partners Corporate Finance Limited has been engaged by CFM to review the Audited Historical Balance Sheet of C12 as at 30 June 2020 included in the Explanatory Memorandum.

The Audited Historical Balance Sheet has been prepared in accordance with the stated basis of preparation, being the recognition principles contained in Australian Accounting Standards and C12's adopted accounting policies. The Audited Historical Balance Sheet was audited by Pitcher Partners Queensland Partnership in accordance with Australian Auditing Standards. Pitcher Partners Queensland Partnership issued an unmodified opinion, however included an Emphasis of Matter due to the expiration of the Trust at 31 October 2020.

The Audited Historical Balance Sheet is presented in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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### ***Pro forma Historical Balance Sheet***

Pitcher Partners Corporate Finance Limited has been engaged by CFM to review the Pro forma Historical Balance Sheet of C12 as at 30 June 2020. The Pro forma Historical Balance Sheet has been derived from the Audited Historical Balance Sheet, after adjusting for the effects of pro forma adjustments described in Section 8.4 of the Explanatory Memorandum (the Pro forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Audited Historical Balance Sheet and the events or transactions to which the Pro forma Adjustments relate, as described in Section 8.4 of the Explanatory Memorandum, as if those events or transactions had occurred as at the date of the Audited Historical Balance Sheet. Due to its nature, the Pro forma Historical Balance Sheet does not represent the Trust's actual or prospective financial position.

### ***Forecast Income Statement***

Pitcher Partners Corporate Finance Limited has been engaged by CFM to review the forecast income statement of C12 for the years ending 30 June 2021, 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025, as described in Section 8.2 of the Explanatory Memorandum (the Forecast Income Statement).

The stated basis of preparation used in the preparation of the Forecast Income Statement is the recognition and measurement principles contained in Australian Accounting Standards applied to the Forecast Income Statement of the Trust, the Trust's adopted accounting policies and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at 30 June 2020. Due to its nature the Forecast Income Statement does not represent the Trust's actual or prospective financial performance for the years ending 30 June 2021, 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025.

The Forecast Income Statement has been prepared by the Directors of CFM in order to provide Unitholders with a guide to the potential financial performance of the Trust for the years ending 30 June 2021, 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Income Statement since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors of CFMs' best estimate assumptions on which the Forecast Income Statement is based relate to future events and/or transactions that the Directors expect to occur and actions that the Directors expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Trust. Evidence may be available to support the assumptions on which the forecasts are based, however, such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Unitholders should be aware of the material risks and uncertainties relating to an investment in the Trust, including reasons to vote For or Against the Rollover Proposal which are detailed in Section 6 of the Explanatory Memorandum, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, Unitholders should have regard to the reasons in Section 6 of the Explanatory Memorandum. The Forecast Income Statement is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Income Statement will be achieved.

We have assumed, and relied on representations from the Directors of CFM, that all material information concerning the prospects and proposed operations of the Trust has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Audited Historical Balance Sheet and the Pro forma Historical Balance Sheet, including the selection and determination of Pro forma Adjustments made to the Audited Historical Balance Sheet and included in the Pro forma Historical Balance Sheet;
- the preparation of the Forecast Income Statement, including the best estimate assumptions underlying the Forecast Income Statement; and
- the information contained within the Explanatory Memorandum.

This responsibility includes for the operation of such internal controls as the Directors of CFM determine are necessary to enable the preparation of the Audited Historical Balance Sheet, the Pro forma Historical Balance Sheet and the Forecast Income Statement that are free from material misstatement, whether due to fraud or error.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Audited Historical Balance Sheet, Pro forma Historical Balance Sheet and the Forecast Income Statement on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our review consisted 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our procedures did not involve updating or re-issuing any previously issued audit report, used as a source of the financial information.

### **Restrictions on Use**

Without modifying our conclusions, we draw attention to the Important Notices of the Explanatory Memorandum, which describes the purpose of the Audited Historical Financial Information, the Pro forma Historical Balance Sheet and the Forecast Financial Information, being for inclusion in the Explanatory Memorandum. As a result, the Independent Limited Assurance Report may not be suitable for use for another purpose.

### **Reliance on this Report**

This report is addressed to the directors of Cromwell Funds Management Limited (as Responsible Entity for Cromwell Property Trust 12). The report was prepared without considering or taking account of the financial situation, investment objectives or any other specific needs or requirements of any investor or any other third party. Investors should consider obtaining independent advice from their financial advisor before making any decision in relation to their investment in the Trust.

### **Consent**

Pitcher Partners Corporate Finance Limited has consented to the inclusion of this Independent Limited Assurance Report in the Explanatory Memorandum in the form and context in which it is included.

### **Liability**

The liability of Pitcher Partners Corporate Finance Limited is limited to the inclusion of this report in the Explanatory Memorandum. Pitcher Partners Corporate Finance Limited makes no representation regarding and has no liability for any other statement or other material in, or any omissions from the Explanatory Memorandum.

**Disclosure of Interest**

Pitcher Partners Corporate Finance Limited does not have any interest in the outcome of the Rollover Proposals other than the preparation of this report for which normal professional fees will be received. Pitcher Partners Queensland Partnership is the auditor of the Trust, and other Cromwell Trusts.

**Conclusions*****Audited Historical Balance Sheet***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Audited Historical Balance Sheet, as described in Section 8.4 of the Explanatory Memorandum, is not prepared and presented fairly in all material respects, in accordance with the stated basis of preparation being the recognition and measurement principles contained in the Australian Accounting Standards and the Trust's adopted accounting policies.

***Pro forma Historical Balance Sheet***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Balance Sheet as at 30 June 2020 is not prepared and presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 8.4 of the Explanatory Memorandum.

Yours faithfully

**PITCHER PARTNERS CORPORATE FINANCE LIMITED**



**Jason Evans**  
Executive Director  
Authorised Representative of  
Pitcher Partners Corporate Finance Limited

***Forecast Income Statement***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Forecast Income Statement do not provide reasonable grounds for the Forecast Income Statement for the years ending 30 June 2021, 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025;
- ii. in all material respects, the Forecast Income Statement:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 8.6 of the Explanatory Memorandum;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in the Australian Accounting Standards and the Trust's adopted accounting policies.;
- iii. the Forecast Income Statement itself is unreasonable.

Yours faithfully

**PITCHER PARTNERS CORPORATE FINANCE LIMITED**



**Warwick Face**  
Executive Director  
Authorised Representative of  
Pitcher Partners Corporate Finance Limited

## Financial Services Guide

Version dated: 6 November 2020

### What is a Financial Services Guide?

This Financial Services Guide (FSG) is an important document that is designed to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners Corporate Finance Limited. The use of "we", "us" or "our" is a reference to Pitcher Partners Corporate Finance Limited as the holder of Australian Financial Services Licence (AFSL) No.255516. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide.
- details of any potential conflicts of interest
- details of our internal and external dispute resolution procedures and
- how you can access them

### Information about us

Pitcher Partners Corporate Finance Limited has been engaged by Cromwell Funds Management Limited to provide general financial product advice in the form of a report to be given to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are only responsible for the financial product advice provided in our report and for the contents of this FSG.

You may contact us by writing to GPO Box 1144, Brisbane Qld 4001, or by telephone on +61 7 3222 8444.

Pitcher Partners Corporate Finance Limited is ultimately owned by the Partners of the Queensland partnership of Pitcher Partners, a provider of audit and assurance, accounting, tax, corporate advisory, superannuation, investment advisory and consulting services. The majority of the Directors of Pitcher Partners Corporate Finance Limited are partners of Pitcher Partners.

The Queensland partnership of Pitcher Partners is an independent partnership of Pitcher Partners. As such, neither it nor any of the other independent partnerships has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners Corporate Finance Limited and not by the Queensland partnership of Pitcher Partners or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Queensland partnership of Pitcher Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

We hold professional indemnity insurance as required by the *Corporations Act 2001* (Cth).

### What financial services are we licensed to provide?

Our AFSL authorises us to provide general financial product advice and deal in the following classes of financial products to both retail and wholesale clients:

- Deposit products (including basic deposit products and deposit products other than basic deposit products)
- Derivatives
- Government debentures, stocks or bonds
- Interests in managed investment schemes including investor directed
- portfolio services
- Securities

### Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure Statement (PDS) or offer document provided by the issuer of the financial product. The purpose of the PDS or offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS or offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

**Pitcher Partners Corporate Finance Limited**

ABN 99 054 784 619 AFS LICENCE NO.255516

Liability limited by a scheme approved under Professional standards Legislation.

### How are we and our employees remunerated?

The fees we charge for preparing reports are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed and confirmed in a letter of engagement with the party or parties who engage us.

Neither Pitcher Partners Corporate Finance Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any other fees, commissions or other benefits in connection with preparing and providing this report.

All of our employees receive a salary with partners also having an equity interest in the partnership. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. We are committed to responding to any complaints promptly, fairly and effectively. We have developed an internal complaint resolution policy and complaint handling procedures that are designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

Partner in Charge – Corporate Finance  
Pitcher Partners  
GPO Box 1144  
BRISBANE Qld 4001

If we are not able to resolve your complaint to your satisfaction within 45 days of the first notification of your complaint to us, you may contact the Australian Financial Complaints Authority (AFCA). AFCA provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to AFCA at:

Australian Financial Complaints Authority Limited  
GPO Box 3  
MELBOURNE VIC 3001  
Telephone: 1300 780 808  
Fax: +61 3 9613 6399  
Internet: <http://www.afca.org.au>

The Australian Securities and Investments Commission (ASIC) website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630  
Email: [info@asic.gov.au](mailto:info@asic.gov.au)  
Internet: <http://www.asic.gov.au/asic/asic.nsf>

If your complaint relates to a breach of our Privacy Policy or the Australian Privacy Principles, the matter should be referred to The Privacy Officer, GPO Box 1144, BRISBANE Qld 4001.

## 12 Other information

### Interests of CFM Directors

No Director on the CFM Board holds Units in the Trust, nor any interest in the Trust, whether under a contract with CFM or otherwise, which are conditional on, or related to, the Resolutions.

### Payments and other benefits to Cromwell Directors, Secretaries, Executive Officers or related bodies corporate

CFM is also the responsible entity of the Cromwell Direct Property Fund (DPF). The investment mandate of the DPF is to acquire direct properties as well as invest in a number of unlisted property trusts. The DPF currently owns approximately 15.8% of the issued Units in the Trust.

The DPF has given a binding commitment to purchase 4.18% of issued Units (as at the Record Date) from selling Unitholders through the Matching Facility (subject to availability). This will take the DPF's holding in the Trust to 19.9%.

The DPF does not have any information gained by virtue of its sharing a common responsible entity with the Trust other than as disclosed to Unitholders in this Explanatory Memorandum.

## 13. Definitions and interpretation

**AMMA Statement** means Attribution Managed Investment Trust Member Annual Statement that will be provided to Unitholders annually to assist with income tax reporting.

**CFM, we, us, or our** means Cromwell Funds Management Limited (ABN 63 114 782 777, AFSL No. 333214).

**Constitution** means the constitution of the Trust.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Cromwell** or **Cromwell Property Group** means Cromwell Property Group comprising Cromwell Corporation Limited (ABN 44 001 056 980) and the Cromwell Diversified Property Trust (ARSN 102 982 598), the responsible entity of which is Cromwell Property Securities Limited (ABN 11 079 147 809, AFSL No. 238052).

**Deed Poll** means the deed poll made by CFM as responsible entity of the DPF on or around 3 November 2020, and which can be found at: [www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote).

**DPF** means the Cromwell Direct Property Fund (ARSN 165 011 905), the responsible entity of which is CFM.

**Directors** means the directors of the Board of CFM.

**Eligible Unitholders** means those Unitholders eligible to vote on the Resolutions.

**Extraordinary Resolution** means a resolution passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy).

**Forecast Period** means the 12-month period ending 30 June 2021 and each of the following four (4) financial periods.

**Further Term** means the proposed extension of the Trust's term for five years until 31 October 2025, unless there is an earlier sale of the Property after two (2) years without an Extraordinary Resolution.

**Matching Facility** means the opportunity provided for Unitholders wanting to exit to sell Units, and Unitholders wanting to buy Units (both subject to sufficient availability), that is being offered to Unitholders only if the Resolutions are approved. See Chair's letter, Key information or Section 5 for further details.

**Matching Price** means \$0.9349 per Unit.

**Meeting** means the meeting of Unitholders to be held at 1pm (AEST) on Thursday 17 December 2020 at Cromwell Property Group, Level 19, 200 Mary Street, Brisbane, Queensland 4000.

**Notice of Meeting** means the notice of meeting setting out the Resolutions, which accompanies this Explanatory Memorandum. See Annexure A on page 47.

**NTA** means net tangible assets. In respect of the Trust, the NTA is the total value of the Trust's assets minus all of the Trust's liabilities.

**PDS** means the Product Disclosure Statement for the Trust dated 29 October 2013. This document is available at [www.cromwell.com.au/c12](http://www.cromwell.com.au/c12).

**Performance Fee** means the fee payable to CFM based on the Trust's performance.

**Property** or **ATO Dandenong Building** or **19 George St, Dandenong** means the real property asset at 19 George Street, Dandenong, Victoria, owned by the Trust.

**Record Date** means the date for determining eligibility of Unitholders to vote on the Resolutions, and will be 5.00pm (AEST) on 11 November 2020.

**Register** means the Unit register for the Trust.

**Resolutions** means the resolutions put to Unitholders at the Meeting, as set out in the Notice of Meeting.

**Rollover Proposal** means the proposal described in this Explanatory Memorandum to extend the Trust's Term for a further five years to 31 October 2025, to introduce the Matching Facility, and to amend the Constitution in the manner set out in the Supplemental Deed.

**Special Distribution** means the distribution of \$0.6184 per Unit to be paid on 16 December 2020 following the settlement for the sale of the Rand Distribution Centre, irrespective of whether the Rollover Proposal is approved and before any Matching Facility is executed.

**Special Resolution** means a resolution passed by at least 75% of the votes cast by Unitholders who are entitled to vote on the resolution.

**Supplemental Deed** means the deed poll to be made by CFM to amend the Constitution as described in this Explanatory Memorandum and as set out in Annexure B.

**Term** means the duration of the Trust ending on 31 October 2020, unless Unitholders vote to extend the term as proposed in this Explanatory Memorandum.

**Transfer Date** means the date the transfer of Units will be effective pursuant to the Matching Facility which is expected to be on or around 8 January 2020.

**Trust** means the Cromwell Property Trust 12 (ARSN 166 216 995).

**Unit** means fully paid ordinary units issued in the Trust.

**Unitholder, you, or your** means a holder of Units in the Trust.

## ANNEXURE A

# Notice of Meeting

Notice is given by Cromwell Funds Management Limited (ABN 63 114 782 777) (CFM) as responsible entity of the Cromwell Property Trust 12 (ARSN 166 216 995) (the Trust) that a meeting of the Trust will be held as follows:

Date: Thursday 17 December 2020

Time: 1pm (AEST)

Venue: Cromwell Property Group,  
Level 19, 200 Mary Street,  
Brisbane,  
Queensland 4000

The meeting can also be viewed online with the ability to ask questions. Please be advised that if you choose to view the meeting online, you only be able to vote using a Proxy Form as explained below. The online viewing facilities will not provide a means to vote in person.

The meeting may be viewed online at the following link: [www.cromwell.com.au/c12vote](http://www.cromwell.com.au/c12vote)

Additional information relating to the Resolutions, how CFM as responsible entity of the Trust will implement the Resolutions, and CFM's reasons for proposing the Resolutions is contained in the Explanatory Memorandum, which accompanies and forms part of this Notice of Meeting.

Capitalised terms used in this Notice of Meeting have the meaning given to them in the Explanatory Memorandum.

## Resolution 1: Further Term Resolution

To consider and, if thought fit, to pass the following resolution as an Extraordinary Resolution of the Unitholders of Cromwell Property Trust 12 (Resolution 1):

"That, subject to and conditional on the passing of Resolution 2 in the Notice of Meeting convening this meeting, the Trust's term be extended for the Further Term to 31 October 2025 (as described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting)."

## Resolution 2: Constitutional Amendment Resolution

To consider and, if thought fit, to pass the following resolution as a Special Resolution of the Unitholders of Cromwell Property Trust 12 (Resolution 2):

"That, subject to and conditional on the passing of Resolution 1 in the Notice of Meeting convening this meeting, the constitution of the Cromwell Property Trust 12 is amended in accordance with the provisions of the supplemental deed in the form tabled at the meeting and initialled by the Chair of the meeting for the purposes of identification, and the responsible entity of the Cromwell Property Trust 12 is authorised to execute and lodge with the Australian Securities and Investments Commission a supplemental deed to give effect to these amendments to the Cromwell Property Trust 12 constitution."

### INTER-CONDITIONAL RESOLUTIONS

The Resolutions are inter-conditional. Neither Resolution will be implemented unless the other is passed by the requisite majority.

Furthermore, if both Resolutions are not passed, the Matching Facility will not go ahead for those Unitholders wishing to sell or purchase Units.

### QUORUM

The quorum for the Meeting is two Unitholders present in person or by proxy. CFM may adjourn the Meeting if a quorum is not present within thirty minutes of the scheduled time for the Meeting.

### VOTING MAJORITIES REQUIRED

As Resolution 1 is an Extraordinary Resolution, it will only be passed if at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy), are cast and are in favour.

As Resolution 2 is a Special Resolution, it will only be passed if at least 75% of the votes cast by Unitholders who are entitled to vote on the resolution, are cast in favour.

### ENTITLEMENT TO VOTE

All Unitholders appearing on the Register at 5pm (AEST) on Thursday 12 November 2020 are entitled to attend and vote at the Meeting (subject to the voting exclusions set out below). Transfers of Units registered after this time will be disregarded in determining entitlements to vote at the Meeting.

### VOTING IN PERSON

To vote in person, you must attend the meeting to be held at 1pm (AEST) on Thursday 17 December 2020, at Cromwell Property Group, Level 19, 200 Mary Street, Brisbane, Queensland 4000.

If you plan to attend the Meeting, please arrive at 12:30pm (AEST) or earlier to allow time to note your attendance. Please bring the Proxy Form with you as it contains a barcode that will enable registration to be completed in a timely and efficient manner.

#### **VOTING BY BODY CORPORATE REPRESENTATIVE**

A company may appoint an authorised body corporate representative to represent them at the Meeting and exercise any of the powers the company may exercise at the Meeting. The authorised body corporate representative will be admitted to the Meeting and given a voting card upon providing, at the point of entry to the Meeting, written evidence of their appointment, of their name and address and the identity of their appointer.

#### **VOTING BY PROXY**

If you are a Unitholder, you have the right to appoint a proxy in respect of the Meeting. Your proxy does not need to be a Unitholder. You should complete and sign the personalised Proxy Form accompanying this Explanatory Memorandum. The Proxy Form includes information about how it is to be completed.

If you are entitled to cast two (2) or more votes you may appoint two (2) proxies and may specify the proportion or number of votes each proxy is entitled to exercise. However, if you do not specify the proportion or number of votes for each proxy, then each proxy may exercise half of the votes.

If you do not name a proxy, or your named proxy does not attend the Meeting, the Chair will be your proxy and vote on your behalf. Your proxy has the same rights as you to speak at the Meeting and to vote. The appointment of a proxy will not preclude you from attending in person and voting at the Meeting.

Proxy Forms must be received by the CFM Registry by post, fax, email, smart phone or online, or at the registered office of CFM, Level 19, 200 Mary Street, Brisbane, Queensland 4000 by no later than 1pm (AEST) on Tuesday 15 December 2020 or if the Meeting is adjourned, at least 48 hours before the resumption of the Meeting in relation to the resumed part of the Meeting. Please ensure you also post an original or certified copy of any power of attorney (if the Proxy Form is signed by an attorney).

Please see the accompanying Proxy Form for instructions on lodgement.

#### **VOTING BY POLL**

The vote on each Resolution will be conducted by way of a poll, with the Chair of the Meeting to demand a poll on Resolution 1 and Resolution 2, by virtue of being an Extraordinary Resolution and a Special Resolution.

Each Unitholder present in person, by attorney, by body corporate representative or by proxy has, on a poll, one vote for each Unit they have in the Trust. If a Unitholder is entitled to two (2) or more votes, they do not need to exercise their votes the same way nor cast all their votes.

#### **JOINTLY HELD UNITS**

If Units are jointly held, only one (1) of the joint holders is entitled to vote. If more than one (1) holder votes in respect of jointly held Units, only the votes of the Unitholder whose name appears first in the Register in respect of the relevant Units will be counted.

#### **VOTING EXCLUSIONS**

In accordance with Section 253E of the Corporations Act, CFM and its associates will not vote on the Resolutions if they have an interest in those Resolutions other than as a member of the Trust, except:

- they may vote as proxies if their appointments specify the way they are to vote and they vote that way; and
- in respect of Units which they hold as a custodian, nominee, trustee, responsible entity or other fiduciary on behalf of a third party who is not an associate of CFM.

#### **VOTING INTENTIONS OF THE CHAIR**

CFM will appoint a Chair prior to the meeting. The Chair will vote any undirected proxies in favour of the Resolutions.

#### **FOREIGN RESIDENTS**

Unitholders who live outside Australia are eligible to submit a Proxy Form on the same terms as Unitholders in Australia.

If the Resolutions are approved and the Rollover Proposal goes ahead, the taxation consequences for Unitholders that reside outside of Australia may differ to those of a resident Unitholder. Although the Taxation Report in Section 9 provides some general commentary in relation to the Australian taxation implications for non-resident Unitholders, you should obtain advice from your own independent professional tax adviser on the tax implications for you of the Further Term, as well as the sale of your Units (should you wish to exit the Trust) and receipt of the proceeds.

By order of the Board of Cromwell Funds Management Limited as responsible entity of the Cromwell Property Trust 12.

Lucy Laakso  
Company Secretary  
13 November 2020



## Supplemental Deed

MCMAHON  CLARKE

CROMWELL FUNDS MANAGEMENT LIMITED

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Cromwell Property Trust 12 ARSN 166 216 995

*Supplemental deed*

\_\_\_\_\_ November 2020

**Date**

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**Party**

Cromwell Funds Management Limited ACN 114 782 777 of Level 19, 200 Mary Street, Brisbane, Queensland as responsible entity of the Cromwell Property Trust 12 ARSN 166 216 995.

(Responsible Entity)

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**Background**

- A. The Responsible Entity is the responsible entity of the registered managed investment scheme known as the Cromwell Property Trust 12 ARSN 166 216 995 (Trust). The Trust was established by deed dated 5 July 2013, as amended from time to time (Constitution).
  - B. This Supplemental Deed has been prepared to further amend the Constitution and will be lodged with ASIC pursuant to Section 601GC(2) of the Corporations Act.
  - C. The changes made by this Deed have been approved by a special resolution of Holders pursuant to section 601GC(1)(a) of the Corporations Act.
-

## TERMS

### 1. Defined terms and interpretation

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Section 1 of the Constitution applies to this Supplemental Deed unless otherwise specified or the context requires another meaning or interpretation to be applied.

### 2. Modification of the Constitution

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Subject to clause 3, this Supplemental Deed amends the Constitution as set out in Schedule 1 of this Deed and is binding on—

- (a) all Holders (as they are constituted from time to time), and
- (b) the Responsible Entity.

### 3. Operation of this Supplemental Deed

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#### 3.1 *No re-declaration, etc*

The Responsible Entity confirms that it is not, by clause 2 of this Supplemental Deed—

- (a) re-declaring the Trust
- (b) re-settling the Trust
- (c) causing the transfer, vesting or accruing of Trust Property in any person, or
- (d) entering into a new trust deed.

#### 3.2 *Governing law*

This Supplemental Deed is governed by the laws of the State of Queensland, Australia.

**Execution**

This Supplemental Deed is executed as a deed poll.

Date: 2020.

**Signed, sealed and delivered** by  
Cromwell Funds Management Limited  
ACN 114 782 777 by its attorneys under  
power of attorney dated 11 September  
2018 who declare that they have at the  
time of execution of this document no  
notice of its revocation, in the presence  
of—

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Signature of attorney

\_\_\_\_\_  
Name of witness (print)

\_\_\_\_\_  
Name of attorney (print)

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Signature of attorney

\_\_\_\_\_  
Name of witness (print)

\_\_\_\_\_  
Name of attorney (print)

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**Schedule 1**


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Constitution reference	Amendment
New clause 26A	Insert a new clause 26A after clause 26 and before clause 27, as follows:
Matching Facility	<p><b>26A Matching Facility</b></p> <p><b>26A.1 Matching Facility</b></p> <p>The purpose of this clause 26A is to facilitate the Matching Facility.</p> <p><b>26A.2 Consideration</b></p> <p>(a) The Participating Holders who want to purchase additional Units ('the Buyers') must pay for the acquisition of those Units by depositing into an account nominated by the Responsible Entity an amount in Australian currency and in immediately available funds that is the consideration payable to the Participating Holders who want to sell their Units ('the Sellers') for the acquisition of Units under the Matching Facility.</p> <p>(b) Subject to the Buyers having complied with clause 26A.2(a), the Responsible Entity must:</p> <p>(i) hold the amount received from the Buyers under clause 26A.2(a) on trust for the Buyers;</p> <p>(ii) pay the Sellers the amount in Australian currency as each Seller is entitled to receive for the acquisition of their Units, by way of either:</p> <p>(A) electronic funds transfer to an account nominated by the relevant Seller for the purposes of payment of distributions; or</p> <p>(B) a cheque sent to the relevant Seller's address recorded in the Register at the Record Date.</p> <p><b>26A.3 Covenants, representations and direction by the Holders</b></p> <p>Each Holder:</p> <p>(a) irrevocably acknowledges that this clause 26A binds the Responsible Entity and all Holders, including those who do not attend the Meeting, do not vote at the Meeting or vote against the resolutions at the Meeting; and</p>

Constitution reference	Amendment
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- (b) irrevocably consents to the Responsible Entity doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Matching Facility and the transactions contemplated by it and directs the Responsible Entity to do so.

**26A.4 Appointment of Responsible Entity as attorney and agent**

- (a) Each Participating Holder, without the need for any further act by that Participating Holder, irrevocably appoints the Responsible Entity, and the Responsible Entity accepts such appointment, as its attorney and as its agent for the purpose of:
  - (i) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Matching Facility and the transactions contemplated by it including effecting a valid transfer or transfers of the Participating Holder's Units to another Participating Holder, including executing and delivering any transfer forms; and
  - (ii) enforcing the Deed Poll.
- (b) The Responsible Entity, as attorney and as agent of each Participating Holder, may sub-delegate its functions, authorities or powers under this subclause 26A.4 to all or any of its directors and officers (jointly, severally or jointly and severally).

**26A.5 Responsible Entity's powers**

- (a) Without limiting the Responsible Entity's other powers under this clause 26A, the Responsible Entity has power to do all things that it considers necessary or reasonably incidental to give effect to the Matching Facility and the transactions contemplated by it.
- (b) Subject to the law, the Responsible Entity and any of its directors, officers, employees or associates, may do any act, matter or thing described in or contemplated by this clause 26A even if they have an interest (financial or otherwise) in the outcome of such exercise.

Constitution  
reference

Amendment

#### 26A.6 Limitation of liability

Subject to the law, without derogating from any limitation of the Responsible Entity's liability in this constitution, the Responsible Entity has no liability of any nature whatsoever to Participating Holders arising, directly or indirectly, from the Responsible Entity doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with this clause 26A.

#### 26A.7 Defined terms

For the purposes of this clause 26A, the following terms have the following meanings:

**CFM** means Cromwell Funds Management Limited ABN 63 114 782 777.

**Deed Poll** means the deed poll made by CFM as responsible entity of the DPF on or around 3 November 2020 in favour of each Holder.

**DPF** means Cromwell Direct Property Fund ARSN 165 011 905.

**Explanatory Memorandum** means the notice of meeting and explanatory memorandum to be issued by the Responsible Entity on or around 13 November 2020 for the Meeting.

**Matching Facility** means the 'matching facility' introduced to allow Holders who want to exit the Trust to sell their Units to those Holders who want to purchase additional Units, as described and subject to the conditions in the Explanatory Memorandum.

**Meeting** means the meeting of Holders held on or about 17 December 2020 convened by the Responsible Entity pursuant to clause 37.1 to consider the resolutions set out in the Explanatory Memorandum, and includes any adjournment of that meeting.

**Participating Holder** means a Holder who participates in the Matching Facility.

**Record Date** means the date for determining eligibility of Holders to vote at the Meeting, and will be 5.00pm on 11 November 2020.

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**CROMWELL**  
FUNDS MANAGEMENT