



CROMWELL
FUNDS MANAGEMENT

Cromwell Property Trust 12

ARSN 166 216 995

Half-Year Financial Report

31 DECEMBER 2022

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

Contents

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION.....	6
FINANCIAL STATEMENTS	
Statement of Profit or Loss.....	7
Balance Sheet	8
Statement of Changes in Equity.....	9
Statement of Cash Flows	10
NOTES TO THE FINANCIAL STATEMENTS.....	11
DIRECTORS' DECLARATION	17
INDEPENDENT AUDITOR'S REVIEW REPORT	18

DIRECTORY

Responsible entity:

Cromwell Funds Management Limited
ABN 63 114 782 777
AFSL 333 214
Level 19, 200 Mary Street
Brisbane QLD 4000
Tel: +61 7 3225 7777
Email: invest@cromwell.com.au
Web: www.cromwell.com.au

Custodian:

The Trust Company Limited (owned by Perpetual Limited)
Angel Place, Level 18
123 Pitt Street
Sydney NSW 2000
Tel: +61 2 9229 9000
Web: www.perpetual.com.au

Auditor:

Pitcher Partners
Level 38, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: +61 7 3222 8444
Web: www.pitcher.com.au

Directors' Report

The Directors of Cromwell Funds Management Limited (CFM), the responsible entity of Cromwell Property Trust 12 (the Trust), present their report at the end of the half-year ended 31 December 2022.

The responsible entity and its Directors

Cromwell Funds Management Limited has been the responsible entity of the Trust since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with \$12.0 billion of assets under management. The responsible entity undertakes management and administrative duties for the Trust and monitors the custodian, The Trust Company Limited (owned by Perpetual Limited), which holds the Trust's assets on behalf of the unitholders.

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

Ms TL Cox	Non-executive Chair	Appointed 14 January 2021, Chair since 14 January 2021
Ms JA Tongs	Non-executive Director	Appointed 18 December 2014, retired 5 December 2022
Ms LJC Crombie	Non-executive Director	Appointed 30 June 2022
Ms RJ Lloyd	Non-executive Director	Appointed 18 July 2022
Mr GG Ross	Non-executive Director	Appointed 18 July 2022

Review of operations and results

Financial performance

The Trust recorded a profit for the half-year of \$2,064,000 (2021: \$19,921,000) and declared distributions of \$2,280,000 (2021: \$2,186,000). The decrease in profit is predominately attributable to the prior period recognition of a \$16,801,000 fair value gain based on an external property valuation, whereas in the current reporting period the external property valuation has remained consistent at \$124.0 million.

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

The Trust recorded an operating profit for the half-year of \$2,330,000 (2021: \$2,305,000). Operating profit is not calculated in accordance with International Financial Reporting Standards (IFRS) and has not been audited or reviewed by the Trust's auditor.

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

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Operating profit	2,330	2,305
<i>Reconciliation to profit for the half-year</i>		
Fair value net (losses) / gains:		
Investment property	(68)	16,801
Derivative financial instrument	(219)	678
Non-cash property investment income / (expense):		
Straight-line lease income	57	163
Amortisation of lease costs and lease incentives	(10)	-
Amortisation of loan transaction costs	(26)	(26)
Profit for the half-year	2,064	19,921
Profit per unit (cents)	2.7	26.2
Operating profit per unit (cents)	3.1	3.0
Distribution paid/payable per unit (cents)	3.0	2.9

Net operating income from the Trust's investment property for the half-year was \$3,262,000 (2021: \$3,086,000), an increase of 5.7% compared to the previous period. The increase is the result of annual rent increases and the lease up of 525 sqm remaining vacant ground floor space.

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

Directors' Report

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

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Rental income and recoverable outgoings	3,902	3,807
Property expenses and outgoings	(598)	(559)
Straight-line lease income	(57)	(163)
Lease incentive, lease abatement and lease cost amortisation	15	1
Net operating income	3,262	3,086

Impact of COVID-19 on financial performance

During the period ended 31 December 2022, there were no requests for rent relief (2021: \$19,258 in the form of a 6 month rent waiver). Given the tenant base of the property, no further requests for relief or deferral as a result of COVID-19 are anticipated.

Financial position

	As at	
	31 December 2022	30 June 2022
Total assets (\$'000)	129,740	129,897
Net assets (\$'000)	90,294	90,510
Net debt (\$'000) ⁽¹⁾	36,091	35,991
Gearing (%) ⁽²⁾	28.2%	28.1%
Debt maturity (years)	3.2	3.7
Percentage of debt hedged	100%	100%
Units issued ('000)	76,000	76,000
NTA per unit	\$1.19	\$1.19
Net assets per unit	\$1.19	\$1.19

(1) Interest bearing liabilities less cash and cash equivalents.

(2) Net debt divided by total assets less cash and cash equivalents.

Value of scheme assets

The major asset of the Trust, the investment property at 11-13 Robinson Street, Dandenong, VIC was valued at \$124,000,000 (30 June 2022: \$124,000,000) during the reporting period as disclosed in the accompanying financial report.

The total carrying value of the Trust's assets as at the end of the financial period was \$129,740,000 (30 June 2022: \$129,897,000) and net assets attributable to unitholders were \$90,294,000 (30 June 2022: \$90,510,000) equating to \$1.19 per unit (30 June 2022: \$1.19).

Investment property metrics

	As at	
	31 December 2022	30 June 2022
Investment property carrying value (\$'000)	124,000	124,000
Capitalisation rate (%)	5.00%	4.88%
Occupancy (%)	99%	96%
Weighted average lease expiry (years)	7.6	7.8

Subsequent events

No matter or circumstance has arisen since 31 December 2022 that has significantly affected or may significantly affect:

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

Directors' Report

Likely results and expected results of operations

The activities of the Trust are regulated by the Trust's constitution. Future activities of the Trust will be confined to investment in the investment property, at 11-13 Robinson Street, Dandenong, VIC to provide a mixture of income and capital growth to investors. The Trust term expires in October 2025.

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

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) accompanies this report on page 6.

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



Ms TL Cox

Chair

21 February 2023

Sydney



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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

Auditor's Independence Declaration

In relation to the independent auditor's review for the half year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pitcher Partners

PITCHER PARTNERS

CHERYL MASON
Partner

Brisbane, Queensland
21 February 2023

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



pitcher.com.au

NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Statement of Profit or Loss

For the half-year ended 31 December 2022

	Notes	Half-year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
Revenue and other income			
Rental income and recoverable outgoings	3	3,902	3,807
Fair value net gains from:			
Investment property		-	16,801
Derivative financial instrument		-	678
Interest		301	1
Total revenue and other income		4,203	21,287
Expenses			
Property expenses and outgoings		598	559
Management and administration costs		477	431
Finance costs		777	376
Fair value net losses from:			
Investment property		68	-
Derivative financial instrument		219	-
Total expenses		2,139	1,366
Profit for the half-year		2,064	19,921
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		2,064	19,921

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

Balance Sheet

As at 31 December 2022

	Notes	As at	
		31 December 2022 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents		1,750	1,824
Receivables		81	66
Other current assets		158	38
Derivative financial instrument	6	1,065	774
Total current assets		3,054	2,702
Non-current assets			
Investment property	4	124,000	124,000
Derivative financial instrument	6	2,686	3,195
Total non-current assets		126,686	127,195
Total assets		129,740	129,897
Current liabilities			
Payables		504	531
Distribution payable		391	372
Unearned income		710	669
Total current liabilities		1,605	1,572
Non-current liabilities			
Interest bearing liabilities	5	37,841	37,815
Total non-current liabilities		37,841	37,815
Total liabilities		39,446	39,387
Net assets		90,294	90,510
Equity			
Contributed equity	7	74,682	74,682
Retained earnings		15,612	15,828
Total equity		90,294	90,510

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

Statement of Changes in Equity

For the half-year ended 31 December 2022

		Contributed equity \$'000	Retained earnings \$'000	Total \$'000
31 December 2022	Note			
Balance at 1 July 2022		74,682	15,828	90,510
Profit for the half-year		-	2,064	2,064
Total comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid / payable	2	-	(2,280)	(2,280)
Balance at 31 December 2022		74,682	15,612	90,294

		Contributed equity \$'000	(Accumulated losses) / retained earnings \$'000	Total \$'000
31 December 2021	Note			
Balance at 1 July 2021		74,682	(4,267)	70,415
Profit for the half-year		-	19,921	19,921
Total comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid / payable	2	-	(2,186)	(2,186)
Balance at 31 December 2021		74,682	13,468	88,150

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

Statement of Cash Flows

For the half-year ended 31 December 2022

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities		
Receipts in the course of operations	4,260	3,988
Payments in the course of operations	(1,619)	(1,523)
Interest received	232	1
Finance costs paid	(686)	(350)
Net cash provided by operating activities	2,187	2,116
Cash flows from investing activities		
Payments for investment property	-	(36)
Net cash used in investing activities	-	(36)
Cash flows from financing activities		
Payments for loan transactions costs	-	(4)
Payment of distributions	(2,261)	(2,408)
Net cash used in financing activities	(2,261)	(2,412)
Net decrease in cash and cash equivalents	(74)	(332)
Cash and cash equivalents at 1 July	1,824	1,944
Cash and cash equivalents at 31 December	1,750	1,612

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

Notes to the Financial Statements

For the half-year ended 31 December 2022

1. Basis of preparation

The half-year financial report of Cromwell Property Trust 12 (the Trust) for the half-year reporting period ended 31 December 2022 is a general purpose financial report that has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The financial report is designed to provide an update on the Trust's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual report for the year ended 30 June 2022. The Trust is a for-profit entity for the purpose of preparing the financial statements.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Trust's annual report for the year ended 30 June 2022. These accounting policies are consistent with applicable Australian accounting standards and with international financial reporting standards.

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

Rounding of amounts

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

Comparatives

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

Continuous disclosure

Continuous disclosure and updates on the Trust's performance and events significant to the Trust are provided on Cromwell's webpage at www.cromwell.com.au/c12.

Segment information

The Trust operates in one operating segment, being direct property investment in Australia. The Trust generates revenues and derives capital appreciation from its investment in investment property.

a) Critical accounting estimates and judgements

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

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

Area of estimation	Note
Fair value of investment property	4
Fair value of financial instruments	8

b) COVID-19 impact upon financial statement preparation

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

- **Rental income and recoverable outgoings** – for the half-year ended 31 December 2022, there were no applications for rent relief (2021: \$19,258 in the form of a 6 month rent waiver). No further tenant applications for rent relief or deferral as a result of COVID-19 are anticipated.
- **Investment property** – management reviewed the appropriateness of inputs into investment property valuations. The Trust's property was externally valued at 30 September 2022. Disclosures with respect to the Trust's investment property are provided in note 4.
- **Receivables** – in response to COVID-19 management has undertaken a review of its relevant tenant receivables. At balance date no receivables were deemed to be impaired.

c) New and amended accounting standards and interpretations adopted by the Trust

The Trust has adopted all applicable new Australian accounting standards and interpretations. There are no new relevant accounting standards and interpretations that have been adopted in the current period.

There are currently no relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Trust.

Notes to the Financial Statements

For the half-year ended 31 December 2022

2. Distributions

a) Overview

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

b) Distributions paid / payable

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

From inception to 30 June 2015 ⁽¹⁾ :	7.75 cents
1 July 2015 to 30 June 2016:	8.00 cents
1 July 2016 to 30 June 2017:	8.25 cents
1 July 2017 to 30 June 2018:	8.50 cents
1 July 2018 to 30 June 2019:	8.75 cents
1 July 2019 to 30 June 2020:	9.00 cents
1 July 2020 to 30 June 2021:	9.25 cents
1 July 2021 to 30 June 2022:	5.75 cents
Since 1 July 2022 ⁽¹⁾ :	6.00 cents

(1) annualised distribution rate

Distributions have decreased compared with those at the inception of the Trust in October 2013. This is primarily attributable to the Trust now owning two fewer properties than when it was launched. The distribution rate for the half-year was 6.00 cents per annum and is paid monthly.

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

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Distributions paid / payable	2,280	2,186

3. Revenue

a) Overview

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

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

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Rental income – lease components	3,448	3,383
Recoverable outgoings - non-lease components	454	424
Rental income and recoverable outgoings	3,902	3,807
<i>Other income items recognised:</i>		
Fair value gains from investment property	-	16,801
Fair value gains from derivative financial instrument	-	678
Interest	301	1
Total other income	301	17,480
Total revenue and other income	4,203	21,287

Notes to the Financial Statements

For the half-year ended 31 December 2022

b) Disaggregation of revenue from contracts with customers

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

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
<i>Rental income and recoverable outgoings – non-lease components:</i>		
Recoverable outgoings ⁽¹⁾	451	419
Cost recoveries ⁽²⁾	3	5
Total rental income and recoverable outgoings – non-lease components	454	424

(1) Revenue items recognised over time.

(2) Revenue item recognised at point in time.

4. Investment property

a) Overview

The Trust holds one investment property, 11 – 13 Robinson Street, Dandenong, VIC. The property is 91% leased to the Australian Taxation Office to September 2030.

b) Details of the Trust's investment property

	Independent valuation		Carrying amount		Fair value adjustment	
	Date	Amount \$'000	As at		For the half-year ended	
			31-Dec 2022 \$'000	30-Jun 2022 \$'000	31-Dec 2022 \$'000	31-Dec 2021 \$'000
11 – 13 Robinson Street, Dandenong, VIC	30 Sept 2022	124,000	124,000	124,000	(68)	16,801

c) Movements in investment property

A reconciliation of the carrying amount of the investment property at the beginning and the end of the financial period is set out below:

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Balance at 1 July	124,000	107,000
Lifecycle capital expenditure	-	36
Straight-line lease income	57	163
Lease incentives and lease costs	21	-
Lease incentive and lease cost amortisation	(10)	-
Net (loss) / gain from fair value adjustments	(68)	16,801
Total investment property	124,000	124,000

d) Critical accounting estimates (fair value measurement)

Property valuation

The 31 December 2022 adopted valuation of 11-13 Robinson Street, Dandenong, VIC is based on an external valuation dated 30 September 2022. The Trust's Valuation policy requires the property to be valued by an independent professionally qualified valuer with a recognised relevant professional qualification at least once every two years.

Impact of COVID-19 on property valuations

For the half-year ended 31 December 2022 the Trust's approach to property valuations was substantially consistent with prior years, being in accordance with the established Valuations policy, but with an added emphasis in relation to the impact of COVID-19 and other global economic impacts (such as global geopolitical instability and tightened monetary policy) upon inputs relevant to the valuation model for each property.

Notes to the Financial Statements

For the half-year ended 31 December 2022

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

	Input values		Sensitivity	
	31 December 2022	30 June 2022	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income (\$'000)	6,899	6,540	Increase	Decrease
Capitalisation rate (%)	5.00	4.88	Decrease	Increase
Discount rate (%)	5.88	5.88	Decrease	Increase
Terminal yield (%)	5.25	5.00	Decrease	Increase
WALE (years)	7.60	7.80	Increase	Decrease
Occupancy	99%	96%	Increase	Decrease

Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property, especially in the current global economic environment. Owing to this significant judgement, a sensitivity analysis is included below. The sensitivity analysis shows the impact on the carrying value of the Trust's investment property of an increase or decrease of 0.50% on the capitalisation rate, discount rate and terminal yields as at 31 December 2022.

	31 December 2022 \$'000	31 December 2022 \$'000
	0.50%	(0.50%)
Impact to investment property	(11,300)	13,000

5. Interest-bearing liabilities

a) Overview

The Trust borrowed funds from a financial institution to partly fund the acquisition of the Trust's investment property. This note provides further details about the Trust's debt facility and related finance costs incurred during the period.

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Non-Current		
<i>Secured</i>		
Bank loan – investment property	38,000	38,000
Unamortised transaction costs	(159)	(185)
Total interest-bearing liabilities	37,841	37,815

b) Details of interest bearing liabilities

Borrowing - Bank loan

This bank loan facility is secured by a first registered mortgage over the Trust's investment property. The loan bears interest at a variable rate plus a margin and has a maturity date of February 2026. At 31 December 2022 the Trust has no unused finance facilities.

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

Covenant	As at					
	31 December 2022			30 June 2022		
	Actual	Limit	Headroom ⁽¹⁾	Actual	Limit	Headroom ⁽¹⁾
Loan to value	30.6%	50.0%	\$48,000,000	30.6%	50.0%	\$48,000,000
Interest cover	8.0 times	2.0 times	\$2,800,000	7.2 times	2.0 times	\$3,800,000

(1) Loan to value headroom is for the Property Value, and interest cover headroom is for net property income.

Notes to the Financial Statements

For the half-year ended 31 December 2022

6. Derivative financial instrument

The Trust manages its cash flow interest rate risk by using a floating-to-fixed interest rate cap contract. In this contract the Trust agreed with the counterparty to exchange, at specified intervals (usually 30 days), the difference between the contract rate and the floating-rate interest amounts calculated by reference to the agreed notional principal amount. In April 2021, the Trust entered into an interest rate cap for a notional amount of \$38,000,000 which matures in February 2026. In this contract, if or when the floating rate (being the 3 month BBSY) exceeds the fixed cap rate of 0.689% pa, the Trust will receive the net proceeds on a quarterly basis.

At 31 December 2022, the notional value of the interest rate cap contract of \$38,000,000 represents 100% of the facility bank loan utilised of \$38,000,000 (2021: 100% of the facility).

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Current asset		
Interest rate cap contract	1,065	774
Non-current asset		
Interest rate cap contract	2,686	3,195

7. Contributed equity

The Trust is closed and will not issue any more units. Following approval by unitholders of the rollover of the Trust, the Trust term has been extended for a further five years to 31 October 2025. During the extended term unitholders have no right of withdrawal.

	As at 31 December 2022		As at 30 June 2022	
	# '000	\$'000	# '000	\$'000
Issued units	76,000	74,682	76,000	74,682

8. Fair value disclosures – financial instruments

a) Fair value measurement of financial instruments

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

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

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

- Interest rate cap contract – derivative financial instrument measured at fair value under the Level 2 method.

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

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

Valuation techniques used to derive Level 2 fair values

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

Fair value of interest rate cap

Level 2 financial assets and financial liabilities held by the Trust include a "Vanilla" fixed to floating interest rate cap derivative (over-the-counter derivative). The fair value of this derivative has been determined using pricing models based on discounted cash flow analysis

Notes to the Financial Statements

For the half-year ended 31 December 2022

which incorporates assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivative and counterparty or own credit risk.

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

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

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

9. Unrecognised items

a) Overview

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

b) Contingent assets and contingent liabilities

As disclosed in the Trust's 30 June 2022 annual financial report, the Directors are not aware of any material contingent assets or contingent liabilities and the Directors are not aware of any material changes in contingent assets or contingent liabilities of the Trust since the last annual financial report.

c) Commitments

At period end the Trust does not have any material expenditure commitments. There has been no change since the Trust's last annual financial report.

10. Subsequent events

No matter or circumstance has arisen since 31 December 2022 that has significantly affected or may significantly affect:

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

Directors' Declaration

In the opinion of the Directors of Cromwell Funds Management Limited as responsible entity for Cromwell Property Trust 12 (collectively referred to as the Directors):

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth), and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This report is made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).



Ms TL Cox

Chair

21 February 2023

Sydney

Independent Auditor's Review Report to the Members of Cromwell Property Trust 12

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cromwell Property Trust 12 ("Trust") which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Cromwell Property Trust 12 does not comply with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Trust's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

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

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

 **bakertilly**
NETWORK MEMBER

pitcher.com.au

NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Pitcher Partners
PITCHER PARTNERS

Mason

CHERYL MASON
Partner

Brisbane, Queensland
21 February 2023

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.