ASIC Benchmark and Disclosure Principles: Cromwell Riverpark Trust –28 February 2020

Information Provided Pursuant to ASIC Regulatory Guide 46 (RG46)

Important Notice and Disclaimer

As responsible entity of the Cromwell Riverpark Trust ARSN 135 002 336 ("CRT" or "the Trust"), Cromwell Funds Management Limited ABN 63 114 782 777, AFSL 333214 ("CFM") is the issuer of this ASIC Benchmark and Disclosure Principles guide ("Guide") which should be read in conjunction with the attached Product Disclosure Statement for the Trust dated 25 February 2009 ("PDS") and the attached Supplementary Product Disclosure Statement for the Trust dated 30 June 2009 ("SPDS"). As at the date of this Guide, the Trust is closed to new investments. The Trust's original 7-year term expired in July 2016. Trust unitholders voted to extend the Trust Term by five years, until 8 July 2021, during which unitholders have no right to withdraw.

Updates on the Trust are available at www.cromwell.com.au/crt.

The information in this Guide is general information only and does not take into account your objectives, financial situation or needs. Therefore, before deciding whether to acquire or continue to hold an investment you should consider the PDS and SPDS and updates to them carefully and assess, with or without your financial or taxation advisor, whether the Trust fits your objectives, financial situation or needs.

Scope of this Guide

The Australian Securities & Investments Commission (ASIC) issued RG 46 in September 2008 and updated in March 2012. RG 46 sets out particular benchmarks and disclosure principles designed to provide improved disclosure to retail investors to help them compare risks and returns across investments in the unlisted property sector.

Set out below are tables which list each disclosure principle and benchmark and where the relevant information is included in this Guide and, if applicable, the attached PDS and SPDS.

	Disclosure Principles	Guide Reference	PDS Reference
1	Gearing Ratio	Section 4.3	Section 1.7 (3, 6 and 11 are also relevant)
2	Interest Cover Ratio	Section 4.4	Section 1.7 (3 and 10.10 are also relevant)
3	Scheme Borrowing	Section 4	Section 1.7 (3 and 10.10 are also relevant)
4	Portfolio Diversification	Section 1	Section 1.1 (2 and 3 are also relevant)
5	Related Party Transactions	Section 7	Section 1.8 (4 is also relevant)
6	Distribution Practices	Section 5	Section 1.5 (3 and 6.3 are also relevant)
7	Withdrawal Arrangements	Section 6	Section 8.4 (3 is also relevant)
8	Net Tangible Assets	Section 2	Section 6 (11 is also relevant)

	Benchmarks	Guide Reference	PDS Reference
1	Gearing Policy – The Trust meets the benchmark. The Trust maintains and complies with a written policy that governs the level of gearing for the Trust.	Section 4.1	Section 1.7
2	Interest Cover Policy – The Trust meets the benchmark. The Trust maintains and complies with a written policy that governs the level of interest cover for the Trust.	Section 4.1	Section 1.7
3	Interest Capitalisation – The Trust meets this benchmark. The interest expense of the Trust is not capitalised.	Section 4.1	N/A
4	Valuation Policy – The Trust meets the benchmark. The Trust maintains and complies with a written valuation policy.	Section 3	Section 1.6 Section 11 is also relevant
5	Related Party Transactions – The Trust meets the benchmark. The Trust maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.	Section 7	Section 1.8 Section 4 is also relevant
6	Distribution Practices – The Trust meets this benchmark. The Trust will only pay distributions from cash available from its operations (excluding any borrowings).	Section 5	Section 1.5 Sections 3 and 6.3 are also relevant

All statistics and amounts in this Guide are as at 31 December 2019 unless stated otherwise.

CFM may update this Guide from time to time and it is recommended unitholders refer to our website at www.cromwell.com.au/crt for these updates. A paper copy of this Guide or any updated information will be given to you on request and without charge.

From time to time, CFM may become aware of information that is material to unitholders but not covered by a disclosure principle. Any such material information will be provided to unitholders in continuous disclosure notices on our website www.cromwell.com.au/crt.

1. Portfolio Diversification

1.1 Trust Investments

The Trust owns a single property situated at 33 Breakfast Creek Road, Newstead, QLD ("the Property"). The Property is in the commercial sector of the property market.

The Trust is not expected to acquire any other properties during its investment term. As a result, the Trust is not currently, and is not expected to be, diversified by investment class, geographic location or property sector.

Currently the only significant non-direct property asset of the Trust is cash. As at 31 December 2019, the Trust held cash of $9,757,000.

1.2 Property Valuation

The most recent valuation of the Property is summarised in the following table.

Property	Valuation	Sector	Valuation Date	Market Cap Rate[1]	Occupancy[2]	Valuer
33 Breakfast Creek Road, Newstead QLD	$280,500,000	Commercial	30 June 2019	6.00%	99.7%	Independent

In the Trust's audited Half-Year Financial Report as at 31 December 2019, the Property was valued at $280,500,000, in line with the most recent independent valuation.

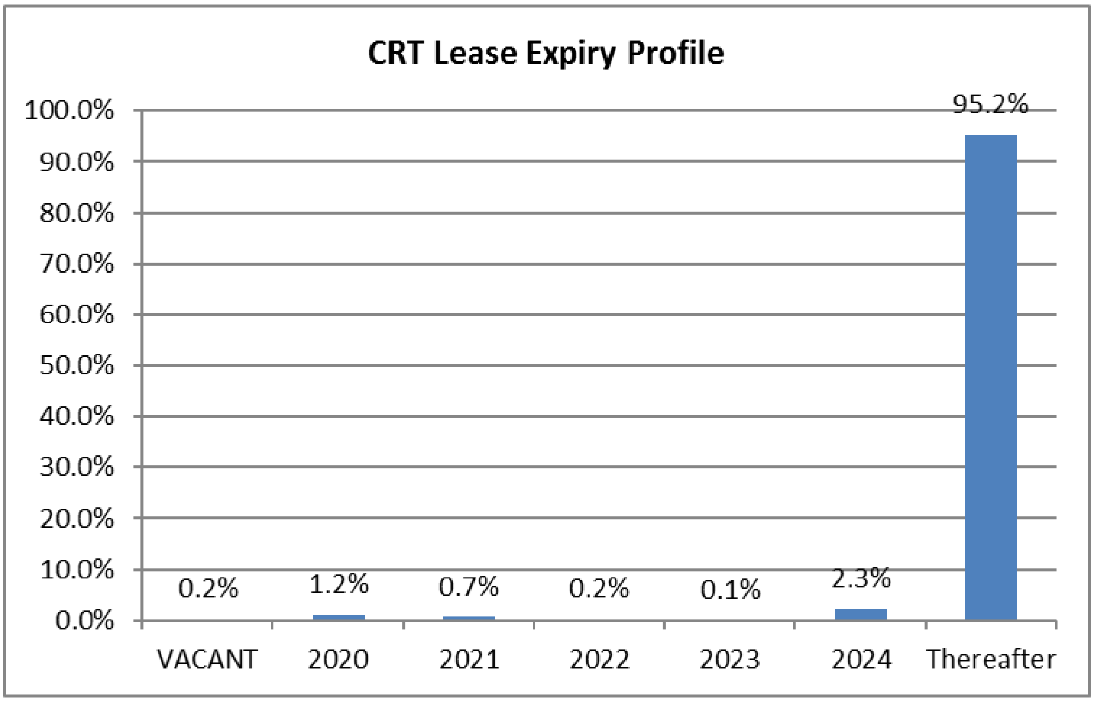
At 31 December 2019, the Trust had total assets of $290,902,000. Therefore, at 31 December 2019, the Property represented 96% of the Trust's total assets.

1.3 Lease Expiry Profile

The following chart shows the lease expiry profile for the Property in yearly periods calculated on the basis of the Trust's income.

[1] The market capitalisation rate (cap rate) is the capitalisation rate used to value a property, assuming it is fully leased at reasonable and current market rent rates.
[2] Calculated by vacant space over total net lettable area.

Lease Expiry Profile by Gross Income as at 31 December 2019



The initial term of the Trust expired in July 2016. Unitholders voted to extend the term of the Trust by five years, until 8 July 2021.

The main lease, to Energex Limited, which provides 93.2% of the rental income of the Property, expires in 2025.

1.4 Vacancy Rate

The Property has a small retail vacancy that represents only 0.2% of income.

1.5 Tenants

The Property's top five tenants (by percentage of gross income) are:

Tenant	% of Gross Income
Energex Limited	93.2%
LMM Holdings Pty Ltd (Ferrari)	2.3%
Fit FX	1.8%
Oliver Hume Real Estate Group (QLD) Pty Ltd	1.2%
New Sushi	0.5%

The Trust's Weighted Average Lease Expiry (WALE) by income as calculated in the Trust's most recent financial statements at 31 December 2019, is 5.5 years.

The Trust's WALE is calculated as follows:

$$\text{WALE} = \frac{\text{Remaining passing income}}{\text{Gross passing income}}$$

WALE is used to measure the overall tenancy risk of a particular property to assess the likelihood of a property being vacated. WALE of a property is measured across all tenants' remaining lease term (in years) and is weighted with the tenants' income against total combined income.

2. Net Tangible Assets

The net tangible assets ("NTA") of the Trust can be calculated on a per unit basis. This amount can be used as an approximate measure of what a unitholder could expect to receive per unit held if the assets of the Trust were sold at that particular point in time. However, it does not make any allowance for the cost of selling the Property and winding up the Trust. Therefore, to the extent that the NTA at any time is less than the price paid for a unit, it is also an approximate measure of the risk of a capital loss.

NTA is calculated using information from the Trust's audited Financial Report as at 31 December 2019 in accordance with the following formula:

$$\text{NTA} = \frac{\text{Net assets}^{3} \text{ – intangible assets +/- other adjustments}}{\text{Number of units on issue}}$$

As at 31 December 2019, the Trust had NTA per unit of $2.04 (before tax) including interest rate swaps and $2.05 excluding interest rate swaps. This is an increase of 1.0% from June 2019 NTA of $2.02.

3. Valuation Policy

CFM has, and complies with, a valuation policy for the Trust. Amongst other things, the policy provides that:

a) the Property will be independently valued each year. The next independent valuation is expected to occur in June 2020;

b) all valuations are to be carried out by appropriately qualified valuers, independent of CFM, who are registered in Queensland and have a minimum of five years' relevant experience;

c) valuers are to be instructed to undertake their valuation in accordance with industry standards and to outline their valuation methodology within the valuation report; and

d) the same valuers will not undertake more than two consecutive full valuations of the Property.

[3] No acquisition costs are embedded in the calculation of net assets. CFM writes off acquisition costs immediately upon the acquisition.

CFM believes that using independent valuers (with valuers being required to confirm their independence as part of their valuation report) and ensuring that the valuers used in relation to any one property are rotated in accordance with the valuation policy will best address any potential conflicts of interest that might arise. However, relevant staff are also aware of CFM's conflict of interest arrangements and are required to report any actual or potential conflicts of interest of which they become aware so that the conflicts can be appropriately managed and/or monitored.

Unitholders can obtain a copy of the valuation policy by calling Cromwell's Investor Services Team on 1300 268 078.

4. Trust Borrowing

4.1 Borrowing Policy

CFM has, and complies with, a written policy that governs the level and nature of the Trust's borrowings and, in particular, the level and nature of the Trust's gearing and the level and nature of its interest cover.

The policy provides that the Trust's gearing will not exceed 55%, with gearing being calculated as the Trust's total borrowings divided by the most recent valuation of the Property.

Further, CFM will not undertake any borrowing for the Trust which would cause the interest cover ratio of the Trust to fall below 2 times.

No interest is capitalised on debt facilities.

There are risks involved in investing in a geared Trust as gearing magnifies profits, losses, capital gains and capital losses. See "Borrowing Risk" in Section 3.2 of the PDS for further information.

4.2 Borrowing Facilities

Most property funds use a combination of borrowings and unitholders' funds to acquire properties. Borrowings enhance distributions when the cost of the borrowings is less than the return from the property and increase the potential for capital gain when property values are rising. However, they can also lead to reduced distributions when the cost of borrowings is greater than the return from the property or a larger capital loss when property values are falling.

The Trust has a single loan facility ("Bank Loan"). The Bank Loan is for a total amount of $99,250,000 and has been provided by one of Australia's major banks. The Bank Loan expires in August 2021, and as at 31 December 2019 was fully drawn.

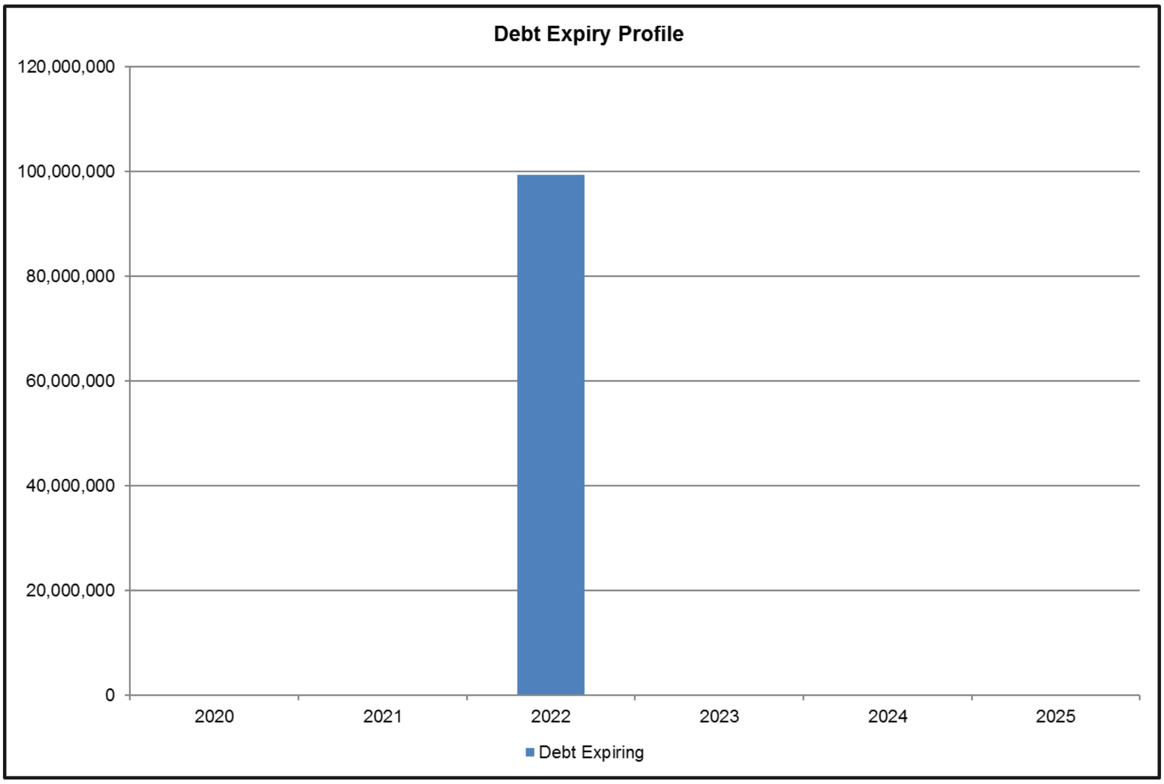
The Bank Loan is secured against the Property. This means that repayment of the Bank Loan ranks ahead of unitholders' interests in the Trust. If the Trust fails to renew borrowing or credit facilities, the Trust's viability could be adversely affected.

The Bank Loan had an interest rate of 3.42% per annum at 31 December 2019. The interest rate comprises a fixed margin rate and a variable market interest rate. The Trust has entered into hedging arrangements which have the effect of fixing the variable market interest rate until August 2021. See Section 4.6 below for further information on interest rate hedging

The interest rate including the amortisation of front end establishment fees is 3.52%.

The interest expense incurred by the Trust is not capitalised. Interest is paid as and when due from available cash reserves.

The maturity profile of the Trust's borrowing facilities are as follows:



The Trust's constitution and the *Corporations Act 2001* (Cth) gives unitholders certain powers. In particular, the requisite number of unitholders can call a meeting of unitholders to consider resolutions to amend the Trust constitution, terminate the Trust or remove CFM as responsible entity. The exercise of those powers without the consent of the bank may lead to events of default under the Bank Loan and in certain circumstances will give the bank rights to, amongst other things, call for immediate repayments of the amounts outstanding.

4.3 Gearing Ratio

The gearing ratio indicates the extent to which the Trust's assets are funded by interest bearing liabilities (i.e. its borrowings).

The ratio gives an indication of the potential risks faced by the Trust as a result of its borrowings due to, for example, an increase in interest rates or a decrease in property values. Generally, the higher the gearing ratio the greater the risks faced by the Trust as a result of its borrowings.

The Trust's gearing ratio is calculated as follows:

$$\text{Gearing ratio} = \frac{\text{Total interest bearing liabilities}^{4}}{\text{Total assets}}$$

The gearing ratio for the Trust as at 31 December 2019 was 34.1%.

The gearing ratio for 31 December 2019 was calculated using information from the Trust's latest financial management accounts as at 31 December 2019.

[4] Interest bearing liabilities are detailed under non-current liabilities within the Consolidated Balance Sheet in the Trust's audited Half-Year Financial Reports. They include the Trust's bank loans, less unamortised loan transaction costs, which have been excluded for the purposes of this calculation.

The Trust does not have any off-balance sheet financing.

4.4 Interest Cover

Interest cover measures the ability of the Trust to meet the interest payments on its borrowings from its earnings. The level of interest cover gives an indication of the Trust's financial health. It is a key measure of the Trust's ability to meet its interest payment obligation. Generally, the higher the interest cover the easier it will be for the Trust to continue to meet its interest payments if earnings decline.

Interest cover is calculated as follows:

$$\text{Interest cover ratio} = \frac{\text{EBITDA – unrealised gains + unrealised losses}}{\text{Interest expense}}$$

EBITDA means earnings before interest, tax, depreciation and amortisation. In the latest financial statements "EBITDA - unrealised gains + unrealised losses" is represented by profit from operations plus interest expense.

The Trust's interest cover for the year ending 31 December 2019 was 5.0 times. The ratio was calculated based on information from the Trust's 31 December 2019 audited Half-Year Financial Report.

4.5 Loan Covenants

The Bank Loan has various financial covenants which must be complied with. The Trust is in compliance with all covenants.

Under the terms of the Bank Loan, the 'loan to value' ratio must be at or below 60%. The 'loan to value' ratio is the amount of the Bank Loan divided by the value of the Property and was 35.4% at 31 December 2019. The Property would need to fall in value by 41% from its 31 December 2019 valuation for this covenant to be breached.

The interest cover ratio must be greater than or equal to 2 times. The interest cover ratio is the Trust's net income divided by the Bank Loan's interest costs and was 5.0 times as at 31 December 2019. Net Trust income would need to fall by 60% or the interest expense would need to increase by 151% for this covenant to be breached.

4.6 Hedging

Hedging is a means by which the variable component of the Trust's interest payments (other than the margin, which is generally agreed for the term of the Bank Loan) is fixed for a certain period.

This provides the Trust with certainty as to its interest expense for the hedging period. While this is of benefit to the Trust should interest rates rise, it would be disadvantageous to the Trust if interest rates fall below the level at which the Trust's interest rate was hedged.

CFM maintains and complies with a borrowing policy for the Trust, which incorporates the extent to which the Trust will hedge its interest rate expense.

100% of the Trust's borrowings are hedged until August 2021.

CFM may further extend the hedge profile of the Trust in the future where it is considered prudent or cost effective to do so.

The mark to market value of interest rate derivatives as at 31 December 2019 was a liability of $1,482,000, as per the Trust's audited Half-Year Financial Report as at 31 December 2019 (see balance sheet – derivative financial instruments).

If held to maturity, the interest rate derivatives in the Trust's audited Half-Year Financial Report as at 31 December 2019 will reduce to zero.

5. Distribution Practices

The Trust pays distributions from its cash from operations that is available for distribution (excluding borrowings, unrealised gains and losses and certain non-cash and capital items). A calculation of the profit available for distribution is set out below. The Trust may retain part of this amount to pay for capital expenditure and leasing costs where CFM does not consider it prudent to fund these from other sources.

CFM considers the Trust's distributions to be sustainable from the Trust's available cash resources for at least 12 months into the future.

The following calculation reconciles Trust net profit to the total distribution payable for the first half of the 2019-2020 financial year, as per the Trust's audited Half-Year Financial Report as at 31 December 2019.

		$'000
	Profit for the half year	**6,764**
Less	+/- Valuation changes	
	Investment properties	(560)
	Non-cash property investment income/(expenses)	572
	Amortisation of loan transaction costs	54
Equals	**Distributable Earnings**	**6,830**
	Distribution	**5,346**

6. Withdrawal Arrangements

The initial term of the Trust expired in July 2016. Unitholders voted to extend the Trust Term by five years, until 8 July 2021. No withdrawal facility is expected to be offered prior to this date.

7. Related Party Transactions

CFM recognises it is important that related party transactions are appropriately managed because of the inherent risk that they may be mutually assessed and then reviewed less vigorously than transactions with external parties.

CFM has, and complies with, written policies with regard to related party transactions. The policies cover, amongst other things, the assessment and approval processes for related party transactions as well as how those transactions are managed. All related party transactions require Board approval and the Board will only approve transactions if they are satisfied the transactions are on arm's length or better terms to the Trust. Otherwise, unless another exception is available under the *Corporations Act 2001* (Cth), the transaction would be subject to approval by the Trust's unitholders.

Any conflict of interest or potential conflict of interest (which includes but is not limited to a related party transaction) is managed in accordance with CFM's Conflict of Interest Policy.

Compliance with the Related Party and Conflict of Interest Policies is tested at least annually by Cromwell's legal and compliance team. To date, the policies have been complied with by CFM.

CFM has appointed some related entities to provide services to the Trust. Like CFM, those related entities are all wholly owned subsidiaries of the Cromwell Corporation Limited. They include Cromwell Property Services Pty Ltd (which provides property, facility management and leasing services to the Trust), Cromwell Project & Technical Solutions Pty Ltd (which provides project management services to the Trust in relation to the direct property assets), Cromwell Capital Pty Ltd (which provides finance arrangement services to the Trust) and Cromwell Operations Pty Ltd (which provides accounting and other administrative services to the Trust). Cromwell Property Services Pty Ltd was paid $301,500 in fees, Cromwell Operations Pty Ltd was paid $31,200 and Cromwell Project & Technical Solutions Pty Ltd was not paid any fees for the six months ending 31 December 2019. Cromwell Capital Pty Ltd did not receive any fees for the six months ending 31 December 2019. Related party arrangements are reviewed annually and are entered into on arm's length terms. For further information, please refer to Section 4.2.3 of the PDS (regarding fees paid to CFM and its related parties for services provided to the Trust) and Section 1.8 of the PDS (regarding the related party arrangements that relate to the Trust).

Unitholders can obtain copies of the Conflict of Interest and Related Party Policies by calling Cromwell's Investor Services Team on 1300 268 078.