Cromwell Ipswich City Heart Trust

ARSN 154 498 923

Annual Financial Report

30 JUNE 2021

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

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DIRECTORY

Responsible entity:

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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
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Directors' Report

The Directors of Cromwell Funds Management Limited ('CFM'), the responsible entity of Cromwell Ipswich City Heart Trust (the "Trust"), present their report at the end of the year ended 30 June 2021.

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 $11.9 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 (collectively referred to as "the Directors") are as follows:

Ms TL Cox	Non-executive Chair	Appointed 14 January 2021, Chair since 14 January 2021
Ms MA McKellar	Non-executive Director	Appointed 27 July 2011
Ms JA Tongs	Non-executive Director	Appointed 18 December 2014
Mr WRL Foster	Non-executive Director	Appointed 29 November 2017
Mr PL Weightman	Executive Director and Chair	Retired 31 December 2020

Principal activity

The Trust aims to deliver a stable, tax effective monthly distribution and capital growth to investors by investing in the commercial investment property located at 117 Brisbane Street, Ipswich. There were no significant changes in the nature of the Trust's principal activity during the financial year.

Sale of investment property

As announced on the Trust's website on 31 May 2021, Cromwell Funds Management, as responsible entity of the Trust received an offer to purchase the Trust's sole property at a price of $145.2 million. Section 5.2 of the Notice of Meeting and Explanatory Memorandum (documentation sent when the Trust's Term was extended) dated 22 August 2018, states that after two years, being 28 December 2020, CFM could sell the property without a unitholder vote and wind-up the Trust if it secures a sale price that is higher than the most recent independent valuation at the time and if it considers it is in the best interests of Unitholders to do so.

After extensive review by Cromwell's management team and the CFM Board, the offer was deemed in the best interests of Trust Unitholders. On 28 May 2021 CFM entered into an agreement to sell the Trust's investment property by way of a Call Option, conditional on the purchaser's successful capital raise by 28 July 2021. The Purchaser has provided a $7,400,000 deposit which is non-refundable demonstrating their commitment to complete the transaction. Providing the Call Option is exercised by 31 August 2021, the sale is expected to settle in October 2021. Once the sale of the property completes, the responsible entity will commence proceedings to wind up the Trust.

This report has not been prepared on a going concern basis, as the successful completion of the sale of the property is considered 'virtually certain' as certain conditions have been met by the purchaser, prior to exercise of the Call Option. As such, the winding up of the Trust is highly likely to commence once the successful settlement of the property is complete subsequent to the end of the reporting period.

Review of operations and results

Financial performance

The Trust recorded a statutory profit of $19,884,000 for the year ended 30 June 2021 (2020: statutory profit of $7,994,000).

The statutory profit includes a number of items which are non-cash in nature, occur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities and in the opinion of the Directors of the responsible entity, need to be adjusted for in order to allow unitholders to gain a better understanding of the 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 year of $6,762,000 (2020: $6,562,000). 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.

Impact of COVID-19 on financial performance

For the year-ended 30 June 2021, rent relief in the form of deferred payment plans, resulting in the deferred collection of $6,928, was granted to a single eligible non-core tenant (2020: rent relief in the form of rental abatements of $41,269). No other tenant requests for rent relief or deferral as a result of COVID-19 were received and given the tenant base of the property, no further requests are anticipated.

Directors' Report

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

	2021 $'000	2020 $'000
Operating profit	**6,762**	6,562
Reconciliation to profit for the year		
Fair value net gains / (losses):		
Investment property	**14,870**	2,050
Derivative financial instrument	**911**	(750)
Non-cash property investment income / (expense):		
Straight-line lease income	**146**	566
Amortisation of lease costs and lease incentives	**(286)**	(382)
Amortisation of loan transaction costs	**(51)**	(52)
Performance fee	**(2,468)**	-
Profit for the year	**19,884**	7,994

Rental income, excluding straight-line lease income and lease incentive amortisation, which are non-cash items, was $11,131,000 (2020: $11,034,000).

	2021 $'000	2020 $'000
Base rent and recoverable outgoings	**11,131**	11,034
Straight-line lease income	**146**	566
Lease incentive amortisation	**(266)**	(361)
Rental income and recoverable outgoings	**11,011**	11,239

The increase in base rent and recoverable outgoings is largely due to annual increases in rent received from the tenants of the property.

Operating profit per unit for the year was 12.88 cents (2020: 12.50 cents). Distributions paid / payable per unit for the year was 11.50 cents (2020: 11.25 cents).

	2021 Cents	2020 Cents
Operating profit per unit (1)	**12.88**	12.50
Profit per unit	**37.87**	15.23
Distribution per unit	**11.50**	11.25

(1) Based upon operating profit disclosed on page 4.

Financial position

	2021	2020
Total assets ($'000)	**146,659**	131,250
Net assets ($'000)	**92,218**	78,372
Net debt ($'000) (1)	**44,686**	45,154
Gearing (%) (2)	**31.1%**	35.1%
Units issued ('000)	**52,500**	52,500
NTA per unit	**$1.76**	$1.49
NTA per unit (excluding interest rate swaps)	**$1.79**	$1.55

(1) Interest bearing liabilities less cash and cash equivalents.
(2) Net debt divided by total tangible assets less cash and cash equivalents.

NTA per unit is a key measure of the underlying value of the Trust's assets. This was $1.76 per unit at year end compared to $1.49 per unit at the end of the last financial year. The increase reflects the increased assets of the Trust which is largely driven by an increase in the value of the investment property.

Significant changes in the state of affairs

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

Subsequent events

Other than those disclosed below, no matter or circumstance has arisen since 30 June 2021 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.

Sale of Investment property

As noted above, the responsible entity of the Trust has entered into a agreement to sell the Trust's investment property, and is expected to complete in October 2021 with the Trust being wound up as soon as practicable thereafter.

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 dependent on the sale outcome in relation to the investment property. Should the sale of the investment property complete, the process to commencing winding up the Trust will commence, otherwise the Trust term will expire in October 2025.

Environmental regulation

The Directors are not aware of any particular and significant environmental regulation under a law of the Commonwealth, State or Territory relevant to the Trust.

Distributions

Distributions paid to unitholders for the year ended 30 June 2021 were $6,038,000 (2020: $5,906,000), equating to an annualised rate of 11.50 cents per unit (2020: 11.25 cents). Distributions payable at balance date were $566,000 (2020: $523,000), representing distributions for the month of June, which were paid in July.

Options

No options over unissued units in the Trust have been issued since inception date and none are on issue at the date of this report.

Fees to responsible entity

Total fees paid/payable to the responsible entity or their associates during the year were $3,729,000 (2020: $1,222,000), which includes $2,468,000 accrued Performance Fee, payable to the responsible entity on the successful completion of the sale of the Trust's investment property.

Units held by the responsible entity

No units in the Trust have been issued to the responsible entity or its Directors during the year and none were held at the end of the financial year.

Indemnifying officers or auditors

No indemnities have been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Trust. No insurance premiums have been paid for out of the assets of the Trust in regards to insurance provided to the responsible entity or the auditors of the Trust.

Issued units

A total of 52,500,000 (2020: 52,500,000) units were on issue by the Trust at the end of the financial year. There were no redemptions of units in the Trust during the current or prior years.

Value of scheme assets

The major asset of the Trust, the investment property, has been classified as being held for sale with a carrying value of $143,440,000 (2020: $128,500,000) at year-end as disclosed in the accompanying financial report (being assessed fair value of $145,200,000 less costs of sale of $1,760,000).

The total carrying value of the Trust's assets as at the end of the financial year was $146,659,000 (2020: $131,250,000) and net assets attributable to unitholders were $92,218,000 (2020: $78,372,000) equating to $1.76 per unit (2020: $1.49).

Directors' Report

Rounding of amounts

The Trust is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) accompanies this report on page 7.

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

Ms TL Cox

Chair

25 August 2021

Sydney

Level 38, 345 Queen Street
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The Directors
Cromwell Funds Management Limited
As Responsible Entity for Cromwell Ipswich City Heart Trust
Level 19, 200 Mary Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, 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

CMason

CHERYL MASON
Partner

Brisbane, Queensland
25 August 2021

Statement of Profit or Loss

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue and other income			
Rental income and recoverable outgoings		**11,011**	11,239
Fair value net gains from:			
Investment property	5(c)	**14,870**	2,050
Derivative financial instrument		**911**	-
Interest		**-**	8
Total revenue and other income	3	**26,792**	13,297
Expenses			
Finance costs	6(c)	**1,805**	1,811
Property expenses and outgoings		**1,692**	1,833
Performance fees	8(a)	**2,468**	-
Management and administration costs		**943**	909
Fair value net loss from derivative financial instrument		**-**	750
Total expenses		**6,908**	5,303
Profit for the year		**19,884**	7,994
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**19,884**	7,994

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

Balance Sheet

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents		**3,187**	2,668
Receivables	4	**13**	73
Other current assets		**19**	9
Investment property classified as held for sale	5	**143,440**	-
Total current assets		**146,659**	2,750
Non-current asset			
Investment property	5	**-**	128,500
Total non-current asset		**-**	128,500
Total assets		**146,659**	131,250
Current liabilities			
Trade and other payables		**707**	842
Distribution payable		**566**	523
Derivative financial instrument	7	**1,071**	886
Unearned income		**979**	932
Provisions	8	**2,468**	-
Interest bearing liabilities	6	**47,873**	-
Total current liabilities		**53,664**	3,183
Non-current liabilities			
Interest bearing liabilities	6	**-**	47,822
Derivative financial instrument	7	**777**	1,873
Total non-current liabilities		**777**	49,695
Total liabilities		**54,441**	52,878
Net assets		**92,218**	78,372
Equity			
Contributed equity	9	**51,119**	51,119
Retained earnings		**41,099**	27,253
Total equity		**92,218**	78,372

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

Statement of Changes in Equity

For the year ended 30 June 2021

30 June 2021	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2020		**51,119**	**27,253**	**78,372**
Profit for the year		**-**	**19,884**	**19,884**
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid / payable	2	**-**	**(6,038)**	**(6,038)**
Balance at 30 June 2021		**51,119**	**41,099**	**92,218**

30 June 2020	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2019		51,119	25,165	76,284
Profit for the year		-	7,994	7,994
Total comprehensive income for the year		-	-	-
Transactions with unitholders in their capacity as unitholders:				
Distributions paid / payable	2	-	(5,906)	(5,906)
Balance at 30 June 2020		51,119	27,253	78,372

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

Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts in the course of operations		**12,380**	12,011
Payments in the course of operations		**(3,666)**	(3,618)
Interest received		**-**	8
Finance costs paid		**(1,754)**	(1,750)
Net cash provided by operating activities	11(b)	**6,960**	6,651
Cash flows from investing activities			
Payments for investment property		**(446)**	(357)
Net cash used in investing activities		**(446)**	(357)
Cash flows from financing activities			
Payment of distributions		**(5,995)**	(5,870)
Payment of loan transaction costs		**-**	(9)
Net cash used in financing activities		**(5,995)**	(5,879)
Net increase in cash and cash equivalents		**519**	415
Cash and cash equivalents at 1 July		**2,668**	2,253
Cash and cash equivalents at 30 June		**3,187**	2,668

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. Basis of preparation

The annual financial report of Cromwell Ipswich City Heart Trust (the "Trust") for the year ended 30 June 2021 is a general purpose financial report that has been prepared to comply with the Trust's annual reporting requirements contained in the *Corporations Act 2001* (Cth) and to provide investors in the Trust with information about the financial position of the Trust at the end of the financial year and the Trust's financial performance for the year.

The financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The Trust is a for-profit entity for the purpose of preparing financial statements.

The principal accounting policies adopted in the preparation of the financial report of Cromwell Ipswich City Heart Trust are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial report includes financial statements for the Trust as an individual entity.

Compliance with IFRS

The financial report complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

Historical cost convention

The financial report is prepared on the historical cost basis except for the following:

- investment properties are measured at fair value; and
- derivative financial instruments are measured at fair value.

The methods used to measure fair value are disclosed in notes 5 and 10 respectively.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the Trust's functional currency.

Rounding of amounts

The Trust is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument amounts in the Directors' report and financial report 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 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/ich.

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 properties.

Income tax

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. The liability for capital gains tax that may arise if the property was sold is not accounted for in this report.

Going concern and sale of investment property

The financial report is not prepared on a going concern basis. As disclosed in the Directors' Report, CFM entered into an agreement to sell the Trust's investment property by way of a Call Option, conditional on the purchaser's successful capital raise by 28 July 2021. The purchaser has provided a $7,400,000 deposit which is non-refundable demonstrating their commitment to complete the transaction. Providing the Call Option is exercised by 31 August 2021, the sale is expected to settle in October 2021, after which time the responsible entity will commence proceedings to wind up the Trust.

The successful completion of the sale of the property is considered 'virtually certain' as conditions have been met by the purchaser, prior to exercise of the Call Option. As such the winding up of the Trust is highly likely to commence once the settlement of the property is complete subsequent to the end of the reporting period.

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
Revenue	3
Fair value of investment property	5
Provisions	8
Fair value of financial instruments	10

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** – Due to the Trust's tenant base being heavily skewed to a single resilient tenant (the Queensland State Government's Department of Public Works), the impact of COVID in the current year resulted in $6,928 of deferred payment plans (resulting in the deferred collection of $6,928 over a period of 24 months) provided to a non-core tenant in addition to those provided in the period to 30 June 2020 (being rent relief in the form of rental abatements of $41,269). For further information refer to note 3.
- **Investment property** - management reviewed the appropriateness of inputs into investment property valuations. Disclosures with respect to the Trust's investment property are provided in note 5.
- **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 accounting standards and interpretations adopted by the Trust

New and amended accounting standards adopted by the Trust

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

New standards, amendments and interpretations effective after 1 July 20210 and have not been early adopted

A number of new standards, interpretations or amendments are effective for annual periods beginning after 1 July 2021 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Trust.

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:	7.75 cents
1 July 2012 to 30 June 2013:	8.00 cents
1 July 2013 to 30 June 2014:	8.25 cents
1 July 2014 to 30 June 2015:	8.50 cents
1 July 2015 to 30 June 2016:	8.75 cents
1 July 2016 to 30 June 2017	9.00 cents
1 July 2017 to 30 June 2018:	9.25 cents
1 July 2018 to 30 June 2019:	11.00 cents
1 July 2019 to 30 June 2020:	11.25 cents
1 July 2020 to 30 June 2021:	**11.50** cents

Distributions increased by 48% since the inception of the Trust in December 2011. The distribution rate for the year was 11.50 cents per annum and is paid monthly. The annual distribution increases since inception of the Trust were made possible by annual rent increases from the Trust's investment property.

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

	2021 $'000	2020 $'000
Distributions paid / payable	**6,038**	5,906

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.

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

	2021 $'000	2020 $'000
Rental income – lease components	**10,716**	10,769
Recoverable outgoings - non-lease components	**295**	470
Rental income and recoverable outgoings	**11,011**	11,239
Other revenue items recognised:		
Fair value net gains from investment property	**14,870**	2,050
Fair value net gains from derivative financial instruments	**911**	-
Interest	**-**	8
Total other revenue	**15,781**	2,058
Total revenue	**26,792**	13,297

b) Disaggregation of revenue from contracts

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

	2021 $'000	2020 $'000
Rental income and recoverable outgoings – non-lease components:		
Recoverable outgoings (1)	**209**	438
Cost recoveries (2)	**86**	32
Total rental income and recoverable outgoings – non-lease components	**295**	470

(1) Revenue items recognised over time.
(2) Revenue item recognised at point in time.

c) Accounting policy

Rental revenue and recoverable outgoings

Rental revenue and recoverable outgoings comprises rental income from tenants under operating leases of investment properties and amounts charged to tenants for property outgoings such rates, levies, utilities, cleaning etc.

Rental income is recognised on a straight-line basis over the lease term. Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Amounts charged for outgoings to tenants are expense recoveries and is recognised upon incurring the expense.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method. Interest revenue is predominately earned from financial assets including cash and trade and other receivables.

Contract liabilities (unearned income)

Payments from tenants and customers in relation to future periods, which are not due and payable are recognised as unearned income in the Trust's balance sheet.

d) Critical accounting estimates and judgements

Impact of COVID-19

The Trust's collections were significantly unimpacted by the government relief measures imposed to combat COVID-19 due to the tenant population being heavily skewed towards a single large government tenant and other tenants in markets not heavily impacted by the pandemic.

4. Receivables

a) Overview

Receivables of the Trust generally consist of rental receivables and other receivables.

	2021 $'000	2020 $'000
Rent receivables	**1**	61
Other receivables	**12**	12
Total receivables	**13**	73

At year-end receivables of $1,000 (2020: $61,000) were past due date but not impaired. No receivables have been determined to be impaired (2020: none).

b) Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables relating to operating leases of investment properties are due on the first day of each month, payable in advance. Other receivables are usually due for settlement no more than 90 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

5. Investment property – held for sale

a) Overview

The Trust holds one investment property, Ipswich City Heart Building at 117 Brisbane Street, QLD. The property is 91% leased to the Queensland State Government's Department of Public Works until 2028. The property has been classified as held for sale at year-end pursuant to a Contract for Sale and Call Option. The Purchaser has provided a $7,400,000 deposit which is non-refundable demonstrating their commitment to complete the transaction. Providing the Call Option is exercised, the sale is expected to settle in October 2021.

b) Details of the Trust's investment property – held for sale

	Independent valuation		Carrying amount		Fair value adjustment	
	Date	Amount $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
117 Brisbane Street,	Jun 2020	128,500	**143,440**	128,500	**14,870**	2,050

c) Movements in investment property

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

	2021 $'000	2020 $'000
Balance at 1 July	**128,500**	126,000
Additions at cost:		
Lifecycle	**15**	25
Straight-line lease income	**146**	566
Lease costs and incentives	**195**	241
Amortisation of lease costs and lease incentives	**(286)**	(382)
Net gain from fair value adjustments	**14,870**	2,050
Total investment property	**143,440**	128,500

d) Amounts recognised in profit and loss for investment properties

	2021 $'000	2020 $'000
Rental income and recoverable outgoings	**11,011**	11,239
Property expenses and outgoings	**(1,692)**	(1,833)
	9,319	9,406

e) Non-cancellable operating lease receivable from investment property tenants

The investment property is generally leased to tenants on long term operating leases with rentals payable monthly. Minimum lease payments under the non-cancellable operating leases of the Trust's investment properties not recognised in the financial statements are receivable as follows:

	2021 $'000	2020 $'000
Within one year	**11,187**	10,839
Later than one year but not later than five years	**45,814**	44,959
Later than five years	**28,657**	40,687
	85,658	96,485

f) Accounting policy

Investment property

Investment property is initially measured at cost including transaction costs and is subsequently measured at fair value, with any change therein recognised in profit or loss.

Fair value is based upon active market prices, given the assets highest and best use, adjusted if necessary, for any difference in the nature, location or condition of the relevant asset. If this information is not available, the Trust uses alternative valuation methods such as discounted cash flow projections or the capitalised earnings approach. The highest and best use of an investment property refers to the use of the investment property by market participants that would maximise the value of that investment property.

The carrying value of the investment property includes components relating to lease incentives and other items relating to the maintenance of, or increases in, lease rentals in future periods.

Lease incentives

Lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including up front cash payments, rent free periods, or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and amortised over the lease period as a reduction of rental income.

Initial direct leasing costs

Initial direct leasing costs incurred by the Trust in negotiating and arranging operating leases are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and are amortised as an expense on a straight line basis over the lease term.

g) Critical accounting estimates (fair value measurement)

The Trust's investment property, with a carrying amount of $143.4 million (2020: $128.5 million) represent a significant balance on the Trust's balance sheet. Investment property is measured at fair value using valuation methods that utilise inputs based upon estimates. Note 5(h) provides further details in relation to the valuation of investment property.

Impact of COVID-19

For the year ended 30 June 2021 the Trust's approach to property valuation was substantially consistent with prior years, but with an added emphasis in relation to the impact of COVID-19 upon inputs relevant to the valuation model for each property.

It should be noted the external valuer specified in their report that their valuation at 30 June 2020 was performed in an unusual market context, notably the absence of transactions initiated after the outbreak of the pandemic and difficulties associated with estimating the outlook for changes in the investment property market given the nature of the recent health crisis, and they were working within the context of valuation uncertainty. These conditions remain at balance date.

h) Fair value measurement

As noted above in the Trust's accounting policy, investment properties are measured at fair value. The fair value of the Trust's investment property is determined using property valuation models that rely on the use of inputs that are not based on readily observable market data.

Such valuation methods for determining fair value are called level 3 fair value measurements. These valuation methods and inputs are described in more detail below.

Valuation methodologies

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this perpetually, using an appropriate, market derived capitalisation rate, to derive a capital value, with allowances for capital expenditure reversions such as lease incentives and required capital works payable in the near future and overs / unders when comparing market rent with passing rent.
DCF method	Under the DCF method, a property's fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit terminal value. The DCF method involves the projection of expected cash flows from a real property asset over a period of time (generally five years) discounted to present value using an appropriate discount rate. An exit terminal value is added to the present value of the property cash flows using an appropriate terminal yield, to derive the value of the property.

Both methods require the determination of net market rent for a particular property, being the income capitalised or used to determine the present value of cash flows from the properties.

Unobservable inputs

Net market rent	A net market rent is the estimated amount for which a property or space within a property could be leased between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion.
Capitalisation rate	The rate at which net market income is capitalised to determine the value of the property. The rate is determined with regards to market evidence (and the prior external valuation for internal valuations).
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence (and the prior external valuation for internal valuations).
Terminal yield	The capitalisation rate used to estimate the residual value of the cash flows associated with the investment property at the end of the expected holding period.

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	
	2021	2020	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income ($'000)	**9,504**	9,189	Increase	Decrease
Capitalisation rate (%)	**6.75**	6.75	Decrease	Increase
Discount rate (%)	**7.40**	7.25	Decrease	Increase
Terminal yield (%)	**6.88**	6.88	Decrease	Increase
WALE (years)	**7.2**	7.6	Increase	Decrease
Occupancy	**99%**	99%	Increase	Decrease

6. Interest-bearing liabilities

a) Overview

The Trust borrowed funds from a financial institution to partly fund the acquisition of the Trust's investment property at 117 Brisbane Street, Ipswich QLD. This note provides further details about the Trust's debt facility and related finance costs incurred during the year.

	2021 $'000	2020 $'000
Current		
Secured		
Bank loan – investment property	**48,000**	-
Unamortised loan transaction costs	**(127)**	-
Non-current		
Secured		
Bank loan – investment property	**-**	48,000
Unamortised loan transaction costs	**-**	(178)
Total interest-bearing liabilities	**47,873**	47,822

b) Details of interest bearing liabilities

Bank loan – investment property

This bank loan facility is secured by a first registered mortgage over the Trust's investment property located at 117 Brisbane Street, Ipswich QLD. The loan has a maturity date of December 2023. The loan bears interest at a variable rate plus a margin. The Trust has no unused finance facilities. In the year-ended 30 June 2021, the Trust's loan facility has been recognised as current to reflect the highly likely sale of the investment property subsequent to year-end which in-turn would require the Trust to repay the loan facility subsequent to settlement in October 2021.

Due to the Trust having a swap contract for an amount equal to the bank loan facility and under such a contract receiving payments equal to the variable rate from the counterparty, the impact is equal to the loan interest being the fixed rate of 2.105% plus the margin. This will revert to the variable plus the margin once the swap contract expires in June 2023.

c) Finance costs

	2021 $'000	2020 $'000
Interest	**1,754**	1,759
Amortisation of loan transaction costs	**51**	52
Total finance costs	**1,805**	1,811

d) Accounting policy

Interest bearing liabilities are initially recognised at fair value, net of transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life.

Finance costs incurred on funds borrowed for the construction of a property are capitalised, forming part of the construction cost of the asset. Capitalisation ceases upon practical completion of the property. Other finance costs are expensed.

7. Derivative financial instrument

a) Overview

The Trust manages its cash flow interest rate risk by using a floating-to-fixed interest rate swap contract. In this contract the Trust agrees with the counterparty to exchange, at specified intervals (usually 30 days), the difference between contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amount.

Under the contract, the Trust will effectively pay interest on a notional swap amount of $48,000,000 at a fixed rate of 2.105% (30 June 2020: fixed rate of 2.105%) with the counterparty paying at the variable 30-day bank bill swap bid rate which at balance date was 0.06% (30 June 2020: 0.143%). The swap matures in June 2023.

	2021 $'000	2020 $'000
Current		
Interest rate swap contract	**1,071**	886
Non-current		
Interest rate swap contract	**777**	1,873

b) Accounting policy

The Trust is exposed to changes in interest rates and uses interest rate derivatives to hedge these risks. Such derivative financial instruments are initially recognised at cost on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Trust enters into interest rate swap agreements to convert certain future variable interest rate borrowings to fixed interest rates. The derivatives are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Trust has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in profit or loss. Refer Note 10(e) for valuation techniques used with respect of the derivative financial instrument.

8. Provisions

a) Overview

The Trust's constitution entitles the responsible entity to a performance fee payable as soon as possible after the sale of the investment property or rollover of the Trust in addition to its ongoing management fee. The performance fee payable is calculated as 20% of the excess cash flow above an internal rate of return of 10% from the property from the date of acquisition.

	2021 $'000	2020 $'000
Current		
Provision for performance fee	**2,468**	-

b) Movement in provision

	2021 $'000	2020 $'000
Balance at 1 July	**-**	-
Adjustment of provision through profit or loss (1)	**2,468**	-
Balance at 30 June	**2,468**	-

(1) A provision for the performance fee has been recognised during the year pursuant to the successful sale of the Trust's investment property. The performance fee has been assessed on the basis the sale will complete in the following reporting period.

c) Accounting policy

A provision for performance fees payable to the responsible entity is recognised by the Trust if the performance of the Trust exceeds the performance hurdle for the fee to become payable as per the Trust's constitution. The performance fee is calculated based on a discounted cash flow projection over the life of the Trust taking into account any fair value gains or losses of investment property to balance date. The recognised performance fee is remeasured at each reporting date with adjustments made through profit or loss.

d) Key area of estimation and judgement

The Trust exercises judgement in measuring and recognising the provision in respect of the performance fee due to the responsible entity. In the first instance, the quantum of the provision is dependent upon the uncertain outcome of the unitholders vote in respect of the extension of the Trust and a small change to the Constitution in relation to the same, as this will slightly alter the basis of the calculation. Secondly, judgement is necessary in assessing the quantum of the fee itself, which is uncertain as it is dependent upon the independent valuation of the investment property, the timing of its disposal and related estimated selling costs.

9. Contributed equity

a) Overview

The Trust is closed and will not issue any more units. Following approval of the rollover of the Trust by unitholders in a prior year, the Trust term expires on 28 June 2023. During the extended term unitholders have no right of withdrawal.

	2021		2020	
	# '000	**$'000**	# '000	$'000
Issued units	**52,500**	**51,119**	52,500	51,119

b) Accounting policy

A financial instrument that includes a contractual obligation for the Trust to deliver to each instrument holder their pro rata share of the Trust's net assets on liquidation is classified as an equity instrument (contributed equity) when it has all the following features:

(1) The instrument entitles each instrument holder to a pro rata share of the Trust's net assets in the event of the Trust's liquidation. The Trust's net assets are those assets that remain after deducting all other claims on the entity's assets. A pro rata share is determined by dividing the net assets of the Trust at the end of its term into units of equal amount and multiplying that amount by the number of units held by the instrument holder.

(2) The instrument is subordinate to all other classes of financial instruments of the Trust. For this to be the case, the instrument must give the instrument holder no priority over other claims to the assets of the Trust on liquidation and must not need to be converted into another instrument to be in a class of instruments that is subordinate to all other classes of instruments.

(3) All instruments in the class of instruments must have an identical contractual obligation for the entity to deliver a pro rata share of its net assets on liquidation.

In addition to the above features, the Trust must have no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Trust and the effect of substantially restricting or fixing the residual return to instrument holders.

10. Financial risk management

a) Overview

The Trust's activities expose it to a variety of financial risks which include credit risk, liquidity risk and market risk. The responsible entity's overall risk management program focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of the Trust. The Trust uses derivative financial instruments such as interest rate derivatives to hedge certain risk exposures. The Trust seeks to deal only with creditworthy counterparties. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

The responsible entity's treasury activities are centralised and governed by policies approved by the Directors who monitor the operating compliance and performance as required. The responsible entity has policies for overall risk management as well as policies covering specific areas such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

The Trust holds the following financial instruments that are subject to the responsible entity's risk management practices:

	Type of financial instrument	**2021 $'000**	2020 $'000
Financial assets:			
Cash and cash equivalents	(1)	**3,187**	2,668
Receivables	(1)	**13**	73
Total financial assets		**3,200**	2,741
Financial liabilities			
Trade and other payables	(1)	**480**	508
Distribution payable	(1)	**566**	522
Interest bearing liabilities	(1)	**47,873**	47,822
Derivative financial instrument	(2)	**1,848**	2,759
Provisions	(1)	**2,468**	-
Total financial liabilities		**53,235**	51,611

Type of financial instrument per AASB 9 *Financial Instruments*:
(1) At amortised cost; and
(2) At fair value through profit or loss.

The Trust is exposed to the following key financial risks:

Risk	**Definition of risk**	**Trust's exposure**	**Responsible entity's management of risk**
Credit risk (Section 10(b))	The risk a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Trust.	• Cash and cash equivalents; • Receivables; • Derivative financial instruments.	The responsible entity manages this risk by: • establishing credit limits for customers and managing exposure to individual entities; • monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality;

			• derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions; and • regularly monitoring loans and receivables on an ongoing basis.
Liquidity risk (Section 10(c))	The risk the Trust will default on its contractual obligations under a financial instrument.	• Payables; • Borrowings; • Derivative financial instruments.	The responsible entity manages this by: • maintaining sufficient cash reserves and undrawn finance facilities to meet ongoing liquidity requirements • preparation of rolling forecasts of short-term and long-term liquidity requirements • monitoring maturity profile of borrowings and putting in place strategies to ensure all maturing borrowings are refinanced significantly ahead of maturity.
Market risk – interest rate risk (Section 10(d))	The risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.	• Borrowings at variable or fixed rates; • Derivative financial instruments.	The responsible entity manages this risk through interest rate hedging arrangements (swap contracts).

b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount of financial assets recognised in the Balance sheet of the Trust. The Trust holds no significant collateral as security. Cash is held with an Australian financial institution, and the interest rate derivative counterparty is an Australian financial institution.

The Trust has one major asset, the Ipswich City Heart Building, of which 91% of the net lettable area is leased to one tenant, the Queensland State Government's Department of Public Works , for a remaining term of 7 years. Other than this, the Trust does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics.

c) Liquidity risk

The contractual maturity of the Trust's financial liabilities at balance date are shown in the table below. It shows undiscounted contractual cash flows required to discharge the Trust's financial liabilities, including interest at current market rates.

	1 year or less $000	2 – 5 years $000	Total $000
2021			
Trade and other payables	**480**	**-**	**480**
Distribution payable	**566**	**-**	**566**
Interest bearing liabilities	**749**	**49,118**	**49,867**
Derivative financial instrument	**1,071**	**777**	**1,848**
Provisions	**2,468**	**-**	**2,468**
Total financial liabilities	**5,334**	**49,895**	**55,229**
2020			
Trade and other payables	508	-	508
Distribution payable	522	-	522
Interest bearing liabilities	786	52,896	53,682
Derivative financial instrument	886	1,873	2,759
Total financial liabilities	2,702	54,769	57,471

d) Market risk

Interest rate risk

The Trust's interest-rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates will expose the Trust to fair value interest rate risk. The Trust's policy is to effectively maintain hedging arrangements of its borrowings where it is considered appropriate and cost effective to do so. For details of the Trust's interest rate swap contract refer to note 7.

The table below shows the impact on profit and equity if interest rates changed by 100 basis points based on borrowings and interest rate derivatives held at year-end with all other variables held constant. The impact on profit and equity includes impact on finance costs (cash flow risk) and the fair value of derivative financial instruments (fair value risk).

Interest rate increase / decrease of:	+1%		-1%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2021	**40**	**40**	**(40)**	**(40)**
2020	33	33	(33)	(33)

e) 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 measures and recognises the following financial instruments at fair value on a recurring basis:

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

Valuation techniques used to derive Level 1 fair values

At balance date, the Trust held no Level 1 assets. The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. 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 swap

Level 2 financial liabilities held by the Trust include a "Vanilla" fixed to floating interest rate swap derivative (over-the-counter derivatives). The fair value of the derivative has been determined using pricing models based on discounted cash flow analysis which incorporates assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivatives and counterparty or own credit risk.

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.

f) Fair value of other financial instruments not measured at fair value

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

g) Accounting policy

The accounting policies with respect to the initial recognition, measurement, classification and subsequent measurement of the Trust's financial assets and financial liabilities are detailed below.

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Trust's Balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. On initial recognition, financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognised net of transaction costs directly attributable to the acquisition of these financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

Financial assets

Classification and subsequent recognition and measurement

Subsequent to initial recognition the Trust classifies its financial assets in the following measurement categories:

- Those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

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

Financial assets recognised at amortised cost

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

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

Financial assets recognised at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or recognition at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the Statement of profit or loss and presented net within other gains / (losses) in the period in which it arises.

Impairment

The Trust recognises a loss allowance for expected credit losses on trade receivables that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Trust applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Trust's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Trust impairs a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Trust derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the Statement of profit or loss.

When the Trust exchanges one debt instrument for another with substantially different terms with an existing lender, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Trust accounts for the substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new financial liability.

11. Cash flow information

a) Overview

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

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

	2021 $'000	2020 $'000
Net profit	**19,884**	7,994
Fair value net (gain) / net loss:		
Investment property	**(14,870)**	(2,050)
Interest rate derivative	**(911)**	750
Amortisation of loan transaction costs	**51**	52
Amortisation of lease costs and lease incentives	**286**	382
Straight-line lease income	**(146)**	(566)
Changes in operating assets and liabilities		
Increase / (decrease) in:		
Receivables	**60**	(16)
Other assets	**(10)**	2
Increase / (decrease) in:		
Trade and other payables	**101**	98
Unearned income	**47**	5
Provisions [(1)]	**2,468**	-
Net cash provided by operating activities	**6,960**	6,651

c) Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

12. Related parties

a) Overview

Related parties are persons or entities that are related to the Trust as defined by AASB 124 *Related Party Disclosures*. These include Directors and other key management personnel of the responsible entity and their close family members and any entities they control. They also include any associated entities of the responsible entities, such as entities that are also controlled by the parent entity of the responsible entity Cromwell Corporation Limited.

This note provides information about transactions with related parties during the year. All of the Trust's transactions with related parties are on normal commercial terms and conditions and at market rates.

b) Key management personnel disclosures

The following persons were Directors and other key management personnel of the responsible entity during the entire year, unless otherwise stated:

Cromwell Funds Management Limited	
Non-executive directors	
TL Cox	Director – appointed 14 January 2021, Chair since 14 January 2021
MA McKellar	Director
JA Tongs	Director
WRL Foster	Director
Executive directors and other key management personnel	
PL Weightman	Managing Director and Chief Executive Officer – retired 31 December 2020
M Wilde	Chief Financial Officer to 31 December 2020. Acting Chief Executive Officer from 1 January 2021.
B Hinton	Acting Chief Financial Officer from 1 January 2021.

There were no key management personnel employed by the Trust at any time during the year.

c) Remuneration

Key management personnel are paid by Cromwell Operations Pty Ltd. Cromwell Operations Pty Ltd is a wholly owned subsidiary of Cromwell Corporation Limited, which is the parent entity of the responsible entity. Payments made from the Trust to either Cromwell Operations Pty Ltd or Cromwell Funds Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

d) Unitholdings / loans

The Directors and other KMP of the responsible entity, including their personally related parties, had no loans payable to/receivable from the Trust nor held any units in the Trust during the financial year or at year-end.

e) Transactions with the responsible entity and its associates

	2021 $	2020 $
Amounts paid / payable		
Performance fee	**2,468,000**	-
Fund administration fees	**787,800**	765,840
Property and facility management fees	**405,384**	393,996
Accounting service fees	**64,800**	62,400
Leasing commission	**2,871**	-
Aggregate amount payable to the responsible entity and its associate at year-end	**67,212**	38,033

13. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	2021 $	2020 $
Audit services		
Pitcher Partners Brisbane		
• Audit and review of financial report	**20,500**	18,500
• Audit of compliance plan	**6,750**	6,300
Total remuneration for audit and other assurance services	**27,250**	24,800

There were no fees paid for other services.

14. Unrecognised items

a) Overview

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

b) Contingent liabilities

The Directors are not aware of any material contingent liabilities and the Directors are not aware of any material changes in contingent liabilities of the Trust since the last annual report.

c) Commitments

At year-end the Trust does not have any material expenditure commitments.

15. Subsequent events

Other than those disclosed below, no matter or circumstance has arisen since 30 June 2021 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.

Sale of Investment property

As noted above, the responsible entity of the Trust has entered into a conditional agreement to sell the Trust's investment property, which if successful, is expected to complete in October 2021 with the Trust being wound up as soon as practicable thereafter.

Directors' Declaration

In the opinion of the Directors of Cromwell Funds Management Limited as responsible entity for Cromwell Ipswich City Heart Trust:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the Trust' financial position as at 30 June 2021 and of its performance, for the financial year ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 Basis of preparation; and

(c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of Cromwell Funds Management Limited.

Ms TL Cox

Chair

25 August 2021

Sydney

PITCHER PARTNERS

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Independent Auditor's Report
To the Members of Cromwell Ipswich City Heart Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cromwell Ipswich City Heart Trust ("the Trust"), which comprises the balance sheet as at 30 June 2021, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' of the responsible entity's declaration.

In our opinion, the accompanying financial report of the Trust, is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Trust's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Regarding the Non-Going Concern Basis of Preparation

Without modifying our opinion, we draw attention to the Note 1 of the financial report which describes that the financial report has not been prepared on a going concern basis, as it is the responsible entity's intention to wind up the Trust subsequent to the successful completion of the sale of the Ipswich City Heart Building.

Other Information

The directors of Cromwell Funds Management Limited as responsible entity for the Trust (the "directors") are responsible for the other information. The other information comprises the information included in the Trust's directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Trust are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Pitcher Partners

PITCHER PARTNERS

CHERYL MASON
Partner

Brisbane, Queensland
25 August 2021