Cromwell Ipswich City Heart Trust

ARSN 154 498 923

Final Financial Report

28 February 2022

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

Contents

DIRECTORY

Responsible entity:

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Tel: +61 2 9229 9000
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Directors' Report

The Directors of Cromwell Funds Management Limited, the responsible entity of Cromwell Ipswich City Heart Trust (the Trust), present their report for the period 1 July 2021 to 28 February 2022.

The responsible entity and its Directors

Cromwell Funds Management Limited has been the responsible entity of the Trust since its registration. Cromwell Funds Management Limited is part of Cromwell Property Group, a global real estate investment manager with $12.1 billion of assets under management. The responsible entity undertook management and administrative duties for the Trust and monitored the custodian, The Trust Company Limited (owned by Perpetual Limited), which held 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

Review of operations and results

Wind up of the Trust

The Trust's principal activity was the ownership of the commercial investment property located at 117 Brisbane Street, Ipswich, QLD. During the period the investment property was sold for a contract sale price of $144,900,000 (less selling costs of $1,460,000) with the sale completing in October 2021. Proceeds from the sale were used to repay debt, pay the performance fee to the responsible entity and pay a special distribution to unitholders.

As the responsible entity, Cromwell Funds Management Limited decided to terminate and wind up the Trust pursuant to the Trust's constitution. The Trust was terminated on 18 November 2021 with the final distribution payment to unitholders completed on 10 February 2022. Following the sale of the investment property, all of the Trust's liabilities were extinguished and the remaining funds were returned to investors.

Financial performance

The Trust recorded a statutory profit of $2,089,000 for the period ended 28 February 2022 (year ended 30 June 2021: $19,884,000).

During the period the Trust paid ongoing distributions of $1,891,000. Following settlement of the Trust's sole investment property in October 2021, unitholders who were on the Trust's register at 10 November 2021 received a special distribution of $1.76 per unit. On 10 February 2022 a final distribution of $0.01 returned all remaining Trust funds to the unitholders.

Impact of COVID-19 on financial performance

Due to the Trust's tenant base being heavily skewed to a single resilient tenant (the Queensland State Government's Department of Public Works), there were no requests for deferred payment plans (2021: $6,928).

Significant changes in the state of affairs

Following the final distribution payment on 10 February 2022 the units in the Trust were cancelled on 28 February 2022 and the Trust has been wound up as of that date.

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

The Trust paid total distributions of $94,307,000 during the period (year ended 30 June 2021: $6,038,000). There are no distributions payable at the end of the period.

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 the responsible entity

Total fees paid to the responsible entity or their associates during the period were $368,000 (2021: $3,729,000, which included a $2,423,000 performance fee, payable at 30 June 2021 to the responsible entity, which was settled during the period).

Directors' Report

Units held by the responsible entity

No units in the Trust have been issued to the responsible entity or its Directors during the period and none were held at the date of this report.

Indemnifying officers or auditors

No indemnities have been given during or since the end of the financial period, 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.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) accompanies this report on page 5.

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

Ms TL Cox

Chair

28 March 2022

Brisbane

Level 38, 345 Queen Street
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GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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 period ended 28 February 2022, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Pitcher Partners
PITCHER PARTNERS

CMason
CHERYL MASON
Partner

Brisbane, Queensland
28 March 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

NETWORK MEMBER
pitcher.com.au

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

NIGEL FISCHER, MARK NICHOLSON | PETER CAMENZULI, JASON EVANS | KYLIE LAMPRECHT, NORMAN THURECHT | BRETT HEADRICK, WARWICK FACE | COLE WILKINSON, SIMON CHUN | JEREMY JONES, TOM SPLATT | JAMES FIELD, DANIEL COLWELL | ROBYN COOPER, FELICITY CRIMSTON | CHERYL MASON, KIERAN WALLIS | MURRAY GRAHAM, ANDREW ROBIN

Statement of Profit or Loss

For the period ended 28 February 2022

	Notes	**For the period ended 28 February 2022 $'000**	For the 12 months to 30 June 2021 $'000
Revenue and other income			
Rental income and recoverable outgoings	3	**3,358**	11,011
Fair value net gain from:			
Derivative financial instrument		**313**	911
Investment property	5(c)	**-**	14,870
Total revenue and other income		**3,671**	26,792
Expenses			
Finance costs	6(c)	**649**	1,805
Property expenses and outgoings		**488**	1,692
Management and administration costs		**326**	3,411
Loss on sale of investment property	5(e)	**119**	-
Total expenses		**1,582**	6,908
Profit for the period / year		**2,089**	19,884
Other comprehensive income for the period / year		**-**	-
Total comprehensive income for the period / year		**2,089**	19,884

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

Balance Sheet

As at 28 February 2022

	Notes	As at 28 February 2022 $'000	As at 30 June 2021 $'000
Current assets			
Cash and cash equivalents		-	3,187
Receivables	4	-	13
Other current assets		-	19
Investment property classified as held for sale	5	-	143,440
Total current assets		-	146,659
Total assets		-	146,659
Current liabilities			
Trade and other payables		-	707
Distribution payable		-	566
Derivative financial instrument	7	-	1,071
Unearned income		-	979
Provisions	8	-	2,468
Interest bearing liabilities	6	-	47,873
Total current liabilities		-	53,664
Non-current liabilities			
Derivative financial instrument	7	-	777
Total non-current liabilities		-	777
Total liabilities		-	54,441
Net assets		-	92,218
Equity			
Contributed equity	9	-	51,119
Retained earnings		-	41,099
Total equity		-	92,218

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

Statement of Changes in Equity

For the period ended 28 February 2022

28 February 2022	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2021		**51,119**	**41,099**	**92,218**
Total comprehensive income for the period		**-**	**2,089**	**2,089**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid	2	**-**	**(1,891)**	**(1,891)**
Return of capital and cancellation of units	9	**(51,119)**	**(41,297)**	**(92,416)**
Total distributions and return of capital		**(51,119)**	**(43,188)**	**(94,307)**
Balance at 28 February 2022		**-**	-	-

30 June 2021	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2020		51,119	27,253	78,372
Total comprehensive income for the year		-	19,884	19,884
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

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

Statement of Cash Flows

For the period ended 28 February 2022

	Note	For the period ended 28 February 2022 $'000	For the 12 months to 30 June 2021 $'000
Cash flows from operating activities			
Receipts in the course of operations		**2,473**	12,380
Payments in the course of operations		**(3,748)**	(3,666)
Finance costs paid		**(623)**	(1,754)
Net cash (used in) / provided by operating activities	11(b)	**(1,898)**	6,960
Cash flows from investing activities			
Proceeds from sale of investment property		**144,900**	-
Payments for investment property		**(1,781)**	(446)
Net cash provided by / (used in) investing activities		**143,119**	(446)
Cash flows from financing activities			
Payment of distributions		**(2,457)**	(5,995)
Return of capital		**(92,416)**	-
Repayment of derivative financial instrument		**(1,535)**	-
Repayment of borrowings		**(48,000)**	-
Net cash used in financing activities		**(144,408)**	(5,995)
Net (decrease) / increase in cash and cash equivalents		**(3,187)**	519
Cash and cash equivalents at 1 July		**3,187**	2,668
Cash and cash equivalents at the end of the reporting period		**-**	3,187

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

Notes to the Financial Statements

For the period ended 28 February 2022

1. Basis of preparation

Units in the Cromwell Ipswich City Heart Trust (the "Trust") were cancelled and the Trust was wound up on 28 February 2022. This financial report is a general purpose financial report that has been prepared to comply with the constitution of the Trust, which requires the responsible entity to prepare a final audited financial report of the Trust.

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 financial periods presented, unless otherwise stated. The financial report includes financial statements for the Trust as an individual entity.

Wind up of the Trust

The financial report is not prepared on a going concern basis as the Trust was wound-up following the sale of the Trust's sole investment property and cancellation of the Trust's units. Instead, the financial report has been prepared on the basis set out in the significant accounting policies outlined below. The directors confirm that all liabilities of the Trust have been settled as at the date of this financial report and they do not expect further liabilities to be incurred beyond 28 March 2022.

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 measured at fair value; and
- derivative financial instruments 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

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

Continuous disclosure

Continuous disclosure and updates on the 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 operated in one operating segment, being direct property investment in Australia. The Trust generated revenues and derived capital appreciation from its investment in investment property.

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.

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 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), there were no requests for deferred payment plans (2021: $6,928). For further information refer to note 3.
- **Receivables** – in response to COVID-19 management has undertaken a review of its relevant tenant receivables. At balance date all receivables had been recovered. During the current and prior periods, no receivables were written off.

c) New accounting standards and interpretations adopted by the Trust

New and amended standards adopted by the Trust

There are no standards, interpretations or amendment to existing standards that are effective for the first time for the financial period beginning 1 July 2021 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 2022 and have not been early adopted

A number of new standards, interpretations or amendments are effective for annual periods beginning after 1 July 2022 and have not been early adopted in preparing these financial statements. None of these did have a material effect on the financial statements of the Trust.

2. Distributions

a) Overview

The Trust's distribution policy was 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.

Excluding the special distribution of $1.76 per unit paid in November 2021 and the final distribution of $0.01 cent paid in February 2022, distributions have increased by 52% since the inception of the Trust in December 2011. The distribution rate for the period 1 July 2021 to 30 September 2021 (at which time normal distributions ceased) was 11.75 cents per annum which was paid monthly. The annual distribution increases since inception of the Trust were made possible by the performance of the Trust's investment property.

b) Distributions paid

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 September 2021	**11.75** cents
November 2021 – special distribution	**175.65 cents**
February 2022 – final distribution	**1.00 cent**

Total distributions paid during the period were as follows:

	28 February 2022 $'000	30 June 2021 $'000
Ongoing distributions paid / payable	**1,891**	6,038
Capital distributions paid:		
Special distribution paid 10 November 2021	**91,868**	-
Final distribution paid 10 February 2022	**548**	-
Total distributions paid	**94,307**	6,038

There are no undistributed Trust profits or equity remaining at the date of this financial report.

3. Revenue

a) Overview

The Trust recognised 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 recognised revenue items from tenant customers.

The table below presents information about revenue items recognised from rental income and recoverable outgoings:

	28 February 2022 $'000	30 June 2021 $'000
Rental income – lease components	**3,275**	10,716
Recoverable outgoings - non-lease components	**83**	295
Rental income and recoverable outgoings	**3,358**	11,011

b) Disaggregation of revenue from contracts with customers

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

	28 February 2022 $'000	30 June 2021 $'000
Rental income and recoverable outgoings – non-lease components:		
Recoverable outgoings (1)	**48**	209
Cost recoveries (2)	**35**	86
Total rental income and recoverable outgoings – non-lease components	**83**	295

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

Interest revenue

Interest revenue was recognised as it accrues using the effective interest method. Interest revenue was 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 were not due and payable was recognised as unearned income in the Trust's balance sheet.

d) Critical accounting estimates and judgements

Impact of COVID-19

Due to the Trust's tenant base being heavily skewed to a single resilient tenant (the Queensland State Government's Department of Public Works), there were no requests for deferred payment plans (2021: $6,928).

4. Receivables

a) Overview

Receivables of the Trust consisted of rental receivables and other receivables.

	28 February 2022 $'000	30 June 2021 $'000
Rent receivables	**-**	1
Other receivables	**-**	12
Total receivables	**-**	13

b) Accounting policy

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

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

5. Investment property classified as held for sale

a) Overview

During the period the Trust's sole investment property, Ipswich City Heart Building at 117 Brisbane Street, Ipswich, QLD was sold for a contract sale price of $144,900,000 with the sale completing in October 2021.

b) Details of the Trust's investment property – sold

	Independent valuation		Carrying amount		Fair value adjustment	
	Date	Amount $'000	**28 February 2022 $'000**	30 June 2021 $'000	**28 February 2022 $'000**	30 June 2021 $'000
117 Brisbane Street, Ipswich, QLD	Jun 2020	128,500	**-**	143,440	**-**	14,870

c) Movements in investment property

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

	28 February 2022 $'000	30 June 2021 $'000
Balance at 1 July	**143,440**	128,500
Additions at cost:		
Lifecycle	**81**	15
Disposal costs	**1,450**	-
Disposal	**(144,884)**	-
Straight-line lease income	**-**	146
Lease costs and incentives	**-**	195
Amortisation of lease costs and lease incentives	**(87)**	(286)
Net gain from fair value adjustments	**-**	14,870
Total investment property	**-**	143,440

d) Amounts recognised in profit and loss for investment properties

	28 February 2022 $'000	30 June 2021 $'000
Rental income and recoverable outgoings	**3,358**	11,011
Property expenses and outgoings	**(488)**	(1,692)
Total	**2,870**	9,319

e) Investment property sold –117 Brisbane Street, Ipswich, QLD

Details of the investment property sold during the period are as follows:

	Gross sale price $'000	Carrying amount at 30 June 2021 $'000	Last independent valuation $'000	Loss on sale recognised $'000
117 Brisbane Street, Ipswich, QLD	144,900	143,440	128,500	119

The loss on sale is a result of the write-off of remaining lease abatement incentives on sale of the investment property. The difference between the gross sale price of $144,900,00 and the carrying amount at 30 June 2021 of $143,440,000 are selling costs of $1,460,000.

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

The investment property was 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 were receivable as follows:

	28 February 2022 $'000	30 June 2021 $'000
Within one year	**-**	11,187
Later than one year but not later than five years	**-**	45,814
Later than five years	**-**	28,657
Total	**-**	85,658

g) Accounting policy

Investment property

Investment property was 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 was 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 used 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 included 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 were 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 were recognised as an asset in the balance sheet as a component of the carrying amount of investment property and were amortised as an expense on a straight line basis over the lease term.

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. Subsequent to the sale of the Trust's investment property, proceeds from the sale were used to repay the loan facility. This note provides further details about the Trust's debt facility and related finance costs incurred during the period.

	28 February 2022 $'000	30 June 2021 $'000
Current		
Secured		
Bank loan – investment property	-	48,000
Unamortised loan transaction costs	-	(127)
Total interest-bearing liabilities	-	47,873

b) Details of interest bearing liabilities

Bank loan – investment property

The bank loan facility was secured by a first registered mortgage over the Trust's investment property located at 117 Brisbane Street, Ipswich, QLD. The loan facility was fully repaid during the period.

During the period until its cancellation, the Trust held an interest rate swap contract for an amount equal to the bank loan facility. Under the contract the Trust received payments equal to the variable rate from the counterparty, the impact being equal to the loan interest at the fixed rate of 2.105% plus the margin.

c) Finance costs

	28 February 2022 $'000	30 June 2021 $'000
Interest	516	1,754
Amortisation of loan transaction costs	127	51
Borrowing costs – ongoing fees	6	-
Total finance costs	649	1,805

d) Accounting policy

Interest bearing liabilities were initially recognised at fair value, net of transaction costs. Interest bearing liabilities were 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 were spread over its expected life.

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

7. Derivative financial instrument

a) Overview

During the period until its cancellation, the Trust managed its cash flow interest rate risk by using a floating-to-fixed interest rate swap contract. In this contract the Trust agreed 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.

During the period under the contract until its cancellation, the Trust effectively paid interest on a notional swap amount of $48,000,000 at a fixed rate of 2.105% plus the margin (30 June 2021: fixed rate of 2.105% plus the margin) with the counterparty paying at the variable 30-day bank bill swap mid rate which at balance date was nil% (30 June 2021: 0.06%). The Trust early cancelled the swap and paid a cancellation fee of $1,535,000 during the period.

	28 February 2022 $'000	30 June 2021 $'000
Current		
Interest rate swap contract	-	1,071
Non-current		
Interest rate swap contract	-	777

b) Accounting policy

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

The Trust entered into interest rate swap agreements to convert certain future variable interest rate borrowings to fixed interest rates. The derivatives were entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Trust has determined that these arrangements were economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they did not qualify for hedge accounting and gains or losses arising from changes in fair value were 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 entitled 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 was calculated as 20% of the excess cash flow above an internal rate of return of 10% from the property from the date of acquisition.

Following the sale of the Trust's investment property during the period, the responsible entity became entitled to and was paid the performance fee, hence no further provision for the performance fee was recognised up to 28 February 2022.

	28 February 2022 $'000	30 June 2021 $'000
Current		
Provision for performance fee	**-**	2,468

b) Movement in provision

	28 February 2022 $'000	30 June 2021 $'000
Balance at beginning of period	**2,468**	-
Adjustment of provision through profit or loss	**(45)**	2,468
Performance fee paid	**(2,423)**	-
Balance at end of the period / year	**-**	2,468

c) Accounting policy

A provision for performance fees payable to the responsible entity was recognised by the Trust if the performance of the Trust exceeded the performance hurdle for the fee to become payable as per the Trust's constitution. The performance fee was 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 was remeasured at each reporting date with adjustments made through profit or loss.

9. Contributed equity

a) Overview

During the period the Trust returned all capital to the unitholders through the payment of a special and final distribution (refer note 2 for further details). Following the return of all capital the units in the Trust were cancelled on 28 February 2022.

	28 February **2022**		30 June 2021	
	# '000	**$'000**	# '000	$'000
Issued units	**-**	**-**	52,500	51,119

b) Movement in contributed equity

	#'000	$'000
Balance at beginning of period	52,500	51,119
Return of capital and cancellation of units	(52,500)	(51,119)
Balance at end of period	-	-

c) 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 was classified as an equity instrument (contributed equity) when it had all the following features:

(1) The instrument entitled 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 were those assets that remain after deducting all other claims on the entity's assets. A pro rata share was 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 was 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 exposed it to a variety of financial risks which included credit risk, liquidity risk and market risk. The responsible entity's overall risk management program focused on managing these risks and sought to minimise potential adverse effects on the financial performance of the Trust. The Trust used derivative financial instruments such as interest rate derivatives to hedge certain risk exposures. The Trust sought to deal only with creditworthy counterparties. Liquidity risk was monitored through the use of future rolling cash flow forecasts.

The responsible entity's treasury activities were centralised and governed by policies approved by the Directors who monitored the operating compliance and performance as required. The responsible entity had 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 held the following financial instruments that were subject to the responsible entity's risk management practices:

	Type of financial instrument	**28 February 2022 $'000**	30 June 2021 $'000
Financial assets			
Cash and cash equivalents	(1)	-	3,187
Receivables	(1)	-	13
Total financial assets		-	3,200
Financial liabilities			
Trade and other payables	(1)	-	480
Distribution payable	(1)	-	566
Interest bearing liabilities	(1)	-	47,873
Derivative financial instrument	(2)	-	1,848
Provisions	(1)	-	2,468
Total financial liabilities		-	53,235

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

The Trust was 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	The responsible entity managed 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; • 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 managed 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 managed this risk through interest rate hedging arrangements (swap contracts).

b) Credit risk

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

The Trust had one major asset, the Ipswich City Heart Building, of which 91% of the net lettable area was leased to one tenant, the Queensland State Government's Department of Public Works. Other than this, the Trust did 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 period end were nil as shown in the table below.

	1 year or less $000	2 – 5 years $000	Total $000
28 February 2022	-	-	-
Total financial liabilities	-	-	-

	1 year or less $000	2 – 5 years $000	Total $000
30 June 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

d) Market risk

Interest rate risk

The Trust's interest-rate risk primarily arose from borrowings. Borrowings issued at variable rates exposed the Trust to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Trust to fair value interest rate risk. The Trust's policy was to effectively maintain hedging arrangements of its borrowings where it was 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 period-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
28 February 2022	-	-	-	-
30 June 2021	40	40	(40)	(40)

e) Fair value measurement of financial instruments

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

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

The Trust measured and recognised the following financial 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 and Level 3 fair values

At balance date, the Trust held no Level 1, Level 2 or Level 3 assets.

Fair value of interest rate swap

Level 2 financial liabilities held by the Trust included a "Vanilla" fixed to floating interest rate swap derivative (over-the-counter derivatives). The fair value of the derivative was previously 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. During the period the interest rate swap derivative was cancelled.

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 were assumed to approximate their fair values due to their short-term nature. The fair value of interest bearing liabilities was estimated by discounting the future contractual cash flows at the current market interest rates that were available to the Trust for similar financial instruments. The fair value of these interest bearing liabilities at the end of the period was nil.

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 were recognised in the Trust's Balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities were 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) were 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 were recognised immediately in the consolidated statement of comprehensive income.

Financial assets

Classification and subsequent recognition and measurement

Subsequent to initial recognition the Trust classified 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 depended 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 were held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and were measured at amortised cost. Interest income from these financial assets was 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 was recognised in the Statement of profit or loss.

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

Financial assets recognised at fair value through profit or loss

Assets that did not meet the criteria for amortised cost or recognition at fair value through other comprehensive income were 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 were recognised in the Statement of profit or loss and presented net within other gains / (losses) in the period in which it arose.

Impairment

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

For trade receivables, the Trust applied 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 were estimated using a provision matrix based on the Trust's historical credit loss experience adjusted for factors that were 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 impaired a financial asset when there was information indicating that the debtor was in severe financial difficulty and there was no realistic prospect of recovery.

Financial liabilities

All financial liabilities were 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 were not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at fair value through profit or loss, were 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 derecognised financial liabilities when, and only when, its obligations were 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 exchanged one debt instrument for another with substantially different terms with an existing lender, such exchange was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Trust accounted 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 period to cash flows from operating activities and information about non-cash transactions.

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

	For the period ended 28 February 2022 $'000	For the 12 months to 30 June 2021 $'000
Net profit	**2,089**	19,884
Fair value net (gain):		
Investment property	**-**	(14,870)
Interest rate derivative	**(313)**	(911)
Amortisation of loan transaction costs	**127**	51
Amortisation of lease costs and lease incentives	**87**	286
Straight-line lease income	**-**	(146)
Changes in operating assets and liabilities		
Increase / (decrease) in:		
Receivables	**13**	60
Other assets	**19**	(10)
Increase / (decrease) in:		
Trade and other payables	**(473)**	101
Unearned income	**(979)**	47
Provisions	**(2,468)**	2,468
Net cash (used in) / provided by operating activities	**(1,898)**	6,960

c) Accounting policy

Cash and cash equivalents included 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 were readily convertible to known amounts of cash and which were 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 period. All of the Trust's transactions with related parties were on normal commercial terms and conditions and at market rates.

Key management personnel disclosures

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

Cromwell Funds Management Limited	
Non-executive directors	
T Cox	Director – appointed 14 January 2021, Chair since 14 January 2021
M McKellar	Director
J Tongs	Director
R Foster	Director
Executive directors and other key management personnel	
J Callaghan	Chief Executive Officer of parent entity from 5 October 2021
M Wilde	Acting Chief Executive Officer of parent entity from 1 January 2021 to 5 October 2021
	Chief Financial Officer of parent entity from 5 October 2021
B Hinton	Acting Chief Financial Officer from 1 January 2021 to 5 October 2021

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

b) Remuneration

Key management personnel were 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 did not include any amounts directly attributable to the compensation of key management personnel.

c) 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 period or at period-end.

d) Transactions with the responsible entity and its associates

	28 February 2022 $	30 June 2021 $
Amounts paid / payable		
Performance fee [1]	**(44,764)**	2,468,000
Fund administration fees	**266,967**	787,800
Property and facility management fees	**124,858**	405,384
Accounting service fees	**20,677**	64,800
Leasing commission	**-**	2,871
Aggregate amount payable to the responsible entity and its associate at period-end	**-**	67,212

[1] On settlement of the investment property, the calculation of the performance fee was finalised. The performance fee provision was adjusted through the Statement of profit or loss.

13. Remuneration of auditor

During the period the following fees were paid for services provided by the auditor of the Trust:

	28 February 2022 $	30 June 2021 $
Audit services		
Pitcher Partners Brisbane		
• Audit and review of financial report	**14,500**	20,500
• Audit of compliance plan	**-**	6,750
Total remuneration for audit and other assurance services	**14,500**	27,250

There were no fees paid for other services.

14. Unrecognised items

As the Trust has been wound up, there were no material contingent assets or contingent liabilities and no commitments in relation to capital expenditure.

Directors' Declaration

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

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

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

(ii) giving a true and fair view of the Trust's financial position as at 28 February 2022 and of its performance for the financial period ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

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

Ms TL Cox

Chair

28 March 2022

Brisbane

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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 statement of financial position as at 28 February 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of Cromwell Funds Management Limited ("the Responsible Entity").

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 28 February 2022 and of its financial performance for the period 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, 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 the directors of the Responsible Entity have wound up the Trust.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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Other Information

The directors of the Responsible Entity for the Trust are responsible for the other information. The other information comprises the information included in the directors' of the Responsible Entity's report for the year ended 28 February 2022, 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 of the Responsible Entity for the Financial Report

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the 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 of the Responsible Entity 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 of the Responsible Entity.

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- Conclude on the appropriateness of the directors' of the Responsible Entity's' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Responsible Entity 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

Mason

CHERYL MASON
Partner

Brisbane, Queensland
28 March 2022