



Cromwell Riverpark Trust

ARSN 135 002 336

Annual Financial Report

30 JUNE 2023

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:

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

Custodian:

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

Auditor:

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

Directors' Report

The Directors of Cromwell Funds Management Limited (CFM), the responsible entity of Cromwell Riverpark Trust (the Trust), present their report at the end of the year ended 30 June 2023.

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 \$11.5 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 JA Tongs	Non-executive Director	Appointed 18 December 2014, retired 5 December 2022
Ms LJC Crombie	Non-executive Director	Appointed 30 June 2022
Ms RJ Lloyd	Non-executive Director	Appointed 18 July 2022
Mr GG Ross	Non-executive Director	Appointed 18 July 2022

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 26 Reddacliff Street, Newstead, QLD. There were no significant changes in the nature of the Trust's principal activity during the financial year.

Trust expiration

The Trust's term expired on 8 July 2021. In the prior year the responsible entity considered it was in the best interest of Unitholders to commence a marketing campaign to sell the investment property in November 2021 and then proceed to wind up the Trust. Changes in the Reserve Bank of Australia (RBA) cash rate and increased borrowing costs during 2022 and 2023 contributed to a challenging period in which to complete a sale, at a price which the responsible entity considered to be in the best interest of Unitholders. After careful consideration, the responsible entity decided not to re-launch a formal sale campaign. While the responsible entity will continue to endeavour to sell the investment property as soon as practicable and will give due consideration to any offers to buy the investment property, it acknowledges that it may take longer than expected to sell in the current market. The responsible entity will continue to monitor the market and intends to launch another formal sale campaign as soon as it considers the market conditions to be more favourable and it is more likely to achieve a sale price reflective of the market value in a stable environment.

Going concern basis

As at 30 June 2023 the Trusts' current liabilities exceeded its current assets by \$11,823,000. This is due to the outstanding lease incentives of \$11,759,000. The Trust has undrawn but available bank debt facilities of \$13,811,000 which will be used to fund incentives.

As the sale campaign to sell the Trust's sole investment property has been delayed and the responsible entity no longer believes the Trust will be wound up within the next twelve months, this report has been prepared on a going concern basis.

Review of operations and results

Financial performance

The Trust recorded a loss for the year of \$2,096,000 (2022: profit of \$26,902,000) and declared distributions of \$11,147,000 (2022: \$11,148,000). The loss is predominately attributable to the \$9,831,000 fair value loss of the Trust's investment property. The property was independently valued at 30 April 2023 with the valuation decreasing to \$320,000,000 from \$334,862,000 at 30 June 2022.

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

The Trust recorded an operating profit for the year of \$14,252,000 (2022: \$16,107,000). Operating profit is not calculated in accordance with International Financial Reporting Standards (IFRS) and has not been audited or reviewed by the Trust's auditor.

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

	2023 \$'000	2022 \$'000
Operating profit	14,252	16,107
<i>Reconciliation to (loss) / profit for the year</i>		
Fair value net (losses) / gains:		
Investment property	(9,831)	13,756
Derivative financial instrument	620	418
Non-cash property investment expense:		
Straight-line lease expense	(1,614)	(1,843)
Amortisation of lease costs and lease incentives	(5,303)	(3,591)
Amortisation of loan transaction costs	(149)	(102)
Other non-operating costs	(71)	-
Performance fee	-	2,157
(Loss) / profit for the year	(2,096)	26,902

	2023 Cents	2022 cents
(Loss) / profit per unit	(2.30)	29.56
Operating profit per unit	15.66	17.70
Distribution paid/payable per unit	12.25	12.25

Net operating income from the Trust's investment property for the year was \$21,371,000 (2022: \$20,117,000), an increase of 6.2% compared to the previous year. The increase is the result of an increase in operating rental income (rental income before allowing for the amortisation of lease incentives and straight-line lease expense).

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

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

	2023 \$'000	2022 \$'000
Rental income and recoverable outgoings	17,844	17,878
Property expenses and outgoings	(3,390)	(3,195)
Straight-line lease expense	1,614	1,843
Amortisation of lease costs and lease incentives	5,303	3,591
Net operating income	21,371	20,117

Financial position

	2023	2022
Total assets (\$'000)	321,949	338,378
Net assets (\$'000)	192,019	205,262
Net debt (\$'000) ⁽¹⁾	115,536	96,586
Gearing (%) ⁽²⁾	36.0%	28.8%
Debt maturity (years)	3.0	2.0
Percentage of debt hedged ⁽³⁾	103%	-%
Units issued ('000)	91,000	91,000
Net tangible assets per unit	\$2.11	\$2.26
Net assets per unit (including interest rate derivatives)	\$2.11	\$2.26
Net assets per unit (excluding interest rate derivatives)	\$2.10	\$2.26

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

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

(3) Percentage of debt hedged will decrease to less than 100% as borrowings are expected to increase in FY24.

Directors' Report

Value of scheme assets

The major asset of the Trust, the investment property at 26 Reddacliff Street, Newstead, QLD was valued at \$320,000,000, gross (2022: \$334,862,000, gross) during the year as disclosed in the accompanying financial report.

The total carrying value of the Trust's assets as at the end of the financial year was \$321,949,000 (2022: \$338,378,000) and net assets attributable to unitholders were \$192,019,000 (2022: \$205,262,000) equating to \$2.11 per unit (2022: \$2.26).

Investment property metrics

	2023	2022
Investment property carrying value (\$'000)	320,029	334,862
Capitalisation rate (%)	5.75%	5.38%
Occupancy (%)	100%	100%
Weighted average lease expiry (years)	6.99	7.74

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

Subsequent to year end, the Trust has drawn \$4,800,000 from the loan facility. As at report date, the total undrawn facility is \$9,011,000.

No other matter or circumstance has arisen since 30 June 2023 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.

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 depend on the proposed sale of the Trust's investment property located at 26 Reddacliff Street, Newstead, QLD.

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

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/payable to unitholders for the year ended 30 June 2023 were \$11,147,000 (2022: \$11,148,000), equating to an annualised rate of 12.25 cents per unit (2022: 12.25 cents). Distributions payable at balance date were \$964,000 (2022: \$946,000), 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 to the responsible entity or their associates during the year were \$2,770,000 (2022: \$4,390,000).

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 91,000,000 (2022: 91,000,000) units were on issue by the Trust at the end of the financial year. There were no issues or redemptions of units in the Trust during the current or prior years.

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 7.

This report is made in accordance with a resolution of the Directors pursuant to section 298(2) of the *Corporations Act 2001* (Cth).



Ms TL Cox

Chair

11 September 2023

Sydney



Level 38, 345 Queen Street
Brisbane, QLD 4000

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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 Riverpark 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 2023, to the best of my knowledge and belief there have been:

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

Pitcher Partners
PITCHER PARTNERS

CHERYL MASON
Partner

Brisbane, Queensland
11 September 2023

Brisbane Sydney Newcastle Melbourne Adelaide Perth



pitcher.com.au

Pitcher Partners is an association of independent firms.

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

NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

EDWARD FLETCHER
ROBERT HUGHES

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Revenue and other income			
Rental income and recoverable outgoings	3(a)	17,844	17,878
Fair value net gains from:			
Investment property	6(c)	-	13,756
Derivative financial instrument		620	418
Interest		47	11
Total revenue and other income	3(a)	18,511	32,063
Expenses			
Property expenses and outgoings		3,390	3,195
Finance costs	8(c)	5,074	1,863
Management and administration costs	4	2,312	103
Fair value net losses from investment property	6(c)	9,831	-
Total expenses		20,607	5,161
(Loss) / profit for the year attributable to unitholders		(2,096)	26,902
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year attributable to unitholders		(2,096)	26,902

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

Balance Sheet

As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents		651	3,390
Receivables	5	153	93
Other current assets		37	33
Derivative financial instrument	9	1,079	-
Investment property classified as held for sale	6	-	334,862
Total current assets		1,920	338,378
Non-current assets			
Investment property	6	320,029	-
Total non-current assets		320,029	-
Total assets		321,949	338,378
Current liabilities			
Payables	7	12,387	31,820
Distribution payable		964	946
Unearned income		392	374
Interest bearing liabilities	8	-	99,976
Total current liabilities		13,743	133,116
Non-current liabilities			
Interest bearing liabilities	8	116,187	-
Total non-current liabilities		116,187	-
Total liabilities		129,930	133,116
Net assets		192,019	205,262
Equity			
Contributed equity	11	86,687	86,687
Retained earnings		105,332	118,575
Total equity		192,019	205,262

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

Statement of Changes in Equity

For the year ended 30 June 2023

30 June 2023	Note	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2022		86,687	118,575	205,262
Loss for the year		-	(2,096)	(2,096)
Other comprehensive income for the year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid / payable	2	-	(11,147)	(11,147)
Balance at 30 June 2023		86,687	105,332	192,019

30 June 2022	Note	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2021		86,687	102,821	189,508
Profit for the year		-	26,902	26,902
Other comprehensive income for the year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid / payable	2	-	(11,148)	(11,148)
Balance at 30 June 2022		86,687	118,575	205,262

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 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts in the course of operations		5,895	9,340
Payments in the course of operations		(6,445)	(6,794)
Interest received		47	13
Finance costs paid		(4,795)	(1,906)
Net cash (used in) / provided by operating activities	13(b)	(5,298)	653
Cash flows from investing activities			
Payments for investment property		(1,915)	(745)
Net cash used in investing activities		(1,915)	(745)
Cash flows from financing activities			
Proceeds from borrowings		16,189	1,000
Payments for loan transaction costs		(127)	(362)
Payment of distributions		(11,129)	(11,146)
Payment for derivatives		(459)	-
Net cash provided by / (used in) financing activities		4,474	(10,508)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 July		3,390	13,990
Cash and cash equivalents at 30 June		651	3,390

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 2023

1. Basis of preparation

The annual financial report of Cromwell Riverpark Trust (the Trust) for the year ended 30 June 2023 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 Riverpark 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 property is measured at fair value; and
- derivative financial instruments are measured at fair value.

The methods used to measure fair value are disclosed in notes 6 and 12 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.

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/crt.

Segment information

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

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.

Trust expiration

The Trust's term expired on 8 July 2021. In the prior year the responsible entity considered it was in the best interest of Unitholders to commence a marketing campaign to sell the investment property in November 2021 and then proceed to wind up the Trust. Changes in the Reserve Bank of Australia (RBA) cash rate and increased borrowing costs during 2022 and 2023 contributed to a challenging period in which to complete a sale, at a price which the responsible entity considered to be in the best interest of Unitholders. After careful consideration, the responsible entity decided not to re-launch a formal sale campaign. While the responsible entity will continue to endeavour to sell the investment property as soon as practicable and will give due consideration to any offers to buy the investment property, it acknowledges that it may take longer than expected to sell in the current market. The responsible entity will continue to monitor the market and intends to launch another formal sale campaign as soon as it considers the market conditions to be more favourable and it is more likely to achieve a sale price reflective of the market value in a stable environment.

Notes to the Financial Statements

For the year ended 30 June 2023

Going concern basis

As at 30 June 2023 the Trusts' current liabilities exceeded its current assets by \$11,823,000. This is due to the outstanding lease incentives of \$11,759,000. The Trust has undrawn but available bank debt facilities of \$13,811,000 which will be used to fund incentives.

As the sale campaign to sell the Trust's sole investment property has been delayed and the responsible entity no longer believes the Trust will be wound up within the next twelve months, this report has been prepared on a going concern basis.

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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical or professional experience and other factors such as expectations about future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Area of estimation	Note
Fair value of investment property	6
Provisions	10
Fair value of financial instruments	12

b) New accounting standards and interpretations adopted by the Trust

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

Any new relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted are unlikely to have any material impact on 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 are determined with reference to the Trust's operating profit. Operating profit is a non-IFRS measure and is discussed and calculated on page 3 of this Annual Financial Report.

b) Distributions paid / payable

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

From inception to 30 June 2010 ⁽¹⁾ :	8.25 cents
1 July 2010 to 30 June 2011:	8.50 cents
1 July 2011 to 30 June 2012:	8.75 cents
1 July 2012 to 30 June 2013:	9.00 cents
1 July 2013 to 30 June 2014:	9.25 cents
1 July 2014 to 30 June 2015:	9.50 cents
1 July 2015 to 30 June 2016:	9.75 cents
1 July 2016 to 30 June 2017:	11.00 cents
1 July 2017 to 30 June 2018:	11.25 cents
1 July 2018 to 30 June 2019:	11.50 cents
1 July 2019 to 30 June 2020:	11.75 cents
1 July 2020 to 30 June 2021:	12.00 cents
1 July 2021 to 30 June 2022:	12.25 cents
1 July 2022 to 30 June 2023:	12.25 cents

(1) Annualised distribution rate

Distributions increased by 48% since the inception of the Trust in July 2009. The distribution rate for the year was 12.25 cents per annum and is paid in monthly instalments. The annual distribution increases since inception of the Trust were made possible by annual rent increases from the Trust's investment property.

Notes to the Financial Statements

For the year ended 30 June 2023

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

	2023 \$'000	2022 \$'000
Distributions paid / payable	11,147	11,148

3. Revenue

a) Overview

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

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

	2023 \$'000	2022 \$'000
Rental income – lease components	15,146	15,194
Recoverable outgoings – non-lease components	2,698	2,684
Rental income and recoverable outgoings	17,844	17,878
<i>Other income items recognised:</i>		
Fair value net gains from investment property	-	13,756
Fair value net gains from derivative financial instrument	620	418
Interest	47	11
Total other income	667	14,185
Total revenue and other income	18,511	32,063

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:

	2023 \$'000	2022 \$'000
<i>Rental income and recoverable outgoings – non-lease components:</i>		
Recoverable outgoings ⁽¹⁾	2,198	2,123
Cost recoveries ⁽²⁾	500	561
Total rental income and recoverable outgoings – non-lease components	2,698	2,684

(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 comprise rental income from tenants under operating leases of investment properties and amounts charged to tenants for property outgoings such as 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 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 balance sheet.

Notes to the Financial Statements

For the year ended 30 June 2023

4. Management and administration costs

a) Overview

This note provides a breakdown of the main expense items included in the Trust's Management and administration costs, including the adjustment of the performance fee in the prior year.

	2023 \$'000	2022 \$'000
Fund administration fees	2,007	2,058
Administration costs	305	202
Fund performance fees reversal ⁽¹⁾	-	(2,157)
Total management and administration costs	2,312	103

(1) Refer note 10(b) for further information.

5. Receivables

a) Overview

Receivables of the Trust generally consist of rental receivables, GST receivables and other receivables such as on-charges to property tenants.

	2023 \$'000	2022 \$'000
Rent receivables	88	42
Other receivables	25	35
GST receivables	40	16
Total receivables	153	93

At year-end tenant receivables of \$36,000 (2022: \$7,000) were past due date but not impaired. No receivables have been determined to be materially impaired (2022: none).

b) Accounting policy

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 receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. Refer to note 12(g) for further information.

6. Investment property

a) Overview

The Trust holds one investment property, Energex House Building at 26 Reddacliff Street, Newstead, QLD. The property is 93% leased to Energex Limited.

b) Details of the Trust's investment property

	Independent valuation		Carrying amount		Fair value adjustment	
	Date	Amount \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
26 Reddacliff Street, Newstead, QLD	April 2023	320,000	320,029	334,862	(9,831)	13,756

The investment property external valuation (\$320,000,000) is a gross valuation. Total lease incentives of \$11,759,000 are recognised as an accrued lease incentive liability within the Payables item on the balance sheet. Refer note 7 for further information.

Notes to the Financial Statements

For the year ended 30 June 2023

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:

	2023 \$'000	2022 \$'000
Balance at 1 July	334,862	281,000
Lifecycle capital expenditure	1,717	745
Straight-line lease expense	(1,614)	(1,843)
Amortisation of lease costs and lease incentives	(5,303)	(3,591)
Lease incentives and lease costs	198	44,795
Net (loss) / gain from fair value adjustments	(9,831)	13,756
Total investment property	320,029	334,862

d) 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, exclusive of lease incentives, of the Trust's investment property not recognised in the financial statements are receivable as follows:

	2023 \$'000	2022 \$'000
Within one year	22,277	21,382
Later than one year but not later than five years	76,733	79,602
Later than five years	40,226	58,080
	139,236	159,064

e) 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.

f) Critical accounting estimates (fair value measurement)

Property valuation

The 30 June 2023 adopted valuation of 26 Reddacliff Street, Newstead, QLD is based on an external valuation dated 30 April 2023. The Trust's valuation policy requires the property to be valued by an independent professionally qualified valuer with a recognised relevant professional qualification at least once every two years. Note 6(g) provides further details in relation to the valuation of investment property.

Impact of global economic impacts on property valuations

For the year ended 30 June 2023 the Trust's approach to property valuation was substantially consistent with prior years, but with an added emphasis in relation to economic impacts (such as global geopolitical instability and tightened monetary policy) upon inputs relevant to the valuation model for each property.

Notes to the Financial Statements

For the year ended 30 June 2023

g) Fair value measurement

As noted above in the Trust's accounting policy, the investment property is 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 to ten 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 property.

Unobservable inputs

Annual net property income	Annual net property income is the contracted 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 regard 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 regard 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	
	2023	2022	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income (\$'000)	21,494	19,974	Increase	Decrease
Capitalisation rate (%)	5.75	5.38	Decrease	Increase
Discount rate (%)	6.25	6.00	Decrease	Increase
Terminal yield (%)	6.00	5.63	Decrease	Increase
WALE (years)	6.99	7.74	Increase	Decrease
Occupancy	100%	100%	Increase	Decrease

Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property, especially in the current global economic environment. Owing to this significant judgement, a sensitivity analysis is included below. The sensitivity analysis shows the impact on the carrying value of the Trust's investment property of an increase or decrease of 0.50% on the capitalisation rate, discount rate and terminal yields as at 30 June 2023.

	2023	2023
	\$'000	\$'000
	0.50%	(0.50%)
Impact to investment property	(25,000)	28,900

Notes to the Financial Statements

For the year ended 30 June 2023

7. Payables

a) Overview

This note provides further information about the Trust's payables. Payables of the Trust generally consist of payables, accrued lease incentives, tenant security deposits and other payables.

During the prior year, the Trust provided a lease incentive to the main tenant, Energex Limited, as part of the additional five year lease extension. As noted in note 6, the lease incentive has been included in the fair value of the Trust's investment property, with a corresponding accrued lease incentive liability recognised within payables. Lease incentives are amortised over the lease term.

	2023 \$'000	2022 \$'000
Current		
Lease incentives payable	11,759	30,861
Payables	628	829
Tenant security deposits	-	130
Total payables	12,387	31,820

b) Accounting policy

Payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Trust prior to the end of the year and which are unpaid. The amounts are unsecured and settled within 60 days of agreed terms.

8. Interest-bearing liabilities

a) Overview

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

	2023 \$'000	2022 \$'000
Current		
<i>Secured</i>		
Bank loan – investment property	-	100,250
Unamortised loan transaction costs	-	(274)
	-	99,976
Non-current		
<i>Secured</i>		
Bank loan – investment property	116,439	-
Unamortised loan transaction costs	(252)	-
Total interest-bearing liabilities	116,187	99,976

b) Details of interest-bearing liabilities

Borrowings - Bank loan

This bank loan facility is secured by a first registered mortgage over the Trust's investment property. The loan bears interest at a variable rate plus a margin. During the year the Trust's bank loan facility was extended and has a maturity date of June 2026.

At 30 June 2023 the Trust had a total facility limit of \$130,250,000 and an undrawn balance of \$13,811,000.

In the prior year, the Trust's bank loan was recognised as current to reflect the held for sale classification of the Trust's investment property within twelve months, the sale of which would require the Trust to repay the loan facility. At 30 June 2023, the loan has been recognised as non-current as the facility does not fall due within the next twelve months and the associated asset security is classified as non-current.

Notes to the Financial Statements

For the year ended 30 June 2023

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

Covenant	2023			2022		
	Actual	Limit	Headroom ⁽¹⁾	Actual	Limit	Headroom ⁽¹⁾
Loan to value ⁽²⁾	38.2%	60.0%	\$110,900,000	33.0%	60.0%	\$136,900,000
Interest cover	3.9 times	2.0 times	\$9,200,000	11.4 times	2.0 times	\$16,500,000

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

(2) LVR calculated with reference to net bank valuation of \$305,000,000 (2022: \$304,000,000)

c) Finance costs

	2023 \$'000	2022 \$'000
Interest on borrowings	4,925	1,753
Amortisation of loan transaction costs	149	102
Borrowing costs – ongoing fees	-	8
Total finance costs	5,074	1,863

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.

9. Derivative financial instrument

a) Overview

During the year, the Trust entered into an interest rate collar with a face value of \$120 million for a term of twelve months at a premium cost of \$459,000. The Trust may pay interest on the notional amount of \$120 million on a quarterly basis over the term. Interest is only payable if the 90 day BBSY rate falls below the floor strike rate of 3.00% p.a. (Trust to pay the counterparty the difference between rates) or the 90 day BBSY rate is above the cap strike rate of 3.76% p.a. (counterparty to pay the Trust the difference between rates).

At year-end, the notional value of the interest rate collar contract of \$120 million represents 103% of the facility bank loan utilised of \$116,439,000 (2022: 0% of the facility). The percentage of debt hedged will decrease to less than 100% as borrowings are expected to increase in the next financial year.

	2023 \$'000	2022 \$'000
Current asset		
Interest rate collar contract	1,079	-

b) Accounting policy

The Trust is exposed to changes in interest rates and may use 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 has entered into an interest rate collar agreement. The derivative was 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. For details of the Trust's fair value measurement of financial instruments refer to note 12(e).

10. Provision

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 10% of the excess cash flow above an internal rate of return of 10% from the property from the date of acquisition.

Notes to the Financial Statements

For the year ended 30 June 2023

At 30 June 2023, no provision for performance fee has been recognised (2022: \$nil).

	2023 \$'000	2022 \$'000
Current		
Provision for performance fee	-	-

b) Movement in provision

	2023 \$'000	2022 \$'000
Balance at 1 July	-	2,157
Reversal of expense during the year ⁽¹⁾	-	(2,157)
Balance at 30 June	-	-

(1) During the prior year, the performance fee provision was reversed due to not meeting the fee criteria outlined in note 14. This reversal is recognised within Management and administration costs in the statement of profit or loss.

c) Accounting policy

A provision for performance fees payable to the responsible entity is recognised by the Trust if the performance of the Trust is expected to exceed 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) Critical accounting estimates and judgements

The Trust exercises judgement in measuring and recognising the provision in respect of the performance fee due to the responsible entity. 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.

11. Contributed equity

a) Overview

The Trust is closed and will not issue any more units. Following the approval by Unitholders of the rollover of the Trust, the Trust term was extended for a further five years to 8 July 2021. The trust continues to operate as a going concern until such time as the responsible entity decides that it is in the interest of the unitholders to wind up the trust.

	2023		2022	
	#'000	\$'000	#'000	\$'000
Issued units	91,000	86,687	91,000	86,687

b) Capital risk management

The Trust considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change based on the operations of the Trust. Net assets attributable to unitholders are representative of the expected cash outflows on redemption of the Trust's units when the Trust is wound up.

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 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.

Notes to the Financial Statements

For the year ended 30 June 2023

(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.

12. 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	2023 \$'000	2022 \$'000
Financial assets:			
Cash and cash equivalents	(1)	651	3,390
Receivables	(1)	153	93
Derivative financial instrument	(2)	1,079	-
Total financial assets		1,883	3,483
Financial liabilities			
Payables	(1)	12,387	31,820
Distribution payable	(1)	964	946
Interest bearing liabilities	(1)	116,187	99,976
Total financial liabilities		129,538	132,742

Type of financial instrument per AASB 9 *Financial Instruments*:

- (1) At amortised cost.
- (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 12(b))	The risk a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to the Trust.	<ul style="list-style-type: none"> • Cash and cash equivalents; • Receivables; • Derivative financial instrument. 	<p>The responsible entity manages this risk by:</p> <ul style="list-style-type: none"> • 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 receivables on an ongoing basis.
Liquidity risk (Section 12(c))	The risk the Trust will default on its contractual obligations under a financial instrument.	<ul style="list-style-type: none"> • Payables; • Borrowings; • Distribution payable. 	<p>The responsible entity manages this by:</p> <ul style="list-style-type: none"> • preparation of rolling forecasts of short-term and long-term liquidity requirements;

Notes to the Financial Statements

For the year ended 30 June 2023

Risk	Definition of risk	Trust's exposure	Responsible entity's management of risk
			<ul style="list-style-type: none"> maintaining sufficient cash reserves and undrawn finance facilities to meet ongoing 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 12(d))	The risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.	<ul style="list-style-type: none"> Borrowings at variable or fixed rate; Derivative financial instrument. 	The responsible entity manages this risk through interest rate hedging arrangements.

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, 26 Reddacliff Street, Newstead, QLD, of which over 93% of the net lettable area is leased to one tenant, Energex Limited to August 2030. 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
2023			
Payables	12,387	-	12,387
Distribution payable	964	-	964
Interest bearing liabilities	6,848	130,098	136,946
Total financial liabilities	20,199	130,098	150,297
2022			
Payables	31,820	-	31,820
Distribution payable	946	-	946
Interest bearing liabilities	103,285	-	103,285
Total financial liabilities	136,051	-	136,051

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. During the current year, the Trust entered into an interest rate collar. For further details refer to note 9.

The table below shows the impact on profit and equity if interest rates changed by 100 basis points based on net 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
2023	884	884	(308)	(308)
2022	(969)	(969)	969	969

Notes to the Financial Statements

For the year ended 30 June 2023

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 collar contract – derivative financial instrument measured at fair value under the Level 2 method.

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

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

Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data, 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 collar

Level 2 financial assets held by the Trust includes a “Vanilla” fixed to floating interest rate collar derivative (over-the-counter derivative). The fair value of this 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 derivative and counterparty or own credit risk.

The Trust does not hold any other financial instruments at fair value in the current or prior year. The Trust's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels of the fair value hierarchy during the year.

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

The carrying amounts of receivables, other current assets, 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 statement of profit or loss.

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).

Notes to the Financial Statements

For the year ended 30 June 2023

Financial assets recognised at amortised cost

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 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 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 receivables, the Trust applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition. 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.

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

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.

13. Cash flow information

a) Overview

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

Notes to the Financial Statements

For the year ended 30 June 2023

b) Reconciliation of loss / profit for the year to net cash used in / provided by operating activities

	2023 \$'000	2022 \$'000
(Loss) / profit for the year	(2,096)	26,902
Fair value net loss / (gain):		
Investment property	9,831	(13,756)
Interest rate derivative	(620)	(418)
Straight-line lease expense	1,614	1,843
Amortisation of loan transaction costs	149	102
Amortisation of lease incentives and lease costs	5,303	3,591
<i>Changes in operating assets and liabilities</i>		
(Decrease) / increase in:		
Receivables	(60)	16
Other assets	(4)	5
(Decrease) / increase in:		
Payables	(19,433)	(13,890)
Unearned income	18	(1,585)
Provisions	-	(2,157)
Net cash (used in) / provided by operating activities	(5,298)	653

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.

14. 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 financial year and up to the date of this report, unless otherwise stated:

Cromwell Funds Management Limited

Non-executive directors

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

Other key management personnel

Mr J Callaghan	Chief Executive Officer
Mr M Wilde	Chief Financial Officer

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

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For the year ended 30 June 2023

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 Cromwell Direct Property Fund (DPF), an entity related to the responsible entity, held 20,549,310 units in the Trust at 30 June 2023 (2022: 20,529,603).

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

	2023 \$	2022 \$
<i>Amounts paid / payable</i>		
Fund administration fees	2,006,651	2,058,469
Property and facility management fees	620,000	620,000
Leasing commissions	-	1,608,241
Project management fees	71,278	37,719
Accounting service fees	72,000	66,000
Performance fee reversal	-	(2,157,000)
Aggregate amount payable to the responsible entity and its associate at year-end	1,221	259,151

Performance fee

In addition to the ongoing funds administration and management fees, the responsible entity is entitled to a performance fee payable as soon as possible after the sale of the Trust property, or on an extension of the Trust term. The performance fee payable is calculated as 10% of the excess cash flow above an internal rate of return of 10% from the Trust property from the date of acquisition to the earlier of the sale of the Trust property or a Trust term extension.

At 30 June 2023, no performance fee is payable as the above criteria has not been met. Further, all previously provided performance fees were reversed in the prior year. Refer note 10 for further detail.

15. Remuneration of auditor

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

	2023 \$	2022 \$
Audit services		
<i>Pitcher Partners Brisbane</i>		
• Audit and review of financial report	22,700	21,600
• Audit of compliance plan	7,400	7,100
• Outgoings audit	4,000	3,800
Other services		
<i>Pitcher Partners Brisbane</i>		
• Corporate finance services	36,000	-
Total remuneration for audit and other services	70,100	32,500

There were no fees paid for other services.

16. 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.

Notes to the Financial Statements

For the year ended 30 June 2023

b) Contingent assets and contingent liabilities

The Directors are not aware of any material contingent assets or contingent liabilities and the Directors are not aware of any material changes in contingent assets or contingent liabilities of the Trust.

c) Commitments

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

17. Subsequent events

Subsequent to year end, the Trust has drawn \$4,800,000 from the loan facility. As at report date, the total undrawn facility is \$9,011,000.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected or may significantly affect:

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

Directors' Declaration

In the opinion of the Directors of Cromwell Funds Management Limited as responsible entity for Cromwell Riverpark 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 2023 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

11 September 2023

Sydney

Independent Auditor's Report To the Members of Cromwell Riverpark Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cromwell Riverpark Trust ("the Trust"), which comprises the balance sheet as at 30 June 2023, 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 Cromwell Funds Management Limited - 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 2023 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 of the Responsible Entity 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.

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' Report for the year ended 30 June 2023, 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.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MAGON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROEIN
KAREN LEVINE

EDWARD FLETCHER
ROBERT HUGHES

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.
- 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
11 September 2023