ASIC Benchmark and Disclosure Principles: Cromwell Riverpark Trust – 26 May 2023

Information Provided Pursuant to ASIC Regulatory Guide 46 (RG46)

Important Notice and Disclaimer

As responsible entity of the Cromwell Riverpark Trust ARSN 135 002 336 ("CRT" or "the Trust"), Cromwell Funds Management Limited ABN 63 114 782 777, AFSL 333214 ("CFM") is the issuer of this ASIC Benchmark and Disclosure Principles guide ("Guide") which should be read in conjunction with the attached Product Disclosure Statement for the Trust dated 25 February 2009 ("PDS") and the attached Supplementary Product Disclosure Statement for the Trust dated 30 June 2009 ("SPDS"). As at the date of this Guide, the Trust is closed to new investments. The Trust's original 7-year term expired in July 2016. Trust unitholders voted to extend the Trust Term by five years, until 8 July 2021, during which unitholders have no right to withdraw. The extended Trust Term expired on 8 July 2021, and on 4 November 2021, CFM advised the process of marketing and selling the Trust's Property as soon as practicable had begun. Further information will be made available on the Trust's website at www.cromwell.com.au/crt.

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

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

Scope of this Guide

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

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

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

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

All statistics and amounts in this Guide are as at 31 December 2022 unless stated otherwise.

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

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

1. Portfolio Diversification

1.1 Trust Investments

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

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

Currently the only significant non-direct property asset of the Trust is cash. As at 30 April 2023, the Trust held cash of $1,204,000.

1.2 Property Valuation

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

Property	Valuation	Sector	Valuation Date	Market Cap Rate[1]	Occupancy[2]	Valuer
33 Breakfast Creek Road, Newstead QLD	$320,000,000	Commercial	30 April 2023	5.75%	100%	Independent

In the Trust's audited Financial Report as at 31 December 2022, the carrying value of the Property was $328,000,000[3], in line with the most recent independent valuation at the time. A new external valuation as at 30th April 2023 reflected a gross valuation of $320,000,000.

At 30 April 2023, the Trust had total assets of $321,532,008. Therefore, at 30 April 2023, the Property represented 99.5% of the Trust's total assets.

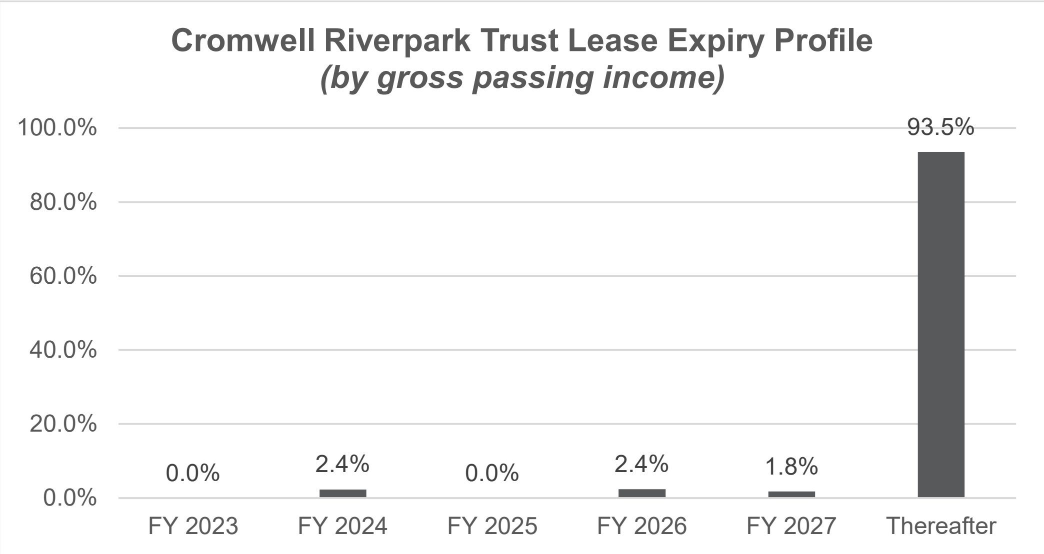
[1] The market capitalisation rate (cap rate) is the capitalisation rate used to value a property, assuming it is fully leased at reasonable and current market rent rates.
[2] Calculated by vacant space over total net lettable area.

[3] The investment property valuation is a gross valuation. Total lease incentives of $14,964,332 are recognised as an accrued lease incentive liability within the payables item in the balance sheet.

1.3 Lease Expiry Profile

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

Lease Expiry Profile by Gross Passing Income as at 30 April 2023



The main lease, to Energex Limited, which provides 93.5% of the gross passing income of the Property, expires in 2030.

The initial term of the Trust expired in July 2016. Unitholders voted to extend the term of the Trust by five years, until 8 July 2021. The extended Trust Term expired on 8 July 2021, and on 4 November 2021 CFM advised the process of marketing and selling the Trust's Property had begun. In the meantime, no action is required, and monthly distributions will continue to be paid. Further information will also be made available on the Trust's website at www.cromwell.com.au/crt.

1.4 Vacancy Rate

The Property is fully let as at 30 April 2023.

1.5 Tenants

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

Top 5 Tenants		
	31-Dec-22	30-Apr-23
Energex Ltd	94.5%	94.5%
LMM Holdings Pty Ltd	2.3%	2.3%
First Light Active Pty Ltd	1.8%	1.8%
Oliver Hume Real Estate Group (QLD) Pty Ltd	1.1%	1.1%
Trez Pty Ltd	0.3%	0.3%

The Trust's Weighted Average Lease Expiry (WALE) by gross passing income as calculated in the Trust's most recent financial statements at 30 April 2023, is 7.0 years.

The Trust's WALE is calculated as follows:

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

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

2. Net Tangible Assets

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

NTA is calculated using information from the Trust's audited Financial Report as at 31st December 2022 in accordance with the following formula:

$$\text{NTA} = \frac{\text{Net assets}^{4} - \text{intangible assets +/- other adjustments}}{\text{Number of units on issue}}$$

As at 30th April 2023, the Trust had NTA per unit of $2.101 (before tax) including interest rate swaps and $2.101 excluding interest rate swaps. This is a decrease of 3.6% from December 2022 NTA of $2.18.

3. Valuation Policy

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

a) the Property will be independently valued each year. The next independent valuation is expected to occur in October 2023;

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

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

d) the same valuer will not be appointed for a term of more than 3 years.

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

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

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

4. Trust Borrowing

4.1 Borrowing Policy

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

The policy provides that the Trust's gearing will not exceed 50%, with gearing being calculated as the Trust's total borrowings divided by the most recent valuation of the Property.

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

No interest is capitalised on debt facilities.

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

4.2 Borrowing Facilities

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

The Trust has a single loan facility ("Bank Loan"). The Bank Loan is for a total amount of $130,250,000, and has been provided by one of Australia's major banks. The Bank Loan was increased and extended in August 2021, with a new expiry in June 2024, and as at 30 April 2023 $112,780,000 was drawn.

In 2021, the lease to the major tenant, Energex, was extended for a further 5 years, from August 2025 to August 2030 (with two further option periods of five years and three years respectively). Under the lease extension, the Trust has provided the tenant with a lease incentive of $42.770m which the tenant has taken in the form of a rent-free period from November 2021 to February 2024. The incentive is fully funded by a combination of a $31.0m increase in the Trust's loan facility and cash reserves of the Trust. The lease extension resulted in the valuation of the investment property increasing from $281,000,000 (30 June 2021) to $316,000,000 (30 September 2021).

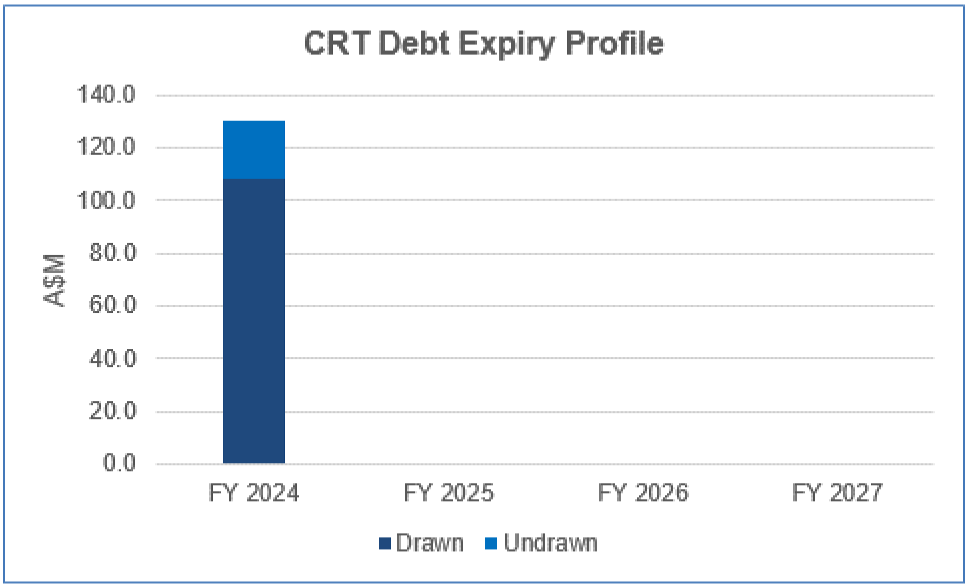
The Bank Loan is secured against the Property. This means that repayment of the Bank Loan ranks ahead of unitholders' interests in the Trust. If the Trust fails to renew borrowing or credit facilities, the Trust's viability could be adversely affected.

The Bank Loan had an all-up interest rate of 5.435% per annum at 30 April 2023. The interest rate comprises a fixed margin and variable market rate charged on the drawn balance, and a line fee charged on the undrawn portion.

The interest rate for the period ending 30 April 2023, including the amortisation of front-end establishment fees, was 4.51%.

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

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



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

4.3 Gearing Ratio

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

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

The Trust's gearing ratio is calculated as follows:

$$\text{Gearing ratio} = \frac{\text{Total interest bearing liabilities}^{5}}{\text{Total assets}}$$

The gearing ratio for the Trust as at 31 December 2022 was 32.7%.

The gearing ratio for 31 December 2022 was calculated using information from the Trust's latest audited financial report as at 31 December 2022. Gearing ratio as at 30 April 2023 was 35.1%.

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

[5] Interest bearing liabilities are defined as "Borrowings" in the Trust's financial reports, and are detailed under non-current liabilities within the Consolidated Balance Sheet. They include the Trust's bank loans, less unamortised loan transaction costs, which have been excluded for the purposes of this calculation.

4.4 Interest Cover

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

Interest cover is calculated as follows:

$$\text{Interest cover ratio} = \frac{\text{EBITDA – unrealised gains + unrealised losses}^{6}}{\text{Interest expense}}$$

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

The Trust's interest cover for the half-year ending 31 December 2022 was 4.7 times. The ratio was calculated based on information from the Trust's 31 December 2022 audited Financial Report. Interest cover ratio as at 30 April 2023 was 4.1x.

4.5 Loan Covenants

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

Under the terms of the Bank Loan, the 'loan to value' ratio must be at or below 60%. The 'loan to value' ratio is the drawn balance of the Bank Loan divided by the value of the Property, net of outstanding lease incentives, and was 37% at 30 April 2023. The Property would need to fall in value by 38.4% from its 30 April 2023 valuation for this covenant to be breached.

The interest cover ratio (which is calculated for the preceding 12 months) must be greater than or equal to 2 times. The interest cover ratio is the Trust's net income divided by the Bank Loan's interest costs and was 4.1 times for the 12-month period ending 30 April 2023. Net Trust income would need to fall by 51% or the interest expense would need to increase by 105% for this covenant to be breached.

4.6 Hedging

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

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

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

On 5 May 2023 the Trust entered into a $120M interest rate cap & collar, effective 8 June 2023 and maturing 8 June 2024.

[6] "EBITDA – unrealised gains + unrealised losses" is disclosed in the Trust's financial reports as Total revenue and other income adjusted for any fair value gains or losses.

5. Distribution Practices

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

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

The following calculation reconciles Trust net profit to the total distribution payable for the December 2022 Half Year, as per the Trust's audited Half Year Financial Report as at 31 December 2022.

		$'000
	Profit for the half-year	**(1,042)**
	+/- Valuation changes	5,674
	Non-cash property investment income/(expenses):	
	Straight-line rental income	128
	Lease incentive and lease cost amortisation	2,644
	Amortisation of loan transaction costs	82
Equals	**Distributable Earnings**	**7,486**
	Distribution	**5,573**

The net operating income of the Trust is derived from its investment property. A reconciliation of rental income and recoverable outgoings to net operating income for the half year ending 31 December 2022 is as follows:

	31 December 2022 $'000
Rental income and recoverable outgoings	**9,386**
Property expenses and outgoings	**(1,515)**
Straight-line lease expense	**128**
Lease incentive and lease cost amortisation	**2,644**
Net operating income	**10,643**

As the Trust is currently providing the major tenant with its rent-free lease incentive, the rental income is being supported by the increased loan facility and cash reserves of the Trust. During this period which ends February 2024, the level of borrowing of the Trust will increase in line with the cost of the lease incentive not being funded from available cash reserves. Refer to section 4 for further information on the Trusts borrowings.

6. Withdrawal Arrangements

The initial term of the Trust expired in July 2016. Unitholders voted to extend the Trust Term by five years, until 8 July 2021. The extended Trust Term expired on 8 July 2021, and on 4 November 2021, CFM advised the process of marketing and selling the Trust's Property had begun. In the meantime, no action is required, and monthly distributions will continue to be paid. Further information will also be made available on the Trust's website at www.cromwell.com.au/crt.

7. Related Party Transactions

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

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

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

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

CFM has appointed some related entities to provide services to the Trust. Like CFM, those related entities are all wholly owned subsidiaries of the Cromwell Corporation Limited. They include Cromwell Property Services Pty Ltd (which provides property, facility management and leasing services to the Trust), Cromwell Project & Technical Solutions Pty Ltd (which provides project management services to the Trust in relation to the direct property assets), Cromwell Capital Pty Ltd (which provides finance arrangement services to the Trust) and Cromwell Operations Pty Ltd (which provides accounting and other administrative services to the Trust). Cromwell Property Services Pty Ltd was paid $310,000 in fees, Cromwell Operations Pty Ltd was paid $36,000 and Cromwell Project & Technical Solutions Pty Ltd was paid $3,534.77 for the six months ending 31 December 2022. Cromwell Capital Pty Ltd did not receive any fees for the six months ending 31 December 2022. Related party arrangements are reviewed annually and are entered into on arm's length terms. For further information, please refer to Section 4.2.3 of the PDS (regarding fees paid to CFM and its related parties for services provided to the Trust) and Section 1.8 of the PDS (regarding the related party arrangements that relate to the Trust).

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