



CROMWELL
FUNDS MANAGEMENT

Cromwell Property Trust 12

ARSN 166 216 995

Half-Year Financial Report

31 DECEMBER 2023

Responsible entity:
Cromwell Funds Management Limited
ABN 63 114 782 777 AFSL 333 214
Level 10, 100 Creek Street
Brisbane QLD 4000

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DIRECTORY

Responsible entity:

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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 Property Trust 12 (the Trust), present their report at the half-year ended 31 December 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 \$11.4 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 are as follows (collectively referred to as "the Directors"):

Ms TL Cox	Non-executive Chair	Appointed 14 January 2021, Chair since 14 January 2021
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

Review of operations and results

Financial performance

The Trust recorded a loss for the half-year of \$9,575,000 (2022: profit of \$2,064,000) and declared distributions of \$2,374,000 (2022: \$2,280,000). The loss is predominately attributable to the \$10,960,000 fair value loss of the Trust's investment property. The property was independently valued at 31 December 2023 with the valuation decreasing to \$100,000,000 from \$111,000,000 at 30 June 2023.

The loss for the half-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 half-year of \$2,505,000 (2022: \$2,330,000). 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 for the half-year is as follows:

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
Operating profit	2,505	2,330
<i>Reconciliation to (loss) / profit for the half-year</i>		
Fair value net losses:		
Investment property	(10,960)	(68)
Derivative financial instrument	(1,016)	(219)
Non-cash property investment (expense) / income:		
Straight-line lease income	(67)	57
Amortisation of lease incentives and lease costs	(12)	(10)
Amortisation of loan transaction costs	(25)	(26)
(Loss) / profit for the half-year	(9,575)	2,064

	31 December 2023 cents	31 December 2022 cents
(Loss) / profit per unit (cents)	(12.6)	2.7
Operating profit per unit (cents)	3.3	3.1
Distribution paid/payable per unit (cents)	3.1	3.0

Net operating income from the Trust's investment property for the half-year was \$3,382,000 (2022: \$3,262,000), an increase of 3.7% compared to the previous period. The increase is the result of annual rent increases.

Directors' Report

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 half-year is as follows:

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
Rental income and recoverable outgoings	3,946	3,902
Property expenses and outgoings	(643)	(598)
Straight-line lease income	67	(57)
Amortisation of lease incentives and lease cost	12	15
Net operating income	3,382	3,262

Financial position

	As at	
	31 December 2023	30 June 2023
Total assets (\$'000)	104,656	116,298
Net assets (\$'000)	65,103	77,052
Total debt (\$'000) ⁽¹⁾	38,000	38,000
Gearing (%) ⁽²⁾	36.3%	32.7%
Debt maturity (years)	2.2	2.7
Percentage of debt hedged	100%	100%
Units issued ('000)	76,000	76,000
Net tangible assets per unit	\$0.86	\$1.01
Net assets per unit (including interest rate derivatives)	\$0.86	\$1.01
Net assets per unit (excluding interest rate derivatives)	\$0.82	\$0.97

(1) Interest bearing liabilities excluding unamortised borrowing costs.

(2) Total debt divided by total assets.

Value of scheme assets

The major asset of the Trust, the investment property at 11-13 Robinson Street, Dandenong, VIC was valued at \$100,000,000 (30 June 2023: \$111,000,000) during the reporting period as disclosed in the accompanying financial report.

The total carrying value of the Trust's assets as at the end of the financial period was \$104,656,000 (30 June 2023: \$116,298,000) and net assets attributable to unitholders were \$65,103,000 (30 June 2023: \$77,052,000) equating to \$0.86 per unit (30 June 2023: \$1.01).

Investment property metrics

	As at	
	31 December 2023	30 June 2023
Investment property carrying value (\$'000)	100,000	111,000
Capitalisation rate (%)	6.00%	5.50%
Occupancy (%)	99%	99%
Weighted average lease expiry (years)	6.31	6.96

Subsequent events

No matter or circumstance has arisen since 31 December 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' Report

Likely results and expected results of operations

The activities of the Trust are regulated by the Trust's constitution. Future activities of the Trust will be confined to investment in the investment property at 11-13 Robinson Street, Dandenong, VIC to provide a mixture of income and capital growth to investors. The Trust term expires in October 2025.

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.

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 6.

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



Ms TL Cox

Chair

11 March 2024

Sydney

Statement of Profit and Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Notes	Half-year ended	
		31 December 2023 \$'000	31 December 2022 \$'000
Revenue and other income			
Rental income and recoverable outgoings	3	3,946	3,902
Interest	3	32	301
Total revenue and other income		3,978	4,203
Expenses			
Property expenses and outgoings		643	598
Management and administration costs	4	441	477
Finance costs		493	777
Fair value net losses from:			
Investment property	5	10,960	68
Derivative financial instrument		1,016	219
Total expenses		13,553	2,139
(Loss) / profit for the half-year attributable to unitholders		(9,575)	2,064
Other comprehensive income for the half-year		-	-
Total comprehensive (loss) / income for the half-year attributable to unitholders		(9,575)	2,064

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

Balance Sheet

As at 31 December 2023

	Notes	As at	
		31 December 2023 \$'000	30 June 2023 \$'000
Current assets			
Cash and cash equivalents		1,943	1,714
Receivables		27	-
Other current assets		164	45
Derivative financial instrument	7	1,185	1,309
Total current assets		3,319	3,068
Non-current assets			
Investment property	5	100,000	111,000
Derivative financial instrument	7	1,337	2,230
Total non-current assets		101,337	113,230
Total assets		104,656	116,298
Current liabilities			
Payables		517	281
Distribution payable		403	386
Unearned income		742	713
Total current liabilities		1,662	1,380
Non-current liabilities			
Interest bearing liabilities	6	37,891	37,866
Total non-current liabilities		37,891	37,866
Total liabilities		39,553	39,246
Net assets		65,103	77,052
Equity			
Contributed equity	9	74,682	74,682
(Accumulated losses) / retained earnings		(9,579)	2,370
Total equity		65,103	77,052

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

Statement of Changes in Equity

For the half-year ended 31 December 2023

		Contributed equity \$'000	(Accumulated losses) / retained earnings \$'000	Total \$'000
31 December 2023	Note			
Balance at 1 July 2023		74,682	2,370	77,052
Loss for the half-year		-	(9,575)	(9,575)
Other comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid / payable	2	-	(2,374)	(2,374)
Balance at 31 December 2023		74,682	(9,579)	65,103

		Contributed equity \$'000	Retained earnings \$'000	Total \$'000
31 December 2022	Note			
Balance at 1 July 2022		74,682	15,828	90,510
Profit for the half-year		-	2,064	2,064
Other comprehensive income for the half-year		-	-	-
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid / payable	2	-	(2,280)	(2,280)
Balance at 31 December 2022		74,682	15,612	90,294

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

Statement of Cash Flows

For the half-year ended 31 December 2023

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities		
Receipts in the course of operations	4,364	4,260
Payments in the course of operations	(1,302)	(1,619)
Interest received	32	232
Finance costs paid	(469)	(686)
Net cash provided by operating activities	2,625	2,187
Cash flows from investing activities		
Payments for investment property	(39)	-
Net cash used in investing activities	(39)	-
Cash flows from financing activities		
Payment of distributions	(2,357)	(2,261)
Net cash used in financing activities	(2,357)	(2,261)
Net increase / (decrease) in cash and cash equivalents	229	(74)
Cash and cash equivalents at 1 July	1,714	1,824
Cash and cash equivalents at 31 December	1,943	1,750

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

Notes to the Financial Statements

For the half-year ended 31 December 2023

1. Basis of preparation

The half-year financial report of Cromwell Property Trust 12 (the Trust) for the half-year reporting period ended 31 December 2023 is a general purpose financial report that has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth). The financial report is designed to provide an update on the Trust's financial performance and financial position since the last annual financial report was issued. This financial report therefore does not include all the notes normally included in an annual financial report and needs to be read in conjunction with the annual report for the year ended 30 June 2023. The Trust is a for-profit entity for the purpose of preparing the financial statements.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Trust's annual report for the year ended 30 June 2023. These accounting policies are consistent with applicable Australian accounting standards and with international financial reporting standards.

The financial report has been prepared on a going concern basis.

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 half-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/c12.

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.

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	5
Fair value of financial instruments	10

b) New and amended 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 period.

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 a material impact on the Trust.

Notes to the Financial Statements

For the half-year ended 31 December 2023

c) Movements in investment property

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

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
Balance at 1 July	111,000	124,000
Lifecycle capital expenditure	35	-
Straight-line lease income	(67)	57
Lease incentives and lease costs	4	21
Amortisation of lease incentives and lease costs	(12)	(10)
Net loss from fair value adjustments	(10,960)	(68)
Total investment property	100,000	124,000

d) Critical accounting estimates (fair value measurement)

The Trust's investment property, with carrying amount of \$100,000,000 (June 2023 \$111,000,000) represents a significant balance on the Trust's balance sheet. The investment property is measured at fair value using valuation methods that utilise estimates of unobservable inputs which are disclosed below.

The Trust's Valuation policy requires the property to be valued by an independent professionally qualified valuer at least once every two years.

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	
	31 December 2023	30 June 2023	Impact on fair value if input increases	Impact on fair value if input decreases
Annual net property income (\$'000)	6,931	6,904	Increase	Decrease
Capitalisation rate (%)	6.00	5.50	Decrease	Increase
Discount rate (%)	6.75	6.00	Decrease	Increase
Terminal yield (%)	6.50	5.50	Decrease	Increase
WALE (years)	6.31	6.96	Increase	Decrease
Occupancy	99%	99%	Increase	Decrease

Sensitivity analysis

Significant judgement is required when assessing the fair value of investment property. A sensitivity analysis is included below that 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 31 December 2023.

	31 Dec 2023 \$'000	31 Dec 2023 \$'000
	0.50%	(0.50%)
Impact to investment property	(7,701)	8,797

6. Interest-bearing liabilities

a) Overview

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

	As at	
	31 December 2023 \$'000	30 June 2023 \$'000
Non-Current		
<i>Secured</i>		
Bank loan – investment property	38,000	38,000
Unamortised transaction costs	(109)	(134)
Total interest-bearing liabilities	37,891	37,866

Notes to the Financial Statements

For the half-year ended 31 December 2023

b) Details of interest-bearing liabilities

Borrowing - 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 and has a maturity date of February 2026. At 31 December 2023 the Trust has no unused finance facilities.

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

Covenant	As at					
	31 December 2023			30 June 2023		
	Actual	Limit	Headroom ⁽¹⁾	Actual	Limit	Headroom ⁽¹⁾
Loan to value	38.0%	50.0%	\$24,000,000	34.2%	50.0%	\$35,000,000
Interest cover	6.3 times	2.0 times	\$3,940,000 ⁽²⁾	6.1 times	2.0 times	\$3,785,000

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

(2) Annualised interest cover calculation

7. Derivative financial instrument

a) Overview

The Trust manages its cash flow interest rate risk by using a floating-to-fixed interest rate cap contract. In April 2021, the Trust entered into an interest rate cap for a notional amount of \$38,000,000 which matures in February 2026. In this contract, if or when the floating rate (being the 3 month BBSY) exceeds the fixed cap rate of 0.689% pa, the Trust will receive the differential on a quarterly basis.

At 31 December 2023, the notional value of the interest rate cap contract of \$38,000,000 represents 100% of the facility bank loan utilised of \$38,000,000 (30 June 2023: 100% of the facility).

	As at	
	31 December 2023 \$'000	30 June 2023 \$'000
Current asset		
Interest rate cap contract	1,185	1,309
Non-current asset		
Interest rate cap contract	1,337	2,230

8. Provision

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 or trust rollover.

At 31 December 2023, no provision for performance fee has been recognised (30 June 2023: \$nil).

9. Contributed equity

The Trust is closed and will not issue any more units. Following approval by unitholders of the rollover of the Trust, the Trust term has been extended for a further five years to 31 October 2025. During the extended term unitholders have no right of withdrawal.

	As at 31 December 2023		As at 30 June 2023	
	# '000	\$'000	# '000	\$'000
Issued units	76,000	74,682	76,000	74,682

