Trilogy Funds

Cannon Hill Office Trust

Annual Financial Report
30 June 2022

ARSN 618 676 074

Issued by Trilogy Funds Management Limited
in its capacity as Responsible Entity

Cannon Hill Office Trust
Contents page

Cannon Hill Office Trust
Directors' report
30 June 2022

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the Cannon Hill Office Trust (Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2022.

Responsible Entity
The Responsible Entity is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity and the Scheme is Level 23, 10 Eagle Street, Brisbane, QLD, 4000.

Directors
The names of the directors in office at any time during, or since the end of the period are:

Name and qualifications	***Age***	***Experience and special responsibilities***
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	73	Member of the Audit Committee Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons) Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies and is currently a director of one such company Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Executive Deputy Chairman BCom(Merit), AICD, SFFin	76	Member of the Audit Committee Former executive director of Challenger International Limited Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia Director – Responsible Entity since 9 July 2004
John C Barry Executive Director BA, FCA	70	Chairman of the Audit Committee Former executive director of Challenger International Limited Mr Barry is a director of several companies, including former Chairman of Westpac RE Limited Director – Responsible Entity since 9 July 2004
Philip A Ryan Executive Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	61	Member of the Compliance Committee Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Former partner of a Brisbane law firm Mr Ryan is a director of several companies Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	53	Member of the Audit Committee Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008

Principal activities
The Scheme is a registered managed investment scheme domiciled in Australia. The principal activity of the Scheme during the financial year was a direct property investment in a multi-tenanted, modern suburban commercial precinct located at 38 Southgate Avenue, Cannon Hill, Brisbane QLD. The Scheme did not have any employees during the year.

Review of operations and results

Financial overview

The loss attributable to unitholders for the year totalled $5,210 (2021: profit of $1,832,839). Prior year profit was largely attributed to the reversal of the previous impairment of $1,717,136. During the year, the Scheme provided rental incentives and incurred additional expenditure in relation to securing a lease renewal from a major tenant, Compass Group (Australia) Pty Ltd (Compass Group). Income was also offset by non-cash expenses including depreciation expense of $755,545 (2021: $754,764).

During the year, the Scheme acheived the renewal of Compass Group's lease for a further 8 years. In order to secure the tenancy, the Scheme provided increased rental incentives resulting in increased expenditure. To assist in the funding of these costs, the Scheme's existing finance facility with Suncorp Group Limited was further drawn down by $650,000. The renegotiation of a core tenant's lease has resulted in a reduction in rental income comparative to the prior year. However, the renewed Compass Group lease has improved the lease profile of the Scheme and secured a pivotal tenant providing increased cashflow and income for the future.

The total carrying value of the Scheme's assets as at 30 June 2022 was $21,894,048 (2021: $21,326,658), comprised primarily of the investment property acquired.

Held for sale assets

It is the intention of the Responsible Entity to commence a marketing campaign to sell the property as the Scheme approaches the 5 year termination date of 8 September 2022. The renewal of a major tenant has provided an increased weighted average lease expiry for the Scheme that is expected to provide increased value during the sale campaign.

In accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* an entity shall not depreciate an asset while it is classified as held for sale and accordingly the Responsible Entity has ceased depreciating the property from 1 July 2022.

Leasing

Compass Group has signed a new lease over the former GM Holden Limited ground floor tenancy, the 425 sqm area (13% of total net lettable area) had been vacant since the year ending June 2021. This takes the tenant's total lettable area to 1,921 sqm across the ground floor and level one, leased until December 2029. The final space comprising 269 sqm (7% of total net lettable area) remains vacant, the Scheme is actively negotiating with prospective tenants to lease this space. The premises continue to be marketed by Jones Lang LaSalle (Qld) Pty Ltd.

Distributions to unitholders

The return to unitholders of the Scheme for the period was as follows (refer Note 4):

	2022	2021
	$	$
Distributions paid during the year	**423,681**	751,385
Distributions payable at year end	**38,517**	38,504
	462,198	789,889
Cents per ordinary unit (CPU) (i)	**3.14**	5.37

Review of operations and results (continued)

Distributions to unitholders (continued)

(i) From 8 September 2017 (being the property settlement date) to September 2020, distributions have been paid to retail investors at a rate of 7.25 CPU p.a., being the rate set out in the PDS. Between October 2020 and April 2021 inclusive, distributions have been paid to retail investors at a rate of 5.00 CPU p.a. From May 2021, distributions have been paid to retail investors at 3.00 CPU p.a.

Indirect cost ratio (ICR)
The ICR for the Scheme for the period ended 30 June 2022 is 1.66% p.a (2021: 1.69% p.a).

Units on issue
During the period no units were issued, and no units were redeemed from the Scheme. The Scheme had 14,700,000 units on issue as at 30 June 2022 (2021: 14,700,000 units).

Interests of the Responsible Entity

The following transactions occurred between the Scheme and the Responsible Entity and its associates during the period (refer Note 14(b)(i)).

	2022	2021
	$	$
Expenses		
Management and administration costs	**4,652**	1,608
Compliance fees	**296**	203
Professional fees	**5,146**	9,636
Registry fees	**23,200**	24,900
Responsible Entity management fees (i)	**83,927**	79,506
	117,221	115,853

(i) Responsible Entity management fees were accrued but not paid.

Units held by the Responsible Entity
The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2022 (2021: nil).

Significant changes in the state of affairs
There were no significant changes in the state of affairs during the period.

Net asset value per unit (unaudited non-IFRS disclosure)

	2022	2021
	$	$
Net assets	**9,793,722**	10,261,130
Adjustments for:		
Fair value increase (i)	**2,742,464**	142,164
Accumulated depreciation (ii)	**1,195,824**	440,279
Unamortised acquisition costs (stamp duty, legal fees and registration fees)	**-**	371,760
Amortised estimated selling costs (iv)	**(370,000)**	(271,333)
Derivative financial instruments	**-**	300,685
Straight-line (asset)/liability adjustments	**(90,048)**	(130,504)
Adjusted net assets	**13,271,962**	11,114,181

Net asset value per unit (unaudited non-IFRS disclosure) (continued)

	2022	2021
	$	$
Net asset value per unit (NAV) (iii)	**0.90**	0.76

(i) When an external valuation is commissioned, it is the Scheme's policy to adopt the current market valuation for NAV purposes resulting in a recorded fair value increase of the property as an asset.

(ii) As the property was revalued in the prior year ending June 2021 to above the previous valuation, accumulated depreciation must be added back to the net assets.

(iii) Effective from 30 June 2020, it is the policy of the Responsible Entity to, in the first 5 years from the date of acquisition, exclude accumulated depreciation, derivative financial instruments and straight-line rental adjustments from the calculation of the NAV.

Acquisition costs (stamp duty, legal fees and registration fees) are capitalised and amortised over a 5 year period from the time of acquisition. The remaining unamortised portion is included for the purpose of the NAV per unit calculation. Selling costs are likewise estimated and amortised over a five year period, with the amortised portion of these costs included in the NAV per unit calculation. As the property is now being held for sale only depreciation and straight-line is being added back.

(iv) As the Responsible Entity is seeking to sell the investment properties and wind-up the Scheme, the net assets of the Scheme have been adjusted to account for estimated selling and disposal costs.

Events subsequent to the end of the reporting period

Vacancy

As detailed above, the ground floor tenancy comprising 290 sqm remains vacant. Jones Lang LaSalle (Qld) Pty Ltd is actively marketing the vacant premises and is currently in negotiation with prospective tenants. However, this vacancy continues to put pressure on the cash flow of the Scheme. The Responsible Entity has agreed to continue the deferment of its management fee for the foreseeable future, which will be monitored and reviewed on an ongoing basis.

Sale of investment property

In July 2022, the Scheme commenced the sale process by preparing to advertise the property to the market. Marketing agents have been recruited and a campaign has been commenced by Jones Lang LaSalle (Qld) Pty Ltd in September 2022. If the sale is successful, the scheme will be wound up, in accordance with the Constitution and Product Disclosure Statement.

Loan facility extension

In September 2022, Suncorp issued a letter of offer to the Scheme to extend the current loan facility for a futher one year. The new facility expiry date is 30 September 2023.

Likely developments and expected results of operations

The Scheme will continue to pursue its principal activities in the next financial year in order to achieve the target return for unitholders. The Responsible Entity, as permitted under the Constitution, has elected to extend the term for a further two years from the existing date of 8 September 2022. The Responsible Entity will continue the marketing campaign to sell the property.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

Options

No options were:

(i) Granted over unissued units in the Scheme during or since the end of the period; or
(ii) Granted to the Responsible Entity.

No unissued units in the Scheme were under option as at the date on which this report is made.

No units were issued in the Scheme during or since the end of the period as a result of the exercise of an option over unissued units in the Scheme.

Indemnification of officers

Indemnification

Under the Scheme constitution the Responsible Entity is required to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

(a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in the connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
(b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

Insurance premiums

During the period, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors. The Scheme has not indemnified any auditor of the Scheme.

Proceedings on behalf of the Responsible Entity

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity in relation to the Scheme, or intervene in any proceedings to which the Responsible Entity in relation to the Scheme is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings. The Responsible Entity was not a party to any such proceedings during the period.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.

Philip A Ryan	Rodger I Bacon
Executive Director	Executive Deputy Chairman
29 September 2022	29 September 2022
Brisbane	Brisbane

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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF TRILOGY FUNDS MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF CANNON HILL OFFICE TRUST

As lead auditor of Cannon Hill Office Trust for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Tim Kendall

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 29 September 2022

Cannon Hill Office Trust
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue and other income			
Rental income		**1,243,388**	1,366,164
Recoverable outgoings		**230,227**	259,720
Net change in fair value of derivative financial instruments	11	**272,132**	213,415
Interest revenue from financial institutions		**7**	30
Insurance recoveries		**-**	9,074
		1,745,754	1,848,403
Expenses			
Audit and compliance fees	5	**(29,780)**	(26,550)
Custodian fees	16	**(14,927)**	(15,740)
Direct property expenses and outgoings		**(316,565)**	(303,984)
Depreciation		**(755,545)**	(754,764)
Management and administration costs		**(8,260)**	(23,929)
Professional fees		**(21,442)**	(6,930)
Registry fees	14	**(23,200)**	(24,900)
Responsible Entity management fees	14	**(83,927)**	(79,506)
Taxation fees		**(5,146)**	(4,750)
		(1,258,792)	(1,241,053)
Profit for the period before finance and impairment costs		**486,962**	607,350
Finance costs:			
• Interest expense		**(487,961)**	(487,436)
• Amortisation of borrowing costs		**(4,211)**	(4,211)
		(492,172)	(491,647)
Impairment costs:			
• Recovery/(impairment) of investment property	8	**-**	1,717,136
		-	1,717,136
(Loss)/profit for the period attributable to unitholders		**(5,210)**	1,832,839
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year attributable to unitholders		**(5,210)**	1,832,839

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

Cannon Hill Office Trust
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Cash and cash equivalents	6	**1,099,407**	245,926
Trade and other receivables	7	**112,300**	141,245
Investment property	8	**20,682,341**	20,939,487
Total assets		**21,894,048**	21,326,658
Liabilities			
Trade and other payables	9	**934,052**	281,346
Distributions payable	4	**38,517**	38,504
Borrowings	10	**11,099,204**	10,444,993
Derivative financial instruments	11	**28,553**	300,685
Total liabilities		**12,100,326**	11,065,528
Net assets		**9,793,722**	10,261,130
Equity			
Contributed equity	12	**14,700,000**	14,700,000
Accumulated losses		**(4,906,278)**	(4,438,870)
Total equity		**9,793,722**	10,261,130

The statement of financial position should be read in conjunction with the accompanying notes

Cannon Hill Office Trust
Statement of changes in equity
For the year ended 30 June 2022

	Note	Contributed equity $	Accumulated losses $	Total equity $
Balance at 1 July 2020		14,700,000	(5,481,820)	9,218,180
Comprehensive income:				
Profit/(loss) for the period		-	1,832,839	1,832,839
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	1,832,839	1,832,839
Transactions with unitholders in their capacity as owners:				
Distributions paid/payable	4	-	(789,889)	(789,889)
Balance at 30 June 2021		14,700,000	(4,438,870)	10,261,130
Balance at 1 July 2021		**14,700,000**	**(4,438,870)**	**10,261,130**
Comprehensive income:				
Profit/(loss) for the period		**-**	**(5,210)**	**(5,210)**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive income for the period		**-**	**(5,210)**	**(5,210)**
Transactions with unitholders in their capacity as owners:				
Distributions paid/payable	4	**-**	**(462,198)**	**(462,198)**
Balance at 30 June 2022		**14,700,000**	**(4,906,278)**	**9,793,722**

Cannon Hill Office Trust
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		**1,591,978**	1,597,765
Payments to suppliers		**(399,976)**	(348,086)
Interest received		**7**	30
Finance costs		**(487,961)**	(487,436)
Net cash provided by operating activities	13	**704,048**	762,273
Cash flows from investing activities			
Capital expenditure - property and equipment		**(38,381)**	-
Net cash (used in)/provided by investing activities		**(38,381)**	-
Cash flows from financing activities			
Proceeds from borrowings		**650,000**	-
Distributions paid to unitholders		**(462,186)**	(842,389)
Net cash provided by/(used in) financing activities		**187,814**	(842,389)
Net increase/(decrease) in cash and cash equivalents		**853,481**	(80,116)
Cash at beginning of the reporting period		**245,926**	326,042
Cash and cash equivalents at end of the financial period	6	**1,099,407**	245,926

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

Note 1 Reporting entity

The Cannon Hill Office Trust (Scheme) is a registered managed investment scheme under the Corporations Act 2001 (Act). The financial statements of the Scheme are for the year ended 30 June 2022. The Scheme is a for-profit entity.

As stipulated under the Scheme's constitution, the life of the Scheme is 5 years from the anniversary of the purchase date of the Scheme's investment property (however, the life of the Scheme can be extended beyond 5 years in accordance with the provisions of the Scheme's Constitution). The termination date for this Scheme is 8 September 2022. Trilogy Funds Management Limited (Responsible Entity), as permitted under the Constitution, has elected to extend the term for a further two years from the existing date of 8 September 2022.

It is the intention of the Responsible Entity to wind up the Scheme following the sale of the Scheme's investment property. Accordingly, the financial statements of the Scheme have been prepared on a wind-up basis rather than on a going concern basis. Under the wind-up basis of reporting, assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

Note 2 Basis of preparation

Under the wind-up basis of reporting, all assets and liabilities are classified as current. In adopting the wind-up basis, the Responsible Entity has continued to apply the disclosure requirements of Australian Accounting Standards, to the extent they are relevant to the wind-up basis and have modified them where considered appropriate. In particular, the annual financial report does not include all of the disclosures required by the following standards on the basis that the disclosures are not considered relevant for decision-making by users of the annual financial report, as described below:

- AASB 7 *Financial Instruments: Disclosures*
  The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.
- AASB 101 *Presentation of Financial Statements*
  Information on capital management is not considered relevant for users to understand what is managed as capital as all assets and liabilities of the Scheme is expected to be realised by 30 June 2023.

(a) Statement of compliance

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board and the Act. The financial statements of the Scheme comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors of the Responsible Entity on 29 September 2022.

(b) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

(c) Key assumptions and sources of estimation

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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Note 2 Basis of preparation (continued)

(c) Key assumptions and sources of estimation (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are disclosed in:

- Note 8: Investment property - held for sale
- Note 11: Derivative financial instruments
- Note 15: Financial risk management

Note 3 Significant accounting policies

There are no new relevant Accounting Standards mandatory for future reporting periods which need to be considered for early adoption.

The accounting policies adopted are consistent with those of the previous financial year.

(a) Rental revenue

Rental revenue from operating leases is recognised on a straight-line basis over the lease term. When the Scheme provides lease incentives to tenants, the cost of the incentives are recognised over the lease term on a straight-line basis, as a reduction of property rental revenue.

(b) Interest income

Interest income and expense is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(c) Expenses

All expenses, including management fees, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

(d) Taxation

Under current legislation the Scheme is not subject to income tax as its taxable income including assessable realised capital gains is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme’s constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceeds realised capital losses the excess is distributed to the unitholders.

(e) Unit prices

The unit price is based on unit price accounting outlined in the Scheme's constitution and Product Disclosure Statement (PDS).

Note 3 Significant accounting policies (continued)

(f) Distributions to unitholders
Distributions to unitholders on units issued are recognised in the statement of changes in equity as distributions paid/payable. Distributions unpaid at the end of the financial year are recognised in the statement of financial position as a financial liability. Distributions paid to unitholders are included in cash flows from financing activities in the statement of cash flows.

(g) Applications and redemptions
Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Scheme per the Constitution adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(h) Terms and conditions of units on issue
Each unit confers upon the unitholder an equal interest in the Scheme and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income and capital distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As the units in the Scheme meet the above criteria, the units are classified as equity in accordance with AASB 132 *Financial instruments: Presentation.*

Unitholders' funds are classified as equity. The Responsible Entity has elected to adopt the Attribution Managed Investment Trust (AMIT) tax regime since 1 July 2017.

(i) Increase/decrease in net assets attributable to unitholders
Income that has not been distributed to unitholders has been recognised in the statement of profit or loss and other comprehensive income in either the current or a previous period and attributed to unitholders.

Note 3 Significant accounting policies (continued)

(j) Investment property

Investment property is carried at historical cost and includes expenditure that is directly attributable to the acquisition of the property.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Impairments based on recoverable amounts are taken to profit and loss. Reversals of previous impairments also go via profit and loss to the extent of the previous impairment only.

Land is not depreciated. Depreciation on the building component of investment property is calculated using the straight-line method to allocate the cost or revalued amounts, net of the residual value, over an estimated useful life of 25 years.

The asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

(k) Interest bearing loans and liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(m) Operating leases

The minimum rental revenue of operating leases with fixed rental increases, where the lessor effectively retains substantially all the risk and benefits of ownership of the leased item, are recognised on a straight line basis.

(n) Lease incentives

Incentives such as cash, rent free periods, lessor owned fit outs may be provided to lessees to enter into an operating lease. These incentives are capitalised and amortised on a straight line basis over the term of the lease as a reduction of rental revenue.

(o) Trade and other receivables

Receivables are recorded at amortised cost less impairment and may include amounts for distributions and interest. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

Note 3 Significant accounting policies (continued)

(p) Goods and services tax
Payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis.

Rental income, management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

(q) Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Scheme during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(r) New standards and interpretations not yet adopted
There are no new relevant Accounting Standards mandatory for future reporting periods which have needed to be considered for early adoption.

(s) Impairment of non-financial assets
At the end of each reporting period, the Responsible Entity assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset to its carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Responsible Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(t) Derivative financial liabilities
Derivative financial instruments are initially recognised at fair value 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.

(u) Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

Note 4 Distributions to unitholders

Distributions paid and payable by the Scheme for the period are:

	2022		2021	
	$	**Cents/unit**	$	Cents/unit
Distributions paid during the year	**423,681**	**2.88**	751,385	5.11
Distributions payable at year end	**38,517**	**0.26**	38,504	0.26
	462,198	**3.14**	789,889	5.37

Note 5 Auditor's remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Scheme, BDO Audit Pty Ltd:

	2022	2021
	$	$
Audit and other assurance services		
• Audit and review of the financial statements	**23,838**	22,550
• Audit of the compliance plan	**5,942**	4,000
Total remuneration for audit and other services	**29,780**	26,550

Note 6 Cash and cash equivalents

	2022	2021
	$	$
Cash at bank	**1,099,407**	245,926

Note 7 Trade and other receivables

	2022	2021
	$	$
Trade receivables	**11,595**	10,741
Rent receivable	**10,657**	-
Straight line rental asset	**90,048**	130,504
	112,300	141,245

(a) Impairment of receivables

The Scheme assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the Scheme applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition to the receivables. Management has determined that the assessment of expected credit loss associated with trade receivables is immaterial.

Note 8 Investment property - held for sale

	2022	2021
	$	$
Investment property	**24,645,633**	24,147,234
Impairment adjustment	**(314,485)**	(314,485)
Accumulated depreciation	**(3,648,807)**	(2,893,262)
	20,682,341	20,939,487

Note 8 Investment property - held for sale (continued)

	2022	2021
	$	$
At cost		
Balance at beginning of period	**20,939,487**	20,000,000
Additions	**38,381**	-
Recovery (impairment) adjustment	**-**	1,717,136
Depreciation expense	**(755,545)**	(754,764)
Capitalised lease incentives	**500,000**	-
Capitalised lease costs	**19,020**	-
Amortisation of capitalised lease costs	**(59,002)**	(22,885)
Balance at end of period	**20,682,341**	20,939,487

The investment is located at 38 Southgate Avenue, Cannon Hill, Brisbane Queensland and is a multi-tenanted, modern commercial precinct. The building was acquired on 8 September 2017.

An upward revaluation was recorded for the year ended 30 June 2021. This was based on a valuation undertaken by Savills Valuations Pty Ltd dated 17 November 2020, where the property was valued at $21,600,000. A reversal of prior year impairment totalling $1,717,136 was recorded to revalue the property to the carrying amount that would have been determined had no prior year impairment loss been recognised for the asset. The impairment reversal is in accordance with Accounting Standard AASB 136 Impairment of Assets.

Impairment of investment property

At the end of each reporting period, the Responsible Entity assesses whether there is any indication that an asset may be impaired. The assessment undertaken considered multiple impairment triggers including date of last valuation, changes to the rental market since this valuation, prevaling market conditions and capitalisation rates adopted in comparable properties.

Sale of investment property

In July 2022, the Scheme commenced the sale process by preparing to advertise the property to the market. Marketing agents have been recruited and a campaign has been commenced by Jones Lang LaSalle (Qld) Pty Ltd in September 2022. If the sale is successful, the fund will be wound up, in accordance with the constitution and PDS.

In accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations an entity shall not depreciate an asset while it is classified as held for sale and accordingly the Responsible Entity has ceased depreciating the property from 1 July 2022.

The Scheme's assets are pledged as security to Suncorp-Metway Limited (Suncorp) under a registered first mortgage. Included in the balance of investment property are assets over which a first mortgage has been granted as security over bank loans. The terms of the first mortgage preclude the asset being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires that the building that forms part of the security is to be insured at all times.

The investment property is leased to two tenants under operating leases with rent payable monthly.

Minimum lease payments receivable on lease of the investment property are as follows:

	2022	2021
	$	$
Not later than one year	**1,216,929**	1,217,234
Later than one year and not later than five years	**4,142,418**	1,832,051
Greater than five years	**1,828,757**	-
	7,188,104	3,049,285

Note 9 Trade and other payables

	2022	2021
	$	$
Trade payables	**15,801**	6,383
Rent received in advance	**-**	72,613
Accrued Responsible Entity management fees	**163,988**	79,506
Accrued lease incentives (i)	**500,000**	-
Accrued lease costs	**19,020**	-
Rental credit payable (i)	**127,630**	-
Other accrued expenses	**80,450**	85,658
GST payable	**27,163**	37,186
	934,052	281,346

(i) Represents rental incentives provided for the renewal of the Compass Group's (Australia) Pty Ltd (Compass Group) lease.

Note 10 Borrowings

	2022	2021
	$	$
Secured loans		
Commercial bill facility	**11,099,204**	10,444,993

The details of borrowings as at the reporting date are set out below:

			2022	
			Facility limit	**Drawn balance**
Facility	**Secured**	**Maturity Date**	**$**	**$**
Loan facility (i)	Yes	08-Sep-22	**10,450,000**	**10,450,000**
Loan facility (ii)	Yes	08-Sep-22	**650,000**	**650,000**
Unamortised transaction costs (iii)				**(796)**
Total borrowings			**11,100,000**	**11,099,204**

			2021	
			Facility limit	Drawn balance
Facility	Secured	Maturity Date	$	$
Loan facility (i)	Yes	08-Sep-22	10,450,000	10,450,000
Loan facility (ii)	Yes	08-Sep-22	650,000	-
Unamortised transaction costs (iii)				(5,007)
Total borrowings			11,100,000	10,444,993

Note 10 Borrowings (continued)

(i) The Responsible Entity entered into a commercial bill facility with Suncorp on 8 September 2017. The facility has a five year term and comprises three interest components, being a variable 30 day BBSW rate, a funding margin fee of 1.69% p.a. plus a customer margin fee of 0.60% p.a. (all payable monthly in arrears). To limit the Scheme's exposure to interest rate fluctuations the Responsible Entity entered into an interest rate swap arrangement on 8 September 2017 to fix the variable interest rate at 2.36% p.a. for a term of 5 years (refer Note 8). The current facility was set to expire on 30 September 2022 however has since been extended for a further two years.

(ii) The second loan facility is a 5 year variable rate loan, comprised of a 30 day BBSW rate, plus a customer margin of 0.50% p.a. The second loan facility has been fully drawn to fund costs associated with:

a) unbudgeted capital expenditure items; and
b) lease incentives, making good the premises, legal costs, consultants costs and real estate agents' leasing commissions.

As the Scheme's long term finance facility has a variable interest rate its carrying value is a reasonable estimate of its fair value.

The previously undrawn finance facility was fully drawn during the period (2021: $650,000, undrawn).

Refer Note 8 for details of security for this facility.

(iii) Deferred borrowing costs comprise all costs in relation to the establishment, arrangement and documentation of the debt facility. Such costs have been offset against the balance of the debt facility and are being amortised over the term of the facility.

Compliance with loan covenants
The Scheme has complied with the financial covenants of its borrowing facility during the period.

Note 11 Derivative financial instruments

As discussed in Note 10, the Responsible Entity manages the cash flow interest rate risk of the Scheme by using a floating-to-fixed interest rate derivative. On 8 September 2017, the Scheme entered into an interest rate swap derivative with a face value of $10,450,000, fixed interest rate of 2.36% p.a. and an expiry date of 8 September 2022. The fair value of the interest rate swap liability as at 30 June 2022 was $28,553, as determined by Suncorp using a mark-to-market valuation methodology.

Recognised fair value measurements

	2022	2021
	$	$
Derivative liability		
Interest rate swap - level 2	**28,553**	300,685

(i) Fair value hierarchy
This section explains the judgements and estimates made in determining the fair value of the interest rate swap derivative liability. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its interest rate swap into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
2022				
Interest rate swap	**-**	**28,553**	**-**	**28,553**
2021				
Interest rate swap	-	300,685	-	300,685
Net decrease in swap derivative liability		(272,132)		(272,132)

Note 11 Derivative financial instruments (continued)

Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

There were no transfers between levels 1, 2 or 3 during the period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); and
Level 3: a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

(ii) Valuation techniques used to determine level 2 fair values
The fair value of derivatives not traded in an active market (interest rate swaps) is determined using valuation techniques which use only observable market data. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable market data by the Scheme's financier.

Note 12 Contributed equity

	2022		2021	
	Units	**$**	Units	$
Balance at beginning of period	**14,700,000**	**14,700,000**	14,700,000	14,700,000
Ordinary units issued	**-**	**-**	-	-
Ordinary units redeemed	**-**	**-**	-	-
Balance at end of period	**14,700,000**	**14,700,000**	14,700,000	14,700,000

Note 13 Reconciliation of cash flows from operating activities

	2022	2021
	$	$
Profit/(loss) for the period attributable to unitholders	**(5,210)**	1,832,839
Adjustments for:		
Amortised borrowing costs	**4,211**	4,211
Amortised lease costs	**59,002**	22,885
Recovery (impairment) of investment property	**-**	(1,717,136)
Depreciation	**755,545**	754,764
Net change in fair value of derivative financial instruments	**(272,132)**	(213,415)
Capitalised lease incentives	**(500,000)**	-
Capitalised lease costs	**(19,020)**	-
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	**28,945**	(10,802)
Increase/(Decrease) in trade and other payables	**652,707**	88,927
Net cash provided by operating activities	**704,048**	762,273

Note 14 Related party transactions

Responsible Entity
The Responsible Entity of the Cannon Hill Office Trust is Trilogy Funds Management Limited ABN 59 080 383 679.

(a) Key management personnel

Responsible Entity

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme. The Executive Directors of the Responsible Entity are key personnel of that entity and their names are Rodger I Bacon, John C Barry and Philip A Ryan. The Responsible Entity also has two Non-Executive Directors being Robert M Willcocks and Rohan C Butcher.

The Responsible Entity is entitled to a management fee which is calculated as a proportion of total gross assets of the Scheme.

No compensation is paid to the Directors of the Responsible Entity or to the key personnel of the Responsible Entity by the Scheme.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

i. Transactions recorded in the statement of profit or loss and other comprehensive income

	2022	2021
	$	$
Expenses		
Management and administration fees (i)	**4,652**	1,608
Compliance fees (i)	**296**	203
Professional fees (i)	**5,146**	9,636
Registry fees (ii)	**23,200**	24,900
Responsible Entity management fees (iii)	**83,927**	79,506
	117,221	115,853

ii. Balances recorded in the statement of financial position

	2022	2021
	$	$
Trade and other payables (i)(ii)(iii)	**166,083**	81,608

(i) Reimbursement of costs incurred by the Responsible Entity and SPFM No. 2 Unit Trust (an entity associated with the Responsible Entity) on behalf of the Scheme.
(ii) A company associated with the Responsible Entity provides registry services to the Responsible Entity, who in turn provides these services to the Scheme for which it levies a fee.
(iii) The Responsible Entity is entitled to a management fee of 0.50% p.a. (plus GST) of the gross asset value of the Scheme. The Responsible Entity management fee has been deferred for the foreseeable future. Responsible Entity management fees were accrued but not paid.

Note 14 Related party transactions (continued)

(c) Related party investments held by the Scheme

The Scheme has no investment in the Responsible Entity or its associates.

Units held by the Responsible Entity
The Responsible Entity does not hold any interest in the Scheme as at 30 June 2022 (2021: nil).

Units held by Director related entities
The following entities associated with Directors of the Responsible Entity hold units in the Scheme:

Entity	Unitholding $	Interest held %	Units issued No.	Units redeemed No.	Distribution paid and/or payable $
2022					
Aimwin Pty Ltd Superannuation Fund	10,000	0.0007	10,000	-	300
Bacon Executive Superannuation Fund	10,000	0.0007	10,000	-	300
	20,000	0.0014	20,000	-	600
2021					
Aimwin Pty Ltd Superannuation Fund	10,000	0.0007	10,000	-	523
Bacon Executive Superannuation Fund	10,000	0.0007	10,000	-	523
	20,000	0.0014	20,000	-	1,046

(d) Key management personnel loan disclosures
The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(e) Other transactions within the Scheme
Apart from those details disclosed in this note, no Director has entered into a material contract with the Scheme from inception to the end of the period and there were no material contracts involving Directors' interests subsisting at financial year end.

Note 15 Financial risk management

Overview
The Scheme's assets principally consist of investment property. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and PDS.

Specific financial risk exposures and management
The main risks the Scheme is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk.

With the ongoing complications of the COVID-19 pandemic, additional resources and time have been allocated to monitoring any adverse potential impacts. Regular discussion with property managers, tenants and loan providers are undertaken accordingly.

Note 15 Financial risk management (continued)

Specific financial risk exposures and management (continued)

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board is responsible for developing and monitoring the Scheme's risk management policies. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Responsible Entity's Compliance Committee and its Audit, Compliance and Risk Management Committee oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme.

(a) Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. The Scheme's maximum exposure to credit risk at the reporting date is as follows:

	Note	2022	2021
		$	$
Financial assets			
Cash and cash equivalents	6	**1,099,407**	245,926
Trade and other receivables (i)	7	**22,252**	10,741
Total financial assets		**1,121,659**	256,667

(i) Straight line rental asset is excluded

This risk is minimised by regularly reviewing the Scheme's trade and other receivables. As at 30 June 2022, there are no material trade receivables (Note 7), with tenants continuing to pay rent in a timely manner.

Note 15 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk arises from the possibility that the Scheme might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Responsible Entity manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Scheme's balance sheet and forecast cash flow are reviewed in detail at a minimum on a monthly basis to monitor any potential risk relating to liquidity.

The timing of cash flows presented in the table below to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

	Carrying amount	Contract cash flows	< 1 month	1-3 months	3-12 months	> 12 months	Weighted average interest rate p.a.
	$	$	$	$	$	$	
2022							
Financial liabilities							
Distributions payable	**38,517**	**38,517**	**38,517**	**-**	**-**	**-**	**3.00%**
Trade and other payables	**934,052**	**934,052**	**770,064**	**-**	**163,988**	**-**	**-**
Commercial bill facility	**11,100,000**	**11,438,906**	**22,840**	**67,044**	**178,294**	**11,170,728**	**2.36%**
Derivative financial instruments	**28,553**	**28,553**	**9,518**	**19,035**	**-**	**-**	**2.36%**
	12,101,122	**12,440,028**	**840,939**	**86,079**	**342,282**	**11,170,728**	

	Carrying amount	Contract cash flows	< 1 month	1-3 months	3-12 months	> 12 months	Weighted average interest rate p.a.
2021	$	$	$	$	$	$	
Financial liabilities							
Distributions payable	38,504	38,504	38,504	-	-	-	3.00%
Trade and other payables	281,346	281,346	201,899	-	79,447	-	-
Commercial bill facility	10,450,000	10,728,430	20,235	39,818	178,205	10,490,171	2.29%
Derivative financial instruments	300,685	300,685	21,035	41,391	185,240	53,020	2.36%
	11,070,535	11,348,965	281,673	81,209	442,892	10,543,191	

Note 15 Financial risk management (continued)

(c) Capital management

The Scheme's capital management strategy seeks to maximise unitholder value through optimising the level and use of capital resources and the mix of debt funding.

The Scheme's capital management objectives aim to:

- ensure that the Scheme complies with capital and distribution requirements of its constitution and PDS;
- ensure sufficient capital resources to support the Scheme's operational requirements;
- continue to support the Scheme's credit worthiness; and
- safeguard the Scheme's ability to continue as a going concern.

In a stable economic environment the Scheme is generally able to alter its capital mix by:

- adjusting the amount of distributions paid to members; and
- selling assets to reduce borrowings.

The Scheme protects its equity in property assets by taking out insurance cover with credit worthy insurers.

The Scheme monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by adjusted assets. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted assets are calculated as total assets less cash and cash equivalents. The gearing ratio as at 30 June 2022 and 30 June 2021 were as follows:

	Note	2022 $	2021 $
Total borrowings	10	**11,100,000**	10,450,000
Less: cash and cash equivalents	6	**(1,099,407)**	(245,926)
Net debt		**10,000,593**	10,204,074
Total assets		**21,894,048**	21,326,658
Less: cash and cash equivalents	6	**(1,099,407)**	(245,926)
Adjusted assets		**20,794,641**	21,080,732
Gearing ratio		**48%**	48%

The Scheme's gearing ratio is considered medium.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Scheme’s income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. COVID-19 has continued to put pressure on incentives required to attract new tenants.

Note 15 Financial risk management (continued)

(d) Market risk (continued)

i. *Interest rate risk*
Exposure to interest rate risk on the Scheme's commercial bill facility is limited as the variable interest rate of the facility is fixed for five years and the line fee is fixed for three years. Any fair value movements in the Scheme's interest rate swap derivative as a result of underlying interest rate changes and other market factors are non-cash movements that do not impact the operations of the Scheme.

ii. *Other market risk*
The Scheme is not exposed to other material market risk on its financial assets and liabilities.

Note 16 Custodian of the Scheme

The Scheme's custodian is The Trust Company Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The total value of assets held by the custodian at cost as at 30 June 2022 totals $21,894,048 (30 June 2021: $21,326,658).

The custodian is entitled to a minimum annual administration fee of $16,005 (plus GST) (2021: $15,828). During the period, the Scheme paid $14,927 in custodian fees (2021: $15,740).

The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

Note 17 Contingent liabilities

There are no contingent liabilities or contingent assets at 30 June 2022 (2021: nil).

Note 18 Events subsequent to reporting date

Vacancy
As detailed above, the ground floor tenancy comprising 269 sqm remains vacant. Jones Lang LaSalle (Qld) Pty Ltd is actively marketing the vacant premises and is currently in negotiation with prospective tenants. However, this vacancy continues to put pressure on the cash flow of the Scheme. The Responsible Entity has agreed to continue the deferment of its management fee for the foreseeable future, which will be monitored and reviewed on an ongoing basis.

Sale of investment property
In July 2022, the Scheme commenced the sale process by preparing to advertise the property to the market. Marketing agents have been recruited and a campaign has been commenced by Jones Lang LaSalle (Qld) Pty Ltd in September 2022. If the sale is successful, the Scheme will be wound up, in accordance with the Constitution and PDS.

Loan facility extension
In September 2022, Suncorp issued a letter of offer to the Scheme to extend the current loan facility for a futher one year. The new facility expiry date is 30 September 2023.

Cannon Hill Office Trust
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Cannon Hill Office Trust (Scheme):

(a) The financials statements and notes, as set out on pages 9 to 28 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Scheme's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and

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

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.

Philip A Ryan

Executive Director

29 September 2022
Brisbane

Rodger I Bacon

Executive Deputy Chairman

29 September 2022
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the members of Cannon Hill Office Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cannon Hill Office Trust (the Registered Scheme), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration of Trilogy Funds Management Limited as Responsible Entity of Cannon Hill Office Trust.

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

(i) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) 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 Registered Scheme in accordance with 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 Trilogy Funds Management Limited as Responsible Entity of Cannon Hill Office Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of matter – Basis of preparation

We draw attention to Notes 1 and 2 of the financial report, which describes the basis of preparation. The financial report of the Registered Scheme has been prepared on a wind-up basis, given the Directors of Trilogy Funds Management Limited as Responsible Entity of Cannon Hill Office Trust intend to wind up the Registered Scheme following the sale of the Registered Scheme's investment property. Our opinion is not modified in respect of this matter.

Other information

The directors of Trilogy Funds Management Limited as Responsible Entity of Cannon Hill Office Trust are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Registered Scheme's Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Registered Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Scheme or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 29 September 2022

Find out more.

Start a conversation with us today.
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