Trilogy Funds

Trilogy Industrial Property Trust

Annual Financial Report
30 June 2022

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Issued by Trilogy Funds Management Limited
in its capacity as responsible entity

trilogyfunds.com.au

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Directors' report
30 June 2022

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the Trilogy Industrial Property 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 domiciled in Australia. The principal activity of the Scheme during the period was to acquire direct property investments in industrial real estate and manage those investments subsequent to acquisition. The Scheme did not have any employees during the period.

Review of operations and results

Product Disclosure Statement (PDS) updates
In July 2021, the Responsible Entity issued a new PDS for the Scheme, transitioning from a closed offering to an open offering, providing the capability for the Scheme to accept and issue units monthly.

In February 2022, the Responsible Entity issued an update to the PDS to expand the Scheme's investment strategy to facilitate active construction and development of new and existing assets. The update permits the Scheme to participate in the creation of value through development and is aimed to better align the Scheme's investment strategy with current market conditions.

Withdrawal offer
In February 2022, in line with the PDS, the Responsible Entity announced a withdrawal offer providing investors with the option to redeem part or all of their existing investment in the Scheme. All investors were eligible to participate in the withdrawal offer. Units redeemed through the offer were based on the unit price as at 1 March 2022, being $1.0866, less a 2.5% sell spread. The total number of units redeemed through the withdrawal offer was 6,516,239, equal to $6,903,531 paid to investors net of the 2.5% sell spread of $177,014. Redemption and payment of the units was made on 18 March 2022.

Investment property acquisitions
During the period, the Scheme acquired six industrial properties, contributing to greater diversification of the Scheme's geographic locations across Australia, and wider diversification across tenancy sectors.

8-14 Moorebank Road, Wellcamp QLD (Wellcamp)
On 30 July 2021, the Scheme purchased an industrial property located in Wellcamp, QLD for $8,640,000. The property consists of a large industrial landholding, improved with a warehouse building and office that are fully leased on a sale and leaseback arrangement with Australian Coil Services Pty Ltd. The acquisition of Wellcamp was funded by additional debt funding from Westpac Banking Corporation (WBC).

15 & 17 Dacmar Road, Coolum Beach QLD (Coolum Beach)
The Scheme acquired two adjacent properties located at Coolum Beach, QLD on 31 August 2021 for $15,500,000 and $6,550,000 respectively. The asset is comprised of two modern industrial warehouse and distribution facilities leased to Weir Minerals Australia Limited. The acquisition of these properties was funded via equity raised from the issuance of units in July and August 2021 in conjunction with an increase in the existing debt facility established with WBC.

16 Galleghan Street, Hexham NSW (Hexham)
On 14 October 2021, the Scheme acquired an additional property located in Hexham, NSW for $28,010,966. The property consists of a modern warehouse facility incorporating ambient warehousing, cool room and office facilities. The tenancy is split between Downer EDI Engineering Power Pty Ltd and Bega Dairy and Drinks Pty Ltd. The acquisition of Hexham was funded by a combination of equity raised from the issuance of units and debt funding through a newly negotiated WBC institutional banking agreement outlined further in Note 10.

16-22 Magnesium Street, Narangba QLD (Narangba)
The Scheme acquired an industrial property located in Narangba, QLD on 9 December 2021 for $16,927,000. The property contains two industrial buildings, both providing warehouse and office accommodation with gantry crane amenities. The acquisition of Narangba was funded by an combination of equity raised from the issuance of units and debt funded through a new loan facility agreement with Commonwealth Bank of Australia (CBA).

Review of operations and results (continued)

21-27 Carrington Road, Torrington QLD (Torrington)
On 11 April 2022, the Scheme acquired a property situated in Torrington, QLD for $10,750,000. The property consists of eight buildings including a street front showroom and seven metal-clad buildings for sales and repairs. The property is located within Toowoomba's industrial precinct and is well positioned to capitalise on the expanding Toowoomba Trade Gateway. The acquisition was funded by an combination of equity raised from the issuance of units and debt funding provided by WBC.

6 Ron Parkinson Crescent, Corbould Park QLD (Corbould Park)
On 10 June 2022, the Scheme acquired a property located in the Sunshine Coast Industrial Park, the region's largest industrial estate. Facilities include two levels of office and amenities at the front of the building with a large warehouse at the rear. The property settled for $20,600,000 and was funded by an combination of equity raised from the issuance of units and debt funding through CBA.

Property revaluations
During the period, the Scheme commissioned external revaluations for two properties held in the Scheme per its valuation policy. The external valuations represented strong growth in the property portfolio. As the Scheme reports on a cost basis for its accounting policy, the increase in market value of the properties is reflected in the Net Asset Value (NAV) calculation detailed below, contributing to an increase in the NAV of the units on issue, from $1.07 per unit as at 30 June 2021, to $1.09 per unit as at 30 June 2022.

Related party investments held by the Scheme
Throughout the reporting period, surplus cash generated by the Scheme from equity raises was invested into two registered managed investment schemes operated by the Responsible Entity. The investments were allocated to Trilogy Monthly Income Trust (TMIT) and Trilogy Enhanced Income Fund (TEIF) to provide enhanced returns to investors. These investments are not considered to be a long term strategy and will be redeemed as required to fund the purchase of additional properties as detailed in Events subsequent to the end of the reporting period.

Financial overview
The profit attributable to unitholders for the year totalled $1,534,232 (2021: $1,166,888). During the year, the Scheme's primary revenue stream was derived from rental income, however this income was largely offset by non-cash expenditure such as depreciation expense of $4,820,681 (2021: $2,221,360). Additionally, the Scheme incurred costs relating to the acquisition of the additional properties during the period, as outlined in the PDS of the Scheme.

The total carrying value of the Scheme's assets as at 30 June 2022 was $193,918,075 (2021: $77,372,782), comprised primarily of the investment properties acquired.

Distributions to unitholders

The return to unitholders of the Scheme for the period was as follows:	**2022**	2021
	$	$
Distributions paid during the period	**6,514,748**	3,856,552
Distributions payable at year end	**673,565**	363,584
	7,188,313	4,220,136
Cents per ordinary unit (CPU) (i)	**7.57**	7.99

Review of operations and results (continued)

(i) From February 2020, cash distributions have been paid to investors at 8.16 CPU p.a. From November 2020 to May 2021 inclusive, cash distributions have been paid to investors at 7.96 CPU p.a. From June 2021, to May 2022, cash distributions have been paid to investors at 7.60 CPU p.a. From June 2022, cash distributions have been paid to investors at 7.30 CPU p.a.

NAV per unit (unaudited non-IFRS disclosure)
The Scheme's NAV per unit as at 30 June 2022 is $1.09 (2021: $1.07). The NAV has been calculated in accordance with the Responsible Entity's Unit Pricing Policy.

	2022 **$**	2021 $
Net assets	**101,618,915**	50,750,942
Adjustments for:		
Accumulated depreciation (ii)	**9,240,987**	4,420,306
Stamp duty, property title and legals (ii)	**(10,001,430)**	(3,759,496)
Unamortised equity raising, Scheme establishment and acquisition costs (ii)	**12,046,441**	4,864,989
Fair value increase (i) (iii)	**8,722,010**	4,837,626
Straight line (asset)/liability adjustments (ii)	**(1,310,603)**	(653,537)
Derivative financial instruments (ii)	**(1,230,182)**	-
Adjusted net assets	**119,086,138**	60,460,830
Units on issues	**109,199,441**	56,621,110
NAV per unit	**$ 1.09**	$ 1.07

(i) The fair value increase relates to revaluations conducted for Diesel Drive, Crichtons Road, Gillman, Carrara, the Bosso Street properties, Darra and Toowoomba.

(ii) It is the policy of the Responsible Entity to exclude accumulated depreciation, derivative financial instruments and straight line rental assets. Stamp duty, property title fees, legal costs associated with the acquisition, equity raising and scheme establishment costs are amortised over a 5-year period as per the Scheme's Unit Pricing Policy.

(iii) When an external valuation is commissioned, it is the Scheme's policy to adopt the current market valuation for NAV purposes resulting in an expected increase of the property's value as an asset. Should the Responsible Entity seek to sell the investment properties and wind-up the Scheme, the net assets of the Scheme will be adjusted to account for estimated selling and disposal costs and performance fees (if applicable).

Indirect cost ratio (ICR)
The ICR for the Scheme for the period ended 30 June 2022 is 4.64% p.a. (2021: 2.08% p.a). The initial costs incurred to acquire investment properties are included in the calculation of the ratio.

Units on issue
During the year 59,094,570 additional units were issued (2021: 17,799,019) and 6,516,239 units were redeemed from the Scheme (2021: nil). The Scheme had 109,199,441 units on issue as at 30 June 2022 (2021: 56,621,110).

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(c)).

	2022	2021
	$	$
Expenses		
Management and administration fees	**42,192**	6,893
Professional fees	**57,138**	70,208
Registry fees	**22,600**	25,800
Responsible Entity management fees	**618,048**	366,325
Asset origination fees	**2,139,559**	444,040
Marketing and advertising	**172,319**	117,400
Performance fees	**764,037**	-
	3,815,893	1,030,666

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

Significant changes in the state of affairs

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the year.

Events subsequent to the end of the reporting period

Subsequent investment property acquisitions

12-14 & 13 Martin Drive, Tomago NSW (Tomago)
The Scheme acquired a property located in Tomago, NSW for $16,140,000 with settlement occuring 12 September 2022. The acquisition was funded by a combination of equity raised from the issuance of units, redemption of units held in related party managed investment schemes and the provision of further debt funding from WBC. Tomago is leased to Cougar Mining Group Pty Ltd, an Australian coal mining business established in 2000. The acquisition resulted in an increase in the Scheme's Weighted Average Lease Expiry (WALE) and has also provided the Scheme with greater geographic diversification.

660 Stuart Highway, Berrimah NT
In September 2022, technical due diligence was completed on a large storage and showroom property located in Berrimah, NT and on 26 September 2022, the Scheme paid an initial $75,000 option fee for the property. If the acquisition proceeds, the property will be the first large storage and showroom property held by the Scheme with an apprxomiate 10 year WALE. At date of signing, negotiations continue in relation to the acquisition.

Events subsequent to the end of the reporting period (continued)

Carrum Downs extension project
In July 2022, capital works began on the property located at 118 Colemans Road, Carrum Downs VIC to extend the warehouse facilities for the existing tenant, Tempur Sealy International Pty Ltd (Tempur Sealy). The project is expected to cost $1 million and is progressing on time and on budget, with completion scheduled for October 2022. Completion of the project will trigger a new lease over the newly constructed area and also an extension of the existing Tempur Sealy lease, extending both leases to an expiration date of August 2028.

Related party investments held by the Scheme
On 6 September 2022, the Scheme redeemed $2,800,000 of units from TEIF and on 7 September 2022, the Scheme redeemed $2,500,000 of units from TMIT. Proceeds from both redemptions were used to fund the settlement of the Tomago acquisition. At reporting date, the Scheme holds $1,000,000 of units in TMIT.

PDS update
On 26 July 2022, the Scheme issued a Supplementary PDS, updating the Scheme's investment criteria to include showrooms and storage facilities. The investment criteria will have the same investment objective of providing consistent income and the potential for capital growth over the medium to long term.

Other than the items noted above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

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.

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

Indemnification of officers (continued)

Indemnification (continued)

(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 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
Executive Director

29 September 2022
Brisbane

Rodger I Bacon
Executive Deputy Chairman

29 September 2022
Brisbane

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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF TRILOGY FUNDS MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF TRILOGY INDUSTRIAL PROPERTY TRUST

As lead auditor of Trilogy Industrial Property 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.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 29 September 2022

Trilogy Industrial Property 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 revenue	8(c)	**10,579,857**	5,117,159
Recoverable outgoings	8(c)	**1,574,789**	888,911
Interest revenue from financial institutions		**4,787**	7,493
Investment income	14(d)	**356,530**	371,674
Net change in fair value of derivative financial instruments	11	**1,230,182**	-
Sell spread income		**177,481**	-
		13,923,626	6,385,237
Expenses			
Audit and compliance	5	**(56,541)**	(46,900)
Custodian fees	16	**(37,857)**	(18,335)
Direct property expenses and outgoings	8(c)	**(1,740,539)**	(1,166,336)
Depreciation	8	**(4,820,681)**	(2,221,360)
Management and administration costs		**(172,236)**	(14,710)
Professional fees		**(308,312)**	(72,652)
Registry fees	14(c)(i)	**(22,600)**	(25,800)
Responsible Entity management fees	14(c)(i)	**(618,048)**	(366,325)
Taxation fees		**(14,620)**	(4,750)
Asset origination fees	14(c)(i)	**(2,139,559)**	(444,040)
Marketing and advertising	14(c)(i)	**(172,319)**	(117,400)
Valuation fees		**(77,651)**	(65,761)
Performance fees	14(c)(i)	**(764,037)**	-
		(10,945,000)	(4,564,369)
Profit for the period before finance costs		**2,978,626**	1,820,868
Finance costs:			
• Interest expense		**(1,343,910)**	(637,120)
• Amortisation of loan transaction costs		**(100,484)**	(16,860)
		(1,444,394)	(653,980)
Profit for the period attributable to unitholders		**1,534,232**	1,166,888
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the period attributable to unitholders		**1,534,232**	1,166,888

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

Trilogy Industrial Property Trust
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	6	**1,238,373**	1,469,635
Trade and other receivables	7	**200,457**	178,702
Financial assets	14(d)	**6,300,000**	-
Property deposits	8(b)	**-**	552,650
Total current assets		**7,738,830**	2,200,987
Non-current assets			
Trade and other receivables	7	**1,941,143**	653,537
Derivative financial instruments	11	**1,230,182**	-
Investment property - at cost	8(a)	**183,007,920**	74,518,258
Total non-current assets		**186,179,245**	75,171,795
Total assets		**193,918,075**	77,372,782
Liabilities			
Current liabilities			
Trade and other payables	9	**1,700,774**	727,676
Distributions payable	4	**673,565**	363,584
Total current liabilities		**2,374,339**	1,091,260
Non-current liabilities			
Trade and other payables	9	**56,603**	109,887
Borrowings	10	**89,868,218**	25,420,693
Total non-current liabilities		**89,924,821**	25,530,580
Total liabilities		**92,299,160**	26,621,840
Net assets		**101,618,915**	50,750,942
Equity			
Contributed equity	12	**113,888,487**	57,366,433
Accumulated losses		**(12,269,572)**	(6,615,491)
Total equity		**101,618,915**	50,750,942

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

Trilogy Industrial Property 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		39,211,433	(3,562,243)	35,649,190
Comprehensive income:				
Profit for the period		-	1,166,888	1,166,888
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	1,166,888	1,166,888
Transactions with unitholders in their capacity as owners:				
Units issued for cash	12	18,155,000	-	18,155,000
Distributions paid/payable	4	-	(4,220,136)	(4,220,136)
Balance at 30 June 2021		57,366,433	(6,615,491)	50,750,942
Balance at 1 July 2021		**57,366,433**	**(6,615,491)**	**50,750,942**
Comprehensive income:				
Profit for the year		-	1,534,232	1,534,232
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**1,534,232**	**1,534,232**
Transactions with unitholders in their capacity as owners:				
Units issued for cash	12	63,602,599	-	63,602,599
Units redeemed for cash	12	(7,080,545)	-	(7,080,545)
Distributions paid/payable	4	-	(7,188,313)	(7,188,313)
Balance at 30 June 2022		**113,888,487**	**(12,269,572)**	**101,618,915**

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

Trilogy Industrial Property Trust
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		**11,668,340**	5,943,957
Payments to suppliers		**(5,671,030)**	(1,664,966)
Proceeds from sell spread		**177,014**	-
Interest received		**5,254**	7,493
Interest paid		**(1,343,910)**	(637,120)
Net cash provided by operating activities	13	**4,835,668**	3,649,364
Cash flows from investing activities			
Acquisition of investment property	8(a)	**(113,219,900)**	(23,144,219)
Deposits (paid)/recovered		**552,650**	(552,650)
Capital expenditure - property and equipment	8(a)	**(90,443)**	-
Investments in managed investment schemes	14(d)	**(6,300,000)**	-
Net cash used in investing activities		**(119,057,693)**	(23,696,869)
Cash flows from financing activities			
Proceeds from issue of ordinary units	12	**63,602,599**	18,155,000
Payments for redemption of units	12	**(7,080,545)**	-
Proceeds from borrowings		**64,680,500**	941,101
Payment of borrowing costs		**(333,459)**	(23,489)
Distributions paid to unitholders		**(6,878,331)**	(4,123,844)
Net cash provided by financing activities		**113,990,764**	14,948,768
Net decrease in cash and cash equivalents		**(231,262)**	(5,098,737)
Cash at beginning of the reporting period		**1,469,635**	6,568,372
Cash and cash equivalents at end of the financial period	6	**1,238,373**	1,469,635

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

Note 1 Reporting entity

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

As stipulated under the Scheme's constitution, the Trust is an open-ended unlisted unit trust that invests directly in real property for the purpose of deriving rental income.

Note 2 Basis of preparation

(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 Corporations Act 2001. 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 Trilogy Funds Management Limited (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.

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 (Impairment of investment property)
- Note 11: Derivative financial instruments
- Note 15: Financial risk management

Note 3 Significant accounting policies

The Scheme adopted all new and amended Australian Accounting Standards and Interpretations effective 1 July 2021. The adoption of these new and amended Australian Accounting Standards and Interpretations did not have a material impact to the financial statements.

There are new and amended Australian Accounting Standards and Interpretations issued but not yet effective for the year ended 30 June 2022. These new and amended Australian Accounting Standards and Interpretations will not have a material impact to the financial statements on adoption dates.

(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.

Note 3 Significant accounting policies (continued)

(b) Interest income and expense
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 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 the unit pricing policy outlined in the Scheme's constitution and Product Disclosure Statement (PDS).

(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.

Note 3 Significant accounting policies (continued)

(h) Terms and conditions of units on issue (continued)

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.*

The Responsible Entity has elected to adopt the Attribution Managed Investment Trust (AMIT) tax regime since inception.

(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.

(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 or loss. Reversals of previous impairments also go via profit or 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, 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. Refer to Note 3(q) for accounting policy on impairment of non-financial assets.

(k) Borrowings

All borrowings are initially recognised at the fair value of the consideration received less any directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of borrowing facilities that are yield related are included as part of the carrying amount of the 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.

Note 3 Significant accounting policies (continued)

(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) Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and short-term highly liquid deposits with original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

(n) 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.

(o) Goods and services tax
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).

Payables are stated with the amount of GST included.

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

(p) 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.

(q) 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.

(r) Derivative financial instruments
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 reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Note 3 Significant accounting policies (continued)

(s) Financial assets

Financial assets are initially recognised at fair value. Subsequent to initial recognition, financial assets are classified at fair value through profit or loss with changes in their fair value recognised in the profit or loss.

(t) 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 period	**6,514,748**	**7.09**	3,856,552	7.45
Distributions payable at period end	**673,565**	**0.62**	363,584	0.64
	7,188,313	**7.71**	4,220,136	8.09

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	**46,225**	40,400
• Audit of the compliance plan	**10,316**	6,500
Total remuneration for audit and other services	**56,541**	46,900

Note 6 Cash and cash equivalents

	2022	2021
	$	$
Cash at bank	**1,238,373**	1,469,635

Note 7 Trade and other receivables

	2022	2021
	$	$
Current assets		
Trade receivables	**159,914**	149,137
Other receivables	**40,543**	465
Straight line rental asset	**-**	29,100
	200,457	178,702

	2022	2021
	$	$
Non-current assets		
Straight line rental asset	**1,941,143**	653,537
	1,941,143	653,537

Note 7 Trade and other receivables (continued)

(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

(a) Investment property - at cost

	2022	2021
	$	$
Investment property	**192,248,907**	78,938,564
Accumulated depreciation	**(9,240,987)**	(4,420,306)
	183,007,920	74,518,258

	2022	2021
At cost	**$**	$
Balance at beginning of period	**74,518,258**	53,595,399
Acquisitions	**113,219,900**	23,144,219
Capital expenditure - property and equipment	**90,443**	-
Depreciation expense	**(4,820,681)**	(2,221,360)
Balance at end of period	**183,007,920**	74,518,258

			2022	2021
By investment property			**$**	$
Property name	**Property address**	**Acquisition Date**		
Diesel Drive	33-41 Diesel Dr, Paget QLD	10/04/2018	**9,110,058**	9,488,687
Crichtons Road	11-21 Crichtons Rd, Paget QLD	10/04/2018	**3,639,039**	3,783,087
Gillman	113-117 Bedford Street, Gillman SA	13/12/2018	**12,766,018**	13,221,358
Carrara	11 Elysium Road, Carrara QLD	13/12/2019	**11,627,735**	12,052,803
Bosso Street	9-17 Bosso Street, Paget QLD	20/12/2019	**619,833**	619,833
Bosso Street 2	19-29 Bosso Street, Paget QLD	20/12/2019	**11,914,061**	12,406,781
Darra	37 Gravel Pit Road, Darra QLD	16/10/2020	**11,993,364**	12,349,464
Carrum Downs	118 Colemans Road, Carrum Downs VIC	28/06/2021	**10,396,185**	10,596,245
Toowoomba	8-14 Moorebank Road, Wellcamp QLD	30/07/2021	**8,892,325**	-
Coolum Beach	15/17 25 Dacmar Road, Coolum Beach QLD	31/08/2021	**22,656,427**	-
Hexham	16 Galleghan Street, Hexham NSW	14/10/2021	**28,701,527**	-
Narangba	16-22 Magnesium Street, Narangba QLD	09/12/2021	**17,515,267**	-
Torrington	21-27 Carrington Road, Torrington QLD	11/04/2022	**11,349,573**	-
Corbould Park	6 Ron Parkinson Crescent, Corbould Park QLD	10/06/2022	**21,826,508**	-
			183,007,920	74,518,258

The balance of the investment properties shown above include the purchase price of the asset and directly attributable expenditure incurred in acquiring the property.

Note 8 Investment property (continued)

(a) Investment property - at cost (continued)

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.

During the period the Scheme acquired six additional properties. The first located at 8-14 Moorebank Road, Wellcamp for $8,640,000 on 30 July 2021. The second property acquired is located at 15/17 25 Dacmar Road, Coolum Beach and was purchased for $22,050,000 on 31 August 2021. A third property located at 16 Galleghan Street, Hexham was acquired on 14 October 2021 for $28,010,966. The fourth acquisition located at 16-22 Magnesium Street, Narangba was acquired for $16,927,000 on 9 December 2021. A fifth property was acquired at 21-27 Carrington Road, Torrington for $10,750,000 settling 11 April 2022. The final property acquired during the period is located at 6 Ron Parkinson Crescent, Corbould Park and was purchased for $20,600,000 on 10 June 2022.

The Scheme's assets are pledged as security to Westpac Banking Corporation (WBC) and Commonwealth Bank of Australia (CBA) 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 buildings that form part of the security are to be insured at all times.

The investment properties are leased under long-term 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	**12,570,573**	7,492,302
Later than one year and not later than five years	**39,423,406**	23,089,594
Greater than five years	**30,435,222**	12,087,772
	82,429,201	42,669,668

All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Refer to Note 15 for further details of the Scheme's risk management strategy.

(b) Property deposits

		2022	2021
		$	$
Property name	**Property address**		
Coolum Beach	15 & 17 Dacmar Road, Coolum Beach, QLD		
	Deposits paid	**-**	551,250
	Legal fees related to property acquisition	**-**	1,400
		-	552,650

(c) Amounts recognised in profit or loss for investment property

	2022	2021
	$	$
Rental revenue from investment property	**10,579,857**	5,117,159
Recoverable outgoings from investment property	**1,574,789**	888,911
Direct operating expense from investment property that generated rental income	**(1,740,539)**	(1,166,336)
	10,414,107	4,839,734

Note 9 Trade and other payables

	2022	2021
	$	$
Current		
Trade payables	**202,066**	320,828
Other accruals	**541,768**	36,889
Lease incentives (i)	**134,114**	160,194
GST payable	**192,285**	209,765
Straight line rental liability	**630,541**	-
	1,700,774	727,676

	2022	2021
	$	$
Non-current		
Lease incentives (i)	**56,603**	109,887
	56,603	109,887

(i) The vendor in relation to the Gillman settlement was required to bear the cost of the existing lease incentives. This amount has instead been deducted from funds required at settlement.

Note 10 Borrowings

	2022	2021
	$	$
Secured loans		
Loan facility	**89,868,218**	25,420,693

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

			2022		2021	
Facility	Secured	Maturity date	Facility limit $	Drawn balance $	Facility limit $	Drawn balance $
WBC loan facility (i)	Yes	Closed	**-**	**-**	10,188,000	10,188,000
WBC loan facility (i)	Yes	Closed	**-**	**-**	15,282,000	15,282,000
WBC loan facility (ii)	Yes	**14-Oct-24**	**52,010,000**	**52,010,000**	-	-
WBC loan facility (ii)	Yes	**14-Oct-24**	**14,000,000**	**14,000,000**	-	-
WBC loan facility (ii)	Yes	**14-Oct-24**	**5,375,000**	**5,375,000**	-	-
			71,385,000	**71,385,000**	25,470,000	25,470,000
CBA loan facility (iii)	Yes	**09-Dec-25**	**8,463,500**	**8,463,500**	-	-
CBA loan facility (iii)	Yes	**09-Jun-25**	**10,300,000**	**10,300,000**	-	-
			18,763,500	**18,763,500**	-	-
Unamortised transaction costs (iv)				**(280,282)**	-	(49,307)
Total borrowings			**90,148,500**	**89,868,218**	25,470,000	25,420,693

Note 10 Borrowings (continued)

(i) The Responsible Entity entered into a commercial bill facility with WBC on 31 October 2020. The terms consisted of a three-year maturity term and four interest components, being an initial interest rate of 0.15% p.a. (variable thereafter, based on the BBSY), a fixed base rate of 0.50% p.a., a business loan margin rate of 1.53% p.a. (variable thereafter), and a fixed line fee of 0.80% p.a. (payable monthly). In October 2021, the facility was closed and borrowings transferred to a new facility held with the institutional branch of WBC (refer (ii) below).

(ii) On 14 October 2021, the Responsible Entity entered into two bullet non-revolving cash advance facilities with the institutional branch of WBC. The terms consist of a three-year maturity term and three interest components, being a variable interest rate based on the BBSY, a fixed margin of 0.85% p.a. and a fixed line fee of 0.85% p.a. (payable quarterly). In April 2022, a variation deed was executed to facilitate a third drawdown under the facility agreement to fund the Torrington settlement. The terms of this facility include a three-year maturity term and three interest components, being a variable interest rate based on the BBSY, a fixed margin of 0.80% p.a. and a fixed line fee of 0.80% p.a. (payable quarterly).

To mininise interest rate risk, the Responsible Entity entered into an interest rate swap hedge with WBC on 5 November 2021 and 15 December 2021 hedging $33,000,000, equating to 50% of the drawn debt facility. The hedge consists of a two-year floating rate based on the BBSY, after which a two-year fixed rate of 2.04% p.a. will apply.

(iii) To diversify the Scheme's debt providers, the Responsible Entity entered into a market rate loan facility agreement with CBA on 9 December 2021 to fund 50% of the Narangba acquisition. The terms consist of a 4-year maturity term and two interest components, being a variable interest rate based on the BBSY (payable quarterly) and a fixed line fee of 1.85% p.a. (payable monthly). In June 2022, additional funds were drawn under this agreement to fund 50% of the Corbould Park acquisition. The terms of this facility include a three-year maturity term and two components, being a variable interest rate based on the BBSY and a fixed line fee of 1.67% p.a. (payable monthly).

To mininise interest rate risk, the Responsible Entity entered into an interest rate swap hedge with CBA on 11 December 2021

As the finance facilities have a variable interest rate, its carrying value is a reasonable estimate of its fair value.

Refer Note 8 for details of properties held as security for the facilities.

(iv) 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. Refer to Note 15(c) for details on the financial convenants.

Note 11 Derivative financial instruments

As discussed in Note 10, the Responsible Entity manages the cash flow interest rate risk of the Scheme by ultilising interest rate hedge instruments to reduce volatility.

During the period, the Responsible Entity entered into an interest rate swap agreement with WBC with a total face value of $33,000,000, equating to 50% of the drawn debt facility. The hedge consists of a two-year floating rate based on the BBSY, after which a two-year fixed rate of 2.04% p.a. will apply, expiring October 2025. The fair value of the WBC interest rate swap asset as at 30 June 2022 was $1,095,470, as determined using WBC's mark-to-market valuation methodology.

Note 11 Derivative financial instruments (continued)

In December 2021, the Responsible Entity entered into an interest rate swap hedge with CBA hedging $4,231,750, equating to 50% of the initial drawn debt facility. The hedge consists of a two-year floating rate based on the BBSY, after which a two-year fixed rate of 2.19% p.a. will apply, expiring December 2025. The fair value of the CBA interest rate swap asset as at 30 June 2022 was $134,712, as determined using CBA's mark-to-market valuation methodology.

Recognised fair value measurements

	2022	2021
	$	$
Derivative asset		
Interest rate swap - level 2 (WBC)	**1,095,470**	-
Interest rate swap - level 2 (CBA)	**134,712**	-
	1,230,182	-

(i) Fair value hierarchy
This section explains the judgements and estimates made in determining the fair value of the interest rate swap derivative asset. 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	**-**	**1,230,182**	**-**	**1,230,182**
2021				
Interest rate swap	-	-	-	-
Net increase in swap derivative asset		1,230,182		1,230,182

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 financiers.

Note 12 Contributed equity

	2022 Units	2022 $	2021 Units	2021 $
Balance at beginning of period	**56,621,110**	**57,366,433**	38,822,091	39,211,433
Ordinary units issued	**59,094,570**	**63,602,599**	17,799,019	18,155,000
Ordinary units redeemed	**(6,516,239)**	**(7,080,545)**	-	-
Balance at end of period	**109,199,441**	**113,888,487**	56,621,110	57,366,433

Note 13 Reconciliation of cash flows from operating activities

	2022 $	2021 $
Profit for the period attributable to unitholders	**1,534,232**	1,166,888
Adjustments for:		
Amortised borrowing costs	**100,484**	16,860
Depreciation	**4,820,681**	2,221,360
Net change in fair value of derivative financial instruments	**(1,230,182)**	-
	2022 $	2021 $
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(1,309,361)**	39,796
Increase in trade and other payables	**919,814**	204,461
Net cash provided by operating activities	**4,835,668**	3,649,365

Note 14 Related party transactions

(a) Responsible Entity

The Responsible Entity of Trilogy Industrial Property Trust is Trilogy Funds Management Limited ABN 59 080 383 679.

(b) 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.

(c) 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:

Note 14 Related party transactions (continued)

(c) Transactions with related parties (continued)

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

Expenses	**2022 $**	2021 $
Management and administration fees (i)	**42,192**	6,893
Professional fees (i)	**57,138**	70,208
Registry fees (ii)	**22,600**	25,800
Responsible Entity management fees (iii)	**618,048**	366,325
Asset origination fees (iv)	**2,139,559**	444,040
Marketing and advertising (v)	**172,319**	117,400
Performance fees (vi)	**764,037**	-
	3,815,893	1,030,666

ii. Balances recorded in the statement of financial position

	2022 $	2021 $
Trade and other receivables (vii)	**22,640**	-
Trade and other payables (ii)(iii)(v)	**101,588**	275,812

(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.

(iv) The Responsible Entity is entitled to an Asset origination fee of 2% (plus GST) of the investment property purchase price, pursuant to the PDS.

(v) Costs incurred in carrying out the capital raising process and ongoing marketing costs incurred by Trilogy Operations Trust (an entity associated with the Responsible Entity) on behalf of the Scheme.

(vi) The Responsible Entity is entitled to a performance fee of 15% (plus GST) of the portion of the outperformance of the Scheme over an internal rate of return of 9.00% p.a. This is triggered in the event of disposal of a property, revaluation of a property and on every fourth anniversary of the settlement date in accordance with the PDS.

(vii) Income receivable from investments in other registered managed investment schemes (MIS) operated by the Responsible Entity, being Trilogy Monthly Income Trust (TMIT) and Trilogy Enhanced Income Fund (TEIF).

(d) Related party investments held by the Scheme

At the reporting date the Scheme held investments in other registered MIS operated by the Responsible Entity, being TMIT and TEIF (2021: nil).

Note 14 Related party transactions (continued)

(d) Related party investments held by the Scheme (continued)

	Fair value		Interest held		Distributions received	
	2022	2021	**2022**	2021	**2022**	2021
	$	$	**%**	%	**$**	$
TMIT	**3,500,000**	-	**0.54**	-	**275,611**	361,602
TEIF	**2,800,000**	-	**2.94**	-	**80,918**	10,072
	6,300,000	-	**3.48**	-	**356,529**	371,674

At reporting date, the Scheme had $15,851 of distributions receivable from TMIT (2021: $10,538) and $6,789 of distributions receivable from TEIF (2021: $1,193).

Recognised fair value measurements

(i) Fair value hierarchy
This section explains the judgements and estimates made in determining the fair value of the Scheme's investment in related party managed investment schemes. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its investments 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				
Investments in unlisted MIS	-	6,300,000	-	6,300,000
2021				
Investments in unlisted MIS	-	-	-	-

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

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
Level 3: a valuation technique is used using inputs that are not observable based on observable market data (unobservable

(ii) Valuation techniques used to determine level 2 fair values
The fair value of the financial asset not traded in an active market (investments in unlisted MIS) is determined using valuation techniques which uses observable market data.

Related party transactions
All transactions with related parties are conducted on normal commercial terms and conditions.

Note 14 Related party transactions (continued)

(e) Units in the Scheme held by other related parties

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 and key management personnel related entities
The following entities associated with Directors and key management personnel 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 SF*	**10,000**	**0.0001**	**10,000**	**-**	**757**
Bacon Executive SF*	**16,851**	**0.0002**	**16,851**	**-**	**1,277**
Clarebrook SF*	**20,000**	**0.0002**	**20,000**		**212**
	46,851	**0.0005**	**46,851**	**-**	**2,246**

Entity	Unitholding $	Interest held %	Units issued No.	Units redeemed No.	Distribution paid and/or payable $
2021					
Aimwin Pty Ltd SF*	10,000	0.0002	10,000	-	799
Bacon Executive SF*	16,851	0.0003	16,851	-	1,347
	26,851	0.0005	26,851	-	2,146

* Superannuation fund

(f) 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.

(g) 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 period 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.

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

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 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	**1,238,373**	1,469,635
Trade and other receivables - current	7	**200,457**	178,702
Financial assets	14(d)	**6,300,000**	-
Derivative financial instruments	11	**1,230,182**	-
Total financial assets		**8,969,012**	1,648,337

This risk is minimised by regularly reviewing the Scheme's trade and other receivables. The ageing of trade receivables at the reporting date are all current with no amounts past due or impaired.

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 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
2022							
Financial liabilities							
Distributions payable	**673,565**	**673,565**	**673,565**	**-**	**-**	**-**	**6.69%**
Trade and other payables	**1,757,377**	**1,757,376**	**1,577,836**	**22,352**	**100,585**	**56,603**	-
Loan facilities (i)	**89,868,218**	**95,881,698**	**202,843**	**399,143**	**1,786,328**	**93,493,384**	**2.29%**
	92,299,160	**98,312,639**	**2,454,244**	**421,495**	**1,886,913**	**93,549,987**	

	Carrying amount $	Contract cash flows $	< 1 month $	1-3 months $	3-12 months $	> 12 months $	Weighted average interest rate
2021							
Financial liabilities							
Distributions payable	363,584	363,584	363,584	-	-	-	7.45%
Trade and other payables	837,563	837,563	580,831	26,699	120,146	109,887	-
Commercial bill facility (i)	25,420,693	27,333,441	59,575	117,228	524,642	26,631,997	2.77%
	26,621,840	28,534,588	1,003,990	143,927	644,788	26,741,884	

(i) Variable rates apply to this facility, therefore forecast contractual cash flows are an estimate only.

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.

Note 15 Financial risk management (continued)

(c) Capital management

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.

Debt
The Scheme holds a debt facility of $71,385,000 with WBC and a debt facility of $18,763,500 with CBA. The covenants related to these facilities are detailed below.

WBC covenants	**Actual**	**Limit**	
Loan to value ratio	48%	55%	(maximum)
Interest cover ratio	11.8 times	2.5 times	(minimum)

CBA covenants	**Actual**	**Limit**	
Loan to value ratio	50%	50%	(maximum)
Interest cover ratio	6.9 times	2 times	(minimum)

The Scheme has complied with the financial covenants of its debt facilities during the period.

Equity
At the begining of the period, the Scheme had 56,621,110 units on issue valued at $57,366,433. During the period the Scheme issued an additional 59,094,570 units with a value of $63,602,599 and redeemed 6,516,239 units with a value of $7,080,545. The Scheme had 109,199,441 units on issue at the reporting date for a consideration of $113,888,487.

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	**89,868,218**	25,420,693
Less: cash and cash equivalents	6	**(1,238,373)**	(1,469,635)
Net debt		**88,629,845**	23,951,058
Total assets		**193,918,075**	77,372,782
Less: cash and cash equivalents	6	**(1,238,373)**	(1,469,635)
Adjusted assets		**192,679,702**	75,903,147
Gearing ratio		**46%**	32%

The Scheme's gearing ratio is considered medium.

Note 15 Financial risk management (continued)

(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.

i. *Interest rate risk*

The Scheme manages its interest rate risk using interest rate swap derivative instruments. The Scheme has entered into interest rate swap hedging agreements with 41% of its borrowings. Any fair value movements in the Scheme's interest rate swap derivatives 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.

The Scheme's loan facilities are subject to variable interest rates (refer to Note 10 for details). The following table indicates the impact on how profit and equity values reported at the end of the financial year would have been affected by a 1.00% increase/decrease in interest rates during the year on the facility.

	Profit / (loss) $	**Unitholder funds $**
2022		
Loan facilities		
+1.00% in interest rates	**(712,649)**	**(712,649)**
-1.00% in interest rates	**712,649**	**712,649**
2021		
Commercial bill facility		
+1.00% in interest rates	(245,650)	(245,650)
-1.00% in interest rates	245,650	245,650

(e) Fair value estimation

The carrying values approximate the fair value of the Scheme's 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 $193,918,075 (2021: $77,372,782).

The custodian is entitled to a minimum annual administration fee of $16,232 (plus GST) (2021: $15,683). During the period, the Scheme paid $37,857 in custodian fees (2021: $18,335).

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

Note 17 Litigation and contingent liabilities

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

Note 18 Events subsequent to reporting date

Subsequent investment property acquisitions

12-14 & 13 Martin Drive, Tomago NSW (Tomago)
The Scheme acquired a property located in Tomago, NSW for $16,140,000 with settlement occuring 12 September 2022. The acquisition was funded by a combination of equity raised from the issuance of units, redemption of units held in related party managed investment schemes and the provision of further debt funding from WBC. Tomago is leased to Cougar Mining Group Pty Ltd, an Australian coal mining business established in 2000. The acquisition resulted in an increase in the Scheme's Weighted Average Lease Expiry (WALE) and has also provided the Scheme with greater geographic diversification.

660 Stuart Highway, Berrimah NT
In September 2022, technical due diligence was completed on a large storage and showroom property located in Berrimah, NT and on 26 September 2022, the Scheme paid an initial $75,000 option fee for the property. If the acquisition proceeds, the property will be the first large storage and showroom property held by the Scheme with an apprxomiate 10 year WALE. At date of signing, negotiations continue in relation to the acquisition.

Carrum Downs extension project
In July 2022, capital works began on the property located at 118 Colemans Road, Carrum Downs VIC to extend the warehouse facilities for the existing tenant, Tempur Sealy International Pty Ltd (Tempur Sealy). The project is expected to cost $1 million and is progressing on time and on budget, with completion scheduled for October 2022. Completion of the project will trigger a new lease over the newly constructed area and also an extension of the existing Tempur Sealy lease, extending both leases to an expiration date of August 2028.

Related party investments held by the Scheme
On 6 September 2022, the Scheme redeemed $2,800,000 of units from TEIF and on 7 September 2022, the Scheme redeemed $2,500,000 of units from TMIT. Proceeds from both redemptions were used to fund the settlement of the Tomago acquisition. At reporting date, the Scheme holds $1,000,000 of units in TMIT.

PDS update
On 26 July 2022, the Scheme issued a Supplementary PDS, updating the Scheme's investment criteria to include showrooms and storage facilities. The investment criteria will have the same investment objective of providing consistent income and the potential for capital growth over the medium to long term.

Other than the items noted above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Trilogy Industrial Property Trust
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Trilogy Industrial Property Trust (Scheme):

(a) The financial statements and notes, as set out on pages 9 to 31 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 Intepretations) and the Corporations Regulations 2001;

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

(b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they

Signed in accordance with a resolution of the Board of 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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INDEPENDENT AUDITOR'S REPORT

To the members of Trilogy Industrial Property Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Trilogy Industrial Property 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 Trilogy Industrial Property Trust.

In our opinion the accompanying financial report of Trilogy Industrial Property 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 Trilogy Industrial Property 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.

Other information

The directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Industrial Property 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 Trilogy Industrial Property 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.
Call 1800 230 099 or
email investorrelations@trilogyfunds.com.au

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