Trilogy Funds

Trilogy Industrial Property Trust

Annual Financial Report
30 June 2021

ARSN 623 096 944

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

trilogyfunds.com.au

A Message from the Executive Deputy Chairman

During the 2020/21 financial year, the Trilogy Industrial Property Trust (Industrial Trust) provided investors with competitive monthly income and the opportunity for potential capital growth from one of the most sought-after property asset classes in the current economic environment.

The Industrial Trust acquired two new properties during the year, located at Gravel Pit Road, Darra, Queensland and Colemans Road, Carrum Downs, Victoria.

These properties have provided the Industrial Trust with an additional level of diversification in terms of income, tenant type and geographical location, as well as competitive returns.

Our Property team is actively exploring opportunities to further grow the Industrial Trust's portfolio and we anticipate further acquisitions over the next financial year.

Thank you for your continued support of the Trilogy Industrial Property Trust.

If you have any questions, please contact a member of our Investor Relations team on 1800 230 099 or email investorrelations@trilogyfunds.com.au.

Yours sincerely,

Rodger Bacon
Executive Deputy Chairman
Trilogy Funds

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Directors' report
30 June 2021

The Directors of Trilogy Funds Management Limited, 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 2021.

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	72	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	75	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	69	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	60	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	52	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

Investment property acquisitions
During the period, the Scheme acquired two industrial properties and contracted to purchase a further property contributing to a further diversification of the Scheme's geographic location across Australia.

37 Gravel Pit Road, Darra, QLD (Darra)
The Scheme acquired an industrial property situated at 37 Gravel Pit Road, Darra, QLD which was offered to investors during an equity raising campaign. This was subsequently settled on 16 October 2020 for a purchase price of $11,880,000. The property is leased to Stoddart Australia Pty Ltd providing a strong tenant.

118 Colemans Road, Carrum Downs, VIC (Carrum Downs)
The second property the Scheme acquired during the period is located at 118 Colemans Road, Carrum Downs, VIC and was settled on 28 June 2021 for $10,025,000. Acquisition of the property was funded primarily by existing equity and supplemented by a drawdown on the existing undrawn loan facility totalling $941,100. This property consists of a large industrial landholding with a warehouse leased to Tempur Australia Pty Ltd who manufacture and market mattress and other products worldwide.

15 & 17 Dacmar Road, Coolum Beach, QLD (Coolum Beach)
On 30 June 2021, the Scheme advanced a deposit of $551,250 to secure two industrial properties located at 15 & 17 Dacmar Road, Coolum Beach, QLD. The properties were settled after the reporting date and are detailed below in the events subsequent to the end of the reporting period.

Property revaluations
During the period, the Scheme commissioned external valuations of the existing properties held in the Scheme per its valuation policy. The external valuations represented strong growth in the existing property portfolio, as the Scheme reports on a cost basis accounting policy, the increase in market value of the properties is reflected in the Net Asset Value (NAV) calculation detailed in Note 12 resulting in an increase in the fair value of the units on issue, from $1.02 per unit as at 30 June 2020, to $1.07 per unit as at 30 June 2021.

Product Disclosure Statement (PDS) issuance
In September 2020, the Responsible Entity issued a PDS for the acquisition of the property located at 37 Gravel Pit Road, Darra, QLD. The equity raise campaign was hugely successful in raising $18,155,000 in a short period. Planning for the future, the released PDS presented an opportunity for the Scheme to raise additional equity for future property purchases and providing the Scheme the ability to invest excess cash into short term enhanced income alternatives.

The surplus cash generated from the equity raise 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) in the short term to provide enhanced returns to investors. These funds were utilised in the acquisition of Carrum Downs.

Financial overview
The profit attributable to unitholders for the year totalled $1,166,888 (2020: profit of $870,674). During the year, the Scheme generated rental income, this income however was largely offset by depreciation expense of $2,221,360 (2020: $1,441,417), as well as costs incurred in 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 2021 was $77,372,782 (2020: $61,035,806), comprised primarily of the investment properties acquired.

Review of operations and results (continued)

Distributions to unitholders

The return to unitholders of the Scheme for the period was as follows:

	2021	2020
	$	$
Distributions paid during the period	**3,856,552**	2,332,864
Distributions payable at year end	**363,584**	267,292
	4,220,136	2,600,156
Cents per ordinary unit (CPU) (i)	**7.99**	8.17

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

Net asset value per unit

The Scheme's net asset value per unit as at 30 June 2021 is $1.07 (2020: $1.02) (refer Note 12).

Indirect cost ratio (ICR)

The ICR for the Scheme for the period ended 30 June 2021 is 2.08% p.a. (30 June 2020: 3.41% p.a). The initial costs incurred to acquire investment properties are included in the calculation of the ratio.

Units on issue

During the year 17,799,019 additional units were issued (2020: 19,467,091), and no units were redeemed from the Scheme (2020: nil). The Scheme had 56,621,110 units on issue as at 30 June 2021 (2020: 38,822,091).

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)).

	2021	2020
	$	$
Expenses		
Management and administration fees	**6,893**	607
Professional fees	**70,208**	33,664
Compliance fees	**-**	2,396
Registry fees	**25,800**	21,550
Responsible Entity management fees	**366,325**	25,322
Asset origination fees	**444,040**	513,525
Property and Marketing Fees	**117,400**	286,751
	1,030,666	883,815

Units held by the Responsible Entity

The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2021 (2020: 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

PDS issuance

In July 2021, the Responsible Entity announced a new PDS structure for the Scheme, transitioning from a closed offering to an open offering providing the capability for the Scheme to accept investments and issue units consistently.

Subsequent investment property acquisitions

Coolum Beach

The Scheme further acquired the Coolum Beach properties on 31 August 2021 for $15,500,000 and $6,550,000 respectively. The acquisition of these properties were funded by a combination of equity raised from the issuance of units in July and August 2021 and the provision of further debt funding. This asset comprises of two modern industrial warehouse and distribution facilities which are leased to Weir Minerals Australia Limited, founded in 1871 with over 13,000 employees worldwide, this has resulted in an increase in the Scheme's WALE and a high-quality global tenant.

8-14 Moorebank Road, Wellcamp, QLD (Wellcamp)

In July 2021, the Scheme purchased an additional industrial property located at 8-14 Moorebank Road, Wellcamp, QLD for $8,640,000 with settlement occuring 30 July 2021. Wellcamp is leased to Australian Coil Services Pty Ltd, a subsidiary of FK Gardner & Sons Pty Ltd, an Australia construction business with over 40 years' experience and is situated within the Charlton Wellcamp Enterprise area close to the Wellcamp airport. This acquisition further increases the tenant sector diversity.

In August 2021, technical due diligence was undertaken on an industrial property located at 16 Galleghan Street, Hexham, NSW (Hexham) and on 6 September 2021, the Scheme paid an initial deposit for the property and a further deposit on 24 September 2021 with an expected settlement date prior to December 2021.

The Scheme is currently undertaking due diligence on an industrial property located in Narangba, QLD. The Scheme paid an initial deposit for the property on 24 September 2021 with an expected settlement date prior to December 2021.

Related party investments held by the Scheme

On 1 July 2021, the Scheme invested $50,000 into TEIF. On 13 August 2021, the Scheme invested further surplus cash into TMIT and TEIF totalling $10,000,000 and $3,000,000 respectively. On 8 September 2021, an additional investment of $7,500,000 was invested into TMIT. These investments are not considered to be a long term strategy and will be redeemed to fund the purchase of the additional two properties located in Hexham and Narangba outlined above.

Westpac Banking Corporation (WBC) institutional banking arrangement

Due to an increase in debt required, the Scheme is currently negotiating reduced rates through a new loan facility agreement with the WBC institutional bank. The Responsible Entity anticipates that the Scheme will benefit from the competitive rates on debt funding provided from the institutional division of WBC.

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

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

(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 7.

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 2021	29 September 2021
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 TRILOGY INDUSTRIAL PROPERTY TRUST

As lead auditor of Trilogy Industrial Property Trust for the year ended 30 June 2021, 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 2021

Trilogy Industrial Property Trust
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue and other income			
Rental revenue		**5,117,159**	3,873,028
Recoverable outgoings		**888,911**	680,813
Interest revenue from financial institutions		**7,493**	29,524
Investment income	14	**371,674**	-
		6,385,237	4,583,365
Expenses			
Audit and compliance		**(46,900)**	(39,396)
Custodian fees		**(18,335)**	(16,921)
Direct property expenses and outgoings		**(1,166,336)**	(664,167)
Depreciation	8	**(2,221,360)**	(1,441,417)
Management and administration costs		**(14,710)**	(36,203)
Professional fees		**(72,652)**	(40,499)
Registry fees	14(c)(i)	**(25,800)**	(21,550)
Responsible Entity management fees	14(c)(i)	**(366,325)**	(25,322)
Taxation fees		**(4,750)**	(4,750)
Asset origination fees	14(c)(i)	**(444,040)**	(513,525)
Scheme establishment costs	14(c)(i)	**(117,400)**	(286,751)
Valuation fees		**(65,761)**	(19,200)
		(4,564,369)	(3,109,701)
Profit for the period before finance costs		**1,820,868**	1,473,664
Finance costs:			
• Interest expense		**(637,120)**	(595,485)
• Amortisation of loan transaction costs		**(16,860)**	(7,505)
		(653,980)	(602,990)
Profit for the period attributable to unitholders		**1,166,888**	870,674
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the period attributable to unitholders		**1,166,888**	870,674

Trilogy Industrial Property Trust
Statement of financial position
As at 30 June 2021

	Note	2021	2020
		$	$
Assets			
Current assets			
Cash and cash equivalents	6	**1,469,635**	6,568,372
Trade and other receivables	7	**178,702**	268,614
Property deposits	8(b)	**552,650**	-
Total current assets		**2,200,987**	6,836,986
Non-current assets			
Trade and other receivables	7	**653,537**	603,421
Investment property - at cost	8(a)	**74,518,258**	53,595,399
Total non-current assets		**75,171,795**	54,198,820
Total assets		**77,372,782**	61,035,806
Liabilities			
Current liabilities			
Trade and other payables	9	**727,676**	363,021
Distributions payable	4	**363,584**	267,292
Total current liabilities		**1,091,260**	630,313
Non-current liabilities			
Trade and other payables	9	**109,887**	270,082
Borrowings	10	**25,420,693**	24,486,221
Total non-current liabilities		**25,530,580**	24,756,303
Total liabilities		**26,621,840**	25,386,616
Net assets		**50,750,942**	35,649,190
Equity			
Contributed equity	11	**57,366,433**	39,211,433
Accumulated losses		**(6,615,491)**	(3,562,243)
Total equity		**50,750,942**	35,649,190

Trilogy Industrial Property Trust
Statement of changes in equity
For the year ended 30 June 2021

	Note	Contributed equity $	Accumulated losses $	Total equity $
Balance at 1 July 2019		19,355,000	(1,832,762)	17,522,238
Comprehensive income:				
Profit for the period		-	870,674	870,674
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	870,674	870,674
Transactions with unitholders in their capacity as owners:				
Units issued for cash	11	19,856,433		19,856,433
Distributions paid/payable		-	(2,600,156)	(2,600,156)
Balance at 30 June 2020		39,211,433	(3,562,243)	35,649,190
Balance at 1 July 2020		**39,211,433**	**(3,562,243)**	**35,649,190**
Comprehensive income:				
Profit for the year		-	1,166,888	1,166,888
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**1,166,888**	**1,166,888**
Transactions with unitholders in their capacity as owners:				
Units issued for cash	11	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**

Trilogy Industrial Property Trust
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		**5,943,958**	4,062,119
Payments to suppliers		**(1,664,966)**	(2,816,896)
Interest received		**7,493**	29,524
Interest paid		**(637,120)**	(602,447)
Net cash provided by operating activities	13	**3,649,365**	672,300
Cash flows from investing activities			
Acquisition of investment property		**(23,144,219)**	(26,956,439)
Deposits paid		**(552,650)**	-
Net cash used in investing activities		**(23,696,869)**	**(26,956,439)**
Cash flows from financing activities			
Proceeds from issue of ordinary units	11	**18,155,000**	19,856,433
Proceeds from borrowings		**941,101**	13,417,990
Payment of borrowing costs		**(23,489)**	-
Distributions paid to unitholders		**(4,123,844)**	(2,466,638)
Net cash provided by financing activities		**14,948,768**	30,807,785
Net (decrease)/increase in cash and cash equivalents		**(5,098,737)**	4,523,646
Cash at beginning of the reporting period		**6,568,372**	2,044,726
Cash and cash equivalents at end of the financial period	6	**1,469,635**	6,568,372

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 (Act). The financial statements of the Scheme are for the year 30 June 2021. 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 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 Trilogy Funds Management Limited (Responsible Entity) on 29 September 2021.

(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 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.

Note 3 Significant accounting policies (continued)

(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.

Unitholders' funds are classified as equity as unitholders are are entitled to a residual interest in the assets of the Scheme after deducting all of its liabilities. 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.

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, 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(s) 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.

(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.

Note 3 Significant accounting policies (continued)

(o) Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and short-term highly liquid deposits with a 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.

(p) 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.

(q) 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.

(r) 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.

(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) 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:

	2021		2020	
	$	**Cents/unit**	$	Cents/unit
Distributions paid during the period	**3,856,552**	**7.45**	2,332,864	6.01
Distributions payable at period end	**363,584**	**0.64**	267,292	0.69
	4,220,136	**8.09**	2,600,156	6.70

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:

	2021	2020
Audit and other assurance services	**$**	$
• Audit and review of the financial statements	**40,400**	32,400
• Audit of the compliance plan	**6,500**	4,600
Total remuneration for audit and other services	**46,900**	37,000

Note 6 Cash and cash equivalents

	2021	2020
	$	$
Cash at bank	**1,469,635**	6,568,372

Note 7 Trade and other receivables

	2021	2020
	$	$
Current assets		
Trade receivables	**149,137**	268,614
Other receivables	**465**	-
Straight line rental asset	**29,100**	-
	178,702	268,614

	2021	2020
	$	$
Non-current assets		
Straight line rental asset	**653,537**	603,421
	653,537	603,421

(a) Impaired 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.

(b) Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue billings, the ageing of receivables, historical collection rates, specific knowledge of the individual debtor financial position, and forward-looking information.

Note 8 Investment property

(a) Investment property - at cost

	2021 $	2020 $
Investment property	**78,938,564**	55,794,345
Accumulated depreciation	**(4,420,306)**	(2,198,946)
	74,518,258	53,595,399

At cost	2021 $	2020 $
Balance at beginning of period	**53,595,399**	27,929,474
Acquisitions	**23,144,219**	26,956,438
Additions	**-**	150,904
Depreciation expense	**(2,221,360)**	(1,441,417)
Balance at end of period	**74,518,258**	53,595,399

By investment property

Property name	**Property address**	**Acquisition**	2021 $	2020 $
Diesel Drive	33-41 Diesel Dr, Paget QLD	10/04/2018	**9,488,687**	9,867,374
Crichtons Road	11-21 Crichtons Rd, Paget QLD	10/04/2018	**3,783,087**	3,927,135
Gillman	113-117 Bedford Street, Gillman SA	13/12/2018	**13,221,358**	13,676,698
Carrara	11 Elysium Road, Carrara QLD	13/12/2019	**12,052,803**	12,563,015
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	**12,406,781**	12,941,344
Darra	37 Gravel Pit Road, Darra QLD	16/10/2020	**12,349,464**	-
Carrum Downs	118 Colemans Road, Carrum Downs VIC	28/06/2021	**10,596,245**	-
			74,518,258	53,595,399

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

During the period the Scheme acquired a property located at 37 Gravel Pit Road, Darra for $11,880,000 on 16 October 2020. A second property was acquired at 118 Colemans Road, Carrum Downs for $10,025,000 on 28 June 2021.

The Scheme's assets are pledged as security to the WBC 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 which have been detailed below. 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 following properties are assets which a first mortgage has been granted as security over existing bank loans:

Property name	**Property address**	**Secured**	2021 $	2020 $
Diesel Drive	33-41 Diesel Dr, Paget QLD	WBC	**7,250,000**	7,250,000
Crichtons Road	11-21 Crichtons Rd, Paget QLD	WBC	**4,000,000**	4,000,000
Gillman	113-117 Bedford Street, Gillman SA	WBC	**14,000,000**	14,000,000
Carrara	11 Elysium Road, Carrara QLD	WBC	**12,050,000**	12,050,000
Bosso Street	9-17 Bosso Street, Paget QLD	WBC	**600,000**	600,000
Bosso Street 2	19-29 Bosso Street, Paget QLD	WBC	**12,400,000**	12,400,000
			50,300,000	50,300,000

Note 8 Investment property (continued)

(a) Investment property - at cost (continued)

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:

	2021	2020
	$	$
Not later than one year	**7,492,302**	4,382,403
Later than one year and not later than five years	**23,089,594**	12,896,046
Greater than five years	**12,087,772**	2,117,740
	42,669,668	19,396,189

All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(b) Property deposits

		2021	2020
		$	$
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	-

Note 9 Trade and other payables

	2021	2020
	$	$
Current		
Trade payables	**320,828**	107,550
Other accruals	**36,889**	32,410
Lease incentives (i)	**160,195**	160,194
GST payable	**209,765**	62,867
	727,677	363,021

	2021	2020
	$	$
Non-current		
Lease incentives (i)	**109,887**	270,082
	109,887	270,082

(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

	2021	2020
	$	$
Secured loans		
Commercial bill facility	**25,420,693**	24,486,221

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

			2021		2020	
			Facility	Drawn	Facility	Drawn
		Maturity	limit	balance	limit	balance
Facility	Secured	date	$	$	$	$
Loan facility (i)	Yes	**31-Oct-23**	**10,188,000**	**10,188,000**	24,526,899	24,526,899
Loan facility (i)	Yes	**29-Nov-23**	**15,282,000**	**15,282,000**	-	-
Unamortised transaction costs (ii)				**(49,307)**		(40,678)
Total borrowings				**25,420,693**		24,486,221

(i) The Responsible Entity entered into a commercial bill facility with WBC on 31 October 2020. The terms consist 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).

As the finance facility has 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 this facility.

(ii) 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 Contributed equity

	2021		2020	
	Units	**$**	Units	$
Balance at beginning of period	**38,822,091**	**39,211,433**	19,355,000	19,355,000
Ordinary units issued	**17,799,019**	**18,155,000**	19,467,091	19,856,433
Ordinary units redeemed	**-**	**-**	-	-
Balance at end of period	**56,621,110**	**57,366,433**	38,822,091	39,211,433

Note 12 Net asset value per unit (unaudited non-IFRS disclosure)

	2021	2020
	$	$
Net assets	**50,750,942**	35,649,190
Adjustments for:		
Accumulated depreciation (ii)	**4,420,306**	2,198,946
Stamp duty, property title and legals (ii)	**(3,759,496)**	(2,388,822)
Unamortised equity raising, Scheme establishment and acquisition costs (ii)	**4,864,989**	3,802,207
Fair value increase (i) (iii)	**4,837,626**	922,626
Straight-line (asset)/liability adjustments (ii)	**(653,537)**	(603,421)
Adjusted net assets	**60,460,830**	39,580,726
Units on issues	**56,621,110**	38,822,091
Net asset value per unit (NAV) (ii)	**$ 1.07**	$ 1.02

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

(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 a recorded fair value increase of the property 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).

Note 13 Reconciliation of cash flows from operating activities

	2021	2020
	$	$
Profit/(loss) for the period attributable to unitholders	**1,166,888**	870,674
Adjustments for:		
Amortised borrowing costs	**16,860**	7,505
Depreciation	**2,221,360**	1,441,417
Change in operating assets and liabilities:		
Decrease in trade and other receivables	**39,796**	(504,322)
Increase in trade and other payables	**204,461**	(1,142,974)
Net cash provided by operating activities	**3,649,365**	672,300

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:

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

Expenses	**2021 $**	2020 $
Management and administration fees (i)	**6,893**	3,003
Professional fees (i)	**70,208**	33,664
Registry fees (ii)	**25,800**	21,550
Responsible Entity management fees (iii)	**366,325**	25,322
Asset origination fees (iv)	**444,040**	513,525
Property and Marketing Fees (v)	**117,400**	286,751
	1,030,666	883,813

ii. Balances recorded in the statement of financial position

	2021 $	2020 $
Trade and other payables (i)(ii)(iii)(iv)	**275,812**	32,822

(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 2.00% (plus GST) of the investment property purchase price, pursuant to the PDS.

(v) Costs incurred in carrying out the capital raising process and subsequent acquisition of the investment property were initially borne by SPFM No. 2 Unit Trust and subsequently repaid by the Scheme in accordance with the PDS.

Note 14 Related party transactions (continued)

(d) Related party investments held by the Scheme
During the period the Scheme held investment in other registered managed investment schemes operated by the Responsible Entity, being the TMIT and TEIF (2020: nil).

	Fair value of investments		Interest held		Distributions received	
	2021	2020	**2021**	2020	**2021**	2020
	$	$	**%**	%	**$**	$
TMIT	**-**	-	**-**	-	**361,602**	-
TEIF	**-**	-	**-**	-	**10,072**	-
	-	-	**-**	-	**371,674**	-

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

At 30 June 2021, all investments in TMIT and TEIF were fully redeemed.

(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 2021 (2020: 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 $**
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**	**-**	**2,147**
2020					
Aimwin Pty Ltd SF*	10,000	0.0003	10,000	-	816
Bacon Executive SF*	16,851	0.0004	16,851	-	1,375
	26,851	0.0007	26,851	-	2,191

* 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.

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 onset 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	2021	2020
		$	$
Financial assets			
Cash and cash equivalents	6	**1,469,635**	6,568,372
Trade and other receivables	7	**178,702**	268,614
Total financial assets		**1,648,337**	6,836,986

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.

(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.

Note 15 Financial risk management (continued)

(b) Liquidity risk (continued)

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
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**	

	Carrying amount $	Contract cash flows $	< 1 month $	1-3 months $	3-12 months $	> 12 months $	Weighted average interest rate
2020							
Financial liabilities							
Distributions payable	267,292	267,292	267,292	-	-	-	8.16%
Trade and other payables	633,103	633,103	216,176	26,699	120,146	270,082	-
Commercial bill facility (i)	24,486,221	25,444,069	45,752	90,029	402,916	24,905,372	2.77%
	25,386,616	26,344,463	529,220	116,728	523,062	25,175,454	

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

(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.

Debt

The Scheme holds a debt facility of $25,470,000 with WBC. The covenants related to this facility are detailed below.

Covenant	Actual	Limit	
Loan to value ratio	39%	47%	(maximum)
Interest cover ratio	7.6 times	2.5 times	(minimum)

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

Note 15 Financial risk management (continued)

(c) Capital management (continued)

Equity
At the begining of the period, the Scheme had 38,822,091 units on issue valued at $39,211,433. During the period the Scheme issued an additional 17,799,019 units with a value of $18,155,000. The Scheme had 56,621,110 units on issue at the reporting date for a consideration of $57,366,433.

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 2021 and 30 June 2020 were as follows:

	Note	**2021**	2020
		$	$
Total borrowings	10	**25,420,693**	24,486,221
Less: cash and cash equivalents	6	**(1,469,635)**	(6,568,372)
Net debt		**23,951,058**	17,917,849
Total assets		**77,372,782**	61,035,806
Less: cash and cash equivalents	6	**(1,469,635)**	(6,568,372)
Adjusted assets		**75,903,147**	54,467,434
Gearing ratio		**32%**	33%

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.

i. *Interest rate risk*
The Scheme manages its interest rate risk by utilising a balance of fixed and variable borrowings. The Scheme has entered into fixed rate agreements with no less than 50% of its borrowings.

The Scheme's commercial bill facility is 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**
	$	**$**
2021		
Commercial bill facility		
+1.00% in interest rates	**(245,650)**	**(245,650)**
-1.00% in interest rates	**245,650**	**245,650**
2020		
Commercial bill facility		
+1.00% in interest rates	(195,200)	(195,200)
-1.00% in interest rates	195,200	195,200

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 three years and the line fee is fixed for three years.

(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 2021 totals $77,372,782 (2020: $61,035,806).

The custodian is entitled to an annual administration fee of $15,683 (plus GST) (2020: $15,549).

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 2021 (2020: nil).

Note 18 Events subsequent to reporting date

PDS issuance
In July 2021, the Responsible Entity announced a new PDS structure for the Scheme, transitioning from a closed offering to an open offering providing the capability for the Scheme to accept investments and issue units consistently.

Subsequent investment property acquisitions

Coolum Beach
The Scheme further acquired the Coolum Beach properties on 31 August 2021 for $15,500,000 and $6,550,000 respectively. The acquisition of these properties were funded by a combination of equity raised from the issuance of units in July and August 2021 and the provision of further debt funding. This asset comprises of two modern industrial warehouse and distribution facilities which are leased to Weir Minerals Australia Limited, founded in 1871 with over 13,000 employees worldwide, this has resulted in an increase in the Scheme's WALE and a high-quality global tenant.

8-14 Moorebank Road, Wellcamp, QLD (Wellcamp)
In July 2021, the Scheme purchased an additional industrial property located at 8-14 Moorebank Road, Wellcamp, QLD for $8,640,000 with settlement occuring 30 July 2021. Wellcamp is leased to Australian Coil Services Pty Ltd, a subsidiary of FK Gardner & Sons Pty Ltd, an Australia construction business with over 40 years' experience and is situated within the Charlton Wellcamp Enterprise area close to the Wellcamp airport. This acquisition further increases the tenant sector diversity.

In August 2021, technical due diligence was undertaken on an industrial property located at 16 Galleghan Street, Hexham, NSW (Hexham) and on 6 September 2021, the Scheme paid an initial deposit for the property and a further deposit on 24 September 2021 with an expected settlement date prior to December 2021.

The Scheme is currently undertaking due diligence on an industrial property located in Narangba, QLD. The Scheme paid an initial deposit for the property on 24 September 2021 with an expected settlement date prior to December 2021.

Related party investments held by the Scheme
On 1 July 2021, the Scheme invested $50,000 into TEIF. On 13 August 2021, the Scheme invested further surplus cash into TMIT and TEIF totalling $10,000,000 and $3,000,000 respectively. On 8 September 2021, an additional investment of $7,500,000 was invested into TMIT. These investments are not considered to be a long term strategy and will be redeemed to fund the purchase of the additional two properties located in Hexham and Narangba outlined above.

Westpac Banking Corporation (WBC) institutional banking arrangement
Due to an increase in debt required, the Scheme is currently negotiating reduced rates through a new loan facility agreement with the WBC institutional bank. The Responsible Entity anticipates that the Scheme will benefit from the competitive rates on debt funding provided from the institutional division of WBC.

Note 18 Events subsequent to reporting date (continued)

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 8 to 27 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 2021 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
Executive Director

29 September 2021
Brisbane

Rodger I Bacon
Executive Deputy Chairman

29 September 2021
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the unitholders 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 2021, 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 2021 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 comprises the information in the Registered Scheme's Annual Report for the year ended 30 June 2021, 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 2021

Find out more.

Start a conversation with us today.
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