Trilogy Funds

Ravenhall Office Trust

Annual Financial Report
30 June 2021

ARSN 600 756 769

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

A Message from the Executive Deputy Chairman

It has been a positive 2020/21 financial year for investors in the Ravenhall Office Trust (Trust).

As communicated in August 2021, the Trust's property has been listed for sale in line with the timeline of the Trust. The sales marketing campaign will commence following the completion of the cladding works.

Thank you for your continued support of the Ravenhall Office 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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30 June 2021

The Directors of Trilogy Funds Management Limited, the Responsible Entity of the Ravenhall Office 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 financial year 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
Philip A Ryan Managing 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

Ravenhall Office Trust
Directors' report
30 June 2021

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia. The principal activity of the Scheme during the financial year was a direct property investment in a modern commercial office building located at 271 - 279 Robinsons Road, Ravenhall, Victoria, Australia. The Scheme did not have any employees during the year.

Review of operations and results

Financial overview

The profit attributable to unitholders for the year totalled $687,544 (2020: profit of $445,323). As detailed in Note 8, no depreciation has been expensed since 30 June 2019 as the property is classified as held for sale, resulting in a higher profit for the year ended 30 June 2021.

Revaluation

An independent valuation was conducted by M3 Property Pty Ltd on 19 February 2021 whereby the property was valued at $12,600,000. The valuation includes a capital expenditure allowance of $1.145m for the cladding remediation works required (refer note below).

Held for sale assets

It is still the intention of the Responsible Entity to re-commence a marketing campaign to sell the property upon completion of the cladding work, in order to capitalise on the asset's improved value.

In accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations, an entity shall not depreciate an asset while it is classified as held for sale and accordingly the Responsible Entity has ceased depreciating the property from 30 June 2019 onwards.

Leasing

The building is fully leased. Costa's Pty Ltd occupy 80% of the building with leases expiring in October 2023. Lease renewal negotiations have been concluded with Colliers International Pty Ltd who will vacate the building at the expiry of their lease in October 2021. This space is currently being offered to Bolton Clarke Pty Ltd (trading as Royal District Nursing Services) whom have a lease to June 2022 respectively.

The total carrying value of the Scheme’s investment property as at 30 June 2021 was $7,988,086 (2020: $7,890,499). This incudes acquisition costs, less depreciation (Note 8).

Replacement of cladding

The Victorian Government had previously established a Victorian Cladding task force to address non-compliant cladding on all buildings. The Responsible Entity commissioned an independent consultant to undertake an inspection of the external cladding on the Scheme’s investment property and to provide a report on its findings.

Review of operations and results (continued)

Replacement of cladding (continued)
The Responsible Entity has agreed to replace the non-compliant cladding on the property. Delays have been experienced in this process due to lockdown restrictions experienced in Melbourne, Victoria. Colliers International Project Management Pty Ltd (CIPM) was engaged in 2020 as project managers for the cladding replacement project. CIPM ran a formal tender process to select a contractor and respected national general contractor, Built, was engaged to undertake the work. Site establishment occurred in April 2021, and the works are expected to be completed in October 2021. The funding for these works will be paid from working capital and debt provided by Commonwealth Bank of Australia (CBA). The total cost of this project is estimated to be $1.2m.

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

	2021	2020
	$	$
Paid during the year (for current year)	**421,982**	420,217
Payable at year end	**38,230**	39,396
	460,212	459,613
Cents per ordinary unit (CPU) (i)	**8.00**	8.00

Net asset value per unit
The Scheme's net asset value per unit as at 30 June 2021 is $1.33 (2020: $1.24) (refer Note 13).

Indirect cost ratio (ICR)
The ICR for the Scheme for the year ended 30 June 2021 is 2.47% p.a. (2020: 4.19% p.a.). The increase in 2020 was primarily attributed to professional fees incurred on preliminary cladding requirements.

Units on issue
During the year no units were issued, or redeemed from the Scheme (2020: nil). The Scheme had 5,752,714 units on issue as at 30 June 2021 (2020: 5,752,714).

Interests of the Responsible Entity

The following fees were paid to the Responsible Entity and its associates out of the Scheme property during the year (refer Note 15(c)).

	2021	2020
	$	$
Expenses		
Management and administration costs	**1,778**	905
Compliance fees	**275**	1,297
Taxation fees	**4,886**	-
Registry fees	**13,932**	11,712
Responsible Entity management fees	**30,182**	29,940
	51,053	43,854

Interests of the Responsible Entity (continued)

Units held by the Responsible Entity
The Responsible Entity 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

Cladding remediation works
In July 2021, the Scheme's finance facility provided by CBA was drawn upon for the amount of $840,000. The Scheme has advanced approximately $950,000 in progress claim and project management fees in relation to the cladding remediation.

Sale of Investment Property

In August 2021, the Scheme jointly appointed Savills Victoria Pty Ltd and Quin Reynolds Property Pty Ltd as joint marketing agents in the upcoming sale of 271-279 Robinson Road, Ravenhall.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date

Likely developments and expected results of operations

The Scheme will continue to pursue its principal activities in the next financial year in order to achieve the target return for unitholders. The Responsible Entity will seek to commence a marketing campaign to sell the property following review and implementation of the cladding strategy.

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 financial year; 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 financial year 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

(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 financial year, 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 year.

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
Managing 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 RAVENHALL OFFICE TRUST

As lead auditor of Ravenhall Office 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.

Tim Kendall

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 29 September 2021

Ravenhall Office 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 income		**927,349**	1,021,760
Recoverable outgoings		**308,773**	27,048
		1,236,122	1,048,808
Expenses			
Audit and compliance costs		**(26,550)**	(26,647)
Custodian fees		**(10,488)**	(12,020)
Direct property expenses and outgoings		**(338,905)**	(283,371)
Depreciation	8	**-**	-
Net change in fair value of derivative financial instruments	11	**-**	25,997
Management and administration costs		**(10,870)**	(6,344)
Professional fees		**(7,178)**	(77,598)
Registry fees	15	**(13,932)**	(11,712)
Responsible Entity management fees	15	**(30,182)**	(29,940)
Taxation fees		**(4,886)**	(4,750)
		(442,991)	(426,385)
Profit for the period before finance costs		**793,131**	622,423
Finance costs:			
• Interest expense		**(104,188)**	(175,952)
• Amortisation of loan transaction costs		**(1,399)**	(1,148)
		(105,587)	(177,100)
Profit for the period attributable to unitholders		**687,544**	445,323
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the period attributable to unitholders		**687,544**	445,323

Ravenhall Office Trust
Statement of financial position
As at 30 June 2021

	Note	2021 $	2020 $
Assets			
Cash and cash equivalents	6	**442,256**	381,844
Trade and other receivables	7	**273,110**	237,975
Investment property - held for sale	8	**7,988,086**	7,890,499
Total assets		**8,703,452**	8,510,318
Liabilities			
Trade and other payables	9	**57,722**	87,153
Distributions payable	4	**38,230**	39,396
Borrowings	10	**4,381,602**	4,385,203
Total liabilities		**4,477,554**	4,511,752
Net assets		**4,225,898**	3,998,566
Equity			
Contributed equity	12	**5,752,714**	5,752,714
Accumulated losses		**(1,526,816)**	(1,754,148)
Total equity		**4,225,898**	3,998,566

Ravenhall Office 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		5,752,714	(1,739,858)	4,012,856
Comprehensive income:				
Profit for the period		-	445,323	445,323
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	445,323	445,323
Transactions with unitholders in their capacity as owners:				
Distributions paid/payable	4	-	(459,613)	(459,613)
Balance at 30 June 2020		5,752,714	(1,754,148)	3,998,566
Balance at 1 July 2020		**5,752,714**	**(1,754,148)**	**3,998,566**
Comprehensive income:				
Profit for the period		**-**	**687,544**	**687,544**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive income for the period		**-**	**687,544**	**687,544**
Transactions with unitholders in their capacity as owners:				
Distributions paid/payable	4	**-**	**(460,212)**	**(460,212)**
Balance at 30 June 2021		**5,752,714**	**(1,526,816)**	**4,225,898**

Ravenhall Office Trust
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		**1,138,981**	1,129,683
Payments to suppliers		**(420,748)**	(502,402)
Finance costs		**(93,856)**	(170,179)
Net cash provided by operating activities	14	**624,377**	457,102
Cash flows from investing activities			
Capital expenditures - property and equipment		**(97,587)**	-
Net cash used in investing activities		**(97,587)**	-
Cash flows from financing activities			
Payment of borrowing costs		**(5,000)**	-
Distributions paid to unitholders		**(461,378)**	(459,373)
Net cash used in financing activities		**(466,378)**	(459,373)
Net increase/(decrease) in cash and cash equivalents		**60,412**	(2,271)
Cash at beginning of the reporting period		**381,844**	384,115
Cash and cash equivalents at end of the financial period	6	**442,256**	381,844

Note 1 Reporting entity

The Ravenhall Office Trust (Scheme) is a registered managed investment scheme under the Corporations Act 2001 (Act). The financial statements of the Scheme are for the year ended 30 June 2021. The Scheme is a for-profit entity.

As stipulated under the Scheme's constitution, the life of the Scheme is 5 years from the anniversary of the purchase date of the Scheme's investment property (however, the life of the Scheme can be extended beyond 5 years in accordance with the provisions of the Scheme's Constitution). Accordingly, the expected initial term for this Scheme ended on 8 January 2020. The Responsible Entity, as permitted under the Constitution, has elected to extend the term for a further two years from the existing date of 8 January 2020.

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

Note 2 Basis of preparation

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

- AASB 7 *Financial Instruments: Disclosures*
  The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.
- AASB 101 *Presentation of Financial Statements*
  Information on capital management is not considered relevant for users to understand what is managed as capital as all assets and liabilities of the Scheme is expected to be realised by 30 June 2021.

(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.

Note 2 Basis of preparation (continued)

(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 16: Financial risk management

Note 3 Significant accounting policies

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

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

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

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

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

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

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

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

Note 3 Significant accounting policies (continued)

(e) Unit prices

The unit price is based on unit price accounting 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. The Responsible Entity has elected to adopt the Attribution Managed Investment Trust (AMIT) tax regime since 1 July 2017.

(i) Increase/decrease in net assets attributable to unitholders

Income that has not been distributed to unitholders has been recognised in the statement of profit or loss and other comprehensive income in either the current or a previous period and attributed to unitholders.

Once the gains and losses have been realised, these items are distributed to unitholders. Income recognition differences consist of accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses and tax free or tax deferred income.

(j) Investment property

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

Note 3 Significant accounting policies (continued)

(j) Investment property (continued)

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

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

Land is not depreciated. Depreciation on the building component of investment property is calculated using the straight-line method to allocate the cost or revalued amounts, net of the residual value, over an estimated useful life of 25 years. As the property has been classified as held for sale since 30 June 2019 (Note 8), depreciation has ceased from that date.

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

(k) Interest bearing loans and liabilities

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

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

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

(l) Borrowing costs

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

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

(m) Operating leases

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

Note 3 Significant accounting policies (continued)

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

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

(p) 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.

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

(r) 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.

(s) 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 reporting period are:

	2021 $	**2021** Cents/unit	2020 $	2020 Cents/unit
Paid during the year (for current year)	**421,982**	**7.3**	420,217	7.3
Payable at year end	**38,230**	**0.7**	39,396	0.7
	460,212	**8.0**	459,613	8.0

Note 5 Auditor's remuneration

During the year 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	**22,550**	21,900
• Audit of the compliance plan	**4,000**	3,450
Total remuneration for audit and other services	**26,550**	25,350

Note 6 Cash and cash equivalents

	2021 $	2020 $
Cash at bank	**442,256**	381,844

Note 7 Trade and other receivables

	2021 $	2020 $
Trade receivables	**87,105**	10,861
Straight line rental asset	**186,005**	227,114
	273,110	237,975

(a) Impaired receivables
The Scheme assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. 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) Critical accounting estimates & judgements
(i) 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 and specific knowledge of the individual debtor financial position.

Note 8 Investment property - held for sale

	2021	2020
	$	$
Investment property at cost	**9,551,440**	9,453,853
Accumulated depreciation	**(1,563,354)**	(1,563,354)
	7,988,086	7,890,499

	2021	2020
	$	$
At cost		
Opening balance at 1 July	**7,890,499**	7,890,499
Capital expenditures - property and equipment	**97,587**	-
Depreciation expense	**-**	-
Closing balance at 30 June	**7,988,086**	7,890,499

(i) Property details
The investment property is located at 271 - 279 Robinsons Road, Ravenhall, Victoria, Australia and is an modern two level commercial office building. The building was acquired on 8 January 2015.

(ii) Sale of investment property
It is the intention of the Responsible Entity to commence a marketing campaign (refer Note 19) to sell the property during the next financial year so as to capitalise on the asset's improved value.

In accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* an entity shall not depreciate an asset while it is classified as held for sale and accordingly the Responsible Entity has ceased depreciating the property from 30 June 2019 onwards.

(iii) Non-current assets pledged as security
The Scheme's assets are pledged as security to 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 building that forms part of the security is to be insured at all times.

(iv) Leasing arrangements
The investment property is leased to 3 tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on lease of the investment property are as follows:

	2021	2020
	$	$
Not later than one year	**936,433**	939,141
Later than one year and not later than five years	**959,882**	1,896,314
Greater than five years	**-**	-
	1,896,315	2,835,455

The operating lease represents future rental income from a fixed term tenancy after considering the effects of inflation.

Note 9 Trade and other payables

	2021	2020
	$	$
Trade payables	**6,807**	34,608
Accrued expenses	**32,631**	37,869
GST payable	**18,284**	14,676
	57,722	87,153

Note 10 Borrowings

	2021	2020
	$	$
Current		
Secured loans		
Commercial bill facility	**4,381,602**	4,385,203
	4,381,602	4,385,203

			2021		2020	
Facility	**Secured**	**Maturity date**	**Facility limit $**	**Drawn balance $**	Facility limit $	Drawn balance $
Loan facility (i)	Yes	30-Oct-23	**4,385,500**	**4,385,500**	4,385,500	4,385,500
Unamortised transaction costs (ii)				**(3,898)**		(297)
Total borrowings				**4,381,602**		4,385,203

(i) The Scheme's commercial bill facility held with the CBA expired on 31 October 2020 and consequently the Responsible Entity entered into a new three year facility with an expiry date of 30 October 2023. The new facility comprises of a fixed line fee of 2.15% p.a. (payable monthly) and a variable interest rate equal to the BBSY yield rate for 90 day bills (payable quarterly in arrears).

Refer Note 8 for details of 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 year.

Note 11 Derivative financial instruments

The Responsible Entity managed the cash flow interest rate risk of the Scheme by using a floating-to-fixed interest rate derivative. In October 2017, the Scheme entered into an interest rate swap derivative with a face value of $4,385,500, fixed interest rate of 2.81% p.a. and an expiry date of 8 January 2020. The swap derivative was not renewed beyond 8 January 2020.

Note 11 Derivative financial instruments (continued)

Recognised fair value measurements

	2021	2020
	$	$
Derivative liability		
Interest rate swap - level 2		
Opening balance at 1 July	**-**	47,236
Net change in fair value of derivative financial instruments	**-**	(25,997)
Cash payment at settlement	**-**	(21,239)
Closing balance at 30 June	**-**	-

Note 12 Contributed equity

	2021		2020	
	Units	**$**	Units	$
Opening balance at 1 July	**5,752,714**	**5,752,714**	5,752,714	5,752,714
Ordinary units issued	**-**	**-**	-	-
Establishment units issued	**-**	**-**	-	-
Ordinary units redeemed	**-**	**-**	-	-
Closing balance at 30 June	**5,752,714**	**5,752,714**	5,752,714	5,752,714

Note 13 Net asset value per unit (unaudited non-IFRS disclosure)

	2021	2020
	$	$
Net assets	**4,225,898**	3,998,566
Adjustments for:		
Carrying value of investment property (i)	**(7,988,086)**	(7,890,499)
External valuation of investment property (i) (ii)	**12,600,000**	12,700,000
Additional adjustment for cladding issue (i) (ii)	**-**	(600,000)
Straight line rental (asset)/liability (i)	**(186,005)**	(227,114)
Selling and disposal costs (iii)	**(268,000)**	(268,000)
Performance and disposal fees (iii)	**(721,468)**	(552,867)
Adjusted net assets	**7,662,339**	7,160,086
Net asset value per unit (NAV) (i)	**$ 1.33**	$ 1.24

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

(ii) An independent valuation was conducted by M3 Property on 19 February 2021 whereby the property was valued at $12,600,000. The valuation includes a capital expenditure allowance of $1.145m for the cladding remediation works required. It is therefore no longer necessary to include an additional allowance for the cladding capital works.

(iii) Estimates have been determined based on the external valuation of the investment property.

Note 14 Reconciliation of cash flows from operating activities

	2021	2020
	$	$
Profit for the period attributable to unitholders	**687,544**	445,323
Adjustments for:		
Amortised borrowing costs	**1,399**	1,148
Depreciation	**-**	-
Net change in fair value of derivative financial instruments	**-**	(47,391)
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(35,135)**	56,679
Decrease in trade and other payables	**(29,431)**	1,343
Net cash provided by operating activities	**624,377**	457,102

Note 15 Related party transactions

(a) Responsible Entity
The Responsible Entity of the Ravenhall Office 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

	2021	2020
	$	$
Expenses		
Management and administration costs (i)	**1,778**	905
Compliance fees (i)	**275**	1,297
Taxation fees (i)	**4,886**	-
Registry fees (ii)	**13,932**	11,712
Responsible Entity management fees (iii)	**30,182**	29,940
	51,053	43,854

Note 15 Related party transactions (continued)

ii. Balances recorded in the statement of financial position

	2021 $	2020 $
Trade and other payables (i)(ii)(iii)	**3,875**	24,768

(i) Reimbursement of costs incurred by the Responsible Entity and a company associated with the Responsible Entity on behalf of the Scheme.
(ii) A company associated with the Responsible Entity provides registry 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.

(d) Related party investments held by the Scheme
The Scheme has no investment in the Responsible Entity or its associates (2020: nil).

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

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					
Bacon Executive SF*	20,000	0.0035	20,000	-	1,600
2020					
Bacon Executive SF*	20,000	0.0035	20,000	-	1,600

* 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 year and there were no material contracts involving Directors' interests subsisting at year end.

Note 16 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 have 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. This includes 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	442,256	381,844
Trade and other receivables	7	87,105	237,975
Total financial assets		**529,361**	619,819

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. As at 30 June 2021, there are no material trade receivables (note 7), with tenants continuing to pay rental in a timely manner.

Note 16 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 Scheme's balance sheet and forecast cash flow are reviewed in detail at a minimum on a monthly basis to monitor any potential risk relating to liquidity which may in particular result from COVID-19.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. The existing loan expired in October 2020, and has been been renewed for a further 3 year term.

	Carrying amount $	Contract cash flows $	< 1 month $	1-3 months $	3-12 months $	> 12 months $	Weighted average interest rate
2021							
Financial liabilities							
Distributions payable	**38,230**	**38,230**	**38,230**	**-**	**-**	**-**	**8.00%**
Trade and other payables (i)	**57,722**	**377,496**	**57,722**	**319,774**	**-**	**-**	**-**
Commercial bill facility	**4,385,500**	**4,419,258**	**8,995**	**15,758**	**4,394,506**	**-**	**2.24%**
	4,481,452	**4,834,984**	**104,947**	**335,532**	**4,394,506**	**-**	

	Carrying amount $	Contract cash flows $	< 1 month $	1-3 months $	3-12 months $	> 12 months $	Weighted average interest rate
2020							
Financial liabilities							
Distributions payable	39,396	39,396	39,396	-	-		8.00%
Trade and other payables	87,153	87,153	87,153	-	-		-
Commercial bill facility	4,385,500	4,432,665	15,662	15,758	4,401,246		2.60%
	4,512,049	4,559,214	142,211	15,758	4,401,246	-	

(i) Trade and other payables includes contractual cash flow to be paid from working capital in relation to cladding replacement drawn down post 30 June 2021.

Note 16 Financial risk management (continued)

(c) Capital management

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

The Scheme's capital management objectives aim to:

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

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

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

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

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

	Note	2021 $	2020 $
Total borrowings	10	**4,385,500**	4,385,500
Less: cash and cash equivalents	6	**(442,256)**	(381,844)
Net debt		**3,943,244**	4,003,656
Total assets		**8,703,452**	8,510,318
Less: cash and cash equivalents	6	**(442,256)**	(381,844)
Adjusted assets		**8,261,196**	8,128,474
Gearing ratio		**48%**	49%

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 is exposed to interest rate risk, however it is the Scheme's intention to dispose of its underlying assets in the imminent future. It is the view of the Scheme that the interest rate risk is low.

ii. *Other market risk*

COVID-19 has put pressure on tenant rent rates per square metre as well as contributions required to attract new tenants. As the Scheme is currently fully leased, there is no direct impact as at reporting date.

Note 16 Financial risk management (continued)

(e) Fair value estimation

The carrying values approximate the fair value of the Scheme's financial assets and liabilities.

Note 17 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 $8,703,452 (2020: $8,510,318).

The custodian is entitled to an annual administration fee of $10,840 (plus GST) (2020: $10,840 (plus GST)).

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

Note 18 Litigation and contingent liabilities

There are no contingent liabilities or contingent assets at 30 June 2021 (2020: nil).

Note 19 Events subsequent to reporting date

Cladding remediation works
In July 2021, the Scheme's finance facility provided by CBA was drawn upon for the amount of $840,000. The Scheme has advanced approximately $950,000 in progress claim and project management fees in relation to the cladding remediation.

Sale of Investment Property
In August 2021, the Scheme jointly appointed Savills Victoria Pty Ltd and Quin Reynolds Property Pty Ltd as joint marketing agents in the upcoming sale of 271-279 Robinson Road, Ravenhall.

There has not arisen in the interval between the end of the financial year 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.

Ravenhall Office Trust
Directors' declaration

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

(a) The financial statements and notes, as set out on pages 7 to 25 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 Interpretations) and the Corporations Regulations 2001;

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

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

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

Philip A Ryan
Executive Director

29 September 2021
Brisbane

Rodger I Bacon
Executive Deputy Chairman

29 September 2021
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the unitholders of Ravenhall Office Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ravenhall Office 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 Ravenhall Office Trust.

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

(i) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 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 Ravenhall Office Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of matter- Basis of preparation

We draw attention to Note 2 of the financial report, which describes the basis of preparation. The financial report of the Registered Scheme has been prepared on a wind-up basis, given the Directors of the Responsible Entity's intention to wind up the Registered Scheme following the sale of the Registered Scheme's investment property. Our opinion is not modified in respect of this matter.

Other information

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

In preparing the financial report, the directors are responsible for assessing the Registered Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 29 September 2021

Find out more.

Start a conversation with us today.
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