

# Trilogy Industrial Property Trust

Annual Financial Report  
30 June 2023

**ARSN 623 096 944**

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

## A Message from the Non-Executive Chairman

Thank you for your continued support. As we look back on the past year at TrilogY Funds, we are pleased to share the significant milestones that have shaped our journey.

This year, we welcomed three new Executive Directors to our Board. These include Justin Smart, who serves as TrilogY Funds Executive Director and Chief Operating Officer; Clinton Arentz, our Executive Director for Lending and Property Assets; and Henry Elgood, our Executive Director for Institutional Capital and Chief Risk Officer. All three have held senior leadership positions with TrilogY Funds for a long time.

A highlight this year was the naming of the TrilogY Industrial Property Trust as the 2023 Fund Manager of the Year in the Direct Property category by the Financial Newswire and SQM Research Awards. In addition, the Trust was recognised by Livewire at the end of 2022 as one of the top performers in its category, and with Ryan Mooney, Manager- Property Funds, winning the 2023 Rising Star of the Year award at the Money Management Australia Fund Manager of the Year Awards.

In terms of our other products, we have broadened our offering by introducing the MDC TrilogY Wholesale Yield Fund I. This fund provides investors with exposure to rent rolls through the issuance of secured notes. Our flagship open-ended funds continue to perform as expected and have been recognised by independent research houses and industry peers.

As we move into the new financial year, we are optimistic and focused on seizing opportunities. We remain committed to helping you achieve your financial goals.



**Robert Willcocks**

Independent Non-Executive Chairman  
TrilogY Funds Management Limited

**Trilogy Industrial Property Trust**  
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**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the Trilogy Industrial Property Trust (Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2023.

**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 26, 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:

<b><i>Name and qualifications</i></b>	<b><i>Age</i></b>	<b><i>Experience and special responsibilities</i></b>
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	74	Member of the Audit & Risk 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. Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Non-Executive Deputy Chairman BCom(Merit), AICD, SFFin	77	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 until 30 June 2023 Non-Executive Director - Responsible Entity since 30 June 2023
John C Barry Executive Director BA, FCA	71	Chairman of the Audit & Risk 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	62	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	54	Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008

**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

**Directors (continued)**

Justin J Smart Executive Director and Company Secretary BCom, CPA	51	Member of the Audit & Risk Committee, and Compliance Committee Mr Smart is a director of several private companies and has over 20 years experience in the financial services industry Director – Responsible Entity from 1 January 2023 Company Secretary - Responsible Entity from 11 July 2013
Henry F Elgood Executive Director MAICD	27	Member of the Audit & Risk Committee, and Compliance Committee Mr Elgood is a non-executive director of several private companies Director – Responsible Entity from 1 January 2023
Clinton B Arentz Executive Director MBA, SIA (Aff)	60	Chairman of the Workout Committee Head of Lending & Property Mr Arentz is a former director of Winston Development Services, and has over 25 years experience in property development, asset management, project delivery, construction lending and property finance Director – Responsible Entity from 1 January 2023

**Principal activities**

The Scheme is domiciled in Australia. The principal activity of the Scheme during the period was to acquire direct property investments in industrial real estate and manage those investments subsequent to acquisition. The Scheme did not have any employees during the period.

**Review of operations and results**

*Product Disclosure Statement (PDS) updates*

On 26 July 2022, the Scheme issued a Supplementary PDS, updating the Scheme's investment criteria to include showrooms and storage facilities. The investment criteria has the same investment objective of providing consistent income and the potential for capital growth over the medium to long term. On 30 September 2022, the Scheme issued a new PDS incorporating changes to the fee and cost disclosures that resulted from the issuance of ASIC's Regulatory Guide 97.

*Investment property acquisitions*

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

*12-14 Martin Drive, Tomago NSW (Tomago)*

On 12 September 2022, the Scheme purchased an industrial property located in Tomago, NSW for \$16,140,000. The industrial facility is erected over two non-contiguous allotments. The first allotment comprises four buildings, including three workshops, one warehouse and two-level offices. The second allotment comprises a single warehouse with ancillary office space. The acquisition was funded by a combination of equity raised from the issuance of units, redemption of units held in related party managed investment Schemes and the provision of further debt funding from Westpac Banking Corporation (WBC).

**Review of operations and results (continued)**

*660 Stuart Highway, Berrimah NT (Berrimah)*

The Scheme acquired a large storage and showroom property located in Berrimah, NT on 14 December 2022 for \$29,000,000. The property is the first large storage and showroom property held by the Scheme with an approximate 10 year weighted average lease expiry (WALE), fully leased to a composition of four national operators. The acquisition was funded via a combination of equity raised from the issuance of units, redemption of units held in related party managed investment Schemes, an increase in the existing debt facility established with WBC and debt funding with Commonwealth Bank of Australia (CBA).

*Change in accounting policy*

On 30 June 2023, the Scheme changed accounting policy to measure investment properties at fair value. In prior periods the investment properties were measured at cost. The Responsible Entity notes that recording the value of the investment properties at fair value more accurately reflects the true underlying value of the asset. To ensure prior year information is equivalent, comparative data from the financial year ending 30 June 2022 has been restated in the financial statements and notes. For more information on the effects of this accounting policy change please refer to Note 20.

*Property revaluations*

During the period, the Scheme commissioned external revaluations for seven properties held in the Scheme per its valuation policy. The external valuations represented strong growth in the property portfolio. The increase in market value of the properties is reflected in the Net Asset Value (NAV) calculation detailed below, contributing to an increase in the NAV of the units on issue, from \$1.09 per unit as at 30 June 2022, to \$1.12 per unit as at 30 June 2023.

*Related party investments held by the Scheme*

On 6 September 2022, the Scheme redeemed \$2,800,000 from Trilogy Enhanced Income Fund (TEIF), on 7 September 2022, the Scheme redeemed \$2,500,000 from Trilogy Monthly Income Trust (TMIT) and on 9 November 2022 a further \$1,000,000 was redeemed from TMIT. Proceeds from the three redemptions were used to fund the settlements of the Tomago and Berrimah acquisitions. At the reporting date, the Scheme held no related party investments.

*118 Colemans Road, Carrum Downs VIC (Carrum Downs) extension project*

In between July and October 2022, capital works were completed on the Carrum Downs property to extend the warehouse facilities for the existing tenant, Tempur Sealy International Pty Ltd (Tempur Sealy). The total project cost was \$982,026 and was completed on time and on budget. Completion of the project triggered an Agreement to Lease over the newly constructed area and also a two year extension of the existing Tempur Sealy lease, this agreement extended both leases to an expiration date of August 2028.

*16 Galleghan Street, Hexham NSW (Hexham) leasing update*

On 10 November 2022, a lease variation was entered into with Downer EDI Engineering Power Pty Ltd, a tenant for the Hexham property. The lease variation extended the lease term, originally due to expire 16 January 2023, for an additional one year. On 1 December 2022, the lease for Hexham tenant, Bega Dairy and Drinks Pty Ltd was renewed. A new nine year lease was signed, expiring 9 May 2032. As part of the terms of the lease renewal, the Scheme will complete a dock extension and industrial upgrades on the site. These capital works commenced in June 2023 and are currently in progress, with an estimated cost to the Fund of \$1,160,237 excluding GST.

*113-117 Bedford St, Gillman SA (Gillman) leasing update*

In April 2023, a lease renewal was entered into with Tyremax Pty Ltd, a tenant for the Gillman property. The lease renewal extended the lease term, originally due to expire 2 December 2023, for an additional five years. The new lease will expire on 2 December 2028.

**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

**Review of operations and results (continued)**

*Sale of 11-21 Crichtons Road, Paget QLD (Crichtons Road)*

Following a new lease being negotiated with Alfagomma Australia Pty Ltd for a further three year term, the Scheme commenced the sale process for the Crichtons Road property. Marketing agents were engaged and a sales campaign was commenced by Metropolis Agency Pty Ltd (Colliers) in November 2022. In June 2023, the Responsible Entity accepted a conditional offer on behalf of the Scheme to sell Crichtons Road for \$4,900,000. This sale price represents an uplift of \$900,000 from the original purchase price of \$4,000,000, when it was purchased by the Scheme in April 2018. As at the reporting date, the sale was in the due diligence stage, ending 1 August 2023. Settlement of the property is expected by November 2023.

*21-27 Carrington Road, Torrington QLD (Torrington) Development*

In April 2023, initial planning and concept design in relation to future redevelopment of the Torrington site commenced. The planned redevelopment consists of partial demolition of existing improvements and construction of new warehouse facilities. The project will include infrastructure and bulk earthworks construction suitable for a multi-unit industrial estate. The local council has been consulted and contractors are carrying out preliminary works. If the development proceeds, construction on the project is expected to commence in the financial year ending June 2025.

*Financial overview*

The profit attributable to unitholders for the year totalled \$7,780,981 (2022: \$8,492,239). During the year, the Scheme's primary revenue stream was derived from rental income, this income also includes fair value gain on the investment property of \$516,049 (2022: \$2,137,326). Additionally, the Scheme incurred costs relating to the acquisition of the additional properties during the period, as outlined in the PDS of the Scheme.

The total carrying value of the Scheme's assets as at 30 June 2023 was \$251,728,152 (2022: \$205,816,382), comprised primarily of the investment properties acquired.

*Distributions to unitholders*

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

	<b>2023</b>	2022
	\$	\$
Distributions paid during the period	<b>8,622,721</b>	6,514,748
Distributions payable at year end	<b>853,459</b>	673,565
	<b><u>9,476,180</u></b>	<u>7,188,313</u>
Cents per ordinary unit (CPU) (i)	<b>7.77</b>	7.57

(i) The Scheme pays a variable distribution rate to unitholders.

*NAV per unit (unaudited non-IFRS disclosure)*

The Scheme's NAV per unit as at 30 June 2023 is \$1.13 (2022: \$1.14). The NAV has been calculated in accordance with the Responsible Entity's Unit Pricing Policy.

**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

**Review of operations and results (continued)**

*NAV per unit (unaudited non-IFRS disclosure) (continued)*

	<b>2023</b>	<i>*Restated</i>
	\$	2022
		\$
Net assets	<b>131,594,860</b>	114,186,109
<i>Adjustments for:</i>		
Unamortised acquisition costs (i)	<b>12,844,492</b>	12,046,441
Derivative financial instruments (i)	<b>(1,647,971)</b>	(1,230,182)
Adjusted net assets	<b>142,791,381</b>	125,002,368
Units on issue	<b>126,471,393</b>	109,199,441
NAV per unit	<b>\$ 1.13</b>	\$ 1.14
Unit pricing policy adjustments (ii)	<b>(1,446,131)</b>	(5,916,230)
Unit pricing net assets	<b>141,345,250</b>	119,086,138
Unit price per unit	<b>\$ 1.12</b>	\$ 1.09

(i) It is the policy of the Responsible Entity to exclude derivative financial instruments, and amortise the costs associated with the acquisition and equity raising for the unit price. These costs are included in the fair value calculation of net assets of the Scheme for financial reporting purposes. The unit pricing policy adjusts for these costs and amortises the costs over a 5-year period as per the Scheme's Unit Pricing Policy in determining the unit price.

(ii) When an external valuation is commissioned, it is the Scheme's policy to adopt the current market valuation for NAV purposes. 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). As the unit pricing policy is based on external valuations, the directors' valuations have been reversed and replaced with the latest external valuations.

*Indirect cost ratio (ICR)*

The ICR for the Scheme for the period ended 30 June 2023 is 4.98% p.a. (2022: 4.64% p.a). The initial costs incurred to acquire investment properties are included in the calculation of the ratio.

*Units on issue*

During the year 17,271,952 additional units were issued (2022: 59,094,570) and nil units were redeemed from the Scheme (2022: 6,516,239). The Scheme had 126,471,393 units on issue as at 30 June 2023 (2022: 109,199,441).



**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

**Interests of the Responsible Entity**

The following transactions occurred between the Scheme and the Responsible Entity and its associates during the period (refer note 16(c)).

	<b>2023</b>	2022
	\$	\$
<i>Expenses</i>		
Management and administration fees	<b>43,154</b>	42,192
Professional fees	<b>45,699</b>	57,138
Registry fees	<b>25,676</b>	22,600
Responsible Entity management fees	<b>987,050</b>	618,048
Asset origination fees	<b>902,800</b>	2,139,559
Marketing and advertising	<b>240,641</b>	172,319
Performance fees	<b>470,925</b>	764,037
	<b><u>2,715,945</u></b>	<b><u>3,815,893</u></b>

*Units held by the Responsible Entity*

The Responsible Entity does not hold any units in the Scheme as at 30 June 2023 (2022: 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**

*Sale of 11-21 Crichtons Road, Paget QLD (Crichtons Road)*

In June 2023, the Responsible Entity accepted a conditional offer on behalf of the Scheme to sell Crichtons Road for \$4,900,000. On 1 August 2023, the Due Diligence stage of the sale ended. A conditional sales contract was signed on 30 August 2023. During the conditional period, the buyer has up to two months to obtain finance to complete the purchase. Settlement is due to occur within 14 days after the conditional precedent is fulfilled. The settlement date will be no later than 13 November 2023.

*PDS updates*

On 11 September 2023, the Scheme issued a new PDS that, in addition to other general updates, established a secondary, limited withdrawal mechanism for investors (referred to in the PDS as an interim withdrawal offer), lowered the minimum investment amount to \$20,000 and implemented a distribution reinvestment facility.

*Repayment of Westpac Banking Corporation (WBC) loan facility*

In December 2022, an additional \$10,000,000 was drawn down under the WBC facility agreement to fund the Berrimah settlement. At 30 June 2023, the balance remaining on this facility was \$4,000,000. The original loan expiry date was 8 December 2023, however this loan was repaid in full on 4 September 2023. As at the signing date of this report \$79,455,000 remains drawn (fully drawn) on the WBC loan facility.

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.

**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

**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 9.

**Trilogy Industrial Property Trust**  
**Directors' report**  
**30 June 2023**

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



Philip A Ryan  
Managing Director

21 September 2023  
Brisbane



Justin J Smart  
Executive Director

21 September 2023  
Brisbane

**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 2023, 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, 21 September 2023

**Trilogy Industrial Property Trust**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

	<b>Note</b>	<b>2023</b>	Restated*
		\$	2022
			\$
<b>Revenue and other income</b>			
Rental revenue	9(c)	<b>16,280,989</b>	10,579,857
Recoverable outgoings	9(c)	<b>1,970,715</b>	1,574,789
Interest revenue from financial institutions		<b>113,816</b>	4,787
Investment income	16(d)	<b>67,520</b>	356,530
Net change in fair value of derivative financial instruments	12	<b>417,789</b>	1,230,182
Fair value gain on property investment	9(c)	<b>516,049</b>	2,137,326
Sell spread income		-	177,481
		<b>19,366,878</b>	<b>16,060,952</b>
<b>Expenses</b>			
Audit and compliance		<b>(73,673)</b>	(56,541)
Custodian fees	18	<b>(59,527)</b>	(37,857)
Direct property expenses and outgoings	9(c)	<b>(3,091,649)</b>	(1,740,539)
Management and administration costs		<b>(126,088)</b>	(172,236)
Professional fees		<b>(95,485)</b>	(308,312)
Registry fees	16(c)(i)	<b>(25,676)</b>	(22,600)
Responsible Entity management fees	16(c)(i)	<b>(987,050)</b>	(618,048)
Taxation fees		<b>(5,959)</b>	(14,620)
Asset origination fees	16(c)(i)	<b>(902,800)</b>	(2,139,559)
Marketing and advertising		<b>(269,934)</b>	(172,319)
Valuation fees		<b>(65,486)</b>	(77,651)
Performance fees	16(c)(i)	<b>(470,925)</b>	(764,037)
		<b>(6,174,252)</b>	<b>(6,124,319)</b>
Profit for the period before finance costs		<b>13,192,626</b>	9,936,633
<i>Finance costs:</i>			
• Interest expense		<b>(5,195,003)</b>	(1,343,910)
• Amortisation of loan transaction costs		<b>(216,642)</b>	(100,484)
		<b>(5,411,645)</b>	<b>(1,444,394)</b>
<b>Profit for the period attributable to unitholders</b>		<b>7,780,981</b>	8,492,239
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the period attributable to unitholders</b>		<b>7,780,981</b>	8,492,239

\* See Note 20 for details regarding the restatement as a result of a change in accounting policy.

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

**Trilogy Industrial Property Trust**  
**Statement of financial position**  
**As at 30 June 2023**

	<b>Note</b>	<b>2023</b>	<b>Restated*</b>	
		<b>\$</b>	<b>2022</b>	<b>1/07/2021</b>
			<b>\$</b>	<b>\$</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	<b>2,141,775</b>	1,238,373	1,469,635
Trade and other receivables	7	<b>888,406</b>	352,827	149,603
Financial assets	16(d)	-	6,300,000	-
Property deposits		-	-	552,650
Assets held for sale	8	<b>4,900,000</b>	-	-
<b>Total current assets</b>		<b><u>7,930,181</u></b>	<u>7,891,200</u>	<u>2,171,888</u>
<b>Non-current assets</b>				
Derivative financial instruments	12	<b>1,647,971</b>	1,230,182	-
Investment property - at fair value	9(a)	<b>242,150,000</b>	196,695,000	80,540,000
<b>Total non-current assets</b>		<b><u>243,797,971</u></b>	<u>197,925,182</u>	<u>80,540,000</u>
<b>Total assets</b>		<b><u>251,728,152</u></b>	<u>205,816,382</u>	<u>82,711,888</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	10	<b>1,295,172</b>	1,088,490	567,482
Distributions payable	4	<b>853,459</b>	673,565	363,584
Borrowings	11	<b>4,000,000</b>	-	-
<b>Total current liabilities</b>		<b><u>6,148,631</u></b>	<u>1,762,055</u>	<u>931,066</u>
<b>Non-current liabilities</b>				
Borrowings	11	<b>113,984,661</b>	89,868,218	25,420,693
<b>Total non-current liabilities</b>		<b><u>113,984,661</u></b>	<u>89,868,218</u>	<u>25,420,693</u>
<b>Total liabilities</b>		<b><u>120,133,292</u></b>	<u>91,630,273</u>	<u>26,351,759</u>
<b>Net assets</b>		<b><u>131,594,860</u></b>	<u>114,186,109</u>	<u>56,360,129</u>
<b>Equity</b>				
Contributed equity	14	<b>132,992,437</b>	113,888,487	57,366,433
Accumulated profit/(losses)		<b>(1,397,577)</b>	297,622	(1,006,304)
<b>Total equity</b>		<b><u>131,594,860</u></b>	<u>114,186,109</u>	<u>56,360,129</u>

\* See Note 20 for details regarding the restatement as a result of a change in accounting policy.

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

**Trilogy Industrial Property Trust**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**

	Note	Contributed equity \$	Accumulated Profit/(losses) \$	Total equity \$
Balance at 1 July 2021 (as previously reported)		57,366,433	(6,615,491)	50,750,942
Adjustment on change in accounting policy	20	-	5,609,187	5,609,187
Balance at 1 July 2021 (as restated)		57,366,433	(1,006,304)	56,360,129
<i>Comprehensive income:</i>				
Profit for the period		-	8,492,239	8,492,239
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	8,492,239	8,492,239
<i>Transactions with unitholders in their capacity as owners:</i>				
Units issued for cash	14	63,602,599	-	63,602,599
Units redeemed for cash	14	(7,080,545)	-	(7,080,545)
Distributions paid/payable	4	-	(7,188,313)	(7,188,313)
Balance at 30 June 2022		113,888,487	297,622	114,186,109
<b>Balance at 1 July 2022 (as restated)</b>		<b>113,888,487</b>	<b>297,622</b>	<b>114,186,109</b>
<i>Comprehensive income:</i>				
Profit for the year		-	7,780,981	7,780,981
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>7,780,981</b>	<b>7,780,981</b>
<i>Transactions with unitholders in their capacity as owners:</i>				
Units issued for cash	14	19,103,950	-	19,103,950
Distributions paid/payable	4	-	(9,476,180)	(9,476,180)
<b>Balance at 30 June 2023</b>		<b>132,992,437</b>	<b>(1,397,577)</b>	<b>131,594,860</b>

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

**Trilogy Industrial Property Trust**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		17,335,683	11,668,340
Payments to suppliers		(6,555,911)	(5,671,030)
Proceeds from sell spread		-	177,014
Interest received		113,816	5,254
Interest paid		(5,194,946)	(1,343,910)
<b>Net cash provided by operating activities</b>	15	<u>5,698,642</u>	<u>4,835,668</u>
<b>Cash flows from investing activities</b>			
Acquisition of investment property	9(a)	(47,804,145)	(113,219,900)
Deposits (paid)/recovered		-	552,650
Capital expenditure - property and equipment	9(a)	(998,559)	(90,443)
Investments/Redemptions in managed investment schemes	16(d)	6,300,000	(6,300,000)
<b>Net cash used in investing activities</b>		<u>(42,502,704)</u>	<u>(119,057,693)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary units	14	19,103,950	63,602,599
Payments for redemption of units	14	-	(7,080,545)
Proceeds from borrowings		34,020,000	64,680,500
Repayment of borrowings		(6,000,000)	-
Payment of borrowing costs		(120,198)	(333,459)
Distributions paid to unitholders		(9,296,288)	(6,878,331)
<b>Net cash provided by financing activities</b>		<u>37,707,464</u>	<u>113,990,764</u>
Net increase/(decrease) in cash and cash equivalents		903,402	(231,262)
Cash at beginning of the reporting period		1,238,373	1,469,635
<b>Cash and cash equivalents at end of the financial period</b>	6	<u>2,141,775</u>	<u>1,238,373</u>

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



**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 1 Reporting entity**

The Trilogy Industrial Property Trust (Scheme) is a registered managed investment scheme under the Corporations Act 2001. The financial statements of the Scheme are for the year 30 June 2023. The Scheme is a for-profit entity.

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

**Note 2 Basis of preparation**

**(a) Statement of compliance**

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Scheme comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 21 September 2023.

**(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 9: Investment Property (fair value of investment property)
- Note 12: Derivative financial instruments
- Note 13: Fair value measurement
- Note 17: Financial risk management

**Note 3 Significant accounting policies**

The Scheme adopted all new and amended Australian Accounting Standards and Interpretations effective 1 July 2022. The adoption of these new and amended Australian Accounting Standards and Interpretations did not have a material impact to the financial statements.

There are new and amended Australian Accounting Standards and Interpretations issued but not yet effective as at the year ended 30 June 2023. These new and amended Australian Accounting Standards and Interpretations will not have a material impact to the financial statements on adoption dates.

At 30 June 2023, the Scheme changed accounting policies to measure investment properties at fair value. In prior periods the investment properties were measured at cost. For more information on the effects of this accounting policy change please refer to Note 20.

**(a) Rental revenue**

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

**Note 3 Significant accounting policies (continued)**

**(b) Interest income and expense**

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

**(c) Expenses**

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

**(d) Taxation**

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

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

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

**(e) Unit prices**

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

**(f) Distributions to unitholders**

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

**(g) Applications and redemptions**

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

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

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

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

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

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

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

**Note 3 Significant accounting policies (continued)**

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

- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

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

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

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

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

**(j) Investment property**

Investment property is initially measured at historical cost and includes transaction costs. Subsequent to the initial measurement, the investment properties are measured at fair value, with any change therein recognised in profit or loss.

Fair value is based upon active market prices, given the assets' highest and best use, adjusted if necessary, for any difference in the nature, location or condition of the relevant asset. If this information is not available, the Scheme uses alternative valuation methods such as discounted cash flow projections and / or the income capitalisation approach. The highest and best use of an investment property refers to the use of the investment property by market participants that would maximise the value of that investment property.

The carrying value of the investment property includes components relating to lease incentives and other items relating to the maintenance of, or increases in, lease rentals in future periods.

Lease incentives may be offered to lessees as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including up-front cash payments, rent free periods, rental abatements over the period or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the statement of financial position as a component of the carrying amount of investment property and amortised over the lease period as a reduction of rental income.

The fair values of each property held by the scheme are assessed at the end of each reporting period by referencing independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. The scheme's valuation policy is that all assets are externally revalued within a 24-month cycle. For the half year and annual reports, external valuations that fall outside the reporting date will be substituted by directors' valuations. Factors taken into account by the Directors of the Responsible Entity in valuing the investment properties include:

- Tenancy updates including new leases and renewal probability,
- Market leasing conditions in terms of rent, downtime and incentives,
- Market sale conditions including capitalisation rates and discount rates,
- The Responsible Entity's transaction database, which is populated as market evidence occurs,
- Evidence within valuations for comparable properties; and
- Evidence within market reports released by sale agencies including quarterly industrial market

Gains and losses related to fair value movement are recorded in the statement of profit or loss and other comprehensive income in the year in which they arise. The building components of the investment properties are not depreciated for accounting purposes. The Scheme depreciates for taxation purposes which will provide investors with tax effective returns in the form of Tax-Deferred distributions.

Prior to the year ending June 2023, investment properties of the Scheme were recorded at historical cost in the financial reports. For more information on the reasons for the change in policy and affects of the change please refer to Note 20.

**Note 3 Significant accounting policies (continued)**

**(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) Cash and cash equivalents**

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

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

**(n) Trade and other receivables**

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

**(o) Goods and services tax**

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

Payables are stated with the amount of GST included.

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

**(p) Trade and other payables**

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

**(q) Impairment of non-financial assets**

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

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

**(r) Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 3 Significant accounting policies (continued)**

**(s) Financial assets**

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

**(t) Comparative figures**

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

**Note 4 Distributions to unitholders**

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

	2023		2022	
	\$	Cents/unit	\$	Cents/unit
Distributions paid during the period	8,622,721	7.10	6,514,748	6.95
Distributions payable at period end	853,459	0.67	673,565	0.62
	<b>9,476,180</b>	<b>7.77</b>	<b>7,188,313</b>	<b>7.57</b>

(i) The Scheme pays a variable distribution rate to unitholders.

**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:

	2023	2022
	\$	\$
<i>Audit and other assurance services</i>		
• Audit and review of the financial statements	64,500	51,200
• Audit of the compliance plan	8,000	7,200
Total remuneration for audit and other services	<b>72,500</b>	<b>58,400</b>

**Note 6 Cash and cash equivalents**

	2023	2022
	\$	\$
Cash at bank	<b>2,141,775</b>	1,238,373

**Note 7 Trade and other receivables**

	2023	*Restated 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	330,525	159,914
Other receivables	557,881	192,913
	<b>888,406</b>	<b>352,827</b>

\*Refer to note 20 for further information on change in accounting policy.

**(a) Impairment of receivables**

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

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

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 8 Assets classified as held for sale**

	2023	2022
<b>Current Assets</b>	<b>\$</b>	<b>\$</b>
Investment property - held for sale (i)	<b>4,900,000</b>	-
	<b>4,900,000</b>	-

(i)The property located at 11-21 Crichtons Road, Paget QLD (Crichtons Road) is considered held for sale and is therefore a current asset in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations. In June 2023, the Responsible Entity accepted a conditional offer on behalf of the Scheme to sell Crichtons Road for \$4,900,000. This sale price represents an uplift of \$900,000 from the original purchase price of \$4,000,000 when it was purchased by the Scheme in April 2018. As at the reporting date, the sale was in the due diligence stage, ending 1 August 2023. Settlement of the property is expected by November 2023.

**Note 9 Investment property**

**(a) Investment property - at fair value**

	2023	*Restated 2022
	<b>\$</b>	<b>\$</b>
Investment property - non-current	<b>242,150,000</b>	196,695,000
	<b>242,150,000</b>	196,695,000

	2023	*Restated 2022
<i>At fair value</i>	<b>\$</b>	<b>\$</b>
Balance at beginning of period	<b>196,695,000</b>	80,540,000
Acquisitions (i)	<b>47,804,145</b>	113,219,900
Additions	<b>998,559</b>	90,443
Fair value increase on investment property	<b>516,049</b>	2,137,326
Transferred to held for sale (iv)	<b>(4,900,000)</b>	-
Straight line rent	<b>902,133</b>	627,966
Rental Abatement	<b>134,114</b>	79,365
Balance at end of period	<b>242,150,000</b>	196,695,000

By investment property Property address	2023			
	Independent Valuation Date	Amount \$	Carrying amount \$ (ii)	Fair value adjustment \$
33-41 Diesel Dr, Paget QLD	Dec-2022	12,850,000	12,850,000	148,393
11-21 Crichtons Rd, Paget QLD (iv)	-	-	-	390,160
113-117 Bedford Street, Gillman SA	Jun-2023	17,750,000	17,750,000	1,562,931
11 Elysium Road, Carrara QLD	Sep-2022	16,000,000	16,000,000	(24,718)
9-17 Bosso Street, Paget QLD	Dec-2022	900,000	900,000	25,000
19-29 Bosso Street, Paget QLD	Dec-2022	11,900,000	12,500,000	546,936
37 Gravel Pit Road, Darra QLD	Mar-2023	15,500,000	15,500,000	885,996
118 Colemans Road, Carrum Downs VIC	Jan-2023	13,200,000	13,200,000	799,249
8-14 Moorebank Road, Wellcamp QLD	Apr-2022	9,820,000	9,200,000	(661,064)
15/17 25 Dacmar Road, Coolum Beach QLD	Jan-2023	23,000,000	23,000,000	291,391
16 Galleghan Street, Hexham NSW	Jul-2021	28,000,000	30,000,000	1,971,455
16-22 Magnesium Street, Narangba QLD	Apr-2023	17,000,000	17,000,000	(84,483)
21-27 Carrington Road, Torrington QLD (iii)	Feb-2022	10,750,000	9,750,000	(1,052,270)
6 Ron Parkinson Crescent, Corbould Park QLD (iii)	Apr-2022	20,600,000	19,250,000	(1,506,462)
12-14 Martin Drive, Tomago NSW (i)(iii)	Jun-2022	16,140,000	15,750,000	(1,379,676)
660 Stuart Highway, Berrimah NT (i)(iii)	Jul-2022	29,000,000	29,500,000	(1,396,789)
		<b>242,410,000</b>	<b>242,150,000</b>	<b>516,049</b>

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 9 Investment property (continued)**

**(a) Investment property - at fair value (continued)**

By investment property Property address	*Restated 2022			
	Independent Valuation		Carrying	Fair value
	Date	Amount \$	amount \$ (ii)	adjustment \$
33-41 Diesel Dr, Paget QLD	May-2021	11,500,000	12,500,000	864,786
11-21 Crichtons Rd, Paget QLD (iv)	May-2021	4,500,000	4,500,000	18,220
113-117 Bedford Street, Gillman SA	May-2021	15,250,000	16,300,000	781,115
11 Elysium Road, Carrara QLD	May-2021	13,840,000	15,750,000	2,055,812
9-17 Bosso Street, Paget QLD	May-2021	825,000	875,000	50,000
19-29 Bosso Street, Paget QLD	May-2021	12,100,000	12,000,000	(138,197)
37 Gravel Pit Road, Darra QLD	Nov-2021	14,600,000	14,600,000	2,075,547
118 Colemans Road, Carrum Downs VIC (iii)	Jun-2021	10,025,000	11,500,000	1,347,477
8-14 Moorebank Road, Wellcamp QLD	Apr-2022	9,820,000	9,820,000	618,550
15/17 25 Dacmar Road, Coolum Beach QLD (iii)	Jun-2021	22,050,000	22,500,000	(1,047,768)
16 Gallegan Street, Hexham NSW	Jul-2021	28,000,000	28,000,000	(1,626,150)
16-22 Magnesium Street, Narangba QLD	Aug-2021	16,927,000	17,000,000	(939,797)
21-27 Carrington Road, Torrington QLD (iii)	Feb-2022	10,750,000	10,750,000	(647,634)
6 Ron Parkinson Crescent, Corbould Park QLD (iii)	Apr-2022	20,600,000	20,600,000	(1,274,635)
		<b>190,787,000</b>	<b>196,695,000</b>	<b>2,137,326</b>

(i) During the period the Scheme acquired two additional properties. The first is located at 12-14 Martin Drive, Tomago, NSW and was purchased for \$16,140,000 on 12 September 2022. The second property acquired is located at 660 Stuart Highway, Berrimah NT and was purchased for \$29,000,000 on 14 December 2022. Acquisition costs for the purchase of the two properties equals \$2,664,145. The fair value adjustment of these two properties includes the expensing of the acquisition fees.

(ii) The carrying amount of the investment properties is per the Directors' Valuation. At each reporting date, the Investment Committee reviews the valuations completed by independent qualified external valuers, to verify their currency. Where the Investment Committee believes that there may have been a change to the value of a property since the last external valuation, the Investment Committee will propose a review of the carrying amount of the property. The internal review uses the same valuation methodology and metrics as independent valuations. The valuations are then reviewed and approved by the Board. This amount is inclusive of straight-lining of rental income and rental abatements.

(iii) The independent valuation amount has been presented as the acquisition price.

(iv) In June 2023, the Responsible Entity accepted a conditional offer on behalf of the Scheme to sell Crichtons Road for \$4,900,000. The asset has been transferred out of investment properties and is classified as assets held for sale. For more details refer to Note 8.

The Scheme's assets are pledged as security to Westpac Banking Corporation (WBC) and Commonwealth Bank of Australia (CBA) under a registered first mortgage. Included in the balance of investment property are assets over which a first mortgage has been granted as security over bank loans. The terms of the first mortgage preclude the asset being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires that the buildings that form part of the security are to be insured at all times.

The investment properties are leased under long-term operating leases with rent payable monthly. Minimum lease payments receivable on lease of the investment property are as follows:

	2023	2022
	\$	\$
Not later than one year	<b>15,592,931</b>	12,570,573
Later than one year and not later than five years	<b>49,969,041</b>	39,423,406
Greater than five years	<b>36,623,371</b>	30,435,222
	<b>102,185,343</b>	82,429,201

All leases include a clause to enable upward revision of the rental charge on an annual basis either by the Consumer Price Index or a fixed percentage. Refer to Note 17 for further details of the Scheme's risk management strategy.

**Note 9 Investment property (continued)**

**(b) Valuation process, techniques and key judgements**

The investment property valuation process is conducted bi-annually at the end of each reporting period. Valuations are performed either by independent professionally qualified external valuers, or by the Responsible Entity's directors who have several years experience in property development, asset management, and property finance.

All investment properties are valued by an independent external valuer at least once every 24 months, or earlier, where the Responsible Entity deems it appropriate or it estimates there may be a material change in the carrying value of the property. Independent valuers are engaged on a rotational basis. External valuations were conducted during the year ending 30 June 2023 for 63% of the Scheme's investment properties (2022: 43%, 2021:100%).

The Scheme's investment property is measured at fair value. Carrying values of all investment properties measured at fair value reflect the highest and best use value. The fair value of the scheme's investment property is determined using methods that rely on inputs that are not readily observable market data (level 3). Such inputs are identified in the table below:

	2023	2022	2021
Fair value	<b>242,150,000</b>	196,695,000	80,540,000
Net market rent	<b>15,379,745</b>	11,737,805	4,933,010
Adopted capitalisation rate	<b>5.25 - 7.75%</b>	5.00 - 7.25%	5.00 - 8.00%
Adopted discount rate	<b>6.00 - 8.75%</b>	6.00 - 8.50%	5.75 - 8.25%
Terminal Yield	<b>5.00 - 8.50%</b>	5.25 - 7.50%	5.25 - 7.75%

Below is a list of valuation terms and methodologies used in determining fair value of investment properties:

<i>Term</i>	<i>Definition</i>
Discounted cashflow method	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent lease, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Capitalisation rate	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Terminal yield	The return represented by the income produced by an investment, expressed as a percentage.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

Unless stated otherwise, the directors' valuation of current market value adopts the same spread between capitalisation rate and discount rate as the most recent external valuation.

Movement in the inputs is likely to have an impact on the fair value of investment properties. An increase/(decrease) in net market rent, or adopted terminal yield will likely lead to an increase/(decrease) in fair value. A decrease/(increase) in the adopted capitalisation rate or adopted discount rate will likely lead to an increase/(decrease) in fair value.

<b>(c) Amounts recognised in profit or loss for investment property</b>	<b>2023</b>	<i>*Restated</i> <b>2022</b>
	<b>\$</b>	<b>\$</b>
Rental revenue from investment property	<b>16,280,989</b>	10,579,857
Recoverable outgoings from investment property	<b>1,970,715</b>	1,574,789
Direct operating expense from investment property that generated rental income	<b>(3,091,649)</b>	(1,740,539)
Fair value gain on property investment	<b>516,049</b>	2,137,326
	<b>15,676,104</b>	12,551,433

\*Refer to Note 20 for further information on change in accounting policy.



**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 10 Trade and other payables**

	2023	*Restated 2022
	\$	\$
<i>Current</i>		
Trade payables	201,939	202,066
Rent received in advance	342,766	152,371
Other accruals	430,937	541,768
GST payable	319,530	192,285
	<b>1,295,172</b>	<b>1,088,490</b>

\*Refer to Note 20 for further information on change in accounting policy.

**Note 11 Borrowings**

	2023	2022
	\$	\$
<i>Secured loans</i>		
Loan facility - Current	4,000,000	-
Loan facility - Non Current	113,984,661	89,868,218
Total loan facility	<b>117,984,661</b>	<b>89,868,218</b>

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

Facility - current	Secured	Maturity date	2023		2022	
			Facility limit	Drawn balance	Facility limit	Drawn balance
			\$	\$	\$	\$
WBC loan facility (iv)	Yes	08-Dec-23	4,000,000	4,000,000	-	-
			<b>4,000,000</b>	<b>4,000,000</b>	-	-
Facility - non current	Secured	Maturity date	2023 Facility limit	2023 Drawn balance	2022 Facility limit	2022 Drawn balance
			\$	\$	\$	\$
WBC loan facility (i)	Yes	14-Oct-24	52,010,000	52,010,000	52,010,000	52,010,000
WBC loan facility (i)	Yes	14-Oct-24	14,000,000	14,000,000	14,000,000	14,000,000
WBC loan facility (ii)	Yes	07-Apr-25	5,375,000	5,375,000	5,375,000	5,375,000
WBC loan facility (iii)	Yes	13-Sep-25	8,070,000	8,070,000	-	-
			<b>79,455,000</b>	<b>79,455,000</b>	71,385,000	71,385,000
CBA loan facility (v)	Yes	10-Dec-25	8,463,500	8,463,500	8,463,500	8,463,500
CBA loan facility (vi)	Yes	10-Jun-25	10,300,000	10,300,000	10,300,000	10,300,000
CBA loan facility (vii)	Yes	08-Dec-25	15,950,000	15,950,000	-	-
			<b>34,713,500</b>	<b>34,713,500</b>	18,763,500	18,763,500
			<b>118,168,500</b>	<b>118,168,500</b>	90,148,500	90,148,500
Unamortised transaction costs (viii)				<b>(183,839)</b>		(280,282)
Total borrowings			<b>118,168,500</b>	<b>117,984,661</b>	90,148,500	89,868,218

(i) On 14 October 2021, the Responsible Entity entered into two bullet non-revolving cash advance facilities with the institutional branch of WBC. The terms consist of a three-year maturity term and three interest components, being a variable interest rate based on the BBSY, a fixed margin of 0.85% p.a. and a fixed line fee of 0.85% p.a. (payable quarterly).

(ii) In April 2022, a variation deed was executed to facilitate a third drawdown under the facility agreement to fund the Torrington settlement. The terms of this facility include a three-year maturity term and three interest components, being a variable interest rate based on the BBSY, a fixed margin of 0.80% p.a. and a fixed line fee of 0.80% p.a. (payable quarterly).

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**Note 11 Borrowings (continued)**

(iii) In September 2022, a second variation deed was executed to facilitate a fourth drawdown under the facility agreement to fund the Tomago settlement. The terms of this facility include a three-year maturity term and three interest components, being a variable interest rate based on the BBSY, a fixed margin of 0.78% p.a. and a fixed line fee of 0.78% p.a. (payable quarterly).

(iv) In December 2022, a third variation deed was executed to facilitate a fifth drawdown under the facility agreement to fund the Berrimah settlement. The terms of this facility include a one year maturity term, with twelve equal monthly principal repayments and three interest components, being a variable interest rate based on the BBSY, a fixed margin of 0.85% p.a. and a fixed line fee of 0.85% p.a. (payable monthly).

(v) To diversify the Scheme's debt providers, the Responsible Entity entered into a market rate loan facility agreement with CBA on 9 December 2021 to fund 50% of the Narangba acquisition. The terms consist of a 4-year maturity term and two interest components, being a variable interest rate based on the BBSY (payable quarterly) and a fixed line fee of 1.85% p.a. (payable monthly).

(vi) In June 2022, additional funds were drawn under the CBA agreement to fund 50% of the Corbould Park acquisition. The terms of this facility include a three-year maturity term and two components, being a variable interest rate based on the BBSY and a fixed line fee of 1.67% p.a. (payable monthly).

(vii) In December 2022, additional funds were drawn under the CBA agreement to fund 50% of the Berrimah acquisition. The terms of this facility include a three-year maturity term and two components, being a variable interest rate based on the BBSY and a fixed line fee of 1.69% p.a. (payable monthly).

(viii) Unamortised transaction 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.

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

Refer Note 9 for details of properties held as security for the facilities.

*Compliance with loan covenants*

The Scheme has complied with the financial covenants of its borrowing facility during the period. Refer to Note 17(c) for details on the financial covenants.

**Note 12 Derivative financial instruments**

The Responsible Entity manages the cash flow interest rate risk of the Scheme by utilising interest rate hedge instruments to reduce volatility.

The Responsible Entity has entered into an interest rate swap agreement with WBC with a total face value of \$33,000,000, equating to 40% of the drawn debt facility at the reporting date. The hedge consists of a two-year floating rate based on the BBSY, after which a two-year fixed rate of 2.04% p.a. will apply, expiring October 2025. The fair value of the WBC interest rate swap asset as at 30 June 2023 was \$1,469,958, as determined using WBC's mark-to-market valuation methodology.

In December 2021, the Responsible Entity entered into an interest rate swap hedge with CBA hedging \$4,231,750, equating to 12% of the drawn debt facility at the reporting date. The hedge consists of a two-year floating rate based on the BBSY, after which a two-year fixed rate of 2.19% p.a. will apply, expiring December 2025. The fair value of the CBA interest rate swap asset as at 30 June 2023 was \$178,013, as determined using CBA's mark-to-market valuation methodology.

	2023	2022
<i>Derivative asset</i>	\$	\$
Interest rate swap - (WBC)	1,469,958	1,095,470
Interest rate swap - (CBA)	178,013	134,712
	<u>1,647,971</u>	<u>1,230,182</u>
Net increase in swap derivative asset	417,789	1,230,182

**Trilogy Industrial Property Trust**  
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**Note 13 Fair value measurement**

The following table presents assets measured at fair value according to the fair value hierarchy:

	2023	*Restated 2022
	\$	\$
<i>Derivative asset</i>		
Interest rate swap - level 2 (WBC)	1,469,958	1,095,470
Interest rate swap - level 2 (CBA)	178,013	134,712
	<u>1,647,971</u>	<u>1,230,182</u>
<i>Non-financial asset</i>		
Assets held for sale - level 3	4,900,000	-
Investment property - level 3	242,150,000	196,695,000
	<u>247,050,000</u>	<u>196,695,000</u>
Total assets	<u>248,697,971</u>	<u>197,925,182</u>

*(i) Fair value hierarchy*

The following table presents the funds assets measured at fair value according to the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2023</b>				
Interest rate swap	-	1,647,971	-	1,647,971
Assets held for sale	-	-	4,900,000	4,900,000
Investment property	-	-	242,150,000	242,150,000
	<u>-</u>	<u>1,647,971</u>	<u>247,050,000</u>	<u>248,697,971</u>
<i>*Restated</i>				
2022				
Interest rate swap	-	1,230,182	-	1,230,182
Investment property	-	-	196,695,000	196,695,000
	<u>-</u>	<u>1,230,182</u>	<u>196,695,000</u>	<u>197,925,182</u>

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

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

**Level 1:** the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); and

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

*(ii) Valuation techniques used to determine level 2 fair values*

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

*(iii) Valuation techniques used to determine level 3 fair values*

Investment properties are categorised at level 3 under fair value measurement hierarchy. Note 9 provides further details about the valuation processes, techniques and key judgements used to derive their fair value.

\*Refer to Note 20 for further information on change in accounting policy.

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
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**Note 14 Contributed equity**

	2023		2022	
	Units	\$	Units	\$
Balance at beginning of period	109,199,441	113,888,487	56,621,110	57,366,433
Ordinary units issued	17,271,952	19,103,950	59,094,570	63,602,599
Ordinary units redeemed	-	-	(6,516,239)	(7,080,545)
Balance at end of period	<u>126,471,393</u>	<u>132,992,437</u>	<u>109,199,441</u>	<u>113,888,487</u>

**Note 15 Reconciliation of cash flows from operating activities**

	2023	*Restated 2022
	\$	\$
Profit for the period attributable to unitholders	7,780,981	8,492,239
<i>Adjustments for:</i>		
Amortised borrowing costs	216,642	100,484
Net change in fair value of derivative financial instruments	(417,789)	(1,230,182)
Fair value gain on property investment	(516,049)	(2,137,326)
Straight line rent adjustment	(902,133)	(627,966)
Rental abatement paid in advance	(134,114)	(79,365)
<i>Change in operating assets and liabilities:</i>		
Increase in trade and other receivables	(535,578)	(203,224)
Increase in trade and other payables	206,682	521,008
Net cash provided by operating activities	<u>5,698,642</u>	<u>4,835,668</u>

\*Refer to Note 20 for further information on change in accounting policy.

**Note 16 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 John C Barry, Philip A Ryan, Justin J Smart, Henry F Elgood and Clinton B Arentz. The Responsible Entity also has three Non-Executive Directors being Robert M Willcocks, Rodger I Bacon 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.

**Trilogy Industrial Property Trust**  
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**Note 16 Related party transactions (continued)**

**(c) Transactions with related parties (continued)**

The following transactions occurred with related parties:

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

	<b>2023</b>	2022
	\$	\$
<i>Expenses</i>		
Management and administration fees (i)	<b>43,154</b>	42,192
Professional fees (i)	<b>45,699</b>	57,138
Registry fees (ii)	<b>25,676</b>	22,600
Responsible Entity management fees (iii)	<b>987,050</b>	618,048
Asset origination fees (iv)	<b>902,800</b>	2,139,559
Marketing and advertising (v)	<b>240,641</b>	172,319
Performance fees (vi)	<b>470,925</b>	764,037
	<b><u>2,715,945</u></b>	<b><u>3,815,893</u></b>

**ii. Balances recorded in the statement of financial position**

	<b>2023</b>	2022
	\$	\$
Trade and other receivables (vii)	-	22,640
Trade and other payables (ii)(iii)(v)	<b>152,218</b>	101,588

(i) Reimbursement of costs incurred by the Responsible Entity and SPFM No. 2 Unit Trust (an entity associated with the Responsible Entity) on behalf of the Scheme.

(ii) A company associated with the Responsible Entity provides registry services to the Responsible Entity, who in turn provides these services to the Scheme for which it levies a fee.

(iii) The Responsible Entity is entitled to a management fee of 0.50% p.a. (plus GST) of the gross asset value of the Scheme.

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

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

(vi) The Responsible Entity is entitled to a performance fee of 15% (plus GST) of the portion of the outperformance of the Scheme over an internal rate of return of 9.00% p.a. This is triggered in the event of disposal of a property, revaluation of a property and on every fourth anniversary of the settlement date in accordance with the PDS. The Responsible Entity is also entitled to a fee for providing services to the Scheme such as securing a new tenant or lease renewal and providing project management services.

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

At the reporting date the Scheme held nil investments in other registered MIS operated by the Responsible Entity, being Trilogy Monthly Income Trust (TMIT) and Trilogy Enhanced Income Fund (TEIF) (2022: 6,300,000).

	Fair value of investments		Interest held		Distributions received	
	2023	2022	2023	2022	2023	2022
	\$	\$	%	%	\$	\$
TMIT	-	3,500,000	-	0.54	<b>50,900</b>	275,611
TEIF	-	2,800,000	-	2.94	<b>16,620</b>	80,918
	<b>-</b>	<b>6,300,000</b>	<b>-</b>	<b>3.48</b>	<b>67,520</b>	<b>356,529</b>

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
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**Note 16 Related party transactions (continued)**

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

At reporting date, the Scheme had nil distributions receivable from TMIT (2022: \$15,851) and nil distributions receivable from TEIF (2022: \$6,789).

**Recognised fair value measurements**

*(i) Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair value of the Scheme's investment in related party managed investment schemes. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its investments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2023</b>				
Investments in unlisted MIS	-	-	-	-
<b>2022</b>				
Investments in unlisted MIS	-	6,300,000	-	6,300,000

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

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

**Level 1:** the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); and

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

*(ii) Valuation techniques used to determine level 2 fair values*

The fair value of the financial asset not traded in an active market (investments in unlisted MIS) is determined using valuation techniques which uses observable market data.

*Related party transactions*

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

**(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 2023 (2022: nil).

*Units held by Director and key management personnel related entities*

The following entities associated with Directors and key management personnel of the Responsible Entity hold units in the Scheme:

Entity	Unitholding \$	Interest held %	Units issued No.	Units redeemed No.	Distribution paid and/or payable \$
<b>2023</b>					
Aimwin Pty Ltd SF*	10,000	0.0001	10,000	-	783
Bacon Executive SF*	16,851	0.0001	16,851	-	1,319
Clarebrook SF*	20,000	0.0002	20,000	-	1,384
	<b>46,851</b>	<b>0.0004</b>	<b>46,851</b>	<b>-</b>	<b>3,486</b>

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
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**Note 16 Related party transactions (continued)**

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

Entity	Unitholding \$	Interest held %	Units issued No.	Units redeemed No.	Distribution paid and/or payable \$
2022					
Aimwin Pty Ltd SF*	10,000	0.0001	10,000	-	757
Bacon Executive SF*	16,851	0.0001	16,851	-	1,277
Clarebrook SF*	20,000	0.0002	20,000	-	212
	46,851	0.0004	46,851	-	2,246

\* 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 17 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. Regular discussion with property managers, tenants and loan providers are undertaken as required.

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 & Risk 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.

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
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**Note 17 Financial risk management (continued)**

**(a) Credit risk (continued)**

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	2023 \$	*Restated 2022 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	2,141,775	1,238,373
Trade and other receivables - current	7	888,406	352,827
Financial assets	16(d)	-	6,300,000
Derivative financial instruments	12	1,647,971	1,230,182
<b>Total financial assets</b>		<b>4,678,152</b>	<b>9,121,382</b>

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.

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
	\$	\$	\$	\$	\$	\$	
<b>2023</b>							
<b>Financial liabilities</b>							
Distributions payable	853,459	853,459	853,459	-	-	-	7.17%
Trade and other payables	1,295,172	1,295,172	1,295,172	-	-	-	-
Loan facilities (i)	117,984,661	127,225,300	1,311,831	2,608,226	5,619,299	117,685,944	4.77%
	<b>120,133,292</b>	<b>129,373,931</b>	<b>3,460,462</b>	<b>2,608,226</b>	<b>5,619,299</b>	<b>117,685,944</b>	

	Carrying amount	Contract cash flows	< 1 month	1-3 months	3-12 months	> 12 months	Weighted average interest rate
	\$	\$	\$	\$	\$	\$	
<b>*Restated 2022</b>							
<b>Financial liabilities</b>							
Distributions payable	673,565	673,565	673,565	-	-	-	6.69%
Trade and other payables	1,088,490	1,088,490	1,088,490	-	-	-	-
Commercial bill facility (i)	89,868,218	95,881,698	202,843	399,143	1,786,328	93,493,384	2.29%
	<b>91,630,273</b>	<b>97,643,753</b>	<b>1,964,898</b>	<b>399,143</b>	<b>1,786,328</b>	<b>93,493,384</b>	

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



**Note 17 Financial risk management (continued)**

**(b) Liquidity risk (continued)**

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.

**(c) Capital management**

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

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

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

**Debt**

The Scheme holds a debt facility of \$83,455,000 with WBC and a debt facility of \$34,713,500 with CBA. The covenants related to these facilities are detailed below.

<b>WBC covenants</b>	<b>Actual</b>	<b>Limit</b>
Loan to value ratio	47%	55% (maximum)
Interest cover ratio	3.02 times	2 times (minimum)

  

<b>CBA covenants</b>	<b>Actual</b>	<b>Limit</b>
Loan to value ratio	52%	55% (maximum)
Interest cover ratio	2.17 times	1.9 times (minimum)

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

**Equity**

At the beginning of the period, the Scheme had 109,199,441 units on issue valued at \$113,888,487. During the period the Scheme issued an additional 17,271,952 units with a value of \$19,103,950. The Scheme had 126,471,393 units on issue at the reporting date for a consideration of \$132,992,437.

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 2023 and 30 June 2022 were as follows:

	Note	2023 \$	*Restated 2022 \$
Total borrowings	11	<b>117,984,661</b>	89,868,218
Less: cash and cash equivalents	6	<b>(2,141,775)</b>	(1,238,373)
<b>Net debt</b>		<b><u>115,842,886</u></b>	<u>88,629,845</u>
Total assets		<b>251,728,152</b>	205,816,382
Less: cash and cash equivalents	6	<b>(2,141,775)</b>	(1,238,373)
<b>Adjusted assets</b>		<b><u>249,586,377</u></b>	<u>204,578,009</u>
<b>Gearing ratio</b>		<b>46%</b>	43%

The Scheme's gearing ratio is considered medium.

**Trilogy Industrial Property Trust**  
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**Note 17 Financial risk management (continued)**

**(d) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*i. Interest rate risk*

The Scheme manages its interest rate risk using interest rate swap derivative instruments. The Scheme has entered into interest rate swap hedging agreements with 32% of its borrowings. Any fair value movements in the Scheme's interest rate swap derivatives as a result of underlying interest rate changes and other market factors are non-cash movements that do not impact the operations of the Scheme.

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

	<b>Profit / (loss) \$</b>	<b>Unitholder funds \$</b>
<b>2023</b>		
<b>Loan facilities</b>		
+1.00% in interest rates	<b>(1,103,031)</b>	<b>(1,103,031)</b>
-1.00% in interest rates	<b>1,103,031</b>	<b>1,103,031</b>
<b>2022</b>		
<b>Loan facilities</b>		
+1.00% in interest rates	<b>(712,649)</b>	<b>(712,649)</b>
-1.00% in interest rates	<b>712,649</b>	<b>712,649</b>

**(e) Fair value estimation**

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

\*Refer to note 20 for further information on change in accounting policy.

**Note 18 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 2023 totals \$251,728,152 (2022: \$205,816,382).

The custodian is entitled to a minimum annual administration fee of \$17,502 (plus GST) (2022: \$16,232). During the period, the Scheme paid \$59,527 in custodian fees (2022: \$37,857).

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

**Note 19 Litigation and contingent liabilities**

There are no contingent liabilities or contingent assets at 30 June 2023 (2022: nil).

**Note 20 Change in accounting policy**

As at 30 June 2023, the Responsible Entity elected to change the Scheme's accounting policy to measure investment properties at fair value. In prior periods, the investment properties were measured at cost. The change was implemented as the fair value measurement policy provides a more accurate valuation of the underlying investment properties, and the Scheme's net tangible assets.

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 20 Change in accounting policy (continued)**

The change in accounting policy has affected the value of the investment properties, and therefore total asset value and equity recorded in the statement of financial position. The fair value movement has been taken up as profit or loss, and depreciation is no longer being recorded in the profit and loss, affecting total profit recorded for the year. Trade and other payables and trade and other receivables have also been affected due to the straight line rental asset and rental abatements being moved to the balance of the investment property.

To ensure prior year information is equivalent, comparative data from the financial year ending 30 June 2022 has been restated in the financial statements and notes. The below extracts from the financial statements show restated values and net change in value from prior years for lines affected by the change in accounting policy.

A reconciliation between the original and the restated comparative balances is shown below:

**Statement of financial position (extract)**

	1/07/2021 (as previously reported) \$	Increase/ (Decrease) \$	1-Jul-21 (Restated) \$
<b>Current assets</b>			
Trade and other receivables	178,702	(29,099)	149,603
<b>Non-current assets</b>			
Trade and other receivables	653,537	(653,537)	-
Investment Property	74,518,258	6,021,742	80,540,000
<b>Current liabilities</b>			
Trade and other payables	727,676	(160,194)	567,482
<b>Non-current liabilities</b>			
Trade and other payables	109,887	(109,887)	-
<b>Net assets</b>			
	<u>50,750,942</u>	<u>5,609,187</u>	<u>56,360,129</u>
Retained earnings	(6,615,491)	5,609,187	(1,006,304)
Total equity	<u>50,750,942</u>	<u>5,609,187</u>	<u>56,360,129</u>

**Statement of financial position (extract)**

	30/06/2022 (as previously reported) \$	Increase/ (Decrease) \$	30-Jun-22 (Restated) \$
<b>Current assets</b>			
Trade and other receivables	200,457	152,370	352,827
<b>Non-current assets</b>			
Trade and other receivables	1,941,143	(1,941,143)	-
Investment Property	183,007,920	13,687,080	196,695,000
<b>Current liabilities</b>			
Trade and other payables	1,700,774	(612,284)	1,088,490
<b>Non-current liabilities</b>			
Trade and other payables	56,603	(56,603)	-
<b>Net assets</b>			
	<u>101,618,915</u>	<u>12,567,194</u>	<u>114,186,109</u>
Retained earnings	(12,269,572)	12,567,194	297,622
Total equity	<u>101,618,915</u>	<u>12,567,194</u>	<u>114,186,109</u>

**Trilogy Industrial Property Trust**  
**Notes to the financial statements**  
**30 June 2023**

**Note 20 Change in accounting policy (continued)**

**Statement of Profit or (loss) and Other Comprehensive Income (extract)**

	30/06/2022 (as previously reported)	Increase/ (Decrease)	30-Jun-22 (Restated)
	\$	\$	\$
Depreciation expense	(4,820,681)	4,820,681	-
Fair Value gain/loss on investment property	-	2,137,326	2,137,326
Profit for the year attributable to unit holders	<u>1,534,232</u>	<u>6,958,007</u>	<u>8,492,239</u>

**Note 21 Events subsequent to reporting date**

*Sale of 11-21 Crichtons Road, Paget QLD (Crichtons Road)*

In June 2023, the Responsible Entity accepted a conditional offer on behalf of the Scheme to sell Crichtons Road for \$4,900,000. On 01 August 2023, the Due Diligence stage of the sale ended. A conditional sales contract was signed on 30 August 2023. During the conditional period, the buyer has up to two months to obtain finance to complete the purchase. Settlement is due to occur within 14 days after the conditional precedent is fulfilled. The settlement date will be no later than 13 November 2023.

*PDS updates*

On 11 September 2023, the Scheme issued a new PDS that, in addition to other general updates, established a secondary, limited withdrawal mechanism for investors (referred to in the PDS as an interim withdrawal offer), lowered the minimum investment amount to \$20,000 and implemented a distribution reinvestment facility.

*WBC loan facility*

In December 2022, an additional \$10,000,000 was drawn down under the existing WBC facility agreement to fund the Berrimah settlement. At 30 June 2023, The balance remaining on this facility was \$4,000,000. The original loan expiry date was 08 December 2023, however this loan was repaid in full on 04 September 2023. As at the signing date of this report \$79,455,000 remains drawn on the WBC loan facility.

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 10 to 33 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 2023 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
- (b) 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  
Managing Director

21 September 2023  
Brisbane



Justin J Smart  
Executive Director

21 September 2023  
Brisbane

## INDEPENDENT AUDITOR'S REPORT

To the members of Trilogy Industrial Property Trust

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Trilogy Industrial Property Trust (the Registered Scheme), which comprises the statement of financial position as at 30 June 2023, 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 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Registered Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Industrial Property Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Other information

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

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

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

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

#### **Responsibilities of the directors for the Financial Report**

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

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

#### **Auditor's responsibilities for the audit of the Financial Report**

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

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

BDO



**T J Kendall**

Director

Brisbane, 21 September 2023



## Find out more.

Start a conversation with us today.  
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This report is issued by Trilogy Funds Management Limited ABN 59 080 383 679 AFSL 261425 (Trilogy Funds) as responsible entity for the Trilogy Industrial Property Trust ARSN 623 096 944. Application for investment can only be made on the application form accompanying the Product Disclosure Statement (PDS) dated 11 September 2023 and by considering the Target Market Determination (TMD) dated 11 September 2023 for the Trilogy Industrial Property Trust ARSN 623 096 944 available at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). The PDS and the TMD contain full details of the terms and conditions of investment and should be read in full, particularly the risk section, prior to lodging any application or making a further investment. All investments, including those with Trilogy Funds, involve risk which can lead to no or lower than expected returns, or a loss of part or all of your capital. Trilogy Funds is licensed to provide only general financial product advice about its products and therefore recommends you seek personal advice on the suitability of this investment to your objectives, financial situation and needs from a licensed financial adviser. Investments with Trilogy Funds are not bank deposits and are not government guaranteed. Past performance is not a reliable indicator of future performance.