

TRILOGY

Trilogy Investor Choice Melbourne – Cheltenham

ANNUAL FINANCIAL REPORT
30 JUNE 2018

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MELBOURNE



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in its capacity as responsible entity.

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Trilogy Melbourne Office Syndicate - Cheltenham
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Trilogy Melbourne Office Syndicate - Cheltenham
Directors' report
30 June 2018

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the Trilogy Melbourne Office Syndicate - Cheltenham (Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2018.

Responsible Entity

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

Directors

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

<i>Name and qualifications</i>	<i>Age</i>	<i>Experience and special responsibilities</i>
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	69	Member of the Audit, Compliance and Risk Management 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 public companies and is currently such a director of three such companies Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Executive Deputy Chairman BCom(Merit), AICD, SFFin	72	Member of the Audit, Compliance and Risk Management Committee Former executive director of Challenger International Limited Mr Bacon is a former director of several public and private companies including, Financial Services Institute of Australasia. Director – Responsible Entity since 9 July 2004
John C Barry Executive Director BA, FCA	66	Chairman of the Audit, Compliance and Risk Management Committee Former executive director of Challenger International Limited Mr Barry is a director of several public and private companies, including 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	57	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 private 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	48	Member of the Audit, Compliance and Risk Management Committee Member of the Lending Committee Consultant to several major public and private companies providing development management services Director – Responsible Entity since 29 July 2008

Trilogy Melbourne Office Syndicate - Cheltenham
Directors' report
30 June 2018

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia. On 30 November 2017 the Responsible Entity sold the Scheme's investment property and commenced the wind-up of the Scheme's operations. The Scheme did not have any employees during the year.

Review of operations and results

Financial overview and winding-up of Scheme

The profit attributable to unitholders for the year totalled \$3,568,870 (30 June 2017: \$1,198,594) and the total carrying value of the Scheme's assets as at 30 June 2018 is nil as all assets and liabilities of the Scheme have been realised during the year (2017: \$12,467,085). The profit for the year and the reduction in total assets from 30 June 2017 are directly correlated with the winding-up of the Scheme which is currently being undertaken following sale of the Scheme's investment property on 30 November 2017.

All units in the Scheme were redeemed by 30 June 2018 and the Scheme will be officially wound-up with the Australian Securities and Investment Commission (ASIC) following lodgement of this annual financial report.

Distributions to unitholders

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

	2018	2017
	\$	\$
Distributions paid during the year	452,460	1,244,211
Capital returned to unitholders during the year	15,583,500	-
Distributions payable at year end	-	113,063
	16,035,960	1,357,274
Net cash yield p.a.	103.51%	8.75%

Net asset value per unit

The Scheme's net asset value per unit as at 30 June 2018 is \$0.0000 (2017: \$1.0169) (refer Note 12).

Indirect cost ratio (ICR)

The ICR for the Scheme for the year ended 30 June 2018 is 7.98% p.a. (2017: 2.43% p.a.).

Units on issue

During the year no units were issued (2017: nil), however all of the Scheme's units (15,491,524) were redeemed (2017:nil). Following redemption of all units the Scheme had no units on issue as at 30 June 2018 (2017: 15,491,524).

Interests of the Responsible Entity

The following fees were paid to the Responsible Entity and its associates out of the Scheme property during the financial year (refer Note 14(c)).

	2018	2017
	\$	\$
Administration costs	12,044	10,420
Compliance fees	736	519
Professional fees	70,692	5,635
Registry fees	11,450	9,600
Responsible Entity management fees	54,731	130,540
Disposal & Performance Fee	334,294	-
	483,947	156,714

Units held by the Responsible Entity

The Responsible Entity does not hold any units in the Scheme as at 30 June 2018 (2017: 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 period.

Events subsequent to the end of the reporting period

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

Likely developments and expected results of operations

As detailed above, the Responsible Entity finalised the wind-up of the Scheme following the sale of its investment property. The final net asset balance of the Scheme was distributed to unitholders on 4 June 2018 and all units in the Scheme were redeemed on 30 June 2018. Accordingly, this will be the last annual financial report for the Scheme and the Responsible Entity will officially wind-up the Scheme with ASIC following lodgement of this annual financial report.

Environmental regulation

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

Options

No options were:

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

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

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

Indemnification of officers

Indemnification

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

Trilogy Melbourne Office Syndicate - Cheltenham
Directors' report
30 June 2018

Proceedings on behalf of the Responsible Entity

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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



Philip A Ryan
Managing Director

27 September 2018
Brisbane



Rodger I Bacon
Executive Deputy Chairman

27 September 2018
Brisbane

Trilogy Melbourne Office Syndicate - Cheltenham
Auditor's Independence Declaration
30 June 2018



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**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF TRILOGY FUNDS
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR TRILOGY MELBOURNE OFFICE SYNDICATE -
CHELTENHAM**

As lead auditor of Trilogy Melbourne Office Syndicate - Cheltenham for the year ended 30 June 2018, 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.

A handwritten signature in black ink, appearing to read 'P A Gallagher', with a stylized flourish at the end.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 27 September 2018

Trilogy Melbourne Office Syndicate - Cheltenham
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
Revenue and other income			
Rental income and recoverable outgoings		803,704	2,672,343
Interest revenue from financial institutions		2,123	221
Gain on disposal of investment property		3,304,670	-
Other revenue		40	-
		4,110,537	2,672,563
Expenses			
Auditor's remuneration	5	(17,400)	(18,410)
Compliance fees	14(c)	(736)	(519)
Custodian fees		(11,418)	(10,983)
Direct property expenses and outgoings		(177,242)	(426,348)
Depreciation	8	-	(373,974)
Net change in fair value of derivative financial instruments		39,997	237,548
Management and administration costs		(8,918)	(77,765)
Professional fees		(8,264)	(30,862)
Registry fees		(15,083)	(13,032)
Responsible Entity management fees	14(c)	(54,731)	(130,540)
Taxation fees		(4,750)	(4,750)
		(258,545)	(849,635)
Profit for the year before finance costs		3,851,992	1,822,929
<i>Finance costs:</i>			
• Interest expense		(283,122)	(620,072)
• Amortisation of loan transaction costs		-	(4,263)
		(283,122)	(624,335)
Profit for the year attributable to unitholders		3,568,870	1,198,594
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year attributable to unitholders		3,568,870	1,198,594

Trilogy Melbourne Office Syndicate - Cheltenham
Statement of financial position
As at 30 June 2018

	Note	2018	2017
		\$	\$
Assets			
Cash and cash equivalents	6	-	115,779
Trade and other receivables	7	-	555,249
Investment property - held for sale	8	-	23,073,641
Total assets		-	23,744,669
Liabilities			
Trade and other payables	9	-	94,824
Distributions payable	4	-	113,063
Borrowings	10	-	10,800,000
Derivative financial instruments		-	269,697
Total liabilities		-	11,277,584
Net assets		-	12,467,085
Equity			
Contributed equity	11	-	15,491,524
Accumulated losses		-	(3,024,439)
Total equity		-	12,467,085

Trilogy Melbourne Office Syndicate - Cheltenham
Statement of changes in equity
For the year ended 30 June 2018

	Note	Contributed equity \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		15,491,524	(2,865,753)	12,625,765
<i>Comprehensive income:</i>				
Profit for the year		-	1,198,594	1,198,594
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,198,594	1,198,594
<i>Transactions with unitholders in their capacity as owners:</i>				
Distributions paid/payable	4	-	(1,357,274)	(1,357,274)
Balance at 30 June 2017		15,491,524	(3,024,434)	12,467,084
Balance at 1 July 2017		15,491,524	(3,024,434)	12,467,090
<i>Comprehensive income:</i>				
Profit for the year		-	3,568,870	3,568,870
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	3,568,870	3,568,870
<i>Transactions with unitholders in their capacity as owners:</i>				
Return of capital		-	(15,583,500)	(15,583,500)
Ordinary units redeemed		(15,491,524)	15,491,524	-
Distributions paid	4	-	(452,460)	(452,460)
Balance at 30 June 2018		-	-	-

Trilogy Melbourne Office Syndicate - Cheltenham
Statement of cash flows
For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,195,167	2,928,394
Payments to suppliers		(320,701)	(1,032,446)
Interest received		2,123	221
Finance costs		(191,399)	(620,072)
Net cash provided by operating activities	13	685,190	1,276,097
Cash flows from investing activities			
Net proceeds received on disposal of investment property		26,378,312	-
Net cash provided by investing activities		26,378,312	-
Cash flows from financing activities			
Distributions paid to unitholders		(566,081)	(1,357,274)
Return of capital paid to unit holders		(15,583,500)	-
Repayment of Borrowings		(11,029,700)	-
Net cash used in financing activities		(27,179,281)	(1,357,274)
Net decrease in cash and cash equivalents		(115,779)	(81,177)
Cash at beginning of the reporting year		115,779	196,956
Cash and cash equivalents at end of financial year	6	-	115,779

Trilogy Melbourne Office Syndicate - Cheltenham
Notes to the financial statements
30 June 2018

Note 1 Reporting entity

The Trilogy Melbourne Office Syndicate - Cheltenham (Scheme) is a registered managed investment scheme under the Corporations Act 2001 (Act). The financial statements of the Scheme are for the year ended 30 June 2018. The Scheme is a for-profit entity.

As stipulated under the Scheme's constitution, the life of the Scheme is 5 years from the anniversary of the purchase date of the Scheme's investment property (however, the life of the Scheme can be extended beyond 5 years in accordance with the provisions of the Scheme's Constitution). The termination date for this Scheme is 18 December 2018. The Responsible Entity must, as soon as practicable after the termination date, wind up the Scheme and realise all assets, satisfy all liabilities and distribute surplus funds to unitholders.

Note 2 Basis of preparation

As the Scheme's investment property has now been sold the Responsible Entity is proceeding with the wind-up of the Scheme. Accordingly, the financial statements of the Scheme have been prepared on a wind-up basis rather than on a going concern basis.

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 27 September 2018.

(b) Impact of adopting the wind-up basis of preparation on measurement, classification of assets and liabilities and disclosures in the annual financial report

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

- *AASB 7 Financial Instruments: Disclosures*
The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.
- *AASB 101 Presentation of Financial Statements*
Information on capital management is not considered relevant for users to understand what is managed as capital as all assets and liabilities of the Scheme is expected to be realised by 30 June 2018.

(c) Functional and presentation currency

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

(d) Key assumptions and sources of estimation

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Scheme has not early adopted any accounting standard.

(a) Financial instruments

(i) Classification

Investments and financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

(ii) Recognition

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(iii) Measurement

Financial instruments are measured initially at fair value plus transaction costs except where the instrument is classed at fair value through profit or loss in which the transaction costs are expensed immediately. Transaction costs on financial assets and financial liabilities are amortised over the life of the asset or liability using the effective interest method.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Financial assets classified as loans and receivables subsequently are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Impairments

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Note 3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(v) Derecognition

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

The Scheme uses the weighted average method to determine realised gains and losses on derecognition of financial assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(vi) Specific instruments - cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(b) 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.

(c) Interest income

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

(d) Expenses

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

(e) 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.

(f) Unit prices

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

Note 3 Significant accounting policies (continued)

(g) 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.

(h) 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.

(i) Terms and conditions of units on issue

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

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

Unitholders' funds are classified as equity.

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

Non-distributable income is transferred directly to net assets attributable to unitholders. This balance represents unrealised gains and losses due to the change in the fair value of investments. These gains and losses have been recognised in the statement of profit or loss and other comprehensive income in either the current or a previous period, and have not been distributed to unitholders.

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

(k) Investment property

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

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

Note 3 Significant accounting policies (continued)

(k) Investment property (continued)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the investment property revaluation surplus to retained earnings.

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

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

(l) Interest bearing loans and liabilities

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

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

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

(m) 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.

(n) Operating leases

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

(o) Lease incentives

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

(p) Trade and other receivables

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

(q) Goods and services tax

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

Note 3 Significant accounting policies (continued)

(q) Goods and services tax (continued)

Payables are stated with the amount of GST included. Cash flows are included in the statement of cash flows on a gross basis.

(r) Trade and other payables

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

(s) Impairment of non-financial assets

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

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

(t) Comparative figures

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

(u) New standards and interpretations not yet adopted

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Scheme. The Scheme's assessment of the impact of these new Standards and Interpretations is set out below.

(i) AASB 9 *Financial Instruments*

Nature of change	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Application date	Must be applied for financial years commencing on or after 1 July 2018.
Impact to the Scheme	AASB 9 may have a potential increase in the Scheme's loans and advances provisioning, and the new standard also introduces expanded disclosure requirements and changes in presentation which may change the nature and extent of the Trust's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The adoption of the new standard will not have a material impact to the Trust.

(ii) AASB 15 *Revenue from Contracts with Customers*

Nature of change	The Standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.
Application date	Mandatory for financial years commencing on or after 1 July 2018. The Scheme intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.
Impact to the Scheme	The adoption of the new standard will not have a material impact to the Trust.

(iii) AASB 16 *Leases*

Nature of change	When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 Leases and related Interpretations. AASB 16 introduces a single lease accounting model that eliminates the requirement for leases to be classified as operating or finance leases.
Application date	Mandatory for financial years commencing on or after 1 July 2019. At this stage, the Trust does not intend to adopt the standard before its effective date. The Trust intends to apply the simplified transition approach and will likely not restate comparative amounts for the year prior to first adoption.
Impact to the Scheme	The adoption of the new standard will not have a material impact to the Trust.

Trilogy Melbourne Office Syndicate - Cheltenham
Notes to the financial statements
30 June 2018

Note 4 Distributions to unitholders

Distributions paid and payable by the Scheme for the reporting year are:

	2018		2017	
	\$	Cents/unit	\$	Cents/unit
Distributions paid during the year	452,460	2.92	1,244,211	8.03
Capital returned to unitholders during the year	15,583,500	100.59	-	-
Distributions payable at year end	-	-	113,063	0.73
	16,035,960	103.51	1,357,274	8.76

(i) As detailed in the Directors' report, the Scheme's investment property was sold on 30 November 2017 and on that date the Responsible Entity commenced the process of realising all remaining Scheme assets and liabilities. The Responsible Entity resolved to pay unitholders \$1.0059 per unit by way of a return of capital for the year ended 30 June 2018. An initial payment at a rate of \$0.9400 per unit was paid to unitholders on 15 December 2017. A second payment at a rate of \$0.0400 per unit was then paid to unitholders on 28 February 2018. The remaining balance of Scheme funds totalling \$0.0259 per unit was paid to unitholders on 04 June 2018.

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:

	2018	2017
	\$	\$
<i>Audit and other assurance services</i>		
• Audit and review of the financial statements	14,190	15,310
• Audit of the compliance plan	3,210	3,100
Total remuneration for audit and other services	17,400	18,410

Note 6 Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank	-	115,779

Note 7 Trade and other receivables

	2018	2017
	\$	\$
Trade receivables	-	40,516
Other receivables	-	170,237
Straight line rental asset	-	241,481
Prepayments	-	103,015
	-	555,249

Note 8 Investment property - held for sale

	2018	2017
	\$	\$
<i>At cost</i>		
Opening balance at 1 July	23,073,641	23,447,615
Depreciation expense	-	(373,974)
Disposal of investment property	(23,073,641)	-
Closing balance at 30 June	-	23,073,641

(i) Sale of investment property

The Scheme's investment property, located at 294 Bay Road, Cheltenham, Victoria was sold on 30 November 2017 for \$27,325,000 and was consequently disposed of from the Scheme's financial statements on that date.

Trilogy Melbourne Office Syndicate - Cheltenham
Notes to the financial statements
30 June 2018

Note 8 Investment property - held for sale (continued)

(ii) Gain on disposal of investment property

	2018	2017
	\$	\$
Gross proceeds received on disposal of investment property	27,325,000	-
Written down value of investment property on disposal	(23,073,641)	-
Selling agent's commission (2.5% of sale price)	(546,500)	-
Legal fees associated with the disposal	(11,008)	-
Other fees associated with the disposal	(54,887)	-
Disposal fee	(334,294)	-
	<u>3,304,670</u>	<u>-</u>

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* an entity shall not depreciate an asset while it is classified as held for sale and accordingly the Responsible Entity has ceased depreciating the property from 31 December 2016 onwards, as this was the date the property was first designated as being held for sale.

Note 9 Trade and other payables

	2018	2017
	\$	\$
Trade payables	-	19,867
Accrued expenses	-	20,021
GST payable	-	54,936
	<u>-</u>	<u>94,824</u>

Note 10 Borrowings

	2018	2017
	\$	\$
<i>Secured loans</i>		
Commercial bill facility	-	10,800,000
	<u>-</u>	<u>10,800,000</u>

The facility was fully repaid following the settlement of the Investment Property.

Note 11 Contributed equity

	2018	2017		
	Units	\$	Units	\$
Opening balance at 1 July	15,491,524	15,491,524	15,491,524	15,491,524
Ordinary units issued	-	-	-	-
Ordinary units redeemed	(15,491,524)	(15,491,524)	-	-
Closing balance at 30 June	<u>-</u>	<u>-</u>	<u>15,491,524</u>	<u>15,491,524</u>

Trilogy Melbourne Office Syndicate - Cheltenham
Notes to the financial statements
30 June 2018

Note 12 Net asset value per unit

	2018	2017
	\$	\$
Net assets	-	12,467,085
<i>Adjustments for:</i>		
Forecast increase in net assets attributable to sale of investment property	-	3,286,752
Adjusted net assets	<u>-</u>	<u>15,034,045</u>
Net asset value per unit (NAV) (i)	\$ -	\$ 1.0169

(i) It is the policy of the Responsible Entity to exclude accumulated depreciation, derivative financial instruments, and straight line rental asset/liability from the calculation of NAV in the period from acquisition until an external valuation is commissioned, at which time the carrying value of the investment property (it is a requirement to obtain an external valuation within 3 years from the date of acquisition) will be deducted from the net asset value per unit calculation, and the value ascribed by the external valuer will be included in the calculation. Should the Responsible Entity seek to sell the investment property and wind-up the Scheme, the net assets of the Scheme will be adjusted to account for estimated selling and disposal costs, and performance fees (if applicable).

Note 13 Reconciliation of cash flows from operating activities

	2018	2017
	\$	\$
Profit for the year attributable to unitholders	3,568,870	1,198,594
<i>Adjustments for:</i>		
Amortised borrowing costs	-	4,263
Depreciation	-	373,974
Net change in fair value of derivative financial instruments	(39,997)	(237,548)
Net gain in fair value movement of investment property	(3,304,670)	-
<i>Change in operating assets and liabilities:</i>		
Increase in trade and other receivables	555,249	(71,024)
Decrease/(increase) in trade and other payables	(94,262)	7,838
Net cash provided by operating activities	<u>685,190</u>	<u>1,276,097</u>

Note 14 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trilogy Melbourne Office Syndicate - Cheltenham is Trilogy Funds Management Limited ABN 59 080 383 679.

Note 14 Related party transactions (continued)

(b) Key management personnel

Responsible Entity

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

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

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

(c) Transactions with related parties

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

The following transactions occurred with related parties:

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

	2018	2017
	\$	\$
<i>Expenses</i>		
Manager and administration costs (i)	12,044	10,420
Compliance fees (ii)	736	519
Professional fees (iii)	70,692	5,635
Registry fees (iv)	11,450	9,600
Responsible Entity management fees (v)	54,731	130,540
Disposal & Performance Fee (vi)	334,294	-
	483,947	156,714

(i) Reimbursement of costs incurred by the Responsible Entity and companies associated with the Responsible Entity on behalf of the Scheme.

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

(iii) The Responsible Entity is entitled to a management fee of 0.55% p.a. (plus GST) of the gross asset value of the Scheme.

(d) Related party investments held by the Scheme

The Scheme has no investment in the Responsible Entity or its associates (2017: nil).

(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 2018 (2017: nil).

Trilogy Melbourne Office Syndicate - Cheltenham
Notes to the financial statements
30 June 2018

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

Units held by Director related entities

The following entities associated with Directors of the Responsible Entity hold units in the Scheme:

Entity	Unitholding \$	Interest held %	Units issued No.	Units redeemed No.	Distribution paid and/or payable \$
2018					
PA Ryan Pension Fund	-	-	-	20,000	583
Bacon Executive SF*	-	-	-	20,481	597
Aimwin Pty Ltd SF*	-	-	-	10,000	292
	-	-	-	50,481	1,472

Units held by Director related entities (continued)

2017					
PA Ryan Pension Fund	20,000	0.0013	-	-	1,720
Bacon Executive SF	20,481	0.0013	-	-	1,761
Aimwin Pty Ltd SF	10,000	0.0006	-	-	860
	50,481	0.0033	-	-	4,341

* *Superannuation fund*

(g) 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.

(h) 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 financial year and there were no material contracts involving Directors' interests subsisting at year end.

The Scheme's custodian is The Trust Company (Australia) 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 2018 is nil, as all assets of the Scheme have been realised during the year in connection with the winding-up of the Scheme (2017: -\$5,112).

The custodian is entitled to an annual administration fee of \$10,000 (2017: \$10,000) (plus GST).

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

(i) Contingencies

There are no contingent liabilities or contingent assets at 30 June 2018 (2017: nil).

Note 18 Events subsequent to reporting date

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

Trilogy Melbourne Office Syndicate - Cheltenham
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Trilogy Melbourne Office Syndicate - Cheltenham (Scheme):

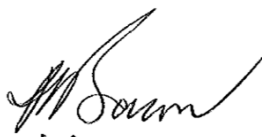
- (a) The financial statements and notes, as set out on pages 6 to 20 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and
- (c) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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



Philip A Ryan
Managing Director

27 September 2018
Brisbane



Rodger I Bacon
Executive Deputy Chairman

27 September 2018
Brisbane

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Trilogy Melbourne Office Syndicate - Cheltenham

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Trilogy Melbourne Office Syndicate - Cheltenham (the Registered Scheme), which comprises the statement of financial position as at 30 June 2018, 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 Melbourne Office Syndicate - Cheltenham.

In our opinion the accompanying financial report of Trilogy Melbourne Office Syndicate - Cheltenham, 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 2018 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* (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 Melbourne Office Syndicate - Cheltenham, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of matter - Basis of preparation

We draw attention to matter set out in Note 2 of the financial report which indicates that the directors of the Responsible Entity resolved to wind up the Registered Scheme following the realisation of the Registered Scheme's investment property. Accordingly, the financial report has been prepared on a wind up basis. Our opinion is not modified in respect of this matter.



Other information

The directors of Trilogy Funds Management Limited, as Responsible Entity of Trilogy Melbourne Office Syndicate - Cheltenham, are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's 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 Melbourne Office Syndicate - Cheltenham, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

BDO Audit Pty Ltd



P A Gallagher
Director

Brisbane, 27 September 2018

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For more information,
please visit our website

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