

TRILOGY

# Ravenhall Office Trust

ANNUAL FINANCIAL REPORT  
30 JUNE 2020

ARSN 600 756 769

# PROPERTY



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

[TRILOGYFUNDS.COM.AU](https://trilogyfunds.com.au)

29 October 2020

## MESSAGE FROM THE EXECUTIVE DEPUTY CHAIRMAN

As we all know FY 2020 was a particularly difficult one for all investors.

Investors in the Ravenhall Office Trust (Ravenhall Trust) experienced another year of consistent and stable returns during the 2019-20 financial year. Despite market disruption, due to COVID-19, we were able to maintain our focus on preserving investors' capital and managing risk and continued to pay monthly distributions.

We remain confident in the long-term potential of the Ravenhall property and continue to review the Ravenhall Trust's performance and distribution levels.

We thank you for your continued support of the Ravenhall Trust and remain committed to helping you achieve your financial goals. If you have any questions, please contact a member of our Investor Relations team on 1800 230 099 or email [investorrelations@trilogyfunds.com.au](mailto:investorrelations@trilogyfunds.com.au).

Yours sincerely,



**Rodger Bacon**

Executive Deputy Chairman

Trilogy Funds Management Limited

**Ravenhall Office Trust**  
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**Ravenhall Office Trust**  
**Directors' report**  
**30 June 2020**

The Directors of Trilogy Funds Management Limited, the Responsible Entity of the Ravenhall Office Trust (Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2020.

**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:

| <b><i>Name and qualifications</i></b>  | <b><i>Age</i></b> | <b><i>Experience and special responsibilities</i></b>  |
|--|-------------------|--|
| Robert M Willcocks<br>Independent Non-Executive<br>Chairman<br>BA, LL.B, LL.M  | 71                | Member of the Audit Committee<br>Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons)<br>Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies and is currently a director of one such company<br>Chairman - Responsible Entity since 9 October 2009 |
| Rodger I Bacon<br>Executive Deputy Chairman<br>BCom(Merit), AICD, SFFin  | 74                | Member of the Audit Committee<br>Former executive director of Challenger International Limited<br>Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia  |
| John C Barry<br>Executive Director<br>BA, FCA  | 68                | Chairman of the Audit Committee<br>Former executive director of Challenger International Limited<br>Mr Barry is a director of several companies, including former Chairman of Westpac RE Limited   |
| Philip A Ryan<br>Managing Director and Company<br>Secretary<br>LL.B, Grad Dip Leg Prac, FTIA,<br>FFIN                    | 59                | Member of the Compliance Committee<br>Mr Ryan is a solicitor and member of the Queensland Law Society Inc.<br>Former partner of a Brisbane law firm<br>Mr Ryan is a director of several companies<br>Director – Responsible Entity since 13 October 1997   |
| Rohan C Butcher<br>Non-Executive Director<br>Grad Dip PM, BASc(QS),<br>Registered Builder, Licensed Real<br>Estate Agent | 51                | Member of the Audit Committee<br>Member of the Lending Committee<br>Consultant to several major companies providing development management services<br>Director – Responsible Entity since 29 July 2008  |

**Ravenhall Office Trust**  
**Directors' report**  
**30 June 2020**

**Principal activities**

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

**Impact of COVID-19 and review of operations and results**

*COVID-19*

Uncertainty arising from the COVID-19 pandemic has had adverse impact on financial markets and as a result the performance of real estate assets across the globe. Melbourne's North West office market, where the property is located, is the smallest and least dense office precinct, accounting for around 7% of Melbourne's metropolitan office stock. Despite the global impact of COVID-19, the Scheme has continued to maintain its performance, with no direct impact on rental income to date. This continues to be monitored on an ongoing basis, with potential risks detailed in Note 16. As at reporting date, no rent deferral or waiver agreements have been made with tenants of the Scheme in accordance with the National Cabinet's issued Code of Conduct.

*Financial overview*

The profit attributable to unitholders for the year totalled \$445,323 (2019: profit of \$229,903). As detailed in Note 8, no depreciation has been expensed since 30 June 2019 as the property is classified as held for sale, resulting in a higher profit for the year ended 30 June 2020. The lower recoverable outgoings in the current year is a result of a change in the accounting assumptions made on property expense recoverability from what had been accrued in prior years. This had no impact on cash funds available for distributions to investors.

*Held for sale assets*

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

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

*Leasing - significant changes*

The building is fully leased. Costa's Pty Ltd occupy 80% of the building with leases expiring in October 2023. Lease renewal negotiations have been concluded with Colliers International and Bolton Clarke (t/a Royal District Nursing Services) both for a term of 2 years expiring in October 2021 and June 2022 respectively.

The total carrying value of the Scheme's investment property as at 30 June 2020 was \$7,890,499 (2019: \$7,890,499). This includes acquisition costs, less depreciation (Note 8).

*Replacement of cladding*

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

The Responsible Entity has agreed to replace the non-compliant cladding on the property, and is in the process of undertaking a tender. Delays have been experienced in the tender process due to lockdown restrictions experienced in Melbourne, Victoria. The estimated cost of the works is expected to be \$1.1 million which will be funded by a combination of working capital and additional bank debt.

**Ravenhall Office Trust**  
**Directors' report**  
**30 June 2020**

**Impact of COVID-19 and review of operations and results (continued)**

*Distributions to unitholders*

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

|   | <b>2020</b>    | 2019    |
|---|----------------|---------|
|   | <b>\$</b>      | \$      |
| Paid during the year (for current year) | <b>420,217</b> | 420,777 |
| Payable at year end                     | <b>39,396</b>  | 39,331  |
|   | <b>459,613</b> | 460,108 |
| Net cash yield p.a.                     | <b>8.00%</b>   | 8.00%   |

*Net asset value per unit*

An independent valuation was conducted by Urbis on 30 June 2019 whereby the property was valued at \$12,700,000 (subject to a capital expenditure allowance of \$500,000 to address the rectification works associated with the Scheme's external cladding). The Directors have included an additional allowance of \$600,000 for the cladding works, in addition to the \$500,000 allowed for in the valuation. This additional allowance was \$250,000 as at 30 June 2019. This has resulted in a decrease in the net asset value per unit as at 30 June 2020 to \$1.24 (2019: \$1.32), refer to Note 12.

*Indirect cost ratio (ICR)*

The ICR for the Scheme for the year ended 30 June 2020 is 4.19% p.a. (2019: 2.53% p.a.). The increase is primarily attributed to professional fees incurred on preliminary cladding requirements.

*Units on issue*

During the year no units were issued, or redeemed from the Scheme (2019: nil). The Scheme had 5,752,714 units on issue as at 30 June 2020 (2019: 5,752,714).

**Interests of the Responsible Entity**

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

|                                     | <b>2020</b>   | 2019   |
|-------------------------------------|---------------|--------|
|                                     | <b>\$</b>     | \$     |
| <i>Expenses</i>                     |               |        |
| Management and administration costs | <b>905</b>    | 4,179  |
| Compliance fees                     | <b>1,297</b>  | 709    |
| Professional fees                   | -             | 4,023  |
| Registry fees                       | <b>11,712</b> | 9,888  |
| Responsible Entity management fees  | <b>29,940</b> | 29,993 |
|                                     | <b>43,854</b> | 48,792 |

*Units held by the Responsible Entity*

The Responsible Entity does not hold any units in the Scheme as at 30 June 2020 (2019: 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.

**Ravenhall Office Trust**  
**Directors' report**  
**30 June 2020**

**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**

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

**Environmental regulation**

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

**Options**

No options were:

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

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

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

**Indemnification of officers**

*Indemnification*

Under the Scheme constitution the Responsible Entity is required to indemnify all current and former officers 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.

**Ravenhall Office Trust**  
**Directors' report**  
**30 June 2020**

**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**

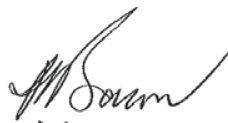
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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



Philip A Ryan  
Managing Director

28 October 2020  
Brisbane



Rodger I Bacon  
Executive Deputy Chairman

28 October 2020  
Brisbane





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**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF TRILOGY FUNDS  
MANANEGMENT LIMITED AS RESPONSIBLE ENTITY FOR RAVENHALL OFFICE TRUST**

As lead auditor for the audit of Ravenhall Office Trust for the year ended 30 June 2020, 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, 28 October 2020

**Ravenhall Office Trust**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

|  | <b>Note</b> | <b>2020</b>      | <b>2019</b> |
|--|-------------|------------------|-------------|
|  |             | <b>\$</b>        | <b>\$</b>   |
| <b>Revenue and other income</b>  |             |                  |             |
| Rental income  |             | <b>1,021,760</b> | 937,824     |
| Recoverable outgoings  |             | <b>27,048</b>    | 247,007     |
|  |             | <b>1,048,808</b> | 1,184,831   |
| <b>Expenses</b>  |             |                  |             |
| Audit and compliance costs   |             | <b>(26,647)</b>  | (20,494)    |
| Custodian fees   |             | <b>(12,020)</b>  | (10,835)    |
| Direct property expenses and outgoings                                       |             | <b>(283,371)</b> | (202,357)   |
| Depreciation   | 8           | -                | (347,412)   |
| Net change in fair value of derivative financial instruments                 | 11          | <b>25,997</b>    | 6,478       |
| Management and administration costs  |             | <b>(6,344)</b>   | (68,706)    |
| Professional fees  |             | <b>(77,598)</b>  | (15,580)    |
| Registry fees  | 15          | <b>(11,712)</b>  | (9,888)     |
| Responsible Entity management fees   | 15          | <b>(29,940)</b>  | (29,993)    |
| Taxation fees  |             | <b>(4,750)</b>   | (4,750)     |
|  |             | <b>(426,385)</b> | (703,537)   |
| <b>Profit for the period before finance costs</b>                            |             | <b>622,423</b>   | 481,294     |
| <i>Finance costs:</i>  |             |                  |             |
| • Interest expense   |             | <b>(175,952)</b> | (250,226)   |
| • Amortisation of loan transaction costs                                     |             | <b>(1,148)</b>   | (1,165)     |
|  |             | <b>(177,100)</b> | (251,391)   |
| <b>Profit for the period attributable to unitholders</b>                     |             | <b>445,323</b>   | 229,903     |
| <b>Other comprehensive income</b>  |             |                  |             |
| Other comprehensive income   |             | -                | -           |
| <b>Total comprehensive income for the period attributable to unitholders</b> |             | <b>445,323</b>   | 229,903     |

**Ravenhall Office Trust**  
**Statement of financial position**  
**As at 30 June 2020**

|                                     | <b>Note</b> | <b>2020</b><br>\$  | <b>2019</b><br>\$ |
|-------------------------------------|-------------|--------------------|-------------------|
| <b>Assets</b>                       |             |                    |                   |
| Cash and cash equivalents           | 6           | <b>381,844</b>     | 384,115           |
| Trade and other receivables         | 7           | <b>237,975</b>     | 294,653           |
| Investment property - held for sale | 8           | <b>7,890,499</b>   | 7,890,499         |
| <b>Total assets</b>                 |             | <b>8,510,318</b>   | 8,569,267         |
| <b>Liabilities</b>                  |             |                    |                   |
| Trade and other payables            | 9           | <b>87,153</b>      | 85,809            |
| Distributions payable               | 4           | <b>39,396</b>      | 39,331            |
| Derivative financial instruments    | 11          | -                  | 47,235            |
| Borrowings                          | 10          | <b>4,385,203</b>   | 4,384,036         |
| <b>Total liabilities</b>            |             | <b>4,511,752</b>   | 4,556,411         |
| <b>Net assets</b>                   |             | <b>3,998,566</b>   | 4,012,856         |
| <b>Equity</b>                       |             |                    |                   |
| Contributed equity                  | 12          | <b>5,752,714</b>   | 5,752,714         |
| Accumulated losses                  |             | <b>(1,754,148)</b> | (1,739,858)       |
| <b>Total equity</b>                 |             | <b>3,998,566</b>   | 4,012,856         |

**Ravenhall Office Trust**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**

|   | <b>Note</b> | <b>Contributed<br/>equity<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total<br/>equity<br/>\$</b> |
|---|-------------|--------------------------------------|--------------------------------------|--------------------------------|
| <b>Balance at 1 July 2018</b>   |             | 5,752,714                            | (1,509,653)                          | 4,243,061                      |
| <i>Comprehensive income:</i>  |             |                                      |                                      |                                |
| Profit for the period   |             | -                                    | 229,903                              | 229,903                        |
| Other comprehensive income for the period                             |             | -                                    | -                                    | -                              |
| <b>Total comprehensive income for the period</b>                      |             | -                                    | 229,903                              | 229,903                        |
| <i>Transactions with unitholders in their capacity<br/>as owners:</i> |             |                                      |                                      |                                |
| Distributions paid/payable  | 4           | -                                    | (460,108)                            | (460,108)                      |
| <b>Balance at 30 June 2019</b>  |             | <u>5,752,714</u>                     | <u>(1,739,858)</u>                   | <u>4,012,856</u>               |
| <b>Balance at 1 July 2019</b>   |             | <b>5,752,714</b>                     | <b>(1,739,858)</b>                   | <b>4,012,856</b>               |
| <i>Comprehensive income:</i>  |             |                                      |                                      |                                |
| Profit for the period   |             | -                                    | 445,323                              | 445,323                        |
| Other comprehensive income for the period                             |             | -                                    | -                                    | -                              |
| <b>Total comprehensive income for the period</b>                      |             | -                                    | 445,323                              | 445,323                        |
| <i>Transactions with unitholders in their capacity<br/>as owners:</i> |             |                                      |                                      |                                |
| Distributions paid/payable  | 4           | -                                    | (459,613)                            | (459,613)                      |
| <b>Balance at 30 June 2020</b>  |             | <u>5,752,714</u>                     | <u>(1,754,148)</u>                   | <u>3,998,566</u>               |

**Ravenhall Office Trust**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

|   | <b>Note</b> | <b>2020</b>      | <b>2019</b> |
|---|-------------|------------------|-------------|
|   |             | <b>\$</b>        | <b>\$</b>   |
| <b>Cash flows from operating activities</b>                     |             |                  |             |
| Receipts from customers   |             | <b>1,129,683</b> | 867,369     |
| Payments to suppliers   |             | <b>(502,402)</b> | (164,555)   |
| Finance costs   |             | <b>(170,179)</b> | (236,879)   |
| <b>Net cash provided by operating activities</b>                |             | <b>457,102</b>   | 465,935     |
| <b>Cash flows from investing activities</b>                     |             |                  |             |
| Capital expenditures - property and equipment                   |             | -                | -           |
| <b>Net cash provided by investing activities</b>                |             | -                | -           |
| <b>Cash flows from financing activities</b>                     |             |                  |             |
| Repayments of borrowings  |             | -                | -           |
| Distributions paid to unitholders                               |             | <b>(459,373)</b> | (459,128)   |
| <b>Net cash used in financing activities</b>                    |             | <b>(459,373)</b> | (459,128)   |
| Net (decrease)/increase in cash and cash equivalents            |             | <b>(2,271)</b>   | 6,807       |
| Cash at beginning of the reporting period                       |             | <b>384,115</b>   | 377,308     |
| <b>Cash and cash equivalents at end of the financial period</b> | <b>6</b>    | <b>381,844</b>   | 384,115     |

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 1 Reporting entity**

The Ravenhall Office Trust (Scheme) is a registered managed investment scheme under the Corporations Act 2001 (Act). The financial statements of the Scheme are for the year ended 30 June 2020. The Scheme is a for-profit entity.

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

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

**Note 2 Basis of preparation**

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

- *AASB 7 Financial Instruments: Disclosures*  
The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.
- *AASB 101 Presentation of Financial Statements*  
Information on capital management is not considered relevant for users to understand what is managed as capital as all assets and liabilities of the Scheme is expected to be realised by 30 June 2020.

**(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 28 October 2020.

**(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.

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 2 Basis of preparation (continued)**

**(c) Key assumptions and sources of estimation (continued)**

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are disclosed in:

- Note 16: Financial risk management

**Note 3 Significant accounting policies**

AASB 16 Leases is mandatory for financial years commencing on or after 1 July 2019. 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. As the scheme is the lessor, there is no impact on the financial statements.

There are no new relevant Accounting Standards mandatory for future reporting periods which need to be considered for early adoption. The accounting policies adopted are consistent with those of the previous financial year.

**(a) Rental revenue**

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

**(b) Interest income**

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

**(c) Expenses**

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

**(d) Taxation**

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

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

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

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

**(e) Unit prices**

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

**(f) Distributions to unitholders**

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

**(g) Applications and redemptions**

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

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

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

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

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

Unitholders' funds are classified as equity. The Responsible Entity has elected to adopt the Attribution Managed Investment Trust (AMIT) tax regime since 1 July 2017.

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

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.

**(j) Investment property**

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

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



**Ravenhall Office Trust**  
**Notes to the financial statements**  
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**Note 3 Significant accounting policies (continued)**

**(j) 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. As the property has been classified as held for sale since 30 June 2019 (Note 8), depreciation has ceased from that date.

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

**(k) Interest bearing loans and liabilities**

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

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

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

**(l) Borrowing costs**

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

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

**(m) Operating leases**

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

**(n) Lease incentives**

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

**(o) Trade and other receivables**

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
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**Note 3 Significant accounting policies (continued)**

**(p) Goods and services tax**

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

Payables are stated with the amount of GST included.

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

**(q) Trade and other payables**

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

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

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

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

**(s) Comparative figures**

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

**Note 4 Distributions to unitholders**

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

|   | 2020           |            | 2019           |            |
|---|----------------|------------|----------------|------------|
|   | \$             | Cents/unit | \$             | Cents/unit |
| Paid during the year (for current year) | 420,217        | 7.3        | 420,777        | 7.3        |
| Payable at year end                     | 39,396         | 0.7        | 39,331         | 0.7        |
|   | <b>459,613</b> | <b>8.0</b> | <b>460,108</b> | <b>8.0</b> |

**Note 5 Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the Scheme, BDO Audit Pty Ltd:

|   | 2020          | 2019          |
|---|---------------|---------------|
|   | \$            | \$            |
| <i>Audit and other assurance services</i>       |               |               |
| • Audit and review of the financial statements  | 21,900        | 16,575        |
| • Audit of the compliance plan                  | 3,450         | 3,210         |
| Total remuneration for audit and other services | <b>25,350</b> | <b>19,785</b> |

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 6 Cash and cash equivalents**

|              | 2020           | 2019           |
|--------------|----------------|----------------|
|              | \$             | \$             |
| Cash at bank | <u>381,844</u> | <u>384,115</u> |

**Note 7 Trade and other receivables**

|                            | 2020           | 2019           |
|----------------------------|----------------|----------------|
|                            | \$             | \$             |
| Trade receivables          | 10,861         | 2,182          |
| Other receivables          | -              | 152,134        |
| Straight line rental asset | <u>227,114</u> | <u>140,337</u> |
|                            | <u>237,975</u> | <u>294,653</u> |

**(a) Impaired receivables**

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

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

**(b) Critical accounting estimates & judgements**

**(i) Provision for impairment of receivables**

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

**Note 8 Investment property - held for sale**

|                             | 2020               | 2019               |
|-----------------------------|--------------------|--------------------|
|                             | \$                 | \$                 |
| Investment property at cost | 9,453,853          | 9,453,853          |
| Accumulated depreciation    | <u>(1,563,354)</u> | <u>(1,563,354)</u> |
|                             | <u>7,890,499</u>   | <u>7,890,499</u>   |
|                             | 2020               | 2019               |
|                             | \$                 | \$                 |
| <i>At cost</i>              |                    |                    |
| Opening balance at 1 July   | 7,890,499          | 8,237,911          |
| Depreciation expense        | -                  | (347,412)          |
| Closing balance at 30 June  | <u>7,890,499</u>   | <u>7,890,499</u>   |

**(i) Property details**

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

**(ii) Sale of investment property**

It is the intention of the Responsible Entity to commence a marketing campaign to sell the property during the next financial year so as to capitalise on the asset's improved value.

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 8 Investment property - held for sale (continued)**

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

*(iii) Non-current assets pledged as security*

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

*(iv) Leasing arrangements*

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

|   | 2020<br>\$       | 2019<br>\$       |
|---|------------------|------------------|
| Not later than one year                           | 939,141          | 1,183,557        |
| Later than one year and not later than five years | 1,896,314        | 2,675,119        |
| Greater than five years                           | -                | -                |
|   | <b>2,835,455</b> | <b>3,858,676</b> |

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

**Note 9 Trade and other payables**

|                  | 2020<br>\$    | 2019<br>\$    |
|------------------|---------------|---------------|
| Trade payables   | 34,608        | 3,621         |
| Accrued expenses | 37,869        | 63,496        |
| GST payable      | 14,676        | 18,692        |
|                  | <b>87,153</b> | <b>85,809</b> |

**Note 10 Borrowings**

|                          | 2020<br>\$       | 2019<br>\$       |
|--------------------------|------------------|------------------|
| Current                  |                  |                  |
| Secured loans            |                  |                  |
| Commercial bill facility | 4,385,203        | 4,384,036        |
|                          | <b>4,385,203</b> | <b>4,384,036</b> |

| Facility                           | Secured | Maturity date | 2020              |                  | 2019              |                  |
|------------------------------------|---------|---------------|-------------------|------------------|-------------------|------------------|
|                                    |         |               | Facility limit \$ | Drawn balance \$ | Facility limit \$ | Drawn balance \$ |
| Loan facility (i)                  | Yes     | 31-Oct-20     | 4,385,500         | 4,385,500        | 4,385,500         | 4,385,500        |
| Unamortised transaction costs (ii) |         |               |                   | (297)            |                   | (1,464)          |
| Total borrowings                   |         |               |                   | <b>4,385,203</b> |                   | <b>4,384,036</b> |

**Ravenhall Office Trust**  
**Notes to the financial statements**  
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**Note 10 Borrowings (continued)**

(i) The Scheme's commercial bill facility held with the Commonwealth Bank of Australia (CBA) expiring on 31 October 2020 and consequently the Responsible Entity entered into a new three year facility with an expiry date of 31 October 2023. The new facility retained the same terms as the previous facility.

Refer Note 8 for details of security for this facility.

(ii) Deferred borrowing costs comprise all costs in relation to the establishment, arrangement and documentation of the debt facility. Such costs have been offset against the balance of the debt facility and are being amortised over the term of the facility.

*Compliance with loan covenants*

The Scheme has complied with the financial covenants of its borrowing facility during the year.

**Note 11 Derivative financial instruments**

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

**Recognised fair value measurements**

|  | 2020<br>\$ | 2019<br>\$ |
|--|------------|------------|
| <i>Derivative liability</i>                                  |            |            |
| Interest rate swap - level 2                                 |            |            |
| Opening balance at 1 July                                    | 47,236     | 53,714     |
| Net change in fair value of derivative financial instruments | (25,997)   | (6,478)    |
| Cash payment at settlement                                   | (21,239)   |            |
| Closing balance at 30 June                                   | -          | 47,236     |

*(i) Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair value of the interest rate swap derivative liability. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its interest rate swap into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

|                    | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--------------------|---------------|---------------|---------------|-------------|
| <b>2020</b>        |               |               |               |             |
| Interest rate swap | -             | -             | -             | -           |
| <b>2019</b>        |               |               |               |             |
| Interest rate swap | -             | 47,236        | -             | 47,236      |

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

**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);

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
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**Note 11 Derivative financial instruments (continued)**

*(ii) Valuation techniques used to determine level 2 and level 3 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 financier.

**Note 12 Contributed equity**

|                            | 2020      |           | 2019      |           |
|----------------------------|-----------|-----------|-----------|-----------|
|                            | Units     | \$        | Units     | \$        |
| Opening balance at 1 July  | 5,752,714 | 5,752,714 | 5,752,714 | 5,752,714 |
| Ordinary units issued      | -         | -         | -         | -         |
| Establishment units issued | -         | -         | -         | -         |
| Ordinary units redeemed    | -         | -         | -         | -         |
| Closing balance at 30 June | 5,752,714 | 5,752,714 | 5,752,714 | 5,752,714 |

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

|  | 2020        | 2019        |
|--|-------------|-------------|
|  | \$          | \$          |
| Net assets   | 3,998,566   | 4,012,856   |
| <i>Adjustments for:</i>                            |             |             |
| Carrying value of investment property (i)          | (7,890,499) | (7,890,499) |
| External valuation of investment property (i) (ii) | 12,700,000  | 12,700,000  |
| Additional adjustment for cladding issue (i) (ii)  | (600,000)   | (250,000)   |
| Derivative financial instruments (i)               | -           | 47,235      |
| Straight line rental (asset)/liability (i)         | (227,114)   | (140,337)   |
| Selling and disposal costs (iii)                   | (268,000)   | (356,658)   |
| Performance fees (iii)                             | (552,867)   | (545,221)   |
| Adjusted net assets                                | 7,160,086   | 7,577,376   |
| Net asset value per unit (NAV) (i)                 | \$ 1.24     | \$ 1.32     |

(i) Effective from 30 June 2020, it is the policy of the Responsible Entity to, in the first 3 years from the date of acquisition, exclude accumulated depreciation, derivative financial instruments and straight-line rental adjustments from the calculation of net asset value (NAV).

Acquisition costs (stamp duty, legal fees and registration fees) are capitalised and amortised over a 5 year period from the time of acquisition. The remaining unamortised portion is included for the purpose of the NAV per unit calculation. Selling costs are likewise estimated and amortised over a five year period, with the amortised portion of these costs included in the NAV per unit calculation. As Ravenhall has been held for more than 5 years, there are no unamortised acquisition costs.

After 3 years (or as done earlier for impairment review), and upon an external valuation being attained, the current carrying value of the property is excluded from the net assets of the scheme and replaced with this valuation. Depreciation, accordingly, is no longer required to be adjusted from the NAV as the carrying value (which is net of depreciation) is excluded.

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

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

(ii) Valuation undertaken by LandMark White in October 2018. Included in the valuation by LandMark White was a provision of \$500,000 for the remedial works for the replacement of cladding. Latest quotes indicate the cladding work will be approximately \$1,100,000, therefore an additional \$600,000 worth of costs has been included.

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

**Note 14 Reconciliation of cash flows from operating activities**

|  | 2020            | 2019      |
|--|-----------------|-----------|
|  | \$              | \$        |
| Profit for the period attributable to unitholders            | <b>445,323</b>  | 229,903   |
| <i>Adjustments for:</i>                                      |                 |           |
| Amortised borrowing costs                                    | <b>1,148</b>    | 1,165     |
| Depreciation   | -               | 347,412   |
| Net change in fair value of derivative financial instruments | <b>(47,391)</b> | (6,478)   |
| <i>Change in operating assets and liabilities:</i>           |                 |           |
| Decrease in trade and other receivables                      | <b>56,679</b>   | (112,590) |
| Increase in trade and other payables                         | <b>1,344</b>    | 6,523     |
| Net cash provided by operating activities                    | <b>457,103</b>  | 465,935   |

**Note 15 Related party transactions**

**(a) Responsible Entity**

The Responsible Entity of the Ravenhall Office Trust is Trilogy Funds Management Limited ABN 59 080 383 679.

**(b) Key management personnel**

*Responsible Entity*

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

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

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

**(c) Transactions with related parties**

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 15 Related party transactions (continued)**

The following transactions occurred with related parties:

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

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | \$            | \$            |
| <i>Expenses</i>                          |               |               |
| Management and administration costs (i)  | 905           | 4,179         |
| Compliance fees (i)                      | 1,297         | 709           |
| Professional fees (i)                    | -             | 4,023         |
| Registry fees (ii)                       | 11,712        | 9,888         |
| Responsible Entity management fees (iii) | 29,940        | 29,993        |
|  | <b>43,854</b> | <b>48,792</b> |

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

|                                       | 2020          | 2019         |
|---------------------------------------|---------------|--------------|
|                                       | \$            | \$           |
| Trade and other payables (i)(ii)(iii) | <b>24,768</b> | <b>3,619</b> |

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

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

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

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

The Scheme has no investment in the Responsible Entity or its associates (2019: nil).

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

*Units held by Director related entities*

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

| Entity              | Unitholding<br>\$ | Interest<br>held<br>% | Units<br>issued<br>No. | Units<br>redeemed<br>No. | Distribution<br>paid and/or<br>payable<br>\$ |
|---------------------|-------------------|-----------------------|------------------------|--------------------------|--|
| <b>2020</b>         |                   |                       |                        |                          |  |
| Bacon Executive SF* | 20,000            | 0.0035                | 20,000                 | -                        | 1,600  |
| <b>2019</b>         |                   |                       |                        |                          |  |
| Bacon Executive SF* | 20,000            | 0.0035                | 20,000                 | -                        | 1,600  |

\* Superannuation fund

**(f) Key management personnel loan disclosures**

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.



**Ravenhall Office Trust**  
**Notes to the financial statements**  
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**Note 15 Related party transactions (continued)**

**(g) Other transactions within the Scheme**

Apart from those details disclosed in this note, no Director has entered into a material contract with the Scheme from inception to the end of the year and there were no material contracts involving Directors' interests subsisting at year end.

**Note 16 Financial risk management**

**Overview**

The Scheme's assets principally consist of investment property. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and PDS.

**Specific financial risk exposures and management**

The main risks the Scheme is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework. With the onset of the COVID-19 pandemic, additional resources and time have been dedicated to monitoring any adverse potential impacts. Regular discussion with property managers, tenants and loan providers are undertaken accordingly.

The Board is responsible for developing and monitoring the Scheme's risk management policies. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme. This includes risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Responsible Entity's Compliance Committee and its Audit Committee oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme.

**(a) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. The Scheme's maximum exposure to credit risk at the reporting date is as follows:

|                               | <b>Note</b> | <b>2020</b>    | <b>2019</b>    |
|-------------------------------|-------------|----------------|----------------|
|                               |             | <b>\$</b>      | <b>\$</b>      |
| <b>Financial assets</b>       |             |                |                |
| Cash and cash equivalents     | 6           | 381,844        | 384,115        |
| Trade and other receivables   | 7           | 237,975        | 294,653        |
| <b>Total financial assets</b> |             | <b>619,819</b> | <b>678,769</b> |

**Ravenhall Office Trust**  
**Notes to the financial statements**  
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**Note 16 Financial risk management (continued)**

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

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. Additional monitoring is undertaken of the tenant trade receivables balances due to COVID-19. As at 30 June 2020, there are no material trade receivables (Note 7), with tenants continuing to pay rental in a timely manner.

**(b) Liquidity risk**

Liquidity risk arises from the possibility that the Scheme might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Responsible Entity manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The timing of cash flows presented in the table below to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward. The Scheme's balance sheet and forecast cash flow are reviewed in detail at a minimum on a monthly basis to monitor any potential risk relating to liquidity which may in particular result from COVID-19.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. As at 30 June 2020 the existing loan was due on 31 October 2020, but the Scheme has subsequently entered into a loan due on 31 October 2023.

|                              | Carrying<br>amount | Contract<br>cash flows | < 1 month | 1-3 months | 3-12 months | > 12 months |
|------------------------------|--------------------|------------------------|-----------|------------|-------------|-------------|
|                              | \$                 | \$                     | \$        | \$         | \$          | \$          |
| <b>2020</b>                  |                    |                        |           |            |             |             |
| <b>Financial liabilities</b> |                    |                        |           |            |             |             |
| Distributions payable        | 39,396             | 39,396                 | 39,396    | -          | -           | -           |
| Trade and other payables     | 87,153             | 87,153                 | 87,153    | -          | -           | -           |
| Commercial bill facility     | 4,385,500          | 4,432,665              | 15,662    | 15,758     | 4,401,246   | -           |
|                              | 4,512,049          | 4,559,214              | 142,211   | 15,758     | 4,401,246   | -           |
|                              |                    |                        |           |            |             |             |
|                              | Carrying<br>amount | Contract<br>cash flows | < 1 month | 1-3 months | 3-12 months | > 12 months |
|                              | \$                 | \$                     | \$        | \$         | \$          | \$          |
| <b>2019</b>                  |                    |                        |           |            |             |             |
| <b>Financial liabilities</b> |                    |                        |           |            |             |             |
| Distributions payable        | 39,331             | 39,331                 | 39,332    | -          | -           | -           |
| Trade and other payables     | 85,809             | 85,809                 | 85,809    | -          | -           | -           |
| Commercial bill facility     | 4,385,500          | 4,820,410              | 38,734    | 15,758     | 163,627     | 4,602,291   |
|                              | 4,510,640          | 4,945,550              | 163,875   | 15,758     | 163,627     | 4,602,291   |

**(c) Capital management**

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 16 Financial risk management (continued)**  
**(c) Capital management (continued)**

The Scheme's capital management objectives aim to:

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

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

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

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

The Scheme monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by adjusted assets. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted assets are calculated as total assets less cash and cash equivalents. The gearing ratio as at 30 June 2020 were as follows:

|                                 | <b>Note</b> | <b>2020</b>      | <b>2019</b> |
|---------------------------------|-------------|------------------|-------------|
|                                 |             | <b>\$</b>        | <b>\$</b>   |
| Total borrowings                | <b>10</b>   | <b>4,385,500</b> | 4,385,500   |
| Less: cash and cash equivalents | <b>6</b>    | <b>(381,844)</b> | (384,115)   |
| <b>Net debt</b>                 |             | <b>4,003,656</b> | 4,001,385   |
| Total assets                    |             | <b>8,510,318</b> | 8,569,267   |
| Less: cash and cash equivalents | <b>6</b>    | <b>(381,844)</b> | (384,115)   |
| <b>Adjusted assets</b>          |             | <b>8,128,474</b> | 8,185,152   |
| <b>Gearing ratio</b>            |             | <b>49%</b>       | 49%         |

The Scheme's gearing ratio is considered medium.

**(d) Market risk**

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

**i. Interest rate risk**

Exposure to interest rate risk on the Scheme's commercial bill facility is limited as the variable interest rate of the facility is fixed for five years and the line fee is fixed for three years. Any fair value movements in the Scheme's interest rate swap derivative 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.

**ii. Other market risk**

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

**(e) Fair value estimation**

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

**Ravenhall Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 17     Custodian of the Scheme**

The Scheme's custodian is The Trust Company Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The total value of assets held by the custodian at cost as at 30 June 2020 totals \$8,510,318 (2019: \$8,569,267).

The custodian is entitled to an annual administration fee of \$10,000 (plus GST) (2019: \$10,000 (plus GST)).

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

**Note 18     Litigation and contingent liabilities**

There are no contingent liabilities or contingent assets at 30 June 2020 (2019: nil).

**Note 19     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.

**Ravenhall Office Trust**  
**Directors' declaration**

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

- (a) The financial statements and notes, as set out on pages 7 to 25 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and
- (c) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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



Philip A Ryan  
Executive Director

28 October 2020  
Brisbane



Rodger I Bacon  
Executive Deputy Chairman

28 October 2020  
Brisbane



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## INDEPENDENT AUDITOR'S REPORT

To the unitholders of Ravenhall Office Trust

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Ravenhall Office Trust (the Registered Scheme), which comprises the statement of financial position as at 30 June 2020, 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.

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2020 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 Company 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Emphasis of matter- Basis of preparation

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

#### Other information

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

In preparing the financial report, the directors are responsible for assessing the Company'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 Company 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**

**P A Gallagher**  
Director

Brisbane, 28 October 2020

## Find out more

Start a conversation with us today.

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