TRILOGY

Milton Office Trust

ANNUAL FINANCIAL REPORT
30 JUNE 2020

ARSN 628 273 807

PROPERTY

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

TRILOGYFUNDS.COM.AU

TRILOGY

29 October 2020

MESSAGE FROM THE EXECUTIVE DEPUTY CHAIRMAN

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

The lower than expected tenancy enquiries, a reticence of businesses to relocate due to COVID-19 rent reductions, waivers and deferrals in their current locations, and a softening of the Brisbane city fringe market have together impacted efforts to lease available space in the Milton property. As a result, we made the decision to reduce the distributions paid to investors in the Milton Office Trust (Milton Trust) to 4.0% p.a. effective from the distribution paid in October 2020. This will continue to be monitored and reviewed on an ongoing basis.

The reduction in rentals and the uncertainty in the commercial property market has also seen a reduction in the valuation of the property leading to a drop in the net asset value.

We remain confident in the long-term potential of the Milton property and continue to prioritise the attraction and securing of new tenants.

We thank you for your continued support of the Milton 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.

Yours sincerely,

Rodger Bacon
Executive Deputy Chairman
Trilogy Funds Management Limited

Milton Office Trust
Contents page

The Directors of Trilogy Funds Management Limited, the Responsible Entity of the Milton 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 period are:

Name and qualifications	*Age*	*Experience and special responsibilities*
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	71	Member of the Audit Committee Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons) Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies and is currently a director of one such company Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Executive Deputy Chairman BCom(Merit), AICD, SFFin	74	Member of the Audit Committee Former executive director of Challenger International Limited Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia. Director – Responsible Entity since 9 July 2004
John C Barry Executive Director BA, FCA	68	Chairman of the Audit Committee Former executive director of Challenger International Limited Mr Barry is a director of several companies, including former Chairman of Westpac RE Limited Director – Responsible Entity since 9 July 2004
Philip A Ryan Managing Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	59	Member of the Compliance Committee Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Former partner of a Brisbane law firm Mr Ryan is a director of several companies Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	50	Member of the Audit Committee Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008

Principal activities

The Responsible Entity registered the Scheme as a managed investment scheme on 24 August 2018 and commenced operations from that date. The principal activity of the Scheme during the financial year was a direct property investment in a multi-tenanted commercial office building located at 16 Marie Street, Milton, Queensland. The Scheme is domiciled in Australia and 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 an adverse impact on financial markets, and as a result the performance of real estate assets across the globe.

The current vacancy rate in the property is 20% and this will increase to 33% in October with the expiry of the IBM Pty Ltd (trading as Oniqua) lease on Level 5. In the current climate, we have experienced lower than expected tenancy enquiries, a reticence of businesses to relocate due to COVID-19 rent reductions, waivers and deferrals in their current locations. These factors, including a softening of the Brisbane city fringe market have impacted on efforts to lease the available space in the Milton property. These factors have also impacted the value of the property. The revised Net Asset Value (NAV) per unit is $0.74 as at 30 June 2020. Although the Scheme has complied with the financial covenants of its borrowing facility during the period to 30 June 2020, in light of potential impacts on the property as result of COVID-19, the Responsible Entity will continue to work with the bank (Suncorp) regarding ongoing requirements of the finance facility.

As a direct consequence of these vacancies, the decision was made to reduce the distribution rate to 4.00% p.a. effective from the September 2020 distribution to be paid in October 2020. Correspondingly, the Responsible Entity has waived its management fee for the foreseeable future.

Financial overview
The loss attributable to unitholders for the year totalled $2,537,327 (2019: loss of $1,420,946). During the year the Scheme generated net rental income from the property, however the following non-cash and prior period property acquisition items had a material negative impact on the results:

	2020	* 2019
	$	$
Impairment of investment property	**(2,240,035)**	-
Rental Income straight line rental adjustments	**(63,070)**	114,573
Depreciation	**(991,092)**	(546,256)
Net change in fair value of derivative financial instruments	**(185,200)**	(760,500)
Property capital raising and acquisition costs	**-**	(892,058)
	(3,479,397)	(2,084,241)
Profit excluding these items	**942,072**	663,295

* Part year - property purchased 13 December 2018

Impairment
An impairment write-down was realised for the year ended 30 June 2020. This was based on a valuation undertaken by Jones Lang LaSalle Australia Pty Limited in June 2020, the property was valued at $23,300,000, being $2,240,035 lower than the written down carrying value of $25,540,035.

Including the impairment write-down, the total carrying value of the Scheme’s assets as at 30 June 2020 were $23,814,341 (2019: $27,747,166), comprised primarily of the investment property acquired.

Leasing - significant changes
The 417 sqm level 2 area, subject to a rental guarantee through to September 2020, remains vacant and the fitted out premises are being actively marketed. Also on level 2, the Atira Pty Ltd (trading as Atira) lease (310 sqm level 2 area), due to expire in January 2021, has been surrendered early and the bank guarantee drawn down securing income over the premises to the end of September 2020. The fitted out premises are being actively marketed. The 585 sqm level 5 area occupied by IBM Pty Ltd (trading as Oniqua) will fall vacant in October 2020, with the fitted out premises being actively marketed.

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:

	2020	* 2019
	$	$
Distributions paid during the period	**1,086,948**	544,392
Distributions payable at period end	**97,650**	100,372
	1,184,598	644,764
Cash yield post settlement p.a. (i)	**7.50%**	7.50%

* Part year - property purchased 13 December 2018

Distributions to unitholders (continued)
(i) Since 13 December 2018 (being the property settlement date), distributions have been paid to retail investors at a rate of 7.50% p.a., being the rate set out in the PDS.

Net asset value per unit
The Scheme's net asset value per unit as at 30 June 2020 is $0.74 (2019: $0.94) (refer Note 13).

Indirect cost ratio (ICR)
The ICR for the Scheme for the period ended 30 June 2020 is 1.36% p.a (2019: 7.77%). In 2019, the initial costs incurred to acquire the investment property and establish the Scheme were included in the calculation of the ICR.

Units on issue
No units were issued or redeemed for the period to 30 June 2020. The Scheme had 15,555,000 units on issue as at 30 June 2020.

Interests of the Responsible Entity
The following transactions occurred between the Scheme and the Responsible Entity and its associates during the period (refer Note 15(c)).

	2020	* 2019
	$	$
Expenses		
Management and administration costs	**1,400**	1,317
Compliance fees	**263**	1,126
Professional fees	**11,679**	-
Registry fees	**20,400**	11,900
Responsible Entity management fees	**117,551**	62,119
Asset origination fees	**-**	510,000
Scheme establishment fees	**-**	382,058
	151,293	968,520

* Part year - property purchased 13 December 2018

Units held by the Responsible Entity
The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2020.

Events subsequent to the end of the reporting period

Change to investor distribution rate

As detailed on page 2, in August 2020 investors were advised of the distribution rate being reduced from 7.50% to 4.00% p.a. This will be reviewed on an ongoing basis, with further updates to be relayed to investors as they become available.

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

Likely developments and expected results of operations

The Scheme will continue to pursue its principal activities in the next financial year in order to achieve the target return for unitholders.

Environmental regulation

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

Options

No options were:

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

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

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

Indemnification of officers

Indemnification

Under the Scheme constitution the Responsible Entity is required to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

(a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in the connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
(b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

Indemnification of officers (continued)

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

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

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

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

Philip A Ryan
Executive Director

9 October 2020
Brisbane

Rodger I Bacon
Executive Deputy Chairman

9 October 2020
Brisbane

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DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF TRILOGY FUNDS MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR MILTON OFFICE TRUST

As lead auditor of Milton Office Trust for the period 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.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 9 October 2020

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

	Note	2020 $	* 2019 $
Revenue and other income			
Rental Income		**2,096,493**	1,485,777
Recoverable outgoings		**122,165**	62,299
Other income		**14,443**	21,289
Interest revenue from financial institutions		**4,492**	30,557
		2,237,593	1,599,922
Expenses			
Audit and compliance		**(25,546)**	(12,868)
Custodian fees		**(16,900)**	(11,281)
Direct property expenses and outgoings		**(546,980)**	(370,497)
Depreciation	8	**(991,092)**	(546,256)
Net change in fair value of derivative financial instruments	11	**(185,200)**	(760,500)
Management and administration costs		**(20,401)**	(1,768)
Professional fees		**(3,300)**	-
Registry fees	15	**(20,400)**	(11,900)
Responsible Entity management fees	15	**(117,551)**	(62,119)
Taxation fees		**(4,500)**	(2,625)
Asset origination fees		**-**	(510,000)
Scheme establishment costs		**-**	(382,058)
		(1,931,870)	(2,671,872)
Profit/(loss) for the period before finance costs		**305,723**	(1,071,950)
Finance costs:			
• Interest expense		**(599,607)**	(347,143)
• Amortisation of loan transaction costs		**(3,407)**	(1,853)
		(603,014)	(348,996)
Impairment costs:			
• Impairment of investment property		**(2,240,035)**	-
		(2,240,035)	-
Loss for the period attributable to unitholders		**(2,537,326)**	(1,420,946)
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the period attributable to unitholders		**(2,537,326)**	(1,420,946)

** Part year - property purchased 13 December 2018*

Milton Office Trust
Statement of financial position
As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	6	**350,354**	831,309
Trade and other receivables	7	**163,988**	384,730
Total current assets		**514,342**	1,216,039
Non-current assets			
Investment property	8	**23,300,000**	26,531,127
Total non-current assets		**23,300,000**	26,531,127
Total assets		**23,814,342**	27,747,166
Liabilities			
Current liabilities			
Trade and other payables	9	**265,366**	527,544
Distributions payable		**97,650**	100,372
Total current liabilities		**363,016**	627,916
Non-current liabilities			
Trade and other payables	9	**-**	134,607
Borrowings	10	**12,738,260**	12,734,853
Derivative financial instruments	11	**945,700**	760,500
Total non-current liabilities		**13,683,960**	13,629,960
Total liabilities		**14,046,976**	14,257,876
Net assets		**9,767,366**	13,489,290
Equity			
Contributed equity	12	**15,555,000**	15,555,000
Accumulated losses		**(5,787,634)**	(2,065,710)
Total equity		**9,767,366**	13,489,290

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

	Note	Contributed equity $	Accumulated losses $	Total equity $
Balance at 24 August 2018		-	-	-
Comprehensive income:				
Loss for the year		-	(1,420,946)	(1,420,946)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the period		-	(1,420,946)	(1,420,946)
Transactions with unitholders in their capacity				
Units issued for cash	12	15,555,000	-	15,555,000
Distributions paid/(payable)	4	-	(644,764)	(644,764)
Balance at 30 June 2019		15,555,000	(2,065,710)	13,489,290
Balance at 1 July 2019		**15,555,000**	**(2,065,710)**	**13,489,290**
Comprehensive income:				
Loss for the period		**-**	**(2,537,326)**	**(2,537,326)**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive income for the period		**-**	**(2,537,326)**	**(2,537,326)**
Transactions with unitholders in their capacity				
Units issued for cash	12	**-**	**-**	**-**
Distributions paid/payable	4	**-**	**(1,184,598)**	**(1,184,598)**
Balance at 30 June 2020		**15,555,000**	**(5,787,634)**	**9,767,366**

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

	2020	* 2019
	$	$
Cash flows from operating activities		
Receipts from customers	**2,160,438**	960,177
Payments to suppliers	**(858,958)**	(1,175,730)
Interest received	**4,492**	30,557
Interest paid	**(599,607)**	(301,610)
Net cash provided by operating activities	**706,365**	(486,606)
Cash flows from investing activities		
Acquisition of investment property	**-**	(26,425,693)
Net cash provided by/(used in) investing activities	**-**	(26,425,693)
Cash flows from financing activities		
Proceeds from issue of ordinary units	**-**	15,555,000
Proceeds from borrowings	**-**	14,025,000
Repayment of borrowings	**-**	(1,275,000)
Payment of borrowing costs	**-**	(17,000)
Distributions paid to unitholders	**(1,187,319)**	(544,392)
Net cash (used in)/provided by financing activities	**(1,187,319)**	27,743,608
Net (decrease)/increase in cash and cash equivalents	**(480,955)**	831,309
Cash at beginning of the reporting period	**831,309**	-
Cash and cash equivalents at end of the financial period	**350,354**	831,309

* Part year - property purchased 13 Decemeber 2018

Note 1 Reporting entity

The Milton Office Trust (Scheme) is a registered managed investment scheme under the Corporations Act 2001 (Act). The financial statements of the Scheme are for the period 1 July 2019 to 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). The termination date for this Scheme is 13 December 2023. 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

(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 9 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.

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 Standareds 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.

Note 3 Significant accounting policies (continued)

(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 and interest expense
Interest income and expense is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

Interest 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.

(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.

Note 3 Significant accounting policies (continued)

(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.

(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.

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.

Note 3 Significant accounting policies (continued)

(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.

(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.

Note 3 Significant accounting policies (continued)

(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) New standards and interpretations not yet adopted

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

(t) Prior period comparative information

As the Scheme's property was acquired on 13 December 2018, the 2019 comparatives are not reflective of a full 12 months.

Note 4 Distributions to unitholders

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

	2020		2019	
	$	**Cents/unit**	$	Cents/unit
Paid during the period (relating to current period)	**1,086,948**	**6.99**	544,392	3.50
Distributions payable at period end	**97,650**	**0.63**	100,372	0.65
	1,184,598	**7.62**	644,764	4.15

(i) As prescribed by the Scheme's PDS, during the equity raising period prior to settlement of the Scheme's investment property on 13 December 2018, investors were paid interest distributions equal to the cash rate on the bank account in which application monies were held.

(ii) Since 13 December 2018 (being the property settlement date), distributions have been paid to investors at a rate of 7.50% p.a., being the rate set out in the PDS.

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:

	2020	2019
	$	$
Audit and other assurance services		
• Audit and review of the financial statements	**21,900**	9,992
• Audit of the compliance plan	**3,250**	1,750
Total remuneration for audit and other services	**25,150**	11,742

Note 6 Cash and cash equivalents

	2020 $	2019 $
Cash at bank	**350,354**	831,309

Note 7 Trade and other receivables

	2020 $	2019 $
Other receivables	**112,485**	270,157
Straight line rental asset	**51,503**	114,573
	163,988	384,730

(a) Impaired receivables

From 1 July 2018, 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 and 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.

The Scheme does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

Note 8 Investment property

	2020 $	2019 $
Investment property	**27,077,383**	27,077,383
Impairment of investment property	**(2,240,035)**	-
Accumulated depreciation	**(1,537,348)**	(546,256)
	23,300,000	26,531,127

	2020 $	2019 $
At cost		
Balance at beginning of period	**26,531,127**	-
Acquisition price	**-**	25,500,000
Impairment adjustment	**(2,240,035)**	-
Additions	**-**	1,577,383
Depreciation expense	**(991,092)**	(546,256)
Balance at end of period	**23,300,000**	26,531,127

Note 8 Investment property (continued)

The investment property is located at 16 Marie Street, Milton, Brisbane QLD. Settlement took place on 13 December 2018.

An impairment write-down was realised for the year ended 30 June 2020. This was based on a valuation undertaken by Jones Lang LaSalle Australia Pty Limited in June 2020, the property was valued at $23,300,000, being $2,240,035 lower than the written down carrying value of $25,540,035.

The Scheme's assets are pledged as security to Suncorp-Metway Limited (Suncorp) 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.

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

	2020	2019
	$	$
Not later than one year	**1,396,923**	2,587,814
Later than one year and not later than five years	**3,875,475**	5,319,022
Greater than five years	**-**	-
	5,272,398	7,906,836

Note 9 Trade and other payables

	2020	2019
	$	$
Current		
Trade payables	**37,323**	23,385
Lease incentives held in advance (i)	**106,620**	293,474
Payables to related entities	**25,085**	-
GST payables	**34,886**	42,734
Accrued expenses	**23,775**	122,418
Interest payable on interest bearing liabilities	**37,677**	45,533
	265,366	527,544

	2020	2019
	$	$
Non-Current		
Lease incentives held in advance (i)	**-**	134,607
	-	134,607

(i) Rental support was provided by the seller in relation to the vacant space within the investment property at settlement equating to two years market rental plus outgoings. Additional adjustment was also provided at settlement relating to incentives. These amounts are being adjusted for straight line requirements.

Note 10 Borrowings

	2020	2019
	$	$
Secured loans		
Commercial bill facility	**12,738,260**	12,734,853

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

			2020	
Facility	**Secured**	**Maturity date**	**Facility Limit $**	**Drawn Balance $**
Loan facility (i)	Yes	30-Nov-21	**12,750,000**	**12,750,000**
Loan facility (ii)	Yes	30-Nov-21	**1,275,000**	**-**
Unamortised transaction costs (iii)				**(11,740)**
Total borrowings				**12,738,260**

(i) The Responsible Entity entered into a commercial bill facility with Suncorp on 22 October 2018. The facility has a three year term and comprises two interest components, being a variable 30 day BBSW rate, plus a funding margin fee of 2.30% p.a. (both payable monthly in arrears). To limit the Scheme's exposure to interest rate fluctuations the Responsible Entity entered into an interest rate swap arrangement on 13 December to fix the variable interest rate at 2.35% p.a. for a term of 5 years (refer Note 11).

(ii) The second loan facility was a 3 year variable rate loan, comprised of a 30 day BBSW rate, plus a funding margin of 2.30% p.a. The second loan facility has been utilised and repaid during the year, and is fully available to draw down upon.

As the Scheme's long term finance facility has a variable interest rate its carrying value is a reasonable estimate of its fair value.

Refer Note 8 for details of security for this facility.

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

Compliance with loan covenants
The Scheme has complied with the financial covenants of its borrowing facility during the period.

Note 11 Derivative financial instruments

As discussed in Note 10, the Responsible Entity manages the cash flow interest rate risk of the Scheme by using a floating-to-fixed interest rate derivative. On 13 December 2018, the Scheme entered into an interest rate swap derivative with a face value of $12,750,000, fixed interest rate of 2.35% p.a. and an expiry date of 30 November 2021. The fair value of the interest rate swap asset as at 30 June 2020 was $945,700, as determined by Suncorp using a mark-to-market valuation methodology.

Note 11 Derivative financial instruments (continued)

Recognised fair value measurements

	2020	2019
	$	$
Derivative asset		
Interest rate swap - level 2	**945,700**	760,500

(i) Fair value hierarchy
This section explains the judgements and estimates made in determining the fair value of the interest rate swap derivative asset. 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	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
2020				
Interest rate swap	-	945,700	-	-

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

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

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

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

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

(ii) Valuation techniques used to determine level 2 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	$
Balance at beginning of period	**15,555,000**	**15,555,000**	-	-
Ordinary units issued	**-**	**-**	15,555,000	15,555,000
Ordinary units redeemed	**-**	**-**	-	-
Balance at end of period	**15,555,000**	**15,555,000**	15,555,000	15,555,000

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

	2020 $	2019 $
Net assets (i)	**9,767,366**	13,489,290
Adjustments for:		
Accumulated depreciation (i) (ii)	**-**	546,256
Derivative financial instruments (ii)	**945,700**	760,500
Unamortised acquisition costs (stamp duty, legal fees and registration fees) (ii)	**1,025,299**	-
Amortised estimated selling costs (ii)	**(127,575)**	-
Straight-line (asset)/liability adjustments (ii)	**(51,503)**	(114,573)
Adjusted net assets	**11,559,287**	14,681,473
Net asset value per unit (NAV) (i)	**$ 0.74**	$ 0.94

(i) An impairment write-down was realised for the year ended 30 June 2020 and is included in the net asset value of the Scheme. This was based on a valuation undertaken by Jones Lang LaSalle Australia Pty Limited in June 2020, the property was valued at $23,300,000, being $2,240,035 lower than the written down carrying value of $25,540,035. As the property was impaired to its external valuation amount of $20,000,000 as at 30 June 2020, it is no longer appropriate to add back depreciation to the net assets.

(ii) 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.

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.

Note 14 Reconciliation of cash flows from operating activities

	2020 $	* 2019 $
Loss for the period attributable to unitholders	**(2,537,326)**	(1,420,946)
Adjustments for:		
Amortised borrowing costs	**3,407**	1,853
Depreciation	**991,092**	546,256
Net change in fair value of derivative financial instruments	**185,200**	760,500
Impairment	**2,240,035**	-
Adjustment for settlement items	**-**	(651,690)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	**220,742**	(384,730)
Increase in trade and other payables	**(396,785)**	662,151
Net cash provided by operating activities	**706,365**	(486,606)

** Part year - property purchased 13 December 2018*

Note 15 Related party transactions

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

(b) Key management personnel

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

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

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

(c) Transactions with related parties

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

The following transactions occurred with related parties:

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

	2020	* 2019
	$	$
Expenses		
Management and administration fees (i)	**1,400**	1,317
Compliance fees (i)	**263**	1,126
Professional fees (i)	**11,679**	-
Registry fees (ii)	**20,400**	11,900
Responsible Entity management fees (iii)	**117,551**	62,119
Asset origination fees	**-**	510,000
Scheme establishment fees	**-**	382,058
	151,293	968,520

** Part year - property purchased 13 December 2018*

ii. Balances recorded in the statement of financial position

	2020	2019
	$	$
Trade and other payables (i)(ii)(iii)	**25,085**	12,936

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

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

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

Note 15 Related party transactions (continued)

(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 the Responsible Entity
The Responsible Entity held no interest in the Scheme as at 30 June 2020 (2019: nil).

Units held by Director related entities
No entities associated with Directors of the Responsible Entity held any interest in the Scheme as at 30 June 2020.

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

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

Note 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 has been dedicated to monitoring any adverse potential impacts. Regular discussion with property managers, tenants and loan providers are undertaken accordingly.

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

The Responsible Entity’s Compliance Committee and its Audit, Compliance and Risk Management 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.

Note 16 Financial risk management (continued)

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

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

	Note	2020	2019
		$	$
Financial assets			
Cash and cash equivalents	6	**350,354**	831,309
Trade and other receivables	7	**163,988**	384,730
Total financial assets		**514,342**	1,216,039

This risk is minimised by regularly reviewing the Scheme's trade and other receivables. The ageing of trade receivables at the reporting date are all current with no amounts past due or impaired.

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

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

The timing of cash flows presented in the table below to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

	Carrying amount	Contractual cash flows	< 1 month	1-3 months	3-12 months	> 12 months
	$	$	$	$	$	$
2020						
Financial liabilities						
Distributions payable	97,650	97,650	97,650	-	-	-
Trade and other payables	265,366	265,366	265,366	-	-	-
Commercial bill facility	12,750,000	13,476,331	47,105	92,691	414,829	12,921,706
	13,113,016	13,839,347	410,121	92,691	414,829	12,921,706

Note 16 Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount $	Contractual cash flows $	< 1 month $	1-3 months $	3-12 months $	> 12 months $
2019						
Financial liabilities						
Distributions payable	100,372	100,372	100,372	-	-	-
Trade and other payables	527,544	527,544	527,544	-	-	-
Commercial bill facility	12,750,000	14,032,475	47,105	92,691	416,349	13,476,330
	13,377,916	14,660,391	675,021	92,691	416,349	13,476,330

(c) Capital management

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

The Scheme's capital management objectives aim to:

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

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

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

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

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

	Note	2020 $	2019 $
Total borrowings	10	**12,750,000**	12,750,000
Less: cash and cash equivalents	6	**(350,354)**	(831,309)
Net debt		**12,399,646**	11,918,691
Total assets		**23,814,342**	27,747,166
Less: cash and cash equivalents	6	**(350,354)**	(831,309)
Adjusted assets		**23,463,988**	26,915,857
Gearing ratio		**53%**	44%

The Scheme's gearing ratio is considered high.

Trade and Financial risk management (continued)

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

i. *Interest rate risk*
Exposure to interest rate risk on the Scheme's commercial bill facility is limited as the variable interest rate of the facility is fixed for three years and the line fee is fixed for three years. 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*
The Scheme is not exposed to other material market risk on its financial assets and liabilities.

(e) Fair value estimation
The carrying values approximate the fair value of the Scheme's financial assets and liabilities.

Note 17 Custodian of the Scheme

The Scheme's custodian is The Trust Company Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The total value of assets held by the custodian at cost as at 30 June 2020 totals $23,814,342 (30 June 2019: $27,747,166).

The custodian is entitled to an annual administration fee of $15,000 (plus GST) (2019: $15,000 (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

As detailed on page 2, in August 2020 investors were advised of the distribution rate being reduced from 7.50% to 4.00% p.a. This will be reviewed on an ongoing basis, with further updates to be relayed to investors as they become available.

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

Milton Office Trust
Directors' declaration

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

(a) The financial statements and notes, as set out on pages 4 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

9 October 2020
Brisbane

Rodger I Bacon
Executive Deputy Chairman

9 October 2020
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the unitholders of Milton Office Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Milton 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 period 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 Milton Office Trust.

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

(i) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2020 and of its financial performance for the period ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Other information

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

P A Gallagher
Director

Brisbane, 9 October 2020

TRILOGY

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