

TRILOGY

# Cannon Hill Office Trust

ANNUAL FINANCIAL REPORT  
30 JUNE 2020

ARSN 618 676 074

# PROPERTY



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

[TRILOGYFUNDS.COM.AU](https://www.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.

While investors in the Cannon Hill Office Trust (Cannon Hill Trust) experienced a year of stable returns during the 2019-20 financial year, 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 the space relinquished by GM Holden. As a result, we made the decision to reduce the distributions paid to investors to 5.0% p.a. effective from the distribution to be paid in November 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 Cannon Hill property and continue to prioritise the attraction and securing of new tenants.

We thank you for your continued support of the Cannon Hill 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

**Cannon Hill Office Trust**  
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**Cannon Hill Office Trust  
Directors' report  
30 June 2020**

The Directors of Trilogy Funds Management Limited, the Responsible Entity of the Cannon Hill 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:

<b><i>Name and qualifications</i></b>	<b><i>Age</i></b>	<b><i>Experience and special responsibilities</i></b>
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	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 Executive 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	51	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 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 multi-tenanted, modern suburban commercial precinct located at 38 Southgate Avenue, Cannon Hill, Brisbane QLD. The Scheme did not have any employees during the year.

**Cannon Hill Office Trust**  
**Directors' report**  
**30 June 2020**

**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. 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. The vacancy (20% of net lettable area) on the ground floor is being actively marketed, however the Cannon Hill commercial office market is experiencing suppressed leasing activity at the current time, as detailed in the leasing section below.

*Financial overview*

The loss attributable to unitholders for the year totalled \$1,850,125 (2019: loss of \$26,981). During the year the Scheme generated net rental income from the property, however the following non-cash items had a material negative impact on the current year result:

	<b>2020</b>	2019
	\$	\$
Impairment of investment property	<b>(2,031,621)</b>	-
Depreciation	<b>(754,767)</b>	(754,764)
	<b><u>(2,786,388)</u></b>	<u>(754,764)</u>

An impairment write-down was made for the year ended 30 June 2020. This was based on a valuation undertaken by Acumentis Group Limited dated 12 June 2020, where the property was valued at \$20,000,000, being \$2,031,621 lower than the written down carrying value of \$22,031,621. This valuation was completed on the basis of the GM Holden Limited space being vacant, as detailed below.

Including the impairment write-down, the total carrying value of the Scheme's assets as at 30 June 2020 was \$20,456,487 (2019: \$23,273,147), comprised primarily of the investment property acquired.

*Leasing*

The former GM Holden Limited ground floor tenancy comprising 694 sqm (19.8% of total net lettable area) remains vacant. Negotiations with a significant global entity for a lease over the space has ceased following its parent company's decision to revise its global strategy in light of the COVID-19 pandemic. The contemplated leasing strategy includes undertaking fit out works for the premise to enhance the leasing prospects of the vacancy.

*Distributions to unitholders*

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

	<b>2020</b>	2019
	\$	\$
Paid during the year (relating to current year)	<b>997,532</b>	998,539
Payable at year end	<b>91,007</b>	89,115
	<b><u>1,088,539</u></b>	<u>1,087,654</u>
Cash yield p.a. (i)	<b>7.25%</b>	7.25%

(i) Since 8 September 2017 (being the property settlement date), distributions have been paid to retail investors at a rate of 7.25% 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 \$0.69 (2019: \$0.95) (refer Note 13).

**Cannon Hill Office Trust  
Directors' report  
30 June 2020**

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

*Indirect cost ratio (ICR)*

The ICR for the Scheme for the period ended 30 June 2020 is 1.45% p.a (2019: 1.12% p.a).

*Units on issue*

During the period no units were issued, and no units were redeemed from the Scheme. The Scheme had 14,700,000 units on issue as at 30 June 2020 (2019: 14,700,000).

**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
	\$	\$
<i>Expenses</i>		
Management and administration costs	1,972	6,012
Compliance fees	396	709
Professional fees	4,523	2,500
Registry fees	23,100	20,400
Responsible Entity management fees	96,750	74,491
	<u>126,741</u>	<u>104,112</u>

*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 (2019: nil).

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs during the period.

**Events subsequent to the end of the reporting period**

As detailed above, the potential new tenant for the former GM Holden Ltd space withdrew their interest in the space citing pressures caused by COVID-19. This vacancy continues to put pressure on the cash flow of the Scheme, resulting in the Responsible Entity making the decision to reduce the distributions paid to investors from 7.25% p.a. to 5.00% p.a., effective from the distribution due to be paid in November 2020. This will continue to be monitored and reviewed on an ongoing basis. The Responsible Entity will correspondingly defer its management fee from November 2020, which will be reviewed at the end of the 2020/21 financial year.

Apart from the 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.

**Cannon Hill Office Trust**  
**Directors' report**  
**30 June 2020**

**Options**

No options were:

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

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

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

**Indemnification of officers**

*Indemnification*

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

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

*Insurance premiums*

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

**Proceedings on behalf of the Responsible Entity**

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity in relation to the 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 5.

This report is made in accordance with a resolution of the 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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**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF TRILOGY FUNDS  
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR CANNON HILL OFFICE TRUST**

As lead auditor for the audit of Cannon Hill 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 long horizontal flourish extending to the right.

**P A Gallagher**  
Director

**BDO Audit Pty Ltd**

Brisbane, 28 October 2020

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

	Note	2020 \$	Restated* 2019 \$
<b>Revenue and other income</b>			
Rental income		1,603,096	1,823,799
Recoverable outgoings		376,626	191,884
Interest revenue from financial institutions		1,450	4,000
		<u>1,981,172</u>	<u>2,019,683</u>
<b>Expenses</b>			
Audit and compliance		(25,746)	(24,694)
Custodian fees		(17,178)	(15,266)
Direct property expenses and outgoings		(314,254)	(282,112)
Depreciation	8	(754,767)	(754,764)
Net change in fair value of derivative financial instruments	11	(49,325)	(365,975)
Management and administration costs		(25,333)	(7,912)
Professional fees		(2,250)	(2,500)
Registry fees		(23,100)	(20,400)
Responsible Entity management fees		(96,750)	(74,491)
Taxation fees		(4,750)	(4,750)
		<u>(1,313,453)</u>	<u>(1,552,864)</u>
<b>Profit for the period before finance and impairment costs</b>		<u>667,719</u>	466,819
<i>Finance costs:</i>			
• Interest expense		(482,000)	(489,589)
• Amortisation of loan transaction costs		(4,223)	(4,211)
		<u>(486,223)</u>	<u>(493,800)</u>
<i>Impairment costs:</i>			
• Impairment of investment property	8	(2,031,621)	-
		<u>(2,031,621)</u>	-
<b>Loss for the period attributable to unitholders</b>		<u>(1,850,125)</u>	(26,981)
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the year attributable to unitholders</b>		<u>(1,850,125)</u>	(26,981)

\*The prior period has been restated, please refer to Note 19

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

	Note	2020 \$	Restated* 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	326,042	567,344
Trade and other receivables	7	130,445	45,435
<b>Total current assets</b>		<u>456,487</u>	<u>612,779</u>
<b>Non-current assets</b>			
Investment property	8	20,000,000	22,660,368
<b>Total non-current assets</b>		<u>20,000,000</u>	<u>22,660,368</u>
<b>Total assets</b>		<u>20,456,487</u>	<u>23,273,147</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	192,419	125,855
Distributions payable		91,007	89,115
<b>Total current liabilities</b>		<u>283,426</u>	<u>214,970</u>
<b>Non-current liabilities</b>			
Borrowings	10	10,440,781	10,436,558
Derivative financial instruments	11	514,100	464,775
<b>Total non-current liabilities</b>		<u>10,954,881</u>	<u>10,901,333</u>
<b>Total liabilities</b>		<u>11,238,307</u>	<u>11,116,303</u>
<b>Net assets</b>		<u>9,218,180</u>	<u>12,156,844</u>
<b>Equity</b>			
Contributed equity	12	14,700,000	14,700,000
Accumulated losses		(5,481,820)	(2,543,156)
<b>Total equity</b>		<u>9,218,180</u>	<u>12,156,844</u>

\*The prior period has been restated, please refer to Note 19

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

	<b>Contributed equity \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2018</b>	14,700,000	(1,016,139)	13,683,861
Correction of prior period error *		(412,382)	(412,382)
<b>Corrected opening balance</b>	<u>14,700,000</u>	<u>(1,428,521)</u>	<u>13,271,479</u>
<i>Comprehensive income:</i>			
Gain/(loss) for the period*	-	(26,981)	(26,981)
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>(26,981)</u>	<u>(26,981)</u>
<i>Transactions with unitholders in their capacity as owners:</i>			
Distributions paid/payable	-	(1,087,654)	(1,087,654)
<b>Balance at 30 June 2019</b>	<u>14,700,000</u>	<u>(2,543,156)</u>	<u>12,156,844</u>
<b>Balance at 1 July 2019</b>	<b>14,700,000</b>	<b>(2,543,156)</b>	<b>12,156,844</b>
<i>Comprehensive income:</i>			
Gain/(loss) for the period	-	(1,850,125)	(1,850,125)
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>(1,850,125)</u>	<u>(1,850,125)</u>
<i>Transactions with unitholders in their capacity as owners:</i>			
Distributions paid/payable	-	(1,088,539)	(1,088,539)
<b>Balance at 30 June 2020</b>	<u><b>14,700,000</b></u>	<u><b>(5,481,820)</b></u>	<u><b>9,218,180</b></u>

\*The prior period has been restated, please refer to Note 19

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

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,992,600	2,012,184
Payments to suppliers	(540,685)	(430,843)
Interest received	1,449	4,000
Finance costs	(482,000)	(488,264)
<b>Net cash provided by operating activities</b>	<u>971,364</u>	<u>1,097,077</u>
<b>Cash flows from investing activities</b>		
Capitalised leasing costs	(126,019)	-
<b>Net cash (used in)/provided by investing activities</b>	<u>(126,019)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders	(1,086,647)	(1,087,351)
<b>Net cash used in financing activities</b>	<u>(1,086,647)</u>	<u>(1,087,351)</u>
Net (decrease)/increase in cash and cash equivalents	(241,302)	9,726
Cash at beginning of the reporting period	567,344	557,618
<b>Cash and cash equivalents at end of the financial period</b>	<u>326,042</u>	<u>567,344</u>

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**Note 1 Reporting entity**

The Cannon Hill 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). The termination date for this Scheme is 8 September 2022. 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 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.

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 11: Derivative financial instruments
- 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 replaced 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.

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**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**

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.

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**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 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.

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.

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
**30 June 2020**

**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.

**Cannon Hill Office Trust**  
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**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) Comparative figures**

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

**Note 4 Distributions to unitholders**

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

	2020		2019	
	\$	Cents/unit	\$	Cents/unit
Paid during the year (relating to current year)	997,532	6.79	998,539	6.79
Payable at year end	91,007	0.62	89,115	0.61
	<b>1,088,539</b>	<b>7.41</b>	<b>1,087,654</b>	<b>7.40</b>

**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
	\$	\$
<i>Audit and other assurance services</i>		
• Audit and review of the financial statements	21,900	20,775
• Audit of the compliance plan	3,450	3,210
Total remuneration for audit and other services	<b>25,350</b>	<b>23,985</b>

**Note 6 Cash and cash equivalents**

	2020	2019
	\$	\$
Cash at bank	<b>326,042</b>	567,344

**Note 7 Trade and other receivables**

	2020	2019
	\$	\$
Trade receivables	8,710	-
Straight line rental asset	120,355	45,435
GST receivable	1,381	-
	<b>130,445</b>	<b>45,435</b>

**Cannon Hill Office Trust**  
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**Note 8 Investment property**

	<b>2020</b>	2019
	\$	\$
Investment property	<b>24,170,119</b>	24,044,099
Impairment adjustment	<b>(2,031,621)</b>	-
Accumulated depreciation	<b>(2,138,498)</b>	(1,383,731)
	<b><u>20,000,000</u></b>	<u>22,660,368</u>

	<b>2020</b>	2019
	\$	\$
<i>At cost</i>		
Balance at beginning of period	<b>22,660,368</b>	23,415,132
Additions	<b>126,019</b>	-
Impairment adjustment	<b>(2,031,620)</b>	-
Depreciation expense	<b>(754,767)</b>	(754,764)
Balance at end of period	<b><u>20,000,000</u></b>	<u>22,660,368</u>

The investment is located at 38 Southgate Avenue, Cannon Hill, Brisbane Queensland and is a multi-tenanted, modern commercial precinct. The building was acquired on 8 September 2017.

An impairment write-down was made for the year ended 30 June 2020. This was based on a valuation undertaken by Acumentis Group Limited dated 12 June 2020, where the property was valued at \$20,000,000, being \$2,031,621 lower than the written down carrying value of \$22,031,621.

Additions during the period is comprised of capitalised leasing costs incurred in securing the new lease for Orica Australia Pty Ltd (trading as Orica).

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 2 tenants under operating leases with rentals payable monthly. Minimum lease payments receivable on lease of the investment property are as follows:

	<b>2020</b>	2019
	\$	\$
Not later than one year	<b>1,174,136</b>	2,130,289
Later than one year and not later than five years	<b>1,981,491</b>	3,791,701
Greater than five years	-	-
	<b><u>3,155,627</u></b>	<u>5,921,990</u>

**Note 9 Trade and other payables**

	<b>2020</b>	2019
	\$	\$
Trade payables	<b>19,848</b>	8,903
Accrued expenses	<b>61,941</b>	75,242
Rent received in advance	<b>110,630</b>	-
GST Payable	-	41,710
	<b><u>192,419</u></b>	<u>125,855</u>

**Cannon Hill Office Trust**  
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**Note 10 Borrowings**

	<b>2020</b>	2019
	<b>\$</b>	\$
<i>Secured loans</i>		
Commercial bill facility	<b>10,440,781</b>	10,436,558

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

<b>Facility</b>	<b>Secured</b>	<b>Maturity date</b>	<b>2020</b>		<b>2019</b>	
			<b>Facility limit</b>	<b>Drawn balance</b>	<b>Facility limit</b>	<b>Drawn balance</b>
			<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loan facility (i)	Yes	08-Sep-22	<b>10,450,000</b>	<b>10,450,000</b>	10,450,000	10,450,000
Loan facility (ii)	Yes	08-Sep-22	<b>1,650,000</b>	-	1,650,000	-
Unamortised transaction costs (iii)				<b>(9,219)</b>		<b>(13,442)</b>
<b>Total borrowings</b>				<b><u>10,440,781</u></b>		<b><u>10,436,558</u></b>

(i) The Responsible Entity entered into a commercial bill facility with Suncorp on 8 September 2017. The facility has a five year term and comprises three interest components, being a variable 30 day BBSW rate, a funding margin fee of 1.69% p.a. plus a customer margin fee of 0.60% p.a. (all 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 8 September 2017 to fix the variable interest rate at 2.36% p.a. for a term of 5 years (refer Note 8).

(ii) The second loan facility is a 5 year variable rate loan, comprised of a 30 day BBSW rate, plus a customer margin of 0.50% p.a. The second loan facility will initially be undrawn and will only be drawn upon as needed, in \$100,000 tranches, to fund future costs associated with:

- a) unbudgeted capital expenditure items, and;
- b) lease incentives, making good the premises, legal costs, consultants costs and real estate agents' leasing commissions.

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

The facility has been utilised and repaid during the year, and is fully available to draw down upon.

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.

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
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**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 8 September 2017, the Scheme entered into an interest rate swap derivative with a face value of \$10,450,000, fixed interest rate of 2.36% p.a. and an expiry date of 8 September 2022. The fair value of the interest rate swap asset as at 30 June 2020 was \$514,100, as determined by Suncorp using a mark-to-market valuation methodology.

**Recognised fair value measurements**

	2020	2019
	\$	\$
<i>Derivative asset</i>		
Interest rate swap - level 2	<u>514,100</u>	464,775

*(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
	\$	\$	\$	\$
<b>2020</b>				
Interest rate swap	-	514,100	-	514,100
<b>2019</b>				
Interest rate swap	-	464,775	-	464,775

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	14,700,000	14,700,000	14,700,000	14,700,000
Ordinary units issued	-	-	-	-
Ordinary units redeemed	-	-	-	-
Balance at end of period	<u>14,700,000</u>	<u>14,700,000</u>	14,700,000	14,700,000

**Cannon Hill Office Trust**  
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**Note 13 Net asset value per unit (non-IFRS disclosure)**

	<b>2020</b>	2019
	<b>\$</b>	\$
Net assets	<b>9,218,180</b>	12,156,844
<i>Adjustments for:</i>		
Accumulated depreciation (i)	-	1,383,731
Unamortised acquisition costs (stamp duty, legal fees and registration fees)	<b>650,580</b>	-
Amortised estimated selling costs	<b>(168,000)</b>	-
Derivative financial instruments	<b>514,100</b>	464,775
Straight-line (asset)/liability adjustments	<b>(120,355)</b>	(45,435)
Adjusted net assets	<b>10,094,505</b>	13,959,915
Net asset value per unit (NAV) (ii)	<b>\$ 0.69</b>	\$ 0.95

(i) 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**

	<b>2020</b>	2019
	<b>\$</b>	\$
Profit/(loss) for the period attributable to unitholders	<b>(1,850,125)</b>	(26,981)
<i>Adjustments for:</i>		
Amortised borrowing costs	<b>4,223</b>	4,211
Impairment	<b>2,031,621</b>	-
Depreciation	<b>754,767</b>	754,764
Net change in fair value of derivative financial instruments	<b>49,325</b>	365,975
<i>Change in operating assets and liabilities:</i>		
Decrease/(Increase) in trade and other receivables	<b>(85,011)</b>	(328,067)
Increase/(Decrease) in trade and other payables	<b>66,564</b>	53,219
Net cash provided by operating activities	<b>971,364</b>	1,097,077

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
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**Note 15 Related party transactions**

**Responsible Entity**

The Responsible Entity of the Cannon Hill 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

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**

	<b>2020</b>	2019
	\$	\$
<i>Expenses</i>		
Management and administration fees (i)	<b>1,972</b>	6,012
Compliance fees (i)	<b>396</b>	709
Professional fees (i)	<b>4,523</b>	2,500
Registry fees (ii)	<b>23,100</b>	20,400
Responsible Entity management fees (iii)	<b>96,750</b>	74,491
	<b>126,741</b>	104,112

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

	<b>2020</b>	2019
	\$	\$
Trade and other payables (i)(ii)(iii)	<b>8,737</b>	8,641

(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.

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
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**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.

*Units held by the Responsible Entity*

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

*Units held by Director related entities*

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

Entity	Unitholding \$	Interest held %	Units issued No.	Units redeemed No.	Distribution paid and/or payable \$
<b>2020</b>					
Aimwin Pty Ltd SF	10,000	0.0007	10,000	-	725
Bacon Executive SF	10,000	0.0007	10,000	-	725
	<u>20,000</u>	<u>0.0014</u>	<u>20,000</u>	<u>-</u>	<u>1,450</u>
<b>2019</b>					
Aimwin Pty Ltd SF	10,000	0.0007	10,000	-	725
Bacon Executive SF	10,000	0.0007	10,000	-	725
	<u>20,000</u>	<u>0.0014</u>	<u>20,000</u>	<u>-</u>	<u>1,450</u>

**(e) 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.

**(f) 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 financial 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.

With the onset of the COVID-19 pandemic, additional resources and time have been allocated to monitoring any adverse potential impacts. Regular discussion with property managers, tenants and loan providers are undertaken accordingly.

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.

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

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

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.

**(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>	2019
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	6	<b>326,042</b>	567,344
Trade and other receivables	7	<b>130,445</b>	45,435
<b>Total financial assets</b>		<b>456,487</b>	612,779

This risk is minimised by regularly reviewing the Scheme's trade and other receivables. 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 Scheme's balance sheet and forecast cash flow are reviewed in detail at a minimum on a monthly basis

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

**Cannon Hill Office Trust**  
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**Note 16 Financial risk management (continued)**

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
	\$	\$	\$	\$	\$	\$
<b>2020</b>						
<b>Financial liabilities</b>						
Distributions payable	91,007	91,007	91,007	-	-	-
Trade and other payables	192,419	192,419	192,419	-	-	-
Commercial bill facility	10,450,000	11,515,041	41,270	81,209	363,445	11,029,116
	<u>10,733,426</u>	<u>11,798,467</u>	<u>324,696</u>	<u>81,209</u>	<u>363,445</u>	<u>11,029,116</u>
<b>2019</b>						
<b>Financial liabilities</b>						
Distributions payable	89,115	89,115	89,115	-	-	-
Trade and other payables	125,855	125,855	125,855	-	-	-
Commercial bill facility	10,450,000	11,237,833	20,946	41,216	185,134	10,990,537
	<u>10,664,970</u>	<u>11,452,803</u>	<u>235,916</u>	<u>41,216</u>	<u>185,134</u>	<u>10,990,537</u>

**(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 and 30 June 2019 were as follows:

**Cannon Hill Office Trust**  
**Notes to the financial statements**  
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**Note 16 Financial risk management (continued)**  
**(c) Capital management (continued)**

	<b>Note</b>	<b>2020</b>	2019
		\$	\$
Total borrowings	10	<b>10,450,000</b>	10,450,000
Less: cash and cash equivalents	6	<b>(326,042)</b>	(567,344)
<b>Net debt</b>		<b><u>10,123,958</u></b>	<u>9,882,656</u>
Total assets		<b>20,456,487</b>	23,959,485
Less: cash and cash equivalents	6	<b>(326,042)</b>	(567,344)
<b>Adjusted assets</b>		<b><u>20,130,445</u></b>	<u>23,392,141</u>
<b>Gearing ratio</b>		<b>50%</b>	42%

The Scheme's gearing ratio is considered high.

**(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. COVID-19 has put pressure on tenant rent rates per square metre as well as incentives required to attract new tenants. Tenants looking to procure office leases are deferring their decision through brokering rent relief and deferrals as well as lease extension arrangements with their current landlord.

**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**

The Scheme is not exposed to other material market risk on its 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 \$20,456,487 (2019: \$23,959,485).

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

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

**Note 18 Contingent liabilities**

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

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**Notes to the financial statements**  
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**Note 19 Prior period error**

The Scheme had in previous periods misstated the straight-line adjustment required by AASB 16 Leases. The Scheme has subsequently corrected the misstated straight-line adjustments in the 2019 financial year.

	<b>Prior 2019</b>	<i>Adjustment</i>	<b>Restated 2019</b>
<b><u>Statement of profit or loss and other comprehensive income</u></b>			
<b>Revenue and other income</b>			
Rental income	2,097,755	(273,956)	1,823,799
<b>Total Revenue and other income</b>	<b>2,097,755</b>	<b>(273,956)</b>	<b>1,823,799</b>
Profit for the period before finance and impairment costs	740,775	(273,956)	466,819
Profit/(loss) for the period attributable to unitholders	246,975	(273,956)	(26,981)
<b>Total comprehensive income for the year attributable to unitholders</b>	<b>246,975</b>	<b>(273,956)</b>	<b>(26,981)</b>

**Statement of financial position**

*Adjustment relating to pre-2019 financial year:*

<b>Assets</b>	<b>01-Jul-19</b>	<i>Adjustment</i>	<b>Restated</b>
Trade and other receivables	731,773	(412,382)	319,391
<b>Total assets</b>	<b>23,959,485</b>	<b>(412,382)</b>	<b>23,547,103</b>
<b>Equity</b>			
Contributed equity	14,700,000	-	14,700,000
Accumulated losses	(1,856,818)	(412,382)	(2,269,200)
<b>Total equity</b>	<b>12,843,182</b>	<b>(412,382)</b>	<b>12,430,800</b>

*Cumulative adjustment relating to end of the 2019 financial year:*

<b>Assets</b>	<b>30-Jun-19</b>	<i>Adjustment</i>	<b>Restated</b>
Trade and other receivables	731,773	(686,338)	45,435
<b>Total assets</b>	<b>23,959,485</b>	<b>(686,338)</b>	<b>23,273,147</b>
<b>Equity</b>			
Contributed equity	14,700,000	-	14,700,000
Accumulated losses	(1,856,818)	(686,338)	(2,543,156)
<b>Total equity</b>	<b>12,843,182</b>	<b>(686,338)</b>	<b>12,156,844</b>

**Note 20    Events subsequent to reporting date**

As detailed in the Directors' report, the potential new tenant for the former GM Holden Ltd space withdrew their interest in the space citing pressures caused by COVID-19. This vacancy continues to put pressure on the cash flow of the Scheme, resulting in the Responsible Entity making the decision to reduce the distributions paid to investors from 7.25% p.a. to 5.00% p.a., effective from the distribution due to be paid in November 2020. This will continue to be monitored and reviewed on an ongoing basis. The Responsible Entity will correspondingly defer its management fee from November 2020, which will be reviewed at the end of the 2020/21 financial year.

Apart from the 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.

**Cannon Hill Office Trust  
Directors' declaration**

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

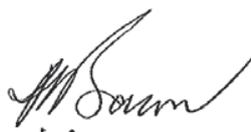
- (a) The financials statements and notes, as set out on pages 7 to 25 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and
  - (ii) 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

## INDEPENDENT AUDITOR'S REPORT

To the unitholders of Cannon Hill Office Trust

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Cannon Hill 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 Cannon Hill 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.

#### Other information

The directors of Trilogy Funds Management Limited, as Responsible Entity of Cannon Hill 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 Cannon Hill 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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