

THE TRILOGY TRUST

DIVERSE SECTOR FUND
ARSN 097 860 690

2002 ANNUAL REPORT

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The Trilogy Trust – Diverse Sector Fund is a multiple asset, fixed term property trust. It owns three Queensland properties being:-

- 388 Queen Street, a modern office building in the Brisbane CBD;
- Centro on James – Stage 3, a new mixed use property in the Fortitude Valley/Teneriffe area of Brisbane;
- Cairns Hypermart, a mixed use property located on the fringe of the Cairns CBD.

Units in the Trust are not listed on any exchange.

The Trust is managed by Property Funds Australia Limited. Details of the Manager can be obtained from the Manager's website www.pfaltd.com.au.



HIGHLIGHTS

PERIOD TO 30 JUNE, 2002

Distribution rate per annum	10.0%
Tax Sheltered Percentage	100%
Est. Net Asset Backing** per unit	98.2¢
% Borrowings to Total Assets*	52.4%
Book Value of Properties*	\$42.05M
Total Unitholders' Equity*	\$22.89M
Percentage of Net Lettable Area unlet*	0%~
Capital Expenditure during period	\$10,982
Weighted Average Interest Rate*	6.68%

* as at 30 June, 2002

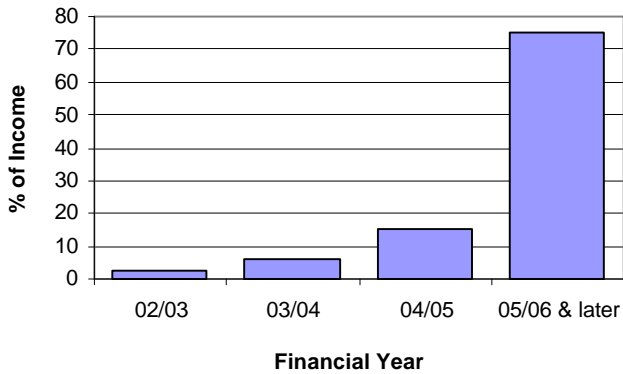
~ Does not include areas subject to vendor rental guarantee

** This amount is calculated by dividing trust equity (as at the balance date) by contributed capital. It should not be interpreted as indicative of realizable value as at balance date. The amount contains intangible assets (see Note 8) and is not a NTA.

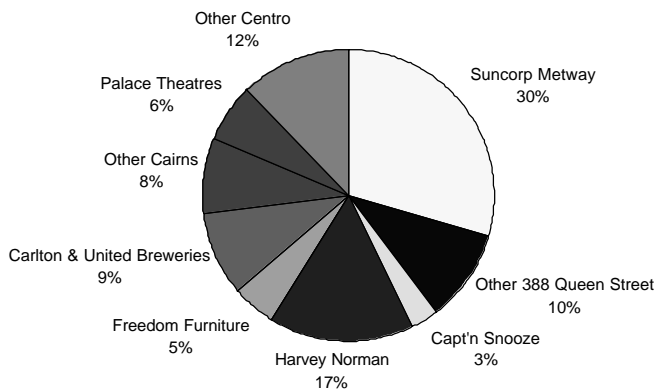


PORTFOLIO STATUS

LEASE EXPIRY PROFILE



TENANT BREAKDOWN (BY INCOME)



MANAGER'S REPORT

The Directors of Property Funds Australia Limited (the Manager) as responsible entity submit the following Annual Report of The Trilogy Trust – Diverse Sector Fund (referred to as the Trust) for the period from 18 December, 2001 (date of allotment of units in the Trust) to 30 June, 2002 ("the period").

DIRECTORS OF THE MANAGER

The name of each person who has been a director of the Manager during the period and to the date of this report are:

Christopher A Morton	
Archibald N Douglas	
Clive D Schultz	(resigned 28 February, 2002)
David J Conquest	
Elizabeth A Pidgeon	
Matthew B Madsen	

Directors have been in office since the commencement of the Trust to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the Trust is to invest in three properties being the properties referred to in the Prospectus. There has been no significant change in the nature of the activities of the Trust during the period.

DISTRIBUTIONS – FOR THE PERIOD ENDED 30 JUNE, 2002

Distributions for the period equated to 10.0% per annum on the contributed capital subscribed by unitholders in the Trust.

DISTRIBUTION POLICY – FOR THE YEAR ENDING 30 JUNE, 2003

Proposed distributions for the year ending 30 June, 2003 equate to a distribution of 10.0% per annum on the contributed capital subscribed by unitholders in the Trust.

The Board will continue to monitor the appropriateness of the proposed distribution rate throughout the current financial year.

OPERATING RESULTS

The Trust's profit was \$1,033,340. This profit was determined after amortisation of \$275,666.

REVIEW OF OPERATIONS

Set out below is a brief summary of the period:-

Acquisition

- Contracts to purchase 388 Queen Street, Centro on James – Stage 3 and Cairns Hypermart were all settled on 19 December, 2001 with purchase prices in



accordance with the Prospectus. The total of acquisition, offer and borrowing costs was not materially at variance to the Prospectus estimate.

Finance Facilities

- Details of the finalised finance facilities were outlined in some detail in the February, 2002 "Investor Update". The terms of the acquisition loans were within the parameters outlined in the prospectus.

Interest Rate Management

- On 12 September, 2002 a "cap and collar" interest rate risk management product was purchased from the Commonwealth Bank of Australia at a cost to the Trust of \$243,750. The effect of this acquisition is that the Cairns Hypermart acquisition loan facility with ING Funds Management is now (up to October, 2006) effectively subject to a maximum rate of 6.7% per annum and a minimum rate of 6.1% per annum. The purchase of this product was funded out of the reserve initially established for this purpose. The purchase and use of the product is as contemplated in the prospectus. As security for the provision of the product, the Bank required a \$500,000 cash deposit against which the Bank can set-off future obligations under the product.
- Averaged over the forecast period in the Prospectus, interest rates as finalised for all acquisition finance facilities will be now below those rates forecast and assumed in the Prospectus.

388 Queen Street

- A five year lease over 240m² of ground floor retail office space was entered into with Primelife Corporation, a significant retirement village owner and manager. This area was previously subject to a Vendor's rental guarantee.
- The level 11 lease to Prentice Parbury Barilla has been assigned to Harmers Workplace Lawyers;
- The level 14 lease to the Dunne Group has been assigned to Wedgetail Communications.

Centro on James (Stage 3)

- The Trust's contract to purchase 30 car parks within the Centro – Stage 5 residential development (now known as "East Village") is expected to require settlement in early 2003 at a price of approximately \$362,500. It is currently proposed that this price will be paid out of established reserves.
- The following new leases were entered into in respect of areas previously subject to vendor rental guarantees. These leases have taken the property to being 100% fully let:-
 - Melandas Home Concepts – a five year lease over 366m² at the ground level, James/Robertson Streets corner location;
 - Oliver Hume (Australia) Pty Ltd – a five year lease over 245m² at the ground level on the Robertson Street frontage;
 - Swan Financial Group – a five year lease over 200m² also at the ground level on the Robertson Street frontage.



Cairns Hypermart

- The extension of Capt'n Snooze lease over 1,111m² of retail space from mid-2005 to December, 2008 with a rental reduction of approximately \$45,000 per annum being agreed;
- Carlton & United Breweries ("CUB") are looking to sub-lease the CUB Centre fundamentally due to an outsourcing of their distribution functions. This has made the ongoing use by them of the CUB Centre redundant. The Prospectus stated that CUB was unlikely to renew their lease at option.

General

- After a comprehensive tender process, the appointment of Knight Frank to carry out property management functions for all properties (except for physical "on site" management of the Cairns Hypermart).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the Trust's state of affairs during the period other than those referred to elsewhere in this report.

AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event (other than as disclosed in this report) of a material or unusual nature likely, in the opinion of the Manager, to significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust, in future financial years.

FUTURE DEVELOPMENTS

The likely developments in the operation of the Trust and the expected results of those operations are currently not anticipated to vary significantly from that disclosed in the prospectus forecast.

ENVIRONMENTAL ISSUES

The Funds operations are not subject to any significant environmental regulation under Commonwealth or State legislation other than that which any real property located in Queensland could be subjected.

OPTIONS

No options over units in the Trust were granted during or since the end of the period and there were no options outstanding at the date of this report.



INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No insurance premiums are paid out of the assets of the Trust in regards to insurance cover provided to the Manager, the Custodian or the Auditors of the Fund. As long as the officers of the Manager act in accordance with the Trust Constitution and the law, the Manager remains indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors are in no way indemnified out of the assets of the Trust.

PROCEEDINGS ON BEHALF OF MANAGER

No person has applied for leave of the Court to bring proceedings on behalf of the Manager or intervene in any proceedings to which the Manager is a party for the purpose of taking responsibility on behalf of the Manager for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors of the Manager.

Christopher A. Morton
Managing Director

25 September, 2002



CORPORATE GOVERNANCE

The Corporate Governance practices of the Manager are set out below. Unless otherwise stated, these practices were in place for the entire period.

THE MANAGER

Property Funds Australia Limited (the Manager) is the Responsible Entity of the Fund. The role of the Responsible Entity is to manage the Fund in the Investors' best interests in accordance with the Constitution and the Law.

The Corporations Act (2001) (Cwth) empowers the Manager to engage agents to act on its behalf, however it remains fully responsible for the actions of those agents.

THE BOARD OF THE MANAGER

The Directors of the Board of the Manager are appointed by the shareholders of the Manager. They hold office until removed by the shareholders of the Manager or until they retire. Ultimate responsibility for corporate governance matters resides with the Board of Directors who are currently as follows:-

Christopher A Morton (Managing Director)

Archibald N Douglas (Non-Executive)

Elizabeth A Pidgeon (Non-Executive)

David J Conquest (Executive)

Matthew B Madsen (Executive)

The Board has access to all documents and information necessary to discharge its duties and responsibilities. Board meetings are generally held monthly with additional meetings held as necessary.

COMPLIANCE MONITORING AND REPORTING

The Manager engages a Compliance Officer. The Compliance Officer is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis, and ensuring appropriate compliance measures are in place. The Compliance Officer prepares regular reports to the Compliance Committee.

THE COMPLIANCE COMMITTEE

The Compliance Committee is appointed by the Board of the Manager. The Committee currently consists of three members, two of whom are independent of the Manager, including the chair of the Compliance Committee. The members are:-

- Mr Bede King (External Chairman): Mr King is a senior legal practitioner previously practising in corporate and property areas of the law and is a partner of the legal firm Tobin King Lateef.
- Mr Ray Kellerman (External Member): Mr Kellerman is the former Head of Compliance Services, Perpetual Trustees Limited, a long established trustee company.
- Mr Chris Morton (Managing Director).



The Committee has a statutory obligation to monitor the extent to which the Manager complies with the Fund's Compliance Plan and the Corporations Act.

The Committee generally meets bi-monthly, or as necessary. It is provided by the compliance officer with comprehensive compliance reports. The Committee reports its findings to the Board of the Manager.

INDEPENDENT PROFESSIONAL ADVICE

Under the Corporations Act, the Compliance Committee, in carrying out its functions, may commission independent legal, accounting or other professional advice or assistance, at the reasonable expense of the Fund.

ACCESS TO INFORMATION

The Compliance Committee has access to all information relevant to the Manager's compliance with the Compliance Plan and the Corporations Act.

FUNDS MANAGEMENT REVIEW COMMITTEE

The Funds Management Review Committee is a committee of the senior executives of the Manager (currently comprising the Managing Director, an Executive Director and the Fund Manager). The Committee (which was recently established) reviews significant matters as they arise (including capital expenditures, leasing proposals and distributions).

RISK MANAGEMENT

A number of risk management related issues relating to the Fund are considered and dealt with in the Compliance Plan. Both the Board and the Compliance Committee consider risk management issues relating to their particular area of focus with the intent of developing mechanisms and systems to deal with risk.

REMUNERATION OF EXPENSES

The Directors of the Manager are remunerated by the Manager itself. There is no remuneration payable to the Directors by the Fund. The Board of the Manager contractually establishes the remuneration of the external Compliance Committee Members.

The Fund meets the costs associated with external Compliance Committee Members and committee related costs.

AUDIT

The Manager does not have a formally constituted audit committee.

The Manager has appointed an external auditor to audit the operations of the Fund and its financial statements. An external auditor has also been appointed to audit the Manager's compliance with the Compliance Plan.



STATEMENT OF FINANCIAL PERFORMANCE

for the Period Ended 30 June, 2002

	Note	2002 \$
Revenue from ordinary activities	2	2,931,431
Expenses from ordinary activities		
Property expenses	2	(572,991)
Fund expenses		
Direct expenses	2	(198,856)
Amortisation	2	(233,307)
		(432,163)
Borrowing costs		
Interest	2	(850,578)
Amortisation	2	(42,359)
		(892,937)
Profit/(Loss) from ordinary activities before income tax expense		1,033,340
Income tax expense relating to ordinary activities	1(d)	-
Profit/(Loss) after income tax expense attributable to Unitholders		1,033,340
Total changes in Trust equity other than those resulting from transactions with Unitholders as Unitholders		1,033,340

To be read in conjunction with the notes to the financial statements



STATEMENT OF FINANCIAL POSITION

as at 30 June, 2002

	Note	2002 \$
CURRENT ASSETS		
Cash assets	4	2,461,100
Receivables	5	165,591
Other	6	69,496
TOTAL CURRENT ASSETS		2,696,187
NON-CURRENT ASSETS		
Investment – Property	7	42,051,661
Other	8	3,858,009
TOTAL NON-CURRENT ASSETS		45,909,670
TOTAL ASSETS		48,605,857
CURRENT LIABILITIES		
Payables	9	231,012
Interest bearing liabilities	10	1,171
TOTAL CURRENT LIABILITIES		232,183
NON-CURRENT LIABILITIES		
Interest bearing liabilities	10	25,482,644
TOTAL NON-CURRENT LIABILITIES		25,482,644
TOTAL LIABILITIES		25,714,827
NET ASSETS		22,891,030
EQUITY		
Unitholders' equity	11	22,891,030
TOTAL EQUITY		22,891,030

To be read in conjunction with the notes of the financial statements



STATEMENT OF CASH FLOWS

for the Period Ended 30 June, 2002

	Note	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Rent & outgoings received		3,129,319
Interest received		53,717
Payments to suppliers		(1,428,295)
Interest paid		(850,578)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12	904,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition and establishment costs		(3,732,907)
Purchase of investment – property and capital improvements		(42,051,661)
NET CASH PROVIDED BY INVESTING ACTIVITIES		(45,784,568)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to Unitholders		(1,054,772)
Cost of equity raising		(387,538)
Units issued		23,300,000
Net proceeds from borrowings		25,482,644
NET CASH PROVIDED BY FINANCING ACTIVITIES		47,340,334
NET INCREASE/(DECREASE) IN CASH HELD		2,459,929
Cash at the beginning of the financial period		-
CASH AT 30 JUNE, 2002	12	2,459,929

To be read in conjunction with the notes to the financial statements



NOTES TO THE FINANCIAL STATEMENTS

for the Period Ended 30 June, 2002

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the terms of the Trust Constitution.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of material accounting policies adopted by the Trust in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Income & Expenditure

Property and other income and expenditure are accounted for on an accruals basis.

(b) Investment - Property

Investment – Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured on the fair value basis. Annual assessments are undertaken by the Manager to ensure the carrying amount of investment property is not significantly different to the fair value of the investment property.

Where a material variance arises, a revaluation is required to align the carrying amount of investment property with its fair value. Revaluation increments are recognised as increases to the Asset Revaluation Reserve, except to the extent that they represent reversals of prior revaluation decrements. Reversals of prior year revaluation decrements are recognised in the Statement of Financial Performance as a revenue to the extent of the prior revaluation decrements. Revaluation decrements are recognised as expenses in the Statement of Financial Performance, except to the extent that they represent reversals of prior revaluation increments. Reversals of prior revaluation increments are recognised as decreases to the Asset Revaluation Reserve to the extent of the prior revaluation decrements.

Investment – Property is not depreciated as it is held as an investment where the value of the land, buildings and improvements is expected to appreciate over time.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

(c) Non-Current Other Assets

Other Assets consist of acquisition costs, establishment and borrowing costs.

Acquisition and establishment costs include but are not limited to stamp duty on purchase, legal costs, Manager's initial fee and due diligence costs.

These costs are capitalised to the extent of the future economic benefits expected to be derived from their initial incurrence.

The borrowing costs are amortised on a straight-line basis over the term of the loan. The acquisition and establishment costs are amortised on a straight-line basis over the remaining term of the Trust.

(d) Income Tax

The Trust adopts the liability method of tax effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for income tax as it is unlikely that any taxable income will be retained by the Trust in 2002.

(e) Cash

For the purpose of the Statement of Cash flows, Cash includes Cash at Bank and Term Deposits.

(f) Distributions Paid

Distributions have been recognised when paid. No accrual for distribution entitlements is recognised.

(g) Comparatives

As this is the first period of operation for the Trust, no comparatives exist.

2002
\$

NOTE 2: REVENUE & EXPENSES FROM ORDINARY ACTIVITIES

REVENUE FROM ORDINARY ACTIVITIES

Rent received	2,699,339
Outgoings recovered	178,375
Interest received	53,717
	<hr/>
	2,931,431



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

	2002
	\$
PROPERTY EXPENSES	
Airconditioning maintenance	15,231
Cleaning	66,444
Electricity & gas	94,543
Fire protection costs	9,725
Garden maintenance	2,108
Insurance	67,574
Land tax	49,359
Licences & fees	2,234
Lift maintenance	19,114
Professional fees	4,157
Property management costs	46,254
Rates	152,856
Repairs & maintenance	31,877
Security costs	11,515
	<hr/> 572,991
DIRECT EXPENSES	
Accountancy	16,966
Advertising	110
Auditors remuneration	10,150
Bank charges	4,296
Borrowing costs – Bill facility	33,616
Compliance committee costs	9,462
Consultants fees	19,830
Custodian fees	10,500
Legal fees	8,782
Licence & permits	1,319
Postage	1,794
Registry fees	1,750
Reporting expenses	4,081
Managers fees	76,200
	<hr/> 198,856
AMORTISATION	
Acquisition and establishment costs	233,307
	<hr/> 233,307
BORROWING COSTS	
Interest	850,578
Amortisation	42,359
	<hr/> 892,937
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE	
INCOME TAX EXPENSE	<hr/> <hr/> 1,033,340



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

	2002 \$
NOTE 3: AUDITORS REMUNERATION	
Audit of financial report	10,150
Other services	1,750
	<u>11,900</u>
NOTE 4: CASH ASSETS	
Cash at bank and term deposits	<u>2,461,100</u>
NOTE 5: RECEIVABLES	
Trade debtors	83,014
Other debtors	16,075
Accrued income	66,502
	<u>165,591</u>
NOTE 6: CURRENT OTHER ASSETS	
Prepaid expenses	56,896
Deposits	12,600
	<u>69,496</u>
NOTE 7: INVESTMENT – PROPERTY	
Property described as Centro on James (Stage 3), Cnr James & Robertson Streets, Fortitude Valley, Brisbane, Queensland	
Investment in Land & Buildings – at purchase price	<u>9,240,669</u>
Property described as 388 Queen Street, Brisbane, Queensland	
Investment in Land & Buildings – at purchase price	16,000,000
Development Works in Progress – at cost	7,732
	<u>16,007,732</u>
Property described as Cairns Hypermart, 101 – 113 Spence Street, Cairns, Queensland	
Investment in Land & Buildings – at purchase price	16,800,010
Development Works in Progress – at cost	3,250
	<u>16,803,260</u>
TOTAL INVESTMENT – PROPERTY	<u>42,051,661</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

2002
\$**NOTE 8: NON-CURRENT OTHER ASSETS**

Borrowing costs	400,768
Less accumulated amortisation	(42,359)
	358,409
Acquisition and establishment costs	3,732,907
Less accumulated amortisation	(233,307)
	3,499,600
	3,858,009

NOTE 9: PAYABLES**Current**

Trade creditors	14,787
Accrued expenses	125,319
GST payable	50,705
Rental/Outgoings received in advance	6,215
Other creditors	33,986
	231,012

NOTE 10: INTEREST BEARING LIABILITIES**Current**

Bank Overdraft	1,171
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Non-Current

Mortgage Loans	25,482,644
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The Mortgage Loans are as follows:

- (a) A Mortgage Loan from ING Funds Management Limited comprising a variable five year facility of \$10,000,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Cairns Hypermart, 101 – 113 Spence Street, Cairns, Queensland, and an interest bearing deposit of \$600,000. Interest on the loan is payable monthly in arrears on the first day of each month.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

Subsequent to balance date, the Manager purchased an interest rate risk management product of a "cap and collar" nature from the Commonwealth Bank of Australia which has had the effect when matched with the ING Funds Management facility of providing a maximum interest rate of 6.7% per annum and a minimum interest rate of 6.1% per annum depending on the movement of 90 day bank swap rates. The cost of this facility was \$243,750 and requires that a \$500,000 cash deposit be put in place as a right of set off for future obligations.

- (b) A Fixed Rate Bill Facility from Commonwealth Bank of Australia for a five year term of \$5,885,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Centro on James (Stage 3), cnr James and Robertson Streets, Brisbane, Queensland. Interest is payable monthly on rollover date on the first day of each month.
- (c) A Mortgage Loan from Citibank Limited comprising a fixed rate five year facility of \$9,600,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at 388 Queen Street, Brisbane, Queensland, and an interest bearing deposit of \$300,000. Interest on the loan is payable monthly in arrears on the 19th day of each month.
- (d) The borrowings were undertaken by Property Funds Australia Limited as Manager of the Trust. Trust Company of Australia Limited as Custodian granted mortgages over the investment property and interest bearing deposits to secure the borrowings. Neither the Unitholders, the Manager or Custodian are personally liable beyond the value of the capital contributed.

2002
\$

NOTE 11: UNITHOLDERS' EQUITY

Contributed Capital	23,300,000
Current year profit	1,033,340
Capital raising costs	(387,538)
Current year distributions	(1,054,772)
	<u>22,891,030</u>
The number of units on issue in the Trust at year end	23,300,000
There were no withdrawals during the period.	



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

2002
\$**NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS****Reconciliation of Cash**

Cash at the end of the financial period as shown in The Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: (refer to note 4 & 10)

Cash at Bank and Term Deposits	2,461,100
Bank Overdraft	(1,171)
	<hr/> 2,459,929 <hr/>

Reconciliation of net cash provided by activities to profit from ordinary activities after income tax expense

Profit from ordinary activities after income tax expense	1,033,340
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Non cash items in profit from ordinary activities:

Amortisation – Acquisition and establishment costs	233,307
Amortisation – Borrowing costs	42,359

Changes in Assets and Liabilities:

Increase in Receivables	(165,591)
Increase in Current Other Assets	(69,496)
Increase in Borrowing costs	(400,768)
Increase in Payables	231,012

Net Cash Provided by Operating Activities	<hr/> 904,163 <hr/>
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NOTE 13: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial period, the Trust has paid a Distribution to Unitholders for the month of June 2002 totalling \$194,167.

NOTE 14: PRINCIPAL ACTIVITY

The principal activity of The Trilogy Trust is investment in income producing retail and commercial buildings at 388 Queen Street and Centro on James Street, Fortitude Valley, Brisbane and Cairns Hypermart, Cairns, Queensland .



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

NOTE 15: CONTINGENT LIABILITY

Sale Performance Management Fees

In accordance with the prospectus and Trust Constitution, the Manager is entitled to remuneration as follows:-

- (i) In consideration for arranging the sale of any Individual Property and only in the event that the sale price of the Individual Property after deduction of agents' fees, legal fees relating to the sale, advertising and auction expenses exceeds the Purchase Price of the Individual Property, the Manager will be paid 2% of the sale price of the Individual Property. Such sum will be paid to the Manager upon the date that the sale proceeds are received by the Manager.
- (ii) If upon the sale of the last of the Individual Properties during the term of the Trust at a price, which after the deduction of agent's fees and expenses of sale, has resulted in a premium on the subscribed amount by Unitholders at:-
 - a. More than 50% on their original subscribed amount, then the Manager will be paid an additional fee ("the Additional Fee") of 2.5% calculated on the gross sale price achieved in respect of all of the Individual Properties before the subtraction of the usual selling expenses; or
 - b. 50% or less but more than 30% on their original subscribed amount, then the Manager will be paid a marginal fee ("the Marginal Fee") of 1.5% calculated on the gross sale price achieved in respect of all of the Individual Properties before the subtraction of the usual selling expenses;

PROVIDED HOWEVER that if the payment of the Additional Fee or Marginal Fee reduces the premium on the subscribed amount to less than 50% or 30% respectively then the Additional Fee or Marginal fee will reduce by an amount that will ensure that the 50% or 30% premium is payable to each Unitholder.

This is outlined in Section 15.3 of the prospectus and Clause 18.4 and 18.5 of the Trust Constitution.

NOTE 16: OPERATING LEASE COMMITMENT RECEIVABLE

2002
\$

Operating Lease Commitments contracted as receivables:

- not later than 1 year	4,767,219
- later than 1 year but not later than 5 years	12,011,948
- later than 5 years	3,716,179

Aggregate lease revenue contracted for at balance date	20,495,346
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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

NOTE 17: OTHER STATUTORY INFORMATION

- (a) The Trust was deemed to have commenced operations on the Commencement Date, being 13 September, 2001 (the date of receipt by the Custodian of the first contribution). Under the Trust Constitution, the property cannot be held for more than eight years from 19 December, 2001 unless all of the Investors agree that it should be retained for a further period.
- (b) The land title to the property is registered in the name of Trust Company of Australia Limited who is appointed under the Custody Agreement to act as the Custodian on behalf of the Manager who in turn is trustee for the Unitholders.
- (c) The Trilogy Trust is a Trust settled and domiciled in Australia.

NOTE 18: RELATED PARTY TRANSACTIONS

- (i) Details of the Manager and the Custodian are as follows:-

Manager

Property Funds Australia Limited ACN 078 199 569

Directors who held office during the period were -

Christopher Arthur Morton

Archibald Norman Douglas

Elizabeth Ann Pidgeon

Clive Douglas Schulz (resigned 28 February, 2002)

David John Conquest

Matthew Bradley Madsen

Custodian

Trust Company of Australia Limited ACN 004 027 749

Directors who held office during the period were -

James Gordon Moffat – Chairman

John Gregory Macarthur – Vice Chairman

Jonathan Westaby Sweeney – Managing Director

Warren John McLeland

Robert Bruce Corlett

Robert David Jeremy

Robert Frantley Lloyd



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

2002
\$

(ii) Related party transactions during the period were as follows:-

The Manager

Management fee for the period was paid to Property Funds Australia Limited as provided for in the prospectus and in accordance with the Trust Constitution.

76,200

Initial fee as provided for in the prospectus and in accordance with the Trust Constitution.

2,120,141

Inhouse accountancy fee for the period was paid to Property Funds Australia Limited. This fee was determined on a commercial basis.

10,460

The Custodian

Custodian fee for the period was paid to Trust Company of Australia Limited in accordance with the Custody Agreement.

10,500

Investment Management Australia Limited

Messrs A. Douglas and C. Schultz, Directors of the Manager, are Directors of Investment Management Australia Limited. Investment Management Australia Limited was paid a fee for assisting the Compliance Committee to perform its statutory functions.

1,439

NOTE 19: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Trust's exposure to interest rate risk, which is the risk that the Trust debt will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on the classes of financial assets and financial liabilities, is as follows:



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Period Ended 30 June, 2002

(b) Net Fair Values

The net fair values of all financial assets and liabilities approximates their carrying values.

	Weighted Average Effective Interest Rate 30/06/2002	Floating Interest Rate 30/06/2002	1 to 5 Years 30/06/2002	Non – Interest Bearing 30/06/2002	Total 30/06/2002
Financial Assets					
Cash	3.8	-	2,461,100		2,461,100
Other				12,600	12,600
Receivables				165,591	165,591
Total Financial Assets			2,461,100	178,191	2,639,291
Interest Bearing Liabilities					
Payables	6.68	10,000,000	15,483,815		25,483,815
				231,012	231,012
Total Financial Liabilities		10,000,000	15,483,815	231,012	25,714,827

NOTE 20: SEGMENT INFORMATION

The Trust operates in one business segment, being property investment and in one geographical segment being Australia.

NOTE 21: UNITS ISSUE

The Trilogy Trust was approved by the Australian Securities & Investment Commission as a managed investment scheme on 23 August, 2001. Pursuant to this, the Manager issued a Prospectus dated 4 September, 2001 inviting offers for investment in the Trust. On 18 December, 2001, the Manager resolved to allot 23,300,000 units at \$1.

NOTE 22: COMMITMENTS

In accordance with the prospectus, the Centro on James – Stage 5 carpark lot that was contemplated being acquired post settlement is expected to be settled in approximately March, 2003. The negotiated purchase price is anticipated to be in the order of \$362,500.



DECLARATION BY THE DIRECTORS OF THE MANAGER

The directors of Property Funds Australia Limited as Manager of The Trilogy Trust declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Trust's financial position as at 30 June, 2002 and of its performance for the period ended on that date;
2. In the directors' opinion, there are reasonable grounds to believe that The Trilogy Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of Property Funds Australia Limited.

C A Morton
Managing Director

Brisbane
25 September, 2002



INDEPENDENT AUDIT REPORT TO UNITHOLDERS

Scope

We have audited the financial report of The Trilogy Trust for the financial period ended 30 June 2002 being the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to the Financial Statements and Declaration by the Directors of the Manager. We have conducted an independent audit of the financial report in order to express an opinion on it to the Unitholders.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Corporations Act 2001, Australian Accounting Standards, other mandatory professional reporting requirements, statutory requirements in Australia and the terms of the Trust deed, so as to present a view which is consistent with our understanding of The Trilogy Trust financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of The Trilogy Trust is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of The Trilogy Trust's financial position as at 30 June 2002 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and Corporations Regulations; and
- (b) other mandatory professional reporting requirements; and
- (c) the terms of the Trust deed.

BDO KENDALLS
Chartered Accountants
Brisbane
25 September, 2002

P A Gallagher
Partner



DIRECTORY

MANAGER

Property Funds Australia Limited
ACN 078 199 569

Registered Office & Principal Place of Business

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CUSTODIAN

Trust Company of Australia Limited
ACN 004 027 749
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BRISBANE Q 4000

TAXATION ADVISER

BDO Kendalls
Level 18
300 Queen Street
BRISBANE Q 4000

DIRECTORS OF THE MANAGER

Christopher A Morton (Managing
Director)
Archibald N Douglas
Elizabeth A Pidgeon
David J Conquest
Matthew B Madsen

REGISTRY

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BRISBANE Q 4000

AUDITOR

BDO Kendalls
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300 Queen Street
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SOLICITORS FOR MANAGER

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