



THE TRILOGY TRUST

Diverse Sector Fund

A.R.S.N. 097 860 690

**interim financial report
December 31, 2001**

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THE TRILOGY TRUST – DIVERSE SECTOR FUND

INTERIM MANAGER'S REPORT



I am pleased to present the Interim Report of The Trilogy Trust – Diverse Sector Fund ("the Fund") for the period up to 31 December, 2001 ("the Period").

Review of Operations

The Fund's operational issues are as follows:-

- ▲ **Acquisition Settlements:** Contracts to purchase 388 Queen Street, Centro on James (Stage 3) and the Cairns Hypermart were all settled on 19 December, 2001. The purchase prices paid were in accordance with the figures provided in the Prospectus.
- ▲ **Equity/Debt:** \$1.8M more subscriptions than the minimum of \$21.42M was accepted. This reduced the gearing level of the Fund by approximately 4% which the Directors view as a positive benefit to investors. Due to low interest rates available at the time, this was able to be achieved without any anticipated affect on forecast distribution levels.
- ▲ **Finance Arrangements:** A blend of financiers, finance terms and arrangements were chosen in respect of debt funding. The property acquisition loan financiers were Citibank Limited (388 Queen Street), Commonwealth Bank (Centro - Stage 3) and ING Funds Management (Cairns Hypermart). The terms of acquisition loans were within the parameters outlined in the prospectus including:-
 - Interest only facilities;
 - Five (5) year loan terms;
 - Fixed interest rate acquisition loans at 7.2%p.a. for five (5) years with Citibank (37.3% of the total acquisition debt) and 6.98%p.a. for five (5) years with the Commonwealth Bank (23.7% of the total acquisition debt);
 - A variable rate for the acquisition loan with ING (39% of the total acquisition debt).
 - A \$750,000 reserve for the acquisition of interest rate hedging instruments was set aside under the prospectus. An amount of \$87,677 has been expended from this reserve - essentially in the process of fixing 61% of debt.
- ▲ **The Properties:** Given the early stages of the life of the Fund there is little activity to report. However, the following comments can be made:-
 - 388 Queen Street: The Prentice Parbury Barilla (level 11) lease has been assigned to Hamers Workplace Lawyers. The Dunne Group (financial planners) lease of level 14 has been assigned to Wedgetail Communications.
 - Centro - Stage 3: The James Street Bistro adjacent to the Palace Cinemas opened for trading in November, 2001. Early trading performance appears to be more than satisfactory.
It is currently anticipated that the 30 car parks to be made available under the "to be constructed" Centro (Stage 5) residential development may be available by the end of this year.
 - Cairns Hypermart: The Freedom Group have acquired the Capt'n Snooze chain (also a tenant of this property). Freedom are also an adjoining tenant of Capt'n Snooze in the Cairns Hypermart.

Financial Results

The accounting loss for the Period was \$21,304. The loss was attributable to timing of period expenses for the 11 days of trading from settlement to 31 December, 2001.

Distributions for the period ended 31 December, 2001

There were no distributions made during the Period. However, part of the distribution made on 21 February, 2002 related to the period. This distribution was at the prospectus forecast rate of 10%p.a.

THE TRILOGY TRUST – DIVERSE SECTOR FUND

INTERIM MANAGER'S REPORT



Directors

The directors of the responsible entity in office any time during or since the end of the Period are:

Christopher Arthur Morton
Archibald Norman Douglas
Elizabeth Ann Pidgeon
Clive Douglas Schultz (resigned 28 February, 2002)
David Conquest
Matthew Bradley Madsen

State of Affairs

In the opinion of the Manager, there were no significant changes in the state of affairs of the Fund.

.....
Christopher A. Morton
Managing Director

THE TRILOGY TRUST
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 DECEMBER 2001



	Note	31 December 2001 \$
Revenues from ordinary activities		131,403
Direct Property Expenses		(60,052)
Amortisation		(30,955)
Borrowing Costs		(58,753)
Other Expenses from Ordinary Activities		<u>(2,947)</u>
Profit/(Loss) from ordinary activities before income tax		(21,304)
Income tax attributable to profit/(loss) from ordinary activities	1(a)	-
Profit/(Loss) from ordinary activities after income tax expense		(21,304)
Funds Distributed or to be Distributed to Members		-
Total change in equity		<u>(21,304)</u>

The above condensed statement of financial performance should be read in conjunction with the notes to the financial statements.

THE TRILOGY TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2001



	31 December 2001 \$
CURRENT ASSETS	
Cash assets	2,846,324
Receivables	259,368
Other	12,500
Total Current Assets	<u>3,118,192</u>
 NON-CURRENT ASSETS	
Other Financial Assets	42,040,679
Other	4,314,734
Total Non-Current Assets	<u>46,355,413</u>
 TOTAL ASSETS	 <u>49,473,605</u>
 CURRENT LIABILITIES	
Payables	885,431
Total Current Liabilities	<u>885,431</u>
 NON-CURRENT LIABILITIES	
Interest Bearing Liabilities	25,485,000
Total Non-Current Liabilities	<u>25,485,000</u>
 TOTAL LIABILITIES	 <u>26,370,431</u>
 NET ASSETS	 <u>23,103,174</u>
 EQUITY	
Contributed Equity	23,124,478
Retained Earnings/(Losses)	(21,304)
TOTAL EQUITY	<u>23,103,174</u>

The above condensed statement of financial position should be read in conjunction with the notes to the financial statements.

THE TRILOGY TRUST
CONDENSED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 31 DECEMBER 2001



	31 December 2001 \$
Cash Flows from Operating Activities	
Receipts from Customers	142,833
Payments to suppliers	(3,502,341)
Borrowing costs paid	(362,968)
Cash Provided by/ (Used in) Operating Activities	<u>(3,722,476)</u>
Cash Flows from Investing Activities	
Payment for Other Financial Assets	(42,040,679)
Cash Provided by/ (Used in) Investing Activities	<u>(42,040,679)</u>
Cash Flows from Financing Activities	
Proceeds from Borrowings	25,485,000
Units Issued	23,300,000
Cost of Equity Raising	(175,521)
Cash Provided by/ (Used in) Financing Activities	<u>48,609,479</u>
Net Increase/(Decrease) in cash held	2,846,324
Cash at the Beginning of the Financial Period	-
CASH AT THE END OF THE FINANCIAL PERIOD	<u>2,846,324</u>

The above condensed statement of cash flows should be read in conjunction with the notes to the financial statements.



Note 1 – Basis of Preparation

The half-year interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements. It is recommended that this interim financial report be read in conjunction with any public announcements made by Property Funds Australia Limited as the responsible entity for The Trilogy Trust during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the trust and will be consistent with those to be applied in the 30 June 2002 annual report.

The half-year financial report does not include full disclosures of the type normally included in the annual financial report.

(a) 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 operating profit before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for tax as it is unlikely that any taxable income will be retained by the trust in 2002.

Note 2 – Events Subsequent to Balance Date

There have been no events subsequent to balance date.

Note 3 – Contingent Liabilities

There are no contingent liabilities as at balance date.

Note 4 – Segment Information

The Trust operates predominantly in one geographical segment, being Queensland, and one industry segment, being property investment.

Note 5 – Units Issue

The Trilogy Trust was approved by the Australian Securities & Investments Commission as a managed investment scheme on 23 May, 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 issue of \$23,300,000 in units was approved by the Manager.

THE TRILOGY TRUST

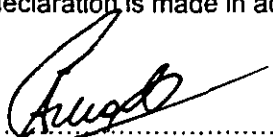
DECLARATION BY THE DIRECTORS OF THE MANAGER

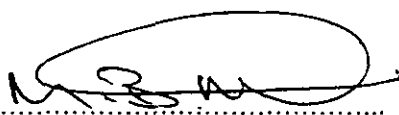


The directors of Property Funds Australia Ltd as the Responsible Entity for The Trilogy Trust declare that:

1. the accompanying condensed financial statements and notes
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the financial position as at 31 December 2001 and performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the 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 Directors.


.....
Christopher Arthur Morton
Managing Director


.....
Matthew Bradley Madsen
Director

Brisbane
Dated: 18 March 2002

THE TRILOGY TRUST

INDEPENDENT REVIEW REPORT TO THE UNITHOLDERS



Scope

We have reviewed the Interim Financial Report of The Trilogy Trust for the half year ended 31 December 2001 as set out on pages 3 to 7. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Accounting Standard AASB1029: *Interim Financial Reporting* and other mandatory professional reporting requirements, and statutory requirements so as to present a view which is consistent with our understanding of the trust's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the trust to lodge the interim financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of trust personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of The Trilogy Trust is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the trust's financial position as at 31 December 2001 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB1029: *Interim Financial Reporting* and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

BDO Kendalls
Chartered Accountants

BDO Kendalls
Paul Gallagher
Paul Gallagher
Partner

Brisbane

Date: 18 Dec 2001