Stockland Direct Retail Trust No. 1
and its controlled entities

ARSN: 121 832 086

Annual Financial Report
30 June 2020

Registered office:
133 Castlereagh Street
Sydney NSW 2000

Contents

Directors' report

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity ("RE") of Stockland Direct Retail Trust No. 1 ("the Trust"), present their report together with the consolidated financial report made in accordance with a resolution of the Directors with respect to the results of the Trust and its controlled entities ("the Consolidated Entity") for the financial year ended 30 June 2020, the state of the Consolidated Entity's affairs as at 30 June 2020 and the Independent Auditor's Report thereon.

SCPL was appointed as the RE when the Trust commenced on 26 April 2006. On 4 October 2006, the Trust was registered as a Managed Investment Scheme with the Australian Securities and Investments Commission ("ASIC").

DIRECTORS

The Directors of SCPL at any time during or since the end of the financial year ("the Directors") are:

Mr Barry Neil

Chairman (Non-Executive), BE (Civil)

Barry Neil was appointed as Chair and Director of the Company on 19 October 2010.

Mr Neil has over 40 years' experience in all aspects of property development, both in Australia and overseas. Mr Neil's executive career included senior property and investment roles at both Mirvac and Woolworths Limited and has included the acquisition, development and operation of landmark developments in multiple asset classes.

Mr Neil is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited and a Director of Terrace Tower Group Pty Ltd.

Mr Neil is also a Director of Stockland Corporation Limited and Stockland Trust Management Limited and a member of the Stockland Audit Committee and Sustainability Committee.

Mr Mark Steinert

Managing Director (Executive), BAppSc, G Dip App Fin & Inv (Sec Inst), F Fin, AAPI

Mark Steinert was appointed as a Director of the Company on 29 January 2013. Mr Steinert was also appointed to the Board on 29 January 2013.

Mr Steinert has over 27 years' experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and 10 years in listed real estate with UBS where he held numerous senior roles including Head of Australasian Equities, Global Head of Research and Global Head of Product Development and Management for Global Asset Management, a $559 billion Global Fund Manager.

Mr Steinert is a past President and current Director of the Property Council of Australia and a member of the Property Male Champions of Change and a former Director of the Green Building Council of Australia.

Mr Steinert is a member of the Sustainability Committee and a Director of Stockland Corporation Limited and Stockland Trust Management Limited. Mr Steinert is also a Director of the Stockland CARE Foundation Board.

Mr Stephen Newton

Director (Non-Executive), BA (Ec and Acc), MCom, MICAA, MAICD

Stephen Newton was appointed as a Director of the Company on 18 December 2017.

Mr Newton has extensive experience across real estate investment, development and management, and infrastructure investment and management. Mr Newton is a Principal of Arcadia Funds Management Limited, a real estate investment management and capital advisory business and, prior to this, he was the Chief Executive Officer – Asia/Pacific for the real estate investment management arm of Lend Lease.

Mr Newton is currently a Director of BAI Communications Group, Waypoint REIT Group (formerly Viva Energy REIT Group) and Sydney Catholic Schools Limited, and Chairman of the Finance Council for the Catholic Archdiocese of Sydney.

Mr Newton was appointed a Director of Stockland Corporation Limited and Stockland Trust Management Limited on 20 June 2016, and as Chair of the Stockland Audit Committee and a member of the Stockland Risk Committee and Sustainability Committee on 26 October 2016.

Mr Terry Williamson

Director (Non-Executive Independent), BEc, MBA, FCA, FCPA, FGIA, MACS, MIIA, FAICD

Terry Williamson was appointed as a Director of the Company, the Responsible Entity for Stockland's unlisted funds, on 9 April 2018. He is also a member of the SCPL Audit and Risk Committee..

Mr Williamson was a Director of Stockland Corporation Limited and Stockland Trust Management Limited from April 2003 to October 2015.

Mr Williamson is currently a Director of United Malt Group and Apollo Care Operations Pty Limited and Apollo Care Pty Limited. Mr Williamson is also a member of the Building and Estates Committee, a sub-committee of the Senate of the University of Sydney. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of Price Waterhouse (now PricewaterhouseCoopers) for 17 years. Mr Williamson was former Chair of the Stockland Audit Committee, Stockland Financial Services Compliance Committee and Stockland Capital Partners Financial Services Compliance Committee, and a former member of the Stockland Sustainability Committee.

COMPANY SECRETARY

The Company Secretary of SCPL at any time during or since the period ended 30 June 2020 is Ms Katherine Grace. Ms Grace was appointed on 16 September 2014.

Ms Katherine Grace

Company Secretary, BA (Hons), LLB (Hons 1st Class), MPP, MAICD

Katherine Grace was appointed as Company Secretary of the Company on 16 September 2014.

Ms Grace has practised as a solicitor for over 15 years with extensive experience in corporate, property and debt and capital markets transactions working with a wide range of stakeholders including listed board directors, equity investors, regulators, media and financiers.

Prior to joining Stockland, Ms Grace held the roles of General Counsel and Company Secretary for Westfield Retail Trust and Valad Property Group.

In addition to her role as Company Secretary, Ms Grace is Stockland's General Counsel and has responsibility for Stockland's legal and risk functions.

STOCKLAND CAPITAL PARTNERS LIMITED AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in fulfilling its governance and disclosure responsibilities in relation to financial reporting, internal controls, risk management systems and internal and external audits.

The Stockland Capital Partners Audit and Risk Committee is responsible for:

- the integrity of its financial reports and external audit;
- the appropriateness of its accounting policies and processes;
- the effectiveness of its financial reporting controls and procedures;
- the effectiveness of its internal control environment;
- the management of financial and non-financial risks;
- compliance with SCPL's Australian Financial Services Licences and Compliance Plans;
- compliance with relevant laws and regulations including any prudential supervision procedures; and
- the assessment of the impact of non-financial risks and the key risk register for SCPL and the funds that it manages.

The charter of the Committee was updated in August 2018 to rename the Committee as "Audit and Risk Committee" so as to reflect the consideration of audit and risk issues. At least twice a year the Committee meets with the external auditor, and at least once a year the internal auditor, in the absence of management. The Committee has unrestricted access to executive management, all employees and all of Stockland's records, tax and financial advisers, legal advisers, and internal and external auditors. The Committee has the power to conduct or authorise investigations into, or consult independent specialists on, any matters within the Committee's scope of responsibility. The Committee has written terms of reference which incorporates best practice. Its members must be independent of management and at least one member of the Committee must have relevant accounting qualifications and experience and all members should have a good understanding of financial reporting.

The members of the Committee at any time during the financial year are:

Mr S Newton (Chair) – Non-Executive Director (appointed 26 October 2016)

Mr T Williamson – Non-Executive Director (appointed 9 April 2018)

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors ("the Board") and of the Audit and Risk Committees and the number of meetings attended by each of the Directors during the financial year were:

	Scheduled Board		Audit and Risk Committee	
Director	A	B	A	B
Mr B Neil	7	7	-	-
Mr S Newton	7	7	4	4
Mr M Steinert	6	7	-	-
Mr T Williamson	6	7	4	4

A – Meetings attended / B – Meeting eligible to attend

PRINCIPAL ACTIVITY

As at 30 June 2020, the principal activity of the Consolidated Entity is to finalise SDRT No.1 's obligations following the sale of the Trust's properties.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

At a meeting of unitholders held on 8 March 2019, a special resolution was passed to terminate and wind-up the Trust and sell all of the properties or interests in the properties of the Trust.

As a result, it was determined that in accordance with the Australian Accounting Standards, the going concern basis of preparation of the financial statements was no longer appropriate and the financial statements for the year ended 30 June 2020 have been prepared on a liquidation basis. The annual report for the year ended 30 June 2019 was also prepared on a liquidation basis.

As a result of the special resolution, all the properties were disposed of during the financial year. The Trust will no longer derive any income following the disposal of its properties.

REVIEW AND RESULTS OF OPERATIONS

The Consolidated Entity recorded a profit of $2,612,000 for the financial year ended 30 June 2020 (2019: loss of $3,060,000).

The Consolidated Entity declared distributions totalling $39,311,000 (2019: $2,676,000) to the unitholders during the financial year. As at 30 June 2020, no distribution is payable to the unitholders (2019: $669,000) as set out in Note 17.

The sale of Pacific Pines, Tamworth Homespace and Benowa Gardens were settled on 19 August 2019, 31 October 2019 and 20 March 2020 respectively. Refer to Note 10.

Net Tangible Assets per Unit (NTA) at 30 June 2020 was $4.81 (2019:$0.98). The NTA increased on a per unit basis as a result of the redemption and cancellation of 99% of unitholders' units on 2 June 2020. The pro forma NTA at 30 June 2020, before the redemption and cancellation of unitholders' units, was $0.05 cents per unit. The decrease from $0.98 per unit at 30 June 2019 to the pro forma NTA of $0.05 cents per unit at 30 June 2020 is a result of the distributions paid to unitholders during the period following the sale of the Trust's properties.

The NTA as at 30 June 2020 includes an estimate of transaction costs and Trust wind-up costs in order to estimate the net realisation available to unitholders. The final net realisation that unitholders receive will however depend on any payments made in connection with warranties provided pursuant to the sale of the Trust's properties and the actual associated disposal and winding up costs, including where applicable, any performance fee.

LOAN FACILITY

The Trust had a loan facility agreement with Commonwealth Bank of Australia. This facility was fully repaid during the period (2019: $42,600,000). Refer to Note 14.

The Trust had one interest rate swap contract with a nominal amount of $30,000,000, which had the effect of converting the loan facility base rate into a 2.805% p.a fix rate. This swap contract matured on 19 December 2019 and was not renewed or otherwise extended.

LIKELY DEVELOPMENTS

An orderly liquidation process commenced following the 8 March 2019 unitholders' meeting and the disposal of all properties. The Consolidated Entity will continue to implement this orderly liquidation process with the view of optimising returns to unitholders.

EVENTS OCCURING AFTER THE REPORTING PERIOD

Subsequent to year end the warranty provided in connection with the sale of Pacific Pines expired on 18 August 2020 without any claims being made.

Other than disclosed elsewhere, no matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Consolidated Entity's operations, results of those operations or state of affairs in future financial years.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Responsible Entity believes that the Consolidated Entity has adequate systems in place for the management of its environmental responsibilities and is not aware of any breach of environmental requirements as they may apply to the Consolidated Entity.

RELATED PARTIES

Interests of the Responsible Entity

Stockland Capital Partners Limited as the Responsible Entity has not held any units in the Consolidated Entity either directly or indirectly during the financial year (2019: nil).

Stockland Trust Management Limited, as Responsible Entity of Stockland Trust, a related party of the Responsible Entity, held 78,775 units in the Consolidated Entity as at 30 June 2020 (2019: 7,877,500). The number of units has decreased following the redemption and cancellation of 99% of unitholders' units at a gross redemption price of 0.95 cents per unit ($74,836) on 2 June 2020.

Responsible Entity's remuneration

The Responsible Entity charged a responsible entity fee of 0.46% p.a. (inclusive of GST net of reduced input tax credits) of the gross assets of the Consolidated Entity, calculated monthly. The Responsible Entity may defer a portion of annual fees each year. The Responsible Entity is entitled to recover all fees deferred either from Consolidated Entity earnings or on the winding up of the Consolidated Entity. The Responsible Entity charges are set out in Note 20.

Directors' interests

No directors of the Responsible Entity held any units in the Consolidated Entity at the date of this report.

INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITOR

Indemnification

Under the Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Consolidated Entity's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Consolidated Entity.

The Consolidated Entity has not indemnified or made a relevant agreement for indemnifying against a liability in respect of any person who is the auditor of the Consolidated Entity.

Insurance premiums

During the financial year, the Responsible Entity paid insurance premiums in respect of Directors' and officers' liability insurance contracts. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or had been Directors and officers of the Responsible Entity.

In addition, the Responsible Entity paid insurance premiums for professional indemnity insurance policies to cover certain risks for the Directors. Details of the premiums paid are included in Note 20.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2020.

ROUNDING

The Consolidated Entity is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Mark Steinert
Director

Dated at Sydney, 28 August 2020

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Auditor's Independence Declaration

As lead auditor for the audit of Stockland Direct Retail Trust No. 1 for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stockland Direct Retail Trust No. 1 and the entities it controlled during the year.

JDP Wills
Partner
PricewaterhouseCoopers

Sydney
28 August 2020

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Consolidated statement of comprehensive income

Year ended 30 June

$'000	Notes	2020	2019
Rent from investment properties	5	3,956	9,107
Interest income		6	18
Revenue and other income		**3,962**	**9,125**
Investment property expenses		(1,322)	(3,054)
Finance costs		(633)	(1,814)
Responsible Entity fees	20	(184)	(408)
Auditor's remuneration	4	(66)	(76)
Provision for transaction and Trust's wind up costs	12	(40)	(1,317)
Other expenses		(165)	(426)
Expenses		**(2,410)**	**(7,095)**
Net change in fair value of investment properties	10	1,060	(5,090)
Profit/(loss) for the period		2,612	(3,060)
Items that are or may be reclassified to profit or loss, net of tax			
Effective portion of changes in fair value of cash flow hedges	16	241	93
Other comprehensive income for the period		241	93
Total comprehensive income for the period		2,853	(2,967)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June $'000	Notes	2020	2019
Cash and cash equivalents	6	2,614	1,340
Receivables	7	239	1,082
Other assets	8	-	1,728
Investment properties	10	-	81,607
Assets		2,853	85,757
Payables	11	892	2,251
Provisions	12	56	1,317
Other liabilities	13	-	910
Borrowings	14	-	42,540
Liabilities		948	47,018
Net assets		1,905	38,739
Units on issue	15	1,905	26,114
Reserves	16	-	(241)
Undistributed profit		-	12,866
Unitholders' funds		1,905	38,739

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

		Attributable to unitholders of the Trust			
$'000	**Notes**	**Units on issue**	**Reserves**	**Undistributed profit**	**Total**
Balance at 1 July 2018		**26,114**	**(334)**	**18,602**	**44,382**
Loss for the period		-	-	(3,060)	(3,060)
Other comprehensive income	16	-	93	-	93
Total comprehensive income for the period		-	93	(3,060)	(2,967)
Transactions with owners in their capacity as owners					
Distributions paid/payable	17	-	-	(2,676)	(2,676)
Balance at 30 June 2019		26,114	(241)	12,866	38,739
Balance at 1 July 2019		**26,114**	**(241)**	**12,866**	**38,739**
Profit for the period		-	-	2,612	2,612
Other comprehensive income	16	-	241	-	241
Total comprehensive income for the period		-	241	2,612	2,853
Transactions with owners in their capacity as owners					
Distributions paid/payable	17	(23,833)	-	(15,478)	(39,311)
Redemption of units		(376)	-	-	(376)
Balance at 30 June 2020		1,905	-	-	1,905

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

Year ended 30 June $'000	Notes	2020	2019
Cash receipts in the course of operations (including GST)		4,467	9,927
Cash payments in the course of operations (including GST)		(3,885)	(4,837)
Interest received		6	18
Interest and borrowing costs paid		(611)	(1,741)
Net cash flows from operating activities	18	(23)	3,367
Proceeds from disposal of investment properties		84,524	-
Payments for investment properties		(271)	(1,171)
Net cash flows from investing activities		84,253	(1,171)
Borrowings	14	(42,600)	400
Units redemption/cancelation	15	(376)	-
Distribution paid to unitholders	17	(39,980)	(2,739)
Net cash flows from financing activities		(82,956)	(2,339)
Net movement in cash and cash equivalents		1,274	(143)
Cash and cash equivalents at the beginning of the period		1,340	1,483
Cash and cash equivalents at the end of the period	6	2,614	1,340

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

Notes to the consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stockland Direct Retail Trust No. 1 ("the Trust") is a Managed Investment Scheme formed and domiciled in Australia.

These financial statements are consolidated financial statements for the Trust and its controlled entities ("the Consolidated Entity").

These financial statements were authorised for issue by the Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity ("RE") for the Trust, on 28 August 2020.

A. Basis of preparation

These financial statements have been prepared in accordance with Australian Accounting Standards ("AASB") and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Trust is a for-profit unit trust for the purpose of preparing these financial statements.

I. GOING CONCERN AND LIQUIDATION BASIS

At a meeting of unitholders held on 8 March 2019, a special resolution was passed to terminate and wind-up the Trust and sell all of the properties or interests in the properties of the Trust. As a result of the special resolution, all the properties in the Trust were disposed of during the year ended 30 June 2020 and therefore, in accordance with Australian Accounting Standards, the going concern basis of preparation of the financial statements was no longer appropriate and the financial statements for the year ended 30 June 2020 have been prepared on a liquidation basis.

Under the liquidation basis of accounting all assets and liabilities are measured at liquidation value, which represent their net realisable value. With reference to the assets of the Trust, net realisable value approximates the current carrying amount of the assets measured under the relevant Accounting Standards adjusted for estimated disposal and wind-up costs. The liquidation value of the liabilities recognised represents their estimated settlement amount. Any gains or losses resulting from measuring assets and liabilities to the liquidation value are recognised in profit or loss.

Under the liquidation basis of accounting, all the assets and liabilities are arranged in order of liquidity and expected costs arising from the liquidation process have been recorded in the results of the Trust

In adopting the liquidation basis, the Directors have continued to apply the disclosure requirements of Australian Accounting Standards to the extent they are relevant to the liquidation basis, and modified them where considered appropriate. Based on the profits and net cash inflows from operating activities in the period as well as a review of the cash flow forecast until the targeted wind-up of the Trust, the Directors are satisfied that the Trust will be able to pay its debts as and when they become due and payable. Accordingly, the Directors have reasonable grounds to believe that they will be able to proceed to an orderly wind-up of the Trust.

II. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

III. ROUNDING OF AMOUNTS

The Trust is an entity of the kind referred to in Australian Securities and Investments Commission ('ASIC') Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

IV. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2020. The Trust has assessed the standards and believes that there are currently no new standards which will have a material impact on its financial statements.

The Trust has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period.

In particular, the Trust has adopted AASB 16 *Leases* during the period. Due to the nature of the assets and leases in the Trust, no changes to lease accounting were required on transition to AASB 16.

B. Principles of consolidation

These consolidated financial statements incorporate the assets, liabilities and results of all controlled entities.

Controlled entities are all entities over which the Trust has control. The Trust controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between controlled entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

C. Revenue recognition

RENT FROM INVESTMENT PROPERTIES

Rent from investment properties includes lease revenue and outgoings recoveries associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements.

Lease revenue is recognised on a straight-line basis over the lease term, net of any incentives.

Revenue related to outgoings recoveries is recognised over time as the estimated costs are consumed by the tenants. Should any adjustment be required based on actual costs incurred, this is recognised in the balance sheet within the same reporting period and billed annually.

INTEREST INCOME

Interest income is recognised as it accrues using the effective interest method.

D. Finance costs

FINANCE COSTS TO EXTERNAL PARTIES

Finance costs to external parties include interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Where interest rates are hedged, the finance costs are recognised net of any realised effect of the hedge.

Finance costs to external parties are recognised as an expense in the statement of comprehensive income on an accruals basis.

E. Income tax

Under current Australian income tax legislation, the Trust and the Consolidated Entity are not liable for income tax provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unitholders each year. Tax allowances for building, plant and equipment depreciation are distributed to unitholders in the form of tax preferred components of distributions.

F. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

G. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance under the expected credit loss model.

No adjustment was recognised on the change to liquidation basis of preparation as the net realisable value approximates the amortised costs.

H. Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, capital appreciation, or both.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in profit or loss in the period.

Where a property is undergoing redevelopment, it is carried at fair value. Where property does not qualify as investment property but is to be redeveloped into investment property it is treated as investment property and carried at fair value.

Lease incentives provided by the Consolidated Entity to lessees, and rental guarantees which may be received by the Consolidated Entity from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Consolidated Entity holds it to earn rental income, for capital appreciation, or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

As investment properties were carried at fair value, no adjustment was recognised on the change to liquidation basis of preparation.

FAIR VALUE

When assessing fair value, the Directors of the Responsible Entity will consider the discounted cash flows of the investment property based on reliable estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income. In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property. These valuations are considered by the Directors of the Responsible Entity when determining fair value.

SUBSEQUENT COSTS

The Consolidated Entity recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

DISPOSAL OF REVALUED ASSETS

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included in profit or loss in the financial year of disposal.

I. Impairment of other non-financial assets

The Consolidated Entity's assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

J. Trade and other payables

Trade and other payables are stated at amortised cost.

No adjustment was recognised on the change to liquidation basis of preparation as the net realisable value approximates the carrying value.

K. Distribution payable

Distributions to unitholders are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Directors of the Responsible Entity on or before the end of the financial year, but not distributed at balance date.

No adjustment was recognised on the change to liquidation basis of preparation as the net realisable value approximate the carrying value.

L. Provisions

A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, provisions are determined by discounting the expected future cash flows at the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

At 30 June 2019 and 30 June 2020 a provision was recognised separately for the estimated transaction and Trust wind-up costs including advisory, tax and accounting professional fees and regulatory costs associated with the unitholders' resolution to terminate and wind-up the Trust and sell all of the properties or interests in the properties of the Trust.

PERFORMANCE FEE

The performance fee is recognised in profit or loss on an accruals basis. The performance fee is calculated in accordance with the Product Disclosure Statement ("PDS") and Constitution based on the value of the Consolidated Entity's property interest at the current balance date, discounted to reflect the projected life of the Consolidated Entity and inherent market risks. The performance fee recognised will continue to be remeasured at each balance date to reflect movements in the Consolidated Entity's performance during the period. Any revision to the performance fee will be adjusted through profit or loss in the current financial year.

M. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

N. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method unless there is an effective fair value hedge of the borrowings, in which case the borrowings are carried at fair value and changes in the fair value recognised in profit or loss.

No adjustment was recognised on the change to liquidation basis of preparation as the net realisable value approximates carrying value.

O. Derivative and hedge activities

The Consolidated Entity held derivative financial instruments to hedge interest rate risk exposures arising from operational, financing and investment activities. In accordance with the Responsible Entity's treasury policy, it does not hold or issue derivative financial instruments for trading purposes.

The Consolidated Entity assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are the effect of the counterparty and Consolidated Entity's own credit risk on the fair value of the swaps, which is not reflected in the fair value of the hedged item.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria: (1) an economic relationship exists between the hedged item and hedging instrument; (2) the effect of credit risk does not dominate the value changes resulting from the economic relationship; and (3) the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

Derivative financial instruments were initially recognised at fair value and remeasured at each balance date. The gain or loss on re-measurement to fair value was recognised in profit or loss except where the derivative was designated and qualifies as a cash flow hedge.

At inception of a hedge relationship, the Consolidated Entity documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Consolidated Entity also documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges was recognised in the cash flow hedge reserve within equity with any gain or loss recognised in other comprehensive income. The gain or loss relating to the ineffective portion was recognised immediately in profit or loss, within other expenses.

For the effective portion of cash flow hedges, amounts accumulated in equity were reclassified to profit or loss in the periods when the hedged item affects profit or loss. Accordingly, the gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings was recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

No adjustment was recognised on the change to liquidation basis of preparation as the net realisable value approximated the carrying value.

P. Unitholders' funds

Units within the Trust have been classified as equity as the units are redeemable on liquidation. The Responsible Entity determines the level of distributions on a discretionary basis. Unitholders are entitled to a pro-rata share of the entity's net assets on winding up.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

A. Key sources of estimation uncertainty

FAIR VALUE OF INVESTMENT PROPERTIES MEASUREMENT, VALUATION TECHNIQUES AND INPUTS

The following table shows the valuation techniques used in measuring the fair value of investment properties as at 30 June 2019, as well as significant unobservable inputs used.

Class of Property	Hierarchy	Valuation Technique	Inputs used to Measure Fair Value	Range of Unobservable Inputs 2020	2019
Retail	Level 3	DCF, income capitalisation method	Net passing rent (per sqm p.a.)	-	$89-$448
			Net market rent (per sqm p.a.)	-	$133-$539
			10 year average market rental growth	-	2.39%-3.58%
			Adopted capitalisation rate	-	6.00%-8.50%
			Adopted terminal yield	-	6.25%-9.00%
			Adopted discount rate	-	7.50%-9.00%

The adopted valuations for investment properies are based on the Directors' assessment of the valuations determined using the discounted cash flow ("DCF") and the income capitalisation methods as well as a review of other available market information at reporting date.

The table below explains the key inputs used to measure fair value for commercial properties:

Discounted cash flow method	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income Capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, to which various capital adjustments are made.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Net market rent	Net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
10 year average market rental growth	The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.

VALUATION PROCESS

The aim of the valuation process is to ensure that all investment property assets are held at fair value in the Trust's accounts and that the Trust is compliant with applicable regulations (for example ASIC regulations) and the SCPL Constitution and Compliance Plan.

The Trust's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued.

EXTERNAL VALUATIONS

The SCPL Compliance Plan for the Trust requires that the asset must be valued by an independent external valuer at least every three years however, valuations are completed at least annually.

SENSITIVITY INFORMATION

Significant input	Fair value measurement sensitivity to significant: increase in input	decrease in input
Net passing rent	Increase	Decrease
Net market rent	Increase	Decrease
10 year average market rental growth	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

ESTIMATE OF PERFORMANCE FEE EXPENSE

The Responsible Entity may be entitled to charge a performance fee in accordance with section 7 of the PDS and the Trust Constitution, subject to the unitholders receiving at least the return of their subscribed equity. In the event a performance fee is applicable, the Responsible Entity is entitled to a performance fee calculated for each property (including GST less any reduced input tax credits) as the sum of:

- a base performance fee equal to 2.56% of the sale price; plus
- a tier 1 fee equal to 10.25% of the net sale proceeds (the sale price of the property less agent commissions and selling costs) if the net sale proceeds exceed the property acquisition price after subtracting the base performance and tier 1 fees; plus
- a tier 2 fee equal to 10.25% of the net sale proceeds if the net sale proceeds exceed the property acquisition price by more than 20% after subtracting the base performance and tier 1 fees.

The Responsible Entity also agreed to the following in respect of any performance fee:

1. Payment of any performance fee would be deferred until all properties have sold;
2. The performance fee shall be calculated taking into account the aggregate, rather than individual, performance of the properties. In other words, the calculation will take into account the net effect of both underperformance and outperformance of the properties; and
3. The total amount of any performance fee payable will be reduced by 25 per cent.

Notwithstanding that based on the sale prices achieved for the properties, some performance targets were achieved which would have resulted in a performance fee being payable, unitholders would not have received at least the return of their subscribed equity following payment of the fee and accordingly, the Responsible Entity is not entitled to the performance fee.

ASSUMPTIONS UNDERLYING THE RESPONSIBLE ENTITY'S ESTIMATES OF FAIR VALUE OF DERIVATIVES

The fair value of derivatives is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. The determination of fair value of derivatives is described further in Note 19.

3. OPERATING SEGMENTS

The Consolidated Entity and the Trust operate solely in the business of property investment management in Australia, this being its one operating segment.

4. AUDITOR'S REMUNERATION

$	2020	2019
PwC Australia		
Audit and review of the Financial Report	49,115	59,544
Compliance audit services	16,772	16,127
Auditor's remuneration	65,887	75,671

5. RENT FROM INVESTMENT PROPERTIES

$'000	2020	2019
Lease revenue	3,315	7,599
Outgoings recoveries[1]	641	1,508
Rent from investment properties	3,956	9,107

[1] Revenue related to outgoings recoveries is recognised under AASB 15 over time in the accounting period in which the performance obligations are met.

The Trust wiil no longer derive any rental income following the disposal of its properties

6. CASH AND CASH EQUIVALENTS

$'000	2020	2019
Cash at bank and on hand	2,614	1,340
Cash and cash equivalents	2,614	1,340

The weighted average interest rate for cash at bank and on hand as at 30 June 2020 was 0.1% p.a. (2019: 1.41% p.a.).

7. RECEIVABLES

$'000	2020	2019
Trade debtors	23	227
Allowance for expected credit loss	(23)	(91)
Straight lining of rental income	-	717
Other receivables	239	229
Receivables	239	1,082

8. OTHER ASSETS

$'000	2020	2019
Fit-out contributions	-	1,252
Prepayments	-	97
Lease incentives (deferred cost)	-	84
Other	-	295
Other assets	**-**	**1,728**

9. MINIMUM LEASE PAYMENTS RECEIVABLE ON LEASES OF INVESTMENT PROPERTIES

$'000	2020	2019
Within one year	-	6,799
Later than one year but not later than five years	-	17,661
Later than five years	-	7,344
Other assets	**-**	**31,804**

The Trust wiil no longer derive any rental income following the disposal of its properties

10. INVESTMENT PROPERTIES

		Original acquisition		Independent Valuation		Capitalisation rate		Weighted average lease term[2]		Book value	
						2020	2019	2020	2019	2020	2019
Description	Title	Date	$'000[1]	date	$'000	%	%	Years	Years	$'000	$'000
Benowa Gardens Shopping Centre, Benowa, Qld[3]	Freehold	December 2006	25,198	December 2019	N/A	N/A	7.00	N/A	3.0	-	38,750
Pacific Pines Shopping Centre, Pacific Pines, Qld[4]	Freehold	December 2006	16,347	June 2019	N/A	N/A	6.00	N/A	6.1	-	30,810
Tamworth Homespace Tamworth, NSW[5]	Freehold	December 2006	21,150	June 2019	N/A	N/A	8.50	N/A	1.6	-	14,100
Book value										-	83,660
Less amounts classified as:											
- Trade and other receivables (straight lining of rental income)										-	(717)
- Other assets (fitout and lease incentives)										-	(1,336)
Investment properties										-	81,607

[1] Excluding acquisition costs.

[2] Weighted average lease term by rental income (number of years).

[3] Benowa Gardens was sold on 20 March 2020 for $40.1 million.

[4] Pacific Pines was sold on 19 August 2019 for $30.81 million.

[5] Tamworth Homespace was sold on 31 October 2019 for $15.022 million, which resulted in a net sale price of $14.1 million after adjusments for outstanding incentives, committed lessor works and rental guarantees.

A. Net carrying value movements

$'000	2020	2019
Carrying amount at the beginning of the period	81,607	85,827
Net gain/(loss) on fair value adjustments of investment properties	1,060	(5,090)
Expenditure capitalised	270	870
Disposal of investment properties	(82,937)	-
Carrying amount at the end of the period	-	81,607

11. PAYABLES

$'000	2020	2019
Trade payables and accruals	505	1,974
Amounts due to the RE	98	180
GST payable	289	97
Payables	892	2,251

12. PROVISIONS

$'000	2020	2019
Opening balance	1,317	-
Additional provision for transaction and Trust's wind-up costs[1] created	40	1,317
Provision utilised	(1,301)	-
Closing balance	56	1,317

[1] Additional transaction costs expected to be incurred in finalising the wind up of the Trust.

13. OTHER LIABILITIES

$'000	2020	2019
Distribution payable	-	669
Cash flow hedge – interest rate swap liability	-	241
Other liabilities	-	910

14. BORROWINGS

$'000	2020	2019
Loan facility drawn	-	42,600
Less: attributable transaction costs	-	(60)
Borrowings	-	42,540

LOAN FACILITY

During the period the Trust fully repaid $42,600,000 in drawn debt following the disposal of Pacific Pines, Tamworth Homespace and Benowa Gardens. The Consolidated entity no longer had any loan facility agreement as at 30 June 2020.

The Trust had one interest rate swap contract with a nominal amount of $30,000,000, which had the effect of converting the loan facility base rate into a 2.805% p.a fix rate. This swap contract matured on 19 December 2019 and was not renewed or otherwise extended.

15. UNITS ON ISSUE

	2020		2019	
	No. of units	$'000	No. of units	$'000
Units on issue	**395,995**	**1,905**	39,600,000	26,114

Date	Details	No. of units	$'000
Movement in units			
1 July 2018	Opening Balance	39,600,000	26,114
30 June 2019	Closing Balance	39,600,000	26,114
1 July 2019	Opening Balance	39,600,000	26,114
25 May 2020	Return of capital[1]	0	(23,833)
02 June 2020	Cancellation[2]	39,204,005	(376)
30 June 2020	**Closing Balance**	**395,995**	**1,905**

Each unit ranks equally with all other units for the purpose of distributions and on termination of the Trust.

[1]Return of capital of 60.18 cents per unit ($23.833 million in total). Higher return of capital for accounting purposes is mainly due to full utilisation of available undistributed profit.

[2]99% of unitholders' units were redeemed and cancelled at a gross redemption price of 0.95 cents per unit ($376,200) on 2 June 2020.

16. RESERVES

$'000	2020	2019
Cash flow hedge reserve		
Balance at the beginning of the period	**(241)**	(334)
Effective portion of changes in the fair value of cash flow hedge[1]	**241**	93
Balance at the end of the period	-	(241)

[1] This swap contract matured on 19 December 2019 and was not renewed or otherwise extended.

The cash flow hedge reserve was used to record the effective portion of changes in the fair value of derivatives that were designated and qualified as cash flow hedges.

17. DISTRIBUTIONS TO UNITHOLDERS

	Cents per unit (¢)	Amount ($'000)	Date of payment	Tax deferred
26 August 2019	**17.8207**	**7,057**	**26 August 2019**	**48.65%**
30 September 2019	**1.3100**	**519**	**31 October 2019**	**48.65%**
31 December 2019	**1.1400**	**451**	**28 February 2020**	**48.65%**
25 May 2020[1]	**79.00**	**31,284**	**25 May 2020**	**48.65%**
Year ended 30 June 2020		**39,311**		
30 September 2018	1.6900	669	31 October 2018	8.81%
31 December 2018	1.6900	669	28 February 2019	8.81%
31 March 2019	1.6900	669	30 April 2019	8.81%
30 June 2019	1.6900	669	30 August 2019	8.81%
Year ended 30 June 2019		2,676		

[1]This distribution comprises an income distribution of 18.82 cents per unit ($7.451 million in total) and a return of capital of 60.18 cents per unit ($23.833 million in total).

18. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

$'000	2020	2019
Profit/(loss) for the financial year	2,612	(3,060)
Amortisation of borrowing costs	60	86
Net (gain)/loss from fair value adjustment of investment properties	(1,060)	5,090
Other items[1]	483	-
Straight line rent	(24)	(7)
	2,071	2,109
Adjustment for movements in:		
- Receivables and other assets[2]	518	(363)
- Payables and other liabilities	(2,612)	1,621
Net cash flows from operating activities	(23)	3,367

[1]Other items related to settlement adjustments on disposal of investment properties.

[2]The movement in receivables and other assets does not include the release of fit-out contributions and lease incentives on disposal of investment properties, as these movements are non-cash in nature.

19. FINANCIAL INSTRUMENTS

A. Financial risk and capital management

The Consolidated Entity's activities expose it to a variety of financial risks: credit risk, liquidity risk, and interest rate risk. The Consolidated Entity's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Consolidated Entity's financial performance. The Consolidated Entity uses derivative financial instruments to hedge exposure to fluctuations in interest rates.

Financial risk and capital management is carried out by a central treasury department under policies approved by the Directors of the Responsible Entity. The Board provides written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

CAPITAL MANAGEMENT

The Responsible Entity's objective when managing capital is to safeguard the ability to meet all its debts when they are due or payable, whilst providing returns for unitholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

The Responsible Entity can alter the capital structure of the Consolidated Entity by adjusting the amount of distributions paid to unitholders and adjusting the timing of development and capital expenditure.

In this context, the Consolidated Entity considers capital to include borrowings and unitholders' funds.

Management monitor the capital structure of the Consolidated Entity through the loan-to-value ratio. The ratio is calculated as the amount of the loan facility drawn divided by the latest valuation of the Consolidated Entity's properties. Following the winding up process the loan facility was fully repaid and terminated. In the prior year, the loan-to-value ratio as at 30 June 2019 was 51.2% which was in compliance with the LVR covenant requirement of 65%.

The Responsible Entity maintains sufficient cash to cover remaining warranties, and costs to wind up the Trust.

CREDIT RISK

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the Consolidated Entity.

The Consolidated Entity has no significant concentrations of credit risk and has policies to review the aggregate exposure of tenancies across its portfolio.

Derivative counterparties are limited to entities with high credit ratings set down by Standard and Poors.

The ageing analysis of total trade receivables is as follows:

	2020			2019		
$'000	Gross	Allowance	Net	Gross	Allowance	Net
Not past due	-	-	-	-	-	-
0-30 days past due	-	-	-	76	-	76
31-60 days past due	-	-	-	18	-	18
61-90 days past due	11	(11)	-	15	-	15
+91 days past due	12	(12)	-	118	(91)	27
Receivables	23	(23)	-	227	(91)	136

As at 30 June 2020, a provision of $23,000 has been recorded in relation to final electricity invoices to various tenants as there is no security over the debts. Therefore the risk still remains in relation to recovering full debts (2019: $91,000). The manager continues to chase the payment of these amounts. There were no other significant financial assets that were past due and impaired or that would otherwise be past due whose terms have been renegotiated.

The carrying amount of financial assets included in the balance sheet represents the entity's maximum exposure to credit risk in relation to these assets. Refer to Note 6 (Cash and cash equivalents), Note 7 (Receivables) and Note 8 (Other assets) for a breakdown of these financial assets.

LIQUIDITY RISK

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Consolidated Entity aims to maintain flexibility in funding by keeping sufficient committed credit lines available. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

The Consolidated Entity manages liquidity risk through monitoring the maturity of its debt portfolio. As at 30 June 2020, the debt was fully repaid (2019: 0.75 years). Refer to Note 14 for further details of the loan facility.

The table below reflects all estimated maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts presented represent the future undiscounted cash flows and may not equate to carrying amounts of financial liabilities in the balance sheet.

Contractual maturity of financial assets and liabilities including derivatives and estimated interest:

$'000	Total	1 year or less	1-3 years	3-5 years	5+ years
2020					
Trade payables and accruals	892	892	-	-	-
Provision for transaction and Trust's wind up cost	56	56	-	-	-
Contractual cash flows	948	948	-	-	-
2019					
Trade payables and accruals	2,251	2,251	-	-	-
Distribution payable	669	669	-	-	-
Provision for transaction and Trust's wind up costs	1,317	1,317	-	-	-
Loan facility	43,443	43,443	-	-	-
Interest rate swap[1]	420	420	-	-	-
Contractual cash flows	48,100	48,100	-	-	-

[1] The interest rate swap matured on 19 December 2019.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates.

The income and the associated operating cash flows of the Consolidated Entity's financial assets are substantially independent of changes in market interest rates.

SENSITIVITY ANALYSIS

The following sensitivity analysis shows the effect on the Consolidated Entity's profit or loss and unitholders' funds if market interest rates at balance date had been 100 basis points higher/lower with all other variables held constant.

$'000	2020		2019	
Market interest rate	100bp higher	100bp lower	100bp higher	100bp lower
Profit or loss for the period	26	(26)	(113)	113
Equity	-	-	75	(76)

B. Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, receivables, and payables as disclosed in the balance sheet reflect the fair value of these financial assets and liabilities as at 30 June 2020.

C. Fair value hierarchy

The fair value hierarchy requires the Consolidated Entity to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The following hierarchy is used for determining and disclosing the fair value of the Trust's financial instruments, by valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical financial assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: inputs for the financial asset or liability that are not based on observable market data.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Consolidated Entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2020 and 30 June 2019.

$'000	Financial liabilities	Level 1	Level 2	Level 3
2020				
Interest rate swap	-	-	-	-
2019				
Interest rate swap	241	-	241	-

20. RELATED PARTIES

SCPL is the RE of the Trust and Trustee for the Controlled Entity. The Key Management Personnel of the Consolidated Entity have been defined as the RE. The RE does not hold any units in the Consolidated Entity. All fees and charges from the RE and its related parties are in accordance with the Product Disclosure Statements ("PDS") and the Trust's Constitution.

Year ended 30 June $	2020	2019
Responsible Entity fees The Responsible Entity charged Responsible Entity fees calculated at 0.46% p.a. (inclusive of GST net of reduced input tax credits) of the gross assets of the Consolidated Entity and Trust. Total fees included in Current Liabilities – Payables as at 30 June 2020 is $15,410 (2019: $98,127).	184,243	407,981
Performance fee The Responsible Entity may be entitled to charge a performance fee in accordance with section 7 of the PDS and the Trust Constitution, subject to achieving certain performance targets and unitholders receiving at least the return of their subscribed equity. The Responsible Entity also agreed to the following in respect of any performance fee: 1. Payment of any performance fee would be deferred until all properties have sold; 2. The performance fee shall be calculated taking into account the aggregate, rather than individual, performance of the properties. In other words, the calculation will take into account the net effect of both underperformance and outperformance of the properties; and 3. The total amount of any performance fee payable will be reduced by 25 per cent. At 30 June 2020 no performance fee is recognised (2019: $nil) as unitholders would not have received at least the return of their subscribed equity following payment of the fee.	-	-
Manager expenses Other recoverable expenses including accounting, taxation and compliance service fees charged by the RE. Total manager expenses included in trade and other payables at 30 June 2020 are $83,360 (2019: $81,725).	83,360	81,725
RE fees and other related party transactions recognised in profit or loss	**267,603**	489,706

Other related party transaction

PROPERTY MANAGEMENT FEE

Stockland Property Management Pty Limited, a related party of the Trust, has been appointed as the property manager to undertake the ongoing property management and leasing of the properties. A fee of $180,349 (2019: $473,527) was charged by the property manager during the financial year. The Trust also reimbursed $222,830 (2019: $325,048) for on-site staff costs incurred by the property manager in accordance with the property management agreement.

Total property management fees and cost reimbursement payable by the Consolidated Entity included in Current Liabilities - Payables as at 30 June 2020 is $19,176 (2019: $283,246).

INSURANCE PREMIUMS

Insurance premium amounts are paid by the Trust to Stockland Singapore Pte Ltd, an insurance company, which is a related party of the Trust. Insurance premiums of $29,984 (2019:$ 44,163) were incurred by the Trust during the financial year.

There are no insurance premiums included in Current Liabilities – Payables at 30 June 2020 (2019: $nil).

TENANCY DESIGN AND DELIVERY FEES

During the financial year, the Trust incurred $52,849 (2019: $156,081) in Tenancy Design Fees to Stockland Development Pty Limited. There are no tenancy design fees included in Current Liabilities - Payables as at 30 June 2020 (2019: $20,687).

UNITS HELD BY STOCKLAND TRUST

As at 30 June 2020, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 78,775 units (2019: 7,877,500) in the Consolidated Entity. The number of units has decreased following the redemption and cancelation of 99% of unitholder's units at a gross redemption price of 0.95 cents per unit ($74,836) on 3 June 2020.

FINANCE NEGOTIATION FEE

SCPL as Responsible Entity for the Trust negotiated a loan facility with CBA. For this service, $102,500 (equivalent to 0.25% of the facility limit) was charged to the Trust in 2014 and was paid out of the Trust assets in accordance with the PDS and the Trust's Constitution.

This has been recognised in borrowings and was amortised over the life of the facility through finance costs in profit or loss. During the financial year, the Trust amortised $12,311 of these borrowing costs (2019: $18,467). Total remaining borrowing costs as at 30 June 2020 is nil (2019: $12,311).

PROVISION FOR TRANSACTION AND TRUST'S WIND UP COSTS

The RE and its related parties has performed services on behalf of the Trust to facilitate the disposal of the Trust's properties and the termination and winding-up of the Trust. Services provided including the convening and holding of a meeting of unitholders, the engagement of agents and advisers, due diligence management, the provision of legal and research services, contract negotiation expertise and loan arrangement and administration.

Total transaction costs and the Trust's wind up costs for services performed by the RE included in provisions as at 30 June 2020 is $24,585 (2019: $345,240).

Total transaction costs and the Trust's wind up costs for services performed and invoiced by the RE included in Current Liabilities - Payables as at 30 June 2020 is $404,337 (2019: nil).

21. CONTROLLED ENTITIES

The following entities were 100% controlled by the parent entity during the current and previous financial years:

Controlled entities of Stockland Direct Retail Trust No. 1

SDRT 1 Property 1 Trust

SDRT 1 Property 2 Trust

SDRT 1 Property 4 Trust

Stockland Holding Trust No.1 – wound up as at 30 June 2020

22. COMMITMENTS

As at 30 June 2020, the Consolidated Entity had no commitments (2019: $51,973).

23. CONTINGENT LIABILITIES

As at 30 June 2020, the Consolidated Entity had provided vendor warranties to support any potential claims in connection with any breach in favour of the purchasers of Pacific Pines with a maximum aggregate of claims of 2.5% of purchase price or $770,250 which expires on 18 August 2020 and Benowa Gardens with a maximum aggregate of claims of 2% of purchase price or $802,000 which expires on 21 December 2020 (30 June 2019: $nil).

24. PARENT ENTITY

As at and throughout the financial year ended 30 June 2020, the parent entity of the Consolidated Entity was Stockland Direct Retail Trust No.1.

The individual financial statements for the parent entity show the following aggregate amounts:

$'000	2020	2019
Results of the parent entity for the financial year		
Profit for the financial year	29,451	3,030
Other comprehensive income	-	93
Total comprehensive income for the financial year	29,451	3,123
Financial position of the parent entity at the end of the financial year		
Current assets	10,241	1,671
Assets	10,241	61,737
Current liabilities	5,137	1,815
Liabilities	5,137	44,355
Net assets	5,104	17,382
Units on issue	1,875	26,114
Reserves	-	(241)
Undistributed gain/(loss)	3,229	(8,491)
Unitholders' funds attributable to owners of the Trust	5,104	17,382

PARENT ENTITY CONTINGENCIES

There were no contingencies with the parent entity as at 30 June 2020 (2019: $nil).

PARENT ENTITY CAPITAL COMMITMENTS

The parent entity had not entered into any capital commitments as at 30 June 2020 (2019: $nil).

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The parent entity had not entered into any guarantees in respect of debts of its subsidiaries as at 30 June 2020 (2019: $nil).

25. EVENTS OCCURING AFTER THE REPORTING PERIOD

Subsequent to year end the warranty provided in connection with the sale of Pacific Pines expired on 18 August 2020 without any claims being made.

Other than disclosed elsewhere, no matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Consolidated Entity's operations, results of those operations or state of affairs in future financial years.

Directors' declaration

In the opinion of the Directors of Stockland Capital Partners Limited, the Responsible Entity for Stockland Direct Retail Trust No. 1 and its controlled entities:

1. the financial statements and notes, set out on pages 7 to 27, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the Trust's and Consolidated Entity's financial position as at 30 June 2020 and of their performance for the financial year ended on that date; and

   (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

2. the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a);
3. at the date of this declaration, there are reasonable grounds to believe that the Trust and the Consolidated Entity will be able to pay their debts as and when they become due and payable;
4. the Trust has operated during the financial year ended 30 June 2020 in accordance with the provisions of the Trust Constitution as amended dated 26 August 2006; and
5. the Register of unitholders has, during the financial year ended 30 June 2020, been properly drawn and maintained so as to give a true account of the unitholders of the Trust.

Without qualifying the above conclusion, the Directors draw attention to the basis of preparation of the financial statement set out in Note 1(a).

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to Section 295 (5) of the *Corporations Act 2001*:

Mark Steinert

Director

Dated at Sydney, 28 August 2020

Independent auditor's report

To the unitholders of Stockland Direct Retail Trust No. 1

Our opinion

In our opinion:

The accompanying financial report of Stockland Direct Retail Trust No. 1 (the Trust) and its controlled entities (together the Consolidated Entity) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Consolidated Entity financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

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

Independence

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of 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.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Emphasis of matter - going concern no longer appropriate

We draw attention to Note 1 in the financial report, which indicates that a special resolution was passed to terminate and wind up the Trust. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

Other information

The directors of Stockland Capital Partners Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the Annual Financial Report for the year ended 30 June 2020, 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 that we 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 of the Responsible Entity for the financial report

The directors of the Responsible Entity 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 of the Responsible Entity determines 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 of the Responsible Entity are responsible for assessing the ability of the Consolidated Entity 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 of the Responsible Entity either intends to liquidate the Consolidated Entity or to cease operations, or have 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 the 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

JDP Wills
Partner

Sydney
28 August 2020