



SURF.3

SCA Unlisted Retail Fund 3

ARSN: 623 821 689

**Interim Financial Report
For the half year ended 31 December 2019**

SCA Unlisted Retail Fund 3 (SURF 3) is a Managed Investment Scheme. SCA Unlisted Retail Fund RE Limited (SURF RE) (ABN 42 604 416 284, AFSL 473459) is the Responsible Entity of SURF 3 and is incorporated and domiciled in Australia. The registered office of SURF RE is Level 5, 50 Pitt Street, Sydney, New South Wales.

SCA Unlisted Retail Fund 3

Directors' Report

For the half year ended 31 December 2019

Directors' Report

The Directors of SCA Unlisted Retail Fund RE Limited (SURF RE or the Company), the Responsible Entity for SCA Unlisted Retail Fund 3 (SURF 3 or Trust or Fund), present their report for the half year ended 31 December 2019.

SURF 3 was formed and registered as a Managed Investment Scheme on 29 January 2018 and commenced operations on 10 July 2018.

1. Directors

The Directors of SURF RE at any time during the half year and up to the date of this report are:

Mr Andrew Stevenson	Non-Executive Director (Chair)
Mr David Freiman	Non-Executive Director
Mr Anthony Mellowes	Executive Director
Mr Mark Fleming	Alternate Director for Mr Anthony Mellowes

2. Company Secretary

The Company Secretaries of SURF RE during the half year and up to the date of this report are:

Mr Mark Lamb
Ms Erica Rees

3. Principal activities

SURF 3 was formed and registered as a Managed Investment Scheme on 29 January 2018. The Fund commenced operations on 10 July 2018 with the acquisition of four retail properties funded by the issue and allotment of 35,000,000 units at \$1.00 per unit raising \$35,000,000 in equity and the drawdown of debt.

The principle activity of the Fund during the financial half year was the management of the four retail properties. SURF 3 is an unlisted closed end unit trust.

4. Financial and operational review

A summary of SURF 3's results for the half year are set out below:

	1 July 2019 to 31 December 2019 \$'000	1 July 2018 to 31 December 2018 \$'000
Net profit/(loss) after income tax	682	(207)

Net profit/(loss) after income tax measures profit/(loss) under Australian Accounting Standards (AASBs) and also complies with the International Financial Reporting Standards (IFRS).

Financial Position

	31 December 2019	30 June 2019
Total assets (\$'000)	59,973	59,897
Net assets (\$'000)	32,034	32,595
Net assets per unit (\$ per unit)	0.92	0.93

SCA Unlisted Retail Fund 3

Directors' Report

For the half year ended 31 December 2019

Distributable Earnings

The Responsible Entity considers Distributable Earnings to be an important indicator of the underlying earnings of SURF 3. Distributable Earnings are detailed below.

	1 July 2019 to 31 December 2019 \$'000	1 July 2018 to 31 December 2018 \$'000
Net profit/(loss) after tax (statutory)	682	(207)
Adjustments to net profit /(loss) after tax (statutory) to determine Distributable Earnings		
Reverse movement in non cash items		
- Amortisation of borrowing costs	16	15
- Straight-lining of rental income	(22)	(31)
- Fair value adjustments on investment properties	672	180
- Fair value adjustments on derivatives	(14)	124
Transactions and establishment costs	-	1,188
Capital payments	(50)	(20)
Distributable earnings available from prior periods	165	-
Distributable Earnings	1,449	1,249

5. Distributions

Distributions to unitholders recognised in the half year by SURF 3 are:

31 December 2019 Quarter ended	Payment date	Cents per unit	\$
30 September 2019	16 October 2019	1.775	621,250
31 December 2019	28 January 2020 ¹	1.775	621,250
Total distributions (Ordinary)		3.550	1,242,500

¹ This distribution was declared on 17 December 2019 and the proposed payment date is 28 January 2020.

31 December 2018 Quarter ended	Payment date	Cents per unit	\$
30 September 2018	16 October 2018	1.601	560,350
31 December 2018	21 January 2019	1.775	621,250
Total distributions (Ordinary)		3.376	1,181,600

6. Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Trust during the half year ended 31 December 2019.

SCA Unlisted Retail Fund 3

Directors' Report

For the half year ended 31 December 2019

7. Likely developments, key strategies and expected results of operations

At the date of this report, and to the best of the Directors knowledge and belief, there are no anticipated changes in the operations of SURF 3 which would have a material impact on the future results of SURF 3. Further information on likely developments in the operations and the expected results of operations has not been included in this report because the Directors believe it would result in unreasonable prejudice to SURF 3.

8. Units in the Trust

The units on issue in the Trust are disclosed in note 6 of the interim financial statements. The number of ordinary units as at 31 December 2019 is 35,000,000 (30 June 2019: 35,000,000).

9. Environmental regulations

The Directors are satisfied that adequate systems are in place for the management of SURF 3's environmental responsibility and compliance with various license requirements and regulations.

Further, the Directors are not aware of any material breaches to these requirements and, to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

10. Indemnification and Insurance of Directors, Officers and Auditor

The constitution of SURF 3 requires it to indemnify all current and former officers of the Responsible Entity out of the property of the Trust against any liability incurred by the officer in or arising out of the conduct of the business of the Trust or arising out of the discharge of the duties of the officer. SURF 3's constitution also provides that in addition to any indemnity under any law, but subject to the Corporations Act 2001, the Responsible Entity has a right of indemnity out of the assets of the Fund on a full indemnity basis, in respect of any liability incurred by the Responsible Entity in properly performing any of its powers or duties in relation to the Fund.

The auditor of the Fund is not indemnified out of the assets of the Fund or the Responsible Entity.

A related party to SURF RE has paid insurance premiums in respect of Directors and Officers. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the liabilities covered by the insurance, the limit of the indemnity and the amount of the premium paid under the contract.

11. Matters subsequent to the end of the financial period

A final distribution for the period to 31 December 2019 of 1.775 cents per unit was declared on 17 December 2019 and is proposed to be paid on 28 January 2020. This distribution has been reflected as a payable in the statement of financial position as at 31 December 2019. Refer to notes 7 and 8 for details.

The Directors are not aware of any other matters or circumstance that have arisen since 31 December 2019 that have significantly affected or may significantly affect the operations of SURF 3, the result of those operations, or state of SURF 3's affairs in future financial periods.

12. 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.

SCA Unlisted Retail Fund 3
Directors' Report
For the half year ended 31 December 2019

13. Rounding of amounts to the nearest thousand dollars

The amounts contained in this report and in the interim financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Trust under ASIC Corporations (Rounding in the Financial Directors' Reports) Instrument 2016/191. The Trust is an entity to which this Legislative Instrument applies.

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


Director
Sydney
21 January 2020

DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF SCA UNLISTED RETAIL FUND RE LIMITED AS RESPONSIBLE ENTITY FOR SCA UNLISTED RETAIL FUND 3

As lead auditor for the review of SCA Unlisted Retail Fund 3 for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 21 January 2020

SCA Unlisted Retail Fund 3
Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Notes	1 July 2019 to 31 December 2019 \$'000	1 July 2018 to 31 December 2018 \$'000
Revenue			
Rental income		2,893	2,699
		2,893	2,699
Expenses			
Administration costs		(93)	(52)
Base management fees		(75)	(72)
Investment management fees		(135)	(129)
Property expenses		(746)	(670)
Establishment costs		-	(868)
Transactions costs		-	(320)
		(1,049)	(2,111)
Unrealised fair value gain / (loss)			
- Investment properties	3	(672)	(180)
- Derivatives	4	14	(124)
		(658)	(304)
Earnings before interest and tax (EBIT)			
Interest income		1	17
Finance cost		(505)	(508)
		(504)	(491)
Profit/(loss) before income tax			
		682	(207)
Income tax expense		-	-
Profit/(loss) after income tax expense			
		682	(207)
Other comprehensive income			
		-	-
Total comprehensive income			
		682	(207)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

SCA Unlisted Retail Fund 3 Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 \$'000	30 June 2019 \$'000
Current assets			
Cash and cash equivalents		509	232
Trade and other receivables		1,064	665
Total current assets		1,573	897
Non-current assets			
Investment properties	3	58,400	59,000
Total non-current assets		58,400	59,000
Total assets		59,973	59,897
Current liabilities			
Trade and other payables		1,381	746
Distribution payable	7	621	621
Derivative financial instrument	4	244	207
Total current liabilities		2,246	1,574
Non-current liabilities			
Borrowing	5	25,344	25,328
Derivative financial instrument	4	349	400
Total non-current liabilities		25,693	25,728
Total liabilities		27,939	27,302
Net assets		32,034	32,595
Equity			
Contributed equity	6	34,784	34,784
Accumulated loss		(2,750)	(2,189)
Total equity		32,034	32,595

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

SCA Unlisted Retail Fund 3
Statement of Changes in Equity
For the half year ended 31 December 2019

	Notes	Contributed equity \$'000	Accumulated loss \$'000	Total equity \$'000
Balance at 1 July 2019		34,784	(2,189)	32,595
Profit after income tax expense		-	682	682
Other comprehensive income		-	-	-
Total comprehensive income		-	682	682
Distributions declared	7	-	(1,243)	(1,243)
Balance at 31 December 2019		34,784	(2,750)	32,034
Balance at 1 July 2018		-	-	-
Contribution of equity, net of transaction costs		34,784	-	34,784
Loss after income tax expense		-	(207)	(207)
Other comprehensive income		-	-	-
Total comprehensive income		34,784	(207)	34,577
Distributions declared	7	-	(1,182)	(1,182)
Balance at 31 December 2018		34,784	(1,389)	33,395

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SCA Unlisted Retail Fund 3 Statement of Cash Flows

For the half year ended 31 December 2019

Notes	1 July 2019 to 31 December 2019 \$'000	1 July 2018 to 31 December 2018 \$'000
Cash flows from operating activities		
Rental revenue received	2,760	2,366
Property expenses paid	(632)	(497)
Interest received	1	17
Finance and borrowing costs paid	(492)	(400)
Administration costs paid	(57)	(10)
Transaction and establishment costs paid	-	(29)
Net cash flow from operating activities	1,580	1,447
Cash flows from investing activities		
Payments for investment properties purchased	-	(59,500)
Payments for capital improvements	(60)	(22)
Net cash flow used in investing activities	(60)	(59,522)
Cash flow from financing activities		
Proceeds from borrowings	350	24,700
Repayment of borrowings	(350)	-
Proceeds from applications from unitholders	-	35,000
Distributions paid to unitholders	7 (1,243)	(560)
Net cash flow (used in)/from financing activities	(1,243)	59,140
Net change in cash and cash equivalents held	277	1,065
Cash and cash equivalents at the beginning of the period	232	-
Cash and cash equivalents at the end of the period	509	1,065

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

SCA Unlisted Retail Fund 3

Notes to the Interim Financial Statements

For the half year ended 31 December 2019

1. Corporate information

SCA Unlisted Retail Fund 3 (SURF 3 or Trust or Fund) was formed on 29 January 2018 and was registered as a Managed Investment Scheme with the Australian Securities & Investments Commission on 29 January 2018. SURF 3 is an unlisted closed end unit trust constituted in Australia. On 10 July 2018, SURF 3 commenced activities with the acquisition of four retail properties funded by the raising and allotment of equity and debt.

The nature of its operations and principal activity are described in the Directors' Report.

The interim financial statements are presented in Australian dollars, which is SURF 3's functional and presentation currency.

SCA Unlisted Retail Fund RE Limited (SURF RE or the Responsible Entity) is the Responsible Entity of SURF 3. SURF RE is a public company incorporated in Australia. The address of its registered office and principal place of business is:

Level 5, 50 Pitt Street
Sydney NSW 2000

SURF RE is a wholly owned subsidiary of Shopping Centres Australasia (SCA Property Group). SCA Property Group is listed on the Australian Stock Exchange (ASX) (ASX Code: SCP).

SURF RE has appointed Shopping Centres Australasia Property Group RE Limited to act as custodian of SURF 3's assets. The custodian must only act on instructions from the Responsible Entity.

The Directors of the Responsible Entity have authorised the Interim Financial Report for issue on 21 January 2020. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

The principal accounting policies which have been adopted in the preparation of these interim financial statements have been set out below. These policies have been consistently applied during the half year and comparative period.

2. Significant accounting policies

(a) Basis of preparation

These general purpose interim financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

SURF 3 is a for-profit unit trust for the purpose of preparing the interim financial statements. These interim financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The interim financial statements do not include all disclosures required in a complete set of financial statements and should be read in conjunction with the 2019 annual report.

SURF 3 has early adopted AASB 16 Leases in the comparative period. The adoption of this accounting standard did not have a material effect on the financial statements.

Historical cost convention

The interim financial statements have been prepared on the basis of historical cost, except for, certain non-current assets and financial instruments that are measured at fair value.

SCA Unlisted Retail Fund 3

Notes to the Interim Financial Statements

For the half year ended 31 December 2019

Going concern

The interim financial statements have been prepared on the going concern basis. In preparing the interim financial statements the Directors note the Trust is in a net current asset deficiency position due primarily to the provision for distribution and trade and other payables. As at 31 December 2019 the Trust has the ability to drawdown funds of \$3,550,000 (30 June 2019: \$3,550,000) on the debt facility which is greater than the current asset deficiency.

b) New and revised Accounting Standards not yet effective

AASB 16 Leases was early adopted by the Trust in the prior period. A number of Australian Accounting Standards and Interpretations are in issue but not yet effective for the current period. The significant standards and interpretations which are in issue but are not yet effective for the current period include:

Standard/Interpretation
AASB 2018 – 6 (issued December 2018) Amendments to Australian Accounting Standards – Definition of a Business
AASB 17 Insurance Contracts
AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of Material
AASB 2019 – 1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

The Directors of the Responsible Entity do not expect that the adoption of the Australian Accounting Standards listed above will have a material impact on the financial statements of SURF 3 in future periods.

At the date of this report, there are no pronouncements approved by the IASB/IFRIC that have yet to be issued by the AASB.

3. Investment properties

	31 December 2019 \$'000	30 June 2019 \$'000
Movement in total investment properties		
Opening balance	59,000	-
Acquisitions including duty	-	59,529
Straight-lining of rental income net of amortisation	22	22
Additions to investment properties	50	77
Fair value movement on investment properties	(672)	(628)
Closing balance	58,400	59,000

SCA Unlisted Retail Fund 3

Notes to the Interim Financial Statements

For the half year ended 31 December 2019

	Cost ² \$'000	Book value cap rate ¹ 31 December 2019	Book value 31 December 2019 \$'000	Book value 30 June 2019 \$'000
Property details				
Woodford	12,600	6.25%	13,400	13,300
Swansea Woolworths	15,300	6.00%	15,600	15,400
Moama Marketplace	14,000	7.00%	14,400	14,300
Target Warrnambool	16,000	9.00%	15,000	16,000
Total Investment Properties	57,900		58,400	59,000

1 Capitalisation rate (or cap rate) is an approximation of the ratio between the net operating income produced by an investment property and its fair value. This excludes consideration of costs of acquisition or disposal.

2 The cost disclosed is the same as the external valuation of these properties as at March 2018

Valuation process

All properties are required to be internally valued every six months. Additionally, all properties are required to be externally valued at least every 3 years, with the exception of Warrnambool Target, which is required to be externally valued every 12 months.

The internal valuations are performed by utilising the information from a combination of existing leases and forecasting tools. Appropriate capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation based valuation and a discounted cash flow valuation. If there are any changes in these assumptions or economic conditions, the fair value of the investment properties may differ.

The internal valuations are prepared by the Investment Manager. The Investment Manager is Shopping Centres Australasia Property Operations Pty Ltd, a related party to the Responsible Entity. The Investment Manager recommends each property's valuation to the Directors in accordance with the Fund's internal valuation policy. The valuations of the investment properties are Director valuations as at 31 December 2019 and are based on external valuations prepared by an independent valuer.

Fair value measurement, valuation technique and inputs

The investment properties fair values presented are based on market values, which are derived using the capitalisation and / or the discounted cash flow methods.

Capitalisation method

Capitalisation rate (or cap rate) is an approximation of the ratio between the net operating income produced by an investment property and its fair value. This excludes consideration of costs of acquisition or disposal. The net operating income is determined considering the estimated gross passing income after adjustment for anticipated operating costs, potential future income from existing vacancies and an on-going vacancy and bad debt allowance.

This produces a net income on a fully leased basis which is capitalised in perpetuity from the valuation date at an appropriate investment yield. The adopted percentage rate investment yield reflects the capitalisation rate (cap rate) and includes consideration of a number of other factors including the property type, location and tenancy profile together with market sales.

SCA Unlisted Retail Fund 3

Notes to the Interim Financial Statements

For the half year ended 31 December 2019

Discounted cash flows (DCF)

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 discount rate is applied to establish the present value of the income stream associated with the investment property. The discount rate is the rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The rate is determined with regards to market evidence and the prior independent valuation.

Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile.

The table below summarises the valuation techniques used and the key input including the range of key inputs used to measure fair value.

Category	Fair value hierarchy	Carrying value 31 December 2019 \$'000	Valuation technique	Key inputs used to measure fair value	Range of unobservable inputs
Investment Properties	Level 3	58,400	Income capitalisation and discounted cash flow	Cap rate Discount rate	6.00%-9.00% 6.25%-8.00%

All property investments are categorised as level 3 in the fair value hierarchy (refer note 4 for additional information in relation to the fair value hierarchy). There were no transfers between hierarchy levels during the period.

The change in fair value was reflected in the Statement of Profit or Loss totalling a loss of \$672,000 during the period (31 December 2018: \$180,000).

4. Derivative financial instruments

The fair value of interest rate derivatives is determined using a generally accepted pricing model based on discounted cash flow analysis using assumptions supported by observable market rates.

The following table represents financial liabilities that were measured and recognised at fair value at reporting date.

	31 December 2019 \$'000	30 June 2019 \$'000
Current liabilities		
Interest rate swap	244	207
Non-current liabilities		
Interest rate swap	349	400

The value of the interest rate swaps at 31 December 2019 was a liability of \$593,000 (30 June 2019: \$607,000). Movements in the market value of the interest rate swaps are included in the Fund's Statement of Profit or Loss through changes in fair value. The Fund's Swap expires on 5 June 2022 and has a notional principal value of \$24,000,000 at a fixed rate of 1.94%.

SCA Unlisted Retail Fund 3

Notes to the Interim Financial Statements

For the half year ended 31 December 2019

The three different fair value measurement levels have been defined as follows:

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

Interest rate derivatives are financial instruments that use valuation techniques with observable market data and are included as Level 2 in the hierarchy above. There were no transfers between hierarchy levels during the period.

5. Borrowing

Unrestricted access was available at the reporting date to the secured bank loan. Details of this loan are below:

	31 December 2019 \$'000	30 June 2019 \$'000
Non-current Liabilities		
Bank loan	25,400	25,400
Establishment fees	(56)	(72)
Total non-current borrowings	25,344	25,328
<hr/>		
	31 December 2019 \$'000	30 June 2019 \$'000
Total bank loan facility limit	28,950	28,950
Less: Amounts drawn at the reporting date	(25,400)	(25,400)
Net borrowing facility available	3,550	3,550

A major Australian bank has provided SURF 3 with a debt facility for the purpose of partially funding the acquisition of the property portfolio. The secured debt facility is revolving and multi-purpose. The loan is secured by that bank over the property of the Fund. The loan limit is \$28,950,000 and the loan expires in October 2021. SURF 3 entered into an interest rate swap in April 2018 to fix financing costs for the majority of the loan facility amount. The Swap expires on 5 June 2022 with a notional face value of \$24,000,000 at a fixed rate of 1.94%.

Debt Covenants

The Fund is required to comply with certain financial covenants and obligations in respect of the secured debt facility. The major financial covenants and obligations can be summarised as follows:

- (a) Interest Cover Ratio (ICR): is at least 1.75 times. ICR is defined as being EBITDA (excluding non-recurring amounts and non-cash amounts) to net interest expense.
- (b) Loan to Value Ratio (LvR): is not more than 55%. LvR is defined as being based on the amounts drawn as a percentage of the most recent external property valuations.

The Fund was in compliance with its financial covenants and other obligations for the period ended and as at 31 December 2019.

SCA Unlisted Retail Fund 3

Notes to the Interim Financial Statements

For the half year ended 31 December 2019

6. Contributed equity

	31 December 2019	30 June 2019
	\$'000	\$'000
Units fully paid 35,000,000	35,000	35,000
Less: equity raising costs	(216)	(216)
Closing balance	34,784	34,784

SURF 3 was formed on 29 January 2018 with 2 initial units of \$1.00 each. When the fund commenced activities on 10 July 2018 these units were redeemed and 35,000,000 units were issued at \$1.00 each.

7. Distribution paid or payable

31 December 2019 Quarter ended	Payment date	Cents per unit	\$
30 September 2019	16 October 2019	1.775	621,250
31 December 2019	28 January 2020 ¹	1.775	621,250
Total distributions (Ordinary)		3.550	1,242,500

¹This distribution was declared on 17 December 2019 and the proposed payment date is 28 January 2020.

31 December 2018 Quarter ended	Payment date	Cents per unit	\$
30 September 2018	16 October 2018	1.601	560,350
31 December 2018	21 January 2019	1.775	621,250
Total distributions (Ordinary)		3.376	1,181,600

8. Commitments and contingencies

The Trust has a distribution payable of \$621,250 as at 31 December 2019 (30 June 2019: \$621,250) which is proposed to be paid on 28 January 2020.

On 27 November 2019, the Fund entered into a contract to purchase new heating, ventilation and air conditioning technology for the Warrnambool Target property for a total consideration of \$650,000. As at 31 December 2019, the Fund has not paid any consideration.

As at 31 December 2019 the Trust has no other capital commitments, contingent liabilities or assets (30 June 2019: \$nil).

9. Events after the reporting period

A final distribution for the period to 31 December 2019 of 1.775 cents per unit was declared on 17 December 2019 and is proposed to be paid on 28 January 2020. This distribution has been reflected as a payable in the statement of financial position as at 31 December 2019. Refer to note 7 and 8 for details.

The Directors are not aware of any other matters or circumstance that have arisen since 31 December 2019 that have significantly affected or may significantly affect the operations of SURF 3, the result of those operations, or state of SURF 3's affairs in future financial periods.

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SCA Unlisted Retail Fund 3 Directors' Declaration For the half year ended 31 December 2019

In the opinion of the Directors of SCA Unlisted Retail Fund RE Limited, the Responsible Entity of SCA Unlisted Retail Fund 3 (SURF 3):

- (a) The attached interim financial statements and notes are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of SURF 3's financial position as at 31 December 2019 and of its performance for the financial half year then ended; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations), the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) There are reasonable grounds to believe that SURF 3 will be able to pay its debts as and when they become due and payable.

The attached interim financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the interim financial statements.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors


Director
Sydney
21 January 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SCA Unlisted Retail Fund 3

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SCA Unlisted Retail Fund 3 ('the Trust'), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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 financial report of the Trust is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of SCA Unlisted Retail Fund RE Limited, as responsible entity for SCA Unlisted Retail Fund 3, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SCA Unlisted Retail Fund RE Limited, as responsible entity of SCA Unlisted Retail Fund 3, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', written in a cursive style.

Ian Hooper
Partner

Sydney, 21 January 2020