SCA Unlisted Retail Fund 1

ARSN: 606 126 934

Financial Report
For the year ended 30 June 2020

SCA Unlisted Retail Fund 1 (SURF 1) 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 1 and is incorporated and domiciled in Australia. The registered office of SURF RE is Level 5, 50 Pitt Street, Sydney, New South Wales.

Directors' Report

The Directors of SCA Unlisted Retail Fund RE Limited (SURF RE or the Company), the Responsible Entity for SCA Unlisted Retail Fund 1 (SURF 1 or Trust or Fund), present their report for the year ended 30 June 2020.

1. Directors

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

Mr Mark Lamb
Ms Erica Rees

3. Principal activities

SURF 1 is an unlisted retail property fund which commenced on 1 October 2015. SURF 1 invested in retail properties in NSW leased mainly to Woolworths Group Ltd. The Fund's nominal term is 5 years, ending in October 2020. As permitted by the Product Disclosure Statement (PDS), during the year ended 30 June 2020 SURF RE initiated a sales process for the SURF 1 portfolio. That process was completed in December 2019 with the sale of the last of the five properties and the repayment of the secured debt facility. As a result of the sale of the five properties and the repayment of the debt a distribution of $1.021 per unit was declared and provided for in December 2019 and subsequently paid in January 2020. A further dividend of $0.1350 per unit was declared in March 2020 and subsequently paid in April 2020. The wind up process of the fund has also commenced and is expected to be completed during the 2021 financial year with all liabilities being discharged, the remaining assets being distributed and units cancelled.

4. Financial and operational review

A summary of SURF 1's results for the year are set out below:

	1 July 2019 to 30 June 2020 $	1 July 2018 to 30 June 2019 $
Net profit after income tax	**209,305**	945,217

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

As the Fund has commenced the wind up process, the Responsible Entity considers that now an important indicator of the Fund is the distribution of the net assets of the Fund to the unitholders.

Financial position

	30 June 2020	30 June 2019
Total assets ($)	**659,428**	68,923,840
Net assets ($)	**163,247**	38,324,142
Net assets per unit ($ per unit)	**0.005**	1.176

5. Distributions

Distributions to unitholders recognised in the year by SURF 1 are:

30 June 2020 **Quarter ended**	**Payment date**	**Cents per unit**	**$**
30 September 2019	16 October 2019	**2.10**	**684,600**
31 December 2019	28 January 2020	**102.10**	**33,284,600**
31 March 2020	22 April 2020	**13.50**	**4,401,000**
30 June 2020	-	**-**	**-**
Total distributions (Ordinary)		**117.70**	**38,370,200**

30 June 2019 Quarter ended	Payment date	Cents per unit	$
30 September 2018	16 October 2018	2.10	684,600
31 December 2018	21 January 2019	2.10	684,600
31 March 2019	23 April 2019	2.10	684,600
30 June 2019	31 July 2019	2.10	684,600
Total distributions (Ordinary)		8.40	2,738,400

6. Significant changes in the state of affairs

The Fund's nominal term is 5 years, ending in October 2020. As permitted by the Product Disclosure Statement (PDS), during the year ended 30 June 2020 SURF RE initiated a sales process for the SURF 1 portfolio. That process was completed in December 2019 with the sale of the last of the five properties and the repayment of the secured debt facility. As a result of the sale of the five properties and the repayment of the debt a distribution of $1.021 per unit was declared and provided for in December 2019 and subsequently paid in January 2020. A further dividend of $0.1350 per unit was declared in March 2020 and subsequently paid in April 2020. The wind up process of the fund has commenced and is expected to be completed during the 2021 financial year with all liabilities being discharged, the remaining assets being distributed and units cancelled.

During the year, events relating to COVID-19 have resulted in significant market volatility and uncertainty as to the future impact of COVID-19. This includes the impact on the Australian economy including the impact on retail spending. The full extent of the effect of the COVID-19 outbreak on the performance of the Fund remains unknown. Current and future government or other action taken in response to COVID-19 are or are likely to be beyond the control of the Fund and it is possible they may adversely impact the Fund. The Fund is monitoring the situation and has considered the impact of COVID-19 on the Fund's business and financial performance and prospects. At this stage the impact of COVID-19 on the Fund and its Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position, are not considered significant. However, the situation is evolving and the full extent of the consequences are uncertain.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund during the year ended 30 June 2020.

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

The Fund is expected to be terminated during the 2021 financial year with the final distribution to be made on the termination date. The net assets of the Fund at 30 June 2020 are $0.005 per unit. The wind up process of the fund has commenced and is expected to be completed during the 2021 financial year with all liabilities being discharged, the remaining assets being distributed and the units cancelled.

When the final distribution is paid the wind up of the Fund will be complete.

8. Units in the Trust

The units on issue in the Trust are disclosed in note 8 of the financial statements. The number of ordinary units as at 30 June 2020 is 32,600,000 (30 June 2019: 32,600,000).

9. Environmental regulations

The Directors are satisfied that adequate systems are in place for the management of SURF 1'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 1 requires it to indemnify all current and former officers of the Trustee 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 1'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 Trust 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. Fees paid to and interest held in the Trust by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of the Trust property during the year are disclosed in note 11 of the financial statements. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year. These costs are paid by SCA Property Group. The number of interests in the Trust issued to or held by the Responsible Entity or its associates during the year are disclosed in note 11 of the financial statements.

12. Matters Subsequent to the end of the financial year

The net assets of the Fund at 30 June 2020 are $0.005 per unit. The wind up process of the fund has commenced and is expected to be completed during the 2021 financial year with all liabilities being discharged, the remaining assets being distributed and units cancelled. When the final distribution is paid the wind up of the Fund will be complete.

During the year, events relating to COVID-19 have resulted in significant market volatility and uncertainty as to the future impact of COVID-19. This includes the impact on the Australian economy including the impact on retail spending. The full extent of the effect of the COVID-19 outbreak on the performance of the Fund remains unknown. Current and future government or other action taken in response to COVID-19 are or are likely to be beyond the control of the Fund and it is possible they may adversely impact the Fund. The Fund is monitoring the situation and has considered the impact of COVID-19 on the Fund's business and financial performance and prospects. At this stage the impact of COVID-19 on the Fund and its Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position, are not considered significant. However, the situation is evolving and the full extent of the consequences are uncertain.

The Directors are not aware of any other matters or circumstance that have arisen since 30 June 2020 that have significantly affected or may significantly affect the operations of SURF 1, the result of those operations, or state of affairs in future financial periods.

13. 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.

14. Audit and non-audit fees

Details of the amounts paid or payable to the auditor for audit and non-audit services provided are detailed in note 14 of the financial statements.

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

Director
Sydney
21 July 2020

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Australia

DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF SCA UNLISTED RETAIL FUND RE LIMITED, AS RESPONSIBLE ENTITY FOR SCA UNLISTED RETAIL FUND 1

As lead auditor of SCA Unlisted Retail Fund 1 for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 21 July 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	**1 July 2019 to 30 June 2020 $**	1 July 2018 to 30 June 2019 $
Revenue			
Rental income		**2,189,422**	5,388,058
		2,189,422	5,388,058
Expenses			
Administration costs		**(244,132)**	(113,959)
Base management fees	11	**(81,004)**	(175,918)
Investment management fees	11	**(145,806)**	(313,392)
Property expenses		**(322,668)**	(635,350)
Disposal expenses		**(1,592,209)**	-
Investment properties gain on disposal	3	**817,471**	-
		(1,568,348)	(1,238,619)
Unrealised fair value gain / (loss)			
- Investment properties fair value adjustment	3	**-**	(2,734,174)
- Derivatives		**-**	171,067
- Performance fee (expense) / write back		**(78,304)**	510,779
		(78,304)	(2,052,328)
Earnings before interest and tax (EBIT)		**542,770**	2,097,111
Interest income		**18,583**	5,137
Finance cost	4	**(352,048)**	(1,157,031)
		(333,465)	(1,151,894)
Profit before income tax		**209,305**	945,217
Income tax expense	2(f)	**-**	-
Profit after income tax expense		**209,305**	945,217
Other comprehensive income		**-**	-
Total comprehensive income		**209,305**	945,217

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

SCA Unlisted Retail Fund 1
Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 $	30 June 2019 $
Current assets			
Cash and cash equivalents		**616,261**	299,324
Trade and other receivables	5	**43,167**	224,516
Investment properties held for sale	3	**-**	68,400,000
Total current assets		**659,428**	68,923,840
Total assets		**659,428**	68,923,840
Current liabilities			
Trade and other payables	6	**38,477**	503,275
Distribution payable	12	**-**	684,600
Performance fee liability	11	**457,704**	-
Total current liabilities		**496,181**	1,187,875
Non-current liabilities			
Performance fee liability	11	**-**	379,400
Borrowing	7	**-**	29,032,423
Total non-current liabilities		**-**	29,411,823
Total liabilities		**496,181**	30,599,698
Net assets		**163,247**	38,324,142
Equity			
Contributed equity	8	**-**	32,356,442
Accumulated profit		**163,247**	5,967,700
Total equity		**163,247**	38,324,142

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

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Contributed equity $	Accumulated profit $	Total equity $
Balance at 1 July 2019		**32,356,442**	**5,967,700**	**38,324,142**
Profit after income tax expense		**-**	**209,305**	**209,305**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**-**	**209,305**	**209,305**
Distributions declared	12	**(32,356,442)**	**(6,013,758)**	**(38,370,200)**
Balance at 30 June 2020		**-**	**163,247**	**163,247**
Balance at 1 July 2018		32,356,442	7,760,883	40,117,325
Profit after income tax expense		-	945,217	945,217
Other comprehensive income		-	-	-
Total comprehensive income		-	945,217	945,217
Distributions declared	12	-	(2,738,400)	(2,738,400)
Balance at 30 June 2019		32,356,442	5,967,700	38,324,142

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

For the year ended 30 June 2020

	Notes	**1 July 2019 to 30 June 2020 $**	1 July 2018 to 30 June 2019 $
Cash flows from operating activities			
Rental revenue received (inclusive of GST)		**2,440,664**	5,749,374
Property expenses paid (inclusive of GST)		**(548,346)**	(415,613)
Interest received		**18,583**	5,137
Finance and borrowing costs paid		**(297,411)**	(1,175,902)
Administration costs paid (inclusive of GST)		**(223,944)**	(129,755)
Management fees paid (inclusive of GST)		**(293,683)**	(539,792)
Taxes paid including GST		**(270,764)**	(465,654)
Net cash flow from operating activities	9	**825,099**	3,027,795
Cash flows from investing activities			
Payments for capital improvements		**(61,152)**	(53,435)
Proceeds from disposal of investment properties held for sale		**69,300,000**	-
Disposal costs paid		**(1,592,210)**	-
Net cash flow from / (used in) investing activities		**67,646,638**	(53,435)
Cash flow from financing activities			
Proceeds from borrowings		**-**	975,000
Repayment of borrowings	7	**(29,100,000)**	(975,000)
Distributions paid to unitholders	12	**(39,054,800)**	(2,722,100)
Net cash flow used in financing activities		**(68,154,800)**	(2,722,100)
Net change in cash and cash equivalents held		**316,937**	252,260
Cash and cash equivalents at the beginning of the period		**299,324**	47,064
Cash and cash equivalents at the end of the period		**616,261**	299,324

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

1. Corporate information

SCA Unlisted Retail Fund 1 (SURF 1 or Trust or Fund) was formed on 5 June 2015 and was registered as a Managed Investment Scheme with the Australian Securities & Investments Commission on 9 June 2015. SURF 1 is an unlisted closed end unit trust constituted in Australia. On 1 October 2015 SURF 1 commenced activities with the acquisition of five retail properties in metropolitan and regional New South Wales.

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

The financial statements are presented in Australian dollars, which is SURF 1's functional and presentation currency.

SCA Unlisted Retail Fund RE Limited (SURF RE or the Responsible Entity) is the Responsible Entity of SURF 1. 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 The Trust Company (Australia) Limited to act as custodian of SURF 1's assets. The custodian must only act on instructions from the Responsible Entity.

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

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

2. Significant accounting policies

(a) Basis of preparation

These general purpose 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 1 is a for-profit unit trust for the purpose of preparing the financial statements. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Where necessary, the figures for the comparative period have been reclassified to facilitate comparison.

Historical cost convention

The financial statements have been prepared on the basis of historical cost, except for, where applicable, the revaluation of investment properties, derivative financial instruments and performance fee liability.

Going concern

The fund is in the process of being wound up. Consequently, the directors of the Fund have determined that the going concern basis of preparation is no longer appropriate. The financial statements have been prepared on the liquidation basis, following the disposal of all five investment properties. The accounting has followed the liquidation basis. The liquidation basis means for the Fund that all assets and liabilities are disclosed as current, expenses that are expected and can be reasonably estimated to termination have been accrued in the Statement of Profit or Loss. The fund is expected to terminate in the 2021 financial year.

The wind up process will be completed upon all liabilities being discharged, distributions paid and units cancelled.

New and amended accounting standards and interpretations

SURF 1 has adopted AASB 15 Revenue from Contracts with Customers (AASB 15), AASB 9 Financial Instruments (AASB 9) along with a number of other new standards effective from the period beginning on or after 1 January 2018. AASB 16 Leases (AASB 16) has been early adopted. The adoption of these accounting standards did not have a material effect on the Financial Report.

Application of new and revised Accounting Standards

The accounting policies adopted by SURF 1 are consistent with those of the previous financial year. New and amended standards and interpretations have been adopted where applicable. The adoption of these accounting standards did not have a material effect on the Financial Report.

New and revised Accounting Standards not yet effective

SURF 1 does not expect that the adoption of any Australian Accounting Standards that are issued but not yet effective or adopted will have a material impact on the financial statements of the Company in future periods. The significant standards and interpretations which are in issue but are not effective include:

Standard / amendment	Effective for annual reporting periods beginning on or after
AABS 2020-1 Amendments to Australian Standards – Classification of Liabilities as current and non-current	1 January 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022

(b) Significant accounting estimates, judgements and assumptions

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The significant judgements and estimates used in the preparation of these financial statements are outlined below:

Estimate - Valuation of investment properties

Critical judgements were made by the Directors in respect of the fair value of investment properties including properties that were classified as assets held for sale. The fair value of these investments were reviewed regularly by management with reference to independent property valuations, recent open market transactions and market conditions existing at the reporting date, using generally accepted market practices. The major critical assumptions underlying estimates of fair values were those relating to the capitalisation rate and the discount rate adopted for each property.

Other assumptions included retail trading environment, gross market rent, net market rent, average market rental growth, operating expenses, capital expenditure and terminal yield.

If there is any change in the assumptions used or economic conditions, a change in the fair value of the investment properties may occur. See further disclosure regarding assumptions used in valuation of investment properties in note 3.

Estimate - Valuation of derivative financial instruments

The fair value of derivative assets and liabilities was based on assumptions of future events and involve significant estimates. The value of derivatives may differ in future reporting periods due to the passing of time and / or changes in market rates including interest rates, foreign exchange rates and market volatility.

Estimate - Valuation of performance fee liability

The value of the performance fee liability is calculated at each reporting date using detailed calculations. This includes considering the estimated IRR over the life of the Fund and the present value of the estimated liability. See further disclosure regarding assumptions used in the valuation of performance fee liability in note 11(f).

(c) Revenue recognition

Rental income from investment properties is accounted for on a straight line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance sheet date, revenue is reflected in the statement of financial position as receivable and carried at its recoverable value. Recoveries from tenants are recognised as income in the year the applicable costs are accrued.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property income.

All other revenues are recognised when control of the underlying goods or services is transferred to the customer over time or at a point in time. Revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits;
- The customer controls the assets as the entity creates or enhances it; or
- The Funds's performance does not create an asset for which the Fund has an alternative use and there is a right to payment for performance to date.

Where the above criteria are not met, revenue is recognised at a point in time.

(d) Expenses

All expenses are brought to account on an accruals basis.

Under the Constitution of SURF 1, all expenses reasonably and properly incurred by SURF RE as Responsible Entity in connection with the Trust or in performing its obligations under the Trust's Constitution are payable or can be reimbursed out of SURF 1.

(e) Finance costs

Finance costs include interest payable on borrowings, payments on derivatives and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Finance costs are expensed as incurred.

(f) Taxation

Under current income tax legislation, SURF 1 is not liable for income tax, provided that the taxable income is fully distributed to unitholders each year. SURF 1 fully distributes its taxable income, calculated in accordance with the Trust Constitution and applicable legislation, to unit holders who are presently entitled to income under the constitution.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST (or equivalent tax in overseas locations) except where the GST incurred on purchases of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amounts of GST included. The net amount of GST receivable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short term deposits with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and other receivables

Trade and other receivables are carried at original invoice amount, less provision for doubtful debts, and are usually due within 30 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are determined to be uncollectable are written off when identified.

The provision for expected credit loss is recognised by applying the expected credit loss (ECL) model whereby the age of outstanding balances is analysed and the provision is determined by applying historical default percentages adjusted for other current observable data.

(j) Investment properties

Investment properties comprise investment interest in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income, including properties that are under construction for future use as investment properties.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value. Fair value of investment properties is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit and loss in the period in which they arise.

At each reporting date, the carrying values of the investment properties are assessed by the Directors and where the carrying value differs from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each investment property takes into account latest independent valuations, with updates taking into account any changes in estimated yield, underlying income and valuations of comparable properties. In determining the fair value, the capitalisation of net income method and / or the discounting of future net cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties.

Incentives such as cash, rent-free periods, lessee or lessor owned fit outs may be provided to lessees to enter into an operating lease. Leasing fees may also be paid for the negotiation of leases. These incentives and lease fees are capitalised to the investment property and are amortised on a straight-line basis over the lesser of the term of the lease and the useful life of the fit out, as a reduction of rental income. The carrying amounts of the lease incentives and leasing fees are reflected in the fair value of investment properties.

(k) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. Changes in the fair value of any derivative instruments are recognised immediately in the statement of profit or loss and other comprehensive income.

(l) Recoverable amount of assets

At each reporting date, an assessment is made as to whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the recoverable amount is estimated and if the carrying amount of that asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(m) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted.

Distribution

Distributions payable are recognised in the reporting period in which they are declared, determined or recommended by the Directors. Where such distributions have not been paid at reporting date they are recognised as a distribution payable.

The Trust distributes its distributable income, in accordance with the Trust's Constitution, to unitholders by cash or reinvestment. All distributions will be paid out of retained earnings / accumulated losses, whether they are capital or income in nature from a tax perspective.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are deferred and expensed over the term of the respective agreement.

(o) Performance fee liability

The Investment Manager (Shopping Centres Australasia Property Operations Pty Ltd, a related party to the Responsible Entity) is entitled to a performance fee of 20% of the portion of outperformance of SURF 1 over an IRR of 10%. The performance fee calculation period is from 1 October 2015 (1 October 2015 was the date SURF 1 commenced operation) to the first performance fee calculation date. The performance fee calculation dates include the termination of SURF 1 or the sale of the last property of SURF 1. A performance fee liability is recognised when the amount can be reliably measured.

The performance fee liability recognised will continue to be remeasured at each reporting date. Any revision to the performance fee will be adjusted through the Statement of Profit or Loss and Other Comprehensive Income for that period. Refer also note 11(f).

(p) Contributed equity

Applications received for units in the Trust are recognised as contributed equity at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary units are recognised in equity as a reduction of the proceeds received.

(q) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in a normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in a normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3. Investment properties held for sale

	30 June 2020 **$**	30 June 2019 $
Movement in investment properties		
Opening balance	-	71,000,000
Straight-lining of rental income net of amortisation	-	87,925
Additions to investment properties	-	46,249
Fair value movement on investment properties	-	(2,734,174)
Reclassification to Investment properties held for sale	-	(68,400,000)
Closing balance	-	-

Movement in investment properties held for sale	30 June 2020 $	30 June 2019 $
Opening balance	**68,400,000**	68,400,000
Net additions to the investment properties	**82,529**	-
Fair value movement on investment properties held for sale to disposal value	**817,471**	-
Disposal of investment properties held for sale	**(69,300,000)**	-
Closing balance	**-**	68,400,000

As at 30 June 2020, all five Investment properties previously held by the Fund as investment properties held for sale have been sold.

4. Finance costs

	1 July 2019 to 30 June 2020 $	1 July 2018 to 30 June 2019 $
Interest expense on borrowings including swap costs	**284,471**	1,125,666
Amortisation of establishment fees	**67,577**	31,365
	352,048	1,157,031

The facility was repaid in full and cancelled when the investment properties were sold (with the sale proceeds being initially used to repay the debt) in the first half of the year ended 30 June 2020.

5. Trade and other receivables

	30 June 2020 $	30 June 2019 $
Trade and other receivables	**1,990**	172,818
GST receivable	**41,177**	51,698
Total trade and other receivables	**43,167**	224,516

6. Trade and other payables

	30 June 2020 $	30 June 2019 $
Trade and other payables	**8,922**	70,893
Accrued expenses	**20,000**	300,393
GST payable	**9,555**	131,989
Total trade and other receivables	**38,477**	503,275

7. Borrowing

The Fund had no borrowings at 30 June 2020. The facility in place at 30 June 2019 was repaid in full and cancelled when the investment properties were sold (with the sale proceeds being initially used to repay the debt) in the first half of the year ended 30 June 2020.

	30 June 2020 $	30 June 2019 $
Non-current Liabilities		
Bank loan	**-**	29,100,000
Establishment fees	**-**	(67,577)
Total non-current borrowings	**-**	29,032,423

	30 June 2020 $	30 June 2019 $
Total bank loan facility limit	**-**	30,450,000
Less: Amounts drawn at the reporting date	**-**	(29,100,000)
Net borrowing facility available	**-**	1,350,000

Debt Covenants

The Fund was 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 60%. LvR is defined as being based on the amounts drawn as a percentage of the most recent external property valuations.

The facility in place at 30 June 2019 was repaid in full and cancelled when the investment properties were sold (with the sale proceeds being initially used to repay the debt) in the first half of the year ended 30 June 2020. To the extent applicable the Fund was in compliance with its financial covenants and other obligations during the year.

8. Contributed equity

	30 June 2020 $	30 June 2019 $
Units fully paid 32,600,000	**32,600,000**	32,600,000
Less: equity raising costs	**(243,558)**	(243,558)
Less: return of capital	**(32,356,442)**	-
Closing balance	**-**	32,356,442

The offer to invest in SURF 1 opened on 16 July 2015 and closed on 30 September 2015. 32,600,000 units in SURF 1 were issued and allocated on 1 October 2015 at $1.00 per unit raising $32,600,000 in equity.

On 28 January 2020, the Fund paid a distribution of $1.021 cents per unit including a return of capital with no effect to the unitholders' rights. The Fund is in the process of being wound up. The wind up process is expected to be completed during the 2021 financial year with all liabilities being discharged, the remaining assets being distributed and units cancelled. When the final distribution is paid the wind up of the Fund will be complete.

9. Notes to the statement of cash flows

Reconciliation of profit to net cash flows from operating activities is as follows:

	1 July 2019 to 30 June 2020 $	1 July 2018 to 30 June 2019 $
Net profit after income tax	**209,305**	945,217
Non-cash flows and expenses that are one-off in nature;		
- Fair value movement on investment properties	**(817,471)**	2,734,174
- Fair value movement on financial liabilities	**-**	(171,067)
- Straight-lining of rental income	**(21,377)**	(87,925)
- Performance fee expense	**78,304**	(510,779)
- Amortisation of capitalised expenses	**67,577**	8,100
- Disposal expenses presented in investing activities	**1,592,209**	-
Change in assets / liabilities		
Movement in trade and other receivables	**181,350**	50,225
Movement in trade and other payables	**(464,798)**	59,850
Net cash flows from operating activities	**825,099**	3,027,795

10. Financial instruments

Financial risk and capital management

(a) Capital risk management

Prior to the Fund being in the process of being wound up, the Fund's objective when managing capital was to safeguard the ability to continue as a going concern, whilst providing returns for unitholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

The Funds objective now when managing capital is to return the remaining capital to unitholders after finalisation of all appropriate creditor claims.

(b) Financial risk management

The Fund's activities expose it to a variety of financial risks, including:

(i) credit risk
(ii) liquidity risk
(iii) market risk (including foreign exchange risk and interest rate risk)

The Fund seeks to minimise the effects of these risks by monitoring its exposure to these risks and assessments of market forecasts.

(b)(i) Financial risk management - 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 Fund. The Fund has exposure to credit risk on all financial assets included in its statement of financial position.

The Fund is exposed to credit risk from cash placed with a financial institution. This financial institution has a credit rating of AA- (Standard & Poor's).

The Fund's exposure to credit risk is summarised in the following table:

	30 June 2020 **$**	30 June 2019 $
Cash and cash equivalents	**616,261**	299,324
Receivables	**43,167**	224,516
	659,428	523,840

The maximum exposure of the Fund to credit risk as at 30 June 2020 is the carrying value of the financial assets in its statement of financial position.

(b)(ii) Financial risk management - liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund aims at having flexibility in funding by keeping sufficient cash and/or committed credit lines available (if needed) whilst maintaining a low cost of holding these facilities. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

The Fund also manages liquidity risk by maintaining a liquidity buffer of cash and where applicable undrawn debt facilities.

The debt facility in place at 30 June 2019 was repaid in full and cancelled when the investment properties were sold (with the sale proceeds being initially used to repay the debt) in the first half of the year ended 30 June 2020. Refer to note 7.

Non-derivative financial instruments

The contractual maturities of the Fund's non-derivative financial liabilities at year end are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities. Interest rates are based on the interest rates as at the reporting date.

	1 year or less $	Between 1 to 3 years $	Total $
30 June 2020			
Trade and other payables	**38,477**	**-**	**38,477**
Distribution payable	**-**	**-**	**-**
Borrowings	**-**	**-**	**-**
Performance fee liability	**457,704**	**-**	**457,704**
	496,181	**-**	**496,181**
30 June 2019			
Trade and other payables	503,275	-	503,275
Distribution payable	684,600	-	684,600
Borrowings	-	29,100,000	29,100,000
Performance fee liability	-	379,400	379,400
	1,187,875	29,479,400	30,667,275

(b)(iii) Financial risk management - market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Fund's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk within acceptable parameters, while optimising the return.

Market risk - foreign exchange risk

The Fund has no foreign currency denominated assets or liabilities at the reporting date and therefore the Fund is not exposed to any foreign exchange risk.

Market risk - interest rate risk

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

Prior to repaying the debt facility during the current year (refer to note 7) the Fund was exposed to interest rate risk as it borrow funds at floating interest rates. This risk was managed through the use of interest rate swap contracts. Hedging activities are evaluated regularly. The Fund's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Exposure to cash and cash equivalents was $616,261 (30 June 2019: $299,324). As at 30 June 2020, the Fund held no borrowing facilities or interest rate contracts.

Interest rate swap contract

The Fund's interest rate risk arises from borrowings and cash holdings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or from fixed to floating. The Fund had entered into an interest rate swap contract with a notional principal amount of $28,000,000 which expired in June 2019.

Prior to repaying the debt facility during the current year (refer to note 7) the Fund's secured debt facility was at floating rates. Borrowings with floating rates expose the Fund to cash flow interest rate risk. The Fund's preference up until June 2019 was to be protected from interest rate movements through appropriate risk management techniques. These techniques include using a floating to fixed interest rate swap. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. After the expiry of the swap in June 2019, no interest rate swaps have been entered into or held by the Fund.

The requirements under Australian accounting standards in respect of documentation, designation and effectiveness for hedge accounting cannot be met in all circumstances. As a result the Fund did not apply hedge accounting for its interest rate swap in the prior period.

The Fund's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at reporting date are in the following table.

	Interest Rate Floating	1 year or less $	Between 1 to 3 years $	Total $
30 June 2020				
Financial Assets				
Cash and cash equivalents	**0.0%**	**616,261**	**-**	**616,261**
Trade and other receivables	**-**	**43,167**	**-**	**43,167**
Financial Liabilities				
Trade and other payables	**-**	**38,477**	**-**	**38,477**
Performance fee liability	**-**	**457,704**	**-**	**457,704**
Borrowings	**-**	**-**	**-**	**-**
Distribution payable	**-**	**-**	**-**	**-**
Total net financial assets		**163,247**	**-**	**163,247**
30 June 2019				
Financial Assets				
Cash and cash equivalents	1.0%	299,324	-	299,324
Trade and other receivables	-	224,516	-	224,516
Financial Liabilities				
Trade and other payables	-	503,275	-	503,275
Performance fee liability	-	-	379,400	379,400
Borrowings	2.7%	-	29,100,000	29,100,000
Distribution payable	-	684,600	-	684,600
Total net financial liabilities		664,035	29,479,400	30,143,435

The Fund had no derivatives or borrowings at 30 June 2020.

Sensitivity analysis – interest rate risk

The following sensitivity analysis shows the effect on profit/(loss) after tax and equity if interest on the net debt at the reporting date (net of cash) had been 50 basis points higher/lower with all other variables held constant.

	Profit after tax		Equity	
	50bp higher $	50bp lower $	50bp higher $	50bp lower $
30 June 2020 – Effect of market rate interest movement	**3,081**	**(3,081)**	**3,081**	**(3,081)**
30 June 2019 – Effect of market rate interest movement	(144,005)	144,005	(144,005)	144,005

(c) Accounting classifications and fair values

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 observing market rates.

The Directors consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair values.

The Fund had no financial liabilities that were measured at fair value as at 30 June 2020.

Fair value hierarchy

The Fund is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed can be subjective.

The different 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 for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis of the use of observable inputs that require significant adjustments based on unobservable inputs.

There were no transfers between levels during the year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The Fund does not have any Level 1, 2 or 3 financial instruments. Details of level 3 assets (investment properties held for sale) held during the prior period at note 3.

11. Related party transactions

The Responsible Entity of SURF 1 is SCA Unlisted Retail Fund RE Limited (ABN 42 604 416 284) (SURF RE). SURF RE is part of the SCA Property Group. The SCA Property Group comprises Shopping Centres Australasia Property Group RE Limited (ABN 47 158 809 851) as responsible entity of Shopping Centres Australasia Property Management Trust (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788) (Retail Trust). All fees and charges from the Responsible Entity and its related parties are in accordance with the Product Disclosure Statement (PDS) dated 16 July 2015 and the Trust's constitution. Transactions with entities associated to SCA Property Group are disclosed below. Transactions with related parties have taken place at arm's length and in the ordinary course of business.

(a) Investment management fees

Investment management fees are 0.45% per annum of gross asset value payable monthly in arrears. During the period investment management fees of $171,633 (excluding GST) were paid to Shopping Centres Australasia Property Operations Pty Limited (ACN 160 890 433) as the Investment Manager of SURF 1 (30 June 2019: $314,556). Shopping Centres Australasia Property Operations Pty Limited has notified the Fund that no fees are payable on the gross asset value after the last distribution of 13.50 cents per unit was paid in April 2020.

Total accrued investment management fees of $nil (excluding GST) are recognised in trade and other payables in the statement of financial position (30 June 2019: $25,827).

(b) Base management fees

Base management fees are 0.25% per annum of gross asset value payable monthly in arrears. During the period base management fees of $95,352 (excluding GST) were paid to the Responsible Entity during the financial year (30 June 2019: $174,753). The Responsible Entity has notified the Fund that no fees are payable on the gross asset value after the last distribution of 13.50 cents per unit was paid in April 2020.

Total accrued base management fees of $nil (excluding GST) are recognised in trade and other payables in the statement of financial position (30 June 2019: $14,348).

(c) Recharge expenses

SURF RE and the Investment Manager have the right to recover from the Fund the expenses properly incurred by SURF RE or the Investment Manager in relation to the Fund. The Investment Manager is part of SCA Property Group. In practice the Fund has paid all such expenses directly.

(d) Directors fees

No fees were paid or are payable by SURF 1 to the directors of the Responsible Entity during the period. These costs are paid by SCA Property Group. Refer to note 15.

(e) Related Party Unit Holdings and Distributions

Number of units held by related parties:

	30 June 2020	30 June 2019
Shopping Centres Australasia Property Retail Trust	**7,959,000**	7,959,000

The units held by the Shopping Centres Australasia Property Retail Trust rank pari passu with the other units on issue in SURF 1 and have been held by the Retail Trust since allotment (1 October 2015). The distributions paid or payable to the Retail Trust for the period are in the table below:

30 June 2020 Period Ended	**30 Sep 2019**	**31 Dec 2019**	**31 Mar 2020**	**30 Jun 2020**
Number of units held	**7,959,000**	**7,959,000**	**7,959,000**	**7,959,000**
Distribution per unit - cents	**2.10**	**102.10**	**13.50**	**-**
Amount paid - $	**167,139**	**8,126,139**	**1,074,465**	**-**
Date paid	**16 Oct 2019**	**28 Jan 2020**	**22 Apr 2020**	**-**

30 June 2019 Period Ended	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019
Number of units held	7,959,000	7,959,000	7,959,000	7,959,000
Distribution per unit - cents	2.10	2.10	2.10	2.10
Amount paid - $	167,139	167,139	167,139	167,139
Date paid	16 Oct 2018	21 Jan 2019	23 Apr 2019	31 Jul 2019

The Fund did not hold any interests in related parties at the reporting date or throughout the current year.

(f) Performance fee liability

The Investment Manager will be entitled to a performance fee of 20% of the portion of the outperformance of SURF 1 over an IRR of 10% per annum. SURF 1's performance to date has been an IRR of 11% which is in excess of 10%. Applying appropriate calculations to reflect the estimated IRR over the likely life of SURF 1, a performance fee liability of $457,704 has been recognised at 30 June 2020 (30 June 2019: $379,400).

(g) Disposal fee paid to Investment Manager

The Investment Manager is entitled to a Disposal fee of 1% of the gross sales price of any Property of the Fund where it is sold. During the year ended 30 June 2020, the five properties held by the Fund were sold at a gross sales price of $69,300,000. The Disposal fee of $693,000 has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income within disposal expenses.

12. Distributions

30 June 2020 **Quarter ended**	**Payment date**	**Cents per unit**	**$**
30 September 2019	16 October 2019	**2.10**	**684,600**
31 December 2019	28 January 2020	**102.10**	**33,284,600**
31 March 2020	22 April 2020	**13.50**	**4,401,000**
30 June 2020	-	**-**	**-**
Total distributions (Ordinary)		**117.70**	**38,370,200**

30 June 2019 Quarter ended	Payment date	Cents per unit	$
30 September 2018	16 October 2018	2.10	684,600
31 December 2018	21 January 2019	2.10	684,600
31 March 2019	23 April 2019	2.10	684,600
30 June 2019	31 July 2019	2.10	684,600
Total distributions (Ordinary)		8.40	2,738,400

13. Commitments and contingencies

The Trust has a distribution payable of $nil as at 30 June 2020 (30 June 2019: $684,600).

As at 30 June 2020, the Fund has no other capital commitments, contingent liabilities or assets (30 June 2019: nil).

14. Auditors remuneration

During the period, all amounts paid or payable to the auditor of the Fund, BDO East Coast Partnership, by SCA Unlisted Retail Fund 1 for the period were:

	1 July 2019 to 30 June 2020 **$**	1 July 2018 to 30 June 2019 $
Audit and review of financial statements	**38,500**	29,500
Assurance and compliance services	**4,000**	3,000
Agreed upon procedures engagement	**5,000**	-
Total Auditors remuneration	**47,500**	32,500

15. Key management personnel

Key management personnel of the Responsible Entity are those persons having authority and responsibility for planning directing and controlling the activities of the Fund, directly or indirectly, including any Director.

Key management personnel are employed by a related company to the Fund, Shopping Centres Australasia Property Operations Pty Limited. No compensation is paid by the Fund to any of the key management personnel of the Responsible Entity.

16. Events after the reporting period

The net assets of the Fund at 30 June 2020 are $0.005 per unit. The wind up process of the fund has commenced and is expected to be completed during the 2021 financial year with all liabilities being discharged, the remaining assets being distributed and units cancelled. When the final distribution is paid the wind up of the Fund will be complete.

During the year, events relating to COVID-19 have resulted in significant market volatility and uncertainty as to the future impact of COVID-19. This includes the impact on the Australian economy including the impact on retail spending. The full extent of the effect of the COVID-19 outbreak on the performance of the Fund remains unknown. Current and future government or other action taken in response to COVID-19 are or are likely to be beyond the control of the Fund and it is possible they may adversely impact the Fund. The Fund is monitoring the situation and has considered the impact of COVID-19 on the Fund's business and financial performance and prospects. At this stage the impact of COVID-19 on the Fund and its Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position, are not considered significant. However, the situation is evolving and the full extent of the consequences are uncertain.

The Directors are not aware of any other matters or circumstance that have arisen since 30 June 2020 that have significantly affected or may significantly affect the operations of SURF 1 including the wind up of SURF 1, other than those already disclosed in the Directors' report, the result of those operations, or state of SURF 1's affairs in future financial periods.

* * *

In the opinion of the Directors of SCA Unlisted Retail Fund RE Limited, the Responsible Entity of SCA Unlisted Retail Fund 1 (SURF 1):

(a) The attached financial statements and notes are in accordance with the Corporations Act 2001, including;
  (i) giving a true and fair view of SURF 1's financial position as at 30 June 2020 and of its performance for the financial 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 1 will be able to pay its debts as and when they become due and payable.

The attached 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 financial statements.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Director
Sydney
21 July 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of SCA Unlisted Retail Fund 1

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of SCA Unlisted Retail Fund 1 (the Fund), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of SCA Unlisted Retail Fund 1, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of of SCA Unlisted Retail Fund RE Limited, as responsible entity for SCA Unlisted Retail Fund 1, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of matter – Liquidation Basis of Accounting

We draw attention to Note 2(a) to the financial report, which states that the financial statements of the Fund has been prepared on a liquidation basis, given the directors of the responsible entity's intention to liquidate the Fund. Our opinion is not modified in respect of this matter.

Other information

The directors of the responsible entity of the Fund are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the responsible entity for the Financial Report

The directors of the responsible entity of the Fund 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the responsible entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the responsible entity either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

Ian Hooper
Partner

Sydney, 21 July 2020