## APPENDIX 4E - Results for announcement to the market

Full Year Report
For the year ended 30 June 2020

**Name of Entity:** Shopping Centres Australasia Property Group (SCA Property Group)

Shopping Centres Australasia Property Group comprises Shopping Centres Australasia Property Management Trust ARSN 160 612 626 (Management Trust) and Shopping Centres Australasia Property Retail Trust ARSN 160 612 788 (Retail Trust). The Responsible Entity of Shopping Centres Australasia Property Trust and Shopping Centres Australasia Property Retail Trust is Shopping Centres Australasia Property Group RE Limited (ABN 47 158 809 851; AFSL 426603)

| For the year ended | 30 June 2020 $m | 30 June 2019 $m | Variance |
|---|---|---|---|
| Revenue from ordinary activities ($m) | 292.4 | 270.0 | 8.3% |
| Profit from ordinary activities after tax attributable to members ($m) | 85.5 | 109.6 | (22.0)% |
| Net profit for the period attributable to members ($m) | 85.5 | 109.6 | (22.0)% |
| Funds from Operations (FFO)[1] ($m) | 140.8 | 141.8 | (0.7)% |

| For the year ended | 30 June 2020 | 30 June 2019 | Variance |
|---|---|---|---|
| Basic earnings per security (cents per unit) | 8.9 | 12.6 | (29.4)% |
| Weighted average FFO per security[1] (cents per unit) | 14.65 | 16.33 | (10.3)% |

### Distributions

| For the year 1 July 2019 to 30 June 2020 | Record date | Amount per unit | Franked amount per unit |
|---|---|---|---|
| Final distribution | 30 June 2020 | 5.00 cents | 0.0 cents |
| Interim distribution | 31 December 2019 | 7.50 cents | 0.0 cents |

The total distribution per stapled unit is 12.50 cents. The Final distribution of 5.00 cents was declared on 23 June 2020 and will be paid on or about 31 August 2020. The Interim distribution of 7.50 cents was declared on 12 December 2019 and paid on 29 January 2020.

### Net Tangible Assets

| For the year ended | 30 June 2020 | 30 June 2019 | Variance |
|---|---|---|---|
| Net tangible asset backing per stapled unit ($ per stapled unit) | 2.22 | 2.27 | (2.2)% |

**Notes:**

1. The Group reports net profit attributable to members in accordance with Australian Accounting Standards (AAS). Funds from operations (FFO) is a non-AAS measure that represents the Directors' view of underlying earnings from ongoing operating activities for the period, being statutory net profit/loss after tax adjusted to exclude certain items including unrealised gains and losses and non recurring items.

**Details of entities over which control has been gained or lost during the period:**
Refer Financial Report, note 29.

**Details of any associates and Joint Venture entities required to be disclosed:**
SCA Property Group has a 24.4% interest in SCA Unlisted Retail Fund 1, 28.6% interest in SCA Unlisted Retail Fund 2 and 26.2% in SCA Unlisted Retail Fund 3. Refer to Financial Report, note 14.

**Audit**
The accounts have been audited with an unqualified audit opinion. Refer to attached Financial Report.

**Distribution Reinvestment Plan (DRP)**
The Group has a Distribution Reinvestment Plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. The DRP applied both to the Interim distribution and the Final distribution. The issue price was calculated as the arithmetic average of the daily volume weighted average price of all sales of Stapled Units sold through a Normal Trade recorded on ASX for the first 10 ASX Trading Days following the business day after the record date, less 1.0% (1.0% being the Board approved DRP discount for this distribution) and rounded to the nearest whole cent. Additional details are below.

> **Interim distribution:** The DRP applied to the Interim distribution for the half year ended 31 December 2019, paid on 29 January 2020. The cut-off for electing to participate or change an existing election to participate in the DRP was 5.00pm on 2 January 2020.
>
> **Final distribution:** The DRP applied to the Final distribution for the year ended 30 June 2020, paid on or about 31 August 2020. The cut-off for electing to participate or change an existing election to participate in the DRP was 5.00pm on 1 July 2020.

**Other significant information and commentary on results including a brief explanation of the figures above**
See attached ASX announcement and materials referred to below.

**For all other information required by Appendix 4E including a results commentary, please refer to the following attached documents:**
- Directors' report
- Financial Report
- Results presentation

Mark Lamb
Company Secretary
10 August 2020

# Shopping Centres Australasia Property Group

Financial Report for the year ended 30 June 2020

Shopping Centres Australasia Property Group comprises the stapled securities in
Shopping Centres Australasia Property Management Trust (ARSN 160 612 626),
Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788) and their controlled entities.

Shopping Centres Australasia Property Group has been formed by the stapling of the securities in two Australian managed investment schemes, Shopping Centres Australasia Property Management Trust (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788). Shopping Centres Australasia Property Group RE Limited (ABN 47 158 809 851; AFSL 426603) is the Responsible Entity of both schemes and is incorporated and domiciled in Australia. The registered office of Shopping Centres Australasia Property Group RE Limited is Level 5, 50 Pitt Street, Sydney, New South Wales.

## Directors' Report

Shopping Centres Australasia Property Group (SCA Property Group (SCP or SCA) or the Group) comprises the stapled securities in two Trusts, Shopping Centres Australasia Property Management Trust (Management Trust) and Shopping Centres Australasia Property Retail Trust (Retail Trust) (collectively the Trusts) and their controlled entities.

The Responsible Entity for the Trusts is Shopping Centres Australasia Property Group RE Limited, which presents its report together with the Trusts' Financial Reports for the year ended 30 June 2020 and the auditor's report thereon.

The Directors' Report is a combined Directors' Report that covers the Trusts. The financial information for the Group is taken from the Consolidated Financial Reports and notes.

### 1. Directors

The Directors of the Responsible Entity at any time during or since the end of the financial year are:

**Mr Philip Marcus Clark** (appointed 19 September 2012)

Chair and Non-Executive Director

| | |
|---|---|
| Independent: | Yes. |
| Other listed Directorships held in last 3 years: | Non-Executive Director of Ingenia Communities Group (June 2012 to December 2017). |
| Special responsibilities and other positions held: | Member of Nomination Committee and Audit, Risk Management and Compliance Committee.<br><br>Other positions currently held, unrelated to the Group, include member of the JP Morgan Australia Advisory Council, Council of Charles Sturt University, and Premier's Science and Innovation Council. Chair of a number of government and private boards including: NSW Skills Board, Royal Botanic Gardens & Domain Trust, NSW Public Purpose Fund, and University of Wollongong Early Start Advisory Board. Director of Food Agility Cooperative Research Centre and Consultant to FTI Consulting. |
| Other Experience: | Mr Clark was the Managing Partner of the law firm Minter Ellison from 1995 to 2005. Prior to joining Minter Ellison, Mr Clark was a Director and Head of Corporate with ABN Amro Australia, and prior to that he was the Managing Partner of the law firm Mallesons Stephen Jaques for 16 years. Mr Clark has been a Director of several listed AREITs and Chair and Non-Executive Director of Hunter Hall Global Value Limited (July 2013 to December 2015), in addition to the Group.<br><br>Mr Clark brings specific skills in the following areas:<br>• M & A and capital markets<br>• Audit, risk management and compliance<br>• Corporate governance<br>• Real estate, including property management, portfolio and investment management, asset management and funds management<br>• Remuneration<br>• Workplace health and safety<br>• Stakeholder engagement |
| Qualifications: | BA, LLB, and MBA (Columbia University). |

**Mr Steven Crane** (appointed 13 December 2018)

Non-Executive Director and Deputy Chair

| | |
|---|---|
| Independent: | Yes. |
| Other listed Directorships held in last 3 years: | Chair and Non-Executive Director of nib holdings limited (Non-Executive Director from September 2010 and Chair from October 2011 to current) and Non-Executive Director of APA Group (comprising Australian Pipeline Trust and APT Investment Trust) (January 2011 to current). |
| Special responsibilities and other positions held: | Chair of Remuneration Committee, and member of Nomination Committee and Investment Committee.<br><br>Other positions currently held unrelated to the Group includes Taronga Conservation Society Australia and Global Value Technology Limited. |
| Other Experience: | Mr Crane has held a number of other positions unrelated to the Group include Non-Executive Director of Bank of Queensland (2008-2015), Non-Executive Director of Transfield Services (2008-2015), Non-Executive Director of APA Ethane Limited (2008-2011), Trustee of Australian Reward Investment Alliance (2007-2009), Chair of Adelaide Managed Funds Limited (2006-2008), Chair of Investa Property Group (2006-2007), Non-Executive Director of Adelaide Bank (2005-2007), Non-Executive Director of Foodland Associated (2003-2005), Deputy Chair of Australian Chamber Orchestra and Director of Sunnyfield Association.<br><br>Mr Crane brings specific skills in the following areas:<br>• Funds management<br>• Investment banking including M & A and capital markets<br>• Finance and accounting including audit<br>• Remuneration<br>• Stakeholder engagement |
| Qualifications: | BComm, FAICD, SF Fin. |

**Dr Kirstin Ferguson** (appointed 1 January 2015)

Non-Executive Director

| | |
|---|---|
| Independent: | Yes. |
| Other listed Directorships held in last 3 years: | Non-Executive Director of EML Payments Limited (February 2018 to date). |
| Special responsibilities and other positions held: | Chair of Nomination Committee and member of Audit, Risk Management and Compliance Committee, and Remuneration Committee.<br><br>Other positions currently held unrelated to the Group include Non-Executive Director (and currently Deputy Chair) of the Australian Broadcasting Corporation (November 2015 to date), Non-Executive Director of Hyne & Sons Pty Limited (August 2013 to date), and consultant to Envato Pty Limited. |
| Other experience: | Dr Ferguson is an experienced Non-Executive Director on ASX100, ASX200, government, not-for-profit and significant private company boards. Dr Ferguson has a PhD in corporate culture and governance from QUT Business School where she is also an Adjunct Professor (April 2015 to date). Dr Ferguson was formerly the global CEO of the workplace health and safety organisation, Sentis Pty Limited, and Director Corporate Services at Deacons (now Norton Rose Fulbright). Dr Ferguson has listed company experience including roles as a Non-Executive Director of CIMIC Group Limited (July 2014 to November 2016) and Dart Energy Limited (November 2012 to March 2013), as well as board roles with SunWater Limited (October 2008 to August 2015), the Queensland Rugby Union (April 2011 to April 2013) and Queensland Theatre Company (May 2013 to May 2016). Dr Ferguson was also the Independent Chair of the Thiess Advisory Board (February 2013 to June 2014). Dr Ferguson is also the creator of the global, online #CelebratingWomen campaign and co-author of Women Kind and was a Non-Executive Director of the Layne Beachley Aim for the Stars Foundation (2016 to 2019).<br><br>Dr Ferguson brings specific skills in the following areas:<br>• Remuneration<br>• Organisational culture<br>• Diversity<br>• Risk and compliance |

- Workplace health and safety
- Stakeholder engagement
- Social media

Qualifications: PhD, LLB (Honours), BA (Honours), FAICD and a member of Chief Executive Women.

**Ms Beth Laughton** (appointed 13 December 2018)

Non-Executive Director

Independent: Yes.

Other listed Directorships held in last 3 years: Director of JB Hi-Fi Limited (May 2011 to current).

Special responsibilities and other positions held: Member of the Audit, Risk Management and Compliance Committee, Remuneration Committee and Nomination Committee.

Other positions currently held unrelated to the Group include Non-Executive Director of GPT Funds Management Limited.

Other Experience: Ms Laughton began her career with Peat, Marwick, Mitchell (now KPMG) in audit and then spent 25 years advising companies in mergers and acquisitions, valuations and equity capital markets. She has worked at senior levels with Ord Minnett Corporate Finance (now JP Morgan), TMT Partners and Wilson HTM, advising companies in a range of industries including, property, retail and the information, communication and media sectors. She has held a number of other positions unrelated to the Group including a Member of Defence SA's Advisory Board (2007-2016), Non-Executive Director of the Co-operative Research Centre for Contamination, Assessment, Remediation of the Environment (2012-2014), Non-Executive Director of Australand Property Group (2012-2014), and Director of Sydney Ferries (2004-2010).

Ms Laughton brings specific skills in the following areas:

- Property investment and funds management
- M & A and equity capital markets
- Finance and accounting
- Corporate governance
- Retail
- Remuneration
- Audit and risk management

Qualifications: BEcon, FCA and FAICD.

**Mr Philip Redmond** (appointed 26 September 2012)

Non-Executive Director

Independent: Yes.

Other listed Directorships held in last 3 years: None.

Special responsibilities and other positions held: Chair of Audit, Risk Management and Compliance Committee, and member of Nomination Committee and Investment Committee.

Other experience: Mr Redmond has over 30 years of experience in the real estate industry including over five years with AMP's real estate team and over 12 years with the investment bank UBS in various roles including as Managing Director - Head of Real Estate Australasia. In addition, Mr Redmond has been a Non-Executive Director for a number of responsible entities in the listed A-REIT sector including most recently Non-Executive Director Galileo Funds Management Limited the Responsible Entity for Galileo Japan Trust (2006 to October 2016).

Mr Redmond brings specific skills in the following areas:

- Real estate, including property and development management, portfolio and investment management, asset management and funds management
- Investment banking and corporate finance
- M&A and capital markets

- Equity placements and entitlement offers
- Real estate valuations
- Development of strategy and policy for real estate investment funds
- Risk management
- International real estate investment

Qualifications: Bachelor of Applied Science (Valuation), Master of Business Administration (AGSM) and MAICD.

**Ms Belinda Robson** (appointed 27 September 2012)

Non-Executive Director

Independent: Yes.

Other listed Directorships held in last 3 years: None.

Special responsibilities and other positions held: Chair of the Investment Committee and member of the Remuneration Committee, and Nomination Committee.

Other positions currently held unrelated to the Group include Non-Executive Director of GPT Funds Management Limited and Non-Executive Director of several Lendlease Asian Retail Investment Funds.

Other experience: Ms Robson is an experienced real estate executive and people leader, having previously worked with Lendlease Group for nearly 30 years in a range of roles including as Fund Manager of Australian Prime Property Retail Fund (APPF Retail) (APPF Retail is managed by the Lendlease Group).

Ms Robson brings specific skills in the following areas:

- Real estate, in particular retail assets, spanning all aspects of real estate including property and development management, portfolio and investment management, asset management and funds management
- Retail industry, investor and consumer sentiment experience and the way in which retail formats should and can evolve to capitalise on sector opportunities
- M & A and capital markets
- Corporate governance
- Remuneration
- International experience

Qualifications: BComm (Honours).

**Mr Anthony Mellowes** (appointed Executive Director 2 October 2012)

Executive Director and CEO

Independent: No.

Other listed Directorships held in last 3 years: None.

Special responsibilities and other positions held: In addition to be being an Executive Director and Chief Executive Officer (CEO), Mr Mellowes is a member of the Investment Committee and is an Executive Director of SCA Unlisted Retail Fund RE Limited.

Other positions currently held unrelated to the Group include Director of Shopping Centre Council of Australia.

Other experience: Mr Mellowes is an experienced property executive. Prior to joining SCA Property Group as an Executive Director, Mr Mellowes worked at Woolworths Limited from 2002 to 2012 and held a number of senior property related roles including Head of Asset Management and Group Property Operations Manager. Prior to Woolworths Limited, Mr Mellowes worked for Lendlease Group and Westfield Limited.

Mr Mellowes was appointed Chief Executive Officer of SCA Property Group on 16 May 2013 after previously acting as interim Chief Executive Officer. Mr Mellowes was a key member of the Woolworths Limited team which created SCA Property Group.

Mr Mellowes brings specific skills in the following areas:

- Real estate, in particular retail assets, spanning all aspects of real estate including property and development management, portfolio and investment management and funds management

- Retail experience spanning all retail asset classes
- M&A and capital markets
- Equity placements

Qualifications: Bachelor of Financial Administration and completion of Macquarie Graduate School of Management's Strategic Management Program.

**Mr Mark Fleming** (appointed CFO 20 August 2013, appointed Executive Director 26 May 2015)

Executive Director and CFO

Independent: No.

Other listed Directorships held in last 3 years: None.

Special responsibilities and other positions held: In addition to being an Executive Director and CFO, Mr Fleming is a member of the Investment Committee and an alternative Executive Director of SCA Unlisted Retail Fund RE Limited for Mr Mellowes.

Other positions currently held unrelated to the Group include Trustee of the Royal Botanical Gardens & Domain Trust.

Other experience: Mr Fleming was CFO of Treasury Wine Estates from 2011 to 2013. Mr Fleming worked at Woolworths Limited from 2003 to 2011, firstly as General Manager Corporate Finance, and then as General Manager Supermarket Finance. Prior to Woolworths Limited, Mr Fleming worked in investment banking at UBS, Goldman Sachs and Bankers Trust.

Mr Fleming brings specific skills in the following areas:

- Investment banking, M&A, capital markets, strategy, and corporate finance
- Capital management, including debt, derivatives and equity raising
- Retail industry expertise across a range of retail categories including supermarkets and experience in fast moving consumer goods
- Real estate expertise, particularly in retail asset classes, including valuations and funds management
- Listed company CFO experience, including treasury, tax, accounting/financial control/audit, corporate governance/risk management/compliance, stakeholder engagement/investor relations

Qualifications: LLB, B.Econ (First Class Honours), CPA.

**Company Secretaries**

**Mr Mark Lamb** (appointed 26 September 2012)

General Counsel and Company Secretary

Experience: Mr Lamb is an experienced transactional and corporate lawyer with over 20 years' experience in private practice and 10 years as a Partner of Corrs Chambers Westgarth (and subsequently Herbert Geer). Subsequently Mr Lamb has 12 years experience in the listed sector including as General Counsel and Company Secretary of ING Real Estate, prior to joining SCA.

Mr Lamb has extensive experience in retail shopping centre developments, acquisitions, sales and major leasing transactions having acted for various REITs and public companies during his career.

Qualifications: LLB.

**Ms Erica Rees** (appointed 5 February 2020)

Senior Legal Counsel and Company Secretary

Experience: Ms Rees is an experienced funds and property lawyer with over 15 years' experience in legal practice including property transactions, property developments, leasing, funds management, corporate and debt. Ms Rees joined SCA in late 2012 and was previously a Senior Associate in a national law firm. Ms Rees is also a Company Secretary for the Group and SCA Unlisted Retail Fund RE Limited which is the Responsible Entity for SCA's funds management business.

Qualifications: BA LLB (Hons), AGIA, ACIS.

**Directors' relevant interests**

The relevant interest of each Director in ordinary stapled securities in the Group as at the date of signing of this report are shown below.

| Director | Number of stapled securities at 30 June 2019 | Net movement increase / (decrease) | Number of stapled securities at date of this report | Number of unvested performance rights at date of this report |
|---|---|---|---|---|
| P Clark | 76,465 | 124,629 | 201,094 | - |
| S Crane | 50,000 | 38,888 | 88,888 | - |
| K Ferguson | 16,465 | 18,604 | 35,069 | - |
| B Laughton | 4,333 | 13,998 | 18,331 | - |
| P Redmond | 73,965 | 13,888 | 87,853 | - |
| B Robson | 48,607 | 13,888 | 62,495 | - |
| A Mellowes | 785,330 | 565,847 | 1,351,177 | 1,151,523 |
| M Fleming | 146,465 | 256,367 | 402,832 | 539,237 |

**Directors' attendance at meetings**

The number of Directors' meetings, including meetings of committees of the Board of Directors, held during the year and the number of those meetings attended by each of the Directors at the time they held office are shown below.

| Number of meetings held | Number |
|---|---|
| Board of Directors (Board) | 17 |
| Audit, Risk Management and Compliance Committee (ARMCC) | 5 |
| Remuneration Committee (Remuneration) | 3 |
| Nomination Committee (Nomination) | 2 |
| Investment Committee (Investment) | 6 |

| | Board | | ARMCC | | | Remuneration | | | Nomination | | | Investment | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | A | B | A | B | C | A | B | C | A | B | C | A | B | C |
| P Clark | 17 | 17 | 5 | 5 | - | - | - | 3 | 2 | 2 | - | - | - | 3 |
| S Crane | 17 | 17 | - | - | 4 | 3 | 3 | - | 2 | 2 | - | 6 | 6 | - |
| K Ferguson | 17 | 17 | 5 | 5 | - | 3 | 3 | - | 2 | 2 | - | - | - | - |
| B Laughton | 17 | 17 | 5 | 5 | - | 3 | 3 | - | 2 | 2 | - | - | - | 1 |
| P Redmond | 17 | 17 | 5 | 5 | - | - | - | 3 | 2 | 2 | - | 6 | 6 | - |
| B Robson | 17 | 16 | - | - | 5 | 3 | 3 | - | 2 | 2 | - | 6 | 5 | - |
| A Mellowes | 17 | 16 | - | - | 5 | - | - | 3 | - | - | 2 | 6 | 6 | - |
| M Fleming | 17 | 17 | - | - | 5 | - | - | 3 | - | - | 1 | 6 | 6 | - |

A: Number of meetings held while a member of the Board or a member of the committee during the year.

B: Number of meetings attended while a member of the Board or a member of the committee during the year.

C: Number of meetings attended as a guest.

## 2. Principal activities

The principal activity of the Group during the year was investment in, and management of, shopping centres in Australia.

## 3. Impact of COVID-19

The events relating to COVID-19 have had a material adverse impact on both the operations and financial performance of the Group during the period. These impacts have included: volatility in the retail sales performance of our tenants, government-imposed trading restrictions on some of our tenants, the enactment of legislation in each state and territory implementing the National Cabinet Mandatory Code of Conduct ("Code of Conduct") for small and medium sized enterprise tenants, a large increase in rental arrears compared to prior periods by our speciality tenants directly attributable to the COVID-19 pandemic, an increase in expenses (for example, extra cleaning and security) and reduction in the valuation of our investment properties.

As these COVID-19 related impacts are ongoing, there is continued uncertainty in relation to the future financial performance of the Group.

The implications of the above on the Consolidated Financial Statements falls broadly into two areas:

- Recording and collecting of rental income: some rental income that was invoiced during the period has not been received. A portion of this unpaid rent has been waived or deferred. A portion of the remaining balance of unpaid rent is not expected to be recovered in a future period and, as such, an expected credit loss provision has been raised for the amount of the expected cash shortfall relative to contractual lease payments ("ECL" provision). The full ECL provision is $15.3 million, being $0.9 million that was already recognised as at 30 June 2019 plus an additional $14.4 million that has now been raised in relation to unpaid rent related to the COVID-19 pandemic.
- Fair value of investment properties: this requires assumptions to be made about the future financial performance of the properties and recent market transactional evidence. There are significant judgements and uncertainties relating to both of these assumptions. Since 30 June 2019, the value of investment properties has decreased by $87.9 million, of which $27.4 million is directly related to expected waivers as a result of the COVID-19 pandemic.

The accounting treatments and key estimates and significant judgements in each of these areas are set out in note 3 of the Financial Statements.

## 4. Property portfolio

The investment portfolio as at 30 June 2020 consisted of 85 shopping centres (30 June 2019: 85 shopping centres) valued at $3,138.2 million (30 June 2019: $3,147.0 million). The investment portfolio consists of convenience based neighbourhood and sub-regional shopping centres with a strong weighting toward non-discretionary retail segments.

***Acquisitions and developments***

During the period one shopping centre was acquired (Warner Marketplace (Queensland)) for $78.4m in December 2019, excluding transaction costs. The Shell Cove Stage 3 development was completed for $4.8m in December 2019.

***Disposal***

The Group sold Cowes (Victoria) in February 2020 for $21.5 million.

***Revaluations***

The total value of investment properties as at 30 June 2020 was $3,138.2 million (30 June 2019: $3,147.0 million). During the year ended 30 June 2020 independent valuations were obtained for 45 investment properties in addition to all of the investment properties being internally valued. The weighted average capitalisation rate (cap rate) of the portfolio as at 30 June 2020 was 6.51% (30 June 2019: 6.48%).

The change in value of the investment properties during the year was due primarily to the acquisition of Warner Marketplace and the completion of the Shell Cove Stage 3 development during the period, offset by the sale of Cowes and the negative like-for-like valuation movements some of which are either directly or indirectly related to the COVID-19 pandemic. For more information in relation to the COVID-19 impact on revaluations refer to note 3 of the Financial Statements.

## 5. Funds Management

As at 30 June 2020 the Group managed 5 properties valued at $102.6 million for its three SCA unlisted retail funds (30 June 2019: 11 properties valued at $184.3 million). The Group has an investment in each of these funds. During the year the first of these funds, SCA Unlisted Retail Fund 1 (SURF 1) reached the end of its term and commenced the process of winding up including the sale of the properties, the repayment of the debt and with the majority of the remaining funds then returned as capital to the unitholders. The Group has received $9.0 million during the year as a return of capital on its investment in SURF 1. There may be an additional final return of capital once the fund is finally wound up in financial year 2021. This amount is not expected to be significant. In addition, the Group may be entitled to a performance fee in accordance with the investment management agreement with SURF 1.

## 6. Financial review

*Financial review*

A summary of the Group and Retail Trust's results for the year is set out below:

| | | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|---|
| | | **30 June 2020** | 30 June 2019 | **30 June 2020** | 30 June 2019 |
| Net profit after tax | ($m) | **85.5** | 109.6 | **84.8** | 109.1 |
| Basic earnings per security (weighted for securities on issue during the year) | (cents per security) | **8.9** | 12.6 | **8.8** | 12.6 |
| Diluted earnings per security (weighted for securities on issue during the year) | (cents per security) | **8.9** | 12.6 | **8.8** | 12.6 |
| Funds from operations | ($m) | **140.8** | 141.8 | **140.1** | 141.3 |
| Funds from operations per security (weighted for securities on issue during the year) | (cents per security) | **14.65** | 16.33 | **14.58** | 16.27 |
| Distributions paid and payable to security holders | ($m) | **123.5** | 135.4 | **123.5** | 135.4 |
| Distributions | (cents per security) | **12.5** | 14.7 | **12.5** | 14.7 |
| Net tangible assets | ($ per security) | **2.22** | 2.27 | **2.21** | 2.26 |
| Weighted average number of securities used as the denominator in calculating basic earnings per security | (millions of securities) | **960.9** | 868.4 | **960.9** | 868.4 |
| Weighted average number of securities used as the denominator in calculating diluted earnings per security | (millions of securities) | **964.6** | 870.8 | **964.6** | 870.8 |

*Funds from Operations and Adjusted Funds from Operations*

The Group reports net profit after tax (statutory) attributable to security holders in accordance with International Financial Reporting Standards (IFRS). The Responsible Entity considers the non-IFRS measure, Funds from Operations (FFO) an important indicator of the underlying cash earnings of the Group. Regard is also given to Adjusted Funds from Operations (AFFO).

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| **Net profit after tax (statutory)** | **85.5** | 109.6 | **84.8** | 109.1 |
| ***Adjustments for non cash items included in statutory profit*** | | | | |
| Reverse: Straight-lining of rental income and amortisation of incentives | **8.1** | 8.6 | **8.1** | 8.6 |
| Reverse: Fair value or unrealised adjustments | | | | |
| - Investment properties | **87.9** | 40.5 | **87.9** | 40.5 |
| - Derivatives | **(51.4)** | (66.3) | **(51.4)** | (66.3) |
| - Foreign exchange | **8.1** | 27.3 | **8.1** | 27.3 |
| ***Other Adjustments*** | | | | |
| Reverse: Other income | **(0.5)** | - | **(0.5)** | - |
| Reverse: Net unrealised profit from associates (SURF funds) | **1.6** | 0.7 | **1.6** | 0.7 |
| Reverse: Swap termination costs | **-** | 17.7 | **-** | 17.7 |
| Reverse: Transaction fees | **1.5** | 3.7 | **1.5** | 3.7 |
| **Funds from Operations** | **140.8** | 141.8 | **140.1** | 141.3 |
| Less: Maintenance capital expenditure | **(6.0)** | (5.6) | **(6.0)** | (5.6) |
| Less: Capital leasing incentives and leasing costs | **(10.5)** | (8.8) | **(10.5)** | (8.8) |
| **Adjusted Funds from Operations** | **124.3** | 127.4 | **123.6** | 126.9 |

## 7. Contributed equity

### *Equity placement and Unit purchase plan*

The Group completed an institutional placement on 16 April 2020 and a unit purchase plan on 15 May 2020. The institutional placement raised $250.0 million by issuing 115.7 million securities at $2.16 per security. The unit purchase plan raised $29.3 million by issuing 13.6 million securities at $2.16 per security. The purpose of these equity raisings was to strengthen the Group's balance sheet and to provide funding flexibility to continue to deliver on the Group's strategy of investing in convenience-based supermarket-anchored centres as opportunities arise. As at 30 June 2020 the proceeds had been used to pay down revolving bilateral debt facilities and to invest in term deposits.

### *Distribution reinvestment plan (DRP)*

The Group has a DRP under which unitholders may elect to have their distribution entitlements satisfied by the issue of new securities at the time of the distribution payment rather than being paid in cash. The DRP was in place for the distribution declared in June 2019 (paid in August 2019) and the distribution declared in December 2019 (paid in January 2020).

The distribution declared in June 2019 resulted in $13.0 million being raised by the DRP through the issue of 5.3 million securities at $2.48 in August 2019. The distribution declared in December 2019 resulted in $27.9 million being raised by the DRP through the issue of 10.3 million securities at $2.71 in January 2020. The 10.3 million units included 5.1 million units issued pursuant to an underwriting agreement.

### *Other equity issues*

Additionally, 959,860 units were issued during the year in respect of executive and staff compensation plans for nil consideration.

## 8. Significant changes and developments during the year

### *Investment properties – acquisitions, disposals and developments*

During the year one shopping centre was acquired in December 2019 (Warner Marketplace, Queensland) for $78.4 million, excluding transaction costs. Shell Cove Stage 3 development was completed in December 2019 for $4.8 million. One property (Cowes, Victoria) also sold in February 2020 for $21.5 million.

### *Capital management - debt*

During the year the bilateral debt facilities were increased in facility limit by $200.0 million and extended in maturity. As a result, the total bilateral facilities are now $600.0 million (30 June 2019: $400.0 million). This includes $400.0 million of revolving bilateral debt facilities (30 June 2019: $250.0 million).

As at 30 June 2020 the Group had undrawn debt facilities and cash and cash equivalents of $622.8 million (30 June 2019: $180.2 million).

The next debt expiry is the A$ MTN $225.0 million in April 2021. Under the terms of this MTN it can be repaid (with appropriate notice) from October 2020 with no make whole obligation. The current intention is that the MTN will be repaid from cash and cash equivalents and undrawn debt.

The average debt facility maturity of the Group at 30 June 2020 was 5.1 years (30 June 2019: 6.1 years). At 30 June 2020 91.1% of the Group's debt was fixed or hedged (30 June 2019: 70.4%).

### *Gearing*

The Group maintains a prudent approach to managing the balance sheet with gearing of 25.6% as at 30 June 2020 (30 June 2019: 32.8%). The Group's target gearing range is 30% to 40%, however the Group has a preference for gearing to remain below 35% at this point in the cycle. Gearing is below the target range following an institutional placement of 115.7 million securities on 16 April 2020 at $2.16 a security and a unit holder purchase plan on 15 May 2020 under which 13.6 million units were issued at $2.16 per security. The purpose of these equity raisings was to strengthen the Group's balance sheet and to provide funding flexibility to continue to deliver on the Group's strategy of investing in convenience-based supermarket-anchored centres as opportunities arise.

## 9. Major business risk profile

The Board is ultimately responsible for the risk management process and the systems of internal control. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls. The Audit, Risk Management and Compliance Committee, is responsible for establishing, reviewing and monitoring the process of risk management, and presents this to the Board for the Board's approval.

The table below summarises the key business risks as set out in the Group's risk register.

| Key Risks | Cause(s) | Effect | Mitigation |
|---|---|---|---|
| **STRATEGIC** | | | |
| Economic slowdown leading to subdued retail sales | Macroeconomic environment, eg. COVID-19 pandemic | Reduced rental income and reduced investment property valuations | High proportion of income from supermarket anchor tenants with long leases, a diverse mix of specialty tenants with a bias towards non-discretionary categories |
| Online retailing reduces foot traffic through SCA centres | Increased online sales result in reduced in store sales | Reduced rental income and reduced investment property valuations | Encourage supermarket "click 'n collect", tenancy mix towards online-resilient specialty categories |
| Anchor tenant closes stores | Reduced productivity in large format stores | Reduced rental income and reduced investment property valuations | Reduce exposure to poorer performing discount department stores over time, long term leases with anchor tenants |
| Supermarket anchor tenant becomes insolvent | Major structural change to the supermarket sector or capital structure failure | Reduced rental income and reduced investment property valuations | Increase diversification of supermarket anchors over time |
| New categories of business are entered into without appropriate due diligence or analysis | Inadequate due diligence or analysis | SCA suffers loss of capital or loses upside opportunities | Appropriate resources and senior management oversight, Investment Committee to review major initiatives |
| Property acquisition rate is below expectations | Investment hurdles cannot be achieved | Lack of earnings growth | Closely monitor all potential acquisitions, and regularly review investment hurdles |
| **FINANCIAL** | | | |
| Breach of debt covenants / debt default | LVR: debt increases or value of assets declines<br>ICR: cost of debt increases or earnings decreases | Constrained acquisition growth and potential insolvency | Conservative level of gearing, more than 50% of fixed rate debt, relative liquidity of neighbourhood assets, maintain strong and diversified banking relationships |
| Cost of debt increases | Market base rates or margins increase, or SCA credit rating is downgraded | Increased interest expense leads to lower earnings | Conservative level of gearing, more than 50% fixed rate debt, maintain strong and diversified banking relationships |
| Value of assets declines | Increase in market capitalisation / discount rates, decrease in net operating income or expected future cash flows | Decrease in NTA and increase in LVR ratio | Conservative level of gearing, geographic diversification, long dated lease agreements, credit quality of anchor tenants |

| Key Risks | Cause(s) | Effect | Mitigation |
|---|---|---|---|
| **OPERATIONAL** | | | |
| Injury or illness to employees, contractors, tenants or customers that was reasonably foreseeable and within the influence or control of SCA | An incident that is as a result of an act, or failure to act, by SCA or where SCA can reasonably influence the outcome | Death, serious injury or adverse health outcomes for SCA employees, contractors, tenants or customers | Conservative safety strategy, safety reporting to the Board, ongoing safety training for employees and contractors, encouragement of continuous challenge and improvement on safety achievements, outsourced property and facilities management with safety KPI's, appropriate workers' compensation, public liability and property insurance |
| Outsourced service provider does not perform in accordance with service level agreements | Inadequate supervision of SCP's outsourced functions and/or unsatisfactory quality control | Unsatisfactory quality control resulting in loss to unitholders, breach of financial services law, or loss of reputation | Appropriate policies, procedures and operational practices adopted, reviewed and maintained, training, insurance |
| **PEOPLE & CULTURE** | | | |
| Inability to attract or retain appropriate talent | Inadequate resourcing, development or training | Loss of knowledge, experience, engagement and productivity | Appropriate HR resourcing, processes and procedures, senior management engagement, remuneration committee oversight |
| Culture does not align with strategy | Inadequate development of culture strategy, failure of leadership, training or engagement | Target culture is not embedded in the business | Develop and continuously improve culture strategy alignment, cultural reviews, staff training and coaching |
| **LEGAL & COMPLIANCE** | | | |
| Material breach of law or regulation | Not maintaining an adequate risk management system, compliance plan, policies, procedures, reporting, monitoring and training | Potential loss of AFSL, litigation, financial loss or reputational damage | Risk management framework and compliance plan are in place, regularly reviewed and embedded in the business. Appropriate policies, procedures and training. Engagement of senior management and oversight by ARMCC committee and the Board |

### 10. Business strategies and prospects for future financial years

The Group's core strategy is to invest in, manage and develop a geographically diverse portfolio of quality neighbourhood and sub-regional retail assets, anchored by long-term leases to quality tenants with a bias towards the non-discretionary retail sector.

The Group is focused on achieving growing and resilient cash flows by investing in properties that have tenants who operate primarily in non-discretionary and defensive retailing sectors. This is to support secure and growing distributions to the Group's security holders. It intends to achieve this by:

- Maximising the net operating income from its existing properties. This may include increasing the average rent per square metre from specialty tenants over time and controlling the growth in expenses.
- Pursuing selected property refurbishment, development and acquisition opportunities, consistent with its core strategy.
- Diversifying and developing other sustainable income streams including funds management.
- Maintaining an appropriate capital structure to balance cost of capital and risk profile.

While the Group's strategy has not changed, its current operational and financial performance has been impacted by the COVID-19 pandemic and these impacts are expected to continue into financial year 2021 and possibly beyond. If the events relating to COVID-19 are more material or prolonged than anticipated, this will have a greater impact that may include a further reduction in rent collected and further reduction in property values.

For more information in relation to the impact for COVID-19 on the Group, refer to note 3 to the Financial Statements.

It is also noted that movements in the fair value of derivative financial instruments and in foreign exchange, availability of funding and changes in interest rates may have a material impact on the Group's results in future years, however, these cannot be reliably measured at the date of this report.

### 11. Environmental regulations

The Directors of the Responsible Entity are satisfied that adequate systems are in place for the management of the Group's environmental responsibility and compliance with various licence requirements and regulations. Further, the Directors of the Responsible Entity are not aware of any material breaches of these requirements and, to the best of their knowledge, all activities have been undertaken in compliance with environmental requirements.

### 12. Indemnification and insurance of Directors, Officers, RE and Auditor

The Directors' have been provided with a Deed of Indemnity which is intended, to the extent allowed by law, to indemnify the Directors against all losses or liabilities incurred by the person acting in their capacity as a Director.

Additionally, the Group has acquired Directors' and Officers' liability insurance. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details relating to the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premiums paid under the policy.

The Trusts' constitutions provide that, subject to the Corporations Act 2001, the Responsible Entity has a right of indemnity out of the assets of the Trusts 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 Trusts.

The auditor of the Group is not indemnified out of the assets of the Group.

### 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 14.

**14. Audit and non-audit fees**

Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu) for audit and non-audit services provided are detailed in note 30 of the Financial Statements.

There were no non-audit services during the year. The Directors are satisfied that the general standard of independence for auditors imposed by the Corporations Act 2001 has been satisfied.

The Directors are of the opinion that the services disclosed in note 30 of the Financial Report do not compromise the external auditor's independence, based on that none of the non audit services provided (to the extent that any services were provided) undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethics Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing risks and rewards.

**15. Going concern**

The Financial Statements are prepared on the going concern basis. The impact of COVID-19 pandemic has resulted in a portion of the tenants of the Group experiencing challenging and uncertain times. Whilst the situation is evolving, the Group remains confident that it will be able to continue as a going concern. In reaching this position, it has been considered that the Group and Retail Trust are in a net current asset deficiency position of $91.5 million. At 30 June 2020 the Group and Retail Trust have the ability to drawdown sufficient funds to pay the current liabilities and the capital commitments (refer to note 23 of the Financial Statements), having available cash and cash equivalents and undrawn debt facilities of $622.8 million. For more information refer to note 2 of the Financial Statements.

**16. Subsequent events**

At the date these Financial Statements are authorised for issue, no further adjustments in respect of the impact of COVID-19 have been made. However, the COVID-19 situation continues to evolve. Recently the Victorian Government announced Stage 4 restrictions for the Melbourne metropolitan area and Stage 3 restrictions for regional Victoria. Stage 4 restrictions result in the closure of most retail stores with limited exceptions including supermarkets, food stores, liquor stores and pharmacies. The Group owns 14 shopping centres in Victoria (including 8 in metropolitan Melbourne) representing approximately 18% of the Group's gross property income. The full consequences on the Group's future financial performance and the value of the Group's investment properties continues to be uncertain.

In July 2020 the Group exchanged conditional contracts to purchase a retail neighbourhood shopping centre, Bakewell, in the Northern Territory for $33.0 million (excluding transaction costs). This property is expected to settle by September 2020.

Since the end of the year, the Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

**17. Rounding of amounts**

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements, amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

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

Chair
Sydney
10 August 2020

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Shopping Centres Australasia Property Group RE Limited as Responsible Entity for
Shopping Centres Australasia Property Management Trust and
Shopping Centres Australasia Property Retail Trust
Level 5, 50 Pitt Street
Sydney NSW 2000

10 August 2020

Dear Directors

**Shopping Centres Australasia Property Management Trust and Shopping Centres Australasia Property Retail Trust**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Shopping Centres Australasia Property Group RE Limited as Responsible Entity for Shopping Centres Australasia Property Management Trust and Shopping Centres Australasia Property Retail Trust.

As lead audit partner for the audit of the financial statements of Shopping Centres Australasia Property Management Trust and Shopping Centres Australasia Property Retail Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A. Coleman

Andrew J Coleman
Partner
Chartered Accountants

# Shopping Centres Australasia Property Group
## Consolidated Statements of Comprehensive Income

For the year ended 30 June 2020

| | Notes | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|---|
| | | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| **Revenue** | | | | | |
| Rental income | | **254.8** | 233.4 | **254.8** | 233.4 |
| Recoveries and recharge revenue | | **34.2** | 30.4 | **34.2** | 30.4 |
| Fund management revenue | | **1.7** | 1.8 | **-** | - |
| Distribution income CQR | 11 | **1.7** | 4.4 | **1.7** | 4.4 |
| | | **292.4** | 270.0 | **290.7** | 268.2 |
| **Expenses** | | | | | |
| Property expenses | | **(108.6)** | (84.2) | **(108.6)** | (84.2) |
| Corporate costs | | **(13.8)** | (13.1) | **(13.3)** | (12.4) |
| | | **170.0** | 172.7 | **168.8** | 171.6 |
| Unrealised (loss)/gain including change in fair value through profit or loss | | | | | |
| - Investment properties | 13 | **(87.9)** | (40.5) | **(87.9)** | (40.5) |
| - Derivatives | | **51.4** | 66.3 | **51.4** | 66.3 |
| - Foreign exchange | | **(8.1)** | (27.3) | **(8.1)** | (27.3) |
| - Share of net profit from associates (SURF funds) | 14 | **-** | 1.2 | **-** | 1.2 |
| Transaction costs | 7 | **(1.5)** | (3.7) | **(1.5)** | (3.7) |
| **Earnings before interest and tax (EBIT)** | | **123.9** | 168.7 | **122.7** | 167.6 |
| Interest income | | **0.3** | 0.4 | **0.3** | 0.4 |
| Finance costs | 8 | **(38.2)** | (58.9) | **(38.2)** | (58.9) |
| **Net profit before tax** | | **86.0** | 110.2 | **84.8** | 109.1 |
| Taxation | 9 | **(0.5)** | (0.6) | **-** | - |
| **Net profit after tax** | | **85.5** | 109.6 | **84.8** | 109.1 |
| **Other comprehensive income** | | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | | |
| Movement on revaluation of Investment - fair value through other comprehensive income | 11 | **(6.9)** | 4.0 | **(6.9)** | 4.0 |
| **Total comprehensive income** | | **78.6** | 113.6 | **77.9** | 113.1 |
| **Net profit after tax attributable to security holders of:** | | | | | |
| SCA Property Management Trust | | **0.7** | 0.5 | | |
| SCA Property Retail Trust (non-controlling interest) | | **84.8** | 109.1 | | |
| **Net profit after tax** | | **85.5** | 109.6 | | |
| **Total comprehensive income for the period attributable to unitholders of:** | | | | | |
| SCA Property Management Trust | | **0.7** | 0.5 | | |
| SCA Property Retail Trust (non-controlling interest) | | **77.9** | 113.1 | | |
| **Total comprehensive income** | | **78.6** | 113.6 | | |
| **Distributions per stapled security (cents)** | 5 | **12.5** | 14.7 | **12.5** | 14.7 |
| Weighted average number of securities used as the denominator in calculating basic earnings per security below | | **960.9** | 868.4 | **960.9** | 868.4 |
| **Basic earnings per stapled security (cents)** | 6 | **8.9** | 12.6 | **8.8** | 12.6 |
| Weighted average number of securities used as the denominator in calculating diluted earnings per stapled security below | | **964.6** | 870.8 | **964.6** | 870.8 |
| **Diluted earnings per stapled security (cents)** | 6 | **8.9** | 12.6 | **8.8** | 12.6 |
| **Basic earnings per security (cents)** SCA Property Management Trust | 6 | **0.1** | - | | |
| **Diluted earnings per security of (cents)** SCA Property Management Trust | 6 | **0.1** | - | | |

*The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.*

# Consolidated Balance Sheets

As at 30 June 2020

| | Notes | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|---|
| | | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| **Current assets** | | | | | |
| Cash and cash equivalents | 4 | **183.8** | 4.2 | **182.7** | 3.1 |
| Receivables | 10 | **34.2** | 28.3 | **34.2** | 28.1 |
| Derivative financial instruments | 17 | **6.1** | 3.2 | **6.1** | 3.2 |
| Investment in CQR | 11 | **22.7** | 29.6 | **22.7** | 29.6 |
| Other assets | 12 | **2.8** | 2.3 | **2.3** | 1.9 |
| **Total current assets** | | **249.6** | 67.6 | **248.0** | 65.9 |
| **Non-current assets** | | | | | |
| Investment properties | 13 | **3,138.2** | 3,147.0 | **3,138.2** | 3,147.0 |
| Derivative financial instruments | 17 | **177.7** | 122.0 | **177.7** | 122.0 |
| Investment in associates (SURF funds) | 14 | **15.9** | 26.5 | **15.9** | 26.5 |
| Other assets | 12 | **8.3** | 9.1 | **5.9** | 5.9 |
| **Total non-current assets** | | **3,340.1** | 3,304.6 | **3,337.7** | 3,301.4 |
| **Total assets** | | **3,589.7** | 3,372.2 | **3,585.7** | 3,367.3 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | **58.3** | 47.4 | **68.5** | 56.4 |
| Distribution payable | 5 | **53.6** | 69.0 | **53.6** | 69.0 |
| Derivative financial instruments | 17 | **2.5** | 1.1 | **2.5** | 1.1 |
| Provisions | | **1.7** | 2.8 | **-** | - |
| Interest bearing liabilities | 16 | **225.0** | - | **225.0** | - |
| **Total current liabilities** | | **341.1** | 120.3 | **349.6** | 126.5 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 16 | **858.6** | 1,137.5 | **858.6** | 1,137.5 |
| Derivative financial instruments | 17 | **7.7** | 1.9 | **7.7** | 1.9 |
| Provisions | | **0.2** | 0.2 | **-** | - |
| Other liabilities | 12 | **8.1** | 8.4 | **6.3** | 6.1 |
| **Total non-current liabilities** | | **874.6** | 1,148.0 | **872.6** | 1,145.5 |
| **Total liabilities** | | **1,215.7** | 1,268.3 | **1,222.2** | 1,272.0 |
| **Net assets** | | **2,374.0** | 2,103.9 | **2,363.5** | 2,095.3 |
| **Equity** | | | | | |
| Contributed equity | 18 | **10.2** | 9.0 | **1,962.6** | 1,649.7 |
| Reserves | 19 | **-** | - | **3.0** | 9.0 |
| Accumulated profit/(loss) | 20 | **0.3** | (0.4) | **397.9** | 436.6 |
| Non-controlling interest | | **2,363.5** | 2,095.3 | **-** | - |
| **Total equity** | | **2,374.0** | 2,103.9 | **2,363.5** | 2,095.3 |

*The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.*

| | | SCA Property Group | | | | |
|---|---|---|---|---|---|---|
| | Notes | Contributed equity $m | Accumulated profit/(loss) $m | Attributable to owners of parent $m | Non-controlling interest $m | Total $m |
| **Balance at 1 July 2019** | | **9.0** | **(0.4)** | **8.6** | **2,095.3** | **2,103.9** |
| Net profit after tax for the period | | **-** | **0.7** | **0.7** | **84.8** | **85.5** |
| Other comprehensive income for the period, net of tax | 19 | **-** | **-** | **-** | **(6.9)** | **(6.9)** |
| Total comprehensive income for the period | | **-** | **0.7** | **0.7** | **77.9** | **78.6** |
| Transactions with unitholders in their capacity as equity holders: | | | | | | |
| Equity issued | 18 | **1.2** | **-** | **1.2** | **319.0** | **320.2** |
| Costs associated with equity raising | 18 | **-** | **-** | **-** | **(6.1)** | **(6.1)** |
| Employee share based payments | 19 | **-** | **-** | **-** | **0.9** | **0.9** |
| Distributions paid and payable | 5 | **-** | **-** | **-** | **(123.5)** | **(123.5)** |
| | | **1.2** | **-** | **1.2** | **190.3** | **191.5** |
| **Balance at 30 June 2020** | | **10.2** | **0.3** | **10.5** | **2,363.5** | **2,374.0** |
| Balance at 1 July 2018 | | 7.5 | (0.9) | 6.6 | 1,714.4 | 1,721.0 |
| Net profit after tax for the period | | - | 0.5 | 0.5 | 109.1 | 109.6 |
| Other comprehensive income for the period, net of tax | 19 | - | - | - | 4.0 | 4.0 |
| Total comprehensive income for the period | | - | 0.5 | 0.5 | 113.1 | 113.6 |
| Transactions with unitholders in their capacity as equity holders: | | | | | | |
| Equity issued | 18 | 1.5 | - | 1.5 | 407.9 | 409.4 |
| Costs associated with equity raising | 18 | - | - | - | (6.2) | (6.2) |
| Employee share based payments | 19 | - | - | - | 1.5 | 1.5 |
| Distributions paid and payable | 5 | - | - | - | (135.4) | (135.4) |
| | | 1.5 | - | 1.5 | 267.8 | 269.3 |
| Balance at 30 June 2019 | | 9.0 | (0.4) | 8.6 | 2,095.3 | 2,103.9 |

| | | Retail Trust | | | | |
|---|---|---|---|---|---|---|
| | | | Reserves | | | |
| | Notes | Contributed equity $m | Investment in CQR $m | Share based payments $m | Accumulated profit $m | Total $m |
| **Balance at 1 July 2019** | | **1,649.7** | **3.6** | **5.4** | **436.6** | **2,095.3** |
| Net profit after tax for the period | | **-** | **-** | **-** | **84.8** | **84.8** |
| Other comprehensive loss for the period, net of tax | 19 | **-** | **(6.9)** | **-** | **-** | **(6.9)** |
| Total comprehensive income/ (loss) for the period | | **-** | **(6.9)** | **-** | **84.8** | **77.9** |
| Transactions with unitholders in their capacity as equity holders: | | | | | | |
| Equity issued | 18 | **319.0** | **-** | **-** | **-** | **319.0** |
| Costs associated with equity raising | 18 | **(6.1)** | **-** | **-** | **-** | **(6.1)** |
| Employee share based payments | 19 | **-** | **-** | **0.9** | **-** | **0.9** |
| Distributions paid and payable | 5 | **-** | **-** | **-** | **(123.5)** | **(123.5)** |
| | | **312.9** | **-** | **0.9** | **(123.5)** | **190.3** |
| **Balance at 30 June 2020** | | **1,962.6** | **(3.3)** | **6.3** | **397.9** | **2,363.5** |
| Balance at 1 July 2018 | | 1,248.0 | (0.4) | 3.9 | 462.9 | 1,714.4 |
| Net profit after tax for the period | | - | - | - | 109.1 | 109.1 |
| Other comprehensive income for the period, net of tax | 19 | - | 4.0 | - | - | 4.0 |
| Total comprehensive income/ (loss) for the period | | - | 4.0 | - | 109.1 | 113.1 |
| Transactions with unitholders in their capacity as equity holders: | | | | | | |
| Equity issued | 18 | 407.9 | - | - | - | 407.9 |
| Costs associated with equity raising | 18 | (6.2) | - | - | - | (6.2) |
| Employee share based payments | 19 | - | - | 1.5 | - | 1.5 |
| Distributions paid and payable | 5 | - | - | - | (135.4) | (135.4) |
| | | 401.7 | - | 1.5 | (135.4) | 267.8 |
| Balance at 30 June 2019 | | 1,649.7 | 3.6 | 5.4 | 436.6 | 2,095.3 |

*The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.*

| | Note | SCA Property Group 30 June 2020 $m | SCA Property Group 30 June 2019 $m | Retail Trust 30 June 2020 $m | Retail Trust 30 June 2019 $m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Property and other income received (inclusive of GST) | | **314.6** | 293.0 | **313.8** | 291.2 |
| Property expenses paid (inclusive of GST) | | **(105.1)** | (89.3) | **(105.1)** | (89.3) |
| Distribution received from associate (SURF funds) | 14 | **1.4** | 1.7 | **1.4** | 1.7 |
| Distribution received from investment in CQR | 11 | **3.2** | 5.0 | **3.2** | 5.0 |
| Corporate costs paid (inclusive of GST) | | **(13.2)** | (12.0) | **(12.4)** | (10.1) |
| Interest received | | **0.1** | 0.4 | **0.1** | 0.4 |
| Finance costs paid | | **(38.5)** | (58.0) | **(38.5)** | (58.0) |
| Transaction costs (inclusive of GST) | | **(1.7)** | (4.0) | **(1.7)** | (4.0) |
| Taxes paid including GST | | **(13.5)** | (16.5) | **(13.5)** | (16.5) |
| **Net cash flow from operating activities** | 21 | **147.3** | 120.3 | **147.3** | 120.4 |
| **Cash flows from investing activities** | | | | | |
| Payments for investment properties purchased and capital expenditure | 13 | **(111.4)** | (754.6) | **(111.4)** | (754.6) |
| Net proceeds from investment properties sold | 13 | **21.5** | 60.3 | **21.5** | 60.3 |
| Proceeds from the disposal of investment in CQR | 11 | **-** | 57.8 | **-** | 57.8 |
| Payment for term deposits | 4 | **(180.0)** | - | **(180.0)** | - |
| Additions to investments in associates | 14 | **-** | (9.2) | **-** | (9.2) |
| Return of capital from investment in associates | 14 | **9.0** | - | **9.0** | - |
| **Net cash flow from investing activities** | | **(260.9)** | (645.7) | **(260.9)** | (645.7) |
| **Cash flow from financing activities** | | | | | |
| Proceeds from equity raising | 18 | **320.2** | 409.4 | **320.2** | 409.4 |
| Costs associated with equity raising | 18 | **(6.1)** | (6.2) | **(6.1)** | (6.2) |
| Net proceeds from borrowings | 16 | **178.0** | 968.3 | **178.0** | 968.3 |
| Repayment of borrowings | 16 | **(240.0)** | (726.0) | **(240.0)** | (726.0) |
| Distributions paid | 5 | **(138.9)** | (119.6) | **(138.9)** | (119.6) |
| **Net cash flow from financing activities** | | **113.2** | 525.9 | **113.2** | 525.9 |
| Net change in cash held | | **(0.4)** | 0.5 | **(0.4)** | 0.6 |
| Cash at the beginning of the year | | **4.2** | 3.7 | **3.1** | 2.5 |
| **Cash at the end of the year** | | **3.8** | 4.2 | **2.7** | 3.1 |
| **Term deposits** | | **180.0** | - | **180.0** | - |
| **Cash and cash equivalents** | **4** | **183.8** | 4.2 | **182.7** | 3.1 |

*The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.*

## 1. Corporate information

Shopping Centres Australasia Property Group (the Group) comprises the stapling of the securities in two Australian managed investment schemes, Shopping Centres Australasia Property Management Trust (Management Trust) (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (Retail Trust) (ARSN 160 612 788) (collectively the Trusts).

The Responsible Entity of both Trusts is Shopping Centres Australasia Property Group RE Limited (ABN 47 158 809 851; AFSL 426603) (Responsible Entity).

The Financial Statements of the Group comprise the consolidated Financial Statements of the Management Trust and its controlled entities including the Retail Trust and its controlled entities. The Financial Statements of the Retail Trust comprise the Consolidated Financial Statements of the Retail Trust and its controlled entities. The Directors of the Responsible Entity have authorised the Financial Report for issue on 10 August 2020.

## 2. Significant accounting policies

### (a) Basis of preparation

In accordance with AASB 3 Business Combinations, the stapling arrangement discussed above is regarded as a business combination and Shopping Centres Australasia Management Trust has been identified as the Parent for preparing Consolidated Financial Statements.

These Financial Statements are combined financial statements and accompanying notes of both Shopping Centres Australasia Property Group and the Shopping Centres Australasia Property Retail Trust Group. The Financial Statements have been presented in Australian dollars unless otherwise stated.

*Historical cost convention*

The 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.

*Going concern*

These Consolidated Financial Statements are prepared on the going concern basis. The impact of COVID-19 pandemic has resulted in a portion of the tenants of the Group experiencing challenging and uncertain times. Whilst the situation is evolving, the Group remains confident that it will be able to continue as a going concern. In reaching this position, it has been considered that the Group and Retail Trust are in a net current asset deficiency position of $91.5 million. At 30 June 2020 the Group and Retail Trust have the ability to drawdown sufficient funds to pay the current liabilities and the capital commitments (refer note 23), having available, cash and cash equivalents and undrawn debt facilities of $622.8 million.

The Group has prepared an assessment of its ability to continue as a going concern, taking into account information available.

Whilst the COVID-19 situation is evolving, the Group remains confident that it will be able to continue as a going concern. This assumes the Group will be able to continue trading, realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the financial statements. In reaching this position, the following factors have been considered:

- The Group has cash and cash equivalents and undrawn facilities totalling of $622.8 million
- The Group's major tenants continue to trade strongly and pay rent in a timely manner
- The Group has debt facility expiries of $275.0 million (made up of $225.0 million with respect to an A$ Medium Term Note which expires in April 2021 and a $50.0 million facility which is currently unused which expires in April 2022) in the next 24 months and $622.8 million of cash and undrawn facilities (including the $50.0 million unused facility referred to above)
- The Group is well within its gearing and interest cover ratio for the purposes of its debt covenants
- Stress testing of the covenants results in adequate levels of headroom from both a gearing and interest cover ratio perspective

On the basis of these factors, the Directors of the Responsible Entity believe that the going concern basis of preparation is appropriate and that the Group will be able to pay its debts as and when they fall due. In the event that the Group cannot continue as a going concern, it may not realise its assets and settle its liabilities in the normal course of operations for the amounts stated in its Financial Statements. No allowance for such circumstances has been made in the Financial Statements.

**(b) Statement of compliance**

The Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (the Board or AASB) and the Corporations Act 2001.

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

For the purposes of preparing the financial statements, the Group is a for-profit entity.

**Application of new and revised Accounting Standards**

The accounting policies adopted by the Group and the Retail Trust are consistent with those of the previous financial year and include the adoption of AASB 9, AASB 15, the early adoption of AASB 16, and other new and amended standards and interpretations commencing 1 July 2018 which have been adopted where applicable from 1 July 2018. The Group and the Retail Trust early adopted AASB 16 Leases (AASB 16) in the Financial Statements for the year ended 30 June 2019 to coincide with the signing of a lease during the period by the Group over its premises in Sydney.

**(c) Basis of consolidation**

The consolidated Financial Statements of Shopping Centres Australasia Property Group incorporate the assets and liabilities of Shopping Centres Australasia Property Management Trust (the Parent) and all of its subsidiaries, including Shopping Centres Australasia Property Retail Trust and its subsidiaries. Shopping Centres Australasia Property Management Trust has been identified as the parent entity in relation to the stapling. The results and equity of Shopping Centres Australasia Property Retail Trust (which is not directly owned by Shopping Centres Australasia Property Management Trust) have been treated and disclosed as a non-controlling interest. Whilst the results and equity of Shopping Centres Australasia Property Retail Trust are disclosed as a non-controlling interest, the security holders of Shopping Centres Australasia Management Trust are the same as the security holders of Shopping Centres Australasia Property Retail Trust.

These Financial Statements also include a separate column representing the Financial Statements of Shopping Centres Australasia Property Retail Trust, incorporating the assets and liabilities of Shopping Centres Australasia Property Retail Trust and all of its subsidiaries.

Subsidiaries are all entities over which the Group has control. Control is defined as having rights to variable returns from involvement in the investee and having the ability to affect those returns through its power over the investee.

Where an entity began or ceased to be a controlled entity during the reporting year, the assets, liabilities and results are consolidated only from the date control commenced or up to the date control ceased.

In preparing the Consolidated Financial Statements, all intra-group transactions and balances, including unrealised profits arising thereon, have been eliminated in full.

*Investments in associates*

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for in the consolidated Balance Sheet by using the equity method of accounting after initially being recognised at cost. Under the equity accounting method, the Group's share of the associates' post acquisition net profit after income tax expense is recognised in the Consolidated Statement of Comprehensive Income. Distributions received or receivable from associates are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

**(d) Revenue recognition**

Rental income from investment properties is accounted for on a straight line basis over the lease term. If not received at the balance sheet date, revenue is reflected in the balance sheet as receivable and carried at its recoverable value. Recoveries and recharges 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.

Waivers granted to tenants proportionate to the decrease in their sales during the pandemic period are recognised as loss on derecognition of the lease receivable immediately. These waivers linked to the tenant's turnover are variable in nature and therefore straight lining income is not revised. Where a waiver of future rent has been agreed before the reporting date, this has resulted in a lease modification in line with AASB 16.

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 Group's performance does not create an asset for which the Group has an alternative use and there is a right to payment for performance to date.

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

| Type of revenue | Description | Previous revenue recognition policy | Revenue recognition policy under AASB 15 |
|---|---|---|---|
| Recoveries revenue | The Group and Retail Trust recovers the costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements. These are invoiced periodically (typically monthly) based on an annual estimate. The consideration is due shortly after invoice date (typically 30 days). Should any adjustment be required based on actual costs incurred this is recognised in the statement of profit and loss within that reporting period and billed annually. Recoveries revenue will only be recorded to the extent that it is highly probable that a significant reversal of revenue will not occur. | Accruals basis | Over time as the customer simultaneously receives and consumes the benefit of the service |
| Recharge revenue | The Group and Retail Trust recoveries costs for any additional specific services requested by the lessee under the lease agreement. These costs are recovered in accordance with specific clauses within the lease agreements. Revenue from recharges is recognised as the services are provided. The lessee is typically invoiced on a monthly basis as the services are provided. The lessee is invoiced periodically or upon completion where applicable. Consideration is due shortly after the invoice date. | Revenue is recognised when the costs are incurred | Over time as the customer simultaneously receives and consumes the benefit of the service |
| Funds management revenue – asset management fees | The Group provides funds management services to SCA Unlisted Retail Funds in accordance with their Constitutions and Investment Management Agreement. These services are utilised on an ongoing basis and revenue is calculated and billed periodically. | Accruals basis | Over time as the customer simultaneously receives and consumes the benefit of the service |
| Funds management revenue – performance fees | The Group provides funds management services to SCA Unlisted Retail Funds. In accordance with the Investment Management Agreement a performance fee may be payable in certain circumstances. | Revenue is recognised when can be reliably estimated and probability of amount being paid is probable | Over time subject to the constraints within AASB 15 for variable consideration |

Refer to note 3 for the COVID-19 impact on revenue.

### (e) Finance costs

Finance costs include interest payable on bank overdrafts and short-term and long-term borrowings, payments on derivatives and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Finance costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Total interest capitalised within the Group must not exceed the net interest expense of the Group in any year, and project values, including all capitalised interest attributable to projects, must continue to be recoverable. In the event that a development is suspended for an extended period of time, the capitalisation of borrowing costs is also suspended.

### (f) Tax

The Group comprises of taxable and non-taxable entities. A liability for current and deferred taxation is only recognised in respect of taxable entities that are subject to income tax and potential capital gains tax as detailed below.

The Retail Trust is the property owning trust and is treated as a trust for Australian tax purposes. Under current Australian income tax legislation, the Retail Trust is not liable to Australian income tax, including capital gains tax, provided that members are presently entitled to the income of the Trust as determined in accordance with the Trust's constitution. Management Trust is treated as a company for Australian tax purposes which means it is subject to income tax.

Deferred tax is provided on all temporary differences on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**(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 short term time deposits to meet short term commitments. Investments in term deposits which are short term in nature are also included in cash and cash equivalents. Term deposits included in cash and cash equivalents are deposits that are subject to an insignificant risk of changes in value. All term deposits are to meet short term financial commitments.

**(i) Trade and other receivables**

Trade and other receivables are carried at original invoice amount, less Expected Credit Loss, 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 Group uses the specific ECL model for the credit loss allowance whereby the outstanding balance is analysed, and the provision is determined by applying default percentages adjusted for other current observable data. The group also recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. Refer to note 3 for COVID-19 impact on ECL.

**(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. The best evidence of fair value is given by current prices in an active market suitable for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment properties are recognised in Consolidated Statement of Comprehensive Income 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 cap rate or estimated yield and consideration of market evidence of transaction prices for similar properties.

Investment properties under development are classified as investment property and stated at fair value at each reporting date. Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the reduction in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment for the building, are not depreciated.

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. Refer to note 3 for COVID-19 impact on investment property valuations.

**(k) 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.

**(l) 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 publicly recommended by the Directors. Where such distributions have not been paid at reporting date they are recognised as a distribution payable.

All distributions are paid out of accumulated profits / accumulated losses, whether they are capital or income in nature from a tax perspective.

**(m) Employee benefits**

*Equity based compensation arrangements*

Equity based payments to employees are measured at the fair value of the equity instrument at the grant date. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest and adjusts for non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

**(n) Interest bearing liabilities**

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) Derivative and other financial instruments**

The Group holds derivative financial instruments to hedge foreign currency and interest rate risk exposures arising from operational, financing and investing activities.

The Group has set defined policies and has implemented a comprehensive hedging program to manage interest and exchange rate risk. Derivative financial instruments are transacted to achieve the economic outcomes in line with the Group's treasury policy. Derivative instruments are not transacted for speculative purposes. Derivative financial instruments are recognised initially at cost and remeasured at fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group does not designate any derivative financial instrument as hedging instruments.

Where applicable, the fair value of currency and interest rate options and cross currency interest rate swaps are calculated by reference to relevant market rates for contracts with similar maturity profiles. The fair value of interest rate swaps are determined by reference to applicable market yield curves and include counterparty risk.

Changes in fair value of derivatives is recognised in the Consolidated Statements of Comprehensive Income.

Distributions from these investments are recognised in profit or loss when the Group's right to receive payments is established.

**(p) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary securities are recognised in equity as a reduction of the proceeds received.

**(q) Earnings per security**

Basic earnings per security is calculated as profit after tax attributable to unit or security holders divided by the weighted average number of ordinary securities issued.

Diluted earnings per security is calculated as profit after tax attributable to unit or security holders divided by the weighted average number of ordinary securities and dilutive potential ordinary securities.

**(r) Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes. The segment is reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of the Responsible Entity.

**(s) Investments at fair value through other comprehensive income**

Investments that are fair valued through other comprehensive income include investments in non-monetary securities. These investments are initially measured at cost at date of acquisition, which represents fair value, and include transaction costs. Subsequent to initial recognition, they are carried at fair value.

Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

When securities are sold or impaired, the accumulated fair value adjustments remains in other comprehensive income and is not reclassified to profit or loss.

**(t) Assets classified as held for sale**

Non-current assets are classified as held for sale, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Such assets are disclosed separately and are disclosed as current assets if it is expected they will be sold less than one year from the balance sheet date. Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets classified as held for sale are also presented separately from other assets in the balance sheet.

**(u) Leases**

For leases where the Group is the lessee, a separate right-of-use asset and lease liability is recognised in the Consolidated Balance Sheets. Measurement of the lease liability is the present value of the lease payments that are not paid at the date of transition, discounted using an appropriate discount rate. The right of use asset is presented within the Consolidated Balance Sheets within Other assets and the lease liability within Other liabilities respectively.

The right of use asset is amortised over the remaining lease term (including the period covered by the extension option), and the lease liability is measured on an effective interest basis.

**(v) Use of estimates and judgements**

The preparation of Consolidated Financial Statements 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.

*Judgement – Classification and carrying value of investments*

The SCA Property Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Critical judgements are made in assessing whether an investee entity is controlled or subject to significant influence or joint control. These judgements include an assessment of the nature, extent and financial effects of the Group's interest in joint arrangements and associates, including the nature and effects of its contractual relationship with the entity or with other investors. Associates are entities over which the Group has significant influence but not control.

*Judgement - Selection of parent entity*

In determining the parent entity of the Shopping Centre Australasia Property Group, the Directors considered various factors including asset ownership, debt obligation, management and day to day responsibilities. The Directors concluded that management activities were more relevant in determining the parent.

Shopping Centres Australasia Property Management Trust has been determined as the parent of the Shopping Centres Australasia Property Group.

*Estimate - Valuation of investment properties*

Critical judgements are made by the Directors in respect of the fair value of investment properties including properties under construction and those that are classified as assets held for sale. The fair value of these investments are reviewed regularly by management with reference to independent property valuations, recent transactions and market conditions existing at reporting date, using generally accepted market practices.

The major critical assumptions underlying estimates of fair values are those relating to the capitalisation of income and the discount rate. Other assumptions of lesser importance include consideration of the property type, location and tenancy profile together with market sales and other matters such market rents, current rents including possible rent reversion, capital expenditure, lease expiry profile including vacancy, type of tenants, capital expenditure and sales growth of the centre. If there is any change in these assumptions or economic conditions, the fair value of the investment properties may differ. See further disclosure regarding assumptions used in valuation of investment properties in note 13 and COVID-19 impact in note 3.

*Estimate - Valuation of financial instruments*

The fair value of derivatives assets and liabilities are based on assumptions of future events and involve significant estimates. The basis of valuation for the Group's derivatives are set out in note 17. 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 – Expected credit loss (ECL)*

The ECL is based on management estimates of probability of recoverability rent invoiced. The basis of these estimates is set out in the note 3. Should the actual results differ the actual credit loss will change and the difference will be included in the financial year 2021 result or following year(s).

## 3. Impact of COVID-19 pandemic

The events relating to COVID-19 have had a material adverse impact on both the operations and financial performance of the Group during the period. These impacts have included: volatility in the retail sales performance of our tenants, government-imposed trading restrictions on some of our tenants, the enactment of legislation in each state and territory implementing the National Cabinet Mandatory Code of Conduct ("Code of Conduct") for small and medium sized enterprise tenants, a large increase in rental arrears (compared to prior periods) by our speciality tenants directly attributable to the COVID-19 pandemic, an increase in expenses (for example, extra cleaning and security) and reduction in the valuation of our investment properties.

As these COVID-19 related impacts are ongoing, there is continued uncertainty in relation to the future financial performance of the Group.

The implications of the above on the Consolidated Financial Statements falls broadly into two areas:

- Recording and collecting of rental income: some rental income invoiced during the period has not been received. A portion of this unpaid rent has been waived or deferred. A portion of the remaining balance of unpaid rent is not expected to be recovered in a future period and, as such, an expected credit loss provision has been raised for the amount of the expected cash shortfall relative to contractual lease payments ("ECL" provision).
- Fair value of investment properties: this requires assumptions to be made about the future financial performance of the properties and recent market transactional evidence. There are significant judgements and uncertainties relating to both of these assumptions. Since 30 June 2019, the value of investment properties has decreased by $87.9 million, of which $27.4 million is directly related to expected waivers as a result of the COVID-19 pandemic.

The accounting treatments, key estimates and significant judgements in each of these areas is set out below.

***Recording and collecting of rental income***

Pursuant to the Code of Conduct, the Group is obligated to give rental relief to tenants who are small and medium-sized entities (defined as having annual revenue of less than $50 million) and who qualify for the JobKeeper Payment Scheme (SME tenants). That rental relief is required to be proportional to the decrease in the tenant's sales for the relevant period, and is to be granted as a permanent rent waiver of at least 50% of the relief given, with the balance of the rental relief as a rent deferral. The rent deferral component is to be repaid by the tenants over the remaining lease term, but not less than 24 months (in some jurisdictions), once the COVID-19 pandemic has ended. In addition, some tenants who do not qualify for the Code of Conduct relief ("National tenants") have also requested that their rent be waived in whole or in part. The Group is considering these requests on a case-by-case basis.

At 30 June 2020, the Group experienced a shortfall in cash rental income received vs invoiced rental income of **$26.8** million. Of this amount:

- **$4.5** million has been waived (including $4.2 million relating to SME tenants under the Code of Conduct and $0.3 million relating to National tenants);
- **$22.3** million is the remaining balance of unpaid rent (including $4.3 million of deferred rental income relating to SME tenants under the Code of Conduct), of which $7.0 million is expected to be recovered in future periods and $15.3 million is not expected to be recovered in future periods.

The accounting treatment, and key estimates and significant judgements in relation to each of the above categories are set out below.

*Waivers & deferrals*

Waivers granted to tenants proportionate to the decrease in their sales during the pandemic period are recognised as loss on derecognition of the lease receivable immediately. These waivers linked to the tenant's turnover are variable in nature and therefore straight lining income is not revised. Where a waiver of future rent has been agreed before the reporting date, this has resulted in a lease modification in line with AASB 16. This means that none of the $4.5 million of waived rent has been recognised as rental income, and no receivable has been raised.

Deferrals granted in the current period without a change in the lease term do not change straight lining income receivable. This means that the full $4.3 million of deferred rent has been recognised as rental income, and a corresponding receivable has also been raised.

*Unpaid rent / expected credit loss*

The unpaid rent balance of $22.3 million has been recognised as rental income, and a corresponding receivable has also been raised.

However, for the portion of this unpaid rent that is not expected to be recovered in a future period an equivalent "expected credit loss" provision ("ECL") of **$15.3** million has been raised in line with AASB 9. As the opening ECL balance at 30 June 2019 was $0.9 million, the incremental ECL allowance of $14.4 million has been presented in the Financial Statements as a property expense. This does not mean that the Group will not attempt to recover the unpaid rent, and any amounts that are successfully recovered in future periods will result in the release of the ECL provision in that period. In determining which portion of the unpaid rent is not expected to be recovered in future periods, the following estimates have been made:

- Deferred rent: $4.3 million of the unpaid rent has been granted as deferrals to SME tenants under the Code of Conduct. The Group is not permitted to recover deferred rent during the COVID-19 period, and thereafter can only recover these amounts over the remaining lease term (subject to a minimum period of 24 months in some jurisdictions). Due to these restrictions, the Group has formed the view that the recovery of the deferred rent is unlikely, and as such an ECL provision has been raised for 100% of the deferred rent amount of **$4.3** million.
- Aged debt >120 days: $4.1 million of the unpaid rent relates to the pre-COVID-19 period (before March 2020) and as such is more than 120 days overdue. Of this $0.5 million relates to anchor tenants which the Group expects to recover. Due to the age of the debt, the Group has formed the view that the recovery of the non-anchor component is unlikely, and as such an ECL provision has been raised for 100% of the remaining amount of **$3.6** million.
- Current to 120 days: $13.9 million of the unpaid rent relates to the COVID-19 period of March 2020 to June 2020. Some tenants have performed strongly during this period, while others have suffered a significant reduction in sales revenue. The Group has categorised the tenants into retail segments and has based it's judgement on the sales performance of those retail segments during the COVID-19 period. Overall, the Group has estimated that based on the expected cash collection 58% of this amount is unlikely to be recovered, resulting in an ECL provision of **$8.1** million.
- Further loss allowances: in addition to the expected credit losses above, the loss allowances of **$1.3** million for all trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions based on the Group's past history and existing market conditions at the end of each reporting period.
- Bank guarantees: Most tenants have bank guarantees in place that the Group can draw upon for non-payment of rent. The right to draw on these guarantees is usually only exercised when tenants' leases expire or are terminated. In addition, under the Code of Conduct, the Group is not permitted to draw on bank guarantees for SME tenants during the COVID-19 pandemic period and for a reasonable period thereafter. It's assumed that the Group will draw on bank guarantees for tenants with remaining lease terms of 12 months or less, but not for tenants that have remaining lease terms of more than 12 months. This has resulted in a reduction of the ECL provision of (**$2.0)** million.

***Investment properties fair value***

In determining the fair value of investment properties it is necessary to form a view as to the future financial performance of the investment properties (particularly forecast earnings and cash flows), and also to consider market transactional evidence as to the capitalisation rates and the discount rates investors are willing to pay for those earnings and cash flows. As a result of the COVID-19 pandemic, assessing fair value as at the reporting date involves uncertainties around these underlying assumptions:

- Future financial performance: It is unclear how long the COVID-19 pandemic will continue and what the future impact will be on the operational and financial performance of our investment properties
- Market transaction evidence: since the start of the COVID-19 pandemic to 30 June 2020 there had been limited relevant transactional evidence.

As such, independent valuers have included a statement within their valuation reports highlighting a "material valuation uncertainty". This statement serves as a precaution and does not invalidate the valuation and does not mean that the valuation cannot be relied upon. Rather, it is intended to highlight that due to the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

The value of the Group's investment properties has decreased by $94.6 million, from $3,232.8 million as at 31 December 2019 to $3,138.2 million as at 30 June 2020. Of this, $27.4 million is directly related to the COVID-19 pandemic in the form of reduced net operating income over the next 12 months due to forecast increased expenses, rent deferrals and waivers built into the valuations. The remaining $67.2 million can be attributed to other assumption changes, being:

- Capitalisation rate softening of 5bps from 6.46% at 31 December 2019 to 6.51% as 30 June 2020;
- Valuation net operating income decrease of $2.5 million (or 1.2%) between December 2019 and June 2020;
- Discount rates tightening from 7.18% to 7.08%; and
- Discounted cash flow valuations adopting more conservative let-up assumptions and lower market rent growth.

While some of these assumption changes may be partially and indirectly attributable to the expected future impact of the COVID-19 pandemic, it is not possible to specifically assume this cause, and there may be other factors behind these movements including a general softening in economic conditions (that had already started prior to the COVID-19 pandemic period), changing consumer behaviours (for example the rise of online shopping), rising unemployment, decline in consumer confidence and changes in the cost of capital.

In light of the above, the fair value assessment of the Group's investment property portfolio as at the reporting date is a best estimate of the impacts of the COVID-19 pandemic using information available as the time of preparation of the Consolidated Financial Statements about conditions existing at the reporting date and includes forward looking assumptions. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of the Group's investment property portfolio.

## 4. Cash and cash equivalents

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Cash at bank | **3.8** | 4.2 | **2.7** | 3.1 |
| Term deposits | **180.0** | - | **180.0** | - |
| | **183.8** | 4.2 | **182.7** | 3.1 |

At 30 June 2020 the Group had $180.0 million (30 June 2019: nil) in investment in term deposits. The term deposits are held with major Australian and international banks with a credit rating of Moody's A1 or Standard & Poor's A or stronger. They are short term and for fixed terms with less than 45 days remaining to maturity at 30 June 2020. All term deposits are intended to be used to assist with the funding of the distribution (expected to be paid on or about 31 August 2020) and the repayment of the A$ MTN that expires in April 2021 but can be repaid (with appropriate notice) from October 2020 with no make whole obligation. Refer note 5 and 16.

## 5. Distributions paid and payable

| | Cents per unit | Total amount $m | Date of payment or expected date of payment |
|---|---|---|---|
| **2020 SCA Property Group & Retail Trust** | | | |
| Interim distribution[1] | **7.50** | **69.9** | 29 January 2020 |
| Final distribution[2] | **5.00** | **53.6** | 31 August 2020 |
| | **12.50** | **123.5** | |
| **2019 SCA Property Group & Retail Trust** | | | |
| Interim distribution | 7.25 | 66.4 | 29 January 2019 |
| Final distribution | 7.45 | 69.0 | 30 August 2019 |
| | 14.70 | 135.4 | |

[1] The interim distribution of 7.50 cents per security was declared on 12 December 2019 and was paid on 29 January 2020.

[2] The 2020 final distribution of 5.00 cents per security was declared on 23 June 2020 and is expected to be paid on or about 31 August 2020.

The Management Trust has not declared or paid any distributions. The Group has a Distribution Reinvestment Plan (DRP) in place. The DRP was in place for the distribution declared in December 2019 (paid in January 2020). The equity raised through the DRP on 30 August 2019 was $13.0 million by the issue of 5.3 million securities at a price of $2.48. The distribution declared in December 2019 resulted in $27.9 million being raised by the DRP through the issue of 10.3 million securities at $2.71 in January 2020. Further, the DRP is in place for the distribution declared in June 2020 (expected to be paid on or about 31 August 2020).

Under the DRP Plan Rules, the DRP issue price was determined at a discount of 1.0% to the arithmetic average of the daily volume weighted average market price of securities traded on the ASX during the 10 business days commencing on the business day after the record date.

## 6. Earnings per security

| | SCA Property Group | | Retail Trust | | Management Trust | |
|---|---|---|---|---|---|---|
| | **30 June 2020** | 30 June 2019 | **30 June 2020** | 30 June 2019 | **30 June 2020** | 30 June 2019 |
| **Per stapled security** | | | | | | |
| Net profit after tax for the period ($ million) | **85.5** | 109.6 | **84.8** | 109.1 | **0.7** | 0.5 |
| Weighted average number of securities used as the denominator in calculating basic earnings per security below | **960,944,215** | 868,375,096 | **960,944,215** | 868,375,096 | **960,944,215** | 868,375,096 |
| Basic earnings per security for net profit after tax (cents) | **8.9** | 12.6 | **8.8** | 12.6 | **0.1** | - |
| Weighted average number of securities used as the denominator in calculating diluted earnings per security below | **964,578,722** | 870,844,450 | **964,578,722** | 870,844,450 | **964,578,722** | 870,844,450 |
| Diluted earnings per security for net profit after tax (cents) | **8.9** | 12.6 | **8.8** | 12.6 | **0.1** | - |

## 7. Transaction costs

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Transaction costs | **1.5** | 3.7 |
| | **1.5** | 3.7 |

Transaction costs in the current year relate mainly to other costs associated with the institutional placement on 16 April 2020. Refer note 18. Transactions costs in the prior year related mainly to other costs associated but not capitalised with the acquisition of properties during that year.

## 8. Finance costs

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Interest expense | **38.2** | 41.2 |
| Swap termination costs | **-** | 17.7 |
| | **38.2** | 58.9 |

Interest expense is made up of interest payments for borrowings (including amortisation of borrowing costs) of $25.0 million and $13.2 million in respect of payments for derivatives including cross currency interest rate swaps (30 June 2019: $30.5 million and $10.7 million respectively).

Swap termination costs in the prior year consists of restructuring the interest rate swap book by terminating swaps in that year.

## 9. Taxation

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Profit before income tax | **86.0** | 110.2 | **84.8** | 109.1 |
| | **86.0** | 110.2 | **84.8** | 109.1 |
| Prima facie tax (expense) at 30% | **(25.8)** | (33.1) | **(25.4)** | (32.7) |
| Tax effect of income that is not assessable/deductible in determining taxable profit | **25.3** | 32.5 | **25.4** | 32.7 |
| | **(0.5)** | (0.6) | **-** | - |

## 10. Receivables

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| **Current** | | | | |
| Rental receivable | **22.3** | 5.0 | **22.3** | 5.0 |
| Allowance for expected credit loss | **(15.3)** | (0.9) | **(15.3)** | (0.9) |
| | **7.0** | 4.1 | **7.0** | 4.1 |
| Other receivables[1] | **27.2** | 24.2 | **27.2** | 24.0 |
| Total receivables | **34.2** | 28.3 | **34.2** | 28.1 |

[1] The majority of the balance of other receivables relates to rent received by property managers prior to being remitted to SCA Property Group and Retail Trust respectively.

### Ageing of rental receivable and other receivables[1]

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Current | **32.7** | 26.7 | **32.7** | 26.5 |
| 30 days | **6.1** | 1.0 | **6.1** | 1.0 |
| 60 days | **4.6** | 0.6 | **4.6** | 0.6 |
| 90 days | **2.0** | 0.3 | **2.0** | 0.3 |
| 120 days | **4.1** | 0.6 | **4.1** | 0.6 |
| Rental receivable and other receivables[1] | **49.5** | 29.2 | **49.5** | 29.0 |

[1] Rental and other amounts due are receivable within 30 days.

The Group writes off a rental receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 120 days due, whichever occurs earlier. The Group has identified loss patterns for different tenant groups ranging from 50% to 100%. The allowance for expected credit loss has increased significantly due to COVID-19, refer to note 3 for further details. The following tables detail the risk profile of trade receivables based on the Group's provision matrix.

| | SCA Property Group & Retail Trust | | | | | |
|---|---|---|---|---|---|---|
| | **30 June 2020** | | | 30 June 2019 | | |
| | **< 120 days** | **> 120 days** | **Total** | < 120 days | > 120 days | Total |
| Expected credit loss rate | **57%** | **88%** | | 2% | 100% | |
| Estimated total gross carrying amount at default | | | **13.2** | | | - |
| Lifetime ECL | | | **1.2** | | | 0.1 |
| | | | **14.4** | | | 0.1 |

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Opening balance | **0.8** | 0.8 |
| Change in credit risk parameters | **13.2** | - |
| Closing balance | **14.0** | 0.8 |

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in AASB 9.

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Opening balance | **0.1** | - |
| Change in credit risk parameters | **1.2** | 0.1 |
| Closing balance | **1.3** | 0.1 |

There is no interest charged on any receivables. All receivables are current other than the rental receivables included in ageing above. The historic loss rate is 5.9% on that part which is the rental receivable. Other receivables historical loss rate is $nil given it is made up of mostly rent received by property managers prior to being remitted to SCA Property Group and Retail Trust respectively. Refer to note 3 for COVID-19 impact on expected credit loss. The following table is the total of the provisional matrix and lifetime ECL.

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Opening balance | **0.9** | 0.8 |
| Change in credit risk parameters | **14.4** | 0.1 |
| Closing balance | **15.3** | 0.9 |

## 11. Investment in CQR

Investment in CQR relates to the Group and the Retail Trust's 1.2% interest in Charter Hall Retail Trust (ASX: CQR) (30 June 2019: 1.5%). This interest is made up of 6.78 million units (30 June 2019: 6.78 million units) which cost an average of $4.21 per unit. No units were sold during the year ended 30 June 2020 (30 June 2019: 13.1 million units were sold).

As at 30 June 2020 this interest was valued at $3.35 per unit (30 June 2019 $4.37). The value was based on the ASX closing price on the last trading day of the respective year.

The difference between the valuation of the units at 30 June 2020 and 30 June 2019 of $6.9 million loss (30 June 2019: $1.0 million revaluation gain) is recorded in other comprehensive income.

The Investment – fair value through other comprehensive income is classified as a level 1 fair value measurement financial asset being derived from inputs based on quoted prices that are observable. Refer also to the fair value hierarchy at note 17.

This investment is classified as current as it is the intention of the Group and the Retail Trust to sell the remaining interest within the next twelve months.

On 24 June 2020 the Responsible Entity of CQR declared an estimated distribution of 10.00 cents per unit to be paid in August 2020. As the Group and the Retail Trust hold 6.78 million units in CQR as at the record date for this distribution this is equivalent to $0.7 million and has been included in the Group's and Retail Trust's Consolidated Statements of Comprehensive Income as Distribution income (30 June 2019: 14.48 cents per unit and $2.2 million respectively). The Group also received a distribution on its investment of 14.52 cents per unit or $1.0 million declared in December 2019 (December 2018: 14.28 cents per unit and $2.2 million respectively). Therefore, the total distribution income for the Group and the Retail Trust on their investment in CQR is $1.7 million for the year 30 June 2020 (30 June 2019: $4.4 million).

## 12. Other assets

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Current other assets | **2.8** | 2.3 | **2.3** | 1.9 |
| Non-current other assets | **8.3** | 9.1 | **5.9** | 5.9 |
| | **11.1** | 11.4 | **8.2** | 7.8 |

Current other assets are prepayments.

Non-current other assets includes right to use assets for the investment property at Lane Cove $5.9 million (30 June 2019: $5.9 million) and lease of office space $1.7 million (30 June 2019: $2.2 million) and other assets $0.7 million (30 June 2019: $1.0 million). The corresponding leasing liability of $8.1 million (30 June 2019: $8.4 million) is presented in non-current liabilities.

## 13. Investment properties

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| **Movement in total investment properties** | | |
| Opening balance | **3,147.0** | 2,453.8 |
| Acquisitions (including transaction costs) | **83.4** | 714.8 |
| Disposals | **(21.5)** | (2.4) |
| Development expenditure | **6.8** | 13.4 |
| Net capital expenditure and straight lining net of amortisation | **10.4** | 7.9 |
| Unrealised movement recognised in Total Comprehensive Income on property valuations | **(87.9)** | (40.5) |
| Closing balance | **3,138.2** | 3,147.0 |

**Investment properties**

| Property | State | Property Type | Book value cap rate[1] 30 June 2020 | Book value discount rate 30 June 2020 | Book value 30 June 2020 $m | Book value 30 June 2019 $m |
|---|---|---|---|---|---|---|
| **Sub-Regional** | | | | | | |
| Lilydale | VIC | Sub-Regional | **6.25%** | **6.75%** | **110.0** | 116.0 |
| Pakenham | VIC | Sub-Regional | **6.50%** | **6.50%** | **83.7** | 89.6 |
| Central Highlands | QLD | Sub-Regional | **7.75%** | **8.00%** | **60.0** | 63.4 |
| Mt Gambier | SA | Sub-Regional | **6.50%** | **7.40%** | **71.3** | 72.7 |
| Murray Bridge | SA | Sub-Regional | **7.50%** | **7.75%** | **60.0** | 64.9 |
| Kwinana Marketplace | WA | Sub-Regional | **7.00%** | **7.50%** | **130.6** | 140.0 |
| Warnbro | WA | Sub-Regional | **7.00%** | **7.75%** | **90.9** | 93.1 |
| Lavington Square | NSW | Sub-Regional | **7.50%** | **7.50%** | **57.4** | 52.3 |
| Sturt Mall | NSW | Sub-Regional | **6.50%** | **7.25%** | **72.3** | 73.1 |
| West End Plaza | NSW | Sub-Regional | **6.50%** | **7.25%** | **67.7** | 65.9 |
| **Total Sub-Regional** | | | | | **803.9** | 831.0 |
| **Neighbourhood** | | | | | | |
| Belmont | NSW | Neighbourhood | **7.03%** | **8.02%** | **29.0** | 32.5 |
| Berala | NSW | Neighbourhood | **5.50%** | **6.50%** | **28.6** | 28.1 |
| Cabarita | NSW | Neighbourhood | **6.25%** | **7.00%** | **22.0** | 22.5 |
| Cardiff | NSW | Neighbourhood | **6.25%** | **6.75%** | **25.3** | 25.8 |
| Clemton Park | NSW | Neighbourhood | **6.00%** | **6.50%** | **51.3** | 51.2 |
| Goonellabah | NSW | Neighbourhood | **6.75%** | **7.00%** | **20.0** | 20.5 |
| Greystanes | NSW | Neighbourhood | **5.75%** | **6.75%** | **59.6** | 60.7 |
| Griffin Plaza | NSW | Neighbourhood | **6.75%** | **7.25%** | **25.8** | 26.6 |
| Lane Cove[4] | NSW | Neighbourhood | **5.75%** | **6.50%** | **57.5** | 59.5 |
| Leura | NSW | Neighbourhood | **5.75%** | **6.50%** | **18.5** | 19.0 |
| Lismore | NSW | Neighbourhood | **7.50%** | **7.50%** | **28.1** | 31.9 |
| Macksville | NSW | Neighbourhood | **6.00%** | **7.00%** | **14.3** | 14.2 |
| Merimbula | NSW | Neighbourhood | **6.50%** | **6.75%** | **18.2** | 19.7 |
| Morisset | NSW | Neighbourhood | **6.75%** | **7.00%** | **18.5** | 18.4 |
| Muswellbrook | NSW | Neighbourhood | **6.50%** | **7.25%** | **31.9** | 31.9 |
| North Orange | NSW | Neighbourhood | **6.25%** | **7.25%** | **34.0** | 33.3 |
| Northgate | NSW | Neighbourhood | **6.50%** | **7.25%** | **17.5** | 16.8 |
| Ulladulla | NSW | Neighbourhood | **6.00%** | **7.00%** | **24.7** | 25.0 |
| West Dubbo | NSW | Neighbourhood | **6.25%** | **6.75%** | **19.0** | 19.2 |
| Shell Cove[3] | NSW | Neighbourhood | **6.00%** | **6.50%** | **34.0** | 24.1 |
| Albury | VIC | Neighbourhood | **6.50%** | **7.00%** | **23.5** | 24.0 |
| Ballarat | VIC | Neighbourhood | **7.00%** | **7.00%** | **17.2** | 18.1 |
| Cowes | VIC | Neighbourhood | **-** | **-** | **-** | 19.6 |
| Drouin | VIC | Neighbourhood | **5.75%** | **6.00%** | **16.2** | 16.9 |
| Epping North | VIC | Neighbourhood | **5.75%** | **6.25%** | **30.0** | 31.1 |
| Highett | VIC | Neighbourhood | **5.50%** | **6.25%** | **30.1** | 31.5 |
| Langwarrin | VIC | Neighbourhood | **5.75%** | **6.25%** | **23.9** | 25.5 |
| Ocean Grove | VIC | Neighbourhood | **6.25%** | **6.75%** | **37.1** | 38.7 |
| Warrnambool East | VIC | Neighbourhood | **6.25%** | **6.25%** | **15.7** | 16.0 |
| Wonthaggi | VIC | Neighbourhood | **7.25%** | **7.25%** | **40.0** | 45.5 |
| Wyndham Vale | VIC | Neighbourhood | **5.75%** | **6.00%** | **23.4** | 23.6 |
| Bentons Square | VIC | Neighbourhood | **6.25%** | **7.25%** | **82.6** | 77.6 |
| The Gateway | VIC | Neighbourhood | **6.75%** | **7.00%** | **51.7** | 50.2 |
| Annandale | QLD | Neighbourhood | **7.50%** | **7.50%** | **26.1** | 29.1 |
| Ayr | QLD | Neighbourhood | **7.00%** | **7.50%** | **19.0** | 18.7 |
| Brookwater Village | QLD | Neighbourhood | **6.25%** | **7.00%** | **35.1** | 36.8 |
| Carrara | QLD | Neighbourhood | **6.50%** | **6.75%** | **17.1** | 18.0 |
| Chancellor Park Marketplace | QLD | Neighbourhood | **6.00%** | **6.50%** | **45.9** | 46.7 |
| Collingwood Park | QLD | Neighbourhood | **6.50%** | **7.00%** | **11.8** | 12.0 |
| Coorparoo | QLD | Neighbourhood | **5.75%** | **6.50%** | **36.9** | 38.0 |

**Investment properties (continued)**

| Property | State | Property Type | Book value cap rate[1] 30 June 2020 | Book value discount rate 30 June 2020 | Book value 30 June 2020 $m | Book value 30 June 2019 $m |
|---|---|---|---|---|---|---|
| **Neighbourhood** | | | | | | |
| Gladstone | QLD | Neighbourhood | **7.00%** | **7.25%** | **24.5** | 25.1 |
| Greenbank | QLD | Neighbourhood | **6.25%** | **6.75%** | **21.8** | 22.9 |
| Jimboomba | QLD | Neighbourhood | **6.50%** | **6.75%** | **27.8** | 28.7 |
| Lillybrook | QLD | Neighbourhood | **6.00%** | **7.25%** | **28.7** | 30.2 |
| Mackay | QLD | Neighbourhood | **6.75%** | **7.25%** | **25.5** | 25.7 |
| Marian Town Centre | QLD | Neighbourhood | **7.00%** | **7.50%** | **32.5** | 32.3 |
| Mission Beach | QLD | Neighbourhood | **6.50%** | **7.00%** | **11.6** | 12.7 |
| Mt Warren Park | QLD | Neighbourhood | **6.00%** | **6.50%** | **17.8** | 17.6 |
| Mudgeeraba | QLD | Neighbourhood | **6.25%** | **7.00%** | **33.7** | 35.0 |
| Sugarworld Shopping Centre | QLD | Neighbourhood | **6.75%** | **7.25%** | **25.4** | 25.2 |
| The Markets | QLD | Neighbourhood | **7.25%** | **7.25%** | **29.4** | 29.9 |
| Whitsunday | QLD | Neighbourhood | **7.50%** | **7.75%** | **33.8** | 37.0 |
| Worongary | QLD | Neighbourhood | **6.00%** | **6.75%** | **46.8** | 47.9 |
| Bushland Beach | QLD | Neighbourhood | **6.75%** | **7.00%** | **22.5** | 23.6 |
| Miami One | QLD | Neighbourhood | **6.50%** | **7.25%** | **30.7** | 32.1 |
| North Shore Village | QLD | Neighbourhood | **6.00%** | **7.25%** | **27.3** | 27.5 |
| Oxenford | QLD | Neighbourhood | **6.00%** | **7.00%** | **33.4** | 33.1 |
| Warner Marketplace[2] | QLD | Neighbourhood | **5.75%** | **6.75%** | **76.2** | - |
| Blakes Crossing | SA | Neighbourhood | **6.75%** | **7.50%** | **22.2** | 21.7 |
| Walkerville | SA | Neighbourhood | **6.00%** | **6.75%** | **26.0** | 25.6 |
| Busselton | WA | Neighbourhood | **6.00%** | **6.25%** | **26.7** | 27.0 |
| Treendale | WA | Neighbourhood | **6.50%** | **7.00%** | **30.5** | 32.7 |
| Currambine Central[4] | WA | Neighbourhood | **7.00%** | **7.50%** | **90.4** | 91.1 |
| Kalamunda Central | WA | Neighbourhood | **6.00%** | **7.00%** | **41.8** | 41.6 |
| Stirlings Central | WA | Neighbourhood | **7.00%** | **7.50%** | **40.6** | 44.0 |
| Burnie | TAS | Neighbourhood | **7.50%** | **7.50%** | **22.5** | 22.5 |
| Claremont Plaza | TAS | Neighbourhood | **6.50%** | **7.25%** | **38.5** | 38.2 |
| Glenorchy Central | TAS | Neighbourhood | **6.75%** | **7.25%** | **27.1** | 27.5 |
| Greenpoint | TAS | Neighbourhood | **7.00%** | **7.25%** | **17.5** | 16.7 |
| Kingston | TAS | Neighbourhood | **6.30%** | **7.03%** | **31.0** | 30.3 |
| Meadow Mews | TAS | Neighbourhood | **6.50%** | **7.00%** | **63.5** | 62.7 |
| New Town Plaza | TAS | Neighbourhood | **6.50%** | **7.25%** | **43.6** | 42.9 |
| Prospect Vale | TAS | Neighbourhood | **6.75%** | **7.25%** | **29.2** | 29.0 |
| Riverside | TAS | Neighbourhood | **10.00%** | **10.00%** | **5.2** | 8.7 |
| Shoreline | TAS | Neighbourhood | **6.25%** | **7.00%** | **37.6** | 38.7 |
| Sorell | TAS | Neighbourhood | **6.25%** | **7.50%** | **29.9** | 30.1 |
| Total Neighbourhood | | | | | **2,334.3** | 2,316.0 |
| **Total investment properties** | | | | | **3,138.2** | 3,147.0 |

[1] Cap rate is an approximation of the ratio between the net operating income produced by a property and its fair value.

[2] Property acquired during the year ended 30 June 2020 being Warner Marketplace for $78.4 million (excluding transaction costs).

[3] Property developed during the year 30 June 2020 including Shell Cove Stage 3 for $4.8 million.

[4] The titles to Lane Cove and Currambine are leasehold. The expiries of the respective leaseholds are in 2059 (with a 49 year option) and in 2094.

All properties are internally valued every June and December and a number are selected for external independent valuation at each balance sheet date. The properties selected for external valuation are chosen based on consideration of properties with significant change (such as a significant difference between book value and internal valuation, a development project or a significant change in the circumstances at the property including a significant change in the trading of the location) and ensuring the sample is representative. The internal valuations are performed on a basis consistent with the methodology of the most recent external valuations. This includes using appropriate rates for the capitalisation of income (cap rate), discount rates including terminal yields, based on comparable market evidence and recent external valuation parameters to produce a capitalisation based valuation and a discounted cash flow (DCF) valuation.

The internal valuations are reviewed by management who recommends each property's valuation to the Audit, Risk Management and Compliance Committee and the Board in accordance with the Group's internal valuation protocol. Due to market uncertainty brought on by COVID-19, the internal valuations have been reviewed by an independent external valuer. Refer to note 3 for additional information on the impact of COVID-19 on valuations.

The Retail Trust's Compliance Plan requires that each property in the portfolio is valued by an independent valuer at least every three years and the independent valuer is expected to change after three years. In practice, properties may be independently valued more frequently than every three years primarily as a result of:

- A significant variation between the last book value and internal valuation
- A major development project
- A period where there is significant market movement
- A significant change in circumstances at the property including a significant change in the trading of the location

Independent valuations are performed by independent external valuers who hold a recognised relevant professional qualification and have specialised expertise in the types of investment properties valued.

**Fair value measurement, valuation technique and inputs**

The key inputs used to measure fair values of investment properties are disclosed below along with their sensitivity to an increase or decrease.

***30 June 2020***

| Category | Fair value hierarchy | Book value 30 June 2020 $m | Valuation technique | Key inputs used to measure fair value | Range of unobservable key inputs |
|---|---|---|---|---|---|
| Investment Properties | Level 3 | 3,138.2 | Income capitalisation and DCF | Cap rate<br>Discount rate | 5.50% - 10.00%<br>6.00% - 10.00% |

***30 June 2019***

| Category | Fair value hierarchy | Book value 30 June 2019 $m | Valuation technique | Key inputs used to measure fair value | Range of unobservable key inputs |
|---|---|---|---|---|---|
| Investment Properties | Level 3 | 3,147.0 | Income capitalisation and DCF | Cap rate<br>Discount rate | 5.50% - 7.75%<br>6.00% - 8.50% |

The investment properties fair values presented are based on market values, which are derived using the income capitalisation method and the DCF methods. The Group's preferred method is the income capitalisation method.

*Income capitalisation method – cap rate*

Income capitalisation method for the purpose of this report is an approximation of the ratio between the net operating income produced by an investment property to derive its fair value. 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 ongoing 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 investment yield reflects the cap rate and includes consideration of the property type, location and tenancy profile together with market sales and other matters such as market rents, current rents including possible rent reversion, capital expenditure, lease expiry profile including vacancy, type of tenants, capital expenditure and sales growth of the centre.

*DCF method – discount rate*

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the cash flows associated with the ownership of a property (including income and capital and transaction costs (including disposal costs)) over the property'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 real property. The discount rate is the rate of return used to convert a monetary sum, payable or receivable in the future, into a present value. The rate is determined with regard to market evidence.

Investment properties under development are classified as investment property and stated at fair value at each reporting date. Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile.

All property investments are categorised as level 3 in the fair value hierarchy (refer note 17(c) for additional information in relation to the fair value hierarchy). There were no transfers between hierarchies.

**Sensitivity information**

The key inputs to measure fair value of investment properties are disclosed below along with sensitivity to a significant increase or decrease. The following sensitivity to significant inputs applies to investment properties (refer note 2(j)).

| Significant inputs | Fair value measurement sensitivity to significant increase in input | Fair value measurement sensitivity to significant decrease in input |
|---|---|---|
| Cap rate | Decrease | Increase |
| Net operating income | Increase | Decrease |
| Discount rate | Decrease | Increase |

*Sensitivity analysis*

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

When assessing a DCF, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. The impact on the fair value of an increase (softening) in the adopted discount rate could potentially offset the impact of a decrease (firming) in the adopted terminal yield. The same can be said for a decrease (firming) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield would magnify the impact to the fair value.

Other inputs or factors also impact a valuation. These factors are many and include: consideration of the property type, location and tenancy profile together with market sales and other matters such market rents, current rents including possible rent reversion, capital expenditure, lease expiry profile including vacancy, type of tenants, capital expenditure and sales growth of the centre.

The Group has considered these factors and believes the most significant input to fair value of investment properties at balance sheet date is the cap rate as the cap rate is in line with the Group's understanding of the market practice at which the price is determined for similar properties. Notwithstanding the Group's view that cap rate is the most significant input, movements in one or more of other factors above may change the valuation.

*Sensitivity analysis – cap rate and net operating income*

A sensitivity analysis of the impact on the investment property valuations of movements in the cap rate is disclosed below as the cap rate method is the primary method for conducting the valuation. While other factors do also impact a valuation, at the current time, the Group considers that the valuations are most sensitive to movements in the cap rate and net operating income.

The following sensitivity analysis from the investment properties shows the effect on profit/loss after tax and on equity of a 25 basis points (bps) increase/decrease in cap rates and a 5% increase/decrease in property net operating income respectively at balance sheet date with all other variables held constant.  It is noted that changes in net operating income may be caused by a number of factors including changes in vacancy or rent paid or payable.

| *Sensitivity analysis – Valuation cap rate* | Profit/(loss) after tax | | Equity | |
|---|---|---|---|---|
| | **25 bps increase** | **25 bps decrease** | **25 bps increase** | **25 bps decrease** |
| | **$m** | **$m** | **$m** | **$m** |
| **30 June 2020** | | | | |
| **SCA Property Group & Retail Trust** | | | | |
| Investment properties | **(116.1)** | **125.3** | **(116.1)** | **125.3** |
| 30 June 2019 | | | | |
| SCA Property Group & Retail Trust | | | | |
| Investment properties | (116.9) | 126.3 | (116.9) | 126.3 |

| *Sensitivity analysis – Valuation net operating income* | Profit/(loss) after tax | | Equity | |
|---|---|---|---|---|
| | **5% increase** | **5% decrease** | **5% increase** | **5% decrease** |
| | **$m** | **$m** | **$m** | **$m** |
| **30 June 2020** | | | | |
| **SCA Property Group & Retail Trust** | | | | |
| Investment properties | **156.9** | **(156.9)** | **156.9** | **(156.9)** |
| 30 June 2019 | | | | |
| SCA Property Group & Retail Trust | | | | |
| Investment properties | **157.4** | **(157.4)** | **157.4** | **(157.4)** |

Refer to note 3 for additional COVID-19 disclosures regarding investment property valuations.

## 14. Investment in associates (SCA Unlisted Retail Fund (SURF))

The Group and Retail Trust's investment in associates comprises of:

- SURF 1: 7,959,000 units at $1.00 each acquired on 1 October 2015. The total units on issue of SURF 1 are 32,600,000.
- SURF 2: 8,447,000 units at $1.00 each acquired on 2 June 2017. The total units on issue of SURF 2 are 29,500,000.
- SURF 3: 9,161,000 units at $1.00 each acquired on 10 July 2018. The total units on issue of SURF 3 are 35,000,000.

SURF 1, SURF 2 and SURF 3 are unlisted closed end property funds. The Group recognises its 24.4% interest in SURF 1, 28.6% interest in SURF 2 and 26.2% interest in SURF 3 as investment in associates using the equity method of accounting.

As at 30 June 2020 the Group managed 5 properties valued at $102.6 million for its unlisted retail funds (30 June 2019: 11 properties valued at $184.3 million). During the year SURF 1 reached the end of its term and commenced the process of winding up including the sale of the properties, the repayment of the debt and with the majority of the remaining funds then returned as capital to the unitholders. The Group has received $9.0 million during the year as a return of capital on its investment in SURF 1. There may be an additional final return of capital once SURF 1 is finally wound up. This amount is not expected to be significant. In addition, the Group may be entitled to a performance fee in accordance with the investment management agreement for SURF 1. Consistent with prior periods no amount has been recognised for this performance fee for the year ended 30 June 2020.

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020** | 30 June 2019 |
| | **$m** | $m |
| **Movement in investment in associates** | | |
| Opening balance | **26.5** | 18.0 |
| Additions to equity accounted investment | **-** | 9.2 |
| Share of profits after income tax | **-** | 1.2 |
| Return of capital | **(9.0)** | - |
| Distributions received or receivable | **(1.6)** | (1.9) |
| Closing balance | **15.9** | 26.5 |

The Group is not a guarantor to the debt facilities or other liabilities of SURF 1, SURF 2 or SURF 3.

## 15. Trade and other payables

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020** | 30 June 2019 | **30 June 2020** | 30 June 2019 |
| | **$m** | $m | **$m** | $m |
| **Current** | | | | |
| Trade payables and other creditors[1] | **57.7** | 46.8 | **58.3** | 47.4 |
| Income tax payable | **0.6** | 0.6 | **-** | - |
| Payables to related parties (note 27) | **-** | - | **10.2** | 9.0 |
| | **58.3** | 47.4 | **68.5** | 56.4 |

[1] Trade payables other creditors are generally payable within 30 days. Other significant amounts included in trade payables and other creditors includes rent received in advance, provision for deferred income and trade payables including accrued expenses.

## 16. Interest bearing liabilities

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020** | 30 June 2019 |
| | **$m** | $m |
| **Interest bearing liabilities** | | |
| Current | **225.0** | - |
| Non-current | **858.6** | 1,137.5 |
| Total interest bearing liabilities | **1,083.6** | 1,137.5 |

The detail of the interest bearing liabilities are below.

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020** | 30 June 2019 |
| | **$m** | $m |
| **Unsecured Bank revolving bilateral facilities** | | |
| - A$ denominated | **-** | 62.0 |
| **Unsecured Bank and syndicated non revolving facilities** | | |
| - A$ denominated | **150.0** | 150.0 |
| **Unsecured A$ Medium term note (A$ MTN)** | | |
| - A$ denominated | **450.0** | 450.0 |
| **Unsecured US Notes** | | |
| - A$ denominated | **50.0** | 50.0 |
| - US$ denominated (converted to A$) | **435.3** | 427.2 |
| **Total unsecured debt outstanding** | **1,085.3** | 1,139.2 |
| - Less: unamortised establishment fees and unamortised MTN discount and premium | **(1.7)** | (1.7) |
| **Interest bearing liabilities** | **1,083.6** | 1,137.5 |

### Financing facilities and financing resources

The financing capacity available to the Group is under the Bank revolving bilateral facilities as the other debt facilities are fully drawn and non revolving. Debt facilities are carried at amortised cost. Additional details of these debt facilities are below.

**Bank and syndicated facilities - unsecured**

To reduce liquidity risk, the Group has in place debt sourced from several sources including bank and syndicated facilities with multiple banks. The terms have been negotiated to achieve a balance between capital availability and the cost of debt including unused debt. The facilities include revolving bilateral facilities. All bank and syndicated facilities are unsecured, and the revolving facilities can be used interchangeably.

One of the bilateral facilities is used to support bank guarantees. As at 30 June 2020, in addition to the bilateral facilities drawn above, $11.0 million of a bilateral facility available was used to support bank guarantees (30 June 2019: $12.0 million). The bank guarantees assists with the Group's obligations under the Australian Financial Services Licences granted to the Group.

During the year the bank or bilateral debt facilities were increased in facility limit by $200.0 million and extended in maturity. As a result the total bilateral facilities are now $600.0 million (30 June 2019: $400.0 million). The bank and syndicated debt facilities of $600.0 million are made up of:

- $400.0 million of revolving bilateral debt facilities which are undrawn (30 June 2019: $250.0 million revolving bilateral facilities of which $62.0 million was drawn).
- $150.0 million of bank and syndicated non revolving facilities fully drawn which include financial costs if repaid more than two years prior to expiry. The earliest of these facilities expires in June 2024. These facilities were in place prior to 30 June 2019 and were fully drawn at 30 June 2019.
- $50.0 million facility which is currently undrawn but available to assist with the refinancing of the A$ MTN with a face value of $225.0 million which expires in April 2021. Once drawn this facility is non revolving. Refer below for details of the A$ MTN which expires in April 2021. This facility was also put in place during the year ended 30 June 2020.

The financing capacity available to the Group under the bank and syndicated facilities, including cash and cash equivalents, is in the following table.

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020** | 30 June 2019 |
| | **$m** | $m |
| **Financing facilities and financing resources** | | |
| **Bilateral bank facilities** | | |
| Committed bank and syndicated financing facilities available | **600.0** | 400.0 |
| Less: amounts drawn down | **(150.0)** | (212.0) |
| Less: amounts utilised for bank guarantee | **(11.0)** | (12.0) |
| Net Bilateral facilities available | **439.0** | 176.0 |
| Add: cash and cash equivalents | **183.8** | 4.2 |
| **Financing resources available** | **622.8** | 180.2 |

As at 30 June 2020 the Group had undrawn debt facilities and cash and cash equivalents of $622.8 million (30 June 2019: $180.2 million).

**A$ medium term notes (A$ MTN) - unsecured**

The Group has issued A$ MTN with a face value of $450.0 million. These are unsecured. Details of these notes are below.

| A$ MTN | Tranche | Issue date | Maturity | Tenor at issue (years) | Coupon | Face value $m | Issue consideration $m | Discount / (premium) on issue $m |
|---|---|---|---|---|---|---|---|---|
| Series 1 | Tranche 1 | Apr-15 | Apr-21 | 6.0 | 3.75% | 175.0 | 174.8 | 0.2 |
| | Tranche 2 | Jul-16 | Apr-21 | 4.8 | 3.75% | 50.0 | 50.6 | (0.6) |
| Series 2 | Tranche 1 | Jun-17 | Jun-24 | 7.0 | 3.90% | 175.0 | 174.5 | 0.5 |
| | Tranche 2 | Apr-19 | Jun-24 | 5.2 | 3.90% | 50.0 | 51.3 | (1.3) |
| | | | | | | 450.0 | | (1.2) |

The discount or premium with respect to each Tranche is amortised from the issue date to the maturity.

The next debt expiry is the A$ MTN $225.0 million in April 2021. Under the terms of this A$ MTN it can be repaid (with appropriate notice) from October 2020 with no make whole obligation. The current intention is that the A$ MTN $225.0 million will be repaid from existing cash and cash equivalents and undrawn debt from October 2020.

**US Notes – unsecured**

The Group has issued US Notes with a face value of US$300.0 million and A$50.0 million. The US Notes are unsecured. The principal and coupon obligations of the US dollar denominated notes have been fully economically swapped back to Australian dollars (floating interest rates) such that the Group has no exposure to any currency risk. Details of these notes and their economically swapped values are below.

**US Notes**

| Issue date - US$ denominated notes | Maturity | US$ value | Economic hedged FX rate | AU$ economically hedged value | 30 June 2020 FX rate | 30 June 2020 Book value |
|---|---|---|---|---|---|---|
| August 2014 | August 2027 | 100.0 | 0.9387 | 106.5 | 0.6891 | **145.1** |
| September 2018 | September 2028 | 30.0 | 0.7604 | 39.4 | 0.6891 | **43.5** |
| August 2014 | August 2029 | 50.0 | 0.9387 | 53.3 | 0.6891 | **72.6** |
| September 2018 | September 2031 | 70.0 | 0.7604 | 92.1 | 0.6891 | **101.5** |
| September 2018 | September 2033 | 50.0 | 0.7604 | 65.8 | 0.6891 | **72.6** |
| | | 300.0 | | 357.1 | | **435.3** |
| AUD notes | | | | 50.0 | | **50.0** |
| | | | | 407.1 | | **485.3** |

Details of these notes and their economically swapped values at 30 June 2019 are below.

**US Notes**

| Issue date - US$ denominated notes | Maturity | US$ value | Economic hedged FX rate | AU$ economically hedged value | 30 June 2019 FX rate | 30 June 2019 Book value |
|---|---|---|---|---|---|---|
| August 2014 | August 2027 | 100.0 | 0.9387 | 106.5 | 0.7022 | 142.4 |
| September 2018 | September 2028 | 30.0 | 0.7604 | 39.4 | 0.7022 | 42.7 |
| August 2014 | August 2029 | 50.0 | 0.9387 | 53.3 | 0.7022 | 71.2 |
| September 2018 | September 2031 | 70.0 | 0.7604 | 92.1 | 0.7022 | 99.7 |
| September 2018 | September 2033 | 50.0 | 0.7604 | 65.8 | 0.7022 | 71.2 |
| | | 300.0 | | 357.1 | | 427.2 |
| AUD notes | | | | 50.0 | | 50.0 |
| | | | | 407.1 | | 477.2 |

**Debt covenants**

The Group is required to comply with certain financial covenants or obligations in respect of the interest bearing liabilities. The major financial covenants or obligations which are common across all types of interest bearing liabilities are summarised as follows:

(a) Interest cover ratio (EBITDA to net interest expense) is more than 2.00 times;
(b) Gearing ratio (finance debt net of cash and cash equivalents and cross currency interest rate swaps divided by total tangible assets net of cash and cash equivalents and derivatives) does not exceed 50%;
(c) Priority indebtedness ratio (priority debt to total tangible assets) does not exceed 10%; and
(d) Aggregate of the total tangible assets held by the Obligors represents not less than 90% of the total tangible assets of the Group.

The Group was in compliance with all of the financial covenants and obligations for the period ended and as at 30 June 2020. The Group's gearing for the debt covenant using the common definition in the debt and facility agreements was 23.0%. The Group's gearing for management was 25.6% (refer also below). The main reason for the difference in the gearing for covenant and management purposes is that debt covenant definition of gearing uses the value of finance debt from the financial statements (which values the US Notes using the 30 June 2020 FX rate) less the value of the cross currency interest rate swaps. At 30 June 2020 the value of the cross currency interest rate swaps increased significantly due to the decline in US interest rates relative to the change in the FX rate.

**Capital Management – management gearing**

The Group manages its capital, including its debt, by having regard to a number of factors including the gearing of the Group. The Group's definition of gearing for management purposes is:

- Net finance debt, where the US notes US$ denominated debt is recorded as the A$ amount received and economically hedged in A$, net of cash and cash equivalents, divided by
- Net total assets, being total assets net of cash and cash equivalents and derivatives.

As the US notes USD denominated debt has been fully economically hedged, for the purpose of the management determination of gearing US$ denominated debt is recorded at its economically hedged value. This also results in management gearing being based on a constant currency basis.

The Group's management gearing was 25.6% as at 30 June 2020 (30 June 2019: 32.8%). The Group's target gearing range is 30% to 40%, however the Group has a preference for gearing to remain below 35% at this point in the cycle. Following the equity raising in April 2020 and May 2020 the gearing of the Group is below that range. The Group's gearing calculation is below.

| **Gearing (management)** | **30 June 2020 $m** | 30 June 2019 $m |
|---|---|---|
| **Bilateral, Syndicated and A$ MTN notes – unsecured** | | |
| Bank bilateral revolving facilities drawn | **-** | 62.0 |
| Bank and syndicated non revolving facilities drawn | **150.0** | 150.0 |
| Unsecured A$ MTN | **450.0** | 450.0 |
| | **600.0** | 662.0 |
| **US Notes - unsecured** | | |
| US$ denominated notes - USD face value | **300.0** | 300.0 |
| Economically hedged exchange rate | **0.8402** | 0.8402 |
| US$ denominated notes - AUD equivalent | **357.1** | 357.1 |
| US A$ denominated notes | **50.0** | 50.0 |
| Total US notes | **407.1** | 407.1 |
| Total debt used and drawn AU$ equivalent | **1,007.1** | 1,069.1 |
| Less: cash and cash equivalents | **(183.8)** | (4.2) |
| **Net finance debt for gearing** | **823.3** | 1,064.9 |
| Total assets | **3,589.7** | 3,372.2 |
| Less: cash and cash equivalents | **(183.8)** | (4.2) |
| Less: derivative value included in total assets | **(183.8)** | (125.2) |
| **Net total assets for gearing** | **3,222.1** | 3,242.8 |
| **Gearing (management)**[1] | **25.6%** | 32.8% |

[1] As noted above, the Group also has $11.0 million (30 June 2019: $12.0 million) used to support bank guarantees. The bank guarantees assists with the Group's obligations under its Australian Financial Services Licences. The value of these guarantees has been excluded from management's net finance debt used for gearing which is consistent with the approach taken by the Group's credit rating agency to determine net debt.

## 17. Financial instruments

### (a) Capital management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern, whilst providing returns for security holders and benefits for other stakeholders and maintaining a capital structure that will support a competitive overall cost of capital for the Group. The capital structure of the Group consists of cash and cash equivalents, interest bearing liabilities (including bilateral debt facilities with several banks and notes issued in the debt capital markets) and equity of the Group (comprising contributed equity, reserves and accumulated profit/loss). The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure:

- Sufficient funds and financing facilities, on a cost effective basis, are available to assist the Group's property investment and management business

- Sufficient liquid buffer is maintained
- Distributions to security holders are in line with the stated distribution policy.

The Group can alter its capital structure by issuing new stapled securities, adjusting the amount of distributions paid to security holders, returning capital to security holders, buying back securities, selling assets to reduce debt, adjusting the timing of capital expenditure and through the operation of a distribution reinvestment plan. Additionally, the Group can alter its capital structure by the use of debt facilities including repaying debt and issuing debt via debt capital markets and derivative financial instruments.

The Group's debt financial covenants are detailed in note 16.

Management monitors the capital structure by the gearing ratio. The gearing ratio is calculated in line with the debt covenants as:

- finance debt net of cash and cash equivalents and excluding derivatives; divided by,
- total tangible assets net of cash and cash equivalents and excluding derivatives.

The Group's target gearing range is 30% to 40%, however the Group has a preference for gearing to remain below 35% at this point in the cycle.

The Group's gearing at 30 June 2020 was 25.6% (30 June 2019: 32.8%). Refer note 16 for additional information.

**(b) Financial risk management**

The Group's activities expose it to a variety of financial risk, including:

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

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge or economically hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies as approved by the Board. The Group does not enter or trade financial instruments including derivative financial instruments for speculative purposes.

**(b)(i) Financial risk management - credit**

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has exposure to credit risk on its financial assets included in its Consolidated Balance Sheets. This includes cash and cash equivalents, derivative financial instruments (hedging) as well as credit receivables due from tenants and managing agents.

For financial investments or market risk hedging the Group manages this risk by investing and transacting derivatives with multiple counterparties to minimise the Group's exposure to any one counterparty. Wherever possible, for financial investments and economic hedging the Group only deals with investment grade counterparties.

Exposure to customer credit risk is also monitored. A significant share of the Group's revenue for the current and prior year is from Woolworths Limited and Coles Limited (and its affiliates) which has a BBB or BBB+ Standard and Poor's credit rating respectively. The Group reviews the aggregate exposure of tenancies across its portfolio on a regular basis. Derivative counterparties and term deposits are currently limited to financial institutions with an appropriate credit rating.

The Group and Retail Trust's exposure to credit risk is in the table below.

| | **SCA Property Group** | | **Retail Trust** | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Cash and cash equivalents | **183.8** | 4.2 | **182.7** | 3.1 |
| Receivables | **34.2** | 28.3 | **34.2** | 28.1 |
| Derivative financial instruments | **183.8** | 125.2 | **183.8** | 125.2 |
| | **401.8** | 157.7 | **400.7** | 156.4 |

The maximum exposure of the Group to credit risk as at 30 June 2020 is the carrying amount of the financial assets in the Consolidated Balance Sheets.

Term deposits are held with major Australian and international banks with a credit rating of Moody's A1 or Standard & Poor's A or stronger.

Receivables relate to tenant and managing agent receivables. Receivables are reviewed regularly throughout the year. The expected credit loss allowance is made where collection is deemed uncertain. Part of the Group's policy is to hold collateral as security for tenants via bank guarantees (or less frequently collateral such as deposits or cash and personal guarantees). Refer to note 3 and note 10 for further details on tenants that were past due at 30 June 2020.

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

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by having flexibility in funding including by keeping sufficient cash and/or committed credit lines available 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 Group manages liquidity risk through monitoring its net expected funding needs including the maturity of its debt portfolio. The Group also manages liquidity risk by maintaining a liquidity buffer of cash and undrawn debt facilities.

The debt facilities are made up of bank bilateral and syndicated facilities, A$ MTN and US notes. Details of these debt facilities, including finance facilities available, included in note 16.

Refinancing risk, also part of liquidity risk, is the risk that the maturity profile of the debt makes it difficult to refinance maturing debt, and/or that the cost of refinancing exposes the Group to potentially unfavourable market conditions at any given time. The Group is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Group manages this risk, where appropriate, by refinancing borrowings in advance of the maturity of the borrowing and by securing longer term facilities.

**Non-derivative financial instruments**

The contractual maturities of the Group's and Retail Trust's non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including principal, interest, margin, line fees and foreign exchange rates as at the reporting date. Foreign currencies have been converted at exchange rates at the reporting date. Interest rates are based on the interest rates as at the reporting date.

| | 1 year or less $m | 2 - 3 years $m | 4 - 5 years $m | More than 5 years $m | Total $m |
|---|---|---|---|---|---|
| **30 June 2020** | | | | | |
| **SCA Property Group** | | | | | |
| Trade and other payables | **58.3** | - | - | - | **58.3** |
| Distribution payable | **53.6** | - | - | - | **53.6** |
| Interest bearing liabilities | **267.0** | **67.1** | **332.5** | **698.9** | **1,365.5** |
| | **378.9** | **67.1** | **332.5** | **698.9** | **1,477.4** |
| **Retail Trust** | | | | | |
| Trade and other payables | **68.5** | **-** | **-** | **-** | **68.5** |
| Distribution payable | **53.6** | **-** | **-** | **-** | **53.6** |
| Interest bearing liabilities | **267.0** | **67.1** | **332.5** | **698.9** | **1,365.5** |
| | **389.1** | **67.1** | **332.5** | **698.9** | **1,487.6** |
| **30 June 2019** | | | | | |
| **SCA Property Group** | | | | | |
| Trade and other payables | 47.4 | - | - | - | 47.4 |
| Distribution payable | 69.0 | - | - | - | 69.0 |
| Interest bearing liabilities | 45.0 | 305.1 | 406.8 | 700.7 | 1,457.6 |
| | 161.4 | 305.1 | 406.8 | 700.7 | 1,574.0 |
| **Retail Trust** | | | | | |
| Trade and other payables | 56.4 | - | - | - | 56.4 |
| Distribution payable | 69.0 | - | - | - | 69.0 |
| Interest bearing liabilities | 45.0 | 305.1 | 406.8 | 700.7 | 1,457.6 |
| | 170.4 | 305.1 | 406.8 | 700.7 | 1,583.0 |

**Derivative financial instruments**

The following tables show the undiscounted cash flows required to discharge the Group's and Retail Trust's derivative financial instruments in place at 30 June 2020 at the rates as at the reporting date. Foreign currencies have been converted at exchange rates at the reporting date.

| | 1 year or less $m | 2 - 3 years $m | 4 - 5 years $m | More than 5 years $m | Total $m |
|---|---|---|---|---|---|
| **30 June 2020** | | | | | |
| **SCA Property Group & Retail Trust** | | | | | |
| Interest rate swaps - net | **(1.7)** | **(2.9)** | **(1.3)** | **5.7** | **(0.2)** |
| Cross currency interest rate swaps - net | **36.0** | **23.1** | **20.9** | **92.7** | **172.7** |
| | **34.3** | **20.2** | **19.6** | **98.4** | **172.5** |
| **30 June 2019** | | | | | |
| **SCA Property Group & Retail Trust** | | | | | |
| Interest rate swaps - net | 0.5 | 0.5 | 2.2 | 8.6 | 11.8 |
| Cross currency interest rate swaps - net | 25.9 | 17.3 | 15.2 | 83.6 | 142.0 |
| | 26.4 | 17.8 | 17.4 | 92.2 | 153.8 |

### (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 Group'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.

**Foreign exchange risk**

Foreign exchange risk arises when anticipated transactions or recognised assets and liabilities are denominated in a currency that is not the Group's presentation currency, being Australian dollars. The Group has currency exposure to the United States dollar (USD).

*Foreign exchange risk - United States Dollar*

The Group's and the Retail Trust's exposure to the United States dollar is through borrowing in USD denominated debt via the US notes issued during the year ended 30 June 2015 and 30 June 2019.

The principal and coupon obligations have been fully swapped back to Australian dollars (floating interest rates). Refer below and note 16.

*Cross currency interest rate swap contracts*

The Group has reduced its future exposure to the foreign exchange risk inherent in the carrying value of its US dollar borrowings (refer above and note 16) by using cross currency interest rate swaps.

Under cross currency interest rate swap contracts, the Group agrees to exchange specified principal and interest foreign currency amounts at agreed future dates at a specified exchange rate. Such contracts enable the Group to mitigate the risk of adverse movements in foreign exchange rates in relation to principal and interest payments arising under the US dollar note issue.

As a result of issuing the US notes denominated in USD the Group has entered into cross currency interest rate swaps which have fully economically hedged the USD principal and interest to a fixed amount of AUD and floating AUD interest respectively. The following table details the swap contracts principal and interest payments over various durations at balance sheet date.

| | SCA Property Group & Retail Trust | | | | |
|---|---|---|---|---|---|
| | 1 year or less $m | 2 - 3 years $m | 4 - 5 years $m | More than 5 years $m | Total $m |
| **30 June 2020** | | | | | |
| ***Buy US dollar - interest*** | | | | | |
| Amount (AUD) | **15.8** | **31.6** | **31.6** | **76.1** | **155.1** |
| Exchange rate | **0.8354** | **0.8354** | **0.8354** | **0.8042** | **0.8201** |
| Amount (USD) | **13.2** | **26.4** | **26.4** | **61.2** | **127.2** |
| ***Buy US dollar - Principal*** | | | | | |
| Amount (AUD) | **-** | **-** | **-** | **357.1** | **357.1** |
| Exchange Rate | **-** | **-** | **-** | **0.8401** | **0.8401** |
| Amount (USD) | **-** | **-** | **-** | **300.0** | **300.0** |
| **30 June 2019** | | | | | |
| ***Buy US dollar - interest*** | | | | | |
| Amount (AUD) | 15.8 | 31.6 | 31.6 | 91.8 | 170.8 |
| Exchange rate | 0.8354 | 0.8354 | 0.8354 | 0.8094 | 0.8214 |
| Amount (USD) | 13.2 | 26.4 | 26.4 | 74.3 | 140.3 |
| ***Buy US dollar - Principal*** | | | | | |
| Amount (AUD) | - | - | - | 357.1 | 357.1 |
| Exchange Rate | - | - | - | 0.8401 | 0.8401 |
| Amount (USD) | - | - | - | 300.0 | 300.0 |

*Sensitivity analysis – foreign exchange risk*

The following sensitivity analysis shows the effect on profit/(loss) after tax and on equity if the Australian dollar had increased (strengthened) by 10% or decreased (weakened) by 10% at the balance sheet date with all other variables held constant.

| | Profit/(loss) after tax | | Equity | |
|---|---|---|---|---|
| | Effect of 10% strengthening in A$ exchange rate $m | Effect of 10% depreciation in A$ exchange rate $m | Effect of 10% strengthening in A$ exchange rate $m | Effect of 10% depreciation in A$ exchange rate $m |
| **30 June 2020** | | | | |
| **SCA Property Group & Retail Trust** | | | | |
| A$ equivalent of foreign exchange balances denominated in USD | **(12.9)** | **17.8** | **(12.9)** | **17.8** |
| **30 June 2019** | | | | |
| **SCA Property Group & Retail Trust** | | | | |
| A$ equivalent of foreign exchange balances denominated in USD | (9.6) | 11.7 | (9.6) | 11.7 |

**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.

The Group is exposed to interest rate risk as it can borrow funds at both fixed and floating interest rates. This risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and through the use of interest rate swap contracts.

Hedging activities are evaluated regularly.

The Group'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 is $183.8 million (30 June 2019: $4.2 million).

*Interest rate swap contracts*

The Group'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. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts (or vice versa) calculated by reference to an agreed notional principal amount.

The Group's bilateral borrowings are generally at floating rates. Borrowings with floating rates expose the Group to cash flow interest rate risk. The Group's preference is to be protected from interest rate movements predominantly in the two to five year term through appropriate risk management techniques. These techniques include using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

Additionally the Group has fixed rate borrowings in the form of A$ and US$ US notes and the A$ MTN.

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 Group does not apply hedge accounting for any derivatives as at 30 June 2020 (30 June 2019: not applicable).

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the forward market interest rate curve at the reporting date.

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

| | SCA Property Group | | | | | |
|---|---|---|---|---|---|---|
| | | | Fixed interest rate | | | |
| | Interest rate | Floating interest rate | Less than 1 year | 1 - 5 years | More than 5 years | Total |
| | (%p.a.) | $m | $m | $m | $m | $m |
| **30 June 2020** | | | | | | |
| **Financial assets** | | | | | | |
| Cash at bank | 0.0% | 3.8 | - | - | - | 3.8 |
| Term deposits | 0.7% | - | 180.0 | - | - | 180.0 |
| Total financial assets | | 3.8 | 180.0 | - | - | 183.8 |
| **Financial liabilities** | | | | | | |
| Interest bearing liabilities | | | | | | |
| Denominated in AUD - floating | 1.8% | (150.0) | - | - | - | (150.0) |
| Denominated in AUD - fixed (MTN) | 3.8% | - | (225.0) | (225.0) | - | (450.0) |
| Denominated in AUD - fixed (USPP) | 6.0% | - | - | - | (50.0) | (50.0) |
| Denominated in USD - fixed (USPP) | 4.4% | - | - | - | (435.3) | (435.3) |
| Total financial liabilities | | (150.0) | (225.0) | (225.0) | (485.3) | (1,085.3) |
| **Total net financial liabilities** | | (146.2) | (45.0) | (225.0) | (485.3) | (901.5) |

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

| | Retail Trust | | | | | |
|---|---|---|---|---|---|---|
| | | | Fixed interest rate | | | |
| | Interest rate | Floating interest rate | Less than 1 year | 1 - 5 years | More than 5 years | Total |
| | (%p.a.) | $m | $m | $m | $m | $m |
| **30 June 2020** | | | | | | |
| **Financial assets** | | | | | | |
| Cash at bank | **0.0%** | **2.7** | **-** | **-** | **-** | **2.7** |
| Term deposits | **0.7%** | **-** | **180.0** | **-** | **-** | **180.0** |
| Total financial assets | | **2.7** | **180.0** | **-** | **-** | **182.7** |
| **Financial liabilities** | | | | | | |
| Interest bearing liabilities | | | | | | |
| Denominated in AUD - floating | **1.8%** | **(150.0)** | **-** | **-** | **-** | **(150.0)** |
| Denominated in AUD - fixed | **3.8%** | **-** | **(225.0)** | **(225.0)** | **-** | **(450.0)** |
| Denominated in AUD - fixed (USPP) | **6.0%** | **-** | **-** | **-** | **(50.0)** | **(50.0)** |
| Denominated in USD - fixed (USPP) | **4.4%** | **-** | **-** | **-** | **(435.3)** | **(435.3)** |
| Total financial liabilities | | **(150.0)** | **(225.0)** | **(225.0)** | **(485.3)** | **(1,085.3)** |
| **Total net financial liabilities** | | **(147.3)** | **(45.0)** | **(225.0)** | **(485.3)** | **(902.6)** |

The maturity profile and the weighted average interest rate of the fixed and floating derivatives (notional principal) held at reporting date by both the Group and the Retail Trust can be summarised below.

| | June 2020 $m | June 2021 $m | June 2022 $m | June 2023 $m | June 2024 $m | June 2025 $m |
|---|---|---|---|---|---|---|
| **Denominated in AU$** | | | | | | |
| Interest rate swaps (fixed) | **300.0** | **300.0** | **300.0** | **300.0** | **300.0** | **300.0** |
| Average fixed rate | **1.46%** | **1.46%** | **1.46%** | **1.46%** | **1.46%** | **1.46%** |
| Interest rate swaps (floating) | **50.0** | **50.0** | **50.0** | **50.0** | **50.0** | **50.0** |

The Group's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at 30 June 2019 are in the following table.

| | SCA Property Group | | | | | |
|---|---|---|---|---|---|---|
| | | | Fixed interest rate | | | |
| | Interest rate | Floating interest rate | Less than 1 year | 1 - 5 years | More than 5 years | Total |
| | (%p.a.) | $m | $m | $m | $m | $m |
| **30 June 2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash at bank | 1.0% | 4.2 | - | - | - | 4.2 |
| **Financial liabilities** | | | | | | |
| Interest bearing liabilities | | | | | | |
| Denominated in AUD - floating | 2.7% | (212.0) | - | - | - | (212.0) |
| Denominated in AUD - fixed (MTN) | 3.8% | - | - | (450.0) | - | (450.0) |
| Denominated in AUD - fixed (USPP) | 6.0% | - | - | - | (50.0) | (50.0) |
| Denominated in USD - fixed (USPP) | 4.4% | - | - | - | (427.2) | (427.2) |
| Total financial liabilities | | (212.0) | - | (450.0) | (477.2) | (1,139.2) |
| **Total net financial liabilities** | | (207.8) | - | (450.0) | (477.2) | (1,135.0) |

The Retail Trust's exposure to interest rate risk and the effective interest rates on financial assets and liabilities at 30 June 2019 are in the table below.

| | Retail Trust | | | | | |
|---|---|---|---|---|---|---|
| | | | Fixed interest rate | | | |
| | Interest rate (%p.a.) | Floating interest rate $m | Less than 1 year $m | 1 - 5 years $m | More than 5 years $m | Total $m |
| **30 June 2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash at bank | 1.0% | 3.1 | - | - | - | 3.1 |
| **Financial liabilities** | | | | | | |
| Interest bearing liabilities | | | | | | |
| Denominated in AUD - floating | 2.7% | (212.0) | - | - | - | (212.0) |
| Denominated in AUD - fixed | 3.8% | - | - | (450.0) | - | (450.0) |
| Denominated in AUD - fixed (USPP) | 6.0% | - | - | - | (50.0) | (50.0) |
| Denominated in USD - fixed (USPP) | 4.4% | - | - | - | (427.2) | (427.2) |
| Total financial liabilities | | (212.0) | - | (450.0) | (477.2) | (1,139.2) |
| **Total net financial liabilities** | | (208.9) | - | (450.0) | (477.2) | (1,136.1) |

The maturity profile and the weighted average interest rate of the fixed and floating derivatives (notional principal) held at 30 June 2019 by both the Group and the Retail Trust can be summarised below.

| | June 2019 $m | June 2020 $m | June 2021 $m | June 2022 $m | June 2023 $m | June 2024 $m |
|---|---|---|---|---|---|---|
| **Denominated in AU$** | | | | | | |
| Interest rate swaps (fixed) | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 |
| Average fixed rate | 1.46% | 1.46% | 1.46% | 1.46% | 1.46% | 1.46% |
| Interest rate swaps (floating) | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |

*Sensitivity analysis – interest rate risk*

The following sensitivity analysis shows the effect on profit/(loss) after tax and equity if market interest rates at balance sheet date had been 50 basis points (bps) higher/lower with all other variables held constant.

| | Profit/loss after tax[1] | | Equity | |
|---|---|---|---|---|
| | 50bps higher $m | 50bps lower $m | 50bps higher $m | 50bps lower $m |
| **30 June 2020** | | | | |
| **SCA Property Group & Retail Trust** | | | | |
| Effect of market interest rate movement | **(16.1)** | **16.2** | **(16.1)** | **16.2** |
| **30 June 2019** | | | | |
| **SCA Property Group & Retail Trust** | | | | |
| Effect of market interest rate movement | (14.8) | 14.9 | (14.8) | 14.9 |

[1] The aim of the Group's interest rate hedging strategy is to reduce the impact on Funds from Operations (cash) of movements in interest rates. Changes in interest rates include changes to the non-cash mark-to-market valuations of the swaps which flow through the Group's AASB profit and loss but which are excluded from Funds from Operations.

### (c) Accounting classifications and fair values

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

Except as disclosed below, the carrying amounts of other financial assets and financial liabilities, which are recognised at amortised cost in the Consolidated Balance Sheets, approximates their fair values except the US notes and the A$ MTN.

The amortised cost of the US notes, converted to AUD at the prevailing foreign exchange rate at 30 June 2020 (which was AUD 1.00 = USD 0.6891 (30 June 2019: 0.7022), is $485.3 million (30 June 2019: $477.2 million).

The amortised cost of the A$ MTN, is $450.0 million (30 June 2019: $450.0 million) (refer note 16).

The fair value of the US notes and A$ MTN can be different to the carrying value.

The fair value, additionally, takes into account movements in the underlying base interest rates and credit spreads for similar financial instruments including extrapolated yield curves over the tenor of the notes.

On this basis the estimated fair value of the US notes is $528.9 million and the A$ MTN $466.6 million (30 June 2019: $515.7 million and $467.6 million respectively).

*Fair value hierarchy*

The table below analyses financial instruments carried at fair value by valuation method. 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).

There were no transfers between levels during the year.

| | SCA Property Group & Retail Trust | | | |
|---|---|---|---|---|
| | Level 1<br>$m | Level 2<br>$m | Level 3<br>$m | Total<br>$m |
| **30 June 2020** | | | | |
| **Financial assets carried at fair value** | | | | |
| Investment in CQR | **22.7** | **-** | **-** | **22.7** |
| Interest rate swaps | **-** | **9.7** | **-** | **9.7** |
| Cross currency interest rate swaps | **-** | **174.1** | **-** | **174.1** |
| | **22.7** | **183.8** | **-** | **206.5** |
| **Financial liabilities carried at fair value** | | | **-** | |
| Interest rate swaps | **-** | **10.2** | **-** | **10.2** |
| **30 June 2019** | | | | |
| **Financial assets carried at fair value** | | | | |
| Investment in CQR | 29.6 | - | - | 29.6 |
| Interest rate swaps | - | 13.1 | - | 13.1 |
| Cross currency interest rate swaps | - | 112.1 | - | 112.1 |
| | 29.6 | 125.2 | - | 154.8 |
| **Financial liabilities carried at fair value** | | | | |
| Interest rate swaps | - | 3.0 | - | 3.0 |

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Interest rate derivatives are financial instruments that use valuation techniques with only observable market inputs and are included in Level 2 above.

## 18. Contributed equity

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Equity | **2,013.5** | 1,693.3 | **2,003.2** | 1,684.2 |
| Issue costs | **(40.7)** | (34.6) | **(40.6)** | (34.5) |
| | **1,972.8** | 1,658.7 | **1,962.6** | 1,649.7 |

| | Management Trust | | Retail Trust | |
|---|---|---|---|---|
| Opening balance | **9.0** | 7.5 | **1,649.7** | 1,248.0 |
| Equity raised through Distribution Reinvestment Plan - August 2018 | **-** | - | **-** | 9.2 |
| Equity raised through Institutional Placement - October 2018 | **-** | 1.0 | **-** | 261.4 |
| Equity raised through Unit Purchase Plan - November 2018 | **-** | 0.4 | **-** | 110.7 |
| Equity raised through Distribution Reinvestment Plan - January 2019 | **-** | 0.1 | **-** | 26.6 |
| Equity raised through Distribution Reinvestment Plan – August 2019 | **-** | - | **13.0** | - |
| Equity raised through Distribution Reinvestment Plan - January 2020 | **0.1** | - | **27.8** | - |
| Equity raised through Institutional Placement – April 2020 | **1.0** | - | **249.0** | - |
| Equity raised through Unit Purchase Plan – May 2020 | **0.1** | - | **29.2** | - |
| Equity raising costs | **-** | - | **(6.1)** | (6.2) |
| Closing balance | **10.2** | 9.0 | **1,962.6** | 1,649.7 |

| **Balance at the end of the period is attributable to unit holders of:** | | |
|---|---|---|
| Shopping Centres Australasia Property Management Trust | **10.2** | 9.0 |
| Shopping Centres Australasia Property Retail Trust | **1,962.6** | 1,649.7 |
| | **1,972.8** | 1,658.7 |

### Securities on Issue

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 No. of securities** | 30 June 2019 No. of securities |
| Opening balance | **925,582,982** | 749,154,435 |
| Equity issued for executive security-based compensation arrangements - 9 August 2018 | **-** | 1,116,553 |
| Equity raised through Distribution Reinvestment Plan - 30 August 2018 | **-** | 3,723,512 |
| Equity raised through Institutional Placement - 10 October 2018 | **-** | 113,086,444 |
| Equity raised through Unit Purchase Plan - 23 November 2018 | **-** | 47,907,805 |
| Equity issued for staff security-based compensation arrangements - 20 December 2018 | **-** | 10,444 |
| Equity raised through Distribution Reinvestment Plan - 29 January 2019 | **-** | 10,583,789 |
| Equity issued for executive security-based compensation arrangements - 8 August 2019 | **946,504** | - |
| Equity raised through Distribution Reinvestment Plan - 30 August 2019 | **5,253,037** | - |
| Equity issued for staff security-based compensation arrangements - 23 December 2019 | **13,356** | - |
| Equity raised through Distribution Reinvestment Plan - 29 January 2020 | **10,309,664** | - |
| Equity raised through Institutional Placement - 16 April 2020 | **115,740,741** | - |
| Equity raised through Unit Purchase Plan - 15 May 2020 | **13,570,066** | - |
| Closing balance | **1,071,416,350** | 925,582,982 |

As long as Shopping Centres Australasia Property Group remains jointly quoted, the number of units in each of the Trusts are equal and the unitholders identical. Holders of stapled securities are entitled to receive distributions as declared from time to time. SCA Property Group holds concurrent meetings of the Retail Trust and Management Trust. Subject to any voting restrictions imposed on a security holder under the Corporations Act 2001 and the Australian Securities Exchange at a meeting of members, on a show of hands, each member has one vote. On a poll, each member has one vote for each dollar of the value of the total interest that they have in the relevant underlying Retail Trust or Management Trust respectively.

946,504 securities were issued during the year ended 30 June 2020 in respect of executive compensation plans and 13,356 securities were issued in respect of staff compensation and incentive plans for nil consideration.

**Equity Raising**

The Group completed an institutional placement on 16 April 2020 and a unit purchase plan on 15 May 2020. The institutional placement raised $250.0 million by issuing 115.7 million securities at $2.16 per security. The unit purchase plan raised $29.3 million by issuing 13.6 million securities at $2.16 per security. The purpose of these equity raisings was to strengthen the Group's balance sheet and to provide funding flexibility to continue to deliver on the Group's strategy of investing in convenience-based supermarket-anchored centres as opportunities arise. As at 30 June 2020 the proceeds had been used to pay down revolving bilateral debt facilities and to invest in term deposits.

**Issue of securities from distribution reinvestment plan (DRP)**

The DRP was in place for the distribution declared in June 2019 (paid in August 2019), for the distribution declared in December 2019 (and paid in January 2020), and for the distribution declared in June 2020 (expected to be paid on or about 31 August 2020).

Under the DRP Plan Rules the DRP issue price was set by the Board at a discount of 1.0% to the arithmetic average of the daily volume weighted average market price of security traded on the ASX during the 10 business days commencing on the business day after the record date. The equity raised through the DRP on 30 August 2019 was $13.0 million by the issue of 5.3 million securities at a price of $2.48. The distribution declared in December 2019 resulted in $27.9 million being raised by the DRP through the issue of 10.3 million securities at $2.71 in January 2020.

## 19. Reserves (net of income tax)

| | Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Share based payment reserve | **6.3** | 5.4 |
| Investment fair value through other comprehensive income (FVTOCI) | **(3.3)** | 3.6 |
| | **3.0** | 9.0 |
| **Movements in reserves** | | |
| *Share based payment reserve* | | |
| Balance at the beginning of the year | **5.4** | 3.9 |
| Employee share based payments | **0.9** | 1.5 |
| Closing balance | **6.3** | 5.4 |
| *FVTOCI reserve* | | |
| Opening balance | **3.6** | (0.4) |
| Revaluation of investment FVTOCI | **(6.9)** | 4.0 |
| Closing balance | **(3.3)** | 3.6 |

*Share based payment reserve:* Refer note 26.

*FVTOCI:* Refer note 11.

## 20. Accumulated profit and loss

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Opening balance | **436.2** | 462.0 | **436.6** | 462.9 |
| Net profit for the year | **85.5** | 109.6 | **84.8** | 109.1 |
| Distributions paid and payable (note 5) | **(123.5)** | (135.4) | **(123.5)** | (135.4) |
| Closing balance | **398.2** | 436.2 | **397.9** | 436.6 |
| **Balance at the end of the year is attributable to security holders of:** | | | | |
| Shopping Centres Australasia Property Management Trust | **0.3** | (0.4) | | |
| Shopping Centres Australasia Property Retail Trust | **397.9** | 436.6 | | |
| | **398.2** | 436.2 | | |

## 21. Cash flow information

### (a) Notes to statements of cash flows

Reconciliation of net profit after tax to net cash flow from operating activities is below.

| | SCA Property Group | | Retail Trust | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Net profit after tax | **85.5** | 109.6 | **84.8** | 109.1 |
| Net unrealised (gain) / loss on change in fair value of investment properties | **87.9** | 40.5 | **87.9** | 40.5 |
| Net unrealised (gain) / loss on change in fair value of derivatives | **(51.4)** | (66.3) | **(51.4)** | (66.3) |
| Net unrealised (gain) / loss on change in foreign exchange | **8.1** | 27.3 | **8.1** | 27.3 |
| Straight-lining of rental income and amortisation of incentives | **8.1** | 8.6 | **8.1** | 8.6 |
| (Decrease) / increase in payables | **13.9** | 4.2 | **15.5** | 4.8 |
| Non-cash financing expenses | **0.5** | 0.8 | **0.5** | 0.8 |
| Other non-cash items and movements in other assets | **0.6** | 0.3 | **(0.1)** | 0.3 |
| (Increase) / decrease in receivables | **(5.9)** | (4.7) | **(6.1)** | (4.7) |
| Net cash flow from operating activities | **147.3** | 120.3 | **147.3** | 120.4 |

### (b) Net debt reconciliation

Reconciliation of net debt movements during the financial year is below.

| SCA Property Group | Cash at bank $m | Due within 1 year $m | Due after 1 year $m | Total $m |
|---|---|---|---|---|
| Net debt as at 30 June 2019 | **4.2** | **-** | **(1,139.2)** | **(1,135.0)** |
| Net proceeds from borrowings | **-** | **-** | **(178.0)** | **(178.0)** |
| Repayment of borrowings | **(0.4)** | **-** | **240.0** | **239.6** |
| Foreign exchange adjustments | **-** | **-** | **(8.1)** | **(8.1)** |
| **Net debt as at 30 June 2020** | **3.8** | **-** | **1,085.3** | **(1,081.5)** |

| Retail Trust | Cash at bank $m | Due within 1 year $m | Due after 1 year $m | Total $m |
|---|---|---|---|---|
| Net debt as at 30 June 2019 | **3.1** | **-** | **(1,139.2)** | **(1,136.1)** |
| Net proceeds from borrowings | **-** | **-** | **(178.0)** | **(178.0)** |
| Repayment of borrowings | **(0.4)** | **-** | **240.0** | **239.6** |
| Foreign exchange adjustments | **-** | **-** | **(8.1)** | **(8.1)** |
| **Net debt as at 30 June 2020** | **2.7** | **-** | **1,085.3** | **(1,082.6)** |

| SCA Property Group | Cash at bank $m | Due within 1 year $m | Due after 1 year $m | Total $m |
|---|---|---|---|---|
| Net debt as at 30 June 2018 | 3.7 | - | (869.6) | (865.9) |
| Net proceeds from borrowings | - | | (968.3) | (968.3) |
| Repayment of borrowings | 0.5 | - | 726.0 | 726.5 |
| Foreign exchange adjustments | - | - | (27.3) | (27.3) |
| **Net debt as at 30 June 2019** | 4.2 | - | (1,139.2) | (1,135.0) |

| | Retail Trust | | | |
|---|---|---|---|---|
| | Cash at bank $m | Due within 1 year $m | Due after 1 year $m | Total $m |
| Net debt as at 30 June 2018 | 2.5 | - | (869.6) | (867.1) |
| Net proceeds from borrowings | - | - | (968.3) | (968.3) |
| Repayment of borrowings | 0.6 | - | 726.0 | 726.6 |
| Foreign exchange adjustments | - | - | (27.3) | (27.3) |
| **Net debt as at 30 June 2019** | 3.1 | - | (1,139.2) | (1,136.1) |

## 22. Operating leases

All the investment properties (refer note 13) are subject to operating leases.

The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Significant types of tenants include supermarkets, discount department stores, liquor stores and specialty stores. Lease terms can vary for each lease.

For supermarkets and discount department stores, lease terms for new leases are commonly from 10 to 20 years and are typically followed by a number of optional lease extensions exercisable by the tenant. The lease for these tenants also generally includes provision for additional rent in the form of sales turnover rent. Where sales turnover rent applies, it is payable annually in arrears where the sum of the initial rent and the turnover rent percentage amount for a year exceeds the amount of the base rent. Additionally the base rent for some of these tenants is subject to fixed periodic increases of up to 5% at the rent review date. The rent review date is typically every 5 years from the lease start or renewal.

For other tenants lease terms would commonly be for shorter periods such as five years with provisions for annual reviews which typically comprise either fixed percentage increases, CPI based increases or market reviews. Optional lease extensions exercisable by the tenant are also possible. Specialty leases incorporate provisions for reporting of sales turnover and may include payment of turnover rent percentage rental if appropriate.

Minimum lease payments receivable under non-cancellable operating leases of investment are as follows.

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Within one year | **241.8** | 239.1 |
| Between one and five years | **720.4** | 716.4 |
| After five years | **762.1** | 839.0 |
| | **1,724.3** | 1,794.5 |

There was $3.3 million of percentage or turnover rent recognised as income in the current year (30 June 2019: $2.3 million).

## 23. Capital and lease commitments

Estimated capital expenditure committed at balance sheet date but not provided for:

| | SCA Property Group & Retail Trust | |
|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m |
| Capital commitments | **10.0** | 10.0 |

The 30 June 2020 balance relates to:

- **Greenbank (QLD) ($10.0 million):** During the year ended 30 June 2016 the Group entered into a conditional agreement to acquire Greenbank neighbourhood shopping centre for $23.0 million (excluding transaction costs). This transaction settled in January 2016. This acquisition includes a call option for the Group to acquire ten hectares of adjacent development land for $10.0 million exercisable at any time within 5 years from the date of acquisition. This exercise amount has been treated as an estimated capital expenditure within one year as the vendor has a put option which is exercisable in December 2020 (if the call option for the Group is not exercised by that time) (30 June 2019: $10.0 million).

Additionally, the Group leases its office space for $0.7 million per annum. This lease expires in August 2023.

## 24. Segment reporting

The Group and Retail Trust invest in shopping centres located in Australia operates only within one segment, Australia.

For the purposes of segment reporting $90.9 million in rental income (30 June 2019: $86.4 million) was from Woolworths Limited and its affiliates. Further, $32.1 million in rental income (30 June 2019: $28.8 million) was from Coles Limited and its affiliates. Due to the 2018 Coles Limited demerger, 30 June 2019 have been restated in line with the comparable group.

## 25. Key management personnel compensation

The aggregate compensation made to the Directors and other key management personnel of the Group is set out below.

| | **30 June 2020** | 30 June 2019 |
|---|---|---|
| | **$** | $ |
| Short term benefits | **3,847,532** | 3,413,573 |
| Post-employment benefits | **169,400** | 158,619 |
| Share-based payment | **773,441** | 1,229,800 |
| Long term benefits | **52,611** | 47,991 |
| | **4,842,984** | 4,849,983 |

The key management personnel during the year were:
- Directors
- Mr Lamb (Company Secretary and General Counsel)

## 26. Share based payments

During 2013 the Group established a Group Executive Incentive Plan that entitles key management personnel, subject to criteria, to become entitled to acquire stapled securities at nil cost to the employee. The Group Executive Incentive Plan was approved at the Group's Annual General Meeting in November 2013.

Rights pursuant to the Group Executive Incentive Plan have been issued for:

- Special Performance Rights (SPRs)
- Short Term Incentive Plan Rights (STIP)
- Long Term Incentive Plan Rights (LTIP)

Under the Group Executive Incentive Plan grants of rights have been made to the following key management personnel:

- Mr Mellowes (Director and Chief Executive Officer)
- Mr Fleming (Director and Chief Financial Officer)
- Mr Lamb (Company Secretary and General Counsel)

In addition, certain non-key management personnel have also been granted 312,972 rights during the year (30 June 2019: 268,664).

The table below summarises the rights issued to key management personnel. These rights have a nil exercise price and awards are subject to meeting performance criteria. Where the performance criteria are met, details of the stapled securities that may be issued are below. Under the Group Executive Incentive Plan during the year ended 30 June 2020 stapled securities were issued and vested to Mr Mellowes 541,501 (number of securities) (30 June 2019: 692,535 ), Mr Fleming 247,544 (number of securities) (30 June 2019: 255,061) and Mr Lamb 67,643 (number of securities) (30 June 2019: 72,516).

| Type and eligibility | Vesting conditions[1] | Security price at grant date | Grant date | Testing date | Vesting date | Maximum number of stapled securities or maximum value of securities to be issued | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| STIP (FY20) (Mr Mellowes) | Non-market | $2.61 | Aug-19 | Jul-20 | Jul-22 | $482,500 | $0.96 per $1.00 |
| STIP (FY20) (Mr Fleming) | Non-market | $2.61 | Aug-19 | Jul-20 | Jul-22 | $231,875 | $0.96 per $1.00 |
| LTIP (FY20 - FY22) (tranche 1) (Messrs Mellowes, Fleming, Lamb) | Relative TSR[2] | $2.61 | Aug-19 | Sep-22 | Jul-23 | 213,818 | $1.28 per security |
| LTIP (FY20 - FY22) (tranche 2) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.61 | Aug-19 | Jun-22 | Jul-23 | 213,818 | $2.59 per security |
| LTIP (FY20 - FY22) (tranche 3) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.61 | Aug-19 | Jun-22 | Jul-23 | 213,818 | $2.59 per security |
| STIP (FY19) (Mr Mellowes) | Non-market | $2.40 | Aug-18 | Jul-19 | Jul-21 | $386,750 | $0.97 per $1.00 |
| STIP (FY19) (Mr Fleming) | Non-market | $2.40 | Aug-18 | Jul-19 | Jul-21 | $187,500 | $0.97 per $1.00 |
| LTIP (FY19 - FY21) (tranche 1) (Messrs Mellowes, Fleming, Lamb) | Relative TSR[2] | $2.40 | Aug-18 | Sep-21 | Jul-22 | 182,455 | $1.22 per security |
| LTIP (FY19 - FY21) (tranche 2) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.40 | Aug-18 | Jun-21 | Jul-22 | 182,455 | $2.40 per security |
| LTIP (FY19 - FY21) (tranche 3) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.40 | Aug-18 | Jun-21 | Jul-22 | 182,455 | $2.40 per security |
| STIP (FY18) (Mr Mellowes) | Non-market | $2.23 | Aug-17 | Jul-18 | Jul-20 | $341,250 | $0.98 per $1.00 |
| STIP (FY18) (Mr Fleming) | Non-market | $2.23 | Aug-17 | Jul-18 | Jul-20 | $156,250 | $0.98 per $1.00 |
| LTIP (FY18 - FY20) (tranche 1) (Messrs Mellowes, Fleming, Lamb) | Relative TSR[2] | $2.23 | Aug-17 | Sep-20 | Jul-21 | 168,973 | $1.10 per security |
| LTIP (FY18 - FY20) (tranche 2) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.23 | Aug-17 | Jun-20 | Jul-21 | 168,973 | $2.23 per security |
| LTIP (FY18 - FY20) (tranche 3) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.23 | Aug-17 | Jun-20 | Jul-21 | 168,973 | $2.23 per security |
| STIP (FY17)(Mr Mellowes) | Non-market | $2.31 | Aug-16 | Jul-17 | Jul-19 | $334,688 | $0.99 per $1.00 |
| STIP (FY17)(Mr Fleming) | Non-market | $2.31 | Aug-16 | Jun-17 | Jul-19 | $153,000 | $0.99 per $1.00 |
| LTIP (FY17 - FY19) (tranche 1) (Messrs Mellowes, Fleming, Lamb) | Relative TSR[2] | $2.31 | Aug-16 | Sep-19 | Jul-20 | 159,351 | $1.18 per security |
| LTIP (FY17 - FY19) (tranche 2) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.31 | Aug-16 | Jun-19 | Jul-20 | 159,351 | $2.31 per security |
| LTIP (FY17 - FY19) (tranche 3) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.31 | Aug-16 | Jun-19 | Jul-20 | 159,351 | $2.31 per security |
| STIP (FY16)(Mr Mellowes) | Non-market | $2.00 | Oct-15 | Jul-16 | Jul-18 | $328,125 | $1.00 per $1.00 |
| STIP (FY16)(Mr Fleming) | Non-market | $2.00 | Oct-15 | Jul-16 | Jul-18 | $150,000 | $1.00 per $1.00 |
| LTIP (FY16 - FY18) (tranche 1) (Messrs Mellowes, Fleming, Lamb) | Relative TSR[2] | $2.00 | Oct-15 | Sep-18 | Jul-19 | 181,307 | $1.00 per security |
| LTIP (FY16 - FY18) (tranche 2) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.00 | Oct-15 | Jun-18 | Jul-19 | 181,307 | $2.00 per security |
| LTIP (FY16 - FY18) (tranche 3) (Messrs Mellowes, Fleming, Lamb) | Non-market | $2.00 | Oct-15 | Jun-18 | Jul-19 | 181,307 | $2.00 per security |
| LTIP (FY15 - FY17) (tranche 1) (Messrs Mellowes, Fleming) | Relative TSR[2] | $1.70 | Sep-14 | Sep-17 | Jul-18 | 201,042 | $0.75 per security |
| LTIP (FY15 - FY17) (tranche 1) (Mr Lamb) | Relative TSR[2] | $1.83 | Sep-14 | Sep-17 | Jul-18 | 19,245 | $0.80 per security |
| LTIP (FY15 - FY17) (tranche 2) (Messrs Mellowes, Fleming, Lamb) | Non-market | $1.70 | Sep-14 | Jul-17 | Jul-18 | 201,042 | $1.44 per security |
| LTIP (FY15 - FY17) (tranche 2) (Mr Lamb) | Non-market | $1.83 | Sep-14 | Jul-17 | Jul-18 | 19,245 | $1.54 per security |
| LTIP (FY15 - FY17) (tranche 3) (Messrs Mellowes, Fleming, Lamb) | Non-market | $1.70 | Sep-14 | Jul-17 | Jul-18 | 201,042 | $1.44 per security |
| LTIP (FY15 - FY17) (tranche 3) (Mr Lamb) | Non-market | $1.83 | Sep-14 | Jul-17 | Jul-18 | 19,245 | $1.54 per security |

[1] Service and non-market conditions include financial and non-financial targets along with a deferred vesting period.
[2] TSR is Total Shareholder Return measured against a comparator group.

The Group recognises the fair value at the grant date of equity settled securities below as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using Monte-Carlo simulation and Black Scholes option pricing models where applicable, performed by an independent valuer, and models the future security price of the Group's securities.

Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

The total expense recognised during the year in relation to those eligible for equity settled share-based payments was $1.0 million (30 June 2019: $1.0 million). Key inputs to the pricing models include:

| | **30 June 2020** | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
|---|---|---|---|---|---|
| Volatility | **16%** | 17% | 16% | 18% | 20% |
| Dividend yield | **5.8%** | 6.1% | 6.2% | 5.4% | 6.0% |
| Risk-free interest rate | **0.7%** | 1.99% | 1.97% - 2.12% | 1.45% – 1.50% | 1.79% - 1.94% |

## 27. Other related party disclosures

The Retail Trust has a current payable of $10.2 million to the Management Trust (30 June 2019: $9.0 million). This is non-interest bearing and repayable at call. Additionally, Shopping Centres Australasia Property Group RE Limited (the Company), the Responsible Entity of the Retail Trust and a wholly owned subsidiary of Management Trust, makes payments on behalf of the Retail Trust from time to time. These payments are incurred by the Company in properly performing or exercising its powers or duties in relation to the Retail Trust. The Company has a right of indemnity from the Retail Trust, for any liability incurred by the Company in properly performing or exercising any of its powers or duties in relation to the Retail Trust. The amount reimbursed or reimbursable during the year under this agreement was $13.3 million (30 June 2019: $12.4 million).

The Group received $1.7 million (30 June 2019: $1.8 million) of funds management revenue from SURF 1, SURF 2 and SURF 3 (Retail Trust: $nil).

The Group and Retail Trust has an investment in SURF1, SURF 2 and SURF 3. Refer note 14.

## 28. Parent entity

| | **Management Trust[1]** | | **Retail Trust[1, 2]** | |
|---|---|---|---|---|
| | **30 June 2020 $m** | 30 June 2019 $m | **30 June 2020 $m** | 30 June 2019 $m |
| Current assets | **-** | - | **248.0** | 65.9 |
| Non-current assets | **-** | - | **3,337.7** | 3,301.4 |
| **Total assets** | **-** | - | **3,585.7** | 3,367.3 |
| Current liabilities | **-** | - | **349.6** | 126.5 |
| Non-current liabilities | **-** | - | **872.6** | 1,145.5 |
| **Total liabilities** | **-** | - | **1,222.2** | 1,272.0 |
| Contributed equity | **10.2** | 9.0 | **1,962.6** | 1,649.7 |
| Reserves | **-** | - | **3.0** | 9.0 |
| Accumulated profit | **-** | - | **397.9** | 436.6 |
| **Total equity** | **10.2** | 9.0 | **2,363.5** | 2,095.3 |
| Net profit after tax | **-** | - | **84.8** | 109.1 |
| Other comprehensive (loss) / income | **-** | - | **(6.9)** | 4.0 |
| Total comprehensive income | **-** | - | **77.9** | 113.1 |
| Commitments for the acquisition of property by the parent | **-** | - | **10.0** | 10.0 |

1 Head Trusts only.

2 The Retail Trust financial statements have been prepared on a going concern basis. In preparing the Retail Trust financial statements the Directors note that the Retail Trust has a net current asset deficiency position as it is the policy of the Group and Retail Trust to use surplus cash to repay revolving debt. At 30 June 2020 the Group and Retail Trust have the ability to drawdown funds to pay the distribution on or about 31 August 2020, having sufficient excess cash and cash equivalents and undrawn financing facilities (refer note 16).

## 29. Subsidiaries

| Name of subsidiaries | Place of incorporation and operation | Ownership interest 30 June 2020 | 30 June 2019 |
|---|---|---|---|
| **Subsidiaries of Shopping Centres Australasia Property Management Trust** | | | |
| Shopping Centres Australasia Property Operations Pty Ltd | Australia | **100.0%** | 100.0% |
| Shopping Centres Australasia Property Holdings Pty Ltd | Australia | **100.0%** | 100.0% |
| Shopping Centres Australasia Property Group RE Ltd | Australia | **100.0%** | 100.0% |
| SCA Unlisted Retail Fund RE Ltd | Australia | **100.0%** | 100.0% |

Additionally Shopping Centres Australasia Property Retail Trust is considered for financial reporting purposes a subsidiary of Shopping Centres Australasia Property Management Trust due to stapling even though there is no ownership or shareholding interest.

## 30. Auditors' remuneration

| | SCA Property Group & Retail Trust 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Audit of the financial statements | **292.5** | 315.4 |
| Statutory assurance services required by legislation to be provided by the auditor | **50.3** | 44.6 |
| Non audit services | **-** | 22.0 |
| | **342.8** | 382.0 |

The auditor of the Group is Deloitte Touche Tohmatsu. The auditor's remuneration includes audit of the Financial Reports, subsidiary Financial Reports, the Group's AFSL and the Group's Compliance Plans. In the prior year Deloitte Touche Tohmatsu also performed non-audit services on market risk indicators for $22,000.

## 31. Subsequent events

At the date these Financial Statements are authorised for issue, no further adjustments in respect of the impact of COVID-19 have been made. However, the COVID-19 situation continues to evolve. Recently the Victorian Government announced Stage 4 restrictions for the Melbourne metropolitan area and Stage 3 restrictions for regional Victoria. Stage 4 restrictions result in the closure of most retail stores with limited exceptions including supermarkets, food stores, liquor stores and pharmacies. The Group owns 14 shopping centres in Victoria (including 8 in metropolitan Melbourne) representing approximately 18% of the Group's gross property income. The full consequences on the Group's future financial performance and the value of the Group's investment properties continues to be uncertain.

In July 2020 the Group exchanged conditional contracts to purchase a retail neighbourhood shopping centre, Bakewell, in the Northern Territory for $33.0 million (excluding transaction costs). This property is expected to settle by September 2020.

Since the end of the year, the Directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in this report or the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

* * *

In the opinion of the Directors of Shopping Centres Australasia Property Group RE Limited, the Responsible Entity of Shopping Centres Australasia Property Management Trust and Shopping Centres Australasia Property Retail Trust (the “Retail Trust”):

(a) The Financial Statements and Notes, of Shopping Centres Australasia Property Management Trust and its controlled entities, including Shopping Centres Australasia Property Retail Trust and its controlled entities, (the “Group”), set out on pages 15 to 56 are in accordance with the Corporations Act 2001, including:
    (i) giving a true and fair view of the Group’s and the Retail Trust’s financial position as at 30 June 2020 and of their performance, for the year ended 30 June 2020; and
    (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that both the Group and the Retail Trust will be able to pay their debts as and when they become due and payable.

Note 2 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.

Chair
Sydney
10 August 2020

Deloitte.

Deloitte Touche Tohmatsu
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# Independent Auditor's Report to the Stapled Security Holders of Shopping Centres Australasia Property Management Trust and Shopping Centres Australasia Property Retail Trust

**Opinion**

We have audited the financial report of:

- Shopping Centres Australasia Property Management Trust ("SCA Property Management Trust") and its controlled entities ("SCA Property Group" or "the Group") which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration; and

- Shopping Centres Australasia Property Retail Trust and its controlled entities ("SCA Property Retail Trust") comprising the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of SCA Property Group and SCA Property Retail Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of SCA Property Group's and SCA Property Retail Trust's financial positions as at 30 June 2020 and of their financial performance for the year then ended; 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 SCA Property Group and SCA Property Retail Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Shopping Centres Australasia Property Group RE Limited (the "Responsible Entity"), 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.

Deloitte.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Investment property valuation**<br><br>As at 30 June 2020, SCA Property Group recognised investment properties valued at $3,138.2m as disclosed in Note 13.<br><br>The fair value of investment property is calculated in accordance with the valuation policy set out in Note 2 (j) and Note 13 which outline the two valuation methodologies used by SCA Property Group.<br><br>Note 3 and Note 13 disclose the significant judgements and estimates made by SCA Property Group in estimating the fair values. These include the following assumptions:<br><br>• forecast cash flows: including market rental income, market growth rates, rent relief provided and letting up assumptions. There is increase in judgement being applied as a result of the uncertainty of future rental income and leasing activity as a result of COVID-19<br>• capitalisation rates: since the start of COVID-19 there has been limited relevant transaction evidence<br>• discount rates: are subjectivity due to the specific nature and characteristics of individual investment properties.<br><br>In addition, Note 3 highlights the uncertainty created by COVID-19 and as a result the valuers have included a material valuation uncertainty statement in their valuation reports as at 30 June 2020. This clause indicates that less certainty, and consequently a higher degree of caution should be attached to the valuations as a result of COVID-19.<br><br>The sensitivity to changes associated with the greater levels of estimation uncertainty being applied in respect of these assumptions are disclosed in Note 13. | Our procedures included, but were not limited to:<br><br>• Assessing management's process over property valuations and the oversight applied by the directors are consistent with accounting standards and SCA Property Group's valuation policy<br>• Assessing the independence, competence and objectivity of the internal and external valuers<br>• Performing an analytical review and risk assessment of the portfolio, analysing the key inputs and assumptions<br>• Benchmarking the capitalisation rates and discount rates with reference to external market trends and transactions and challenging those assumptions where appropriate<br>• Performing procedures over the specific assumptions and judgements made around the impact of COVID-19 on the valuation models including market rental income, market growth rates, rent relief provided and letting up assumptions<br>• Holding discussions with management and the external valuers to obtain an understanding of portfolio movements and their assessment of the impact of COVID-19 on the valuations, including the material uncertainty statement included in their reports<br>• Testing on a sample basis of externally and internally valued properties, the following:<br>  ○ the integrity of the information in the valuation models by agreeing key inputs such as net operating income to underlying records and source evidence<br>  ○ the forecasts used in the valuation models with reference to current financial results such as revenues and expenses, capital expenditure requirements, vacancy rates and lease renewals<br>  ○ the mathematical accuracy of the valuation models.<br>• We also assessed the appropriateness of the disclosures included in Note 3 and 13 to the financial statements. |

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Expected credit loss recorded as a result of COVID-19**<br><br>As disclosed in Note 3, COVID-19 has had a significant adverse impact on the collection of rental income during the financial year and consequently the expected credit loss ("ECL") on the operating lease receivable at 30 June 2020.<br><br>The key estimates and significant judgements applied in determining the expected credit loss of $15.3m at 30 June 2020 after taking into account waivers are described in Note 3 with a reconciliation provided in Note 10. | Our procedures included, but were not limited to<br><br>• Understanding the Group's processes and controls over the assessment of the impact of COVID-19 on the ECL at 30 June 2020<br>• Performing an analytical review and risk assessment of the operating lease receivable, analysing the key judgements and assumptions including:<br>    ○ the impact of COVID-19 on the sales performance across a range of tenant categories<br>    ○ the probability of collection of amounts owed at 30 June 2020<br>    ○ the ability and intention of the Group to draw on the bank guarantees provided by the tenants<br>• Testing on a sample basis, the integrity of the information used in the calculations of the ECL by agreeing key inputs such as lease income, lease terms and bank guarantees on a sample basis to underlying records and source evidence<br>• Assessing the collection of rental amounts owed in the period after 30 June 2020<br>• We also assessed the appropriateness of the disclosures included in Note 3 and 10 to the financial statements. |

**Other Information**

The directors of the Responsible Entity ("the Directors") are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Performance Highlights, Message from the Chairman, Message from the CEO, Financial Highlights, Security Analysis and additional ASX disclosures, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Performance Highlights, Message from the Chairman, Message from the CEO, Financial Highlights, Security Analysis and additional ASX disclosures in the Annual Report which we have not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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**Responsibilities of the Directors for the Financial Report**

The directors of the Group 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 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 are responsible for assessing SCA Property Group's and SCA Property Retail Trust's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate SCA Property Group and/or SCA Property Retail Trust 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCA Property Group's and/or SCA Property Retail Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SCA Property Group's and/or SCA Property Retail Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SCA Property Group and/or SCA Property Retail Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within SCA Property Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of SCA Property Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 10 August 2020