s 22 [redacted]

From: s 22 [redacted]
Sent: Wednesday, 12 April 2017 4:47 PM
To: s 22 [redacted]
Subject: FW: Sterling First Projects trading as Sterling New Life - Email 4
Attachments: Company-profile.pdf; Event details.pdf; Gordon Capital Research RMIT Report.pdf; High-yield-investment-properties.pdf; Housing development opportunity.pdf; How-it-works printout from website.pdf; rmitfund at a glance.pdf; SIT Accounts Final 30 June 2015.pdf

s 22 [redacted]

Email 4

Kind regards

s 22 [redacted]
[redacted]
Property Industries, Consumer Protection Department of Commerce, Western Australia A 140 William Street, Perth P Locked Bag 14 Cloisters Square PO, PERTH 6850 T s 22 [redacted]
s 22 [redacted] W www.commerce.wa.gov.au
1300 30 40 54 Contact Centre
Facebook: www.facebook.com/ConsumerProtectionWesternAustralia

YouTube: www.youtube.com/ConsumerProtectionWA

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COMPANY PROFILE

Sterling New Life, We are solid!

The team behind Sterling New Life has been constructing, managing, owning and selling large scale residential property projects all round Australia since the late 1960's. This amounts to 50 years of valuable experience and insight into the changing landscape of a lack of affordable housing for seniors. This experience has also awarded us the visibility to a practical solution for Australian seniors. Sterling New Life, your new life!

We are a broad property group founded in Western Australia, proudly employing approximately 100 staff around Australia. We are the largest non-listed institutional property investment management organisation in Australia and New Zealand, with assets of over $5 billion.

Sterling First operates in Western Australia, Queensland and Victoria and is soon to launch our exciting offer in New South Wales.

Our businesses include Property Management, Funds Management, Retirement Housing, Property Development, Property Sales and of course the retirement living sector.

The founders of Sterling First were also the founders of Armstrong Jones.

Retirement Villages - Not for Everybody!

Sterling New Life has been involved in the development and management of retirement villages and again recognised that, whilst retirement and lifestyle villages are an attractive option for some, the market lacks an affordable solution allowing independent people to stay in the areas they have lived in all their lives.

With recent changes in planning regulations in many parts of Australia allowing for in-fill housing and the rental of multiple units on single residential sites, we recognised the potential for providing affordable, independent retirement housing in regular residential areas. This effectively creates a dispersed community, where you get the benefits and services you want, with the freedom of living in the general community.

TALK TO US TODAY

First Name

Last Name

Email

Phone

Post Code

Message

SEND

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Show Menu

Event Details

Rockingham	Wednesday 29th January 2014 Ocean Clipper Inn 30 Patterson Road, Rockingham
South Perth	Thursday 30th January 2014 South Perth Library Function Room Cnr Sandgate St & South Tce South Perth
Mandurah	Wednesday 5th February 2014 Mandurah Offshore Fishing & Sailing Club Dolphin Room 115 Breakwater Pde Mandurah

	All seminars
Time	Registration 6:15 pm
	Seminar - 6:30 to 7:30 pm

The new alternative for homeowner retirees.

One of the most common issues for retirees in Australia is that they have retired without enough capital to provide for living expenses in retirement. Most of their assets are held in the family home and cannot be accessed to spend on living expenses. In fact in many cases there is also a residual mortgage or guarantee still left on the house, with very little capacity to clear the mortgage with retirement income.

While traditional retirement solutions offer many benefits, they often end up with significant reductions in the family assets. For instance,

- Retirement village leases usually have a deferred management fee that increases over time and comes out of the repayment of the initial funds invested.
- Reverse mortgages have higher interest rates and simply add the interest to the loan amount, which is then all repaid when the property is sold.
- Downsizing to a smaller home also ends up with a smaller asset base for capital growth during retirement.

Sterling First Projects Pty Ltd has recently launched Sterling New Life Solutions, which provides a unique and innovative solution for security in retirement for homeowner retirees. It addresses all of the key challenges that homeowner retirees are facing, including:

- How do I stay in my home for as long as I want,
- How do I pay off my mortgage,
- How do I get access to extra cash to do the things that I want to do,
- How do I have a more flexible lifestyle, and
- How do I structure my assets so that I can leave as much as possible for my children.

Retirees now have the option to convert difficult living circumstances into a more flexible lifestyle with surplus weekly cash.

Free one hour seminar for Retirees
Discover how you can stay in your home, free from financial worry
Sterling New Life Solutions
Cash flow solutions for retirement security

Join us for this seminar and you'll see how Sterling New Life Solutions can help you turnaround your lifestyle opportunities in retirement, without moving out of your home.

What you will learn:

- Unlock cash flow and lifestyle opportunities.
- Strategies to restructure your assets and go from cash flow negative to cash flow positive.
- How to convert mortgage payments into cash flow that you can spend now.
- What a typical "New Life" case study looks like.
- Compare the other retirement alternatives – reverse mortgages, retirement village leases, downsizing.
- How does "New Life" in retirement affect your pension eligibility.
- How to spend now and still leave as much as possible for your children.
- The 5 common mistakes that retirees make when they realise they have retired without enough capital.

Industry Speaker:

Ray Jones – Property industry veteran and co founder of Armstrong Jones, with over 40 years experience in the property industry.

Who should attend:

Retirees and near retirees - If you are asset rich and cash flow poor in retirement, or have ongoing mortgage worries, this seminar will help you understand how you can turn your financial position around. This seminar will show you how to open the door to life changing financial freedom.

EVENT DETAILS:

Rockingham Ocean Clipper Inn
30 Patterson Rd, Rockingham
Wednesday, 29th January 2014

South Perth Library Function Room
Cnr Sandgate St and South Terrace, South Perth
Thursday, 30th January 2014

Mandurah Offshore Fishing and
Sailing Club - Dolphin Room
115 Breakwater Pde, Mandurah
Wednesday, 5th February 2014

Registration 6.15pm
Seminar 6.30pm to 7.30pm

Register Early – Seating is Limited

REGISTER TODAY TO ATTEND THIS SEMINAR:

Complete your registration details by clicking here
Or contact us by:
Phone: 1300 665 890

Email: offer@sterlingfirst.com.au
Fax: 9523 5811
Post: PO Box 7299 Secret Harbour WA 6173

Seminar Registration

Please fill in the form below to regiter you attendence at the Seminar.

Name *

First *Last*

Phone *

Email *

Please register me for the seminar in *

- ☐ **Rockingham on the 29th January**
- ☐ **South Perth on the 30th January**
- ☐ **Mandurah on the 5th Debruary**

Disclaimer

This material has been prepared by Sterling Corporate Services Pty Ltd (ACN 158 361 507) ("SCS"). SCS is appointed as Investment Manager of the Sterling Income Trust (ARSN 158 828 105) *[read more (/disclaimer)]*

Contact Details

Sterling Corporate Services Pty Ltd
1300 665 890
offer@sitfund.com.au (mailto:offer@sitfund.com.au)

Site Pages

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RENTAL MANAGEMENT INVESTMENT TRUST

Unique, high income investment in Australia's residential rental property market

DIRECTORS OF THE RESPONSIBLE ENTITY

Robert Marie, Managing Director
Kirsten Marie, Director
Peter Thomas, Director

MARKET DATA

ASX Code:	RTI
Current Price:	$1:00
Market Capitalisation:	$13.3 million
Enterprise Value:	$14.4 million

CAPITAL STRUCTURE

Shares on Issue:	13.27 million

FINANCIAL SUMMARY

$mill	31 July 2013
Net Debt	1.1
Unitholders Equity	12.4
Total Assets	14.1

MAJOR SHAREHOLDERS

Sterling First Group	14.1%
RMA Consolidation Pty Ltd	13.5%

CORPORATE DETAILS

Unit 23, 397 Warnbro Sound Avenue
Port Kennedy, WA, 6172
Ph: 1300 440 166
www.thetaasset.com.au

KEY POINTS

- RMIT owns 1,700 rental management agreements in WA from which it generates income from sharing (45%) the management fee with an independent property manager.
- The RMIT portfolio has been established through the acquisition of three (soon to be four) agency businesses managing rent rolls. Acquisitions will be the primary source of growth for the portfolio.
- Australia's 10,000 real estate agencies manage In excess of 1.5 million residential properties. Most rent rolls are small and there are considerable opportunities for market consolidation.
- A return to investors of in excess of 9% of FUM is targeted with additional tax deferred benefits expected to flow to investors.
- The Trust, together with its alliance partner Sterling First Group (business development, property management and investment management) is well placed to participate in the consolidation of Australia's highly fragmented rental property management industry.
- Agreements are in place with Sterling First Group to secure rental management agreements to replace the annual churn and to grow the number of rental management agreements through organic growth.
- The average life of an RMA is 8 years, with churn primarily due to the sale of the property by the owner.
- The replacement of the annual churn will be funded from the cash flow of the Trust, thereby preserving the capital base, and additional growth will be funded by a mix of debt and new equity.

INVESTMENT PROPOSITION

RMIT provides investors with a unique exposure to Australia's residential property market through investment in a highly diversified portfolio of rental management agreements (RMAs) that provide a high quality, reliable income stream.

Whilst very low income yields have made residential property ownership an unattractive option for a publicly listed investment vehicle, indirect exposure through investment in rental management agreements, which are linked to property rents and deliver yields comparable with retail, commercial or industrial property are a competitive alternative.

RMIT has been structured solely as an asset holding vehicle. Accordingly, with no operational exposure and a highly diversified portfolio, there will be relatively little risk to investor income. As the churn rate on the portfolio is about 10% to 12.5% per annum, the key risk will be management's ability to replace the churn from cash flows without adversely impacting investor income.

BUSINESS OVERVIEW

Rental Management Investment Trust (RMIT) is in the process of finalising a listing on the ASX having raised $13.3 million in pre-IPO funds. The Trust has been established to provide investors with high yielding exposure to Australia's residential property investment market through the ownership of rental management agreements (RMAs).

Property owners pay a management fee that varies according to property type and location but typically represents between 8% and 10% of the gross weekly rent generated by the property. This fee will be split between the property manager (55%) and RMIT (45%).

In return the property manager will provide a range of services including locating and screening suitable tenants, completion of the Tenancy Agreement and the lodging of rental bonds, collecting rents, pursuing late rent, repairs, periodic inspections and if required, the eviction of tenants.

The RMIT (Investment Trust) model is specifically designed to address major flaws in the publicly listed corporate model by primarily externalising all organic business development and business acquisition activities (with alliance partners) and by allowing the free cash flows to be distributed, unaffected by amortisation charges, to investors. The objective is to deliver a yield to investors in excess of 9.0% pa, which is expected to be boosted by ongoing deferred tax benefits.

The free cash flow to be distributed to unitholders is determined after an amount equal to the annual amortisation (over 8 years) of the cost of acquiring an RMA has been set aside. Accordingly, an internally generated pool of capital is accumulated for reinvestment in new RMAs to replace the annual churn and in this way the capital base is protected against erosion.

RMIT will purchase rental management agreements (organic business development) at 1.75 times the base management fee and it has the first right of refusal over portfolios of rental management agreements acquired through acquisition of rental management businesses at cost plus 0.25 times the base management fee (up to a maximum of 2.5 times the base management fee).

Sterling First Group is RMIT's cornerstone partner and will source RMAs for the portfolio as well as providing property management services. Although Sterling First Group is legally independent, the alliance effectively replicates an otherwise fully integrated property manager with strong growth aspirations.

RMIT has so far made three rent roll acquisitions covering some 1,700 rental management agreements in Western Australia, whilst a conditional contract has been signed with an agency in Mt Ommaney, Qld, which will add rental management agreements covering another 390 residential properties.

BUSINESS DRIVERS AND GROWTH PROFILE

Over 1 million residential rental properties in Australia are managed by real estate agents. Whilst some agencies manage a relatively large number of properties, most real estate agencies are primarily focussed on sales with property management a secondary concern. Accordingly, the service to landlords and tenants is mixed.

The Australian real estate agency market is highly fragmented with most suburbs around the country supporting several relatively small businesses primarily structured to sell residential properties. It is unclear as to exactly how many agency businesses there are, although it is generally accepted (based on a 2006 ABS survey) that there are about 10,000 of which about one-third are franchised. The rest are mostly independently operated. The franchise groups have clear advantages in terms of marketing and systems. The main national franchise groups are LJ Hooker, Ray White and Century 21, whilst there are many other regional or state based franchise groups.

What is clear is that the industry has shrunk over the past few years as sales activity has contracted. Under pressure from falling income, many individual agents have left the industry as income levels have fallen.

There are estimated to be over 2 million residential rental properties in Australia of which more than 70% are managed by agents. With base management fees varying from about 6.3% (of the underlying rent) in Sydney and Melbourne to nearly 9% in Perth, the fee income pool is about $1.2 billion.

Attempts have been made in the past to consolidate the rental management business with a view to enhancing the level of service with a high degree of consistency. Moreover, returns could be significantly increased through greater investment in systems and better overhead management. However, these attempts have generally met limited success and their growth is ultimately constrained due to some fundamental flaws in the business model.

The two most significant flaws are the high cost of securing new business from an internal business development team and the inability to capitalise those business acquisition costs. Internally driven business development is capital intensive with acquisition costs generally in the order of one year's gross fee income from that property. Some business growth can usually be funded from the cash flow of an established rental management portfolio, however, aggressive growth can only be funded from new equity or debt. And the Catch 22 is that new funding is very difficult to raise where profits are depressed due to the immediate expensing of business acquisition costs and where there is no balance sheet recognition of a valuable asset with a medium term life (typically about 8 years).

With a highly fragmented real estate agency industry where the largest provider of residential rental management services has maybe a 2% national market share and where only the larger groups generate decent margins there are considerable market consolidation opportunities. RMIT's alliance partner is ideally placed to drive this consolidation process with RMIT potentially being the holding vehicle for the underlying rental management agreement assets.

The residential rental property management market is huge; generating over $1 billion annual fee income. However, there are relatively few managers of significant size and the largest group, believed to be Real Estate Corp (ASX:RNC) has less than 2% market share, nationally. Barriers to entry are relatively low although the costs associated with developing and sustaining a high quality service are rising especially as systems and technology increasingly underpin that service. It is expected that the property management industry will progressively consolidate as smaller businesses face the combination of a profit squeeze and increasing technology costs.

The evidence strongly suggests that there are considerable scale benefits for both the property manager and the landlord. Smaller independent and regional agencies look to be the most vulnerable. In the current environment where sales commission income is still under considerable pressure there may be some resistance to selling rent rolls, especially if property management income is rising, but we would expect agencies to more actively exit property management as property sales rates recover.

RENTAL MANAGEMENT AUSTRALIA GROUP

GORDON CAPITAL

FINANCIAL SUMMARY

BALANCE SHEET	
($'000)	**31 July 2013**
Current Assets	
Cash & Equivalents	316
	316
Non-Current Assets	
Rental Mgt Agreements	9,742
Pref Shares in Sterling First Group	4,000
Other	
Total Assets	14,058
Current Liabilities	
Payables	53
Provision - Distribution	165
Other	
	218
Non-Current Liabilities	
Financial Liabilities	1,400
Other	
Unitholders' Equity	12,440
Liabilities & Equity	**14,058**

The RMIT and its pre restructure predecessor have been in operations since February 2012 and have made seven quarterly distributions to unitholders as follows:

PRE RESTRUCTURE					POST	
Apr 12	July 12	Oct 12	Jan 13	Apr 13	July 13	Oct 13
2.5¢	2.5¢	2.3¢	2.3¢	2.3¢	2.3¢	2.3¢
10.1%	10%	9.25%	9.25%	9.25%	9.25%	9.25%

Commentary

As RTI is in the process of listing on the ASX, it has yet to produce any trading results. Accordingly, the balance sheet data adjacent was produced for the PDS in support of the Trust's listing.

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High Yield Investment Properties

Unique Investment Opportunities

High Yield Investment Properties

Sterling New Life provides property investors with a unique opportunity to acquire properties that are leased to seniors with the following benefits:

1. **5 year lease term with the tenant having 5 year options to renew.**
2. **5.5% pa gross rental yield, growing by a fixed 2% pa.**
3. **An all inclusive low property management fee.**
4. **The Sterling New Life tenant invests into the Sterling Income Trust, which generates the income distributions for the tenant to pay the rent.**
5. **The rent is paid to the landlord monthly in arrears.**
6. **If for any reason there is a rent shortfall from the Sterling Income Trust distributions, the tenant will not be asked to pay any top up rent directly. Any shortfall will be paid from a redemption of capital from the tenant's investment.**
7. **The Sterling Income Trust investment amount also acts as a security bond for any potential damages.**

8. **Where a Sterling New Life tenant is not ready to start the lease in the short term, or may have to sell their existing property before moving in, the landlord may choose to get a short term tenant.**
9. **The landlord is free to sell a property with a Sterling New Life tenant in place. The lease will move with the property.**
10. **While there is a Sterling New Life tenant, the landlord has the opportunity to sell the property to Sterling as follows:**

a. first offer to sell the property to Sterling at a price set by the landlord,
b. last offer to sell the property to Sterling at a price equal to an offer being made to purchase the property from the landlord,
c. an option for Sterling to buy the property from the landlord if the landlord does not wish to renew the lease six months prior to the end of each lease term, with the price being determined by a licensed valuation, less sales commission.

11. **The Sterling New Life lease can be terminated by the tenant with 180 days notice.**
12. **When the tenant has given notice to terminate the lease, the landlord can then choose to request Sterling to secure a new Sterling New Life Lease tenant, or just put in place a regular short-term tenant.**

Contact Us Today

1300 206 953

Follow 106 people are following Sterling First Metro. Sign Up to see who your friends are following.

Submit your details, and we will reach out to you

Name

Phone

Email Address

Interested In?

Submit

OFFICE

146B Railway Parade

West Leederville WA 6007

PHONE

1300 206 953

Follow 106 people are following Sterling First Metro. Sign Up to see who your friends are following.

1. HOUSING DEVELOPMENT OPPORTUNITY with contracted buy back option

Make a guaranteed profit during the current residential wave!

*In conjunction with Sterling First Projects has arranged for an end buyer to purchase at an agreed price within twelve months of practical completion.

*The end buyer will pay a margin above the house and land cost of 7.5% for dual key houses and 10.0% for triple key houses, with a minimum margin of $37,500.

*The end buyer will also include in the buy back price paid to the investor, the investor's costs up to practical completion of the building inc. transfer duty, settlement fees, mortgage fees and interest during construction on a loan facility up to an 80% loan to value ratio against the property.

*Approvals and construction time frame may range from 4 to 12 months.

*The Investor's security at all times is that the title is in your name until the developer pays cash for these full or partially completed dwellings.

FOR AN INFO PACK, CALL OR EMAIL …NOW

OFFER DETAILS

- Lots and housing packages available for construction are dual and triple key properties located in the Perth greater metropolitan area and major regional areas,
- Sterling First Projects is prepared to enter into a twelve month lease on the property at market rent, Sterling First Projects has arranged for an end buyer to purchase at an agreed price within twelve months of practical completion,
- The end buyer will pay a margin above the house and land cost of 7.5% for dual key houses and 10.0% for triple key houses, with a minimum margin of $37,500,
- The end buyer will also include in the buy back price paid to the investor, the investor's costs up to practical completion of the building inc. transfer duty, settlement fees, mortgage fees and interest during construction on a loan facility up to an 80% loan to value ratio against the property.
- Approvals and construction timeframe may range from 4 to 12 months.

INVESTOR STEPS

- Acquire the land and pay transfer duty on the land only,
- Execute the building contract and fund the construction with progress payments.
- Execute the property lease for Sterling First Projects to rent the property at an agreed market rate for 12 months after practical completion, with the ability to sub lease the property.
- Execute the put and call option to sell property to the end buyer.
- Appoint Sterling First Projects to manage the entire approvals and construction process.

CONTRACTS

- Registration of interest form with a $1,000 deposit.
- Offer and acceptance form to purchase the land.
- Development management agreement for Sterling First Projects to act as project manager.
- Power of attorney form for Sterling First Projects to carry out approvals and construction.
- HIA fixed price building contract with builder.
- Residential tenancy agreement with Sterling First Projects.
- Put and call option agreement to secure the sale of the property to the end buyer.

BUY BACK TERMS

- A Put and Call Option, where the end buyer has up to 9 months after practical completion to exercise the Option to “Call” (acquire) the property, and then settle within 3 months.
- If the end buyer does not exercise the Call Option within 9 months, the investor has 3 months to exercise the Put Option and “Put” the property to the end buyer, forcing the end buyer to acquire the property at the pre agreed price within 3 months.
- The end buyer can “Call” the property at anytime from the commencement of construction of the house, allowing it to settle on its purchase before the house has reached practical completion. In this event there may be no need or requirement for Sterling to commence the tenancy with the investor.

How Does it Work ?? Multiple Income Investment Property Feasibility (Example only)

Dual income property

Land cost	$200,000
Construction	$300,000
Total Direct Cost	$500,000

Deposit or Equity 20%	**$100,000**
Bank Loan 80%	**$400,000**

Based on agreed sale price using the buy back option

Agreed sale price that Developer will buy it back at $537,500

*Profit to investor of *$37,500+*

So in this example, an Investor uses $100k and walks away with $37,500 in as little as 4 - 12 months time… How many times can we repeat this over two year period…. Thats 40% ROI in your first year!! ...and by using your original $100k and multiplying this over two years, you could be up for 5 times that much.

*Additional costs that need to be funded by the buyer during construction will be added to the price paid to the buyer at buy back. ie. settlement fees, stamp duty, mortgage interest costs to 80% of LVR on borrowings for the property.

HOW IT WORKS

Welcome,

Retire Your Way.

Traditional retirement villages and aged care aren't for everyone.

Not only can they be an expensive minefield of complex contracts and rules, but often the lifestyle you've chosen to lead becomes frustratingly restricted.

For those seeking an alternative way to retire, Sterling New Life offers a revolutionary retirement solution that enables you to continue living life on your own terms.

Regardless of your current financial situation, the professionals at Sterling New Life are able to work with you and restructure your assets to pay off any mortgage or debt. With the released cash, you are free to embark on a well-deserved and stress-free retirement.

An alternative like no other, Sterling New Life will put an end to any worries you've ever had about having insufficient superannuation or savings to fund a comfortable and enjoyable retirement.

Unlocking Your Wealth

For many seniors, the bulk of their wealth is locked-up in the family home – making it difficult to access without selling the house or taking on an expensive, interest-intensive reverse mortgage loan. This often means there is very little to be passed on to loved ones, or for you to use and enjoy in your golden years.

Whether you choose to stay in your own home and familiar surroundings or start a new adventure somewhere new, the choice is yours to make. Sterling First offers a wide range of new and renovated homes, villas and apartments across the Metropolitan Perth region, The Southwest, Melbourne and Brisbane.

With minimal property costs and no council rates, water rates, exit fees or weekly facility fees, Sterling New Life offers a genuine opportunity to free up cash while maintaining your asset value for the future.

We Are Here For You

We understand that this new solution to traditional retirement may seem too good to be true. If you have questions regarding Sterling New Life, our expert team is more than happy to help ease any worries or concerns.

Retirement is a major concern for many seniors and our team strives on being understanding, non-pushy and professional to the core.

If you are ready to unlock the retirement options you didn't realise you had, call us today on 1300 665 890 for a chat, or to organise a one-on-one consult with one of our team members.

How It Works

All Your Questions Answered.

how a sterling
new life lease
works

1 Choose the Sterling New Life home you want in the suburb that suits you

2 Make your inital, one-off payment to the Sterling Investment Fund

3 Your investment generates income to cover your rent. Any surplus is re-invested, increasing the capital of your inital investment

4 Enjoy your lease (up to 40 years) with no council rates, land tax, weekly rent fees or building insurance costs

5 When you choose to leave, you recieve back your inital investment amount, plus any surplus

What Is A New Life Lease?

A Sterling New Life Lease begins with an initial 5-year lease. This lease can be extended up to 7 times, allowing you the flexibility to stay up to 40 years in the property of your choosing. If your living needs or circumstances change - or you simply decide that Sterling New Life isn't for you - you have the option to leave without any exit fees.

The unique advantages a Sterling New Life lease has over a standard property lease include:

- *Security of tenure*: You have peace of mind that a landlord wont appear and ask you to leave without a moment's notice.

- *More privacy*: Our property managers check in on your property less than

traditional rental companies, giving you added privacy

- *Pets are generally allowed:* We understand that family comes in many different forms and fur colours!

What Does It Cost?

To secure a Sterling New Life Lease, you will be required to pay a one-off amount to the company. Part of this amount will cover an initial application fee and your first month of rent. The remaining balance will be invested into the Sterling Income Trust. The income generated from your initial investment will then be used to pay your rent for the duration of your lease. At no time will you be asked to make any further cash contributions to your rental payments.

What Are The fees?

- *Upfront fees*: Out of your initial payment, an application fee equal to 8.8% of the agreed investment amount and one month's rent is deducted.

- *Exit fees*: There are NO exit fees payable.

- *Other fees and costs:* None. Sterling New Life prides itself on being a trustworthy and transparent company; once the initial investment has been made, no further payments will be required.

What If I Need To Sell My Existing Home?

If you need to sell your home, Sterling First can work with you. Sterling First is a real estate agent and can guide you through the complete sale of your home.

What Is The Sterling Income Trust?

Sterling manages a registered investment fund, the Sterling Income Trust (SIT) ARSN 158 828 105. This trust comprises of several unit classes, into which the funds from Sterling New Life Lessees' are invested. The three unit classes a lessee's funds may be invested in are:

- *Income Units:* An income fund connected to property management agreements;

- *Growth Units:* A share of revenue from sale of Rental Management Agreements, and;

- *Development Units:* A subordinated mortgage fund.

The precise mix of the unit classes your investment amount will enter differs depending on the property you decide to lease.

Note: The Sterling Income Trust is an ASIC registered managed investment fund with an independent responsible entity, Theta Asset Management Limited ACN 071 807 684 AFSL 230920 and an independent custodian Australian Executor Trustees Limited ACN 007 869 794 AFSL 240023. A copy of the SIT Product Disclosure Statement is available on request.

Who Will Own The House That I Lease?

The property you choose to live in will be owned by either an investor or by the Sterling First company.

What Happens If The Property Is Sold?

If the property is ever sold by an owner it will have NO effect on your Sterling New Life Lease. The Sterling New Life Lease stays with the property and is assigned to a new owner as the ownership passes.

What Ongoing Expenses Will I Incur?

There are minimal annual out-of-pocket expenses required from you during your New Life lease. You landlord is responsible for paying:

- All council rates
- Land tax
- Building Insurance
- Building Maintenance*

Will My Age Pension Be Affected By Taking Out A Sterling New Life Lease?

It is possible that your old age pension may be affected. If you have concerns, it is recommended you consult a licensed financial advisor to assess your situation.

Can I Get Federal Government Rent Assistance On The Age Pension?

Depending on your personal financial circumstances, you may be eligible for Federal Government Rental Assistance. You will need to contact Centrelink or Veterans Affairs to find out what you are entitled to.

How Much Of My Initial Sterling New Life Lease Outlay Will I Get Back When The Lease Is Terminated?

When you elect to move out and terminate your lease – whether it is after 5 years or 40 – you are entitled to redeem your investment in the Sterling Investment Trust. At that time, you will receive the balance of your initial investment amount inclusive of any distributions that have been re-invested, plus capital growth (if any) and less rent arrears (if any).

Are There Any Exit Fees?

There are NO exit fees from a Sterling New Life Lease.

register today to find out more

call 1300 665 890 to speak to one of
our friendly team members today.

sterlingnewLife
The Smart Housing Solution

Important Notice

Information provided on this website is of a general nature. It is not intended as personal financial advice and, as individual circumstances do vary, you should consult your financial adviser.

* Conditions Apply

19 Lyall Street South Perth WA 6151

Phone
1300 665 890

Email
info@sterlingfirst.com.au

TALK TO US TODAY

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Fund at a Glance

Investment Options:	1. Income Units - 9.25% pa* 2. First Mortgage Units - 7.9% pa* 3. Development Units - 20% pa* 4. Management Company Units - N/A
Unit Price	November 2016
Income Units	$1.00
First Mortgage Units	$1.00
Development Units	$1.00
Management Company Units	$0.64
Minimum Investment	$2,000
Additional Investments	$500
Distributions	Monthly (Management Company Units - Quarterly.)
Redemption	After first 12 months, quarterly**

Introduction

The Sterling Income Trust ("SIT" or "Trust") is a registered managed investment scheme offering four investment alternatives.

Income Units:

- Historically pays distributions of 9.25% pa*
- Distributions paid monthly
- 100% Tax deferred
- 4 years track record
- Exposure to Rental Management Income Rights

First Mortgage Units:

- Target distributions of 7.9% pa*
- Distributions paid monthly
- Secured by first mortgage and general security agreement
- Provides property acquisition and construction funding to build residential homes for Sterling New Life

Development Units:

- Target distributions of 20% pa*
- Distributions paid monthly
- Secured by first or subordinated mortgage and general security agreement
- Provides property acquisition and construction funding to build residential homes for Sterling New Life
- Unprecedented demand has facilitated the need for this funding

Management Company Units:

- Provides investors with an interest in the management company sitting behind the Sterling New Life Lease concept.

* Investors should note that any reference to past performance is not a reliable guide to future performance. Any reference to target distribution rates are based on the interest rates payable under loan agreements for loans to be advanced by the Sterling Income Trust ("SIT"), the estimated operating costs of the SIT and its investments and the historical performance of the underlying investments.

Please refer to the PDS for each Unit class for details and please read the Key Risks section of the PDS.

** Redemption facility is subject to terms and conditions. Details are included in the PDS.

- Investment funds are used to acquire ordinary shares and preference shares in Sterling First (Aust) on a 1 for 3 basis ("Shares")
- Any distribution paid quarterly
- Redemption for cash or shares

REGISTER YOUR INTEREST

Learn more about our investment by registering here

Register (https://hy176.infusionsoft.com/app/pa

DOWNLOADS

Product Disclosure Statement - Issued 20 May 2016

Download (https://hy176.infusionsoft.com/app/

Sterling Income Trust - Information summary

Download (http://hy176 infusionsoft.com/app/p

Sterling Income Trust - Independant research summary

Download (http://hy176 infusionsoft.com/app/p

Disclaimer

This material has been prepared by Sterling Corporate Services Pty Ltd (ACN 158 361 507) ("SCS"). SCS is appointed as Investment Manager of the Sterling Income Trust (ARSN 158 828 105) *[read more (/disclaimer)]*

Contact Details

Sterling Corporate Services Pty Ltd
1300 665 890
offer@sitfund.com.au (mailto:offer@sitfund.com.au)

Site Pages

Home (/) | Privacy Policy (/privacy-policy) | Disclaimer (/disclaimer)

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This is **Annexure A** of **34** pages referred to in Form 388
'Copy of financial statements and reports' for

Scheme Name: **Sterling Income Trust and its controlled entities**

ARSN: **115 858 047**

Director
Theta Asset Management Limited
ACN: 071 807 684 - ASFL: 230920

Date 2/10/15

Sterling Income Trust
(formerly known as Rental Management Investment Trust)
and its controlled entities

ARSN 158 828 105

Consolidated Financial Report
For the year ended
30 June 2015

Directors' Report

The Directors of Theta Asset Management Ltd ("Theta" or the "Responsible Entity"), the Responsible Entity of the Sterling Income Trust (the "Trust", or the "Group", or "SIT"), present their report together with the consolidated financial statements of Sterling Income Trust, and its controlled entities (collectively the "Consolidated Entities") RMA Holding Trust ("RMAHT"), First Mortgage Trust ("FMT"), Property Development Trust ("PDT") and Management Company Share Trust ("MCST), for the year ended 30 June 2015 and the auditor's report thereon.

The Responsible Entity
The Responsible Entity of the Consolidated Entity is Theta, which has been the Responsible Entity since 19 June 2012.

The principal place of business of the Responsible Entity is Suite 3b, level 3, 230 Clarence Street, Sydney NSW 2000.

The principal place of business of the Consolidated Entity is Suite 3b, level 3, 230 Clarence Street, Sydney NSW 2000.

The directors of Theta during the year or since the end of the year and up to the date of this report are:

Name and appointment	Experience, qualifications and special responsibilities
ROBERT MARIE **Executive**	Robert Marie has over 26 years' experience in financial services having spent six years at Macquarie Bank as a state manager for Western Australia and South Australia. He was also the product manager for Macquarie's successful Cash Management Trust in addition to a range of equity based funds. Robert was General Manager Marketing of the Bridges group with responsibility for the in-house platform which had $1.5 billion under administration. Since moving to Western Australian Robert was responsible manager and Director of Wealth Management and Insurance at BankWest. Following the takeover of BankWest by HBOS Robert established Valuestream which is a specialist Responsible Entity service provider.
PETER THOMAS **Non-Executive**	Peter has over 37 years' experience in the construction and building industry including contracting and consulting. Over the last decade Peter has focused on Project Management successfully completing projects in all sectors of the market. Peter's professional qualifications are in Construction, Building Economics and Project Management. They include National Certificate Construction & Estate Management Oxford Polytechnic & North East London Polytechnic and a Master's Degree Project Management, University of Technology, Sydney.
KIRSTEN MARIE **Non-Executive**	Kirsten Marie has more than 16 years' experience in financial services as an institutional stockbroker, institutional bond dealer and has comprehensive foreign currency and futures trading experience. Kirsten holds a Bachelor of Business degree from Curtin University and is also a member of FINSIA.

Directors' Report Continued

The Responsible Entity (continued)

Name and appointment	Experience, qualifications and special responsibilities
MICHAEL FENECH **Non-Executive** **(appointed 1 July 2015)**	Mike Fenech has spent over 29 years in banking and finance, 17 of those in financial markets in senior roles with Macquarie Bank, National Australia Bank, CUSCAL and HSBC. At CUSCAL one of Mike's responsibilities as Executive General Manager was the investment of the Credit Union Industries $6 billion investment portfolio. Mike was also member of the Bridges Investment Committee and a founding director of CUFSS, the industry liquidity and solvency support vehicle. After nine years at CUSCAL, Mike was appointed the Chief Operating Officer at HSBC Australia, responsible for the bank's operations in Australia and New Zealand. In this role he successfully restructured the business focusing on compliance, risk and cost management.

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia.

The principal activity of the Trust is to provide investors options to invest in property related financial assets, such as mortgage backed securities, income rights for rental management agreements or exposure to the group which manages the Trust. The Trust offers four investment units, namely Income Units, First Mortgage Units, Development Units and Blended Units.

Directors' Report Continued

Review of operations

Results

The consolidated entities made a profit from operations before distributions of $524,612 (2014: $242,633) and has declared income and tax deferred distributions for the financial year ended 30 June 2015 of $1,282,270 (2014: $1,200,260). The distribution comprised an income and tax deferred return of 9.25% (2014: 8.65%).

Distributions paid or payable in respect of the financial period were:

Consolidated

	30 June 2015		30 June 2014	
	$	Cents/Unit	$	Cents/Unit
September distribution paid	323,158	2.33	270,652	1.95
December distribution paid	323,158	2.33	309,472	2.23
March distribution paid	315,977	2.28	306,106	2.21
Final distribution payable	319,977	2.31	314,030	2.26
	1,282,270	9.25	1,200,260	8.65

A final distribution has been declared as at 30 June 2015 and was paid on the 31 July 2015.

Performance

	30 June 2015	30 June 2014
	%	%
Distribution return	9.25	8.65
	$	$
Net Assets	8,591,361	12,074,897

Interests of the Responsible Entity

The following fees were paid to the Responsible Entity and its associates out of Group property during the financial period:

	30 June 2015	30 June 2014
Consolidated	$	$
Responsible Entity fees paid directly by the Group	44,937	66,740
Parent		
Responsible Entity fees paid directly by the Group	44,937	66,740

Except as disclosed in this report or in the notes to the consolidated financial statements, since the date of commencement, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a director, or with a firm of which a director is a member, or with an entity in which a director of the Responsible Entity has a substantial interest.

Directors' Report Continued

Significant changes in the state of affairs

Change of name
During the year the Trust changed its name from Rental Management Investment Trust to Sterling Income Trust.

Establishment of new entities and additional classes of units.
During the year the Trust issued a new PDS and amended the constitution. On the 13th of May 2015, the Trust acquired 100% of the units in the following trusts for $1:

First Mortgage Trust
The First Mortgage Trust is a mortgage lending trust. It can only advance first mortgage funds to sub trusts of the Sterling Seniors Property Trust, and the funds can only be used to acquire and construct multi key residential housing.

Property Development Trust
The Property Development Trust is a mortgage lending trust. It can only advance funds to sub trusts of the Sterling Seniors Property Trust, and the funds can only be used to acquire and construct multi key residential housing.

Management Company Share Trust
The Management Company Share Trust is a share ownership trust. Its primary and only purpose is to acquire ordinary shares in Sterling First Limited.

On the 18th of May 2015, the Group offered three new unit types in addition to the existing Income Units. Unit classes on issue are as follows:

Income Units
Income Units invest in the RMA Holding Trust which purchases rights to receive income over Rental Management Agreements, and holds equity security over the purchased Rental Management Income Rights.

First Mortgage Trust Units (New)
First Mortgage Trust Units invest in the First Mortgage Trust, which provides secured first ranking mortgage loans secured over residential property to a maximum loan to cost ratio of 75%.

Development Units (New)
Development Units invest in the Property Development Trust, which provides secured first or subordinate ranking mortgage loans secured over residential property to a maximum loan to cost ratio of 100%.

Blended Units (New)
Blended Units invest in RMA Holding Trust (25%), First Mortgage Trust (25%), Property Development Trust (25%) and Management Company Share Trust (25%).

Macquarie Bank finance
During the year the directors of RMAPL (as trustee for RMAHT) sourced an alternative source of debt funding to replace the Bankwest facility. On the 17th December 2014 the trust settled on a new facility with Macquarie Bank. The facility has a facility limit on $2,750,000 and is for a period of five years.

Directors' Report Continued

Significant changes in the state of affairs (continued)

There were no other significant changes in the state of affairs of the Trust that occurred during the financial period under audit other than noted elsewhere in the Directors' Report.

Valuation of units

Property management income rights (RMAs) are classified as financial instruments under Australian Accounting Standards and are accounted for as per Note 2 (e). A difference currently exists between the valuation of these financial instruments and the Product Disclosure Statement ("PDS") issued. The PDS currently values the RMAs using a multiple obtained from the most recent issue of the Macquarie Bank Residential Real Estate Benchmark Report and adjusted by the difference between the market average profit margin of 30% and the RMA Holding Trust Margin of 45% discounted by 8%.

The calculation is as follows:
Base Management Fees x Macquarie Bank Multiple x (45%/30%) x (100% - 8%)

The Trust considers this methodology to be more representative of the value of the RMAs.

A comparison is provided below showing the net book asset value to the net current value per Income Unit as at 30 June 2015:

	Current Valuation *(as per PDS valuation methology)*	**Book Value** *(as per current Balance Sheet)*
	30 June 2015	**30 June 2015**
	$	**$**
Current assets	550,974	550,974
Financial Instruments	12,468,807	9,865,901
Other non-current assets	1,237,781	1,237,781
Total assets	14,257,562	11,654,656
Current liabilities	561,839	561,839
Non-current liabilities	2,501,456	2,501,456
Total liabilities	3,063,295	3,063,295
Net assets	**11,194,267**	**8,591,361**
Equity	**11,194,267**	**8,591,361**
No. of units	11,134,644	11,134,644
Net asset value per unit	1.01	0.77

Going concern

At 30 June 2015, the Group is in a net current liability position of $10,865. Notwithstanding the above, the Directors of the Responsible Entity believe that the Group will continue as a going concern entity as they regularly monitor the operations of the sub-trusts and that financial support is provided by Sterling First Group Pty Ltd to the Group to meet its obligations as and when they fall due.

Likely developments

Please refer to the note on Events Subsequent to Balance Date on page 6 of this director's report.

Directors' Report Continued

Events subsequent to balance date

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Trust, the result of those operations or the state of affairs of the Trust in subsequent financial years.

Indemnifications and insurance of officers

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

The Trust has not indemnified any auditor of the Trust.

Insurance premiums
No insurance premiums are paid out of the assets of the Trust in regards to insurance cover provided to Theta or the auditors of the Trust.

Additional information

Investment policy of the Trust
The primary objective of the Trust is to provide investors with a regular, reliable income stream. The Trust also aims to provide investors with a long term investment that seeks to provide an on-going income stream with a share of investment profits.

Borrowing policy of the Trust
The Trust's Constitution provides that the Trust may borrow. The Trust has obtained bank funding to assist with the acquisition of Rent Rolls and Rental Management Agreements.

Proceeding on behalf of the Trust
No person has applied for leave of Court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings. The Trust was not a party to any such proceedings during the period.

Lead auditor's independence declaration
The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2015.

Signed in accordance with a resolution of the Directors of the Responsible Entity:

Robert Marie
Director of Theta Asset Management Limited

Dated at Sydney this 2nd day of October 2015

MOORE STEPHENS

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Auditor's Independence Declaration
to the Directors of Theta Asset Management Limited
as Responsible Entity of Sterling Income Trust and its Controlled Entities

In accordance with the requirements of section 307C of the *Corporations Act 2001* as lead auditor for the audit of Sterling Income Trust and its Controlled Entities for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Sterling Income Trust and its Controlled Entities during the year.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Chris Chandran
Partner

Dated in Sydney this 2nd day of October 2015.

Moore Stephens Sydney ABN 90 773 984 843. An independent member of Moore Stephens International Limited – members in principal cities throughout the world. The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

Consolidated Statement of Profit or Loss and other Comprehensive Income

	30 June 2015	30 June 2014
	$	$
Revenue		
Management fee income	2,818,462	2,404,320
Other income	937,268	989,004
Interest	376,698	370,999
	4,132,428	3,764,323
Expenses		
Management fees paid	1,688,843	1,458,849
Other trust expenses	253,659	124,122
Loss on rental management agreement rights	1,531,470	1,725,801
Establishment costs	-	144,492
Bank interest	133,844	68,426
	3,607,816	3,521,690
Profit for the period attributable to unitholders of the parent	**524,612**	**242,633**
Other comprehensive income	-	-
Total comprehensive income for the period attributable to unitholders of the parent	**524,612**	**242,633**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Sterling Income Trust and its controlled entities
As at 30 June 2015

Consolidated Statement of Financial Position

	Notes	30 June 2015 $	30 June 2014 $
Current assets			
Cash and cash equivalents	4	285,584	365,819
Receivables	5	243,328	387,361
Other Assets	6	22,062	-
Total current assets		**550,974**	**753,180**
Non-current assets			
Financial Assets	7	9,865,901	9,847,906
Redeemable Preference Shares - Investment	8	1,199,123	4,000,000
Loans Receivable	9	38,658	-
Total non-current assets		**11,103,682**	**13,847,906**
Total assets		**11,654,656**	**14,601,086**
Current liabilities			
Payables	10	241,862	452,864
Borrowings	11	-	1,759,295
Distribution Payable	12	319,977	314,030
Total current liabilities		**561,839**	**2,526,189**
Non-current liabilities			
Borrowings	11	2,501,456	-
Total Non-current liabilities		**2,501,456**	**-**
Total liabilities		**3,063,295**	**2,526,189**
Net assets		**8,591,361**	**12,074,897**
Equity			
Units Issued	13	11,134,644	13,860,522
Accumulated Losses		(2,543,283)	(1,785,625)
		8,591,361	**12,074,897**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Units issued $	Accumulated Losses $	Total Equity $
Balance at 1 July 2013	10,880,076	(827,998)	10,052,078
Profit for the year	-	242,633	242,633
Other comprehensive income	-	-	-
Total comprehensive profit for the year attributable to unitholders of the parent	**-**	**242,633**	**242,633**
Transactions with unitholders of the parent in their capacity as owners			
Distribution to unitholders of the parent	-	(1,200,260)	(1,200,260)
Ordinary units issued	2,980,446	-	2,980,446
Total transactions with unitholders of the parent	**2,980,446**	**(1,200,260)**	**1,780,186**
Balance at 30 June 2014	**13,860,522**	**(1,785,625)**	**12,074,897**
Balance at 1 July 2014	13,860,522	(1,785,625)	12,074,897
Profit for the year	-	524,612	524,612
Other comprehensive income	-	-	-
Total comprehensive profit for the year attributable to unitholders of the parent	**-**	**524,612**	**524,612**
Transactions with unitholders of the parent in their capacity as owners			
Distribution to unitholders of the parent	-	(1,282,270)	(1,282,270)
Issue of new units	75,000	-	75,000
Redemption of units	(2,800,878)	-	(2,800,878)
Total transactions with unitholders of the parent	**(2,725,878)**	**(1,282,270)**	**(4,008,148)**
Balance at 30 June 2015	**11,134,644**	**(2,543,283)**	**8,591,361**

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

Sterling Income Trust and its controlled entities
For the year ended 30 June 2015

Consolidated Statement of Cash Flows

	Notes	30 June 2015 $	30 June 2014 $
Cash flows from operating activities			
Cash receipts in the course of operation		3,759,643	2,895,816
Cash payments in the course of operation		(2,013,448)	(1,058,473)
Interest received		376,698	370,999
Bank interest paid		(133,844)	(68,426)
Bank loan establishment costs		(21,996)	-
Net cash flows from operating activities	4(a)	1,967,053	2,139,916
Cash flows used in investing activities			
Payments for Income Rights		(1,549,465)	(1,248,210)
Issue of loans receivable		(38,659)	-
Net cash flows used in investing activities		(1,588,124)	(1,248,210)
Cash flows from used in financing activities			
Proceeds from bank loan		2,501,420	442,594
Repayment of bank loan		(1,759,259)	-
Proceeds from issue of units		75,000	-
Distributions paid		(1,276,325)	(1,051,666)
Net cash flows used in financing activities		(459,164)	(609,072)
Net (decrease)/increase in cash held		(80,235)	282,634
Cash and cash equivalents at beginning of year		365,819	83,185
Cash and cash equivalents at end of year	4	285,584	365,819

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These consolidated financial statements and notes represent those of the Sterling Income Trust ("Trust") and its controlled entities (collectively the "Group"). Sterling Income Trust is a unit trust, incorporated and domiciled in Australia. The Trust is a registered Managed Investment Scheme under the *Corporations Act 2001* .

The Trust was established on 19 June 2012 and commenced operations on 2 May 2013 when the first units in the Trust were issued.

The consolidated financial statements were authorised for issue by the Board of Directors of the Responsible Entity on 2 October 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The Trust is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Principles of consolidation

The financial report relates to Sterling Income Trust and its controlled entities as a consolidated entity (the "Group").

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Functional currency

These financial statements are presented in Australian Dollars, which is the Trust's functional and presentation currency.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Revenue from the rendering of services including property management commissions, letting fees, statement fees and ancillary fees are recognised upon the percentage of completion and delivery of services to customers. Commission revenue from the sale of property is recognised on the unconditional exchange of that property. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors considered reasonable under the circumstances.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

(i) Classification

Financial instruments comprise:

(a) Financial assets that are classified as loans and receivables; and

(b) Financial liabilities that are at amortised cost.

(ii) Recognition

The Trust recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139 *Financial Instruments: Recognition and Measurement.*

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset to another party whereby the Trust no longer has any significant continuing involvement in the risks and benefits associated with the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

***(iv)* Impairment**

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(f) Interest Income and expense

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income and expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(g) Unit prices

The unit price is based on unit price accounting outlined in the Trust's Constitution and Product Disclosure Statement.

(h) Distributions

In accordance with the Trust's Constitution, the Trust has the discretion to distribute its distributable income to unitholders by cash or reinvestment. Distributions are recognised in the Statement of Changes in Equity as transactions with owners in their capacity as owners.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(l) Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Refer to Note 2(e)(iv) for further discussion on the determination and treatment of impairment losses.

(m) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Going Concern

At 30 June 2015, the Group is in a net current liability of $10,865. Notwithstanding the above, the Directors of the Responsible Entity believe that the Group will continue as a going concern entity as they regularly monitor the operations of the Group and that financial support is provided by Sterling First Group Pty Ltd to the Group through the rebate of the cost of the replacement of lost rental management agreements, limited to the level that enables the Trust to maintain a distribution yield of 9.25% per annum and to meet its obligations as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) New, revised or amending Accounting Standards and Interpretations adopted

The Trust has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB") that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Australian Accounting Standards Issued but Not Yet Effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year ended 30 June 2015. When applied in future periods, these recently issued or amended standards are not expected to have a material impact on the Trust's financial results or reporting position.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Directors do not expect this to have a significant impact on the recognition and measurement of the Trust’s financial instruments.

Changes in accounting standards

Since 1 July 2014, the Trust has adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 July 2014.

Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Auditor's remuneration

	30 June 2015	30 June 2014
Auditor of the Trust - Moore Stephens:	**$**	**$**
Audit and review of the financial reports	83,046	47,300

4. Cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is as follows:		
Cash at bank and on hand	285,584	365,819
Reconciliation of cash		
Cash at the end of the financial year is reconciled to the related items as follows:	285,584	365,819
Cash at bank	285,584	365,819

(a) Reconciliation of cash flows from operating activities

Reconciliation of profit attributable to unitholders to net cash provided by operating activities		
Profit for the year	524,612	242,633
Adjustment for change in financial assets	1,531,472	1,725,801
Decrease/(increase) in trade and other receivables	121,971	(209,521)
(Decrease)/increase in trade and other payables	(211,002)	381,003
Net cash provided by operating activities	1,967,053	2,139,916

(b) Non-cash investing and financing activities

Redemption of units	2,800,878	-
Payment of redeemable pref shares	(2,800,878)	-
Acquisition of Income Rights	-	2,467,899
Assignment of Vendor Loan	-	1,316,701
Issue of Trust Units	-	(2,980,445)
	-	804,155

5. Receivables

Receivable from a third party:		
Trade receivables	4,475	48,764
Receivable from related parties:		
Paul Luzi and Keith Elliot	-	71,729
Sterling First Group Pty Ltd	33,390	61,667
Sterling Corporate Services Pty Ltd	16,519	5,807
Rental Management Developments Pty Ltd	185,233	193,915
Rental Management Australia Pty Ltd	3,711	5,479
	238,853	338,597
Total Receivables	243,328	387,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	30 June 2015 $	30 June 2014 $
6. Other Assets		
Prepayments	22,062	-

7. Financial Assets		
Opening balance at beginning of period	9,847,906	7,345,051
Additions	1,549,465	4,228,656
Loss on rental management agreement rights	(1,531,470)	(1,725,801)
Closing balance at end of period	9,865,901	9,847,906

8. Redeemable Preference Shares

The Sterling First Group Pty Limited ("SFG") unsecured redeemable preference shares were issued on the 2 May 2013 in consideration for the assignment of a $4 million deposit held by the RMA Holding Trust ("RMAHT") paid to Run Corp Limited ("RUN"). RMAHT has assigned this deposit to SFG on 22 July 2013.

On 30 June 2015, 2,800,878 preference shares were redeemed. The consideration paid for these shares was the redemption of 2,800,878 units in the Trust. There was no profit or loss on the redemption of the units.

The key terms of the shares are as follows:

Coupon rate	9.25% pa – paid out of profits – if profit insufficient, the dividend will be accumulated and paid in future periods – no dividend to ordinary shareholders until all arrears paid
Term	Max 10 years
Reset date	30 April 2016
Redemption	Can elect to redeem at reset date
Conversion	If converted to ordinary shares – converts at 90% of the share's price at that time.
Dividends	Paid quarterly – 31 January, 30 April, 31 July and 31 October each year.

	30 June 2015 $	30 June 2014 $
Opening balance at beginning of year	4,000,000	4,000,000
Redemption during the year	(2,800,877)	-
Closing balance at end of year	1,199,123	4,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Loans receivable

		30 June 2015	30 June 2014
		$	$
RPIT Residential Development Trust No.3	(a)	19,405	-
RPIT Residential Development Trust No.5	(b)	19,253	-
		38,658	-

(a) The loan is secured, bears interest at 14% and is repayable on demand but is not expected to be repaid within 12 months.

(b) The loan is secured, bears interest at 22% and is repayable on demand but is not expected to be repaid within 12 months.

10. Payables

	30 June 2015	30 June 2014
	$	$
Payable to third parties:		
Trade Creditors	16,393	109,746
GST Payable	28,066	-
Accrued Expenses	98,020	44,019
Sundry creditors	58,000	299,099
	200,479	452,864
Payable to related parties:		
Sterling Corporate Services Pty Ltd	10,697	-
Rental Management Australia Pty Ltd	29,399	-
Rental Management Australia (Qld) Pty Ltd	1,287	-
Total Payables	**241,862**	**452,864**

11. Borrowings

Current borrowings		
Bankwest Loan	-	1,759,295
	-	1,759,295
Non-current borrowings		
Macquarie Bank	2,501,456	-
	2,501,456	-
Total borrowings	**2,501,456**	**1,759,295**

In December 2014 the directors of RMAPL (as trustee for RMAHT) sourced an alternative source of debt funding to replace the Bankwest facility. On 17 December 2014 the trust settled on a new facility with Macquarie Bank. The facility has a facility limit on $2,750,000 and is for a period of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Distributions paid and payable

Consolidated	30 June 2015		30 June 2014	
	$	Cents/Unit	$	Cents/Unit
September distribution paid	323,158	2.33	270,652	1.95
December distribution paid	323,158	2.33	309,472	2.23
March distribution paid	315,977	2.28	306,106	2.21
Final distribution payable	319,977	2.31	314,030	2.26
	1,282,270	9.25	1,200,260	8.65

Parent	30 June 2015		30 June 2014	
	$	Cents/Unit	$	Cents/Unit
September distribution paid	323,158	2.33	270,652	1.95
December distribution paid	323,158	2.33	309,472	2.23
March distribution paid	315,977	2.28	306,106	2.21
Final distribution payable	319,977	2.31	314,030	2.26
	1,282,270	9.25	1,200,260	8.65

Reconciliation of profit for the year to tax/period deferred and income distributable payable to unitholders is as follows:

	30 June 2015	30 June 2014
	$	$
Profit attributable to parent for the year	524,612	242,633
Establishment expenses	-	130,740
Loss on rental management agreement rights	1,531,470	1,725,801
Income rights replacement subsidy	(857,595)	(775,267)
Other	83,783	(123,647)
Distributable income	1,282,270	1,200,260

13. Unitholders' Funds

The Trust has authorised units on issue 11,134,644 units at $1 each amounting to $11,134,644.

30 June 2015	Income Units No.	First Mortgage Units No.	Development Units No.	Blended Units No.	Total No.
Opening balance	13,860,522	-	-	-	13,860,522
Units issued	-	-	-	75,000	75,000
Units redeemed	(2,800,878)	-	-	-	(2,800,878)
Closing balance	**11,059,644**	**-**	**-**	**75,000**	**11,134,644**

30 June 2014	Income Units No.	First Mortgage Units No.	Development Units No.	Blended Units No.	Total No.
Opening balance	10,880,076	-	-	-	10,880,076
Units issued	2,980,446	-	-	-	2,980,446
Units redeemed	-	-	-	-	-
Closing balance	**13,860,522**	**-**	**-**	**-**	**13,860,522**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Unitholders' Funds (continued)

Income Units
Income Units invest in the RMA Holding Trust which purchases rights to receive income over Rental Management Agreements, and holds equity security over the purchased Rental Management Income Rights.

First Mortgage Trust Units
First Mortgage Trust Units invest in the First Mortgage Trust, which provides secured first ranking mortgage loans secured over residential property to a maximum loan to cost ratio of 75%.

Development Units
Development Units invest in the Property Development Trust, which provides secured first or subordinate ranking mortgage loans secured over residential property to a maximum loan to cost ratio of 100%.

Blended Units
Blended Units invest in RMA Holding Trust (25%), First Mortgage Trust (25%), Property Development Trust (25%) and Management Company Share Trust (25%).

14. Controlled Entities

		Percentage Owned (%)	
		30 June 2015	30 June 2014
Subsidiary of Rental Management	**Country of Establishment**	**%**	**%**
RMA Holding Trust	Australia	100	100
First Mortgage Trust	Australia	100	-
Property Development Trust	Australia	100	-
Management Company Share Trust	Australia	100	-

Acquisitions of Controlled Entities
The following entities were acquired during the year:

	Acquisition Date	%	Purchase $
First Mortgage Trust	13 May 2015	100	1
Property Development Trust	13 May 2015	100	1
Management Company Share Trust	13 May 2015	100	1

Disposals of Controlled Entities
There have been no disposals of controlled entities during the period.

15. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide unitholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include issued units and financial liabilities, supported by financial assets and intangible assets.

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Capital Management (continued)

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to unitholders and acquisitions and disposals of financial assets.

There have been no changes in the strategy by management to manage the capital of the Group since the establishment of the Trust. The strategy is to ensure that the Group's gearing ratio remains between 0% and 40%. The gearing ratio for the year ended 30 June 2015 and 30 June 2014 are as follows:

	30 June 2015	30 June 2014
	$	$
Total borrowings	2,501,456	1,759,295
Payables	241,862	452,864
Distributions payable	319,977	314,030
Less: cash and cash equivalents	(285,584)	(365,819)
Net debt	2,777,711	2,160,370
Total equity	8,591,361	12,074,897
Total capital	11,369,072	14,235,267
Gearing ratio	**24%**	**15%**

16. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, receivables, financial assets, payables and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		30 June 2015	30 June 2014
		$	$
Financial assets	**Notes**		
Cash and cash equivalents	**4**	285,584	365,819
Receivables	**5**	243,328	387,361
Other assets	**6**	22,062	-
Financial assets	**7**	9,865,901	9,847,906
Loans receivable	**9**	38,658	-
Redeemable preference shares	**8**	1,199,123	4,000,000
Total financial assets		**11,654,656**	**14,601,086**
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables	**10**	241,862	452,864
Borrowings	**11**	2,501,456	1,759,295
Distributions payable	**12**	319,977	314,030
Total financial liabilities		**3,063,295**	**2,526,189**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Financial risk management (continued)

Financial Risk Management Policies

Given the investment nature of the Group's operations, the directors of the Responsible Entity do not consider that the Trust is exposed to any significant financial risks. Notwithstanding this, the Responsible Entity monitors the Trust's financial position and liquidity on a monthly basis.

The main risks that the Group is exposed to are credit risk, liquidity risk and market risk relating to interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Responsible Entity's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Trust's investment in the redeemable preference shares is monitored on an ongoing basis in accordance with the terms of the redeemable preference shares.

At the reporting date of the Trust, there were no significant concentrations of credit risk. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

	Ratings	30 June 2015 $	30 June 2014 $
Cash and cash equivalents	AA	285,584	365,819
Receivables	n/a	243,328	387,361
Other assets	n/a	22,062	-
Loans receivable	n/a	38,658	-

The aging of the Trust's Receivables at the reporting date was:

	30 June 2015		30 June 2014	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Not past due	221,128	-	387,361	-
Past due 0-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due 91-120 days	22,200	-	-	-
Past due 120 days and over	-	-	-	-
	243,328	-	387,361	-

The Group believes that no specific impairment allowance is necessary in respect of receivables not past due or past due.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Financial risk management (continued)

b. Liquidity risk (continued)

In ordinary circumstances the Group expects to have sufficient liquidity to pay distributions as and when they are due. The Group also believes that there will be a market for the assets for which the Group holds security and that they could be sold if additional liquidity will be required.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The Group does not directly hold any derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timings of cash flows presented in the tables to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

30 June 2015

Consolidated Group	Within 1 Year $	1 to 5 Years $	Over 5 Years $	Total $
Financial liabilities - due for payment				
Payables	241,862	-	-	241,862
Borrowings	-	2,501,456	-	2,501,456
Distributions payable	319,977	-	-	319,977
Total contractual outflows	561,839	2,501,456	-	3,063,295
Financial assets - cash flows realisable				
Cash and cash equivalents	285,584	-	-	285,584
Receivables	243,328	-	-	243,328
Financial assets	-	-	9,865,901	9,865,901
Loans receivable	-	38,658	-	38,658
Redeemable preference shares	1,199,123	-	-	1,199,123
Total contractual outflows	1,728,035	38,658	9,865,901	11,632,594

30 June 2014

	Within 1 Year $	1 to 5 Years $	Over 5 Years $	Total $
Financial liabilities - due for payment				
Payables	452,864	-	-	452,864
Borrowings	1,759,295	-	-	1,759,295
Distributions payable	314,030	-	-	314,030
Total contractual outflows	2,526,189	-	-	2,526,189
Financial assets - cash flows realisable				
Cash and cash equivalents	365,819	-	-	365,819
Receivables	387,361	-	-	387,361
Financial assets	-	-	9,847,906	9,847,906
Redeemable preference shares	4,000,000	-	-	4,000,000
Total contractual outflows	4,753,180	-	9,847,906	14,601,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Financial risk management (continued)

b. Liquidity risk (continued)

Financial assets pledged as collateral

Rental Management Agreements ("RMAs") have been pledged as security for the Macquarie Bank loan (previously Bankwest loan).

The Responsible Entity considers that the Group will be able to meet payment obligations through management fees from the RMAs and cash generated from operations.

c. Market risk

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate debt. The financial instruments that expose the Group to interest rate risk are limited to borrowings, listed shares, and cash and cash equivalents.

The Responsible Entity monitors interest rate levels and forecasts and will act to fix interest rates if the outlook is for higher rates.

The Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The Group's investments are held in the following sectors at the end of the reporting period:

	30 June 2015	**30 June 2014**
	$	**$**
Unlisted Shareholding (Redeemable Preference Shares - Investment)	1,199,123	4,000,000
Borrowings	(2,501,456)	(1,759,295)
Net exposure to interest rate risk	(1,302,333)	2,240,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Financial risk management (continued)

c. Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
Year ended 30 June 2015	**$**	**$**
+ 2% in interest rates	(50,029)	(50,029)
- 2% in interest rates	50,029	50,029
Year ended 30 June 2014		
+ 2% in interest rates	(35,186)	(35,186)
- 2% in interest rates	35,186	35,186

The interest rate sensitivity analysis has been changed from 5% to 2%, as 2% is believed to reflect potential movements in the current economic environment.

17. Related parties

Entities controlled by the Group

Sterling Income Trust is the parent entity, which exercises control over the following entities:

RMA Holding Trust ("RMAHT")
First Mortgage Trust ("FMT")
Property Development Trust ("PDT")
Management Company Share Trust ("MCST)

The Responsible Entity during the financial period

The Responsible Entity of the Group is Theta Asset Management Limited, which has been the Responsible Entity since 19 June 2012.

Key management personnel

The Group does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Group. The directors of the Responsible Entity are key management personnel of that entity and their names are:

Name	Appointed
Robert Marie (Executive)	19 June 2012
Peter Thomas (Non-executive)	19 June 2012
Kirsten Marie (Non-executive)	19 June 2012
Michael Fenech (Non-executive)	1 July 2015

Remuneration of Directors of the Responsible Entity

The Directors are not provided with any remuneration by the Group itself, and there are no agreements in place between the Directors and the Group to this effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Related parties (continued)

Investment Manager fees and other transactions

Sterling Corporate Services Pty Ltd ("SCS"), formerly Acquest Corporate Services Pty Ltd, has been appointed the investment manager of the Group by the Responsible Entity.

	30 June 2015	30 June 2014
	$	$
Amounts included in receivables from Investment Manager	16,519	5,807
Amounts included in payables to Investment Manager	10,697	-
Management and cost recoveries	141,232	285,738

Responsible Entity fees and other transactions

Set out below are the fees paid or payable by the Group to the Responsible Entity during the period:

	30 June 2015	30 June 2014
	$	$
Fees payable to Responsible Entity as at reporting date (included in payables)	25,000	66,740

The Group has no investment in the Responsible Entity or its associates.

Related Party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time the Responsible Entity or its director-related entities may invest in or withdraw from the Group. These investments or withdrawals are on the same terms and conditions as those entered into by other Group investors and are trivial and domestic in nature.

Related Party Investments		30 June 2015	30 June 2014
Sterling First Group (Pty) Ltd (SFG) has issued Redeemable Preference Shares to RMAHT as follows:		$	$
Related party	**Manner related to Group**		
Investment in Sterling First Group (Pty) Ltd (SFG) by SIT	Significant unitholder	1,199,123	4,000,000

Related Party Receivables			
Related party	**Manner related to Group**		
Rental Management Australia Pty Ltd (RMAPL)	Trustee of RMAHT	3,711	5,479
RMA Developments Pty Ltd	Parent held significant unitholding	185,233	193,915
Sterling First Group (Pty) Ltd	Significant unitholder	33,390	61,667

Related Party Loan			
Related party	**Manner related to Group**		
Sterling Seniors Property Trust	Common investment manager	-	-
- RPIT Development Trust No.3		19,405	-
- RPIT Development Trust No.5		19,253	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Related parties (continued)

Related Party Investors

Units held by related parties:		30 June 2015	30 June 2014
Related party	**Manner related to Group**	**$**	**$**
Acquest Capital (Pty) Ltd	Parent of RMAPL	26,277	24,000
Sterling First Group (Pty) Ltd	Significant unitholder	-	2,701,837
Gail Pavlovic or close family	Director of SCS	25,000	36,000
Ryan Jones or close family	Director of RMAPL	6,000	6,000
Kenneth Pratt or close family	Director of SFG	24,000	60,000
Phil Lucks or close family	Director of SFG	30,000	30,000
Paul Luzi or close family	Director of RMAPL	296,509	296,509
Neville East or close family	Director of Rental Management Australia (Qld) Pty Ltd	859,010	616,261

Distribution paid to related parties during the year:		30 June 2015	30 June 2014
Related party	**Manner related to Group**	**$**	**$**
Acquest Capital (Pty) Ltd	Parent of RMAPL	11,497	41,489
Sterling First Group (Pty) Ltd	Significant unitholder until 30 June	243,617	83,788
Gail Pavlovic or close family	Director of SCS	2,566	3,595
Ryan Jones or close family	Director of RMAPL	509	599
Kenneth Pratt or close family	Director of SFG	3,050	5,192
Phil Lucks or close family	Director of SFG	2,775	2,995
Paul Luzi or close family	Director of RMAPL	24,089	13,983
Neville East or close family	Director of Rental Management Australia (Qld) Pty Ltd	79,458	59,744

Distribution payable to related parties at year end:		30 June 2015	30 June 2014
Related party	**Manner related to Group**	**$**	**$**
Acquest Capital (Pty) Ltd	Parent of RMAPL	606	9,778
Sterling First Group (Pty) Ltd	Significant unitholder until 30 June	64,593	42,666
Gail Pavlovic or close family	Director of SCS	530	830
Ryan Jones or close family	Director of RMAPL	138	138
Kenneth Pratt or close family	Director of SFG	553	1,384
Phil Lucks or close family	Director of SFG	692	692
Paul Luzi or close family	Director of RMAPL	6,838	6,006
Neville East or close family	Director of Rental Management Australia (Qld) Pty Ltd	19,810	13,514

Related Party Expenses

These fees are in accordance with a contract with RMAPL to manage the rental properties that the Trust has Income Rights over.

		30 June 2015	30 June 2014
Related party	**Manner related to Group**	**$**	**$**
Rental Management Australia (Pty) Ltd	Trustee of RMAHT	1,512,175	1,517,383
Westbold Investments Pty Ltd	Subsidiary of RMAPL	122,168	-
Rental Management Australia (Qld) (Pty) Ltd	Subsidiary of RMAPL	68,827	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Related parties (continued)

Related Party Income

These fees are in accordance with a contract with RMA Developments (Pty) Ltd to subsidise the loss of Income Rights.

Related party	Manner related to Group	30 June 2015 $	30 June 2014 $
RMA Developments (Pty) Ltd	Parent held significant unitholding	857,595	775,267

Purchase of Income Rights from Related Party

RMAPL has a contract to supply Income Rights to the Trust. Income Rights supplied during the year amounted to:

Related party	Manner related to Group	30 June 2015 $	30 June 2014 $
Rental Management Australia (Pty) Ltd	Trustee of RMAHT	1,549,645	1,336,167

18. Segment reporting

The main business segment of Sterling Income Trust is to invest in property related assets. The Group operates in Western Australia. The segment results and balances are consistent with the results and balances presented in the audited consolidated statement of profit and loss and other comprehensive income and the audited consolidated statement of financial position consider the requirements of *AASB 8 Operating Segments.*

19. Comparative Figures

Prior year comparative figures may have been reclassified in the current year.

20. Contingencies

There are no contingent liabilities or contingent assets as at 30 June 2015 (30 June 2014: nil).

21. Capital and leasing commitments

There are no capital or leasing commitments as at 30 June 2015 (30 June 2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Trust, the result of those operations or the state of affairs of the Trust in subsequent financial years.

23. Fair value measurements

The Group has no assets or liabilities that are measured and recognised at fair value on a recurring or non-recurring basis after initial recognition at 30 June 2015.

24. Trust details

Sterling Income Trust registered and domiciled in Australia, is a registered managed investment scheme.

Registered Office of Responsible Entity
The address of the registered office for the Responsible Entity is: Level 13, 210 George Street, Sydney, NSW 2000.

25. Parent entity information

In accordance with the Corporations Amendment (Corporate Reporting Reform) Act 2010 and the *Corporations Act 2001* , the following summarised parent entity information is set out below.

Information relating to Sterling Income Trust:	**30 June 2015**	**30 June 2014**
	$	**$**
Revenue	1,616,605	1,296,841
Expenses	(359,441)	(343,400)
Profit for the period	1,257,164	953,441
Other comprehensive loss	(731,147)	(710,807)
Total comprehensive income for the period	526,017	242,634
Current assets	81,020	9,967
Non-current assets	9,010,129	12,467,154
Total assets	9,091,149	12,477,121
Current liabilities	498,377	402,224
Total liabilities	498,377	402,224
Net assets	8,592,772	12,074,897
Units issued	11,134,644	13,860,522
Accumulated profit	2,230,615	973,443
Distributions	(2,647,968)	(1,365,696)
Asset Revaluation Reserve	(2,124,519)	(1,393,372)
Total equity	8,592,772	12,074,897

DIRECTORS' DECLARATION

In the opinion of the Directors of Theta Asset Management Limited, the Responsible Entity of Sterling Income Trust (the "Trust"):

a. the consolidated financial statements and notes, as set out on pages 8 to 31, are in accordance with the *Corporations Act 2001* including:

   i. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated financial position as at 30 June 2015 and its performance as represented by the results of its operations and its cash flows for the period ended on that date.

b. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

c. Note 2 confirms that the consolidated financial statement comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors of the Responsible Entity:

Robert Marie
Director of Theta Asset Management Limited

Dated at Sydney this 2nd day of October 2015

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Independent Auditor's Report
To the unitholders of Sterling Income Trust

Report on the Financial Report

We have audited the accompanying financial report of Sterling Income Trust and its Controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Theta Asset Management Limited, the Responsible Entity of Sterling Income Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we have complied with the applicable independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

a) the financial report of Sterling Income Trust and its Controlled entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Chris Chandran
Partner

Dated in Sydney, this 2nd day of October 2015