ASIC FOI 243 - 2023

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**

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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

Sterling Income Trust and its controlled entities
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

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[redacted]

Directors' Report Continued

The Responsible Entity (continued)

Name and appointment	Experience, qualifications and special responsibilities

S 47F [redacted]

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%).

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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:

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Dated at Sydney this 2nd day of October 2015

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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

s 47F

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.

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.

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

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.

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:		
s 47F [redacted]	-	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		
s 47G (1)(a)	-	1,759,295
	-	1,759,295
Non-current borrowings		
s 47G (1)(a)	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 s 47G (1)(a) On 17 December 2014 the trust settled on a new facility with s 47G (1)(a) 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 s 47G (1)(a) loan (previously s 47G (1)(a)

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
s 47F [redacted]	

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:

Related party	Manner related to Group	30 June 2015 $	30 June 2014 $
Acquest Capital (Pty) Ltd	Parent of RMAPL	26,277	24,000
Sterling First Group (Pty) Ltd	Significant unitholder	-	2,701,837
[redacted]		25,000	36,000
		6,000	6,000
		24,000	60,000
		30,000	30,000
		296,509	296,509
		859,010	616,261

Distribution paid to related parties during the year:

Related party	Manner related to Group	30 June 2015 $	30 June 2014 $
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
[redacted]		2,566	3,595
		509	599
		3,050	5,192
		2,775	2,995
		24,089	13,983
		79,458	59,744

Distribution payable to related parties at year end:

Related party	Manner related to Group	30 June 2015 $	30 June 2014 $
Acquest Capital (Pty) Ltd	Parent of RMAPL	606	9,778
Sterling First Group (Pty) Ltd	Significant unitholder until 30 June	64,593	42,666
[redacted]		530	830
		138	138
		553	1,384
		692	692
		6,838	6,006
		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.

Related party	Manner related to Group	30 June 2015 $	30 June 2014 $
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:

s 47F [redacted]

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

S 47F

Dated in Sydney, this 2nd day of October 2015