



Stockland Direct Retail Trust No. 1

and its controlled entities

ARSN: 121 832 086 Annual Financial Report 30 June 2008

one company, diversified portfolio

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Diversity by asset class and geography underpins our continued performance. Our capability is strengthened by being one diversified company with the strength of one platform.

About us

Stockland (ASX:SGP) is one of the largest and most diversified property groups in Australia with interests in retail, commercial, industrial, residential and retirement living investment and development, and funds management. Stockland currently has total assets in Australia and the United Kingdom of \$14.7 billion, market capitalisation of \$8 billion, and reported an operating profit of \$674 million for the year ended 30 June 2008. Additional information can be found on our website www.stockland.com.au

Our vision is to create a world class property group. We see that our purpose is to deliver enduring value for our stakeholders through innovative, customer focussed property solutions.

directors' report

for the year ended 30 June 2008

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity of Stockland Direct Retail Trust No. 1 ("the Trust"), present their report together with the Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust and its controlled entities ("the consolidated entity") for the year ended 30 June 2008, the state of the consolidated entity's affairs as at 30 June 2008 and the Independent Auditor's Report.

Stockland Funds Management Limited ("SFML") was appointed as Responsible Entity at the date the Trust commenced on 26 April 2006. On 4 October 2006, the Trust was registered as a managed investment scheme with ASIC and SFML was appointed as the Responsible Entity. SFML changed its name to Stockland Capital Partners Limited on 21 December 2007.

DIRECTORS

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

Peter Scott

Chairman (Non-Executive)

Appointed 22 November 2005

Mr Scott is a Director of Stockland Corporation Limited ("Stockland"), the Chairman of Sinclair Knight Merz Holdings Limited and was appointed a Director of Perpetual Limited on 31 July 2005. Mr Scott is also a Director of Pilotlight, a non-profit making organisation, O'Connell Street Associates Pty Limited and is on the Advisory Board of Jones Lang LaSalle Australia. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas. Mr Scott was appointed as a Director and was elected Chairman of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, on 22 November 2005 and is a member of Stockland's Human Resources Committee.

Lyn Gearing

(Non-Executive)

Appointed 22 November 2005,
retired 30 June 2008

Ms Gearing is currently a Director of Stockland, Hancock Natural Resources Group Australasia Pty Limited, IMB Limited, Queensland Investment Corporation and the Garvan Research Foundation. Ms Gearing was Chief Executive of NSW State Super from 1997 to 2002, and has extensive business experience in superannuation, funds management, corporate finance and management consulting. She is a member of Stockland's Audit and Risk Committee and was a member of Stockland Capital Partners Ltd Audit and Risk Committee until 30 September 2007. She was also a Director of Stockland Capital Partners Limited, the Responsible Entity of Stockland's unlisted funds, until 30 June 2008. Ms Gearing was appointed Chair of the Stockland and Stockland Capital Partners Financial Services Compliance Committees on 1 July 2006.

David Kent

(Non-Executive)

Appointed 9 August 2004

Mr Kent is currently Executive Chairman of Everest Babcock and Brown Limited and a Director of the Australian chapter of the Alternative Investment Management Association ("AIMA"). He was previously Executive General Manager of Axiss Australia and served as a member of the Financial Sector Advisory Council. Mr Kent is a past Senior Trade and Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent formerly worked for Morgan Stanley in Sydney, Melbourne and New York where he became Managing Director and Head of Investment Banking. Mr Kent has previously served as Deputy Chairman of the Art Gallery of NSW Foundation, Chairman of the Brett Whiteley Foundation and is currently on the S.H. Ervin Gallery Committee. He is a member of the Stockland Residential Estates Equity Fund No. 1 ("SREEF No.1") Investment Committee.

Anthony Sherlock

(Non-Executive)

Appointed 9 August 2004

Mr Sherlock is a former senior partner of Coopers and Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a non-executive Director of Sydney Attractions Group Limited, IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining Limited. He is a consultant to the Chairman of the Audit Committee of Commander Communications Limited. Mr Sherlock is the former Chairman of The Woolmark Company Pty Limited and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Audit and Risk Committee, the Stockland Trust Management Limited and Stockland Capital Partners Financial Services Compliance Committees and the SREEF No.1 Investment Committee.

Terry Williamson

(Non-Executive)

Appointed 2 July 2004,
retired 23 October 2007

Mr Williamson is a Director of Stockland, Avant Insurance Limited, ING Australia Limited and a member of the University of Sydney Faculty of Economics and Business Studies Advisory Board. Mr Williamson was previously Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of Price Waterhouse for 17 years. He retired as Director of Stockland Capital Partners Limited and was replaced by Mr Barry Neil on 23 October 2007. He was also a member of both the Stockland Trust Management Limited and Stockland Capital Partners Limited Compliance Committees until he retired

directors' report

for the year ended 30 June 2008

DIRECTORS (CONTINUED)

Terry Williamson (continued)

on 23 October 2007. Mr Williamson is Chair of the Stockland and Stockland Capital Partners Audit and Risk Committees.

Barry Neil

(Non-Executive)

Appointed 23 October 2007, retired 30 June 2008

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty five years experience in property, both in Australia and overseas. He is a Director of Stockland, Dymocks Book Arcade Pty Limited and was, until recently, Director of Property for Woolworths Limited. He previously served as Chief Executive Officer, Investment Division (1999 to 2004), Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil was a Director of Stockland Capital Partners Ltd, the responsible entity of Stockland's unlisted funds, from November 2007 until 30 June 2008.

Matthew Quinn

Managing Director – Stockland – (Executive)

Appointed 19 October 2000

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005, and is a Fellow of the Australian Property Institute and Royal Institute of Chartered Surveyors. He was appointed Chariman of Australian Business and Community Network Limited in November, 2007. Mr Quinn is a member of Stockland's Corporate Responsibility and Sustainability Committee and a Director of Stockland Capital Partners Ltd, the Responsible Entity for Stockland's unlisted funds.

Hugh Thorburn

Finance Director – Stockland – (Executive)

Appointed 25 October 2007

Mr Thorburn was appointed to the Board on 25 October 2007 as an alternate Director for Mr Quinn. Mr Thorburn is a Chartered Accountant and has held a number of senior financial and general management roles in Australian companies. Mr Thorburn is a Director of Stockland and a member of Stockland's Treasury Policy Committee.

STOCKLAND CAPITAL PARTNERS LIMITED FINANCIAL SERVICES COMPLIANCE COMMITTEE

A Financial Services Compliance Committee has been set up to oversee the Compliance Plan approved by the Responsible Entity for the Trust.

The role of the Committee includes evaluation of the effectiveness of the Trust's Compliance Plans designed to protect the interests of Unitholders. The Compliance Plan has been approved by the Australian Securities and Investments Commission ("ASIC"). The Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

The members of the Committee during or since the end of the financial year were:

Ms L Gearing (Chair) – Non-Executive Director

Mr A Sherlock – Non-Executive Director

Mr P Hepburn – Executive Member

On 23 October 2007 Mr T Williamson resigned as a member of this committee and was replaced by Mr P Hepburn.

STOCKLAND CAPITAL PARTNERS LIMITED AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in fulfilling its governance and disclosure responsibilities in relation to financial reporting, internal controls, risk management systems and internal and external audits.

The primary objective of the Committee is to assist the Board of SCPL in discharging its responsibilities for:

- financial reporting and audit practices;
- accounting policies;
- the management of risk; and
- the adequacy and effectiveness of internal controls.

The Committee meets at least quarterly and its meetings are attended by management and internal and external audit and other parties as relevant. The Committee may meet privately with the external auditors in the absence of management at least once a year. The Committee has the power to conduct or authorise investigations into, or consult independent specialists on, any matters within the Committee's scope of responsibility. The Committee has a written terms of reference which incorporates best practice. Its members must be independent of management and at least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

directors' report

for the year ended 30 June 2008

STOCKLAND CAPITAL PARTNERS LIMITED AUDIT AND RISK COMMITTEE (CONTINUED)

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) –
Non-Executive Director

Mr A Sherlock –
Non-Executive Director

Ms L Gearing –
Non-Executive Director,
retired 30 September 2007

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is the investment in a portfolio of neighbourhood shopping centres located in New South Wales, Western Australia and Queensland.

REVIEW OF OPERATIONS

The consolidated entity achieved a profit from operating activities of \$3,712,000 for the financial year ended 30 June 2008 (30 June 2007: \$3,725,000).

Distributions paid or declared by the consolidated entity to Unitholders during the financial year are set out in Note 17 of the Financial Statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the matters discussed in the review of operations, there have been no significant changes in the state of the affairs of the consolidated entity during the year.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

There have been no events subsequent to the balance date which would have a material effect on the consolidated entity's Financial Statements at 30 June 2008.

LIKELY DEVELOPMENTS

The consolidated entity will continue to review investment management strategies with a view to optimising both the income and capital return over the investment term.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation.

The Responsible Entity believes that the consolidated entity has adequate systems in place for the management of its environmental responsibilities and is not aware of any breach of environmental requirements as they may apply to the consolidated entity.

RELATED PARTIES

Stockland Trust Management Limited as a Responsible Entity of Stockland Trust, a related party of the Responsible Entity, holds 150,000 units in the Trust as at 30 June 2008 (2007: Nil).

INTERESTS OF THE RESPONSIBLE ENTITY

The Responsible Entity has not held any units in the consolidated entity either directly or indirectly during the financial year.

RESPONSIBLE ENTITY'S REMUNERATION

The Responsible Entity charged a responsible entity fee of 0.45% p.a. of the gross assets of the consolidated entity, calculated monthly. The Responsible Entity may defer a portion of annual fees each year. The Responsible Entity is entitled to recover all fees deferred either from consolidated entity earnings or on a winding up of the consolidated entity. The Responsible Entity charges are set out in Note 20 of the Financial Report.

DIRECTORS' INTERESTS

The relevant interest of each Director of the Responsible Entity holding units in the consolidated entity at the date of this report is as follows:

DIRECTOR	NUMBER OF UNITS HELD
Mr David Kent	110,000
Mr Matthew Quinn	10,000
Mr Peter Scott	20,000

INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Under the Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the consolidated entity'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 consolidated entity.

The consolidated entity has not indemnified or made a relevant agreement for indemnifying against a liability in respect of any person who is the auditor of the consolidated entity.

Insurance premiums

The Responsible Entity has paid insurance premiums in respect of Directors' and officers' liability insurance contracts for the Directors. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and officers of the Responsible Entity.

In addition, the Responsible Entity has paid insurance premiums for professional indemnity insurance policies to cover certain risks for the Directors.

Details of the nature and the amount of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the insurance contracts.

directors' report

for the year ended 30 June 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The external auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the year ended 30 June 2008.

Rounding

The consolidated entity is an entity of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Matthew Quinn

Director

Dated at Sydney, 21 August 2008

lead auditor's independence declaration

under Section 307C of the Corporations Act 2001



To: The Directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Direct Retail Trust No. 1 and its controlled entities.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'KPMG' written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to be 'S. Fleming' written in a cursive style.

Scott Fleming
Partner

Dated at Sydney 21, August 2008

income statements

For the year ended 30 June 2008

	CONOLIDATED 2008 NOTES	CONOLIDATED 2007 ¹ \$'000	TRUST 2008 \$'000	TRUST 2007 ¹ \$'000
Revenue and other income				
Rent from investment properties	7,021	3,203	811	783
Net gain from fair value adjustment of investment properties	2,989	3,304	27	1,302
Interest income	153	186	153	186
Unrealised gain on financial instruments ²	–	103	–	103
Distributions received	–	–	4,441	1,415
Total revenue and other income	10,163	6,796	5,432	3,789
Investment property expenses	(2,180)	(1,002)	(115)	(145)
Finance cost relating to interest-bearing liabilities at amortised cost	(2,917)	(1,102)	(2,917)	(1,102)
Unwinding of discount on deferred consideration	14 (517)	(567)	(517)	(567)
Unrealised loss on financial instruments ²	(103)	–	(103)	–
Auditors' remuneration	4 (129)	(136)	(129)	(136)
Responsible Entity fees	20 (424)	(201)	(424)	(201)
Other expenses	(181)	(63)	(34)	(29)
Total expenses	(6,451)	(3,071)	(4,239)	(2,180)
Profit from operating activities	3,712	3,725	1,193	1,609

¹ For the period 26 April 2006 to 30 June 2007.

² In the prior year, the delay in practical completion of the Fremantle property caused the timing of the draw downs of the loan facility to be different to the notional loan drawdown under the interest rate swap agreement. This resulted in ineffectiveness of the cash flow hedge of \$103,000 being recognised in the Income Statement in the prior year. The Fremantle property was completed on 13 June 2008 and as at 30 June 2008, the interest rate swap hedge has been determined to be 100% effective. Accordingly, 100% of the unrealised gain has been recognised directly in Unitholders' funds.

The above Income Statements should be read in conjunction with the accompanying notes.

balance sheets

As at 30 June 2008

	NOTES	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Current assets					
Cash and cash equivalents	5	4,686	7,631	4,686	7,631
Trade and other receivables	6	127	86	-	38
Loans to related entities	20	-	-	67,763	61,031
Other assets	7	1,159	768	58	322
Total current assets		5,972	8,485	72,507	69,022
Non-current assets					
Investment properties	8	90,422	65,682	-	20,527
Property, plant and equipment	9	-	18,080	-	-
Units in controlled entities	10	-	-	17,500	-
Trade and other receivables	11	386	213	-	186
Other assets	12	3,160	1,139	3,146	1,117
Total non-current assets		93,968	85,114	20,646	21,830
Total assets		99,940	93,599	93,153	90,852
Current liabilities					
Trade and other payables	13	2,611	1,095	459	464
Other liabilities	14	778	18,734	778	18,734
Total current liabilities		3,389	19,829	1,237	19,198
Non-current liabilities					
Interest-bearing loans and borrowings	15	55,668	35,767	55,668	35,767
Total non-current liabilities		55,668	35,767	55,668	35,767
Total liabilities		59,057	55,596	56,905	54,965
Net assets		40,883	38,003	36,248	35,887
Unitholders' funds					
Issued capital	16	33,102	34,797	33,102	34,797
Undistributed profit		4,635	2,337	-	221
Reserves		3,146	869	3,146	869
Total Unitholders' funds		40,883	38,003	36,248	35,887

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

statements of changes in equity

For the year ended 30 June 2008

CONSOLIDATED	NOTES	UNITHOLDERS' FUNDS							
		ISSUED CAPITAL		UNDISTRIBUTED PROFIT		RESERVES		TOTAL	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance		34,797	–	2,337	–	869	–	38,003	–
Effective portion of changes in fair value of cash flow hedges net of tax		–	–	–	–	2,277	869	2,277	869
Total non-profit items recognised directly in equity		–	–	–	–	2,277	869	2,277	869
Profit for the year		–	–	3,712	3,725	–	–	3,712	3,725
Total recognised income and expenses for the year		–	–	3,712	3,725	2,277	869	5,989	4,594
Units issued for the year	16	–	35,065	–	–	–	–	–	35,065
Distributions for the year	16, 17	(1,695)	(268)	(1,414)	(1,388)	–	–	(3,109)	(1,656)
Closing balance		33,102	34,797	4,635	2,337	3,146	869	40,883	38,003

TRUST	NOTES	UNITHOLDERS' FUNDS							
		ISSUED CAPITAL		UNDISTRIBUTED PROFIT		RESERVES		TOTAL	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance		34,797	–	221	–	869	–	35,887	–
Effective portion of changes in fair value of cash flow hedges		–	–	–	–	2,277	869	2,277	869
Total non-profit items recognised directly in equity		–	–	–	–	2,277	869	2,277	869
Profit for the year		–	–	1,193	1,609	–	–	1,193	1,609
Total recognised income and expenses for the year		–	–	1,193	1,609	2,277	869	3,470	2,478
Units issued for the year	16	–	35,065	–	–	–	–	–	35,065
Distributions for the year	16, 17	(1,695)	(268)	(1,414)	(1,388)	–	–	(3,109)	(1,656)
Closing balance		33,102	34,797	–	221	3,146	869	36,248	35,887

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

cash flow statements

For the year ended 30 June 2008

	NOTES	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		6,194	3,594	876	1,065
Cash payments in the course of operations		(1,190)	(809)	(747)	(122)
Interest received		153	186	153	186
Interest paid		(2,836)	(1,029)	(2,836)	(1,029)
Net cash in flows from/(utilised in) operating activities	18	2,321	1,942	(2,554)	100
Cash flows from investing activities					
Payment for investment properties		(21,938)	(64,287)	-	(2,828)
Units issued in controlled entities		-	-	(17,500)	-
Net cash utilised in investing activities		(21,938)	(64,287)	(17,500)	(2,828)
Cash flows from financing activities					
Proceeds from external party financing		19,831	36,318	19,831	36,318
Borrowing costs paid		-	(579)	-	(579)
Proceeds from issue of units to Unitholders		-	39,600	-	39,600
Payment of establishment fee		-	(4,535)	-	(4,535)
Distribution paid		(3,159)	(828)	(3,159)	(828)
Loans from/(to) entities		-	-	437	(59,617)
Net cash inflows from financing activities		16,672	69,976	17,109	10,359
Net (decrease)/increase in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		7,631	-	7,631	-
Cash and cash equivalents at the end of the year	5	4,686	7,631	4,686	7,631

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

notes to the consolidated financial statements

For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stockland Direct Retail Trust No. 1 ("the Trust") is a Managed Investment Scheme domiciled in Australia. The consolidated Financial Report of the Trust comprises the Trust and its controlled entities ("the consolidated entity").

The Financial Report as at and for the financial year ended 30 June 2008 was authorised for issue by the Directors of the Responsible Entity on 21 August 2008.

(a) Statement of compliance

The Financial Report is a general purpose Financial Report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The Financial Report also complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

(b) Basis of preparation

The Financial Report is presented in Australian dollars, which is the consolidated entity's functional currency.

The Financial Report has been prepared on the basis of the going concern and historical cost basis except for derivative financial instruments and investment properties which are stated at their fair value.

The Trust is an entity of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of a Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies have been applied consistently throughout the consolidated entity in the preparation of this Financial Report.

The significant policies which have been adopted in the preparation of this Financial Report are set out below.

(c) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Rent from investment properties

Rent from investment properties is recognised in the Income Statement on a straight-line basis over the lease term. Rent not received at balance date is reflected in the Balance Sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

Interest income

Interest income is recognised in the Income Statement as it accrues using the effective interest method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

(d) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(f) Income tax

Under current Australian income tax legislation, the Trust and the consolidated entity are not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to Unitholders each year. Tax allowances for building, plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions.

(g) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with the Responsible Entity's policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

notes to the consolidated financial statements

For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative financial instruments (continued)

Derivative financial instruments are recognised initially at fair value and subsequently are remeasured to fair value. The gain or loss on re-measurement to fair value is recognised in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer Note 1(h).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(h) Hedging

The Responsible Entity formally designates and documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Responsible Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect the Income Statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recognised in the Income Statement in the periods when the hedged item is recognised in the Income Statement. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in equity are transferred into the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in the Income Statement.

(i) Finance costs

Finance costs to external parties
Finance costs to external parties include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Where interest rates are hedged, the finance costs are recognised net of any realised effect of the hedge.

Finance costs to external parties are recognised as an expense in the Income Statement on an accruals basis, and if not paid at balance date are reflected in the Balance Sheet as a liability.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

(k) Impairment of assets

The carrying amounts of the consolidated entity's assets, other than investment properties (refer to Note 1(r)) are reviewed at each balance date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess impairment losses recognised through the Income Statement.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

notes to the consolidated financial statements

For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued) Calculation of recoverable amount (continued)

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(l) Trade and other payables

Trade and other payables are stated at cost.

Distributions to Unitholders

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Directors of the Responsible Entity on or before the end of the financial year, but not distributed at balance date.

(m) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis unless there is an effective fair value hedge of the borrowings, in which case the borrowings are carried at fair value and change in the fair value recognised in the Income Statement.

(n) Provisions

A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, provisions are determined by discounting the expected future cash flows at the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Performance Fee

The performance fee is recognised in the Income Statement on an accrual basis. The performance fee is calculated in accordance with the Constitution based on the value of the consolidated entity's property interest at the current balance date, discounted to reflect the projected life of the consolidated entity and inherent market risks. The performance fee recognised will continue to be remeasured at each reporting date to reflect movements in the consolidated entity's performance during the period. Any revision to the performance fee will be adjusted through the Income Statement in the current financial year.

(o) Basis of consolidation

Controlled entities are entities controlled by the Trust. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated Financial Report from the date that control commences until the date that control ceases.

(p) Investments

Controlled entities

Investments in controlled entities are carried at their cost of acquisition in the Trust's Financial Statements.

(q) Property, plant and equipment

Property under construction or development for future use as investment property (but which does not yet qualify as investment property as it is not completed) is classified as property, plant and equipment and stated at cost until construction or development is complete and the property is able to be leased, at which time it is reclassified as investment property. Property under construction or development for future sale is classified as inventory and stated at the lower of cost or net realisable value. The construction or development of a self-constructed investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are included in the Income Statement in the year of disposal.

notes to the consolidated financial statements

For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, capital appreciation, or both.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the Income Statement in the period.

Where a property is undergoing redevelopment, it is carried at fair value. Where property does not qualify as investment property but is to be redeveloped into investment property it is treated as property, plant and equipment and carried at cost until completion and then transferred to investment property at fair value.

Lease incentives provided by the consolidated entity to lessees, and rental guarantees which may be received by the consolidated entity from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the consolidated entity holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Fair value

When assessing fair value, the Directors of the Responsible Entity will consider the discounted cash flow of the investment property, the highest and best use of the investment property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the investment property and the state of the market for property of the same kind;
- (iii) that the investment property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit to the buyer, additional to market value, that is incidental to ownership of the investment property being valued; and
- (v) that it only takes into account instructions given by the Trust and is based on all the information that the valuer needs for the purposes of the valuation being made available by, or on behalf of the Trust.

In addition, the Responsible Entity is required to ensure that independent valuations are performed at regular intervals appropriate to the nature of the investment property. These valuations are considered by the Directors of the Responsible Entity when determining fair value.

Subsequent costs

The consolidated entity recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included in the Income Statement in the year of disposal.

(s) New accounting standards

Certain new accounting standards have been published that are not mandatory for this reporting period. The consolidated entity's assessment of the impact of these new standards is set out below.

Revised AASB 101 "Presentation of Financial Statements" ("AASB 101") introduces as a financial statement (formerly "primary" statement) the "Statement of Comprehensive Income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the consolidated entity's 30 June 2010 Financial Report. Application of this standard will not affect any of the amounts recognised in the financial statements but may result in changes in terminology used in the Financial Report.

notes to the consolidated financial statements

For the year ended 30 June 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New accounting standards (continued)

Revised AASB 123 "Borrowing Costs" ("AASB 123") removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In accordance with the transitional provisions the revised AASB 123 will apply to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The revised AASB 123 will become mandatory for the consolidated entity's 30 June 2010 Financial Report. This will have no impact on the consolidated entity as it currently has no qualifying assets.

Revised AASB 3 "Business Combinations" ("AASB 3") changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the Income Statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutual entities. The revised standard becomes mandatory for the consolidated entity's Trust's 30 June 2010 Financial Report. The consolidated entity has not yet determined the potential effect of the revised standard on the Financial Report.

Revised AASB 127 "Consolidated and Separate Financial Statements" ("AASB 127") changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in the Income Statement; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the consolidated entity's 30 June 2010 Financial Report. The consolidated entity has not yet determined the potential effect of the revised standard on the Financial Report.

2 ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Responsible Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results exactly. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next twelve months are discussed below.

(a) Key sources of estimation uncertainty Estimates of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar investment properties, leases and other contracts. Where such information is not available, the consolidated entity determines the property's fair value within a range of reasonable fair value estimates. In making its judgement, the consolidated entity considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows; and
- (iv) capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income figure.

Assumptions underlying management's estimates of fair value of investment properties

The discounted cash flow approach applied for investment properties usually includes assumptions in relation to current and recent investment property prices. If such prices are not available, then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

notes to the consolidated financial statements

For the year ended 30 June 2008

2 ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value of investment properties (continued)

The principal assumptions underlying the Responsible Entity's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the consolidated entity and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Estimates of performance fee expense

A performance fee is payable to the Responsible Entity if certain out performance is achieved by the consolidated entity. The fee is calculated on 2.5% of the gross value of the property on the calculation date calculated on a cumulative basis. The consolidated entity has provided for a performance fee of \$nil at 30 June 2008. Refer to Note 20.

The Responsible Entity determines the value of the performance fee to be provided based on the current property valuation and estimates regarding the likely sales proceeds on disposal of the consolidated entity's property.

The best evidence of the likely sales proceeds is the fair value of the property. Current prices in an active market for similar investment properties, leases and other contracts are the best indicator of fair value. Where such information is not available, the consolidated entity determines the property's fair value within a range of reasonable fair value estimates. In making its judgement, the consolidated entity considers information from a variety of sources as described in Note 2 (a) i)– iv) above:

An estimate of the performance fee expense is then made factoring in the current fair value of the Trust's property and expectations regarding future property market volatility.

Assumptions underlying management's estimates of performance fee expense

The performance fee if any is recognised in the Income Statement on an accruals basis. The performance fee is calculated in accordance with the Constitution. This involves the below assumptions.

The discounted cash flow approach applied for determining the fair value of the property usually includes assumptions in relation to current and recent investment property prices. If such prices are not available, then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying the Responsible Entity's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the consolidated entity and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

It is assumed payment of the performance fee will occur in accordance with the Constitution and the projected life of the Trust.

The consolidated entity has then applied an appropriate discount rate to reflect the projected life of the fund.

Fair value of derivatives

The fair value of derivatives is determined using a discounted cash flow analysis based on assumptions supported by observable market rates. The determination of fair value of derivatives is described further in Note 1(g) and Note 19.

3 SEGMENT REPORTING

The Trust and its consolidated entities operate solely in the business of investment management in Australia.

notes to the consolidated financial statements

For the year ended 30 June 2008

4 AUDITORS' REMUNERATION

	CONSOLIDATED 2008 \$	CONSOLIDATED 2007 \$	TRUST 2008 \$	TRUST 2007 \$
Audit services – KPMG Australia				
Audit and review of the Financial Reports	68,000	61,000	68,000	61,000
Other audit services	5,000	21,300	5,000	21,300
Compliance audit services	15,000	10,000	15,000	10,000
	88,000	92,300	88,000	92,300
Other services – KPMG Australia				
Tax compliance services	41,350	44,000	41,350	44,000
	41,350	44,000	41,350	44,000
Total remuneration	129,350	136,300	129,350	136,300

5 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Cash at bank and on hand	4,686	7,631	4,686	7,631

The weighted average interest rate for cash at bank and on hand as at 30 June 2008 was 6.55% (30 June 2007: 5.93%).

6 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Other receivables	127	86	–	38
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7 CURRENT ASSETS – OTHER ASSETS

Rental income support	1,097	481	–	292
Fit-out contributions	4	–	–	–
Other assets	27	287	27	30
Prepayments	31	–	31	–
	1,159	768	58	322

notes to the consolidated financial statements

For the year ended 30 June 2008

8 NON-CURRENT ASSETS – INVESTMENT PROPERTIES

DESCRIPTION	TITLE	ACQUISITION DATE	ORIGINAL PURCHASE PRICE (INCLUDING ACQUISITION COSTS) \$'000	COST INCLUDING ADDITIONS \$'000	INDEPENDENT VALUATION DATE	INDEPENDENT VALUATION (EXCLUDING ACQUISITION COSTS) \$'000	CONSOLIDATED BOOK VALUE 2008 \$'000	CONSOLIDATED BOOK VALUE 2007 \$'000	TRUST BOOK VALUE 2008 \$'000	TRUST BOOK VALUE 2007 \$'000	
Pacific Pines Shopping Centre, Pacific Pines, Qld	Freehold	22 Dec 2006	17,041	17,107	Dec 2007	18,800	18,823	17,200	-	-	
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	22 Dec 2006	26,024	26,318	Dec 2007	31,000	31,100	28,200	-	-	
Tamworth Homespace, Tamworth, NSW ¹	Freehold	22 Dec 2006	19,225	20,314	Jun 2008	19,500	19,500	21,150	-	21,150	
Fremantle, WA ²	Leasehold	22 Dec 2006	6,000	21,318	Jun 2008	22,500	22,500	-	-	-	
Total Investment Properties (including amounts classified in Trade and other receivables and Other assets)							91,923	66,550	-	21,150	
Less amounts classified as:											
– Trade and other receivables							(386)	(213)	-	(186)	
– Other assets							(1,115)	(655)	-	(437)	
Total Investment Properties							90,422	65,682	-	20,527	

¹ On 10 December 2007 the beneficial ownership of the Tamworth property was transferred to the consolidated entity. Refer Note 20.

² On 13 June 2008 the Fremantle property was completed and transferred from property, plant and equipment to investment properties. Refer to Note 9.

notes to the consolidated financial statements

For the year ended 30 June 2008

8 NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Reconciliation – investment properties				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	65,682	–	20,527	–
Acquisitions	–	62,290	–	19,225
Net gain on fair value adjustments of investment properties	2,989	3,304	27	1,302
Transfer from property, plant and equipment	21,318	–	–	–
Transfer to Consolidated Entity ¹	–	–	(20,554)	–
Expiration of rental income support	155	–	–	–
Expenditure capitalised	278	88	–	–
Carrying amount at the end of the financial year	90,422	65,682	–	20,527

¹ On 10 December 2007 the beneficial ownership of the Tamworth property was transferred to the consolidated entity. Refer Note 20.

9 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Cost				
Opening balance	18,080	–	–	–
Expenditure capitalised	3,238	18,080	–	–
Transfer to investment properties	(21,318)	–	–	–
Closing balance	–	18,080	–	–
Carrying Amounts				
Opening balance	18,080	–	–	–
Closing balance	–	18,080	–	–

The prior year balance represented the costs incurred on the Fremantle shopping centre development. During the development phase, the property was required to be accounted for as property, plant and equipment. Upon completion on 13 June 2008, the property was transferred to investment properties. Refer to Note 8.

10 NON-CURRENT ASSETS – UNITS IN CONTROLLED ENTITIES

Units in controlled entities	–	–	17,500	–
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The Trust has five wholly-owned subsidiaries (refer to Note 21) which holds the Pacific Pines, Benowa, Fremantle and Tamworth properties via its \$40 capital holding. During the current year, the Trust converted \$17,500,000 of its loans to these controlled entities for \$17,500,000 in capital in these entities.

notes to the consolidated financial statements

For the year ended 30 June 2008

11 NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Trade debtors – straight-lining of rental income	386	213	–	186

12 NON-CURRENT ASSETS – OTHER ASSETS

Fair value of hedging instrument	3,146	972	3,146	972
Rental income support	–	145	–	145
Fit-out contributions	14	22	–	–
	3,160	1,139	3,146	1,117

13 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	2,464	972	358	386
Interest payable on loan facility	101	66	101	66
Goods and services tax (“GST”) payable	46	57	–	12
	2,611	1,095	459	464

14 CURRENT LIABILITIES – OTHER LIABILITIES

Deferred consideration – Opening	17,906	–	17,906	–
Deferred consideration made during the period	–	17,339	–	17,339
Unwinding of discount on deferred consideration	517	567	517	567
Settlement of deferred consideration	(18,423)	–	(18,423)	–
Deferred consideration – Closing	–	17,906	–	17,906
Distribution payable	778	828	778	828
	778	18,734	778	18,734

15 NON-CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS

Loan facility	56,149	36,318	56,149	36,318
Less: attributable transaction costs	(481)	(551)	(481)	(551)
Total Balance Sheet carrying amount at amortised cost	55,668	35,767	55,668	35,767

notes to the consolidated financial statements

For the year ended 30 June 2008

15 NON-CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

The Trust has a \$60,000,000 (2007: \$60,000,000) loan facility agreement with National Australia Bank (“NAB”). As at 30 June 2008, \$56,149,000 (2007: \$36,318,000) had been drawn. The weighted average interest rate on the loan facility for the year ended 30 June 2008 was 8.60% p.a. (2007: 7.19% p.a.). The facility matures on 22 December 2009 and may be extended for a further twelve months on an ongoing basis upon agreement with both the trust and NAB.

The loan facility to the Trust is secured by a limited registered first mortgage over the properties to \$1,000,000, a fixed and floating charge over all assets of the consolidated entity and a first-ranking mortgage over the units in the consolidated entities.

The Responsible Entity, on behalf of the Trust, has entered into an interest rate swap contract with Stockland Trust Management Limited (“STML”) to manage cash flow risks associated with the interest rates on borrowings that are floating. The interest rate swap allows the Trust to swap the floating rate borrowing into a fixed rate. The consolidated entity does not hold derivative financial instruments for speculative purposes.

The interest rate swap on the property facility will incur a fixed cost equal to 6.45% p.a. (30 June 2007: 6.45%) payable quarterly in arrears and will terminate on the earlier of 5.5 years or when the underlying debt becomes due and payable. The swap in place covers 100% of the loan facility outstanding.

16 ISSUED CAPITAL

	NUMBER OF UNITS 2008 \$'000	NUMBER OF UNITS 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Units on issue	39,600,000	39,600,000	33,102	34,797

DATE	DETAILS	NUMBER OF UNITS	PRICE PER UNIT	\$'000
Movement in units				
26 April 2006	Opening balance	–	\$1.00	–
26 April 2006	Units issued	10	\$1.00	–
15 December 2006	Units redeemed	(10)	\$1.00	–
15 December 2006	Units Issued	12,671,000	\$1.00	12,671
20 December 2006	Units Issued	26,929,000	\$1.00	26,929
20 December 2006	Transaction costs	–	–	(4,535)
31 March 2007	Distribution paid from contributed equity	–	–	(268)
30 June 2007	Balance	39,600,000	–	34,797
31 December 2007	Distribution paid from contributed equity	–	–	(140)
31 March 2008	Distribution paid from contributed equity	–	–	(777)
30 June 2008	Distribution paid from contributed equity	–	–	(778)
30 June 2008	Closing balance	39,600,000		33,102

Rights and restrictions over units

Each unit ranks equally with all other units for the purpose of distributions and on termination of the Trust.

notes to the consolidated financial statements

For the year ended 30 June 2008

17 DISTRIBUTIONS TO UNITHOLDERS

Distributions to Unitholders recognised in the year by the consolidated entity are:

	DISTRIBUTION PER UNIT	TOTAL AMOUNT \$'000	DATE OF PAYMENT	TAX DEFERRED %
2008				
30 September 2007	1.9625¢	777 ¹	31 October 2007	73 ⁴
31 December 2007	1.9625¢	777 ²	29 February 2008	73 ⁴
31 March 2008	1.9625¢	777 ³	28 April 2008	73 ⁴
30 June 2008	1.9625¢	778 ³	29 August 2008 ⁵	73 ⁴
Total distributions		3,109		

¹ This distribution was a distribution from income.² This distribution included \$140,000 as a distribution for contributed equity. The balance of this distribution was from income.³ This distribution was/is a distribution from contributed equity.⁴ Due to the delay of the completion of the Fremantle shopping centre, the tax deferred portion of the distribution was reduced from 100% to 73% tax deferred.⁵ Proposed payment date.

Distributions to Unitholders recognised in the comparative year by the consolidated entity are:

2007				
31 March 2007	2.0914¢	828	27 April 2007	100
30 June 2007	2.0914¢	828	28 August 2007	100
Total distributions ⁶		1,656		

⁶ The distribution paid to investors included \$268,000 as a distribution from contributed equity. Whilst distribution estimates are made at interim reporting periods, full year distributions are calculated on a 12 month basis.

18 NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Reconciliation of profit from operating activities to net cash inflows/ (utilised in) from operating activities				
Profit from operating activities	3,712	3,725	1,193	1,609
Amortisation of borrowing costs	585	595	585	595
Net gain from fair value adjustment of investment properties	(2,989)	(3,304)	(27)	(1,302)
Unrealised loss/(gain) on financial instruments	103	(103)	103	(103)
Distributions from controlled entities	-	-	(4,441)	(1,415)
Change in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(606)	(67)	36	252
Increase/(decrease) in trade and other payables	1,516	1,096	(3)	464
Net cash inflows from/(utilised in) operating activities	2,321	1,942	(2,554)	100

notes to the consolidated financial statements

For the year ended 30 June 2008

19 FINANCIAL INSTRUMENTS

(a) Financial risk management

The consolidated entity's activities expose it to a variety of financial risks: credit risk, liquidity risk, and interest rate risk. The consolidated entity's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the consolidated entity's financial performance. The consolidated entity uses derivative financial instruments to hedge exposure to fluctuations in interest rates.

Financial risk and capital management is carried out by a central treasury department under policies approved by the Board of the Responsible Entity. The Board provides written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Capital management

The Responsible Entity's objective when managing capital is to safeguard the ability to continue as a going concern, whilst providing returns for Unitholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

The consolidated entity considers capital to include interest-bearing liabilities and unit holders' equity.

The Directors of the Responsible Entity monitor the capital structure of the consolidated entity through the loan-to-value ratio. The ratio is calculated as the amount of the loan facility drawn divided by the latest valuation of the properties. The loan-to-value ratio at 30 June 2008 is 61% (2007: 46%).

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the consolidated entity.

The consolidated entity has no significant concentrations of credit risk and has policies to review the aggregate exposure of tenancies across its portfolio. The consolidated entity also has policies to ensure that leases are made to customers with an appropriate credit history.

Derivative counterparties are limited to entities with high credit ratings set down by Standard and Poors.

As at 30 June 2008 and 30 June 2007, there were no significant financial assets that were past due. Additionally, there were no significant financial assets that would otherwise be past due whose terms have been renegotiated.

The carrying amount of financial assets included in the Balance Sheet represents the consolidated entity's maximum exposure to credit risk in relation to these assets. Refer to Note 5, 6 and 12 for a breakdown of these financial assets.

Interest rate risk

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

The income and the associated operating cash flows of the consolidated entity's financial assets are substantially independent of changes in market interest rates.

The Responsible Entity, on behalf of the consolidated entity, manages the consolidated entity's cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The fixed/hedged percentage at 30 June 2008 was 100% (2007: 100%). Under the interest rate swaps, the Responsible Entity agrees with other parties to exchange, at specified intervals, generally quarterly, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Refer to Note 19(b) for further details about the interest rate swap contracts.

Sensitivity analysis

The following sensitivity analysis shows the effect on the Trust's and consolidated entity's Income Statement and equity if market interest rates at balance date had been 25 basis points higher/lower with all other variables held constant.

An increase of 25 basis points in market interest rate would result in an impact to the Trust's and consolidated entity's Income Statement of \$nil (2007: \$51,000 gain) and an increase in the Trust's and consolidated entity's equity of \$554,000 (2007: \$432,000). A decrease of 25 basis points in market interest rate would result in an impact to the Trust's and consolidated entity's Income Statement of \$nil (2007: \$52,000 loss) and a decrease in the Trust's and consolidated entity's equity of \$562,000 (2007: \$440,000).

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity aims at maintaining flexibility in funding by keeping sufficient committed credit lines available.

The current weighted average debt maturity is 1.5 years (2007: 2.5 years).

The table below reflects all contractual maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts presented represent the future undiscounted cash flows.

notes to the consolidated financial statements

For the year ended 30 June 2008

19 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued)

Liquidity risk (continued)

CONSOLIDATED	2008					2007				
	CONTRACTUAL CASH FLOWS \$'000	1 YEAR OR LESS \$'000	1-3 YEARS \$'000	3-5 YEARS \$'000	5+YEARS \$'000	CONTRACTUAL CASH FLOWS \$'000	1 YEAR OR LESS \$'000	1-3 YEARS \$'000	3-5 YEARS \$'000	5+YEARS \$'000
Contractual maturity of financial liabilities including derivatives and estimated interest										
Trade and other payables	(2,464)	(2,464)	-	-	-	(972)	(972)	-	-	-
Current liabilities – Other liabilities	(778)	(778)	-	-	-	(19,248)	(19,248)	-	-	-
Loan facility ¹	(62,952)	(4,611)	(58,341)	-	-	(42,860)	(2,595)	(40,265)	-	-
Interest rate swap	3,787	1,029	1,504	1,047	207	1,171	229	554	250	138
	(62,407)	(6,824)	(56,837)	1,047	207	(61,909)	(22,586)	(39,711)	250	138
TRUST										
TRUST	2008					2007				
	CONTRACTUAL CASH FLOWS \$'000	1 YEAR OR LESS \$'000	1-3 YEARS \$'000	3-5 YEARS \$'000	5+YEARS \$'000	CONTRACTUAL CASH FLOWS \$'000	1 YEAR OR LESS \$'000	1-3 YEARS \$'000	3-5 YEARS \$'000	5+YEARS \$'000
Contractual maturity of financial liabilities including derivatives and estimated interest										
Trade and other payables	(358)	(358)	-	-	-	(386)	(386)	-	-	-
Current liabilities – Other liabilities	(778)	(778)	-	-	-	(19,248)	(19,248)	-	-	-
Loan facility ¹	(62,952)	(4,611)	(58,341)	-	-	(42,860)	(2,595)	(40,265)	-	-
Interest rate swap	3,787	1,029	1,504	1,047	207	1,171	229	554	250	138
	(60,301)	(4,718)	(56,837)	1,047	207	(61,323)	(22,000)	(39,711)	250	138

¹The facility matures on 22 December 2009 and may be extended for a further 12 months on an ongoing basis upon agreement with both the Trust and NAB.

notes to the consolidated financial statements

For the year ended 30 June 2008

19 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Derivative financial instrument used by the consolidated entity

The Trust is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the consolidated entity's financial risk management policies as mentioned above.

Interest rate swap contract

The Responsible Entity, on behalf of the consolidated entity, has entered into an interest rate swap contract with STML to manage cash flow risks associated with the interest rates on the property facility provided by NAB that are floating. The interest rate swap allows the consolidated entity to swap the floating rate borrowings into fixed rates. The swap provides a fixed rate of 6.45% p.a. on the funds drawn against the property facility for the duration of the facility and the variable rate is the 90 day bank bill rate.

The swap covers 100% of the loan principal outstanding and is timed to expire as the loan repayment falls due.

The contract requires settlement of net interest receivable or payable quarterly. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The swap has been designated as an effective cash flow hedge in accordance with AASB 139 "Financial Instruments: Recognition and Measurement" ("AASB 139") and has been tested for effectiveness. At 30 June 2008, the swap is considered to be effective and accordingly the change in the fair value is recognised in Unitholders' funds. Refer accounting policy at Note 1(h).

At balance date, the swap contract had a fair value of \$3,146,000 (2007: \$972,000) included in other assets on the Balance Sheet.

The consolidated entity does not hold derivative financial instruments for speculative purposes.

(c) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, the loan facility and interest rate swap as disclosed in the Balance Sheet reflect the fair value of these financial assets and liabilities as at 30 June 2008.

The fair value of the interest rate swap has been determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates.

The interest rate swap has been accounted for on the Balance Sheet at fair value.

notes to the consolidated financial statements

For the year ended 30 June 2008

20 RELATED PARTIES

Stockland Capital Partners Limited ("SCPL"), formerly known as SFML, is the Responsible Entity of the Trust. The Key Management Personnel of the Trust has been defined as the Responsible Entity. The Responsible Entity does not hold any units in the Trust.

The relevant interest of each Director of the Responsible Entity holding units in the consolidated entity at the date of this report is as follows:

DIRECTOR	NUMBER OF UNITS HELD
Mr David Kent	110,000
Mr Matthew Quinn	10,000
Mr Peter Scott	20,000

	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
RESPONSIBLE ENTITY FEES AND OTHER TRANSACTIONS				
Trust establishment fee				
In the previous financial year, the Responsible Entity received a gross establishment fee for facilitating the issue of units under the offer including undertaking the property due diligence and for establishing the Trust calculated as 4.7% of the value of the Trust's property interest. Of this fee, the Responsible Entity paid NAB \$2,059,000 plus GST for underwriting and distribution services.	-	4,161	-	4,161
Responsible Entity fees				
The Responsible Entity is entitled to a deferred Responsible Entity fee of 0.45% p.a. of the gross value of the assets on a quarterly basis. As at 30 June 2008, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$201,777 (2007: \$60,183).	424	201	424	201
Performance fees				
The Responsible Entity is entitled to a performance fee if Unitholders receive at least the return of their application monies or the relevant proportion of their application monies if all properties are not sold. The Responsible Entity is entitled to a performance fee on the gross value of the property or properties as disclosed in the Balance Sheet at each reporting date or realised on a sale of the property or properties during the period. The Trust has not provided for a performance fee at 30 June 2008. The performance fee that was provided for at 31 December 2007 was not required as at 30 June 2008 due to the current revaluations of the investment properties.	-	-	-	-
Services fee				
A services fee equal to the Responsible Entity's reasonable estimate of its costs in providing its services is payable by the Trust.	-	353	-	353
Total Responsible Entity fees and other transactions	424	4,715	424	4,715

notes to the consolidated financial statements

For the year ended 30 June 2008

20 RELATED PARTIES (CONTINUED)

Other related party transactions

Property Management Fee

Stockland Property Management Pty Limited has been appointed as the property manager to undertake the ongoing property management and leasing of the properties. A fee of \$311,771 (2007: \$160,156) was paid/payable to the property manager during the year.

Limited Liquidity Facility ("LLF")

NAB has agreed to acquire up to 1,000,000 units each quarter in the Trust from investors seeking to realise their units. The price for each unit will be the most recent NTA per unit less a 2.5% discount, any transfer costs and a \$110 processing fee per application. STML, as Responsible Entity for Stockland Trust, has placed a standing order with NAB to acquire a maximum of 19.9% of the Units NAB acquires under the LLF. The facility commenced operation in the quarter beginning 1 January 2008. This standing order from STML can be terminated at any time. During the period STML, as Responsible Entity of Stockland Trust, acquired 150,000 units (2007: nil) in the Trust via the LLF.

Units held by Stockland Trust Management Limited

As at 30 June 2008, STML, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 150,000 units (2007: nil) in the Trust.

Stockland

In the previous financial year, the controlled entity acquired the following properties from Stockland related entities:

- Benowa Gardens Shopping Centre, Benowa, Queensland;
- Pacific Pines Shopping Centre, Pacific Pines, Queensland; and
- Tamworth Homespace, Tamworth, New South Wales.

In the previous financial year, Stockland received \$62.7 million, being the fair value of the properties.

Acquisition of Benowa Gardens Shopping Centre

In the previous financial year, the consolidated entity purchased the Benowa Gardens shopping centre for a consideration of \$26.3 million. The fair value of the property included a rental guarantee on vacancies at the time of entering into the long term lease for a 12 month period on allotment of the Capital.

Deed of Agreement for the Tamworth Property

In the previous financial year, the consolidated entity entered into a deed of agreement with Stockland Holding Trust No. 1 ("SHT 1") to acquire the Tamworth property. The agreement required the parties to enter into a put and call option and a concurrent lease over the property.

SHT 1 granted a call option to the consolidated entity for the purchase of the Tamworth property and the consolidated entity granted a put option to SHT 1 for the sale of Tamworth. The fixed purchase price of \$21.15 million comprised an option fee of \$2.73 million and the exercise price of \$18.42 million. The option was exercised during December 2007.

SHT 1 granted a concurrent lease to the consolidated entity in the previous financial year. This transferred all economic benefits and risks of the property to the consolidated entity. A two year rental guarantee on all vacancies has been provided to the consolidated entity on allotment of the Capital.

On 10 December 2007 the beneficial ownership of the Tamworth property was transferred to the consolidated entity.

Acquisition of Pacific Pines

In the previous financial year, the Trust entered into two lease agreements with Stockland Corporation Limited ("Stockland Corporation") as part of the Pacific Pines shopping centre sales agreement. The leases are based on standard commercial terms and are entered into on an arm's length basis. A fee of \$133,799 (2007: \$97,168) was received during the year from Stockland Corporation.

Stockland Trust

In the previous financial year, STML received a swap premium of \$200,000 for the provision of the interest rate swap to the Trust. The interest rate swap will incur a fixed cost equal to 6.45% p.a. payable quarterly in arrears and will terminate on the earlier of 5.5 years or when the underlying debt becomes due and payable.

notes to the consolidated financial statements

For the year ended 30 June 2008

20 RELATED PARTIES (CONTINUED)

Other related party transactions (continued)

Intercompany loans between the Trust and sub-trusts

	2008 \$000	2007 \$000
Aggregate amount receivable by the Trust from its sub-trusts	67,808	61,031

The loans are interest free and repayable at call.

Controlled entities paid distributions of \$4,441,000 to the parent entity.

21 CONTROLLED ENTITIES

The following entities were 100% controlled by the parent entity during the current and previous financial years:

Stockland Direct Retail Trust No. 1

Controlled entities of Stockland Direct Retail Trust No. 1

SDRT 1 Property # 1 Trust

SDRT 1 Property # 2 Trust

SDRT 1 Property # 3 Trust

SDRT 1 Property # 4 Trust

The following entity was acquired during the current financial year and is 100% controlled:

Stockland Holding Trust No. 1

22 COMMITMENTS

The consolidated entity has a commitment of \$nil (2007: \$6,083,000) in relation to the development of the Fremantle property which is payable upon the satisfaction of agreed milestones. The Fremantle property was completed in June 2008.

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease commitments receivable:

	CONSOLIDATED 2008 \$'000	CONSOLIDATED 2007 \$'000	TRUST 2008 \$'000	TRUST 2007 \$'000
Within one year	6,770	4,002	-	856
Later than one year but not later than five years	20,610	10,401	-	2,822
Later than five years	25,552	9,409	-	1,674
	52,932	23,812	-	5,352

notes to the consolidated financial statements

For the year ended 30 June 2008

23 OTHER INFORMATION

Life of the Trust

The Trust terminates on the earliest of:

- (a) the date specified by the Responsible Entity as the date of termination of the Trust in a notice given to Unitholders;
- (b) a date which has been proposed to Unitholders by the Responsible Entity, and which the Unitholders have approved by Special Resolution; or
- (c) the date on which the Trust terminates in accordance with the provisions of the Trust Constitution or by law.

24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2008 the consolidated entity and the Trust has no contingent liabilities and contingent assets (2007: \$nil)

25 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date which would have a material effect on either the consolidated entity's or Trust's Financial Statements at 30 June 2008.

directors' declaration

For the year ended 30 June 2008

In the opinion of the Directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Direct Retail Trust No. 1:

1. the Financial Statements and Notes, set out on pages 6 to 28, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
3. at the date of this declaration there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
4. the Trust has operated during the year ended 30 June 2008 in accordance with the provisions of the Trust Constitution as amended dated 26 August 2006; and
5. the Register of Unitholders has been properly drawn up, and during the year ended 30 June 2008, been properly drawn and maintained so as to give a true account of the Unitholders of the Trust.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to Section 295 (5) of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:



Matthew Quinn

Director

Dated at Sydney, 21 August 2008

independent auditor's report

For the year ended 30 June 2008



Independent auditor's report to the unitholders of Stockland Direct Retail Trust No. 1

Report on the financial report

We have audited the accompanying financial report of Stockland Direct Retail Trust No. 1 (the Trust), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 25 and the directors' declaration of the Group comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Responsible Entity, Stockland Capital Partners Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 Trust's preparation and fair presentation of the financial report 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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with

independent auditor's report

For the year ended 30 June 2008



our understanding of the Trust's and the Group's financial position and of their performance.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Stockland Direct Retail Trust No. 1 and its controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG

Scott Fleming
Partner

Sydney

21 August 2008

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