

**Stockland Direct Retail Trust No. 1
and its controlled entities**

ARSN: 121 832 086

**Consolidated Interim Financial Report
for the half year ended
31 December 2007**

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Direct Retail Trust No. 1 and its controlled entities

Contents

Directors' Report	2
Lead Auditor's Independent Declaration	3
Consolidated Interim Income Statement	4
Consolidated Interim Balance Sheet	5
Consolidated Interim Statement of Changes in Equity	6
Consolidated Interim Cash Flow Statement	7
Notes to the Consolidated Interim Financial Statements	8
Directors' Declaration	15
Independent Review Report	16

Stockland Direct Retail Trust No. 1 and its controlled entities

Directors' Report

For the half year ended 31 December 2007

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 consolidated interim 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 half year ended 31 December 2007, the state of the consolidated entity's affairs as at 31 December 2007 and the Independent Auditor's Review Report thereon.

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 half year ("the Directors") are:

Name	Date of appointment/retirement
Non - executive Directors	
Peter Scott, <i>Chairman</i>	Appointed 22 November 2005
Lyn Gearing	Appointed 22 November 2005
David Kent	Appointed 9 August 2004
Tony Sherlock	Appointed 9 August 2004
Terry Williamson	Appointed 2 July 2004; Retired 23 October 2007 ¹
Barry Neil	Appointed 23 October 2007
Executive Director	
Matthew Quinn	Appointed 19 October 2000
Hugh Thorburn (alternate to Mr. Quinn)	Appointed 25 October 2007

¹ Mr T Williamson remains chair of the SCPL Audit and Risk Committee.

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 operations of \$4,242,000 for the half year ended 31 December 2007 (31 December 2006: loss from operations of \$709,000).

Distributions paid or declared by the consolidated entity to unitholders during the half year ended 31 December 2007 are set out in Note 10 of the Financial Statements.

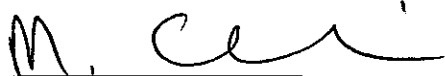
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The external auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2007.

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 interim 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 February 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of the Responsible Entity of Stockland Direct Retail Trust No. 1, Stockland Capital Partners Limited.

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2007 there have been:

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

KPMG

Scott Fleming
Partner

Sydney

21 February 2008

Stockland Direct Retail Trust No. 1 and its controlled entities

Consolidated Interim Income Statement

For the half year ended 31 December 2007

		Half year ended	
	Notes	2007	2006
		\$'000	\$'000
Revenue and other income			
Rent from investment properties		3,434	157
Net gain from fair value adjustment of investment properties		4,287	-
Interest income		119	-
Unrealised gain on financial instruments		118	-
Total revenue and other income		7,958	157
Investment property expenses			
Investment property expenses		(999)	(30)
Finance costs to external parties		(1,736)	(85)
Net loss from fair value adjustment of investment properties		-	(709)
Responsible Entity fees	11	(211)	(10)
Performance fee	11	(571)	-
Other expenses		(199)	(32)
Total expenses		(3,716)	(866)
Profit/(loss) from operating activities		4,242	(709)

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

Stockland Direct Retail Trust No. 1 and its controlled entities

Consolidated Interim Balance Sheet

As at 31 December 2007

	Notes	31 Dec 2007 \$'000	30 June 2007 \$'000
Current assets			
Cash and cash equivalents		2,995	7,631
Trade and other receivables		577	86
Other assets		621	768
Total current assets		4,193	8,485
Non-current assets			
Investment properties	4	70,272	65,682
Property, plant and equipment	5	19,704	18,080
Trade and other receivables		313	213
Other assets		2,789	1,139
Total non-current assets		93,078	85,114
Total assets		97,271	93,599
Current liabilities			
Trade and other payables		2,420	1,095
Other liabilities	6	777	18,734
Total current liabilities		3,197	19,829
Non-current liabilities			
Interest-bearing loans and borrowings	7	51,134	35,767
Provisions	8	571	-
Total non-current liabilities		51,705	35,767
Total liabilities		54,902	55,596
Net assets		42,369	38,003
Unitholders' funds			
Issued capital	9	34,797	34,797
Undistributed profit		5,025	2,337
Reserve		2,547	869
Total unitholders' funds		42,369	38,003

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

Stockland Direct Retail Trust No. 1 and its controlled entities
Consolidated Interim Statement of Changes in Equity
For the half year ended 31 December 2007

	Issued capital		Unitholders' Funds		Reserves		Total	
	31 Dec 2007 \$'000	31 Dec 2006 \$'000	31 Dec 2007 \$'000	31 Dec 2006 \$'000	31 Dec 2007 \$'000	31 Dec 2006 \$'000	31 Dec 2007 \$'000	31 Dec 2006 \$'000
Notes								
Opening balance	34,797	-	2,337	-	869	-	38,003	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	1,678	(44)	1,678	(44)
Total non-profit items recognised directly in equity	34,797	-	2,337	-	2,547	(44)	39,681	(44)
Profit/(loss) for the half year	-	-	4,242	(709)	-	-	4,242	(709)
Total recognised income and expenses for the half year	34,797	-	6,579	(709)	2,547	(44)	43,923	(753)
Units issued for the half year	9	35,065	-	-	-	-	-	35,065
Distributions paid	10	-	(1,554)	-	-	-	(1,554)	-
Closing balance	34,797	35,065	5,025	(709)	2,547	(44)	42,369	34,312

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

Stockland Direct Retail Trust No. 1 and its controlled entities

Consolidated Interim Cash Flow Statement

For the half year ended 31 December 2007

	Half year ended	
	2007	2006
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	3,350	-
Cash payments in the course of operations	(521)	(1,335)
Interest received	123	-
Interest paid	(1,123)	-
Net cash flows from operating activities	1,829	(1,335)
Cash flows from investing activities		
Payments for investment properties	(20,195)	(56,171)
Net cash flows from investing activities	(20,195)	(56,171)
Cash flows from financing activities		
Proceeds from external party financing	15,335	28,295
Borrowing costs paid	-	(536)
Proceeds from issue of units to unitholders	-	39,600
Payment of establishment fee	-	(4,535)
Distributions paid	(1,605)	-
Net cash flows from financing activities	13,730	62,824
Net increase in cash and cash equivalents	(4,636)	5,318
Cash and cash equivalents at the beginning of the half year	7,631	-
Cash and cash equivalents at the end of the half year	2,995	5,318

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

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

1 Summary of significant accounting policies

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

The consolidated interim Financial Report as at and for the half year ended 31 December 2007 was authorised for issue by the Directors of the Responsible Entity on 21 February 2008.

The significant policies which have been adopted in the preparation of this consolidated interim Financial Report are:

(a) Statement of compliance

The consolidated interim Financial Report is a general purpose Financial Report which has been prepared in accordance with AASB 134 “Interim Financial Reporting” and the Corporations Act 2001.

This consolidated interim Financial Report does not include all of the information required for a full annual Financial Report, and should be read in conjunction with the Financial Report of the Trust for the period ended 30 June 2007.

(b) Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated Financial Report are the same as those applied by the consolidated entity in the consolidated Financial Report of the Trust for the period ended 30 June 2007.

The Trust is a consolidated 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.

2 Accounting estimates and assumptions

The preparation of the Interim Financial Statements requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Interim Financial Statements the significant judgements made by the directors in applying the Trust’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Financial Report of the Trust for the period ended 30 June 2007.

3 Segment reporting

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

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

4 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	Book value 31 Dec 2007 \$'000	Book value 30 June 2007 \$'000
Pacific Pines Shopping Centre, Pacific Pines, Qld	Freehold	22 December 2006	17,041	17,084	Dec 2007	18,800	18,800	17,200
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	22 December 2006	26,024	26,372	Dec 2007	31,000	31,000	28,200
Tamworth Homespace, Tamworth, NSW ¹	Freehold	22 December 2006	19,225	19,225	Dec 2007	21,150	21,150	21,150
Total Investment Properties (including amounts classified in Trade and other receivables and Other assets)							70,950	66,550
Less amounts classified as:							(314)	(213)
- Trade and other receivables							(364)	(655)
- Other assets							70,272	65,682
Total Investment Properties								

¹ On the 10 December 2007 the beneficial ownership of the Tamworth property was transferred to the consolidated entity. Refer Note 11.

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

4 Non-current assets – Investment properties (continued)

	31 Dec 2007 \$'000	30 June 2007 \$'000
Reconciliation – investment properties		
<i>Direct investments and controlled entities</i>		
Carrying amount at the beginning of the financial period	65,682	-
Acquisitions	-	62,290
Net gain on fair value adjustments of investment properties	4,287	3,304
Expenditure capitalised	303	88
Carrying amount at the end of the financial period	<u>70,272</u>	<u>65,682</u>

5 Non-current assets – Property, plant and equipment

Cost

Opening balance	18,080	-
Acquisitions	1,624	18,080
Closing balance	<u>19,704</u>	<u>18,080</u>

Depreciation and impairment losses

Opening balance	-	-
Depreciation charge for the half year	-	-
Closing balance	<u>-</u>	<u>-</u>

Carrying Amounts

Opening balance	18,080	-
Closing balance	<u>19,704</u>	<u>18,080</u>

This balance represents costs incurred to date on the Fremantle shopping centre development. During the development phase, the property is required to be accounted for as property, plant and equipment. Upon completion, which is expected in April 2008, the property will be transferred to investment properties.

The capital expenditure yet to be incurred on the Fremantle shopping centre development is disclosed in Note 12.

6 Current liabilities – Other liabilities

Deferred consideration	-	17,906
Distribution payable	777	828
	<u>777</u>	<u>18,734</u>

7 Non-current liabilities – Interest-bearing loans and borrowings

Loan facility	51,653	36,318
Less: attributable transaction costs	(519)	(551)
Total Balance Sheet carrying amount at fair value	<u>51,134</u>	<u>35,767</u>

The Trust has a \$60,000,000 (30 June 2007: \$60,000,000) loan facility agreement with National Australia Bank (“NAB”). As at 31 December 2007, \$51,653,000 (30 June 2007: \$36,318,000) has been drawn. The weighted average interest rate on the loan facility for the period to 31 December 2007 was 7.98% p.a. (30 June 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.

The debt 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 Trust and a first-ranking mortgage over the units in the consolidated entities.

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

8 Non-current liabilities – Provisions

	31 Dec 2007	30 June 2007
	\$'000	\$'000
Performance fee	<u>571</u>	-

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 performance fee is calculated for each property as at the last day of each reporting period. The Responsible Entity is entitled to a performance fee on the gross value of each property, if the property gross value exceeds the property acquisition price, as disclosed in the audited balance sheet at each reporting date or realised on a sale of the properties during the period.

The Trust has provided a performance fee of \$571,000 (31 December 2006: \$Nil) at the half year ended 31 December 2007.

9 Issued capital

	31 Dec 2007	31 Dec 2007	30 June 2007	30 June 2007
	Number of units	\$'000	Number of units	\$'000
Units on issue	<u>39,600,000</u>	<u>34,797</u>	39,600,000	34,797

Date	Details	Number of units	Price per unit	\$'000
Movement in units				
26 April 2006	Opening balance	-		-
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 December 2006	Balance	<u>39,600,000</u>		<u>35,065</u>
31 March 2007	Distribution paid from contributed equity	-		(268)
30 June 2007	Balance	<u>39,600,000</u>		<u>34,797</u>
31 December 2007	Closing balance	<u>39,600,000</u>		<u>34,797</u>

Rights and restrictions over units:

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

10 Distributions to unitholders

Distributions to unitholders recognised in the period by the consolidated entity are:

	Distribution per unit	Total amount	Date of payment	Tax deferred
		\$'000		%
2007				
30 September 2007	1.9625	777	31 October 2007	100
31 December 2007	1.9625	777	29 February 2008*	100
Total distributions		<u>1,554</u>		

* Proposed payment date. There were no distributions made for the half year ended 31 December 2006.

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

11 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.

	Half year ended	
	2007	2006
	\$'000	\$'000
Responsible Entity fees and other transactions		
<i>Trust establishment fee</i>		
During the period ending 31 December 2006, 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
<i>Responsible Entity fees</i>		
The Responsible Entity charged responsible entity fees calculated at 0.45% p.a. of the gross value of the assets on a quarterly basis. As at 31 December 2007, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$92,125 (31 December 2006: \$Nil).	211	10
<i>Performance fees</i>		
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 provided for a performance fee at 31 December 2007.	571	-
<i>Trust operating expenses</i>		
The Responsible Entity, if required to, will charge for reimbursable costs and expenses.	-	-
<i>Services fee</i>		
A services fee equal to the Responsible Entity's reasonable estimate of its costs in providing its services is payable by the Trust.	-	353
Total Responsible Entity fees and other transactions	782	4,524

Other related party transactions

Product Disclosure Statement issue

On 16 October 2006, SCPL issued a Product Disclosure Statement ("PDS") offering 39,600,000 units in the Trust at an application price of \$1.00 per unit to be issued by SCPL as Responsible Entity of the Trust. The offer opened on 16 October 2006 and closed on 20 December 2006. The units were allotted on 15 December 2006 and 20 December 2006.

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 \$137,565 (31 December 2006: \$8,219) was paid to the property manager during the half year.

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

11 Related parties (continued)

Other related party transactions (continued)

Limited Liquidity Facility ("LLF")

NAB has agreed to acquire up to 1,000,000 Units in the Trust from unitholders 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. Stockland Trust Management Limited ("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 will commence 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 no units in the Trust via the LLF.

Units held by Stockland Trust

As at 31 December 2007, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, does not hold any units 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.

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. The agreement also contemplated the stapling of SHT 1 to the consolidated entity.

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 comprises an option fee of \$2.73 million and the exercise price of \$18.42 million. The option was exercised in the period to 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 2 year rental guarantee on all vacancies has been provided to the consolidated entity on allotment of the Capital.

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

Stockland Direct Retail Trust No. 1 and its controlled entities

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

11 Related parties (continued)

Other related party transactions (continued)

Acquisition of Pacific Pines

In the previous financial year, the Trust entered into two lease agreements with Stockland Corporation Limited (Stockland Corporation) as a part of the Pacific Pines shopping centre sales agreement. The leases are based on standard commercial terms and are entered into on an arms length basis. \$97,860 (31 December 2006: \$5,224) was received during the half year.

Stockland Trust

In the previous financial year, Stockland Trust 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 7 years or when the underlying debt becomes due and payable.

12 Commitments

The consolidated entity has a commitment of \$4,497,000 (30 June 2007: \$6,083,000) in relation to the development of the Fremantle property which is payable upon the satisfaction of agreed milestones. Completion of the property is anticipated in April 2008.

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease commitments receivable:

	31 Dec 2007	31 Dec 2006
	\$'000	\$'000
Within one year	5,333	4,456
Later than one year but not later than five years	15,178	17,803
Later than five years	13,088	15,807
	<u>33,599</u>	<u>38,066</u>

13 Other Information

Life of the Trust

The Trust terminates on the earliest of:

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

14 Contingent liabilities and contingent assets

As at 31 December 2007 the consolidated entity has no contingent liabilities and no contingent assets (30 June 2007: \$Nil).

15 Events subsequent to balance date

There have been no events subsequent to balance date which would have a material effect on the consolidated entity's interim Financial Statements as at 31 December 2007.

Stockland Direct Retail Trust No. 1 and its controlled entities

Directors' Declaration

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

1. the Financial Statements and Notes set out on pages 4 to 14 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.
2. 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.

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



Matthew Quinn

Director

Dated at Sydney, 21 February 2008



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

Report on the financial report

We have reviewed the accompanying consolidated half-year financial report of Stockland Direct Retail Trust No. 1 and its controlled entities ("the Trust"), which comprises the balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 15 and the directors' declaration.

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 consolidated half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the consolidated half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Stockland Direct Retail Trust No.1 and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a consolidated half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the consolidated half-year financial report of Stockland Direct Retail Trust No. 1 and its controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

KPMG

Scott Fleming
Partner

Sydney

21 February 2008