



STOCKLAND DIRECT RETAIL TRUST NO. 1 (“SDRT1” or “the Trust”) ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES Updated August 2012

Introduction

The following document has been prepared for SDRT1 for the purposes of ASIC Regulatory Guide 46. All figures are as at 30 June 2012 unless stated otherwise. For further information please refer to the Financial Report on our website <http://www.stockland.com.au/UnlistedPropertyFunds>.

Disclosure Principle 1: Gearing Ratio

Gearing ratio: 58.8%

The gearing ratio indicates the extent to which the Trust’s assets are funded by interest bearing liabilities. It gives an indication of the potential risks the Trust faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values.

Disclosure Principle 2: Interest Cover

Interest Cover Ratio: 1.8 times

Interest cover measures the ability of the Trust to service interest expense on debt from earnings. It is therefore a critical indication of the Trust’s financial health and key to analysing the sustainability and risks associated with the Trust’s level of borrowing. The lower the interest cover, the higher the risk that the Trust will not be able to meet its interest payments.

An Interest Cover Ratio (“ICR”) of 1.8 indicates that SDRT1 is able to meet its interest payments based on the 30 June 2012 Financial Report.

Please note the ICR above varies from the ratio provided to the financier. The variation is due to different calculations required by ASIC and the financier.

Disclosure Principle 3: Scheme Borrowing

The following table provides a summary of SDRT1’s borrowing arrangements as at 30 June 2012.

	Limit (\$m)	Undrawn Amount (\$m)	Facility Expiry	Interest Rate	Hedge Expiry
Total Facility	40.0	0.7	Dec 2012	6.45%*	Dec 2012

* This is the swap rate. Weighted Average Interest Rate for loan facility is at 8.07% if Margin and Fees included.

Loan Covenants

All loan covenants were complied with as at 30 June 2012. A breach of a loan covenant may result in the lender being able to require immediate repayment of the loan or impose a freeze on further draw-downs on the credit facility.

Investors should note that they rank behind the creditors of the Trust. This means if the lender enforces its security over the Trust then the lender will be reimbursed prior to the return of any capital to investors.

The Trust’s loan facility expires on 31 December 2012. Management are in regular discussions with the Trust’s financiers and have no reason to believe that an extension will not be considered if required.

The Trust has been provided with a finance facility offer by STML if the existing facility is not renewed. The terms and conditions of the STML facility would be the same as those available in the market place to SDRT1 at the time of acceptance. The facility offer is capable of being accepted by the Trust until 28 August 2013.

Disclosure Principle 4: Portfolio Diversification

Investment Strategy

The Trust aims to provide regular distributions and the opportunity for capital growth. To achieve this, the Trust has invested in three retail properties. The Trust is required to provide recommendations concerning the future strategy before

30 June 2014. The RE believes that given the current performance of the properties, it is in the best interest of investors to consider the sale of all the properties

The following table provides a summary of the property valuations for the Trust's properties and a snapshot of the portfolio's key metrics:

Property Valuations

Property	Benowa Gardens Shopping Centre
Valuation	\$31.5 m
Date of External Valuation	30 June 2012
Valuer	Savills
Cap rate	8.50%
Occupancy	93%
Book Value at 30 June 2012	\$31.5 m

Property	Pacific Pines
Valuation	\$21.0 m
Date of External Valuation	30 June 2012
Valuer	Savills
Cap rate	7.75%
Occupancy	100%
Book Value at 30 June 2012	\$21.0 m

Property	Tamworth Homespace
Valuation	\$13.0 m
Date of External Valuation	30 June 2012
Valuer	Savills
Cap rate	10.50%
Occupancy	88%
Book Value at 30 June 2012	\$13.0 m

Top 5 Tenants by Income

Tenant	% of Income
Woolworths	10%
Coles	9%
The Good Guys	4%
Benowa Gardens Pharmacy	3%
BWS	3%

Top 5 Tenants by Gross Lettable Area

Tenant	% of GLA
Woolworths	16%
The Good Guys	11%
Your Homemaker	10%
Coles	9%
Pillow Talk	8%

Diversification at 30 June 2012 by Book Value

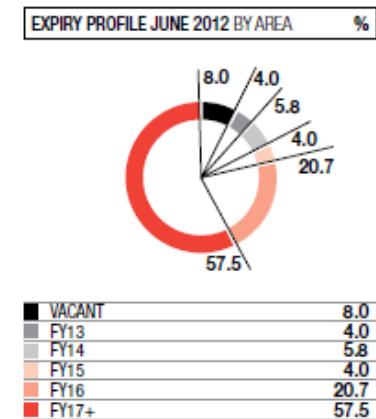
Diversification	Geographic Spread	Geographic Spread
	By Value	By Number
QLD	80%	67%
NSW	20%	33%

	Sector Spread By	Sector Spread By
	Value	Number
Retail	100%	100%

SDRT1 Occupancy and Weighted Average Lease Expiry

At 30 June 2012, SDRT1 occupancy was 92% and the Weighted Average Lease Expiry was 5.3 years by area.

Lease Expiry Profile by Area



Disclosure Principle 5: Valuation Policy

SDRT1's policy is for all properties to be independently valued at least every three years by a Certified Practising Valuer registered with the Australian Property Institute. A directors' valuation is undertaken at every other reporting date when an external valuation does not occur (i.e. 30 June and 31 December). Where the internal valuation results in a variance outside the range -5% to +5% of a property's built up book value, an external valuation is required. In addition, where the variance in the built up book value is outside the range -5% to +5% of the most recent independent valuation, a new external valuation is required.

Disclosure Principle 6: Related Party Transactions

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. Investors should therefore be able to assess whether a Responsible Entity ("RE") takes an appropriate approach to related party transactions. A significant number and value of such transactions may mean that investors should consider the financial position of the related group as a whole and the risk of potential conflicts of interest.

As outlined in Section 4.6 of the Product Disclosure Statement ("PDS"), approval of all related party transactions by the board of Stockland Capital Partners Limited ("SCPL") the RE of SDRT1, are to be by unanimous vote, including independent directors. Any Stockland executive directors are excluded from voting on such transactions.

Related Party Transactions

Listed below are the primary related party transactions for the year ended 30 June 2012. Please refer to Note 19 of the Financial Report for a full review of related party transactions concerning SDRT1.

- Stockland Trust Management Limited ("STML") as the RE of Stockland Trust, a related party of Stockland Capital Partners Limited ("SCPL"), held 5,850,000 (14.8%) units in SDRT1 as at 30 June 2012;
- Two SCPL Directors held units in SDRT1 at 30 June 2012. Mr David Kent held 115,000 units and Mr Matthew Quinn held 10,000 units;
- SCPL is the RE of SDRT1. SCPL does not hold any units in SDRT1;
- STML has provided an interest rate swap on SDOT3's property loan facility at 6.45% per annum plus a margin and line fee.

- STML has provided SDRT1 with a letter of offer for a loan facility. The facility offer is capable of being accepted by the Trust until 28 August 2013 and gives the Trust access to a STML provided facility if the existing facility is required to be repaid or is not renewed. The terms and conditions of the STML facility would be the same as those available in the market place to SDRT1 at the time of acceptance.

Fees to Related Parties

Type	Amount	When Paid?
RE Fee	\$0.302 m for the full year ended 30 June 2012, representing 0.45% p.a. of the Trust's gross assets.	Paid quarterly in arrears to SCPL out of the assets of the Trust. A portion of the RE fee is deferred and payable upon the wind up of the Trust. Please refer to Note 19 of the 30 June 2012 Financial Report for further details.
Performance Fee	Nil provided for at 30 June 2012. The performance fee is calculated by 2.56% of the gross value of the properties provided that hurdle rates are met and investors receive at least the return of their application monies. Please refer to	Payable to SCPL on expiry or wind up of the Trust or sale of the properties. A portion of the RE fee is deferred and payable upon the wind up of the Trust. Please refer to Note 19 of the 30 June 2012 Financial Report for further details.

Section 7 PDS.

Property Management Fee	\$0.581 m for the full year ended 30 June 2012, representing 5% of the gross income from the properties.	Payable to Stockland Property Management Limited throughout the year.
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Policy and Ongoing Monitoring

A corporate governance framework has been established to protect investors' interests. This framework includes:

- Documented and formally approved and executed agreements between Stockland Corporation, STML and SDRT1 by separate independent legal advice obtained by SCPL on behalf of SDRT1;
- One of the two Directors of the SCPL Board are independent of Stockland Corporation;
- Monitoring of compliance with SCPL's obligations by the Compliance Committee;
- A six monthly review and full year audit by the scheme auditor and full year audit by the compliance plan auditor;
- A requirement for the approval of all related party transactions by the SCPL Board to be by unanimous vote, including the independent directors. The Stockland Executive Director is excluded from voting on such transactions;
- Acting in accordance with the RE's conflicts of interest policy, which is made available to all staff. The policy is reviewed on an ongoing basis to ensure that Stockland maintains adequate conflicts management arrangements;
- The SCPL Directors have a fiduciary duty to act in the best interests of investors in relation to decisions affecting SDRT1.

Disclosure Principle 7: Distribution Practices

Source of Distributions

Distributions for the year ended 30 June 2012 for SDRT1 were funded 100% from realised income. Going forward it is anticipated that distributions will continue to be funded entirely from realised income however SCPL may review and adjust accordingly.

Disclosure Principle 8: Withdrawal Arrangements

Once an application for units has been received, investors are unable to redeem their units until the Termination Date.

Investors may however be able to sell their units by participating in the Limited Liquidity Facility (“LLF”) offered by National Australia Bank (NAB), or through the Off Market Transfer process.

Limited Liquidity Facility

The LLF is a facility which NAB has agreed to provide to SDRT1 investors. The LLF is available on a quarterly basis and provides investors with an opportunity to sell their units prior to the termination date, subject to certain conditions.

NAB has agreed to acquire up to 1,000,000 units in SDRT1 per Quarter from investors seeking to realise their units. Units are acquired at a 2.5% discount to Net Tangible Assets (“NTA”) per unit less transaction costs. STML has placed a standing order with NAB to acquire a maximum of 1,000,000 units per Quarter. This standing order can be terminated at any time.

Investors who wish to apply to participate in the LLF should request a LLF form from SCPL, or download the form from the website. Applications under the LLF will be considered an irrevocable offer by investors and cannot be withdrawn. An application must be for an investor’s entire holding.

For applications under the LLF to be considered, investors should send completed application forms to the address listed on the form no later than 15 business days before Quarter end. Investors who have made an application to participate in the LLF will be entitled to the distribution for the Quarter in which the application was received.

Completed LLF transfer forms will be accepted by NAB in order of receipt. Any LLF transfer forms that are not accepted due to the LLF being oversubscribed in any single Quarter may be included in the applications for the following Quarter’s LLF. SCPL, on behalf of NAB, will notify investors in writing whether their application has been successful within 15 business days after the end of the Quarter in which the transfer form was received.

For the purposes of the LLF, the NTA per unit will be calculated twice a year based on the financial statements of the Trust prepared as at 30 June and 31 December.

Limitations of the Limited Liquidity Facility

The LLF can be terminated by NAB in the following circumstances:

- NAB may unconditionally suspend or terminate the LLF at any time in its sole discretion.
- There is no guarantee that the LLF will continue for the duration of the Trust.
- STML’s standing order will terminate when it and its related entities hold 19.9% of the units, at which stage NAB will acquire up to a maximum holding of 19.9% of units if required.
- As at 30 June 2012, Stockland Trust’s current holding in the trust is 14.8%.

The RE will notify investors if the LLF is terminated in the quarterly distribution statement next following the date of termination. Please refer to the Terms and Conditions of the LLF in the PDS.

Off Market Transfers

Investors are able to transfer their units in SDRT1 via an Off Market Transfer. Investors may transfer their units to third parties at any time in accordance with the terms and conditions detailed in Section 5.5 of the PDS. The Off Market Transfer form is available on our website

<http://www.stockland.com.au/UnlistedPropertyFunds>.

Risks on Termination

The performance of the Trust will be influenced by a range of factors during the term of the Trust and at termination including:

- Changes in the economy and market conditions may affect demand and therefore property values;
- Investors will be indirectly exposed to property market risk;
- The value of the properties may fluctuate depending on market conditions and there may be a delay in achieving a sale of the properties;
- The Trust may be required to refinance the debt facilities;
- If the facilities cannot be entirely refinanced on its termination or expiry, then returns to investors may be adversely affected.

Please refer to Section 8 of the PDS for more information.

Further Information

For further information in relation to the above please refer to the website at <http://www.stockland.com.au/UnlistedPropertyFunds> or contact our Client Relations Manager, Justin Wong on (02) 9035 2736 or email Justin.wong@stockland.com.au

Future updates on these Disclosure Principles will be made available on our website.