2009

Stockland

Stockland Direct Retail Trust No.1

ARSN: 121 832 086 ANNUAL FINANCIAL REPORT 30 JUNE 2009

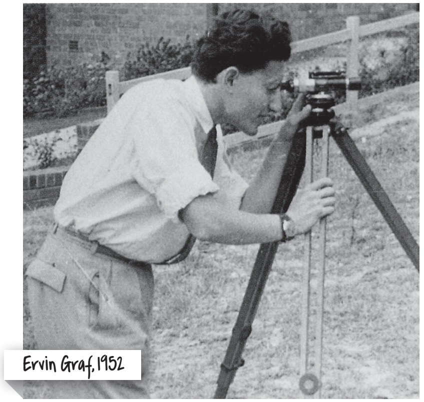
Contents

STOCKLAND PUBLICATIONS

Our detailed Financial Report, Corporate Responsibility and Sustainability Report and Property Portfolio are available at www.stockland.com.

ABOUT STOCKLAND

We have a long and proud history of creating places that meet the needs of our customers and communities.



Ervin Graf, 1952

OUR STORY

Ervin Graf founded Stockland in 1952 with a vision to *"not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country".*

Pursuing that vision has seen Stockland grow to become one of Australia's leading diversified property groups – developing and managing a large portfolio of residential community, apartment, retirement living, retail, office and industrial assets.

With the benefit of our diverse property skills, we connect together property styles in shared locations, to create communities of uncommon diversity and connectedness; places that inspire people to gather, to share and to live life.

We recognise our responsibilities to the environment and are striving to become a leader in sustainable business practices. Our positive and adaptable team shares Graf's vision of making a worthwhile contribution to our community.

We work hard, we expect a lot of one another, and we seek true work-life balance. For over half a century, we've worked hard to grow our diverse portfolio of assets and projects while maintaining a conservative balance sheet. It's proven to be a sound approach and we're now Australia's largest diversified property group and a top 50 ASX listed company.

Directors' Report

For the year ended 30 June 2009

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 2009, the state of the consolidated entity's affairs as at 30 June 2009 and the Independent Auditor's Report thereon.

SCPL 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 Australian Securities and Investment Commission ("ASIC") and SCPL was appointed as the Responsible Entity.

DIRECTORS

The Directors of the Responsible Entity of the Trust 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"), Chairman of Sinclair Knight Merz Holdings Limited and was appointed a Director of Perpetual Limited on 31 July 2005. Mr Scott is a Director of Pilotlight, a non-profit making organisation and O'Connell Street Associates Pty Limited. He was appointed to the Advisory Board of Laing O'Rourke Australia in August 2008 and was on the Advisory Board of Jones Lang LaSalle Australia until his resignation on 31 December 2008. 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 and is Chairman of Stockland's Human Resources Committee.

DAVID KENT

(Non-Executive)
Appointed 9 August 2004

Mr Kent was appointed a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is Chairman of the S H Ervin Gallery Committee and a Director of the Royal Sydney Golf Club Foundation. Mr Kent spent the majority of his executive career at Morgan Stanley where he became Managing Director and Head of Investment Banking. He held positions in Sydney, Melbourne and New York for Morgan Stanley. Other positions held have included Chairman of Everest Financial Group, Director of the Everest Alternative Investment Trust, Executive General Manager of Axiss Australia; Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent has been a Member of the Financial Sector Advisory Council and the Australian Chapter of the Alternative Investment Management Association. He has previously served as Deputy Chairman of the AGNSW Foundation and Chairman of the Brett Whiteley Foundation. He is a member of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

ANTHONY SHERLOCK

(Non-Executive)
Appointed 9 August 2004

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & 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 IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former non-executive Director of Austral Coal Limited and Sydney Attractions Group Limited, and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Limited Audit and Risk Committee, the Stockland and Stockland Capital Partners Limited Financial Services Compliance Committees and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

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. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He was appointed Chairman 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 Limited, 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. He 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:

Mr T Williamson (Chair) –
Non-Executive Director of Stockland
(appointed December 2008)

Mr A Sherlock – Non-Executive Director

Mr P Hepburn – Executive Member

Ms L Gearing (Chair) –
Non-Executive Director of Stockland
(resigned December 2008)

Directors' Report

For the Year Ended 30 June 2009

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.

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

Mr T Williamson (Chair) – Non-Executive Director of Stockland

Mr A Sherlock – Non-Executive Director

PRINCIPAL ACTIVITY

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 AND RESULTS OF OPERATIONS

The consolidated entity recorded a loss from operating activities of $12,144,000 for the financial year ended 30 June 2009 (2008: profit of $3,712,000). This loss includes a number of certain significant items, such as investment property revaluations and unrealised loss on financial instruments that, in the opinion of Directors, need adjustment to enable Unitholders to obtain an understanding of the consolidated entity's underlying profit (refer to the table below). The Directors will continue to monitor the performance of the consolidated entity in light of the current market conditions.

The underlying profit for the year was $1,831,000 (2008: $826,000), reflecting a 121.7% increase from the previous financial year.

Distributions paid or declared by the consolidated entity to Unitholders during the financial year are set out in Note 18 of the Financial Statements.

To provide information to Unitholders that reconciles underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the consolidated entity, in accordance with AICD / Finsia principles for reporting underlying profit.

A downwards revaluation totalling $13,975,000 (2008: upwards revaluation of $2,989,000) was recognised in the consolidated entity's Income Statement. During the financial year, independent valuations were performed on all of the consolidated entity's investment properties resulting in the total portfolio being revalued downwards to $77,840,000. This represents a decrease of 15% on the 30 June 2008 total carrying value of $91,923,000. Refer to Note 8 for individual property values.

For the financial year ended 30 June 2009, a fair value decrement of $3,924,000 (2008: increment of $2,277,000) in the valuation of the interest rate swap was recorded in Reserves as set out in Note 17 of the Financial Statements. As at 30 June 2009, the fair value of the interest rate swap was a liability of $778,000 (2008: $3,146,000 asset) as set out in Note 15 of the Financial Statements.

UPDATE OF DEBT REFINANCING

As at 30 June 2009, the consolidated entity has a $60,000,000 (2008: $60,000,000) loan facility agreement with National Australia Bank ("NAB") of which $56,149,000 has been drawn down (2008: $56,149,000). The loan facility is due to mature on 22 December 2009. Refer to Note 14 and 26 for further detail on the loan facility.

As a result of the consolidated entity's declining property values which is consistent with general property value movements across the economy, as at 30 June 2009, the Trust was not in compliance with the Loan to Valuation Ratio ("LVR") covenant under the loan facility agreement. On 29 June 2009, the Directors received written confirmation from NAB that it will waive its rights to take any action against the Trust in relation to the Trust not being in compliance with the LVR covenant. Consequently, NAB will not be exercising its right to call for immediate repayment of the debt as at 30 June 2009.

Whilst a waiver of the Trust's LVR covenant as at 30 June 2009 has been received, the consolidated entity's ability to continue as a going concern and meet it debts and covenants as they fall due are dependent on management being successful in refinancing the loan facility and the Trust being in compliance with future loan covenants which may require the sale of one or more of the consolidated entity's properties to reduce the outstanding loan facility.

		Consolidated	
	Note	**2009 $'000**	2008 $'000
Underlying profit		**1,831**	826
Certain significant items:			
Net (loss)/gain from fair value adjustment of investment properties	8	**(13,975)**	2,989
Unrealised loss on financial instruments		**–**	(103)
(Loss)/profit for the year attributable to Unitholders		**(12,144)**	3,712

UPDATE OF DEBT REFINANCING (CONTINUED)

A Meeting of Members was held on 30 June 2009 to consider a Special Resolution (more than 75% of the total eligible votes cast by Unitholders entitled to vote) to authorise the Responsible Entity to sell all or any of the properties of the consolidated entity at such time and upon such terms it considers necessary. This was to assist in preventing potential future breaches of any financing facility of the Trust or otherwise protect or enhance the financial position or continuation of the Trust.

The Special Resolution was not approved by Unitholders on 30 June 2009. The Responsible Entity continues to consider options to manage the financial position of the Trust. It is likely that the Responsible Entity may be required to call a further Meeting of Members to approve the sale of all or any of the properties of the consolidated entity at such time and upon such terms it considers necessary.

Based on management's continuing discussions regarding the refinancing of the loan facility and active management of the consolidated entity's properties, the Directors are not aware of any circumstances that may lead to the debt being called.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of the affairs of the consolidated entity or the Trust during the financial year.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

As discussed above on page 2, Note 14 and 27, an LVR covenant waiver was provided by NAB on 29 June 2009. A condition of this waiver is that an additional cost, above the original margin on the existing loan facility, is to be incurred from 1 July 2009 to 22 December 2009. As disclosed in the PDS, the effective interest rate paid on the loan facility will be limited to 6.45% p.a. via an agreement with Stockland Trust Management Limited ("STML") as the Responsible Entity of Stockland Trust.

Apart from the matter disclosed above, there has not arisen, in the interval between the end of the current financial year and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of operations, or the state of the affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

The Responsible 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 Responsible Entity of Stockland Trust, a related party of the Responsible Entity, holds 2,513,000 units in the consolidated entity as at 30 June 2009 (2008: 150,000).

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 the winding up of the consolidated entity. The Responsible Entity charges are set out in Note 21 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:

Directors	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.

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

The external auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the year ended 30 June 2009.

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, 20 August 2009

Lead Auditor's Independence Declaration

under Section 307C of the Corporations Act 2001

KPMG

To: the directors of the 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 year ended 30 June 2009 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.

KPMG

Scott Fleming
Partner

Sydney
20 August 2009

Income Statements

For the Year Ended 30 June 2009

		Consolidated		Trust	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Revenue and other income					
Rent from investment properties		**8,919**	7,021	**–**	811
Net gain from fair value adjustment of investment properties	8	**–**	2,989	**–**	27
Interest income		**162**	153	**88**	153
Distributions received	21	**–**	–	**5,112**	4,441
Total revenue and other income		**9,081**	10,163	**5,200**	5,432
Net loss from fair value adjustment of investment properties	8	**(13,975)**	–	**–**	–
Investment property expenses		**(2,580)**	(2,180)	**–**	(115)
Finance cost relating to interest-bearing liabilities at amortised cost		**(3,864)**	(2,917)	**(3,864)**	(2,917)
Unwinding of discount on deferred consideration	13	**–**	(517)	**–**	(517)
Impairment of units in controlled entities		**–**	–	**(7,500)**	–
Unrealised loss on financial instruments		**–**	(103)	**–**	(103)
Auditors' remuneration	4	**(134)**	(129)	**(99)**	(129)
Responsible Entity fees	21	**(421)**	(424)	**(421)**	(424)
Other expenses		**(251)**	(181)	**(149)**	(34)
Total expenses		**(21,225)**	(6,451)	**(12,033)**	(4,239)
(Loss)/profit from operating activities		**(12,144)**	3,712	**(6,833)**	1,193

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

Balance Sheets

As at 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
Current assets					
Cash and cash equivalents	5	**2,761**	4,686	**2,761**	4,686
Trade and other receivables	6	**444**	127	**–**	–
Loans to related entities	22	**–**	–	**67,925**	67,763
Other assets	7	**74**	1,159	**31**	58
Total current assets		**3,279**	5,972	**70,717**	72,507
Non-current assets					
Investment properties	8	**77,242**	90,422	**–**	–
Units in controlled entities	9	**–**	–	**10,000**	17,500
Trade and other receivables	10	**476**	386	**–**	–
Other assets	11	**105**	3,160	**–**	3,146
Total non-current assets		**77,823**	93,968	**10,000**	20,646
Total assets		**81,102**	99,940	**80,717**	93,153
Current liabilities					
Trade and other payables	12	**1,712**	2,611	**651**	459
Interest-bearing loans and borrowings	14	**55,940**	–	**55,940**	–
Other liabilities	13	**655**	778	**655**	778
Total current liabilities		**58,307**	3,389	**57,246**	1,237
Non-current liabilities					
Interest-bearing loans and borrowings	14	**–**	55,668	**–**	55,668
Other liabilities	15	**778**	–	**778**	–
Total non-current liabilities		**778**	55,668	**778**	55,668
Total liabilities		**59,085**	59,057	**58,024**	56,905
Net assets		**22,017**	40,883	**22,693**	36,248
Unitholders' funds					
Units on issue	16	**30,304**	33,102	**30,304**	33,102
Undistributed (loss)/profit		**(7,509)**	4,635	**(6,833)**	–
Reserves	17	**(778)**	3,146	**(778)**	3,146
Total Unitholders' funds		**22,017**	40,883	**22,693**	36,248

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

Statement of Changes in Equity

For the year ended 30 June 2009

		Unitholders' funds							
		Units on issue		Undistributed (loss)/profit		Reserves		Total	
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Consolidated	**Note**	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance		**33,102**	34,797	**4,635**	2,337	**3,146**	869	**40,883**	38,003
Effective portion of changes in fair value of cash flow hedges		**–**	–	**–**	–	**(3,924)**	2,277	**(3,924)**	2,277
Total income and expenses recognised directly in equity for the financial year		**–**	–	**–**	–	**(3,924)**	2,277	**(3,924)**	2,277
(Loss)/profit for the financial year		**–**	–	**(12,144)**	3,712	**–**	–	**(12,144)**	3,712
Total recognised income and expenses for the financial year		**–**	–	**(12,144)**	3,712	**(3,924)**	2,277	**(16,068)**	5,989
Distributions paid/payable to Unitholders	18	**(2,798)**	(1,695)	**–**	(1,414)	**–**	–	**(2,798)**	(3,109)
Closing balance		**30,304**	33,102	**(7,509)**	4,635	**(778)**	3,146	**22,107**	40,883

		Unitholders' funds							
		Units on issue		Undistributed (loss)/profit		Reserves		Total	
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Trust	**Note**	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance		**33,102**	34,797	**–**	221	**3,146**	869	**36,248**	35,887
Effective portion of changes in fair value of cash flow hedges		**–**	–	**–**	–	**(3,924)**	2,277	**(3,924)**	2,277
Total income and expenses recognised directly in equity for the financial year		**–**	–	**–**	–	**(3,924)**	2,277	**(3,924)**	2,277
(Loss)/profit for the financial year		**–**	–	**(6,833)**	1,193	**–**	–	**(6,833)**	1,193
Total recognised income and expenses for the financial year		**–**	–	**(6,833)**	1,193	**(3,924)**	2,277	**(10,757)**	3,470
Distributions paid/payable to Unitholders	18	**(2,798)**	(1,695)	**–**	(1,414)	**–**	–	**(2,798)**	(3,109)
Closing balance		**30,304**	33,102	**(6,833)**	–	**(778)**	3,146	**22,693**	36,248

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

Cash Flow Statements

For the Year Ended 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		**9,224**	6,194	**21**	876
Cash payments in the course of operations		**(3,330)**	(1,190)	**(449)**	(747)
Interest received		**150**	153	**88**	153
Interest paid		**(3,582)**	(2,836)	**(3,582)**	(2,836)
Net cash inflow from/(utilised in) operating activities	19	**2,462**	2,321	**(3,922)**	(2,554)
Cash flows from investing activities					
Payment for investment properties		**(1,433)**	(21,938)	**–**	–
Units issued in controlled entities		**–**	–	**–**	(17,500)
Net cash utilised in investing activities		**(1,433)**	(21,938)	**–**	(17,500)
Cash flows from financing activities					
Proceeds from external party financing		**–**	19,831	**–**	19,831
Distribution paid to Unitholders		**(2,954)**	(3,159)	**(2,954)**	(3,159)
Repayment of loan from controlled entities		**–**	–	**4,951**	437
Net cash (utilised in)/inflow from financing activities		**(2,954)**	16,672	**1,997**	17,109
Net decrease in cash and cash equivalents		**(1,925)**	(2,945)	**(1,925)**	(2,945)
Cash and cash equivalents at the beginning of the financial year		**4,686**	7,631	**4,686**	7,631
Cash and cash equivalents at the end of the financial year	5	**2,761**	4,686	**2,761**	4,686

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

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 as at and for the financial year ended 30 June 2009 comprises of the Financial Report of the Trust and its controlled entities ("the consolidated entity").

The Financial Report as at and for the financial year ended 30 June 2009 was authorised for issue by the Directors of the Responsible Entity on 20 August 2009.

(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 of the consolidated entity and the Trust comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

(b) BASIS OF PREPARATION

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

As at 30 June 2009, the consolidated entity has a net current asset deficiency of $55,028,000, which is mainly due to the current classification of the Trust's loan facility, due to expire on 22 December 2009. The ability of the consolidated entity to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Trust being successful in refinancing the loan facility and the Trust being in compliance with future loan covenants which may require the sale of one or more of the consolidated entity's properties to reduce the outstanding loan facility.

The Directors are not aware of any circumstances that may lead to the Trust not obtaining refinancing of the loan facility prior to the expiry to the existing loan facility. On the date of this report, being 20 August 2009, based on information known at that date, the Directors have formed the view that the Financial Report for the year ended 30 June 2009, can be prepared on a going concern basis as they believe reasonable grounds exist to expect the loan facility will be refinanced. The Directors believe that while this is a material uncertainty, it does not cast doubt on the consolidated entity's ability to continue as a going concern.

This view was formed by taking into account a number of factors including the financial position of the consolidated entity as at 30 June 2009 and information known at the date of this report, and includes the following:

- As at 30 June 2009, the consolidated entity's total assets equal $81,102,000. This value is 1.4 times the amount of drawn debt of $56,149,000; and
- The Trust can demonstrate that it can service the interest payments on the existing loan facility. In addition, the Trust will be able to fund an increase in margin on the loan facility.

Further information in relation to the loan facility can be found in Note 14 to the Financial Report.

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 Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Refer to Note 2 for significant areas of estimation.

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

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

(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.

Revenue is recognised for the major business activities as follows:

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.

Distributions

Revenue from distributions from controlled entities are recognised in the Income Statement on the date the Trust's right to receive payment is established, being the date when they are declared by those entities.

(d) SEGMENT REPORTING

A segment is a distinguishable component of the consolidated entity that is engaged either in providing related 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are recognised initially at fair value and subsequently are remeasured at each balance date. 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).

(h) HEDGING

The Responsible Entity formally designates and documents the relationship between hedging instruments and hedged items at the inception of the transaction, 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 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 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.

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.

(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 changes in the fair value recognised in the Income Statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

This consolidated Financial Report has been prepared based upon a business combination of the Trust and its controlled entities.

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.

Any balances, unrealised gains and losses or income and expenses resulting from transactions with or between controlled entities are eliminated in full within the consolidated entity.

(p) INVESTMENTS

Controlled entities

Investments in controlled entities are carried at the lower of cost and recoverable amount in the Trust's Financial Statements.

(q) 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.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the Income Statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. When the Trust begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

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 flows of the investment property based on reliable estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income.

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 financial year of disposal.

(r) COMPARATIVES

No comparatives have been amended from those reported in the previous financial year except for those reclassified to conform with current year's presentation.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) NEW ACCOUNTING STANDARDS

Certain new or amended accounting standards have been published that are not mandatory for this reporting period. The impact of these new or amended standards (to the extent relevant to the Trust) and interpretations are 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.

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 30 June 2010 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.

AASB 2008-5 and AASB 2008-6 "Amendments to Australian Accounting Standards arising from the Annual Improvement Projects: The improvement project" is an annual project that provides a mechanism for making non urgent, but necessary, amendments to IFRSs. These standards will become mandatory for the consolidated entity's 30 June 2010 Financial Report.

These recently issued or amended standards are not expected to have a significant impact on the amounts recognised or disclosures made in these Financial Statements when restated for the application of these new or amended accounting standards.

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 consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. 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 financial year 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. Where such information is not available, the Responsible Entity determines the property's value within a range of reasonable fair value estimates. In making its judgement, the Responsible 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 leases 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 the Responsible Entity's estimates of fair value of investment properties

In determining the fair value, the capitalisation of net market income method and discounting future cash flows to their present value have been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. 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.

These valuations are regularly compared to 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.

2 ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 as at 30 June 2009. Refer to Note 21 for further details.

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 consolidated entity's property and expectations regarding future property market volatility.

Assumptions underlying the Responsible Entity'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 assumptions set out below:

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 Trust.

Assumptions underlying the Responsible Entity's estimates of fair value of derivatives
The fair value of derivatives is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. The determination of fair value of derivatives is described further in Note 20.

3 SEGMENT REPORTING

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

	Consolidated		Trust	
	2009 $	2008 $	2009 $	2008 $
4 AUDITORS' REMUNERATION				
Audit services to KPMG Australia				
Audit and review of the Financial Reports	**78,500**	68,000	**78,500**	68,000
Other audit services	**–**	5,000	**–**	5,000
Compliance audit services	**15,000**	15,000	**15,000**	15,000
	93,500	88,000	**93,500**	88,000
Other services to KPMG Australia				
Taxation compliance services	**40,822**	41,350	**5,214**	41,350
	40,822	41,350	**5,214**	41,350
Total remuneration	**134,322**	129,350	**98,714**	129,350

	Consolidated		Trust	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
5 CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**2,761**	4,686	**2,761**	4,686

The weighted average interest rate for cash at bank and on hand as at 30 June 2009 was 4.60% p.a. (2008: 6.55% p.a.).

	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
6 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Trade receivables	**100**	127	**–**	–
Less: allowance for impairment loss	**(14)**	–	**–**	–
	86	127	**–**	–
Other receivables	**358**	–	**–**	–
	444	127	**–**	–
7 CURRENT ASSETS – OTHER ASSETS				
Rental income support	**–**	1,097	**–**	–
Fit-out contributions	**17**	4	**–**	–
Prepayments	**45**	31	**31**	31
Interest receivable under interest rate swap	**–**	27	**–**	27
Other assets	**12**	–	**–**	–
	74	1,159	**31**	58

8 NON-CURRENT ASSETS – INVESTMENT PROPERTIES

							Capitalisation rate		Weighted average lease term[2]		Consolidated	
Description	**Title**	**Acquisition date**	**Original purchase price $'000**	**Cost including additions $'000**	**Independent valuation date**	**Independent valuation $'000**	**30 June 2009 %**	30 June 2008 %	**30 June 2009**	30 June 2008	**Book value 2009 $'000**	Book value 2008 $'000
Pacific Pines Shopping Centre, Pacific Pines, Qld	Freehold	Dec 2006	17,041	17,102	Jun 2009	18,300	**7.25**	6.50	**7.67**	7.52	**18,300**	18,823
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	Dec 2006	26,024	26,457	Jun 2009	28,500	**8.00**	6.75	**4.57**	4.17	**28,500**	31,100
Tamworth Homespace, Tamworth, NSW	Freehold	Dec 2006	19,225	20,314	Jun 2009	14,200	**10.50**	8.25	**3.31**	4.73	**14,200**	19,500
Fremantle Shopping Centre, Fremantle, WA[1]	Leasehold	Dec 2006	6,000	21,426	Jun 2009	16,840	**8.50**	7.00	**11.84**	9.55	**16,840**	22,500
Total Investment properties (including amounts classified in Trade and other receivables and Other assets)											**77,840**	91,923
Less amounts classified as:												
– Trade and other receivables											**(476)**	(386)
– Other assets											**(122)**	(1,115)
Total Investment properties											**77,242**	90,422

[1] On 13 June 2008 the Fremantle property was completed and transferred from property, plant and equipment to investment properties.

[2] Weighted average lease term is stated as years by income.

	Consolidated		Trust	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
8 NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)				
RECONCILIATION – INVESTMENT PROPERTIES				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	**90,422**	65,682	**–**	20,527
Net (loss)/gain on fair value adjustments of investment properties	**(13,975)**	2,989	**–**	27
Transfer from property, plant and equipment	**–**	21,318	**–**	–
Transfer to consolidated entity[1]	**–**	–	**–**	(20,554)
Expiration of rental income support	**553**	155	**–**	–
Expenditure capitalised	**242**	278	**–**	–
Carrying amount at the end of the financial year	**77,242**	90,422	**–**	–

[1] On 10 December 2007 the beneficial ownership of the Tamworth property was transferred to a Trust within the consolidated group.

	Consolidated		Trust	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
9 NON-CURRENT ASSETS – UNITS IN CONTROLLED ENTITIES				
Units in controlled entities	**–**	–	**10,000**	17,500

The Trust has five wholly-owed subsidiaries (refer to Note 21) which holds the Pacific Pines, Benowa, Fremantle and Tamworth properties.

	Consolidated		Trust	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
10 NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Trade debtors – straight-lining of rental income	**476**	386	**–**	–
11 NON-CURRENT ASSETS – OTHER ASSETS				
Fair value of hedging instrument	**–**	3,146	**–**	3,146
Fit-out contributions	**105**	14	**–**	–
	105	3,160	**–**	3,146
12 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade payables and accruals	**1,624**	2,464	**600**	358
Interest payable on loan facility	**51**	101	**51**	101
Goods and services tax ("GST") payable	**37**	46	**–**	–
	1,712	2,611	**651**	459
13 CURRENT LIABILITIES – OTHER LIABILITIES				
Deferred consideration – Opening	**–**	17,906	**–**	17,906
Unwinding of discount on deferred consideration	**–**	517	**–**	517
Settlement of deferred consideration	**–**	(18,423)	**–**	(18,423)
Deferred consideration – Closing	**–**	–	**–**	–
Distribution payable	**622**	778	**622**	778
Interest payable under interest rate swap	**33**	–	**33**	–
	655	778	**655**	778

	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
14 CURRENT AND NON-CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS				
CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS				
Loan facility	**56,149**	–	**56,149**	–
Less: attributable transaction costs	**(209)**	–	**(209)**	–
Total Balance Sheet carrying amount at amortised cost	**55,940**	–	**55,940**	–
NON-CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS				
Loan facility	**–**	56,149	**–**	56,149
Less: attributable transaction costs	**–**	(481)	**–**	(481)
Total Balance Sheet carrying amount at amortised cost	**–**	55,668	**–**	55,668

LOAN FACILITY

The Trust has a $60,000,000 (2008: $60,000,000) loan facility agreement with National Australia Bank ("NAB"). As at 30 June 2009, $56,149,000 had been drawn (2008: $56,149,000). The weighted average interest rate on the loan facility for the year ended 30 June 2009 was 6.23% p.a. (2008: 8.60% p.a.). The loan facility has been effectively hedged through an interest rate swap contract (refer to paragraphs below).

Taking into account the interest rate swap in place, the weighted average interest rate on the loan facility for the year ended 30 June 2009 was 6.40% p.a. (2008: 6.30% p.a.).

The loan facility to the consolidated entity 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 original maturity date of the loan facility is 22 December 2009 and may be extended on an ongoing basis upon agreement with both the consolidated entity and NAB.

Management are currently in ongoing discussions with NAB with regards to the refinancing of the loan facility. The terms of the refinanced loan facility are likely to be less favourable than those under the current facility. The Directors consider it is likely that the loan facility will be refinanced. The Directors believe that while this is a material uncertainty, it does not cast doubt on the Trust's ability to continue as a going concern. Further information in relation to this can be found in Note 1(b) and 26 to the Financial Report.

As a result of the consolidated entity's declining property values which is consistent with general property value movements across the economy, the Trust was not in compliance with the LVR covenant under the loan facility agreement as at 30 June 2009. On 29 June 2009, the Directors received written confirmation from NAB that it will waive its rights to take any action against the Trust in relation to the Trust not being in compliance with the LVR covenant. Consequently, NAB will not be exercising its right to call for immediate repayment of the debt as at 30 June 2009. Further information in relation to this can be found in Note 1(b) to the Financial Report.

INTEREST RATE SWAP CONTRACT

The Responsible Entity, on behalf of the consolidated entity, 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 the loan facility provided by NAB which is floating. The interest rate swap allows the consolidated entity to swap the floating rate borrowing into a fixed rate borrowing.

The interest rate swap on the loan facility will incur a fixed cost equal to 6.45% p.a. (2008: 6.45% p.a.) payable quarterly in arrears and will terminate on the earlier of 4.5 years from 30 June 2009 and when the underlying debt becomes due and payable. The swap in place covers 100% of the loan facility outstanding.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
15 NON-CURRENT LIABILITIES – OTHER LIABILITIES				
Fair value of hedging instrument	**778**	–	**778**	–

16 UNITS ON ISSUE

	Consolidated and Trust 2009 No. of units	Consolidated and Trust 2008 No. of units	Consolidated and Trust 2009 $'000	Consolidated and Trust 2008 $'000
Units on issue	**39,600,000**	39,600,000	**30,304**	33,102

Date	Details	No. of units	Price per unit	$'000
MOVEMENT IN UNITS				
1 July 2007	Opening 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	Balance	39,600,000		33,102
31 October 2008	Distribution paid from contributed equity	**–**	**–**	**(777)**
31 December 2008	Distribution paid from contributed equity	**–**	**–**	**(777)**
31 March 2009	Distribution paid from contributed equity	**–**	**–**	**(622)**
30 June 2009	Distribution paid from contributed equity	**–**	**–**	**(622)**
30 June 2009	**Closing balance**	**39,600,000**		**30,304**

Rights and restrictions over units

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
17 RESERVES				
Balance at the beginning of the financial year	**3,146**	869	**3,146**	869
Effective portion of changes in fair value of cash flow hedge during the financial year	**(3,924)**	2,277	**(3,924)**	2,277
Balance at the end of the financial year	**(778)**	3,146	**(778)**	3,146

18 DISTRIBUTIONS TO UNITHOLDERS

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

	Distribution per unit	Total amount $'000	Date of payment	Tax deferred
2009				
30 September 2008	**1.9625¢**	**777**[1]	31 October 2008	100%
31 December 2008	**1.9625¢**	**777**[1]	27 February 2009	100%
31 March 2009	**1.5700¢**	**622**[1]	30 April 2009	100%
30 June 2009	**1.5700¢**	**622**[1]	28 August 2009[2]	100%
Total distributions		**2,798**		

[1] This was/is a distribution from contributed equity.
[2] Proposed payment date.

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

	Distribution per unit	Total amount $'000	Date of payment	Tax deferred
2008				
30 September 2007	1.9625¢	777[3]	31 October 2007	73[6]%
31 December 2007	1.9625¢	777[4]	29 February 2008	73[6]%
31 March 2008	1.9625¢	777[5]	28 April 2008	73[6]%
30 June 2008	1.9625¢	778[5]	29 August 2008	73[6]%
Total distributions		3,109		

[3] This distribution was a distribution from income.
[4] This distribution included $140,000 as a distribution from contributed equity. The balance of this distribution was from income.
[5] This distribution was/is a distribution from contributed equity.
[6] 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.

19 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of (loss)/profit from operating activities to net cash inflow from/(utilised in) operating activities:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
(Loss)/profit from operating activities	**(12,144)**	3,712	**(6,833)**	1,193
Amortisation of borrowing costs	**273**	585	**273**	585
Net loss/(gain) from fair value adjustment of investment properties	**13,975**	(2,989)	**–**	(27)
Impairment of units in controlled entities	**–**	–	**7,500**	–
Provision for impairment loss	**14**	–	**–**	–
Unrealised loss on financial instruments	**–**	103	**–**	103
Distributions from controlled entities	**–**	–	**(5,112)**	(4,441)
Net cash inflow from/(utilised in) operating activities before change in assets and liabilities	**2,118**	1,411	**(4,172)**	(2,587)
Increase in trade and other receivables	**(421)**	(214)	**–**	–
Decrease/(increase) in other assets	**440**	(392)	**25**	36
(Decrease)/increase in trade and other payables	**292**	1,516	**192**	(3)
Increase in other liabilities	**33**	–	**33**	–
Net cash inflow from/(utilised in) operating activities	**2,462**	2,321	**(3,922)**	(2,554)

20 FINANCIAL INSTRUMENTS

(a) FINANCIAL RISK AND CAPITAL 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 Directors 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 Responsible Entity can alter the capital structure of the consolidated entity by adjusting the amount of distributions paid to Unitholders and adjusting the timing of development and capital expenditure.

In this context, the consolidated entity considers capital to include interest-bearing loans and borrowings and Unitholders' funds.

Management 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 consolidated entity's properties. The loan-to-value ratio as at 30 June 2009 is 72% (2008: 61%) which is not in compliance with the LVR covenant requirement of 70%. On 29 June 2009, the Directors received written confirmation from NAB that they will waive their rights to take any action against the Trust in relation to the Trust not being in compliance with the LVR covenant. Refer to Note 1(b), 14, and 26 for further detail on the Trust not being in compliance with the LVR covenant under the loan facility agreement.

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 2009, for the consolidated entity, the aging analysis of total trade receivables is as follows:

	2009		
	Trade receivables $'000	Impairment $'000	Net receivables $'000
Not past due	**40**	**–**	**40**
0-30 days past due	**17**	**(7)**	**10**
31-60 days past due	**25**	**(7)**	**18**
61-90 days past due	**18**	**–**	**18**
+91 days past due	**–**	**–**	**–**
	100	**(14)**	**86**

As at 30 June 2009 and 30 June 2008, there were no significant financial assets that were past due and impaired. As at 30 June 2009 and 30 June 2008, there were no significant financial assets that would otherwise be past due whose terms have been renegotiated.

20 FINANCIAL INSTRUMENTS (CONTINUED)

(a) FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Credit risk (continued)

The movement in the allowance for impairment loss is as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Trust 2009 $'000	Trust 2008 $'000
Balance as at 1 July	**–**	–	**–**	–
Charge for the year	**14**	–	**–**	–
Amounts written off	**–**	–	**–**	–
Closing balance at 30 June	**14**	–	**–**	–

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

Liquidity risk

Liquidity risk is the risk that the consolidated entity or the Trust 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 and the Trust aims at maintaining flexibility in funding by keeping sufficient committed credit lines available. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

The consolidated entity manages liquidity risk through monitoring the maturity of its debt portfolio. As at 30 June 2009, the current weighted average debt maturity is 0.5 years (2008: 1.5 years). Refer to Note 14 for further detail of the loan facility.

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 and may not equate to carrying amounts of financial liabilities in the Balance Sheet.

Contractual maturity of financial liabilities including derivatives and estimated interest

	2009 Contractual cash flows $'000	2009 1 year or less $'000	2009 1-3 years $'000	2009 3-5 years $'000	2009 5+ years $'000	2008 Contractual cash flows $'000	2008 1 year or less $'000	2008 1-3 years $'000	2008 3-5 years $'000	2008 5+ years $'000
Consolidated										
Trade payables and accruals	**(1,624)**	**(1,624)**	**–**	**–**	**–**	(2,464)	(2,464)	–	–	–
Distribution payable	**(622)**	**(622)**	**–**	**–**	**–**	(778)	(778)	–	–	–
Loan facility[1]	**(58,102)**	**(58,102)**	**–**	**–**	**–**	(62,952)	(4,611)	(58,341)	–	–
Interest rate swap	**(688)**	**(1,301)**	**(157)**	**770**	**–**	3,787	1,029	1,504	1,047	207
	(61,036)	**(61,649)**	**(157)**	**770**	**–**	(62,407)	(6,824)	(56,837)	1,047	207
Trust										
Trade payables and accruals	**(600)**	**(600)**	**–**	**–**	**–**	(358)	(358)	–	–	–
Distribution payable	**(622)**	**(622)**	**–**	**–**	**–**	(778)	(778)	–	–	–
Loan facility[1]	**(58,102)**	**(58,102)**	**–**	**–**	**–**	(62,952)	(4,611)	(58,341)	–	–
Interest rate swap	**(688)**	**(1,301)**	**(157)**	**770**	**–**	3,787	1,029	1,504	1,047	207
	(60,012)	**(60,625)**	**(157)**	**770**	**–**	(60,301)	(4,718)	(56,837)	1,047	207

[1] The loan facility is due to mature on 22 December 2009. Refer to Note 14 for further detail.

20 FINANCIAL INSTRUMENTS (CONTINUED)

(a) FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

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 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 debt fixed/hedged percentage as at 30 June 2009 was 100% (2008: 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 20(b) for further details about the interest rate swap contracts.

Sensitivity analysis

The following sensitivity analysis shows the effect on the consolidated entity's and Trust's Income Statement and Unitholders' funds if market interest rates at balance date had been 25 basis points higher/lower (2008: 25 basis points) with all other variables held constant.

An increase of 25 basis points (2008: 25 basis points) in market interest rate would result in an impact to the consolidated entity's and Trust's Income Statement of $Nil (2008: $Nil) and an increase in the consolidated entity's and Trust's Unitholders' funds of $524,000 (2008: $554,000). A decrease of 25 basis points (2008: 25 basis points) in market interest rate would result in an impact to the consolidated entity's and Trust's Income Statement of $Nil (2008: $Nil) and a decrease in the consolidated entity's and Trust's Unitholders' funds of $530,000 (2008: $562,000).

(b) DERIVATIVE FINANCIAL INSTRUMENTS USED BY THE CONSOLIDATED ENTITY

The consolidated entity 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 Stockland Trust Management Limited to manage cash flow risks associated with the interest rate on the property facility provided by NAB, which is floating. The interest rate swap allows the consolidated entity to swap the floating rate borrowing into a fixed rate borrowing.

The interest rate swap on the loan facility will incur a fixed cost equal to 6.45% p.a. (2008: 6.45% p.a.) on the funds drawn against the loan 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 due to expire 22 December 2013.

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. As at 30 June 2009, the swap is considered to be effective and accordingly the change in the fair value is recognised in Unitholders' funds. Refer to accounting policy at Note 1(h).

At balance date, the interest rate swap contract had a fair value of $778,000 (2008: $3,146,000) included in Non-current liabilities – Other liabilities.

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, trade and other payables, 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 2009.

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. The interest rate swap has been deemed to be an effective hedge. Accordingly, the full change in the fair value of the interest rate swap contract is recognised in Unitholders' funds.

21 RELATED PARTIES

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

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:

Directors	Number of units
Mr David Kent	110,000
Mr Matthew Quinn	10,000
Mr Peter Scott	20,000

21 RELATED PARTIES (CONTINUED)

	Consolidated		Trust	
Responsible Entity fees and other transactions	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Responsible Entity fee				
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.	**421**	424	**421**	424
For the year ended 30 June 2009, the Responsible Entity has agreed for the consolidated entity and Trust to defer payment of part of the Responsible Entity fees amounting to $132,832 (2008: $201,777).				
Total deferred and accrued Responsible Entity fees included in Current liabilities – Trade and other payables as at 30 June 2009 is $464,050 (2008: $261,642).				
Performance fee				
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 consolidated entity and the Trust have not provided for a performance fee as at 30 June 2009 (2008: $Nil).				
Total Responsible Entity fees and other transactions recognised in the Income Statements	**421**	424	**421**	424

OTHER RELATED PARTY TRANSACTIONS

Limited Liquidity Facility ("LLF")
NAB has agreed to acquire up to 1,000,000 units per quarter in the Trust from investors seeking to transfer 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 commenced operation in the quarter beginning 1 January 2008. NAB may unconditionally suspend or terminate the LLF at any time in its sole discretion.

During the financial year, STML, as Responsible Entity of Stockland Trust, acquired 2,363,000 units (2008: 150,000) in the consolidated entity via the LLF.

Units held by Stockland Trust
As at 30 June 2009, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 2,513,000 units (2008: 150,000) in the consolidated entity.

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 $409,341 (2008: $311,771) was paid/payable to the property manager during the financial year. Total accrued property management fees by the consolidated entity included in current liabilities – Trade and other payables as at 30 June 2009 is $208,841 (2008: $174,205).

Acquisition of Pacific Pines Shopping Centre
In a previous financial year, the consolidated entity 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. Rent of $136,999 (2008: $133,799) was received during the financial year from Stockland Corporation. Total rent receivable by the consolidated entity as at 30 June 2009 is $Nil (2008: $Nil).

Intercompany loans between the Trust and sub-trusts

	2009 $000	2008 $000
Aggregate amount receivable by the Trust from its sub-trusts	**67,925**	67,808

The loans are interest free and repayable at call.

Controlled entities paid distributions of $5,112,000 (2008: $4,441,000) to the parent entity.

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

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
Stockland Holding Trust No. 1

	Consolidated		Trust	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
23 COMMITMENTS				
As at 30 June 2009, the consolidated entity and the Trust have no commitments (2008: $Nil).				
NON-CANCELLABLE OPERATING LEASE RECEIVABLE FROM INVESTMENT PROPERTY TENANTS				
Non-cancellable operating lease commitments receivable:				
Within one year	**7,358**	6,770	**–**	–
Later than one year but not later than five years	**21,542**	20,610	**–**	–
Later than five years	**23,817**	25,552	**–**	–
	52,717	52,932	**–**	–

24 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.

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS
As at 30 June 2009, the consolidated entity and the Trust have no contingent liabilities and no contingent assets (2008: $Nil).

26 NET CURRENT ASSET DEFICIENCY

In preparing these Financial Statements, the Directors note that the consolidated entity is in a net current asset deficiency position of $55,028,000 (2008: surplus of $2,583,000) due to the $60,000,000 loan facility with NAB maturing on 22 December 2009. As at 30 June 2009, $56,149,000 has been drawn down (2008: $56,149,000).

As a result of the consolidated entity's declining property values which is consistent with general property value movements across the economy, as at 30 June 2009, the Trust was not in compliance with the LVR covenant under the loan facility agreement. On 29 June 2009, the Directors received written confirmation from NAB that they will waive their rights to take any action against the Trust in relation to the Trust not being in compliance with the LVR covenant. Consequently, NAB will not be exercising their right to call for immediate repayment of the debt as at 30 June 2009.

Whilst a waiver of the Trust's LVR covenant as at 30 June 2009 has been received, the consolidated entity's ability to continue as a going concern and meet it debts and covenants as they fall due are dependent on management being successful in refinancing the loan facility and the Trust being in compliance with future loan covenants which may require the sale of one or more of the consolidated entity's properties to reduce the outstanding loan facility.

A Meeting of Members was held on 30 June 2009 to consider a Special Resolution (more than 75% of the total eligible votes cast by Unitholders entitled to vote) to authorise the Responsible Entity to sell all or any of the properties of the consolidated entity at such time and upon such terms it considers necessary. This was to assist in preventing potential future breaches of any financing facility of the Trust or otherwise protect or enhance the financial position or continuation of the Trust.

The Special Resolution was not approved by Unitholders on 30 June 2009. The Responsible Entity continues to consider options to manage the financial position of the Trust. It is likely that the Responsible Entity may be required to call a further Meeting of Members to approve the sale of all or any of the properties of the consolidated entity at such time and upon such terms it considers necessary.

Due to the maturity date being within 12 months of the date of this report, there is uncertainty surrounding the Trust's ability to refinance or repay the facility should NAB call upon the debt upon the scheduled maturity date. Although this uncertainty exists, the Directors consider that there are reasonable grounds to expect the facility will be refinanced.

Based on management's continuing discussions regarding the refinancing of the loan facility and active management of the consolidated entity's properties, the Directors are not aware of any circumstances that may lead to the debt being called. Accordingly, at the date of this report, being 20 August 2009, the Directors have formed the view that the Financial Report for the year ended 30 June 2009 can be prepared on a going concern basis.

This view was formed by taking into account a number of factors including the financial position of the consolidated entity as at 30 June 2009 and information known at the date of this report, and includes the following:

- As at 30 June 2009, the consolidated entity's total assets equal $81,102,000. This value is 1.4 times the amount of drawn debt of $56,149,000; and
- The Trust can demonstrate that it can service the interest payments on the existing loan facility. In addition, the Trust will be able to fund an increase in margin on the loan facility.

27 EVENTS SUBSEQUENT TO THE END OF THE YEAR

As discussed in Note 14 and 26 to the Financial Report, an LVR covenant waiver was provided by NAB on 29 June 2009. A condition of this waiver is that an additional cost, above the original margin on the existing loan facility, is to be incurred from 1 July 2009 to 22 December 2009. As disclosed in the PDS, the effective interest rate paid on the loan facility will be limited to 6.45% p.a. via an agreement with STML.

Apart from the matter disclosed above, there have been no events subsequent to the end of the year which would have a material effect on either the consolidated entity's or Trust's Financial Statements as at 30 June 2009.

Directors' Declaration

For the Year Ended 30 June 2009

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 5 to 25, 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 2009 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 consolidated entity will be able to pay its debts as and when they become due and payable;
4. the Trust has operated during the financial year ended 30 June 2009 in accordance with the provisions of the Trust Constitution as amended dated 26 August 2006; and
5. the Register of Unitholders has, during the financial year ended 30 June 2009, 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, 20 August 2009

Independent Auditor's Report

to the Unitholders of Stockland Direct Retail Trust No. 1 and its controlled entities

KPMG

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

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 2009, 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 27 and the directors' declaration of the consolidated entity 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, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the consolidated entity, 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 Australia Accounting Interpretations), a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of its performance.

Independent Auditor's Report

to the Unitholders of Stockland Direct Retail Trust No. 1 and its controlled entities

KPMG

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 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 consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(ii) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Significant uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, we draw attention to note 1(b) to the financial statements. As at 30 June 2009, the consolidated entity has a net current asset deficiency of $55,028,000, which is mainly due to the current classification of the Trust's loan facility, due to expire on 22 December 2009. The ability of the consolidated entity to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Trust being successful in negotiating a loan facility extension and the consolidated entity being in compliance with future loan covenants which may require the sale of one or more of the consolidated entity's properties to reduce the outstanding loan facility.

KPMG

KPMG

S.A. Fleming

Scott Fleming
Partner

Sydney
20 August 2009

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Stockland Corporation Ltd
ACN 000 181 733

Head Office
Level 25, 133 Castlereagh Street
Sydney NSW 2000

Sydney
Telephone 02 9035 2000

Melbourne
Telephone 03 9095 5000

Brisbane
Telephone 07 3305 8600

Perth
Telephone 08 9368 9222

United Kingdom
37 Maddox Street
London
W1S 2PP
Telephone +44 (0) 845 070 4633

www.stockland.com.au

Stockland