

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

ARSN: 121 832 086

**Consolidated Interim Financial Report  
31 December 2008**

Registered office:

133 Castlereagh Street  
Sydney NSW 2000

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

### **Contents**

Directors' Report	2
Lead Auditor's Independent Declaration	4
Consolidated Interim Income Statement	5
Consolidated Interim Balance Sheet	6
Consolidated Interim Statement of Changes in Equity	7
Consolidated Interim Cash Flow Statement	8
Notes to the Consolidated Interim Financial Statements	
1. Summary of significant accounting policies	9
2. Accounting estimates and assumptions	9
3. Segment reporting	9
4. Non-current assets – Investment properties	10
5. Non-current assets – Property, plant and equipment	11
6. Non-current assets – Other assets	11
7. Current liabilities – Other liabilities	11
8. Current and Non-current liabilities – Interest-bearing loans and borrowings	12
9. Non-current liabilities – Other liabilities	12
10. Units on issue	13
11. Reserves	13
12. Distributions to Unitholders	14
13. Related parties	15
14. Commitments	16
15. Other information	16
16. Contingent liabilities and contingent assets	16
17. Net current asset deficiency	17
18. Events subsequent to the end of the half year	17
Directors' Declaration	18
Independent Review Report	19

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

## Directors' Report

### For the half year ended 31 December 2008

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity of Stockland Direct Retail Trust No. 1 ("the Trust"), present their report together with the consolidated interim Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust and its controlled entities ("the consolidated entity") for the half year ended 31 December 2008, the state of the consolidated entity's affairs as at 31 December 2008 and the Independent Auditor's Review 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 ASIC and SCPL was appointed as the Responsible Entity.

#### Directors

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

Name	Date of appointment/retirement
<b>Non-Executive Directors</b>	
Mr Peter Scott, Chairman	Appointed 22 November 2005
Mr David Kent	Appointed 9 August 2004
Mr Anthony Sherlock	Appointed 9 August 2004
Mr Terry Williamson	Appointed 2 July 2004, retired 23 October 2007 <sup>1</sup>
<b>Executive Director</b>	
Mr Matthew Quinn	Appointed 19 October 2000
Mr Hugh Thorburn (alternate to Mr Quinn)	Appointed 25 October 2007

<sup>1</sup> Mr T Williamson remains chair of the Stockland Capital Partners Limited Audit and Risk Committee.

#### Principal activities

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

#### Review and results of operations

The consolidated entity recorded a loss from operating activities of \$5,615,000 for the half year ended 31 December 2008 (profit of \$4,242,000 for the half year ended 31 December 2007). The Directors will continue to monitor the performance of the consolidated entity in light of the current market conditions.

For the half year ended 31 December 2008, the consolidated entity recorded in reserves, a fair value decrement of \$6,920,000 in the valuation of the interest rate swap as set out in Note 11 of the interim Financial Report. As at 31 December 2008, the fair value of the interest rate swap was \$3,774,000 liability (June 2008: \$3,146,000 asset). As set out in Note 6 and 9 of the interim Financial Report.

The Trust has a \$60,000,000 loan facility agreement with National Australia Bank ("NAB") that matures on 22 December 2009. Negotiations have commenced and are ongoing with NAB in relation to the renegotiation and extension of the loan facility. The Directors consider it is likely that a successful renegotiation will be achieved. 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. Refer to Note 8 and 17 for further detail.

Distributions paid or declared by the consolidated entity to Unitholders during the half year are set out in Note 12 of the Financial Statements.

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

The external auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the half year ended 31 December 2008.

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Directors' Report**  
**For the half year ended 31 December 2008**

**Rounding**

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

Signed in accordance with a resolution of the Directors:

A handwritten signature in dark ink, appearing to read 'M. Quinn', written over a horizontal line.

Matthew Quinn

*Director*

Dated at Sydney, 19 February 2009





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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

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

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'A. G. Fleming'.

Scott Fleming  
Partner

Sydney

19 February 2009

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Consolidated Interim Income Statement**  
**For the half year ended 31 December 2008**

		<b>Half year ended</b>	
		<b>2008</b>	<b>2007</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue and other income</b>			
Rent from investment properties		<b>4,343</b>	3,434
Net gain from fair value adjustment of investment properties		-	4,287
Interest income		<b>103</b>	119
Unrealised gain on financial instruments		-	118
<b>Total revenue and other income</b>		<b>4,446</b>	<b>7,958</b>
Net loss from fair value adjustment of investment properties	4	<b>(6,501)</b>	-
Investment property expenses		<b>(1,282)</b>	(999)
Finance costs relating to interest-bearing liabilities at amortised cost		<b>(1,854)</b>	(1,736)
Responsible Entity fees	13	<b>(220)</b>	(211)
Performance fee	13	-	(571)
Other expenses		<b>(204)</b>	(199)
<b>Total expenses</b>		<b>(10,061)</b>	<b>(3,716)</b>
<b>(Loss)/profit from operating activities</b>		<b>(5,615)</b>	<b>4,242</b>

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

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Consolidated Interim Balance Sheet**  
**As at 31 December 2008**

	Notes	31 Dec 2008 \$'000	30 June 2008 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,071	4,686
Trade and other receivables		602	127
Other assets		661	1,159
<b>Total current assets</b>		<b>4,334</b>	<b>5,972</b>
<b>Non-current assets</b>			
Investment properties	4	84,225	90,422
Property, plant and equipment	5	-	-
Trade and other receivables		528	386
Other assets	6	30	3,160
<b>Total non-current assets</b>		<b>84,783</b>	<b>93,968</b>
<b>Total assets</b>		<b>89,117</b>	<b>99,940</b>
<b>Current liabilities</b>			
Trade and other payables		2,061	2,611
Interest-bearing loans and borrowings	8	55,711	-
Other liabilities	7	777	778
<b>Total current liabilities</b>		<b>58,549</b>	<b>3,389</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	8	-	55,668
Other liabilities	9	3,774	-
<b>Total non-current liabilities</b>		<b>3,774</b>	<b>55,668</b>
<b>Total liabilities</b>		<b>62,323</b>	<b>59,057</b>
<b>Net assets</b>		<b>26,794</b>	<b>40,883</b>
<b>Unitholders' funds</b>			
Units on issue	10	31,548	33,102
Undistributed (loss)/profit		(980)	4,635
Reserves	11	(3,774)	3,146
<b>Total Unitholders' funds</b>		<b>26,794</b>	<b>40,883</b>

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

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Consolidated Interim Statement of Changes in Equity**  
**For the half year ended 31 December 2008**

	Note	Unitholders' funds							
		Units on issue		Undistributed		Reserves		Total	
		31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>		<b>33,102</b>	<b>34,797</b>	<b>4,635</b>	<b>2,337</b>	<b>3,146</b>	<b>869</b>	<b>40,883</b>	<b>38,003</b>
Effective portion of changes in fair value of cash flow hedges	11	-	-	-	-	(6,920)	1,678	(6,920)	1,678
<b>Total income and expenses recognised directly in equity for the half year</b>									
(Loss)/profit for the half year		-	-	-	-	(6,920)	1,678	(6,920)	1,678
<b>Total recognised income and expenses for the half year</b>				<b>(5,615)</b>	<b>4,242</b>	<b>-</b>	<b>-</b>	<b>(5,615)</b>	<b>4,242</b>
Distributions paid	12	-	-	(5,615)	4,242	(6,920)	1,678	(12,535)	5,920
		(1,554)	-	-	(1,554)	-	-	(1,554)	(1,554)
<b>Closing balance</b>		<b>31,548</b>	<b>34,797</b>	<b>(980)</b>	<b>5,025</b>	<b>(3,774)</b>	<b>2,547</b>	<b>26,794</b>	<b>42,369</b>

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



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Consolidated Interim Cash Flow Statement**  
**For the half year ended 31 December 2008**

	<b>Half year ended</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	4,408	3,350
Cash payments in the course of operations	(1,526)	(521)
Interest received	103	123
Interest paid	(1,752)	(1,123)
<b>Net cash inflow from operating activities</b>	<b>1,233</b>	<b>1,829</b>
<b>Cash flows from investing activities</b>		
Payments for investment properties	(1,294)	(20,195)
<b>Net cash utilised in investing activities</b>	<b>(1,294)</b>	<b>(20,195)</b>
<b>Cash flows from financing activities</b>		
Proceeds from external party financing	-	15,335
Distributions paid	(1,554)	(1,605)
<b>Net cash inflow from financing activities</b>	<b>(1,554)</b>	<b>13,730</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,615)</b>	<b>(4,636)</b>
Cash and cash equivalents at the beginning of the half year	4,686	7,631
<b>Cash and cash equivalents at the end of the half year</b>	<b>3,071</b>	<b>2,995</b>

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

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**1 Summary of significant accounting policies**

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

The consolidated interim Financial Report as at and for the half year ended 31 December 2008 was authorised for issue by the Directors of the Responsible Entity on 19 February 2009.

**(a) Statement of compliance**

The consolidated interim Financial Report is a general purpose financial report which has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. The consolidated interim Financial Report also complies with the International Financial Reporting Standards ("IFRSs").

This consolidated interim Financial Report does not include all of the information required for a full Annual Financial Report, and should be read in conjunction with the Annual Financial Report of the consolidated entity as at and for the year ended 30 June 2008.

**(b) Significant accounting policies**

The accounting policies applied by the consolidated entity in this consolidated interim Financial Report are the same as those applied by the consolidated entity in the Annual Financial Report of the consolidated entity as at and for the year ended 30 June 2008.

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 consolidated interim Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

**(b) Basis of preparation**

The consolidated interim Financial Report has been prepared on a going concern basis. In preparing these Interim Financial Statements, the Directors note that the Trust is in a net current asset deficiency position due to the loan facility of \$60,000,000 with National Australia Bank maturing on 22 December 2009. Refer to Note 17 for more information.

**2 Accounting estimates and assumptions**

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

In preparing these consolidated Interim Financial Statements the significant judgements made by the Directors in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Report of the consolidated entity as at and for the year ended 30 June 2008.

**3 Segment reporting**

The consolidated entity operates solely in the business of investment management in Australia.

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**4 Non-current assets – Investment properties**

Description	Title	Acquisition date	Original purchase price (including acquisition costs) \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation (excluding acquisition costs) \$'000	Book value 31 Dec 2008 \$'000	Book value 30 June 2008 \$'000
Pacific Pines Shopping Centre, Pacific Pines, Qld,	Freehold	22 December 2006	17,041	17,095	Dec 2008	19,000	19,000	18,823
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	22 December 2006	26,024	26,396	Dec 2008	29,700	29,700	31,100
Tamworth Homespace, Tamworth, NSW	Freehold	22 December 2006	19,225	20,313	Dec 2008	17,000	17,000	19,500
Fremantle Shopping Centre, Fremantle, WA <sup>1</sup>	Leasehold	22 December 2006	6,000	21,356	Dec 2008	19,600	19,600	22,500
Total Investment Properties (including amounts classified in Trade and other receivables and Other assets)								91,923
Less amounts classified as:								(386)
- Trade and other receivables								(528)
- Other assets								(547)
Total Investment Properties								90,422

<sup>1</sup> On 13 June 2008, the Fremantle property was completed and transferred from property, plant and equipment to investment properties. Refer to Note 5.



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

	31 Dec 2008 \$'000	30 June 2008 \$'000
<b>4 Non-current assets – Investment properties (continued)</b>		
<b>Reconciliation – investment properties<sup>1</sup></b>		
<i>Direct investments and controlled entities</i>		
Carrying amount at the beginning of the financial period	90,422	65,682
Net (loss)/gain on fair value adjustments of investment properties	(6,501)	2,989
Transfer from property, plant and equipment	-	21,318
Expiration of rental income support	200	155
Expenditure capitalised	104	278
Carrying amount at the end of the financial period	<u>84,225</u>	<u>90,422</u>

<sup>1</sup> Current period represents movements during the six month period to 31 December 2008. Prior period represents movements during the twelve months to 30 June 2008.

**5 Non-current assets – Property, plant and equipment**

**Cost**

Opening balance	-	18,080
Expenditure capitalised	-	3,238
Transfer to investment properties	-	(21,318)
Closing balance	-	-

**Carrying Amounts**

Opening balance	-	18,080
Closing balance	-	-

This prior period balance represented the costs incurred to date on the Fremantle Shopping Centre development. During the development phase, the property was required to be accounted for as property, plant and equipment. Upon completion on 13 June 2008, the property was transferred to investment properties. Refer to Note 4.

**6 Non-current assets – Other assets**

Fair value of hedging instrument	-	3,146
Fit-out contributions	30	14
	<u>30</u>	<u>3,160</u>

**7 Current liabilities – Other liabilities**

Deferred consideration – Opening	-	17,906
Unwinding of discount on deferred consideration	-	517
Settlement of deferred consideration	-	(18,423)
Deferred consideration – Closing	-	-
	<u>-</u>	<u>-</u>
Distribution payable	777	778
	<u>777</u>	<u>778</u>



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

	31 Dec 2008 \$'000	30 June 2008 \$'000
<b>8 Current and Non-current liabilities – Interest-bearing loans and borrowings</b>		
<b>Current liabilities – Interest-bearing loans and borrowings</b>		
Loan facility	56,149	-
Less: attributable transaction costs	(438)	-
Total Balance Sheet carrying amount at amortised cost	<u>55,711</u>	<u>-</u>
<b>Non-current liabilities – Interest-bearing loans and borrowings</b>		
Loan facility	-	56,149
Less: attributable transaction costs	-	(481)
Total Balance Sheet carrying amount at amortised cost	<u>-</u>	<u>55,668</u>

The Trust has a \$60,000,000 (30 June 2008: \$60,000,000) loan facility agreement with National Australia Bank (“NAB”). As at 31 December 2008, \$56,149,000 had been drawn down (30 June 2008: \$56,149,000). The weighted average interest rate on the loan facility for the period to 31 December 2008 was 8.13% p.a. (30 June 2008: 8.60% p.a.). This loan facility had been effectively hedged through an interest rate swap contract. Taking into account the interest rate swap in place, the weighted average interest rate on the loan facility for the period to 31 December 2008 is 6.45% p.a. (30 June 2008: 6.45% p.a.). The loan facility matures on 22 December 2009 and may be extended for a further twelve months on an ongoing basis upon agreement with both the Trust and NAB. Refer to Note 17 for more information.

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

**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 rate 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. (30 June 2008: 6.45%) payable quarterly in arrears and will terminate on the earlier of 5.0 years from 31 December 2008. The swap in place covers 100% of the loan facility outstanding.

**9 Non-current liabilities – Other liabilities**

Fair value of hedging instrument	<u>3,774</u>	<u>-</u>
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**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**10 Units on issue**

	<b>31 Dec 2008</b>	<b>30 June 2008</b>	<b>31 Dec 2008</b>	<b>30 June 2008</b>
	<b>No. of units</b>	<b>No. of units</b>	<b>\$'000</b>	<b>\$'000</b>
Units on issue	<b>39,600,000</b>	39,600,000	<b>31,548</b>	33,102

<b>Date</b>	<b>Details</b>	<b>No. of units</b>	<b>Price per unit</b>	<b>\$'000</b>
<b>Movement in units</b>				
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)
<b>31 December 2008</b>	<b>Closing balance</b>	<b>39,600,000</b>	-	<b>31,548</b>

*Rights and restrictions over units*

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

	<b>Notes</b>	<b>31 Dec 2008</b>	<b>30 June 2008</b>
		<b>\$'000</b>	<b>\$'000</b>

**11 Reserves**

Balance at the beginning of the financial period <sup>1</sup>		<b>3,146</b>	869
Effective portion of changes in fair value of cash flow hedge during the financial period	6, 9	<b>(6,920)</b>	2,277
Balance at the end of the financial period		<b>(3,774)</b>	3,146

<sup>1</sup> Current period represents movements during the six month period to 31 December 2008. Prior period represents movements during the twelve months to 30 June 2008.

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**12 Distributions to Unitholders**

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

	<b>Distribution per unit</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>	<b>Tax deferred</b>
<b>2008</b>				
30 September 2008	1.9625¢	777 <sup>1</sup>	31 October 2008	100%
31 December 2008	1.9625¢	777 <sup>1</sup>	27 February 2009 <sup>2</sup>	100%
Total distributions		<u>1,554</u>		

<sup>1</sup> This was/is a distribution from contributed equity.

<sup>2</sup> Proposed payment date.

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

	<b>Distribution per unit</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>	<b>Tax deferred</b>
<b>2007</b>				
30 September 2007	1.9625¢	777 <sup>3</sup>	31 October 2007	73% <sup>5</sup>
31 December 2007	1.9625¢	777 <sup>4</sup>	29 February 2008	73% <sup>5</sup>
Total distributions		<u>1,554</u>		

<sup>3</sup> This distribution was a distribution from income.

<sup>4</sup> This distribution included \$140,000 as a distribution from contributed equity. The balance of this distribution was from income.

<sup>5</sup> 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.



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**13 Related parties**

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

The Directors of the Responsible Entity and their units held in the Trust at 31 December 2008 are as follows:

<b>Director</b>	<b>Number of units</b>
Mr David Kent	110,000
Mr Matthew Quinn	10,000
Mr Peter Scott	20,000

	<b>Half year ended</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Responsible Entity fees and other transactions</b>		
<i><b>Responsible Entity fee</b></i>		
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.	<b>220</b>	<b>211</b>
As at 31 December 2008, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fee amounting to \$66,028 (31 December 2007: \$92,125).		
Total deferred and accrued Responsible Entity fee included in Current liabilities – Trade and other creditors as at 31 December 2008 is \$410,286 (30 June 2008: \$268,182).		
<i><b>Performance fee</b></i>		
The Responsible Entity is entitled to a performance fee if Unitholders receive at least the return of their application monies or the relevant proportion of their application monies if all properties are not sold. The Responsible Entity is entitled to a performance fee on the gross value of the property or properties as disclosed in the Balance Sheet at each reporting date or realised on a sale of the property or properties during the period.		
The Trust has not provided for a performance fee as at 31 December 2008. The performance fee that was provided for as at 31 December 2007 was reversed in June 2008.	<b>-</b>	<b>571</b>
<b>Total Responsible Entity fees and other transactions</b>	<b>220</b>	<b>782</b>

**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 realise their units. The price for each unit will be the most recent NTA per unit less a 2.5% discount, any transfer costs and a \$110 processing fee per application. Stockland Trust Management Limited ("STML"), as Responsible Entity for Stockland Trust, has placed a standing order with NAB to acquire a maximum of 19.9% of the Units NAB acquires under the LLF. The facility 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 half year STML, as Responsible Entity of Stockland Trust, acquired 996,000 units (year ended 30 June 2008: 150,000) in the Trust via the LLF.



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**13 Related parties (continued)**

**Other related party transactions (continued)**

*Units held by Stockland Trust*

As at 31 December 2008, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 1,146,000 units (30 June 2008: 150,000) in the Trust.

*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 \$200,962 (31 December 2007: \$137,595) was paid/payable to the property manager during the half year.

*Acquisition of Pacific Pines Shopping Centre*

In a previous financial year, the Trust entered into two lease agreements with Stockland Corporation Limited ("Stockland Corporation") as a part of the Pacific Pines Shopping Centre sales agreement. The leases are based on standard commercial terms and are entered into on an arm's length basis. Rent of \$68,266 (31 December 2007: \$97,860) was received during the half year from Stockland Corporation.

**14 Commitments**

As at 31 December 2008, the consolidated entity has no commitments (30 June 2008: \$Nil).

**Non-cancellable operating lease receivable from investment property tenants**

Non-cancellable operating lease commitments receivable:

	<b>31 Dec 2008</b>	<b>30 June 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	<b>7,255</b>	6,770
Later than one year but not later than five years	<b>22,063</b>	20,610
Later than five years	<b>25,411</b>	25,552
	<b>54,729</b>	52,932

**15 Other Information**

**Life of the Trust**

The Trust terminates on the earliest of:

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

**16 Contingent liabilities and contingent assets**

As at 31 December 2008, the consolidated entity has no contingent liabilities and no contingent assets (30 June 2008: \$Nil).

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2008**

**17 Net current asset deficiency**

In preparing these Interim Financial Statements, the Directors note that the Trust is in a net current asset deficiency position due to the \$60,000,000 loan facility with NAB maturing on 22 December 2009. As at 31 December 2008, \$56,149,000 had been drawn down.

Negotiations have commenced and are ongoing with the Trust's financiers in relation to the renegotiation and extension of the loan facility. The Directors consider it is likely that a successful renegotiation will be achieved. 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.

**18 Events subsequent to the end of the half year**

There have been no events subsequent to the end of the half year which would have a material effect on the consolidated entity's interim Financial Statements as at 31 December 2008.

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

## **Directors' Declaration**

### **For the half year ended 31 December 2008**

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 17 are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance for the half year ended on that date; and
  - (b) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001;
2. the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
3. at the date of this declaration there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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:



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Matthew Quinn

*Director*

Dated at Sydney, 19 February 2009





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

### **Report on the financial report**

We have reviewed the accompanying consolidated interim financial report of Stockland Direct Retail Trust No. 1 and its controlled entities (the Trust), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other explanatory notes 1 to 18 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of Stockland Capital Partners Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the consolidated interim 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 consolidated interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the consolidated interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Stockland Direct Retail Trust No. 1 and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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





*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Scott Fleming  
Partner

Sydney

19 February 2009