

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

ARSN: 121 832 086

**Consolidated Interim Financial Report
31 December 2009**

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Direct Retail Trust No. 1 and its controlled entities

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Stockland Direct Retail Trust No. 1 and its controlled entities

Directors' Report

For the half year ended 31 December 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 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 2009, the state of the consolidated entity's affairs as at 31 December 2009 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 the 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 half year ("the Directors") are:

<u>Name</u>	<u>Date of appointment/retirement</u>
<i>Non-Executive Directors</i>	
Mr Peter Scott, Chairman	Appointed 22 November 2005
Mr David Kent	Appointed 9 August 2004
Mr Anthony Sherlock	Appointed 9 August 2004
<i>Executive Director</i>	
Mr Matthew Quinn	Appointed 19 October 2000
Mr Hugh Thorburn (alternate to Mr Quinn)	Appointed 25 October 2007

Principal activity

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

Review and results of operations

The consolidated entity recorded a profit from operating activities calculated in accordance with Australian Accounting Standards ("AASBs") of \$3,301,000 for the half year ended 31 December 2009 (loss of \$5,615,000 for the half year ended 31 December 2008). This profit includes a number of certain significant items that, in the opinion of the Directors, need adjustment to enable Unitholders to obtain an understanding of the consolidated entity's underlying profit (refer to the table on the next page). The Directors will continue to monitor the performance of the consolidated entity in light of the current market conditions.

The underlying profit for the half year ended 31 December 2009 was \$843,000 (2008: \$886,000 for the half year ended 31 December 2008), reflecting a 5% decrease from the previous financial year.

Distributions paid or declared by the consolidated entity to Unitholders during the half year are set out in Note 11 of the consolidated interim Financial Report.

Stockland Direct Retail Trust No. 1 and its controlled entities

Directors' Report

For the half year ended 31 December 2009

The following table provides 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 the AICD/Finsia principles for reporting underlying profit.

		Half year ended	
	Note	2009	2008
		\$'000	\$'000
Underlying profit		843	886
Certain significant items:			
Net gain/(loss) from fair value adjustment of investment properties	4	1,170	(6,501)
Unrealised gain on derivative financial instruments		2,120	-
Loss on sale of investment property		(832)	-
Profit/(loss) for the half year attributable to Unitholders		3,301	(5,615)

Independent valuations were undertaken on all of the consolidated entity's investment properties as at 31 December 2009 resulting in an upwards revaluation totalling \$1,170,000 (half year ending 31 December 2008: \$6,501,000 downwards revaluation) being recognised in the consolidated entity's interim Statement of Comprehensive Income. The total portfolio was revalued upwards to \$62,400,000. This represents an increase of 2% on the 30 June 2009 total carrying value of \$61,000,000 (excluding the Fremantle Shopping Centre, Fremantle, WA property ("Fremantle")). Refer to Note 4 for individual property values.

Update of debt refinancing

On 23 December 2009, the Trust and National Australia Bank ("NAB") agreed and finalised the terms of the refinanced loan facility that was due to mature on 22 December 2009. The loan facility was extended for a further two years with a maturity date of 31 December 2011. Refer to Note 6 for further detail on the refinanced loan facility.

Sale of Fremantle Shopping Centre, Fremantle, WA ("Fremantle")

Following the approval from Unitholders on 11 December 2009 to authorise the Responsible Entity to sell the Fremantle property to Trust Company Limited as Custodian for Stockland Trust, on 31 December 2009, the Trust completed the sale of the Fremantle property via the sale of its units in SDRT1 Property #3 Trust, a controlled entity of the Trust which holds the Fremantle Property. The sale was made to Trust Company Limited as Custodian for Stockland Trust for \$16,840,000. Refer to Note 4 and 12 for further detail.

On 22 December 2009, the deposit from the sale of the Fremantle property was used by the Trust to pay down the Trust's loan facility from \$56,149,000 as at 30 June 2009 down to \$39,349,000 as at 31 December 2009. Refer to Note 12 for further detail.

Update of the Trust's derivative financial instrument

To coincide with the repayment of \$16,800,000 on the loan facility discussed above, on 23 December 2009, the Trust and Stockland Trust Management Limited ("STML"), as the Responsible Entity of Stockland Trust, agreed for the existing interest rate swap between the Trust and STML to be restructured. Refer to Note 6 and 12 for further detail.

**Stockland Direct Retail Trust No. 1 and its controlled entities
Directors' Report
For the half year ended 31 December 2009**

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

Signed in accordance with a resolution of the Directors:



Matthew Quinn

Director

Dated at Sydney, 18 February 2010



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 there have been:

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

KPMG

Scott Fleming
Partner

Sydney

18 February 2010

Stockland Direct Retail Trust No. 1 and its controlled entities
Consolidated Interim Statement of Comprehensive Income
For the half year ended 31 December 2009

	Notes	Half year ended	
		2009 \$'000	2008 \$'000
Revenue and other income			
Rent from investment properties		4,565	4,343
Net gain from fair value adjustment of investment properties	4	1,170	-
Interest income		50	103
Unrealised gain on derivative financial instruments ¹		2,120	-
Total revenue and other income		7,905	4,446
Net loss from fair value adjustment of investment properties		-	(6,501)
Investment property expenses		(1,525)	(1,282)
Finance costs relating to interest-bearing liabilities at amortised cost		(1,875)	(1,854)
Loss on sale of investment property	4	(832)	-
Responsible Entity fees	12	(184)	(220)
Other expenses		(188)	(204)
Total expenses		(4,604)	(10,061)
Profit/(loss) for the half year		3,301	(5,615)
Other comprehensive expense			
Effective portion of changes in fair value of cash flow hedges		-	(6,920)
Change in fair value of cash flow hedges transferred to profit or loss	10	294	-
Other comprehensive expense for the half year		294	(6,920)
Total comprehensive income/(expense) for the half year		3,595	(12,535)

¹ The unrealised gain on derivative financial instruments includes an unrealised gain from the restructure of the interest rate swap on 23 December 2009 of \$2,355,000. Current period amount also comprises of the unrealised gain on derivative financial instruments held at fair value through profit or loss of \$59,000. Offsetting these unrealised gains was a partial write-off and amortisation of the balance in the cash flow hedge reserve relating to the swap that was restructured on 23 December 2009 of \$233,000 and \$61,000 respectively. Refer to Note 6 and 12 for further detail.

The above Consolidated Interim Statement of Comprehensive Income 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 2009

	Notes	31 Dec 2009 \$'000	30 June 2009 \$'000
Current assets			
Cash and cash equivalents		2,022	2,761
Trade and other receivables		277	444
Other assets		225	74
Total current assets		2,524	3,279
Non-current assets			
Investment properties	4	61,872	77,242
Trade and other receivables		415	476
Other assets	5	1,732	105
Total non-current assets		64,019	77,823
Total assets		66,543	81,102
Current liabilities			
Trade and other payables		2,334	1,712
Interest-bearing loans and borrowings	6	-	55,940
Other liabilities	7	247	655
Total current liabilities		2,581	58,307
Non-current liabilities			
Interest-bearing loans and borrowings	6	38,844	-
Other liabilities	8	-	778
Total non-current liabilities		38,844	778
Total liabilities		41,425	59,085
Net assets		25,118	22,017
Unitholders' funds			
Units on issue	9	29,810	30,304
Undistributed loss		(4,208)	(7,509)
Reserves	10	(484)	(778)
Total Unitholders' funds		25,118	22,017

The above Consolidated Interim 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 2009

	Notes	Unitholders' funds						Total Unitholders' funds	
		Units on issue		Undistributed loss		Reserves		31 Dec	31 Dec
		31 Dec 2009 \$'000	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Opening balance		30,304	33,102	(7,509)	4,635	(778)	3,146	22,017	40,883
Other comprehensive income/(expense) for the half year	10	-	-	-	-	294	(6,920)	294	(6,920)
Profit/(loss) for the half year		-	-	3,301	(5,615)	-	-	3,301	(5,615)
Total comprehensive income/(expense) for the half year		-	-	3,301	(5,615)	294	(6,920)	3,595	(12,535)
Transactions with Unitholders in their capacity as owners:		-	-	-	-	-	-	-	-
Distributions paid/payable to Unitholders	11	(494)	(1,554)	-	-	-	-	(494)	(1,554)
Closing balance		29,810	31,548	(4,208)	(980)	(484)	(3,774)	25,118	26,794

The above Consolidated Interim 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 2009

		Half year ended	
	Notes	2009 \$'000	2008 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		4,623	4,408
Cash payments in the course of operations		(1,908)	(1,526)
Interest received		45	103
Interest paid		(1,370)	(1,752)
Net cash inflow from operating activities		1,390	1,233
Cash flows from investing activities			
Payments for investment properties		(971)	(1,294)
Proceeds from sale of investments		16,840	-
Net cash inflow from/(utilised in) investing activities		15,869	(1,294)
Cash flows from financing activities			
Repayment of external party financing		(16,800)	-
Borrowing costs paid		(329)	-
Distributions paid to Unitholders	11	(869)	(1,554)
Net cash utilised in financing activities		(17,998)	(1,554)
Net decrease in cash and cash equivalents		(739)	(1,615)
Cash and cash equivalents at the beginning of the half year		2,761	4,686
Cash and cash equivalents at the end of the half year		2,022	3,071

The above Consolidated Interim 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 2009

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 as at and for the half year ended 31 December 2009 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 2009 was authorised for issue by the Directors of the Responsible Entity on 18 February 2010.

(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 2009.

(b) Basis of preparation

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

The consolidated interim 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.

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.

(c) Changes in accounting standards

The following amended accounting standard has been adopted by the consolidated entity as of 1 July 2009. The significant impact of this amended standard (to the extent relevant to the consolidated entity) is set out below:

Revised AASB 101 “Presentation of Financial Statements” (“AASB 101”) introduced 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.

(d) 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 2009.

2 Accounting estimates and assumptions

The preparation of the consolidated interim Financial Report 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 the consolidated interim Financial Report 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 2009.

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 2009

4 Non-current assets – Investment properties

Description	Title	Acquisition date	Original purchase price \$'000	Cost including additions \$'000	Independent valuation date	Independent valuation \$'000	Capitalisation rate		Weighted average lease term ²		Consolidated Book value 31 Dec 09 \$'000	Consolidated Book value 30 Jun 09 \$'000
							31 Dec 09 %	30 Jun 09 %	31 Dec 09 Years	30 Jun 09 Years		
Pacific Pines Shopping Centre, Pacific Pines, Qld	Freehold	Dec 2006	17,041	17,211	Dec 2009	18,500	7.50	7.25	7.48	7.67	18,500	18,300
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	Dec 2006	26,024	26,527	Dec 2009	29,500	8.00	8.00	4.30	4.57	29,500	28,500
Tamworth Homespace, Tamworth, NSW	Freehold	Dec 2006	19,225	20,314	Dec 2009	14,400	10.50	10.50	3.05	3.31	14,400	14,200
Fremantle Shopping Centre, Fremantle, WA ¹	Leasehold	Dec 2006	6,000	-	June 2009	-	-	8.50	-	11.84	-	16,840
Total Investment properties (including amounts classified in Trade and other receivables and Other assets)											62,400	77,840
Less amounts classified as:												
- Trade and other receivables											(414)	(476)
- Other assets											(114)	(122)
Total Investment properties											61,872	77,242

¹ On 31 December 2009, the Trust completed the sale of the Fremantle property for \$16,840,000 via the sale of its units in SDRT1 Property #3 Trust, a controlled entity of the Trust which holds the Fremantle Property. Refer to Note 12 for further detail.

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

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2009

	31 Dec 2009 \$'000	30 June 2009 \$'000
4 Non-current assets – Investment properties (continued)		
Reconciliation – investment properties¹		
<i>Direct investments and controlled entities</i>		
Carrying amount at the beginning of the financial period	77,242	90,422
Disposals ²	(17,511)	-
Net gain/(loss) from fair value adjustments of investment properties	1,170	(13,975)
Expiration of rental income support	-	553
Expenditure capitalised	971	242
Carrying amount at the end of the financial period	61,872	77,242

¹ Current period represents movements during the six month period to 31 December 2009. Prior period represents movements during the twelve months to 30 June 2009.

² Relates to the disposal of the Fremantle property on 31 December 2009 via the sale of the Trust's units in SDRT1 Property #3 Trust, a controlled entity of the Trust which holds the Fremantle Property. The sale was made to Trust Company Limited for \$16,840,000. Refer to Note 12 for further detail. The sale price included the straight-lining of rent of \$161,000 previously classified in Trade and other receivables. In total, the book value of Fremantle was \$17,672,000 as at the date of the sale being 31 December 2009. The loss on sale of \$832,000 is included in the interim Statement of Comprehensive Income.

5 Non-current assets – Other assets

Fair value of hedging instrument	1,636	-
Fit-out contributions	93	105
Other assets	3	-
	1,732	105

6 Current and Non-current liabilities – Interest-bearing loans and borrowings

Current liabilities – Interest-bearing loans and borrowings

Loan facility	-	56,149
Less: attributable transaction costs	-	(209)
Total Balance Sheet carrying amount at amortised cost	-	55,940

Non-current liabilities – Interest-bearing loans and borrowings

Loan facility	39,349	-
Less: attributable transaction costs	(505)	-
Total Balance Sheet carrying amount at amortised cost	38,844	-

Loan facility

As at 31 December 2009, the Trust has a \$40,000,000 (30 June 2009: \$60,000,000) loan facility agreement with National Australia Bank (“NAB”) of which \$39,349,000 has been drawn down (30 June 2009: \$56,149,000).

This loan facility was due to mature on 22 December 2009. On 23 December 2009 the loan facility was extended for a further two years with a maturity date of 31 December 2011.

The weighted average interest rate on the loan facility for the period to 31 December 2009 was 7.12% p.a. (30 June 2009: 6.23% p.a.). This loan facility had been hedged through an interest rate swap contract (refer to next page). Taking into account the interest rate swap in place, the weighted average interest rate on the loan facility for the period to 31 December 2009 is 6.40% p.a. (30 June 2009: 6.40% p.a.).

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2009

6 Current and Non-current liabilities – Interest-bearing loans and borrowings (continued)

Loan facility (continued)

During the current half year, \$16,800,000 of the proceeds from the sale of the Trust's units in SDRT1 Property #3 was used to partially pay down the loan facility. As a result, the drawn balance on the loan facility decreased to \$39,349,000 as at 31 December 2009. Refer to Note 4 and 12 for further detail on the sale of the Trust's units in SDRT1 Property #3.

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 Trust, has entered into an interest rate swap contract with 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 Trust 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 2009: 6.45% p.a.) payable quarterly in arrears and will terminate on the earlier of 2.0 years from 31 December 2009 and when the underlying debt becomes due and payable. Should the terms under the underlying loan facility be revised, the interest rate swap agreement will be amended to ensure the loan facility will continue to incur a fixed cost of 6.45% p.a. The swap in place covers 100% of the loan facility outstanding.

To coincide with the repayment of \$16,800,000 of the loan facility discussed above and the increase in the margin and line fee of the loan facility under the refinanced loan facility, on 23 December 2009, the Trust and STML agreed for the original interest rate swap agreement to be restructured to reduce the face value of the interest rate swap to \$39,349,470 (30 June 2009: \$56,149,470) with a floating rate under the interest rate swap to match the floating rate under the refinanced loan. All other terms of the restructured interest rate swap remained unchanged from the terms of the original interest rate swap agreement (i.e. the restructured interest rate swap will still incur a fixed cost equal to 6.45% p.a. payable quarterly in arrears and will terminate on the earlier of 2.0 years from 31 December 2009 or when the underlying debt becomes due and payable). The fair value of the interest rate swap is based on a maturity of two years. The existing interest rate swap was restructured for zero consideration.

Due to the restructure of the interest rate swap agreement, an unrealised gain on derivative financial instruments of \$2,355,000 was recognised for accounting purposes in the interim Statement of Comprehensive Income for the half year ended 31 December 2009 (\$Nil for the half year ended 31 December 2008). However this unrealised gain is non-cash related as it arises due to the movement from the mark-to-market valuation of the original swap liability of \$778,000 at 30 June 2009 to an asset of \$1,577,000 due to the restructure of the interest rate swap agreement on 23 December 2009.

Although the interest rate swap is transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to the restructured interest rate swap and accordingly, changes in the fair value of the interest rate swap are recorded in the profit or loss in the Statement of Comprehensive Income as "unrealised gain/(loss) on derivative financial instruments". Notwithstanding the accounting outcome, the Responsible Entity considers that the restructured interest rate swap agreement is appropriate and effective in offsetting the economic interest rate exposures of the Trust.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2009

	31 Dec 2009 \$'000	30 June 2009 \$'000
7 Current liabilities – Other liabilities		
Distribution payable	247	622
Interest payable under interest rate swap	-	33
	<u>247</u>	<u>655</u>
8 Non-current liabilities – Other liabilities		
Fair value of hedging instrument	-	778

9 Units on Issue

	31 Dec 2009 No. of units	30 June 2009 No. of units	31 Dec 2009 \$'000	30 June 2009 \$'000
Units on issue	<u>39,600,000</u>	39,600,000	<u>29,810</u>	30,304

Date	Details	No. of units	Price per unit	\$'000
Movement in units				
1 July 2008	Opening 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	Balance	39,600,000		30,304
30 September 2009	Distribution paid from contributed equity	-	-	(247)
31 December 2009	Distribution paid from contributed equity	-	-	(247)
31 December 2009	Closing balance	<u>39,600,000</u>		<u>29,810</u>

Rights and restrictions over units

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

	31 Dec 2009 \$'000	30 June 2009 \$'000
10 Reserves		
Balance at the beginning of the financial period	(778)	3,146
Effective portion of changes in fair value of cash flow hedge during the financial period ¹	-	(3,924)
Change in fair value of cash flow hedges transferred to profit or loss ¹	294	-
Balance at the end of the financial period	<u>(484)</u>	<u>(778)</u>

¹ Current period represents movements during the six month period to 31 December 2009. Prior period represents movements during the twelve months to 30 June 2009.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2009

11 Distributions to Unitholders

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
Interim				
31 December 2009				
30 September 2009	0.625¢	247 ¹	28 October 2009	100%
31 December 2009	0.625¢	247 ¹	26 February 2010 ²	100%
Total distributions		<u>494</u>		

¹ This was/is a distribution from contributed equity.

² Proposed payment date.

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
Interim				
31 December 2008				
30 September 2008	1.9625¢	777 ³	31 October 2008	100%
31 December 2008	1.9625¢	777 ³	27 February 2009	100%
Total distributions		<u>1,554</u>		

³ This was a distribution from contributed equity.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2009

12 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 consolidated entity.

The Directors of the Responsible Entity and their units held in the consolidated entity as at 31 December 2009 are as follows:

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

Responsible Entity fees and other transactions	Half year ended	
	2009	2008
	\$'000	\$'000
<i>Responsible Entity fee</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.		
For the half year ended 31 December 2009, the Responsible Entity has agreed for the consolidated entity to defer payment of part of the Responsible Entity fees amounting to \$117,714 (half year ended 31 Dec 2008: \$66,028).		
Total deferred and accrued Responsible Entity fees by the consolidated entity included in Current liabilities – Trade and other payables as at 31 December 2009 is \$512,189 (30 June 2009: \$464,050).	184	220
<i>Performance fee</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 consolidated entity has not provided for a performance fee as at 31 December 2009 (30 June 2009: \$Nil).	-	-
Total Responsible Entity fees and other transactions recognised in the Consolidated Interim Statement of Comprehensive Income	184	220

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 Net Tangible Assets (“NTA”) per unit less a 2.5% discount, any transfer costs and a \$110 processing fee per application. STML, as Responsible Entity for Stockland Trust, has placed a standing order with NAB to acquire a maximum of 19.9% of the Units NAB acquires under the LLF. The facility commenced operation in the quarter beginning 1 January 2008. As outlined in the Trust’s Product Disclosure Statement (“PDS”), NAB may unconditionally suspend or terminate the LLF at any time in its sole discretion or when STML holds 19.9% (7,880,400) of the total units.

During the half year STML, as Responsible Entity of Stockland Trust, acquired 1,500,000 units (year ended 30 June 2009: 2,363,000) 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 2009

12 Related parties (continued)

Other related party transactions (continued)

Units held by Stockland Trust Management Limited

As at 31 December 2009, STML, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 4,013,000 units (30 June 2009: 2,513,000) 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 \$289,858 (31 December 2008: \$200,962) was paid/payable to the property manager during the half year. Total accrued property management fees by the consolidated entity included in Current liabilities – Trade and other payables as at 31 December 2009 is \$103,952 (30 June 2009: \$208,841).

Acquisition of Pacific Pines Shopping Centre and associated lease agreements

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 \$72,031 (31 December 2008: \$68,266) was received during the half year from Stockland Corporation.

Sale of the Fremantle property to Stockland Trust Management Limited

On 31 December 2009, the Trust completed the sale of the Fremantle property via the sale of its units in SDRT1 Property #3 Trust, a controlled entity of the Trust which holds the Fremantle property. The sale was made to Trust Company Limited as Custodian for Stockland Trust for \$16,840,000.

This comprised of \$16,839,990 for the existing intercompany receivable from SDRT1 Property #3 Trust to the Trust and \$10 for the units in SDRT1 Property #3 Trust, equating to a total sale price of \$16,840,000.

A deposit of \$16,823,160 was received by the Trust on 22 December 2009, with the balance of \$16,840 received on 31 December 2009.

Settlement adjustments arising from the disposal of the Fremantle property resulted in an accrued payable to Stockland Trust of \$380,000 being included in Current liabilities – Trade and other payables as at 31 December 2009 (30 June 2009: \$Nil).

Interest rate swap agreement with Stockland Trust Management Limited

STML has provided an interest rate swap on the property loan facility to the Trust. The interest rate swap will incur a fixed cost equal to 6.45% p.a. payable quarterly in arrears and will terminate on the earlier of 2.0 years from 31 December 2009 or when the underlying debt becomes due and payable (refer to Note 6).

During the half year ended 31 December 2009, the Trust and STML agreed for the original interest rate swap agreement to be restructured to reduce the face value of the interest rate swap to \$39,349,470 (30 June 2009: \$56,149,470) with a floating rate under the interest rate swap to match the floating rate under the refinanced loan. All other terms of the restructured interest rate swap remained unchanged from the terms of the original interest rate swap agreement (i.e. the restructured interest rate swap will still incur a fixed cost equal to 6.45% p.a. payable quarterly in arrears and will terminate on the earlier of 2.0 years from 31 December 2009 or when the underlying debt becomes due and payable).

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2009

13 Commitments

As at 31 December 2009, the consolidated entity has no commitments (30 June 2009: \$Nil).

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease commitments receivable:

	31 Dec 2009	30 June 2009
	\$'000	\$'000
Within one year	5,986	7,358
Later than one year but not later than five years	15,393	21,542
Later than five years	10,469	23,817
	31,848	52,717

14 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.

15 Contingent liabilities and contingent assets

As at 31 December 2009, the consolidated entity has no contingent liabilities and no contingent assets (30 June 2009: \$Nil).

16 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 2009.

17 Net current asset deficiency

In preparing this interim Financial Report, the Directors note that the consolidated entity is in a net current asset deficiency position of \$57,000 (30 June 2009: deficit of \$55,028,000).

The Directors are satisfied the consolidated entity can continue on a going concern basis after having regard to the following mitigating factors:

- the consolidated entity has positive operating cash flows and positive operating cash flows are estimated for the next 12-month period from the date of this report;
- the consolidated entity has no significant capital commitments as at 31 December 2009;
- the consolidated entity has a loan facility of \$40,000,000 of which \$651,000 is available to draw upon as at 31 December 2009.

Stockland Direct Retail Trust No. 1 and its controlled entities
Directors' Declaration
For the half year ended 31 December 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 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 2009 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 consolidated interim 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:



Matthew Quinn

Director

Dated at Sydney, 18 February 2010



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

We have reviewed the accompanying interim financial report of Stockland Direct Retail Trust No.1 and its controlled entities (the Trust), which comprises the consolidated interim balance sheet as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of accounting policies, other explanatory notes 1 to 17 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 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 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 2009 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 an 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 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 2009 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

18 February 2010