

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

ARSN: 121 832 086

**Consolidated Interim Report
31 December 2013**

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 2013

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 2013, the state of the consolidated entity's affairs as at 31 December 2013 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:

Name	Date of appointment/resignation
Non-Executive Directors	
Mr Barry Neil, Chairman ¹	Appointed 19 October 2010
Mr Anthony Sherlock	Appointed 9 August 2004
Executive Directors	
Mr Mark Steinert ¹	Appointed 29 January 2013
Mr Tim Foster (alternate to Mr Steinert)	Appointed 26 February 2010/Resigned 8 October 2013

¹ Mr Barry Neil and Mr Mark Steinert are also directors of Stockland Corporation Limited.

Principal activity

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

Review and results of operations

The consolidated entity recorded a profit of \$1,440,000 for the half year ended 31 December 2013 (31 December 2012: \$535,000).

Distributions paid or declared by the consolidated entity to Unitholders during the half year ended 31 December 2013 are set out in Note 11 of the consolidated Interim Financial Report.

Independent valuations were undertaken on all of the consolidated entity's investment properties as at 31 December 2013 resulting in a positive revaluation of \$400,000 to the fair value of the Tamworth Homespace investment property and no change to the Benowa and Pacific Pines investment properties (31 December 2012: \$484,000 downward revaluation). A net fair value loss of \$70,000 was recognised in the consolidated entity's Interim Statement of Profit or Loss and Other Comprehensive Income due to the capital expenditure in the period being greater than the external revaluations. Refer to Note 4 for individual property values.

Loan Facility Offer

As at 31 December 2013, the Trust has a \$40,000,000 (30 June 2013: \$40,000,000) loan facility agreement with National Australia Bank ("NAB") of which \$39,349,000 has been drawn down (30 June 2013: \$39,349,000). The loan facility was due to mature on 31 December 2013. On 23 December 2013, the Trust refinanced its loan facility, extending the loan maturity to 31 December 2014. Accordingly the loan is classified as a current liability as at 31 December 2013.

In the event that further loans are not refinanced with NAB, Stockland Trust Management Limited, a subsidiary of Stockland Corporation has provided a loan facility offer to the Trust, which may be accepted by the Trust at any time up to 28 February 2015, with that facility to be provided on the market terms and conditions current at the time of acceptance by the Trust. The loan facility offer is intended to refinance the then current drawn debt amount of the existing facility held by the Trust from NAB for a period of fourteen months from the draw down date. A line fee of 0.30% per annum is charged on the loan balance.

Stockland Direct Retail Trust No. 1 and its controlled entities
Directors' Report
For the half year ended 31 December 2013

Members' Meeting

On 30 April 2012, Unitholders passed an Ordinary Resolution (more than 50% of the total eligible votes cast by Unitholders entitled to vote) requiring the Responsible Entity to convene another meeting of Unitholders to consider the termination of the trust on or before 30 June 2014.

Events subsequent to the end of the half year

There has not arisen, in the interval between the end of the current financial half 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.

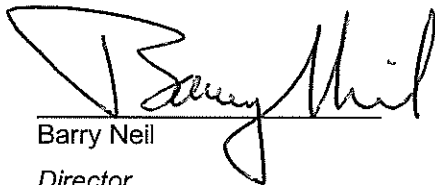
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The external auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2013.

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:

A handwritten signature in black ink, appearing to read 'Barry Neil', is written over a horizontal line.

Barry Neil

Director

Dated at Sydney, 27 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Stockland Direct Retail Trust No. 1 for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stockland Direct Retail Trust No. 1 and the entities it controlled during the period.

A handwritten signature in dark ink, appearing to read "N R McConnell", written over the printed name.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
27 February 2014

Stockland Direct Retail Trust No. 1 and its controlled entities
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2013

		Half year ended	
		31 Dec	31 Dec
		2013	2012
	Notes	\$'000	\$'000
Revenue and other income			
Rent from investment properties		4,399	3,887
Interest income		3	2
Total revenue and other income		4,402	3,889
Net loss from fair value adjustment of investment properties	4	(70)	(484)
Net loss on fair value movement of derivative financial instruments		-	(21)
Investment property expenses		(1,446)	(1,331)
Finance costs relating to interest-bearing liabilities at amortised cost		(1,191)	(1,271)
Auditor's remuneration		(45)	(42)
Responsible Entity fees	12	(157)	(157)
Other expenses		(53)	(48)
Total expenses		(2,962)	(3,354)
Profit for the half year		1,440	535
Other comprehensive income			
Amortisation of cash flow hedge reserve transferred to profit or loss	10	-	183
Other comprehensive income for the half year		-	183
Total comprehensive income for the half year		1,440	718

The above Consolidated Interim Statement of Profit or Loss and Other 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 2013

	Notes	31 Dec 2013 \$'000	30 June 2013 \$'000
Current assets			
Cash and cash equivalents		714	824
Trade and other receivables		588	301
Other assets		501	225
Total current assets		1,803	1,350
Non-current assets			
Investment properties	4	66,377	66,076
Trade and other receivables		496	422
Other assets	5	717	679
Total non-current assets		67,590	67,177
Total assets		69,393	68,527
Current liabilities			
Trade and other payables	6	2,266	1,943
Interest-bearing loans and borrowings	7	39,199	39,256
Other liabilities	8	585	475
Total current liabilities		42,050	41,674
Total liabilities		42,050	41,674
Net assets		27,343	26,853
Unitholders' funds			
Units on issue	9	26,114	26,114
Reserves	10	-	-
Accumulated profit		1,229	739
Total Unitholders' funds		27,343	26,853

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 2013

	Notes	Unitholders' funds							
		Units on issue		Accumulated profit/(loss)		Reserves		Total Unitholders' funds	
		31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance		26,114	26,114	739	(830)	-	(183)	26,853	25,101
Amortisation of cash flow hedge reserve transferred to profit and loss	10	-	-	-	-	-	183	-	183
Profit for the half year		-	-	1,440	535	-	-	1,440	535
Total comprehensive income for the half year		-	-	1,440	535	-	183	1,440	718
Transactions with Unitholders in their capacity as owners:									
Distributions paid/payable to Unitholders	11	-	-	(950)	(950)	-	-	(950)	(950)
Closing balance		26,114	26,114	1,229	(1,245)	-	-	27,343	24,869

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 2013

	Half year ended	
	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	4,387	3,951
Cash payments in the course of operations	(2,059)	(1,615)
Interest received	3	2
Interest paid	(1,120)	(1,350)
Net cash inflow from operating activities	1,211	988
Cash flows from investing activities		
Payments for investment properties	(371)	(324)
Net cash utilised in investing activities	(371)	(324)
Cash flows from financing activities		
Distributions paid to Unitholders	(950)	(974)
Net cash outflow from financing activities	(950)	(974)
Net decrease in cash and cash equivalents	(110)	(310)
Cash and cash equivalents at the beginning of the half year	824	1,064
Cash and cash equivalents at the end of the half year	714	754

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 2013

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 2013 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 2013 was authorised for issue by the Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity, on 27 February 2013.

(a) Statement of compliance

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

This consolidated Interim Financial Report does not include all of the information required for a full Annual Financial Report, and should be read in conjunction with the Financial Report of the consolidated entity as at and for the year ended 30 June 2013.

(b) Changes in Accounting Standards and Regulatory requirements

The consolidated entity has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

(i) Principles of consolidation – subsidiaries

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the consolidated entity controls an entity when the it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated entity has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

(ii) Fair Value Measurement

Another new standard that is applicable for the first time for the December 2013 Interim Financial Reports is AASB 13 Fair Value Measurement. This standard introduces new disclosures for the Interim Financial Reports but did not affect the consolidated entity's accounting policies or any of the amounts recognised in the financial statements.

(c) Basis of preparation

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 entity is in a net current asset deficiency position as at 31 December 2013 due to the loan being classified as current and also deferred Responsible Entity fees being classified as current liabilities as these are repayable at call. The Directors have no reason to believe these fees will be called within the next twelve months.

The Directors consider the Trust to be a going concern as at 31 December 2013. On 23 December 2013, the Trust refinanced its loan facility, extending the loan maturity to 31 December 2014. Accordingly the loan is classified as a current liability as at 31 December 2013.

In addition, Stockland Trust Management Limited has provided a loan facility offer of up to \$40,000,000 to the Trust on market terms and conditions which may be accepted at any time up to 28 February 2015.

Prepaid transaction costs incurred in respect of arranging financing facilities are amortised over the term of the debt.

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

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

1 Summary of significant accounting policies (continued)

(d) 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.

(e) 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.

Under the PDS and Constitution a Unitholders meeting must be convened by 30 June 2014 to consider a resolution to continue or terminate the Trust.

A unitholder meeting is required to be held by 30 June 2014 to determine if the Responsible Entity should terminate the fund. SDRT1 does not have a fixed life and termination of the fund requires an Extraordinary Resolution be passed at the unitholder meeting. If the members do not resolve to terminate the Trust at that meeting, a resolution must be put to the same meeting specifying a date by which the Manager must convene another meeting to consider the termination of the Trust. As the decision to extend or terminate the fund has not yet been taken and is at the discretion of unitholders, the financial statements continue to be prepared on a going concern basis.

2 Critical accounting estimates and judgements

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.

In preparing this Interim Financial Report the significant judgements made by the Directors in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Report of the Trust as at and for the year ended 30 June 2013.

3 Operating segments

The Trust operates solely in the business of investment management in Australia, this being its one operating segment.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

4 Non-current assets – Investment properties

Description	Title	Acquisition date	Original purchase price \$'000	Capitalisation rate			Weighted average lease term ¹		Consolidated		
				Independent Valuation date	Independent Valuation \$'000	31 Dec 2013 %	30 June 2013 %	31 Dec 2013	30 June 2013	Book value Dec 2013 \$'000	Book value Jun 2013 \$'000
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	Dec 2006	26,024	Dec 2013	31,500	8.50	8.50	4.92	4.50	31,500	31,500
Pacific Pines Shopping Centre, Pacific Pines, Qld	Freehold	Dec 2006	17,041	Dec 2013	22,000	7.75	7.75	7.45	6.40	22,000	22,000
Tamworth Homespace, Tamworth, NSW	Freehold	Dec 2006	19,225	Dec 2013	14,300	11.0	11.0	3.87	4.10	14,300	13,900
Total Investment properties (including amounts classified in Trade and other receivables and Other assets)											
Less amounts classified as:											
- Trade and other receivables (straight lining of rental income)										(496)	(422)
- Other assets (fitout and lease incentives)										(210)	(223)
										(717)	(679)
Total Investment properties										66,377	66,076

¹ Weighted average lease term is stated as years by area.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

	31 Dec 2013 \$'000	30 June 2013 \$'000
4 Non-current assets – Investment properties (continued)		
Reconciliation – investment properties¹		
Direct investments and controlled entities		
Carrying amount at the beginning of the financial period	66,076	64,454
Net fair value adjustments of investment properties	(70)	923
Expenditure capitalised	371	699
Carrying amount at the end of the financial period	<u>66,377</u>	<u>66,076</u>
¹ Current period represents movement during the six month period to 31 December 2013. Prior period represents movement during the twelve months to 30 June 2013.		
5 Non-current assets – Other assets		
Fit-out contributions	699	644
Lease incentives	18	35
	<u>717</u>	<u>679</u>
6 Current – Trade and other payables		
Trade payables and accruals	1,300	985
Amounts due to related entities	30	72
Responsible Entity fees accrued	917	868
Goods and services ("GST") payable	19	18
	<u>2,266</u>	<u>1,943</u>
7 Current liabilities – Interest-bearing loans and borrowings		
Loan facility	39,349	39,349
Less: attributable transaction costs	(150)	(93)
Total Balance Sheet carrying amount at amortised cost	<u>39,199</u>	<u>39,256</u>
Loan facility		
As at 31 December 2013, the Trust had a \$40,000,000 (30 June 2013: \$40,000,000) loan facility agreement with National Australia Bank ("NAB") of which \$39,349,000 was drawn (30 June 2013: \$39,349,000).		
To extend the Trusts' banking facilities, the Responsible Entity renegotiated with NAB to extend the prior loan facility for a further 12 months and incurred renegotiation costs as follows:		
<ul style="list-style-type: none"> - NAB – roll over financing fee – \$40,000 - Stockland Capital Partners Limited – provision for refinancing fee - \$110,000 (refer to Note 8 and Note 12). 		
The new banking facility incurs interest based on the bank bill bid rate and a margin of 90bps p.a. As at 31 December 2013, the total interest rate including the margin and line fees of 25bps was approximately 3.83% and the effect of including the attributable transaction costs increases this to 4.21% compared with the prior period weighted average interest rate of 5.55%.		
In addition, Stockland Trust Management Limited has provided a loan facility offer to the Trust on market terms and conditions which may be accepted at any time up to 28 February 2015. A line fee of 0.30% per annum is charged on the loan balance.		
The weighted average interest rate on the loan facility for the period to 31 December 2013 was 4.89% p.a. (30 June 2013: 5.55% p.a.). This loan facility was hedged through an interest rate swap contract up to 31 December 2012.		
8 Current liabilities – Other liabilities		
Distribution payable	475	475
Provision for refinancing fee to related parties	110	-
	<u>585</u>	<u>475</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 2013

9 Units on issue

	31 Dec 2013 No. of units	30 June 2013 No. of units	31 Dec 2013 \$'000	30 June 2013 \$'000
Units on issue	39,600,000	39,600,000	26,114	26,114

Date	Details	No. of units	\$'000
Movements in units			
31 December 2012	Balance	39,600,000	26,114
30 June 2013	Balance	39,600,000	26,114
31 December 2013	Closing balance	39,600,000	26,114

Rights and restrictions over units

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

10 Reserves

	31 Dec 2013 \$'000	30 June 2013 \$'000
Cash flow hedge reserve		
Balance at the beginning of the financial period	-	(183)
Amortisation of cash flow hedge reserve transferred to profit or loss ¹	-	183
Balance at the end of the financial period	-	-

¹ Current period represents amortisation during the six month period to 31 December 2013. Prior period represents amortisation during the twelve months to 30 June 2013.

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
2013				
30 September 2013	1.20¢	475	31 October 2013	nil
31 December 2013	1.20¢	475	28 February 2014	nil
Total distributions		950		

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
2012				
30 September 2012	1.2¢	475	31 October 2012	27.12%
31 December 2012	1.2¢	475	28 February 2013	27.12%
Total distributions		950		

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

12 Related party transactions

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.

	Half year ended	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Responsible Entity fees and other transactions		
<i>Responsible Entity fee</i>		
The Responsible Entity is entitled to a Responsible Entity fee of 0.45% p.a. of the gross value of the assets on a quarterly basis.	157	157
For the half year ended 31 December 2013, the Responsible Entity has agreed for the consolidated entity to defer payment of part of the Responsible Entity fees amounting to \$46,983 (half year ended 31 December 2012: \$45,532).		
Total deferred and accrued Responsible Entity fees by the consolidated entity included in Current liabilities – Trade and other payables as at 31 December 2013 is \$916,689 (30 June 2013: \$867,700).		
<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 2013 (30 June 2013: \$nil).	-	-
Total Responsible Entity fees and other transactions recognised in the Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	157	157

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 the first 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. Stockland Trust's standing order will terminate when its related entities hold 19.9% of the Units.

During the half year STML, as Responsible Entity of Stockland Trust, acquired 370,000 units (year ended 30 June 2013: 1,547,500) 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 2013

12 Related party transactions (continued)

Units held by Stockland Trust Management Limited

As at 31 December 2013, STML, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 7,767,500 units representing 19.61% (30 June 2013: 7,397,500 representing 18.68%) 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 \$216,597 (31 December 2012: \$180,191) 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 2013 is \$151,573 (30 June 2013: \$49,174).

Interest rate swap agreement with Stockland Trust Management Limited

STML provided an interest rate swap on the property loan facility to the Trust which matured on 31 December 2012. The interest rate swap incurred a fixed cost equal to 6.45% p.a. payable quarterly in arrears.

Loan facility offer

Stockland Trust Management Limited has provided a loan facility offer of up to \$40,000,000, to the Trust on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offer has not yet been accepted by the Trust. This offer maybe accepted at any time up to its expiry date of 28 February 2015.

Refinancing Service Fee

A refinancing service fee (payable to the Responsible Entity) of \$110,000 (31 December 2012: \$nil) has been provided for in the interim consolidated financial statements.

Intercompany loans between the Trust and sub-trusts

	Consolidated	
	31 Dec	30 June
	2013	2013
	\$'000	\$'000
Aggregate amount receivable by the Trust from its sub-trusts	46,332	44,099

The loans are interest free and repayable at call.

Controlled entities paid distributions of \$2,337,823 (30 June 2013: \$4,287,661) to the parent entity.

This is eliminated on consolidation.

13 Contingent liabilities and contingent assets

As at 31 December 2013, the consolidated entity had no contingent liabilities and no contingent assets (30 June 2013: \$nil).

14 Events subsequent to the end of the half year

There has not arisen, in the interval between the end of the current financial half 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.

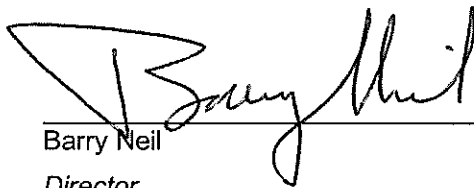
Stockland Direct Retail Trust No. 1 and its controlled entities
Directors' Declaration
For the half year ended 31 December 2013

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

1. the Financial Statements and Notes set out on pages 4 to 14 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 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. 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:


Barry Neil
Director

Dated at Sydney, 27 February 2014



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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Stockland Direct Retail Trust No. 1 (the Trust), which comprises the consolidated interim balance sheet as at 31 December 2013, the consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Stockland Direct Retail Trust No. 1 group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the interim financial report

The directors of Stockland Capital Partners Limited (the responsible entity) are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement whether due to fraud or error.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stockland Direct Retail Trust No. 1, 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*.

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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 is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



N R McConnell
Partner

Sydney
27 February 2014