

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

ARSN: 121 832 086

**Interim Report
31 December 2014**

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Direct Retail Trust No. 1 and its controlled entities

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This Interim Report covers Stockland Direct Retail Trust No. 1 ("the Trust") and its controlled entities which was formed and is domiciled in Australia.

Stockland Direct Retail Trust No. 1 and its controlled entities

Directors' Report

For the half year ended 31 December 2014

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 2014, the state of the consolidated entity's affairs as at 31 December 2014 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 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
<i>Non-Executive Directors</i>	
Mr Barry Neil, Chairman ¹	Appointed 19 October 2010
Mr Anthony Sherlock	Appointed 9 August 2004
<i>Executive Directors</i>	
Mr Mark Steinert ¹	Appointed 29 January 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 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 \$5,406,000 for the half year ended 31 December 2014 (31 December 2013: \$1,440,000).

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

Independent valuations were undertaken on all of the consolidated entity's investment properties as at 31 December 2014 resulting in an upwards revaluation totalling \$3,455,000 (31 December 2013: loss of \$70,000) being recognised in the consolidated statement of comprehensive income. The total portfolio was revalued upwards to \$74,700,000. This represents an increase of 5.29% on the 30 June 2014 total carrying value of \$70,950,000. Refer to Note 4 for individual property values.

Loan facility

On 19 December 2014, the Trust entered into a new loan facility agreement with Commonwealth Bank of Australia ("CBA") providing maximum available funds of \$41,000,000. On that date and as at 31 December 2014, \$40,164,000 was drawn down. The former \$40,000,000 facility agreement with National Australia Bank was terminated and repaid on 19 December 2014 (drawn as at 30 June 2014: \$39,349,000).

The new banking facility matures on 19 December 2019 (5 year term) and the fees associated with the agreements are:

- Establishment fee: 0.50% of the facility limit payable on execution.
- Base rate: Average BBSY bid rate p.a.
- Line fee: 0.75% p.a. of the facility limit if the Trust's Loan to Value Ratio ("LVR") is less than or equal to 55% and 0.80% p.a. of the facility limit if the Trust's LVR is greater than 55%.
- Margin: 0.75% p.a. if the Trust's LVR is less than or equal to 55% and 0.80% p.a. if the Trust's LVR is greater than 55%.

SCPL as Responsible Entity of the Trust negotiated the new facility with CBA. For this service, \$102,500 (equivalent to 0.25% of the facility limit) has been charged to the Trust and is payable out of the Trust assets in accordance with the PDS and the Trust's constitution.

The weighted average interest rate on the Trust's loan facilities for the period to 31 December 2014 was 4.88% p.a. (31 December 2013: 4.89% p.a.).

Stockland Direct Retail Trust No. 1 and its controlled entities

Directors' Report

For the half year ended 31 December 2014

The fund has one interest rate swap contract which has the effect of converting variable rates to fixed rates. The swap contract has a notional amount of \$30,000,000 with a termination date of 19 December 2019. The fixed interest rate applicable to the swap is 2.805% p.a. and the variable rate is the three month Bank Bill Rate (BBSY), consistent with the base rate of the loan facility.

The Trust had a loan facility arrangement with Stockland Trust Management Limited ("STML") as Responsible Entity for Stockland Trust which the Trust could have drawn down on in the event that the loan facility with NAB was not refinanced. The loan facility arrangement with STML was negotiated on market terms and conditions which could have been accepted at any time up to 28 February 2015. A line fee of 0.30% per annum was charged on the available facility. Following the Trust entering into the new facility agreement with CBA, the loan facility arrangement with STML was terminated on 19 December 2014.

Significant changes in the state of affairs

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

Events subsequent to the end of the half year

Following approval from the SCPL Board in late December 2014, deferred Responsible Entity fees of \$815,000 were paid on 19 January 2015. These deferred fees relate to the years prior to 30 June 2012.

Other than the above, there has not arisen, in the interval between the end of the current 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.

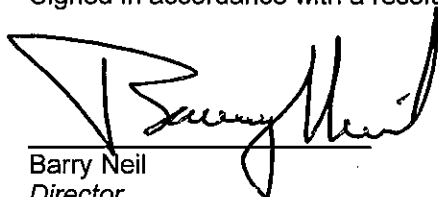
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2014.

Rounding

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

Signed in accordance with a resolution of the Directors:



Barry Neil
Director

Dated at Sydney, 27 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Stockland Direct Retail Trust No. 1 for the half-year ended 31 December 2014, 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 2015

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 2014

		Consolidated	
		2014	2013
	Notes	\$'000	\$'000
Revenue and other income			
Rent from investment properties		4,451	4,399
Interest income		3	3
Total revenue and other income		4,454	4,402
 Net gain/(loss) from fair value adjustment of investment properties	4	3,455	(70)
Investment property expenses		(1,182)	(1,446)
Finance costs		(1,014)	(1,191)
Auditor's remuneration		(44)	(45)
Responsible Entity fees	13	(167)	(157)
Other expenses		(96)	(53)
Total expenses		952	(2,962)
 Profit for the half year		5,406	1,440
 Other Comprehensive Income			
Effective portion of changes in fair value of cash flow hedges	12	(195)	-
Other comprehensive (expense)/income for the half year		(195)	-
Total comprehensive income for the half year		5,211	1,440

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
For the half year ended 31 December 2014

		Consolidated	
		31 Dec	30 June
	Notes	2014	2014
		\$'000	\$'000
Current assets			
Cash and cash equivalents		1,809	1,325
Trade and other receivables		407	367
Other assets		482	342
Total current assets		2,698	2,034
Non-current assets			
Investment properties	4	73,250	69,552
Trade and other receivables		688	568
Other assets	5	565	600
Total non-current assets		74,503	70,720
Total assets		77,201	72,754
Current liabilities			
Trade and other payables	6	2,688	2,766
Interest-bearing loans and borrowings	7	-	39,278
Other liabilities	8	713	713
Total current liabilities		3,401	42,757
Non-current liabilities			
Interest-bearing loans and borrowings	7	39,823	-
Other liabilities	9	195	-
Total non-current liabilities		40,018	-
Total liabilities		43,419	42,757
Net assets		33,782	29,997
Unitholders' funds			
Units on issue	10	26,114	26,114
Undistributed profit		7,863	3,883
Other Reserves	12	(195)	-
Total Unitholders' funds		33,782	29,997

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 2014

	Note	Units on issue		Undistributed profit		Other Reserves		Total	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Consolidated		26,114	26,114	3,883	739	-	-	29,997	26,853
Opening balance									
Effective portion of changes in fair value of cash flow hedges	12	-	-	-	-	(195)	-	(195)	-
Profit for the half year		-	-	5,406	1,440	-	-	5,406	1,440
Total comprehensive income for the half year		-	-	5,406	1,440	(195)	-	5,211	1,440
Transactions with Unitholders in their capacity as owners:									
Distributions paid/payable to Unitholders	11	-	-	(1,426)	(950)	-	-	(1,426)	(950)
Closing balance		26,114	26,114	7,863	1,229	(195)	-	33,782	27,343

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 2014

	Notes	Consolidated 2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations (including GST)		4,970	4,387
Cash payments in the course of operations (including GST)		(2,349)	(2,059)
Interest received		3	3
Interest paid		(1,268)	(1,120)
Net cash inflow from operating activities		1,356	1,211
Cash flows from investing activities			
Payments for investment properties		(256)	(371)
Net cash utilised in investing activities		(256)	(371)
Cash flows from financing activities			
Repayment of borrowings		(39,349)	-
Drawdown of borrowings		40,164	-
Distribution paid to Unitholders		(1,431)	(950)
Net cash utilised in financing activities		(616)	(950)
Net increase/(decrease) in cash and cash equivalents		484	(110)
Cash and cash equivalents at the beginning of the half year		1,325	824
Cash and cash equivalents at the end of the half year		1,809	714

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 2014

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 as at and for the half year ended 31 December 2014 comprises the Interim Financial Report of the Trust and its controlled entities ("the consolidated entity").

The Interim Financial Report as at and for the half year ended 31 December 2014 was authorised for issue by the Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity for the Trust, on 27 February 2015.

(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 Consolidated Financial Report of the consolidated entity as at and for the year ended 30 June 2014.

(b) New and amended Accounting Standards

Details of new or revised accounting standards, interpretations or amendments which are effective for periods beginning on or after 1 July 2014 and which are considered to have an impact on the Trust can be found in the Annual Financial Report for the year ended 30 June 2014.

(c) Basis of preparation

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

The consolidated entity is in a net current deficiency position of \$703,000 as at 31 December 2014 due primarily to deferred Responsible Entity fees of \$815,000 relating to the years prior to 30 June 2012. As at 31 December 2014, there remains \$836,000 of undrawn debt available should the trust need it to fund its operations.

The Directors have formed the view that the consolidated Interim Financial Report for the half year ended 31 December 2014, can be prepared on a going concern basis.

The Trust and its subsidiaries are entities of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The 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.

(d) Life of the Trust

The underlying constitution of the Trust indicates that the life is indefinite and Unitholder approval is required to wind up the Trust.

A meeting of Unitholders was held on 27 June 2014 to consider the resolution to sell the properties or interests in the properties of the Trust, and terminate and wind up the Trust. The vote failed to reach the required 75% majority to be passed. A second resolution was also put to Unitholder to authorise the Responsible Entity to convene another meeting of Unitholders to consider the termination of the Trust by 30 June 2019. Unitholders voted in favour of this resolution.

(e) 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.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2014

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 consolidated 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 2014. At 31 December 2014 independent valuations were obtained to determine the fair value of investment properties at balance sheet date.

Key sources of estimation uncertainty

Fair value measurement, valuation techniques and inputs

The valuation techniques used in measuring the fair value of investment properties, as well as significant unobservable inputs used are consistent with those disclosed in the 30 June 2014 consolidated Annual Report.

3 Operating segments

The consolidated entity and the Trust operate solely in the business of property investment management in Australia, this being its one operating segment.

4 Non-current assets – Investment properties

¹Weighted 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 2014

		Consolidated	
		31 Dec	30 June
		2014	2014
		\$'000	\$'000
4	Non-current assets – Investment properties (continued)		
	Reconciliation – investment properties		
	<i>Direct investments and controlled entities¹</i>		
	Carrying amount at 1 July	69,552	66,076
	Net gain on fair value adjustments of investment properties	3,455	2,598
	Expenditure capitalised	243	878
	Carrying amount at the balance sheet date	<u>73,250</u>	<u>69,552</u>
¹ Current period represents movements during the six months to 31 December 2014. Prior period represents movements during the twelve months to 30 June 2014.			
5	Non-current assets – Other assets		
	Fit-out contributions	541	579
	Lease incentives (deferred cost)	24	21
		<u>565</u>	<u>600</u>
6	Current liabilities – Trade and other payables		
	Trade payables and accruals	1,487	1,442
	Amounts due to related entity	263	316
	Responsible Entity fees accrued and deferred	899	964
	Goods and services tax ("GST") payable	39	44
		<u>2,688</u>	<u>2,766</u>
7	Interest-bearing loans and borrowings		
	Current liabilities		
	Loan facility drawn	-	39,349
	Less: attributable transaction costs	-	(71)
	Total Balance Sheet carrying amount at amortised cost	<u>-</u>	<u>39,278</u>
	Non-current liabilities		
	Loan facility drawn	40,164	-
	Less: attributable transaction costs	(341)	-
	Total Balance Sheet carrying amount at amortised cost	<u>39,823</u>	<u>-</u>

Loan facility

On 19 December 2014, the Trust entered into a new loan facility agreement with Commonwealth Bank of Australia ("CBA") providing maximum available funds of \$41,000,000. On that date and as at 31 December 2014, \$40,164,000 was drawn down. The former \$40,000,000 facility agreement with National Australia Bank was terminated and repaid on 19 December 2014 (drawn as at 30 June 2014: \$39,349,000).

The new banking facility matures on 19 December 2019 (5 year term) and the fees associated with the agreements are:

- Establishment fee: 0.50% of the facility limit payable on execution.
- Base rate: Average BBSY bid rate p.a.
- Line fee: 0.75% p.a. of the facility limit if the Trust's Loan to Value Ratio ("LVR") is less than or equal to 55% and 0.80% p.a. of the facility limit if the Trust's LVR is greater than 55%.
- Margin: 0.75% p.a. if the Trust's LVR is less than or equal to 55% and 0.80% p.a. if the Trust's LVR is greater than 55%.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2014

7 Current and non-current liabilities – Interest-bearing loans and borrowings (continued)

Loan facility (continued)

Stockland Capital Partners Limited as Responsible Entity of the Trust negotiated the new facility with CBA. For this service, \$102,500 (equivalent to 0.25% of the facility limit) has been charged to the Trust and is payable out of the Trust assets in accordance with the PDS and the Trust's constitution.

As at 31 December 2014, the total interest rate including the margin and line fee was approximately 4.55% per annum and the effect of including attributable transaction costs increases this to 4.88% compared with the 30 June 2014 weighted average interest rate of 4.88% p.a.

The fund has one interest rate swap contract which has the effect of converting variable rates to fixed rates. The swap contract has a notional amount of \$30,000,000 with a termination date of 19 December 2019. The fixed interest rate applicable to the swap is 2.805% p.a. and the variable rate is the three month Bank Bill Rate (BBSY), consistent with the base rate of the loan facility.

The Trust had a loan facility arrangement with Stockland Trust Management Limited ("STML") as Responsible Entity for Stockland Trust which the Trust could draw down on in the event that the loan facility with NAB was not refinanced. The loan facility arrangement with STML was negotiated on market terms and conditions which could have been accepted at any time up to 28 February 2015. A line fee of 0.30% per annum was charged on the available facility. Following the Trust entering into the new facility agreement with CBA, the loan facility arrangement with STML was terminated on 19 December 2014.

		Consolidated	
		31 Dec 2014	30 June 2014
		\$'000	\$'000
8 Other Liabilities			
Distribution payable		713	713
Total Other liabilities		713	713
9 Non-current other financial liabilities			
Swap liability		195	-
Total non-current other financial liabilities		195	-

10 Units on issue

	Consolidated		Consolidated	
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	No. of units	No. of units	\$'000	\$'000
Units on issue	39,600,000	39,600,000	26,114	26,114

Date	Details	No. of units	\$'000
Movement in units			
1 July 2014	Opening Balance	39,600,000	26,114
31 December 2014	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.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2014

11 Distributions to Unitholders

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2014				
30 September 2014	1.8000¢	713	31 October 2014	0.00%
31 December 2014	1.8000¢	713	27 February 2015 ¹	0.00%
Total distributions		<u>1,426</u>		

¹ Proposed payment date.

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2013				
30 September 2013	1.2000¢	475	31 October 2013	0.00%
31 December 2013	1.2000¢	475	28 February 2014	0.00%
Total distributions		<u>950</u>		

12 Reserves

	Consolidated	
	31 Dec 2014 \$'000	30 June 2014 \$'000
Cash flow hedge reserve¹		
Balance at the beginning of the financial year	-	-
Effective portion of changes in the fair value of cash flow hedges during the financial year	(195)	-
Balance at the end of the financial year	<u>(195)</u>	-

¹ Current period represents movements during the six month period to 31 December 2014. Prior period represents movements during the twelve months to 30 June 2014.

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges.

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2014

13 Related parties

Stockland Capital Partners Limited ("SCPL") is the Responsible Entity of the consolidated entity. The Key Management Personnel of the consolidated entity has been defined as the Responsible Entity. The Responsible Entity does not hold any units in the consolidated entity. All fees and charges from the Responsible Entity and its related parties are in accordance with the PDS and the Trust's constitution.

	Consolidated	
	2014	2013
Responsible Entity fees and other transactions	\$'000	\$'000
<i>Responsible Entity fee</i>		
The Responsible Entity charged Responsible Entity fees calculated at 0.45% p.a. of the gross asset value of the consolidated entity and Trust.		
For the half year ended 31 December 2014, the Responsible Entity has not deferred any of the current year Responsible Entity fees (31 December 2013: \$46,983 of the total \$156,608 was deferred).		
Total Responsible Entity fees included in Current liabilities – Trade and other payables as at 31 December 2014 is \$898,788 (30 June 2014: \$964,333).	167	157
<i>Performance fee</i>		
The Responsible Entity may be entitled to a performance fee if certain out-performance is achieved by the consolidated entity. The performance fee is calculated at 2.5% of 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.		
No performance fee was charged in the current year (2013: \$nil) as the Responsible Entity has not achieved the performance targets required to earn this fee.	-	-
<i>Manager Expenses</i>		
Other recoverable expenses including accounting, taxation and compliance service fees totalling \$36,800 have been charged by the Responsible Entity (2013: \$nil).		
Total manager expenses included the Current liabilities – Trade and other payables at 31 December 2014 are \$36,800 (30 June 2014: \$73,600).	37	-
<i>Standby loan facility line fees</i>		
Stockland Trust Management Limited, as Responsible Entity for Stockland Trust had provided a standby loan facility offer to the Fund on market terms. The facility charges line fees of 0.30% p.a. on the facility limit which the Trust recognised in the Consolidated Statement of Comprehensive Income. The loan was terminated on 19 December 2014.		
Total standby loan facility line fees included the Current liabilities – Trade and other payables at 31 December 2014 are \$56,548 (30 June 2014: \$60,000).	57	-
Total Responsible Entity fees and other transactions recognised in the Statement of Comprehensive Income	261	157

Stockland Direct Retail Trust No. 1 and its controlled entities
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2014

13 Related Parties (continued)

Other related party transactions

Limited Liquidity Facility ("LLF")

NAB agreed to acquire up to 1,000,000 units per quarter in the Trust from investors seeking to transfer their units, up to a maximum of 19.9% of the Trust's units. The price for each unit was 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, 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 and was terminated on 10 June 2014 following Stockland Trust's holding in the Trust reaching 19.9% of the Trust's units.

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 \$214,130 (31 December 2013: \$216,597) 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 2014 is \$112,081 (30 June 2014: \$111,088).

Units held by Stockland Trust

As at 31 December 2014, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 7,877,500 units (2013: 7,867,500) in the consolidated entity.

Finance Negotiation Fee

SCPL as Responsible Entity of the Trust negotiated the new facility with CBA. For this service, \$102,500 (equivalent to 0.25% of the facility limit) has been charged to the Trust and is payable out of the Trust assets in accordance with the PDS and the Trust's constitution.

This has been recognised as part of borrowing transaction costs and is being amortised over the life of the facility through finance costs in the Profit or Loss.

14 Contingent liabilities and contingent assets

As at 31 December 2014, the consolidated entity has no contingent assets or liabilities (30 June 2014: \$nil).

15 Events subsequent to the end of the half year

Following approval from the SCPL Board in late December 2014, deferred Responsible Entity fees of \$815,000 were paid on 19 January 2015. These deferred fees relate to the years prior to 30 June 2012.

Other than the above, there has not arisen, in the interval between the end of the current 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

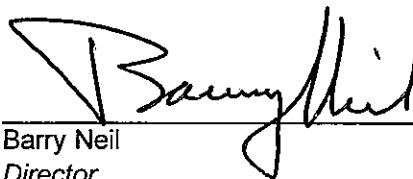
For the half year ended 31 December 2014

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 Consolidated Interim Financial Statements and Notes, set out on pages 4 to 15, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Trust's and consolidated entity's financial position as at 31 December 2014 and of their 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 and the consolidated entity will be able to pay their debts as and when they become due and payable;
3. the Trust has operated during the half year ended 31 December 2014 in accordance with the provisions of the Trust Constitution as amended dated 26 August 2006; and
4. the Register of Unitholders has, during the half year ended 31 December 2014, been properly drawn and maintained so as to give a true account of the Unitholders of the Trust.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to Section 295(5) of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:


Barry Neil
Director

Dated at Sydney, 27 February 2015



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stockland Direct Retail Trust No. 1 (the Trust), which comprises the consolidated interim statement of financial position as at 31 December 2014, 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 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 half-year financial report

The directors of Stockland Capital Partners Limited (the responsible entity) are responsible for the preparation of the half-year 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 half-year 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 half-year 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 half-year 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 2014 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 a half-year 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 half-year financial report of Stockland Direct Retail Trust No. 1 is not in accordance with the *Corporations Act 2001* including:

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- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 2015