

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

**ARSN: 121 832 086**

**Interim Report  
31 December 2017**

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 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 2017**

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 2017, the state of the Consolidated Entity's affairs as at 31 December 2017 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").

#### **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:

<b>Name</b>	<b>Date of appointment/resignation</b>
<b><i>Non-Executive Directors</i></b>	
Mr Barry Neil, Chairman <sup>1</sup>	Appointed 19 October 2010
Mr Stephen Newton <sup>1</sup>	Appointed 18 December 2017 <sup>2</sup>
<b><i>Non-Executive Independent Director</i></b>	
Mr Anthony Sherlock	Appointed 9 August 2004 (deceased 7 December 2017) <sup>2</sup>
<b><i>Executive Directors</i></b>	
Mr Mark Steinert <sup>1</sup>	Appointed 29 January 2013

<sup>1</sup> Mr Barry Neil, Mr Stephen Newton and Mr Mark Steinert are also directors of Stockland Corporation Limited and Stockland Trust Management Limited, the Responsible Entity of Stockland Trust.

<sup>2</sup> Mr Anthony Sherlock passed away on 7 December 2017 and Mr Stephen Newton was appointed to the Board of the Responsible Entity on 18 December 2017.

#### **Principal activity**

The principal activity of the Consolidated Entity is the investment in two neighbourhood shopping centres located in Queensland and a large format centre located in New South Wales.

#### **Review and results of operations**

The Consolidated Entity recorded a loss of \$548,000 for the half year ended 31 December 2017 (31 December 2016: profit of \$3,675,000). The result for the current period includes provision for a performance fee of \$3,337,197 following increases in the independent valuations triggering recognition.

The Consolidated Entity declared distributions totalling \$1,468,000 (31 December 2016: \$1,468,000) to the Unitholders during the half year. As at 31 December 2017, a distribution of \$734,000 is payable to the Unitholders (30 June 2017: \$734,000) as 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 2017 resulting in an upwards net revaluation totalling \$954,000 (31 December 2016: \$1,754,000) being recognised in the Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income. The total portfolio was revalued upwards to \$88,300,000. This represents an increase of 1.10% on the 30 June 2017 total carrying value of \$86,800,000. Refer to Note 4 for individual property values.

#### **Loan facility**

The Trust has a loan facility agreement with Commonwealth Bank of Australia providing maximum available funds of \$43,000,000. As at 31 December 2017, \$42,200,000 (30 June 2017: \$41,400,000) was drawn down.

The Trust 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.

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Directors' Report**  
**For the half year ended 31 December 2017**

**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 half year.

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

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 2017.

**Rounding**

The Consolidated Entity is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and in accordance with that Corporations Instrument, 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:

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

Barry Neil  
Director

Dated at Sydney, 26 February 2018





## Auditor's Independence Declaration

As lead auditor for the review of Stockland Direct Retail Trust No.1 for the half-year ended 31 December 2017, 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.



N R McConnell  
Partner  
PricewaterhouseCoopers

Sydney  
26 February 2018

**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 2017**

		<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue and other income</b>			
Rent from investment properties		<b>4,546</b>	4,592
Net gain from fair value adjustment of investment properties	4	<b>954</b>	1,754
<b>Total revenue and other income</b>		<b>5,500</b>	6,346
 Investment property expenses		 <b>(1,472)</b>	 (1,445)
Finance costs		<b>(892)</b>	(898)
Auditor's remuneration		<b>(50)</b>	(48)
Responsible Entity fees	13	<b>(200)</b>	(195)
Performance fees	13	<b>(3,337)</b>	-
Other expenses		<b>(97)</b>	(85)
<b>Total expenses</b>		<b>(6,048)</b>	(2,671)
 <b>(Loss)/Profit for the half year</b>		 <b>(548)</b>	 3,675
 <b>Other Comprehensive Income</b>			
Effective portion of changes in fair value of cash flow hedges	12	<b>136</b>	414
<b>Other comprehensive income for the half year</b>		<b>136</b>	414
<b>Total comprehensive (expense)/income for the half year</b>		<b>(412)</b>	4,089

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 2017**

		<b>Consolidated</b>	
		<b>31 Dec</b>	<b>30 June</b>
	<b>Notes</b>	<b>2017</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		1,669	1,616
Trade and other receivables		129	226
Other assets		541	670
<b>Total current assets</b>		<b>2,339</b>	<b>2,512</b>
<b>Non-current assets</b>			
Investment properties	4	86,425	84,854
Trade and other receivables		720	678
Other assets	5	846	914
<b>Total non-current assets</b>		<b>87,991</b>	<b>86,446</b>
<b>Total assets</b>		<b>90,330</b>	<b>88,958</b>
<b>Current liabilities</b>			
Trade and other payables	6	1,711	2,506
Other liabilities	8	734	734
<b>Total current liabilities</b>		<b>2,445</b>	<b>3,240</b>
<b>Non-current liabilities</b>			
Provision for Performance fees	13	3,337	-
Interest-bearing loans and borrowings	7	42,019	41,173
Other liabilities	9	456	592
<b>Total non-current liabilities</b>		<b>45,812</b>	<b>41,765</b>
<b>Total liabilities</b>		<b>48,257</b>	<b>45,005</b>
<b>Net assets</b>		<b>42,073</b>	<b>43,953</b>
<b>Unitholders' funds</b>			
Units on issue	10	26,114	26,114
Undistributed profit		16,415	18,431
Other reserves	12	(456)	(592)
<b>Total Unitholders' funds</b>		<b>42,073</b>	<b>43,953</b>

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 2017**

	Notes	Units on issue		Undistributed profit		Other Reserves		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Consolidated</b>		<b>26,114</b>	<b>26,114</b>	<b>18,431</b>	<b>15,785</b>	<b>(592)</b>	<b>(938)</b>	<b>43,953</b>	<b>40,961</b>
<b>Opening balance</b>									
Effective portion of changes in fair value of cash flow hedges	12	-	-	-	-	136	414	136	414
Profit for the half year		-	-	(548)	3,675	-	-	(548)	3,675
<b>Total comprehensive income for the half year</b>		<b>-</b>	<b>-</b>	<b>(548)</b>	<b>3,675</b>	<b>136</b>	<b>414</b>	<b>(412)</b>	<b>4,089</b>
<b>Transactions with Unitholders in their capacity as owners:</b>									
Distributions paid/payable to Unitholders	11	-	-	(1,468)	(1,468)	-	-	(1,468)	(1,468)
<b>Closing balance</b>		<b>26,114</b>	<b>26,114</b>	<b>16,415</b>	<b>17,992</b>	<b>(456)</b>	<b>(524)</b>	<b>42,073</b>	<b>43,582</b>

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 2017**

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations (including GST)		<b>5,340</b>	5,262
Cash payments in the course of operations (including GST)		<b>(3,529)</b>	(2,008)
Interest paid		<b>(838)</b>	(832)
<b>Net cash inflow from operating activities</b>		<b>973</b>	2,422
<b>Cash flows from investing activities</b>			
Payments for investment properties		<b>(252)</b>	(510)
<b>Net cash utilised in investing activities</b>		<b>(252)</b>	(510)
<b>Cash flows from financing activities</b>			
Draw down of borrowings		<b>800</b>	-
Distribution paid to Unitholders		<b>(1,468)</b>	(1,468)
<b>Net cash utilised in financing activities</b>		<b>(668)</b>	(1,468)
<b>Net increase in cash and cash equivalents</b>		<b>53</b>	444
Cash and cash equivalents at the beginning of the half year		<b>1,616</b>	1,011
<b>Cash and cash equivalents at the end of the half year</b>		<b>1,669</b>	1,455

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 2017**

**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 2017 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 2017 was authorised for issue by the Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity for the Trust, on 26 February 2018.

**(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 2017.

**(b) Basis of preparation**

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

The Directors have formed the view that the Consolidated Interim Financial Report for the half year ended 31 December 2017, can be prepared on a going concern.

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

The Consolidated Entity is in a net current deficiency position of \$106,000 as at 31 December 2017 (30 June 2017: \$728,000). As at 31 December 2017, there remains \$800,000 of undrawn debt available and the Trust's cash flow forecast indicates resources will be available to meet its obligations as and when they fall due.

The Trust and its controlled entities are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and in accordance with that Corporations Instrument, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Certain comparative amounts have been restated to conform with the current period'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 2017**

**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 2017. At 31 December 2017, independent valuations were obtained to determine the fair value of investment properties at the reporting date and the valuations reflect an estimate of the gross market value of the investment properties before the deduction of agent commissions and selling costs. At 31 December 2017, no provision has been made in the financial statements for the costs associated with any potential winding up of the Trust.

Pursuant to the PDS and Trust Constitution, a provision for performance fee has been calculated and recognised in the financial statements based on the gross values of the properties at 31 December 2017. Whether a performance fee is paid in the future will depend on the selling prices achieved for the Consolidated Entity's assets if or when the properties are sold. The provision recognised may increase or decrease based on future movements in the valuations of the Consolidated Entity's investment properties.

**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 2017 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.



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2017**

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

Description	Title	Acquisition date	Original purchase price <sup>1</sup> \$'000	Independent Valuation date	Independent Valuation \$'000	Capitalisation rate		Weighted average lease term <sup>2</sup>		Consolidated <sup>3</sup>	
						31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017	Book value 31 Dec 2017	Book value 30 June 2017
						%	%	2017	2017	\$'000	\$'000
Benowa Gardens Shopping Centre, Benowa, Qld	Freehold	Dec 2006	25,198	Dec 2017	41,300	7.00	7.00	3.78	3.17	41,300	40,700
Pacific Pines Shopping Centre, Pacific Pines, Qld	Freehold	Dec 2006	16,347	Dec 2017	28,500	6.25	6.25	8.40	5.64	28,500	28,000
Tamworth Homespace, Tamworth, NSW	Freehold	Dec 2006	21,150	Dec 2017	18,500	8.25	8.25	2.89	2.76	18,500	18,100
Total Investment properties (including amounts classified in Trade and other receivables and Other assets)											
Less amounts classified as:										88,300	86,800
- Trade and other receivables (straight lining of rental income)										(720)	(732)
- Other assets (fitout and lease incentives)	- current									(309)	(300)
	- non-current									(846)	(914)
Total Investment properties										86,425	84,854

<sup>1</sup>Excluding acquisition costs.

<sup>2</sup>Weighted average lease term by area (number of years).

<sup>3</sup>Before deduction of agent commissions and selling costs



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2017**

		<b>Consolidated</b>	
		<b>31 Dec</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>4</b>	<b>Non-current assets – Investment properties (continued)</b>		
	<b>Reconciliation – investment properties</b>		
	<b><i>Direct investments and controlled entities<sup>1</sup></i></b>		
	Carrying amount at 1 July	<b>84,854</b>	82,200
	Net gain on fair value adjustments of investment properties	<b>954</b>	1,610
	Expenditure capitalised	<b>617</b>	1,044
	Carrying amount at the reporting date	<b>86,425</b>	84,854
<sup>1</sup> Current period represents movements during the six months to 31 December 2017. Prior period represents movements during the twelve months to 30 June 2017.			
<b>5</b>	<b>Non-current assets – Other assets</b>		
	Fit-out contributions (amortised)	<b>779</b>	836
	Lease incentives (deferred cost) (amortised)	<b>67</b>	78
		<b>846</b>	914
<b>6</b>	<b>Current liabilities – Trade and other payables</b>		
	Trade payables and accruals	<b>1,521</b>	2,312
	Amounts due to Responsible Entity	<b>138</b>	182
	Goods and services tax ("GST") payable	<b>52</b>	12
		<b>1,711</b>	2,506
<b>7</b>	<b>Interest-bearing loans and borrowings</b>		
	<b>Non-current liabilities</b>		
	Loan facility drawn	<b>42,200</b>	41,400
	Less: attributable transaction costs	<b>(181)</b>	(227)
	Carrying amount at the reporting date	<b>42,019</b>	41,173

**Loan facility**

On 23 February 2016, the Trust negotiated an increased loan facility agreement with Commonwealth Bank of Australia ("CBA") providing maximum available funds of \$43,000,000. As at 31 December 2017, \$42,200,000 was drawn down.

The 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 2017**

**7 Interest-bearing loans and borrowings (continued)**

**Loan facility (continued)**

As at 31 December 2017, the total interest rate including the margin and line fee was approximately 4.15% p.a. compared with the 31 December 2016 weighted average interest rate of 4.14% p.a.

The Trust 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.

		<b>Consolidated</b>	
		<b>31 Dec 2017</b>	<b>30 June 2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>8</b>	<b>Current – Other liabilities</b>		
	Distribution payable	<b>734</b>	734
		<b>734</b>	734
<b>9</b>	<b>Non-current – Other liabilities</b>		
	Swap liability	<b>456</b>	592
		<b>456</b>	592
<b>10</b>	<b>Units on issue</b>		

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>No. of units</b>	<b>No. of units</b>	<b>\$'000</b>	<b>\$'000</b>
Units on issue	<b>39,600,000</b>	39,600,000	<b>26,114</b>	26,114

<b>Date</b>	<b>Details</b>	<b>No. of units</b>	<b>\$'000</b>
<b>Movement in units</b>			
1 July 2017	Opening Balance	39,600,000	26,114
<b>31 December 2017</b>	<b>Closing Balance</b>	<b>39,600,000</b>	<b>26,114</b>

*Rights and restrictions over units*

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

**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2017**

**11 Distributions to Unitholders**

Distributions to Unitholders recognised in the half year by the Consolidated Entity are:

	<b>Distribution per unit</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>	<b>Tax deferred<sup>2</sup></b>
<b>2017</b>				
30 September 2017	1.8540¢	<b>734</b>	24 October 2017	0.00%
31 December 2017	1.8540¢	<b>734</b>	28 February 2018 <sup>1</sup>	0.00%
Total distributions		<b>1,468</b>		

<sup>1</sup> Proposed payment date.

<sup>2</sup> Tax deferred is calculated annually at the end of the financial year.

Distributions to Unitholders recognised in the comparative half year by the Consolidated Entity are:

	<b>Distribution per unit</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>	<b>Tax deferred</b>
<b>2016</b>				
30 September 2016	1.8540¢	734	31 October 2016	0.57%
31 December 2016	1.8540¢	734	28 February 2017	0.57%
Total distributions		<b>1,468</b>		

**12 Reserves**

	<b>Consolidated 31 Dec 2017 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Cash flow hedge reserve</b>		
Balance at 1 July	<b>(592)</b>	(938)
Effective portion of changes in the fair value of cash flow hedges during the period <sup>1</sup>	<b>136</b>	346
Balance at the reporting date	<b>(456)</b>	(592)

<sup>1</sup> Current period represents movements during the six month period to 31 December 2017. Prior period represents movements during the twelve months to 30 June 2017.

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 2017**

**13 Related parties**

Stockland Capital Partners Limited ("SCPL") is the Responsible Entity of the Trust. SCPL has also been appointed as the Trustee for the controlled entities. The Key Management Personnel of the Consolidated Entity have 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.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
<b>Responsible Entity fees and other transactions</b>	<b>\$'000</b>	<b>\$'000</b>
<b><i>Responsible Entity fee</i></b>		
The Responsible Entity charged Responsible Entity fees calculated at 0.45% p.a. of the gross asset value of the Consolidated Entity and Trust.	<b>200</b>	195
Total Responsible Entity fees included in Current liabilities – Trade and other payables as at 31 December 2017 is \$100,068 (30 June 2017: \$99,465).		
<b><i>Performance fee</i></b>		
Subject to unitholders receiving at least the return of their subscribed equity, the Responsible Entity is entitled to a performance fee calculated for each property (including GST less any reduced input tax credits) as the sum of:		
<ul style="list-style-type: none"> <li>a base performance fee equal to 2.56% of the sale price; plus</li> <li>a tier 1 fee equal to 10.25% of the net sale proceeds (the sale price of the property less agent commissions and selling costs) if the net sale proceeds exceed the property acquisition price after subtracting the base performance and tier 1 fees; plus</li> <li>a tier 2 fee equal to 10.25% of the net sale proceeds if the net sale proceeds exceed the property acquisition price by more than 20% after subtracting the base performance and tier 1 fees.</li> </ul>		
During the half year, the Trust recognised a provision for a performance fee based on the gross values of the properties as at 31 December 2017, discounted to present value at the reporting date.	<b>3,337</b>	-
Total performance fees included in Non-current liabilities as at 31 December 2017 is \$3,337,197 (30 June 2017: \$nil).		
<b><i>Manager Expenses</i></b>		
Other recoverable expenses including accounting, taxation and compliance service fees charged by the Responsible Entity.	<b>38</b>	38
Total manager expenses included in Current liabilities – Trade and other payables at 31 December 2017 are \$38,287 (30 June 2017: \$83,073).		
<b>Total Responsible Entity fees and other transactions recognised in the Statement of Comprehensive Income</b>	<b>3,575</b>	<b>233</b>



**Stockland Direct Retail Trust No. 1 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2017**

**13 Related Parties (continued)**

**Other related party transactions**

***Property Management fee***

Stockland Property Management Pty Limited, a related party of the Trust, has been appointed as the property manager to undertake the ongoing property management and leasing of the properties. A fee of \$229,478 (31 December 2016: \$226,428) was charged by the property manager during the half year. Total property management fees payable by the Consolidated Entity included in Current liabilities – Trade and other payables as at 31 December 2017 is \$131,725 (30 June 2017: \$671,803).

***Insurance Premiums***

Insurance premium amounts are paid by the Trust to Stockland Singapore Pte Ltd, an insurance company, which is a related party of the Trust. Insurance premiums of \$56,166 (2017: \$60,484) were incurred by the Trust during the half year.

Total insurance premiums included in Current liabilities – Trade and other payables at 31 December 2017 are \$89,698 (30 June 2017: \$208,608).

***Tenancy Design Fees***

During the half year, the Trust incurred \$79,603 (31 December 2016: \$55,919) in Tenancy Design Fees to Stockland Development Pty Limited. Total tenancy design fees included in Current liabilities – Trade and other payables as at 31 December 2017 is \$4,435 (30 June 2017: \$6,806)

***Units held by Stockland Trust***

As at 31 December 2017, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Trust, holds 7,877,500 units (2017: 7,877,500) in the Consolidated Entity.

***Finance Negotiation Fee***

SCPL as Responsible Entity of the Trust negotiated a loan facility with CBA. For this service, \$102,500 (equivalent to 0.25% of the facility limit) was charged to the Trust in 2014 and was paid 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 Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income. During the half year, the Trust amortised borrowing transaction costs of \$10,334 (2017: \$10,334). Total borrowing transaction costs included in Non current liabilities – Interest-bearing loans and borrowing as at 31 December 2017 is \$40,944 (30 June 2017: \$51,278).

**14 Contingent liabilities and contingent assets**

As at 31 December 2017, the Consolidated Entity has no contingent assets or liabilities (30 June 2017: \$nil).

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

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 2017**

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 2017 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 2017 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 2017, 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:

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

Barry Neil  
Director

Dated at Sydney, 26 February 2018





## **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 Registered Scheme), which comprises the Consolidated Interim Balance Sheet as at 31 December 2017, the Consolidated Interim Statement of Changes in Equity, Consolidated Interim Cash Flow Statement and Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the half-year ended on that date, selected explanatory notes and the directors of the Responsible Entity's declaration for Stockland Direct Retail Trust No.1 Group. The consolidated entity comprises the Registered Scheme and the entities it controlled from time to time during the half-year.

### ***Directors of the Responsible Entity's responsibility for the half-year financial report***

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity 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 2017 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*.

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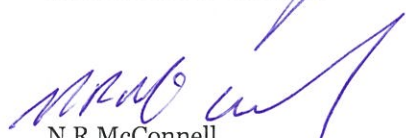
### *Conclusion*

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



N R McConnell  
Partner

Sydney  
26 February 2018