



Stockland Direct Retail Trust No.1

ARSN 121 832 086



Product Disclosure Statement

Stockland Funds Management Limited

ABN 86 078 081 722, AFS Licence Number 241188

Responsible Entity of Stockland Direct Retail Trust No. 1

Issue date: 16 October 2006

Important Notices



Responsible Entity and issuer of this PDS

Stockland Funds Management Limited ABN 86 078 081 722, AFS Licence Number 241188 is the responsible entity of Stockland Direct Retail Trust No. 1 ARSN 121 832 086 ("Trust") and is the issuer of this Product Disclosure Statement.

Product Disclosure Statement

This Product Disclosure Statement ("PDS") relates to the offer of 39,600,000 Units at a price of \$1.00 each ("Offer").

This PDS is dated 16 October 2006. This PDS is not required to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS. You should only rely on the information in this PDS.

This is an important document that needs your attention. If you are in any doubt as to how to interpret or deal with it, consult your financial adviser.

APIR Product Identification Code STK0004AU

Electronic PDS

This PDS may be viewed online on Stockland's website at www.stockland.com.au or on National Australia Bank Limited's website at www.nabmarkets.com/stockland.

If you access the electronic version of this PDS, you should ensure that you download and read the entire PDS.

A paper copy of this PDS is available free of charge to any person in Australia before the Closing Date of the Offer by telephoning the Stockland Direct Retail Trust No. 1 information line on 1300 728 694 or NAB on 1800 652 669.

Up to date information

Information relating to the Offer that is not materially adverse may change from time to time. This information may be updated and made available at www.stockland.com.au or by telephoning the Stockland Direct Retail Trust No. 1 information line on 1300 728 694 or NAB on 1800 652 669. A paper copy of any updated information will be available free on request. We recommend that you review any such additional material before making a decision whether to acquire Units. If there is any material adverse change, a supplementary product disclosure statement will be issued.

Pictures of properties in this PDS

All pictures of properties in this PDS are actual pictures of the Properties unless stated otherwise.

Offer restrictions

The Offer is only being made to persons in Australia and to a limited range of persons in some other jurisdictions to whom offers may be made without the need for compliance with any registration, licensing or disclosure requirements in the relevant jurisdiction.

No action has been taken to register Units or otherwise permit a public offering of Units in any jurisdiction outside of Australia. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it who are not in Australia should seek advice

on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

You must confirm on the Application Form whether or not you are a "foreign person", the meaning of which is set out in the Foreign Acquisitions and Takeovers Act 1975 (Cth). If you are a foreign person, your Application may be rejected depending on the total number of Units applied for by foreign persons which in total must be below 40% of the Units, or for an individual, less than 15% of the Units, issued by the Trust. Foreign investors should give a notice to the Foreign Investments Review Board in accordance with section 26A of the Foreign Acquisitions and Takeovers Act 1975 (Cth).

Disclaimers

Investments in the Trust do not represent investments in, deposits with or other liabilities of NAB, Stockland or any other member of the National Australia Bank or Stockland group of companies.

None of the responsible entity, Stockland, NAB and any of their respective directors, officers or associates stands behind the capital value nor guarantees the performance of the investment or the underlying assets in the Trust nor provides a guarantee or gives any assurance as to the performance of the investment, the repayment of capital or any particular rate of capital or income return.

The National Australia Bank group of companies (NAB Group) may also provide debt and treasury and other services to the Trust or its controlled entities. These services are provided in various capacities as a third party provider and the NAB Group will act if necessary to protect its interests ahead of those of Investors and other parties. In acting in its various capacities in connection with the Trust, the NAB Group will have only the duties and responsibilities expressly agreed to by it in the relevant capacity and will not, by virtue of acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to owe a standard of care other than as expressly provided with respect to each such capacity.

NAB (whether in its individual capacity, as underwriter, as Lead Arranger, as provider of a limited liquidity facility, any debt facilities or treasury services or in any other capacity) does not accept any responsibility for any information or errors contained in, or any omission from, this PDS and has not separately verified the information contained in this PDS and makes no representation, warranty or undertaking, express or implied, as to the accuracy or completeness or suitability of the information contained in this PDS.

Investments in the Trust are subject to investment and other risks, including possible delays in payment or loss of capital invested.

The information contained in this PDS is not financial product advice. This PDS has been prepared without reference to your investment objectives, financial situation and particular needs. It is important you read this PDS in its entirety before making a decision whether to invest. If you are in any doubt, you should consult your broker or financial or other professional adviser.

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Dear Investor,

On behalf of Stockland Funds Management Limited, it is my pleasure to invite you to invest in the Stockland Direct Retail Trust No. 1 ("Trust"). This is the first opportunity to access retail properties, managed by the Stockland group ("Stockland") in an unlisted fund.

The Trust provides you with the opportunity to gain exposure to a portfolio of neighbourhood shopping centres and a bulky goods centre which are leased to a diversified mix of national supermarkets and specialty stores. The portfolio has a weighted average lease term remaining of more than 6.2 years and is valued at \$86.38 million.

Stockland is one of Australia's leading listed property groups and will contribute its extensive retail property management expertise with the aim of maximising the financial return from the Properties.

The Offer seeks to raise \$39,600,000 from Investors through the issue of 39,600,000 Units at \$1.00 per Unit.

Key attributes of the Offer include:

- a portfolio of four retail properties diversified by location and tenancies;
- forecast annualised cash distribution of 7.75% for the financial period ending 30 June 2007, rising to 7.85% for the financial year ending 30 June 2008 ("Forecast Period");
- distributions that are paid quarterly and are forecast to be 100% tax deferred during the Forecast Period;
- interest on the Property Facility is fixed for seven years;
- a limited liquidity facility that gives you the opportunity to apply to sell your Units from the quarter beginning 1 January 2008, subject to certain conditions; and
- the Offer being fully underwritten by National Australia Bank Limited.

These attributes should be read in conjunction with the risks identified in Section 8 of this PDS.

I encourage you to read this PDS carefully and submit an Application Form as soon as possible after the Applications Open Date. If you have any enquiries about the Offer, please consult your financial, taxation or other professional adviser before making a decision whether to invest.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Robb Macnicol".

Robb Macnicol
Chief Executive Officer
Stockland Unlisted Property Funds

Summary Property Information



03

Properties	Pacific Pines Shopping Centre	Benowa Gardens Shopping Centre	Tamworth Homespace	Fremantle Shopping Centre
				
				(Artist's impression)
Location	Pacific Pines	Benowa	Tamworth	Fremantle
State	Queensland	Queensland	New South Wales	Western Australia
Asset type	Neighbourhood	Neighbourhood	Bulky goods	Neighbourhood
Purchase price	\$16,346,740	\$25,197,516	\$21,150,000	\$23,633,800 ¹
Trust interest	100%	100%	100%	100% (leasehold)
Valuation Summary				
Valuation	\$16,400,000	\$25,200,000	\$21,150,000	\$23,630,000 ²
Valuation firm	CB Richard Ellis	CB Richard Ellis	CB Richard Ellis	CB Richard Ellis
Valuation date	1 July 2006	1 July 2006	31 August 2006	1 July 2006
Property Summary				
Weighted average lease expiry	9.30 years	1.59 years ³	5.71 years	10.58 years
Site area	26,463 sqm	17,660 sqm	31,160 sqm	5,990 sqm
Lettable area	5,218 sqm	5,809 sqm	13,073 sqm	4,732 sqm
Car spaces	362	437	416	124
Occupancy rate	100%	97%	82% ⁴	N/A as under development
Rental guarantee on existing vacancies	Nil	One year at Allotment	Two years at Allotment	One year at completion
No. of specialty/showroom tenancies	11 plus 1 office areas, and 3 ATMs	41 plus two kiosks, and 4 ATMs	13 plus restaurant and medical centre	8 plus 4 kiosks, 2 ATMs and office area (to be leased)
Major Tenant				
Name	Woolworths	Bi-Lo	Good Guys	Woolworths ⁵
Term	20 years	5 years	10 years	20 years
Expiry date	14 October 2023	29 September 2007 ³	27 October 2014	31 July 2027
Options	5 x 5 years	1 x 5 years	2 x 5 years	2 x 5 years
Major as % of lettable area	62%	33%	18%	56%
Major as % of passing gross rental	40%	14%	17%	37% ⁶

(1) Subject to the rent achieved upon completion, anticipated to be mid-July 2007.

(2) The valuation is on an 'as if completed' basis.

(3) Bi-Lo has stated that it intends to exercise its option to renew its lease subject to the approval of senior management and the Coles Myer Board. Should Bi-Lo exercise its option, the centre's weighted average lease expiry will increase to 2.3 years.

(4) This represents 60% of the property currently leased and a further 22% is subject to executed heads of agreement to prospective tenants. Stockland will provide a two year rent guarantee over tenancies which are vacant at Allotment.

(5) Assumes lease starts on 1 August 2007. Woolworths has provided a binding written commitment and the formal agreement for lease is to be executed by the parties prior to the completion of the Property.

(6) Based on forecast rents.

What You Need to Do

If you wish to participate in the Offer, you will need to complete the following five steps:

1. Read

Read this PDS in full paying particular attention to the Important Notices set out on the inside front cover.

2. Consider

Consider all the risk factors and other information concerning the Units and the Trust in light of your own particular investment objectives, financial situation and particular circumstances. In particular, consider the unlisted nature and limited liquidity of the Trust.

You may contact the Stockland Direct Retail Trust No. 1 information line by telephoning:

- **Stockland on 1300 728 694; or**
- **NAB on 1800 652 669**

if you need more information or clarification.

3. Consult

Consult your financial, taxation or other professional adviser before deciding whether to invest in the Trust.

4. Complete

Complete the Application Form included at the back of or accompanying this PDS. To assist you with the Application Form, you can refer to the Guide to the Application Form in Section 14.

Submit payment of the Application Monies with a signed, completed Application Form. Each Application must be for a minimum of 10,000 Units with the payment of \$1.00 per Unit on Application (minimum \$10,000).

Applications for more than 10,000 Units must be in multiples of 1,000 Units (additional \$1,000).

Payment must be made by cheque in Australian currency.

5. Mail

Mail the completed Application Form together with your cheque to:

Stockland Direct Retail Trust No. 1 Offer
Reply Paid 998
Sydney NSW 2001.

The completed Application Form, together with your payment, must be received by no later than 5.00pm (Sydney time) on the Closing Date, which is scheduled for 7 December 2006.

Important dates¹

Offer Open Date	16 October 2006
Applications Open Date	15 November 2006
Closing Date of Offer	7 December 2006
Allotment ²	15 December 2006
First distribution period (Quarter ending)	31 March 2007

Notes:

1. *These dates are indicative only and may change. In consultation with the Underwriter, we have the right to close the Offer early or extend the Offer without notice. You are encouraged to submit your Application as soon as possible after the Applications Open Date. Applications received prior to the Applications Open Date will be held but not processed until the Applications Open Date.*
2. *See Section 2.8 for information on the allotment of Units.*

Quick Glossary



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A complete glossary is contained in Section 13.

ASIC	The Australian Securities and Investments Commission
Bank Loan	The loan provided to the Trust by NAB, as Debt Provider
Debt Provider	National Australia Bank Limited
LLF	A limited liquidity facility allowing Investors to sell their Units. This facility is subject to a number of conditions outlined in Section 5.6
NAB	National Australia Bank Limited
Offer	The offer of Units pursuant to this PDS
PDS	This document which is a Product Disclosure Statement
Property or Properties	One or all of the properties described in Section 3, as the context requires
Property Manager	Stockland Property Management Pty Limited, a subsidiary of Stockland
Responsible Entity, also SFML, we, our, us	Stockland Funds Management Limited, as responsible entity of the Trust
Stockland	Stockland Corporation, Stockland Trust and/or, as the context requires, their controlled entities
Trust	Stockland Direct Retail Trust No. 1
Underwriter	National Australia Bank Limited

1. Key Investment Features



Key Investment Features											
Feature	Summary	Section									
The Offer											
Description	The Trust is an unlisted property trust which will acquire three neighbourhood shopping centres and a bulky goods retail centre to provide Investors with regular distributions and the opportunity for capital growth.	5.1									
Minimum investment	Applications must be for a minimum of \$10,000 and thereafter in multiples of \$1,000.	2.4									
Who may apply	The Trust is available to individuals, companies, wholesale investors as well as trusts, including superannuation funds. You may also invest through a master trust or wrap account (subject to their respective conditions).	2.9, 2.10 and 14									
Term of the Trust	We intend to hold a meeting of Investors on the seventh anniversary of Allotment but no later than 30 June 2014 to consider an exit or continuance strategy for the Trust.	5.1									
Closing Date of the Offer	7 December 2006, unless amended by us in consultation with the Underwriter.	2.7									
Portfolio											
Properties	A diversified portfolio of retail centres located in Queensland, New South Wales and Western Australia.	3									
Valuation	The Properties have been valued at \$86.38 million by the independent valuer.	3 and 9									
Benefits											
Forecast cash distributions and tax deferred component of distributions	<p>The forecast cash distributions for the Trust during the Forecast Period are set out below:</p> <table> <tr> <th></th><th>Allotment to 30 June 2007</th><th>Year ending 30 June 2008</th></tr> <tr> <td>Cash distribution</td><td>7.75% (annualised)</td><td>7.85%</td></tr> <tr> <td>Tax deferred percentage</td><td>100%</td><td>100%</td></tr> </table>		Allotment to 30 June 2007	Year ending 30 June 2008	Cash distribution	7.75% (annualised)	7.85%	Tax deferred percentage	100%	100%	6.3
	Allotment to 30 June 2007	Year ending 30 June 2008									
Cash distribution	7.75% (annualised)	7.85%									
Tax deferred percentage	100%	100%									
Distributions	Quarterly, paid within two months of 31 March, 30 June, 30 September and 31 December each year, the first distribution period being from Allotment to 31 March 2007.	2.5									
Limited liquidity facility ("LLF")	Investors may seek to sell their Units through a quarterly limited liquidity facility commencing in the quarter beginning 1 January 2008 (subject to conditions).	5.6									
Limited recourse loan (and fixed interest rates)	<p>A Bank Loan facility of \$60,000,000 has been arranged with NAB whose security is limited to the assets of the Trust. This loan, in conjunction with the equity raised, will be used for the acquisition of the Properties ("Property Facility") and capital expenditure ("Capital Expenditure Facility").</p> <p>Stockland will provide an interest rate swap to fix the interest rate on the Property Facility for seven years.</p>	5.4									



Key Investment Features		
Feature	Summary	Section
Benefits (cont.)		
Professional management	We are an Australian Financial Services licensed funds manager with extensive experience in property funds management. Stockland owns and manages an investment portfolio of over \$6.5 billion as at 30 June 2006, and will manage the Properties of the Trust.	4
Fully underwritten	The Offer is fully underwritten by NAB.	2.3 and 12.2
Fees and other costs		
Fees	This investment is subject to both one off and ongoing fees and expenses.	7
Risks		
Key risks	As with most investments, there are risks associated with an investment in the Trust.	8
Other investment information		
Taxation	Deloitte has summarised the taxation implications of an investment in the Trust.	11
Ethical issues	We do not take labour standards or environmental, social and ethical considerations into account in the selection, retention or realisation of investments.	5.8
Complaints	We have a complaints resolution procedure and we are a member of the Financial Industry Complaints Service.	12.11
Cooling off period	There is no cooling off right for investors in the Trust.	2.11
Net Tangible Assets or NTA	The NTA at Allotment under the Australian equivalent to International Financial Reporting Standards is \$0.82, which deducts property acquisition and capital raising costs from the \$1.00 Application Price, plus other A-IFRS accounting adjustments as necessary. Under the Australian Generally Accepted Accounting Principles method of financial reporting prior to the introduction of A-IFRS, the NTA is approximately \$0.92. The NTA in future years will reflect the revaluation of the Assets.	6.4

2. Offer Details



What's in this Section

- Number and price of Units
- Fully underwritten Offer
- Minimum investment amount
- Distribution frequency
- Stockland's co-investment
- How to apply for Units
- How we will handle your Application
- Investing via a master trust or wrap account
- Superannuation funds
- No cooling off period

2.1. The Offer

The Offer involves the issue of 39,600,000 units in the Stockland Direct Retail Trust No. 1 with a fully paid price of \$1.00 per Unit which, in conjunction with the Bank Loan from NAB, will fund the acquisition of the Properties.

The Trust is an unlisted property trust that intends to acquire an interest in the following properties in Australia:

- Pacific Pines Shopping Centre, Pacific Pines, Queensland (see Section 3.3.1);
- Benowa Gardens Shopping Centre, Benowa, Queensland (see Section 3.3.2);
- Tamworth Homespace, Tamworth, New South Wales (see Section 3.3.3); and
- Fremantle Shopping Centre, Fremantle, Western Australia (see Section 3.3.4).



2.2. Term of the Trust

We intend to convene a meeting of Investors by the seventh anniversary of Allotment but no later than 30 June 2014 to consider an exit or continuance strategy for the Trust (see Section 5.1).

2.3. Fully underwritten Offer

The Offer is fully underwritten by NAB. Further information on the underwriting agreement is provided in Section 12.2.

2.4. Minimum investment

The minimum investment amount is \$10,000 (which equates to 10,000 Units) and thereafter in multiples of \$1,000 (1,000 Units). We may, with the agreement of the Underwriter, waive the minimum application requirements.

2.5. Trust distributions

Trust distributions will be paid quarterly within two months from the end of the Quarter in respect of earnings of the Trust for the preceding three months ending 30 September, 31 December, 31 March and 30 June.

The first Trust distribution will be for the period from Allotment until 31 March 2007 and will be paid by 31 May 2007.

2.6. Stockland's roles

Stockland, or wholly owned subsidiaries of Stockland, are undertaking key roles in connection with the Trust and the management of the Properties (see Section 4.5).

2.7. How to apply for Units

Investors should fill in the Application Form following the Guide to the Application Form (see Section 14).

Completed Application Forms and cheque(s) must be received no later than 5.00pm (Sydney time) on the Closing Date which is scheduled for 7 December 2006.

If you have any questions about what you need to do, please call the Stockland Direct Retail Trust No. 1 information line on 1300 728 694, NAB on 1800 652 669 or your financial adviser.

Before applying for Units, you should be aware of the acknowledgements and representations set out on the back of the Application Form.



2.8. Handling of Applications

We will start processing Applications on the Applications Open Date (15 November 2006), and bank the Application Monies into a trust account which complies with section 1017E of the Corporations Act. Allotment is anticipated to occur on or about 15 December 2006 following the close of the Offer.

You will be paid interest earned on your Application Monies prior to Allotment along with the first distribution for the period to 31 March 2007.

However, interest may not be paid on Application Monies received through a master trust or wrap account, based on arrangements with the providers of those services.

If your Application is unsuccessful, we will return your Application Monies, plus any interest earned, as soon as possible but no later than eight weeks after the Closing Date.

Subject to the underwriting agreement (see Section 12.2), we will accept all Applications unless:

- the Application is invalid;
- the Application would give rise to adverse stamp duty implications for future issues, redemptions or transfers of Units;
- the Application is for greater than 10% of the Units; and
- the Offer is over-subscribed, where we will agree with the Underwriter the basis for Allotment.

Units may be allotted progressively during the Offer period so as to ensure that allotment of Units is no later than one month from processing Applications.

Applications will be batched and allocated in a manner that satisfies any requirement for stamp duty purposes for a spread of public investors. If it is not possible to allocate a Unit within one month from the date of receipt of the Application Monies, the Units will be batched and allocated as soon as practicable after the end of the one month period to ensure that any requirement for a sufficient spread of investors is satisfied.

2.9. Master trusts or wrap accounts

We have authorised the use of this PDS as disclosure to Investors who invest through an IDPS or IDPS-like scheme (which are sometimes referred

to as a master trust or wrap account) or a nominee or custody service (together, "master trusts" or "wrap accounts").

If you invest through a master trust or wrap account, you do not become a direct Investor. The operator or custodian of the master trust or wrap account will be recorded as the Investor by the Registrar and will be the person who exercises the rights and receives the benefits of an Investor. Reports and documentation relating to the Trust will be sent to the operator or custodian.

If you invest through a master trust or wrap account, you may be subject to different conditions from those set out in this PDS, particularly in relation to:

- fees and expenses;
- cut off times;
- distribution calculations and timing of distributions; and
- payment of interest on Application Monies.

Investors using master trusts or wrap accounts should contact their financial adviser or operator or custodian for queries relating to their investment.

2.10. Superannuation Investors

Investment in the Trust is open to superannuation funds. Trustees of superannuation entities should obtain their own professional advice and exercise their own skill and care in determining whether an investment in the Trust is appropriate or permissible for the relevant superannuation entity.

2.11. No cooling off period

As the Trust will invest in real estate, which is not liquid for the purposes of the Corporations Act, there will not be a cooling off period in relation to Applications.

Consequently, by submitting an Application, you will be deemed to have applied for the number of Units for which payment is made. Once an Application has been lodged, it cannot be withdrawn.

However, you may apply to sell your Units using the LLF. The conditions of the LLF are detailed in Section 5.6. You may also sell your Units privately at any time by transferring your Units to a third party as detailed in Section 5.5.

3. The Trust Properties



What's in this Section

- Property portfolio
- Summary of the Properties

3.1. Overview

The Trust offers an investment in three neighbourhood shopping centres and a bulky goods retail centre valued at \$86.38m.

3.2. Portfolio analysis

The Properties are diversified by their geographical spread and exposure to over 70 retailers.

Geographic diversification

The three convenience based neighbourhood centres are well located in metropolitan areas in Queensland and Western Australia. Benowa Gardens Shopping Centre and Pacific Pines Shopping Centre are close to south-east Queensland's Gold Coast, while the proposed Fremantle Shopping Centre is approximately 15 kilometres south-west of Perth in the historic port city of Fremantle.

Tamworth Homespace is a bulky goods centre located in the regional town of Tamworth, New South Wales, offering exposure to a different class of retail property.

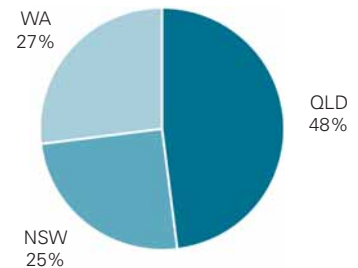
Diversification and long lease terms

The portfolio offers a balanced contribution of income with no Property contributing to more than 30% of the Trust's income.

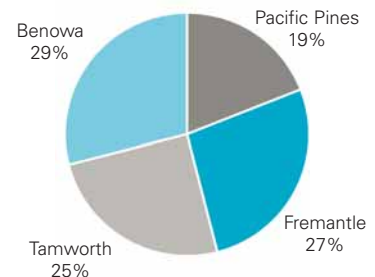
The weighted average lease expiry ("WALE") of the Trust is 6.2 years (by income). Each centre's WALE varies, allowing the Property Manager and us to potentially add value through active management.

Woolworths, The Good Guys and Bi-Lo (a subsidiary of Coles Myer) are the Trust's major tenants.

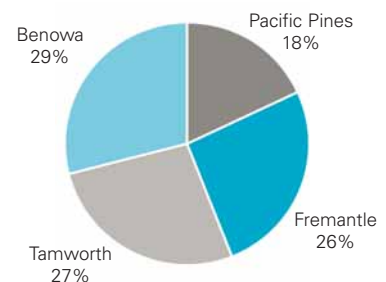
Geographical Diversification
(by value)



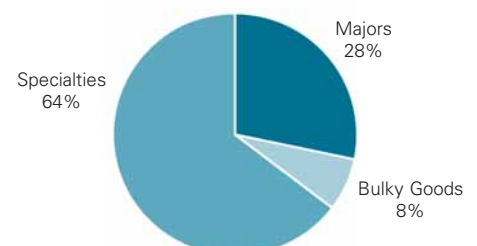
Trust Properties
(by value)



Contribution to Net Property
Income



Gross Income by Tenancy Type





3.3. The Properties

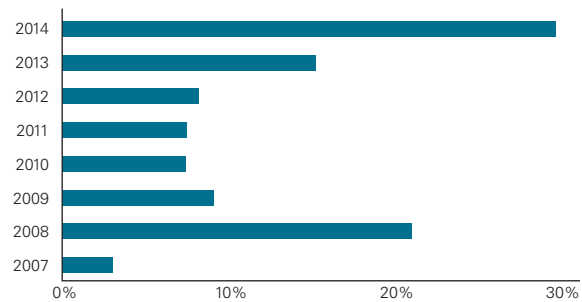
We have commissioned MapInfo Australia Pty Limited ("MapInfo Dimasi") to provide details on the Properties' location, composition, performance and trading levels compared to relevant benchmarks and key demographic information which may affect the performance of the Properties. Their reports have assisted us in providing the following information in relation to the Properties.



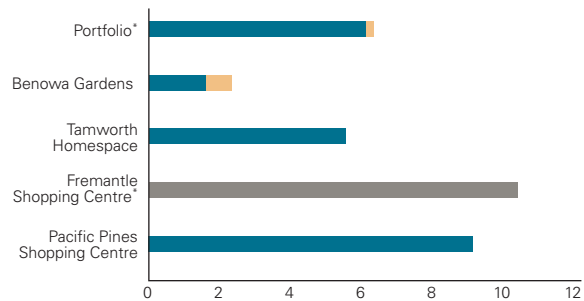
(Artist's impression)



Portfolio Lease Expiry Profile (by income)

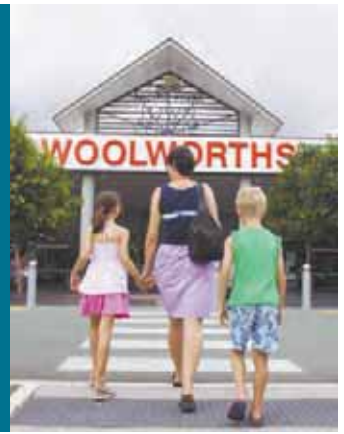


Weighted Average Lease Expiry (by income)

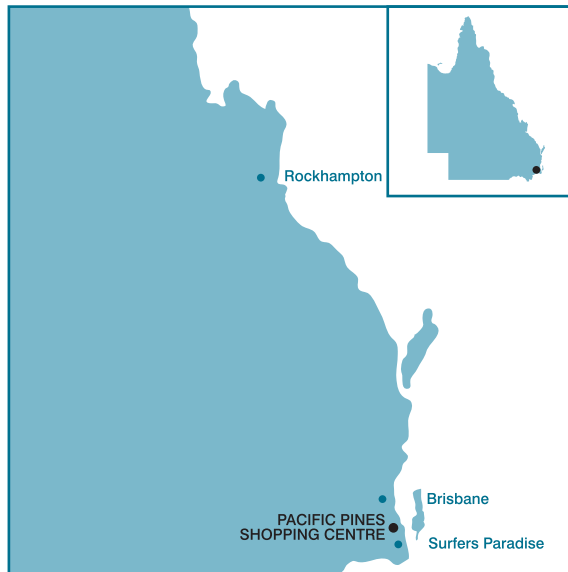


*The charts above assume a 20-year lease to Woolworths and five year lease terms on specialty tenants for Fremantle (metallic coloured bar). If Bi-Lo exercises its option to renew its lease at Benowa Gardens Shopping Centre, as is anticipated, the portfolio weighted average lease expiry will increase to 6.4 years, as denoted by the yellow bars.

3. The Trust Properties (cont.)



3.3.1. Pacific Pines Shopping Centre

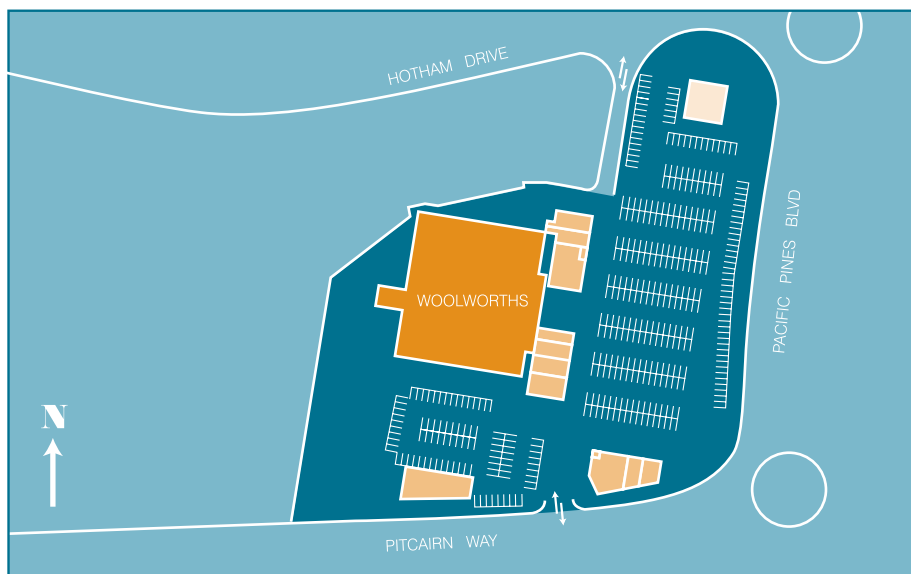


Location

Pacific Pines is a recently developed master planned community, situated in the northern Gold Coast region, near Helensvale. It is 60 kilometres south of Brisbane and 12 kilometres north-west of Surfers Paradise, Queensland.

Pacific Pines Shopping Centre is easily accessible within the residential development being undertaken by Stockland on the western side of the Pacific Highway. The centre is situated on the south-western corner of Pacific Pines Boulevard and Hotham Drive.

As a new suburb, Pacific Pines provides excellent educational facilities with both primary and secondary schools, and childcare centres.



- Specialty retailer
- Major retailer
- Commercial sales office



Centre and retailers

Pacific Pines Shopping Centre was developed by Stockland as part of a master planned community, comprises a Woolworths supermarket as the anchor, a total of 10 specialty shops, a medical centre and is serviced by 362 car spaces. A stand alone commercial building leased to Stockland as a sales office for residential sales also forms part of the Property.

The centre is fully leased and is currently achieving a market share of 20.7% across its main trade area. The Woolworths supermarket is also the only supermarket within the main trade area and provides a major drawcard to attract customers.

Competition

The closest competing retail facilities are located at Helensvale, three kilometres to the north. Westfield Helensvale, a sub-regional centre anchored by Kmart, Target, Woolworths, Coles and Aldi supermarkets opened in October 2005. Westfield Helensvale also has a strong provision of national non-food retailers, particularly in homewares and apparel, and caters to a different market to Pacific Pines Shopping Centre, which is more convenience focused. This centre has had some impact on the sales of Pacific Pines Shopping Centre; however, this impact is expected to be absorbed relatively quickly, as a result of future population growth and lack of competing supermarket facilities within the main trade area.

The future population growth within the main trade area is expected to double over the next five to seven years and given that the provision of supermarket floor space for the trade area is below the Brisbane average, another small convenience centre is theoretically supportable in the main trade area.

A neighbourhood shopping centre is proposed (subject to planning approval) as part of the Pacific Village development, immediately north of Oxenford Central Shopping Centre. According to MapInfo Dimasi, if the development of this proposed centre is approved, it is unlikely to significantly impact Pacific Pines Shopping Centre sales as it is located 7.5 kilometres away.

Strategy for the centre

To maintain the centre's solid tenancy profile and occupancy rate (100% leased) we intend to work alongside the Property Manager to implement a marketing strategy that will involve re-branding the centre to "Stockland". This will enable the centre to leverage off Stockland's national brand and marketing, as well as existing relationships with local and national retailers, improving the centre's leasing prospects going forward.

Given the strong market share of the centre and potential future population growth in the main trade area, we believe there may also be an opportunity to increase Woolworths' floor space some time in the future. The existing Woolworths lease provides Woolworths with a first right of refusal over a future expansion area of 500 square metres (subject to planning approval) which, if built, would enhance the centre's presence in Pacific Pines.

3. The Trust Properties (cont.)



3.3.2. Benowa Gardens Shopping Centre



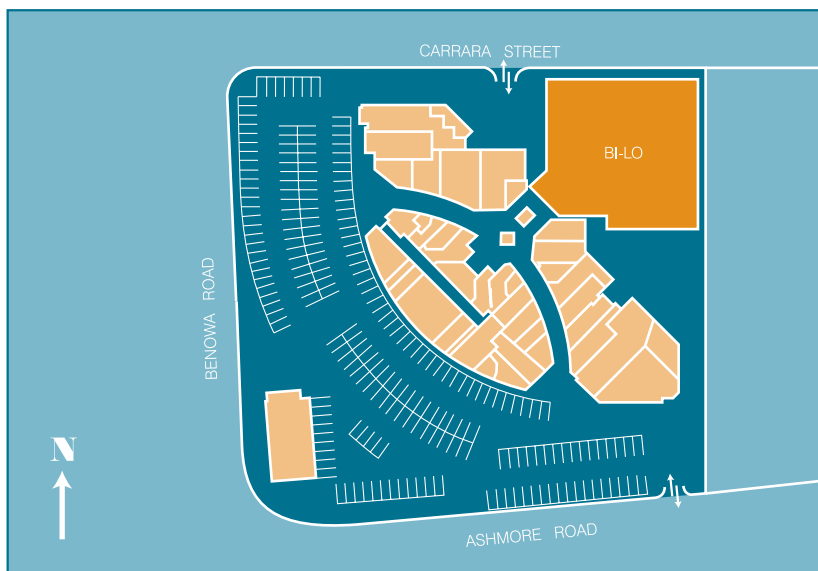
Location

Benowa is an established suburb, located in the Gold Coast region of Queensland, 3 kilometres west of Surfers Paradise and 70 kilometres south of Brisbane.

Benowa Gardens Shopping Centre is located on the northern side of Ashmore Road and is bounded by Benowa Road to the west and Carrara Street to the north. The centre benefits from two street frontages providing shoppers with access from Ashmore Road and Carrara Street.

Centre and retailers

Benowa Gardens is a neighbourhood centre originally constructed in 1992, with the most recent refurbishment completed in 1998. The centre is anchored with a Bi-Lo supermarket (a subsidiary of Coles Myer), has 41 specialty retailers, two kiosks and is serviced by 437 car spaces.



- Specialty retailer
- Major retailer



The centre currently enjoys a strong occupancy rate of 97% and a market share of retail spending across its main trade area of 20.5%. Stockland is providing a 12 month guarantee on all vacancies on settlement of the property. Like Pacific Pines Shopping Centre, Benowa Gardens is a convenience based centre with key specialty retailers including banks, a pharmacy and newsagent. For its size, Benowa Gardens has a substantial number of specialty retailers providing the centre with greater income diversification and potential value adding opportunities going forward.

Competition

Benowa Gardens' primary competitors vary in type and include neighbourhood, sub-regional, and regional shopping centres. Currently, the only other supermarket and convenience based competitor within the main trade area is an IGA store of 400 square metres at Sorrento Village neighbourhood centre, located 2.5 kilometres to the east.

Centro Southport sub-regional centre is the closest competing non-food centre, located four kilometres to the north-east. This centre is 17,800 square metres in size and is anchored by a Target store and a Woolworths supermarket.

In terms of future changes within the competitive environment, a supermarket of 2,500 square metres is proposed as part of the Emerald Lakes-The Quays development. This is a master planned community which will eventually comprise 1,600 homes located three kilometres to the west, along Birmingham Road. The Property Manager has been advised that this supermarket has been approved; however, the developers (who are external to Stockland) have not finalised plans relating to the ultimate size, location and composition of the centre at the site. MapInfo Dimasi believes the proposed development will serve a different trade area to that of Benowa Gardens and therefore will have a limited impact on its future sales growth.

Strategy for the centre

Benowa Gardens is currently positioned as the dominant convenience based centre in the locality, as reflected in its strong occupancy rate and market share of retail spending in the main trade area. The Property Manager recognises there are a number of strategies to allow it to preserve the centre's performance and presence going forward.

In the short to medium term, we intend to work closely with the Property Manager, which has the resources of Stockland available to it, to apply an active management approach, with the objective of maintaining and potentially adding value to the centre.

As the major supermarket, Bi-Lo plays an important role in the centre's future sales performance, providing a drawcard to prospective retailers and customers. As the Bi-Lo lease expires in September 2007, we will concentrate our efforts on securing a long term lease to either Bi-Lo or potentially Coles Myer (Bi-Lo's parent company). The Property Manager is currently in advanced discussions with Coles Myer to convert the Bi-Lo store to a Coles supermarket and potentially to expand the store, which we consider would be a positive outcome for the Trust.

In any event, Bi-Lo has stated its intention to exercise the option to renew its lease, subject to the approval of senior management and the Coles Myer Board. If exercised, the weighted average lease expiry for the centre would increase from 1.6 years to 2.3 years, and the Trust's weighted average lease expiry from 6.2 years to 6.4 years.

Over the medium term, upcoming specialty lease expiries may allow the Property Manager to implement a tenant re-mixing strategy to optimise the centre's composition and performance. This will potentially involve retailers swapping areas and changing tenancy layouts with the aim of satisfying the needs and requirements of the centre's customers.

Through this process, there may also be the potential to increase the rents of some specialty tenants, particularly in retailing segments which are currently enjoying relatively low occupancy costs.

3. The Trust Properties (cont.)



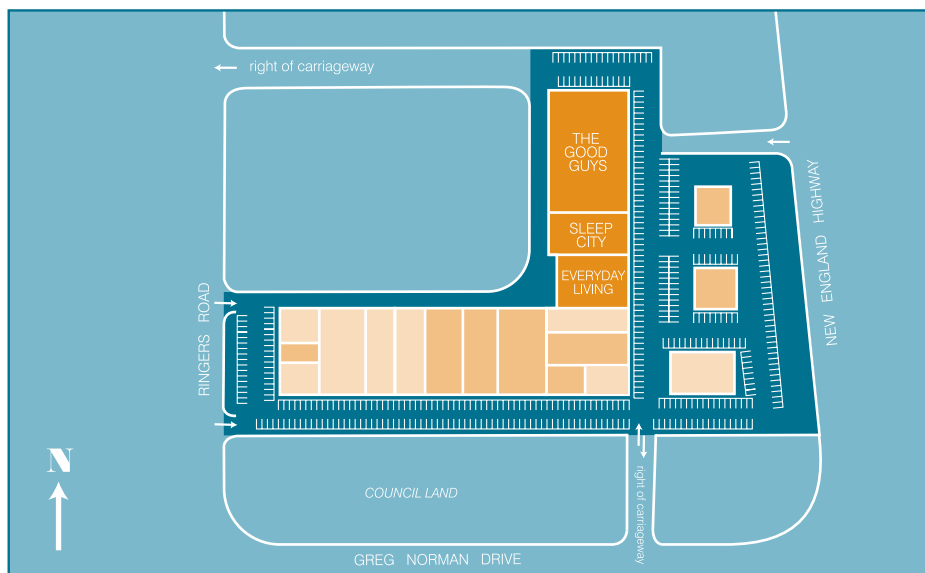
3.3.3. Tamworth Homespace



Location

Tamworth is a major regional township located in the New England region of New South Wales, approximately 400 kilometres north of Sydney.

Tamworth's economy is principally driven by agriculture. The township also has a major industrial precinct, with many national companies having established operations in the area. In addition, BHP Billiton's coal mines around Gunnedah and Quirindi are proposed to be expanded, which would boost employment for the Tamworth region. Tamworth is also home to the Country Music Festival, which attracts more than 50,000 people to the township in January each year.



- Specialty retailer
- Major retailer
- Bulky goods retailer



Tamworth Homespace is located on the New England Highway approximately four kilometres south of the Tamworth CBD. The centre has good accessibility for residents throughout the region with the New England Highway being a major north-south carriageway throughout northern New South Wales.

Located within an emerging bulky goods precinct in Tamworth, the centre serves approximately 111,000 residents in the main trade area, 54,600 of whom reside within Tamworth. The centre is also in close proximity to other community facilities such as the Tamworth Sports Complex and Tamworth Entertainment Centre.

Centre and tenants

The centre is a bulky goods retail centre which opened for trading in November 2004. Developed by Stockland, the centre is currently anchored by long term leases to The Good Guys and Everyday Living/Sleep City. There are 12 additional bulky goods tenancies, plus a restaurant and medical centre. The centre is serviced by 416 car spaces.

As a relatively new centre, there are four existing vacancies on which we will concentrate our leasing efforts in the short to medium term. The Property Manager has received a number of enquiries on the vacancies. Stockland has also provided a two year rent guarantee on all vacancies at Allotment which the Trust can draw upon while we go through the process of leasing the remainder of the centre.

Competition

Tamworth Homespace's main competitors within the south Tamworth precinct include the Harvey Norman store of approximately 8,000 square metres (immediately west of the centre) and the Long Yard Homemaker Centre which is approximately 13,370 square metres in size (500 metres to the north of the centre) and is anchored by Retravisation, Capt'n Snooze, Carpet Choice and Lounges Plus.

Strategy for the centre

Given the centre is relatively new and is anchored by national retailers, we believe there is potential to add value to the centre through active marketing and leasing.

Our key priority in the first year of the Trust term is to work closely with the Property Manager to lease the remainder of the centre. This period is an opportunity to determine the final tenancy mix and composition of the centre, with the objective of maximising Investor returns over the long term. We may also explore opportunities to enhance the visibility of the centre from the New England Highway through improved signage, which could attract a greater number of potential shoppers to the centre.

3. The Trust Properties (cont.)



3.3.4. Fremantle Shopping Centre

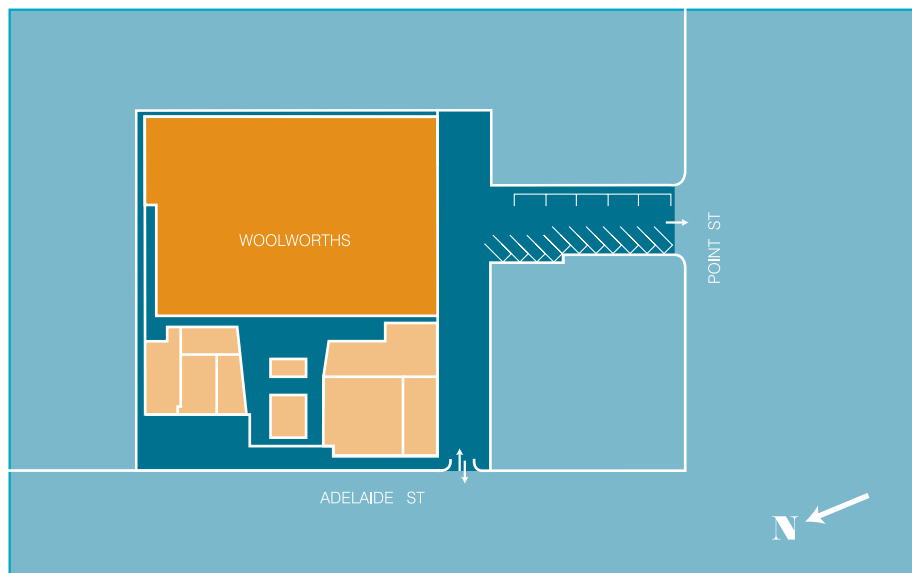


Location

Fremantle is an historic and working port city 15 kilometres south-west of Perth, offering a unique range of commercial and tourism activities. Fremantle is popular for its inner city living and cosmopolitan nature, cultural activities, good shopping and community facilities. In addition to being a popular tourist destination, retailers in Fremantle are permitted to trade seven days a week.

Fremantle has good access to the Perth CBD and surrounding suburbs via Canning Highway or Stirling Highway and is well serviced by public transport, including trains and buses.

The proposed Fremantle Shopping Centre will be located on the eastern side of Adelaide Street and to the north of Point Street, within Fremantle CBD.



- Specialty retailer
- Major retailer



(Artist's impression)

Centre and retailers

Fremantle Shopping Centre is currently being developed by a third party (being Seaport Pty Limited) and is due for completion in mid-July 2007. The Trust purchased the leasehold interest of the land (which runs until 17 November 2061) upon which the centre will be constructed, and entered into a development agreement with a developer to develop the centre on an 'as-if complete basis'.

Under the development agreement (see Section 12.5), the developer will:

- undertake the development (which is anticipated to be completed by mid-July 2007, but must be completed no later than November 2008);
- undertake the leasing of the centre;
- provide a 12 month net income guarantee from the date of completion, which will cease once the centre is fully leased; and
- pay interest of 7% per annum on the purchase price of the leasehold interest in the Property and the cumulative progress payments made to the developer until completion (to be paid upon completion).

Once complete, the centre will be anchored by a Woolworths supermarket and incorporate eight specialty shops, four kiosks and two ATMs on the ground floor. Upper floor offices with lift access will also form part of the development scheme.

Basement car parking for 108 cars will be easily accessed from Adelaide Street, plus 16 external car parks at street level.

The developer has focused on delivering the ideal complementary tenancy mix consistent with a neighbourhood centre of this size. In addition to Woolworths, there are discussions with a national coffee shop operator, a national bakery chain, a local health food shop operator and a local newsagency operator to lease space in the centre.

We believe Woolworths will provide a strong drawcard to attract customers and enhance the leasing prospects for the centre.

Competition

Fremantle Shopping Centre will operate in an established and competitive environment, with a Coles supermarket situated in the Fremantle City Centre at Woolstores Shopping Centre, in close proximity and to the west of the proposed centre.

Further supermarket facilities are situated some 2.5 kilometres south of Fremantle, namely Woolworths and IGA supermarkets. An additional Super IGA supermarket is also provided in east Fremantle, around two kilometres north-east of the proposed centre.

Overall, the provision of supermarket floor space in the Fremantle main trade area is relatively high at 441 square metres per 1,000 people, as compared to the Perth metropolitan average of 352 square metres per 1,000 people. This provision will further increase to in excess of 500 square metres per 1,000 people by 2008, after the proposed centre is built. Despite the high provision, existing supermarkets perform solidly reflecting the nature of the area, which attracts a substantial portion of business from beyond the defined trade area, including tourists and visitors to Fremantle.

MapInfo Dimasi believes the proposed centre will be able to compete and trade successfully with the surrounding supermarkets given its prominent and easily accessible location on the northern periphery of the Fremantle CBD, and its provision of basement parking which will be easily accessible via a lift.

Strategy for the centre

As a new development, we have agreed minimum leasing parameters with the developer, including the approval of all leases, to optimise the tenancy mix and leasing profile for the centre as it is leased.

Upon completion, the centre will also be "Stockland" branded. This will enable the centre to leverage off Stockland's national brand and marketing resources as well as the existing relationships that Stockland has with national and chain based retailers. Although the developer will provide a 12 month net rental guarantee from completion, we believe recognition of the Stockland brand and experience in retail asset management will assist in minimising vacancies at completion, if any.

4. The Responsible Entity, the Property Manager and Stockland

What's in this Section

- Overview of Stockland
- The Responsible Entity
- Stockland Unlisted Property Funds division
- The Property Manager
- Stockland's involvement with the Trust
- Our corporate governance framework
- Our Directors

4.1. Overview of Stockland

Stockland is one of Australia's largest diversified listed property groups, with a market capitalisation of \$9.4 billion as at 30 June 2006.

Stockland owns and manages an investment portfolio valued at over \$6.5 billion as at 30 June 2006. Stockland is rated A- (stable) by Standard & Poor's (see Section 12.14).

Stockland has two business components, Stockland Corporation and Stockland Trust.

Stockland Trust owns investment assets across Australia and New Zealand comprising commercial office, shopping centre, industrial and office park properties.

Stockland Corporation operates a number of businesses, including managing unlisted property trusts, and operating a real estate management and development business in Australia spanning residential estates, apartments, retail development projects and large mixed use sites.

Further information about Stockland can be obtained from its internet site: www.stockland.com.au.

4.2. Responsible Entity

Stockland Funds Management Limited is the issuer of this PDS and is the responsible entity for the Trust.

We are a wholly owned subsidiary of Stockland Corporation and will manage the Trust.

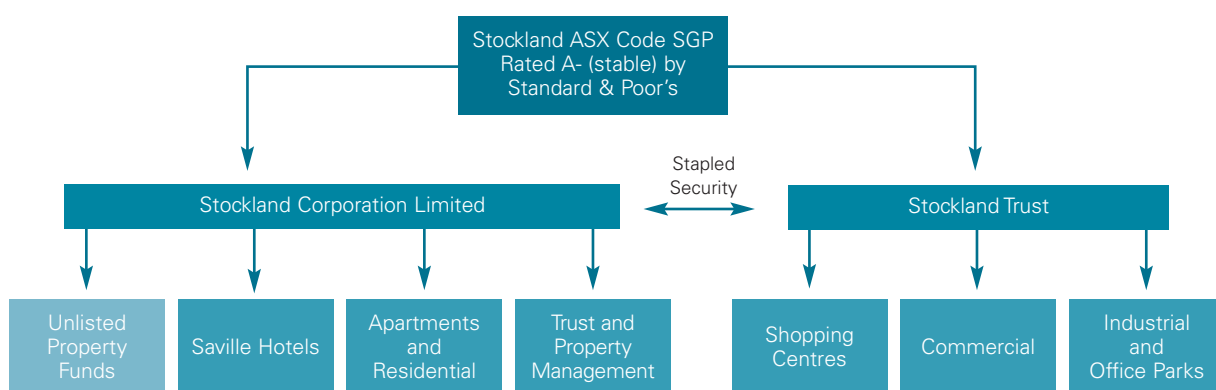
Our Directors at the date of this PDS are Peter Scott (Chairman), David Kent, Lyn Gearing, Matthew Quinn, Tony Sherlock and Terry Williamson.

Mr Scott, Ms Gearing, Mr Quinn and Mr Williamson are also directors of Stockland. Mr Kent and Mr Sherlock are independent of any association with Stockland. Our Directors may change over time.

The members of our Compliance Committee include Ms Gearing (Chairperson), Mr Sherlock and Mr Williamson. The Compliance Committee monitors our compliance with the Compliance Plan and the Constitution, and assesses at regular intervals whether the Compliance Plan is adequate.

Our corporate governance framework has been established to protect the interests of Investors, and is detailed in Section 4.6. Details of each of our Directors and our CEO – Stockland Unlisted Property Funds are provided in Section 4.7.

Details of our fees are disclosed in Section 7.





4.3. Stockland Unlisted Property Funds division

We operate in the Unlisted Property Funds division of Stockland (displayed in the organisational chart in Section 4.1). We are responsible for the establishment and the ongoing management of funds and syndicates to provide a wide range of innovative property investment opportunities to both wholesale and retail investors.

Further information about us can be obtained from our internet website: www.stockland.com.au/upf.

Previous offers to retail investors		Highlights of previous offers*
Stockland Direct Office Trust No. 1 (launched November 2004)		<ul style="list-style-type: none"> - Distributions of 8.05% per annum (9.25% for geared investors), which are in accordance with forecasts - 41% increase in net tangible assets - 100% occupancy rate
Stockland Direct Office Trust No. 2 (launched September 2005)		<ul style="list-style-type: none"> - Distributions above forecasts - Office park development - Construction is on track for completion in mid-2007

* The performance of our previous funds is as at 30 June 2006 and should not be relied upon as an indicator of the performance of the Trust.

4.

The Responsible Entity, the Property Manager and Stockland (cont.)

4.4. Property Manager and Stockland Shopping Centre division

We have appointed Stockland Property Management Pty Limited to undertake the ongoing property management and leasing of the Properties. It is a wholly owned subsidiary of Stockland.

Stockland currently owns and manages a portfolio of 41 shopping centres which has a book value of approximately \$3.5 billion as at 30 June 2006.

The Property Manager has achieved significant income growth throughout the Stockland portfolio by continuing to drive sales and traffic through the shopping centres it manages and by forging strong relationships with retailers.

In the 12 months to 30 June 2006, the Shopping Centre division:

- managed more than 2,900 tenants;
- achieved \$417 million of property revaluations (as at 30 June 2006), an 11.5% increase over the book value since 30 June 2005;
- had a vacancy rate of 0.19% of gross lettable area;
- had rental arrears of 0.06% of annual billings;
- executed 370 leasing transactions, including 164 renewals; and
- had an average specialty sales per square metre of \$8,176, which is 14.1% above industry averages. The Property Manager achieves this productivity growth through its focus on optimising the tenancy mix in the centres it manages and maximising the tenants' sales potential. This in turn drives rental growth for the owner.

You should note that the performance of the Property Manager in relation to other properties should not be relied upon as an indicator of the performance of the Trust.

The Property Manager's approach is focused on active tenant service, long term tenant retention, marketing, and the ability to provide an overall management service that seeks to ensure each tier of property management is leveraged to maximise rental returns and add value.

The Property Manager's continued focus on its customers, innovative community initiatives and leading marketing campaigns saw Stockland take top honours at the inaugural Shopping Centre News Marketing Awards in 2006.

Stockland is a significant participant in the shopping centre market and closely monitors movements in the demand and supply cycles for retail space and property values, which gives it a competitive advantage in managing retail properties.

Stockland is also committed to delivering sustainable developments that measure against world class economic, environmental and social benchmarks.

The Property Manager's fees are partially recoverable from tenants as an outgoing of the respective Properties and the balance of its fee is payable by the Trust. Further details of the Property Management Agreement are set out in Section 12.8.



4.5. Stockland's involvement with the Trust

Stockland or wholly owned subsidiaries of Stockland are undertaking key roles in connection with the Trust and the management of the Properties including:

- being appointed the Property Manager (see Sections 4.4 and 12.8);
- selling a number of properties to the Trust (see Section 12.3);
- providing an interest rate swap to the Trust (see Section 5.4);
- providing a number of rental guarantees (see Section 12.6);
- leasing two of the tenancies in the Pacific Pines Shopping Centre (see Section 12.9); and
- holding a first right to acquire the Properties on disposal by the Trust or a change of the responsible entity to an entity not related to Stockland (see Section 12.7).

We believe that the expertise of Stockland and its staff, its various roles in relation to the Offer and the Properties are a positive feature of the Offer.

Any fees payable to Stockland in connection with these roles are detailed in the respective sections of this PDS. The cash distributions which you may receive during the Forecast Period are calculated after taking into account all fees being paid to Stockland.

4.6. Corporate governance and conflict resolution




We have established a corporate governance framework to protect your interests. This framework includes the following approach:

- detailed disclosure in this PDS of the Stockland roles, agreements and fees in relation to the Trust and the Properties;
- a comprehensive due diligence process for the Offer involving independent legal, tax, accounting and property valuation experts (see Section 8.2);
- documented and formally approved and executed agreements between Stockland and the Trust, with separate independent legal advice;
- two of our Directors are independent of Stockland;
- monitoring of compliance with our obligations by our Compliance Committee;
- a requirement for the approval of all related party transactions by unanimous vote of our board of Directors, including the independent Directors. The Stockland executive director is excluded from voting on such transactions; and
- acting in accordance with our conflicts of interest policy.

In addition, the Directors have a fiduciary duty to act in the best interests of Investors in relation to decisions affecting the Trust.

4. The Responsible Entity, the Property Manager and Stockland (cont.)

4.7 Our Directors and the CEO of Unlisted Property Funds

Name	 Peter Scott	 David Kent	 Lyn Gearing	
Role within the Responsible Entity	<ul style="list-style-type: none"> - Chairman - Non-executive Director 	<ul style="list-style-type: none"> - Non-executive Director 	<ul style="list-style-type: none"> - Non-executive Director - Compliance Committee Chairperson 	
Other Stockland roles	<ul style="list-style-type: none"> - Director of Stockland - Member of Stockland's Corporate Responsibility and Sustainability Committee 	<ul style="list-style-type: none"> - Independent of Stockland 	<ul style="list-style-type: none"> - Director of Stockland - Member of Stockland's Audit and Risk Committee - Stockland's Compliance Committee Chairperson 	
Current non-Stockland roles	Director of: <ul style="list-style-type: none"> - Sinclair Knight Merz - Perpetual Limited Advisory Board member of Jones Lang LaSalle, Australia Partner of Korn Ferry International	Director of: <ul style="list-style-type: none"> - Everest Babcock & Brown Limited (Executive Chairman) - Everest Babcock & Brown Alternative Investments 	Director of: <ul style="list-style-type: none"> - Hancock Natural Resource Group Australia Pty Limited - IMB Limited 	
Previous experience	<ul style="list-style-type: none"> - CEO of MLC - Executive General Manager, Wealth Management of National Australia Bank - Senior positions with Lend Lease following a successful career as a consulting engineer in Australia and overseas 	<ul style="list-style-type: none"> - Managing Director and Head of Investment Banking for Morgan Stanley - Executive General Manager of Axiss Australia - Senior Trade and Investment Commissioner for the Australian Trade Commission (in Paris and Washington DC) - Member of the Financial Sector Advisory Council 	<ul style="list-style-type: none"> - CEO of NSW State Super - Over 30 years business experience in superannuation funds management, corporate finance and management consulting 	
Non-commercial roles	<ul style="list-style-type: none"> - Director of Pilotlight, a non-profit making organisation 	Formerly: <ul style="list-style-type: none"> - Deputy Chairman of the Art Gallery of NSW Foundation - Chairman of the Brett Whiteley Foundation 	<ul style="list-style-type: none"> - Director of the Garvan Research Foundation 	

**Matthew Quinn**

- Executive Director

- Managing Director of Stockland

- Roles in:
- Price Waterhouse
 - Rockingham Park Group (a substantial Western Australian private property group)

- Formerly the National President of the Property Council of Australia
- Fellow of the Australian Property Institute

**Tony Sherlock**

- Non-executive Director
- Compliance Committee member

- Independent of Stockland
- Stockland's Compliance Committee member

- Director of:
- Sydney Attractions Group Limited
 - IBA Health Limited
 - Equatorial Mining Limited (Chairman)
- Chairman of:
- Audit Committee of Commander Communications Limited

- Senior Partner of Coopers & Lybrand having national responsibility for credit risk management
- Chairman of the Woolmark Company

- Board Member of the Export Finance and Insurance Corporation
- Previously acted on a number of committees for both Federal and State governments

**Terry Williamson**

- Non-executive Director
- Compliance Committee member

- Director of Stockland
- Chairman of Stockland's Audit and Risk Committee
- Stockland's Compliance Committee member

- Director of:
- Excel Coal Limited
 - United Medical Protection Group
 - ING Australia Limited

- Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited
- Partner of Price Waterhouse for 17 years

- Director of St Vincent's and Mater Health Group
- Member of the University of Sydney Faculty of Economics and Business Studies Advisory Board

**Robb Macnicol**

- Chief Executive Officer - Stockland Unlisted Property Funds
- Responsible for growing Stockland's funds management business

- Roles in:
- KPMG
 - Macquarie Bank, specialising in the securitisation of real estate for the unlisted investment markets

- Member of the Board of Advisors to the Property Industry Foundation

5. The Trust



What's in this Section

- The Trust's investment strategy
- The Trust's structure
- Details of the Bank Loan
- Transferring your Units
- The Limited Liquidity Facility
- Statement on labour, environmental, social and ethical standards

5.1. Trust investment strategy

Our investment strategy for the Trust is to offer a product which provides regular distributions and the opportunity for capital growth. To achieve this, the Trust will invest in a portfolio of retail properties (see Section 3).

We intend to convene a meeting of Investors by the seventh anniversary of Allotment, but no later than 30 June 2014, to consider an exit or continuance strategy recommended by us which could include, but is not limited to, the following:

- continuing the Trust with a defined investment and liquidity strategy;
- selling the Units in consideration for units in another trust;
- undertaking a public offering of the Trust or the Properties with Investors potentially participating by way of a separate offer document; and/or
- disposing of the Properties and terminating the Trust, in line with the process set out in Section 5.2.

At or prior to the meeting of Investors, we will provide you with all of the information known to us that we consider is material to making a decision, as well as any material that may be required by the Corporations Act.

We will recommend a strategy which we believe will deliver the overall most favourable outcome to Investors, on balance, having regard to the risk and rewards of the strategy and the financial position of the Trust.

Irrespective of the recommended strategy, we will use our best endeavours to redeem the Units of any Investors who wish to exit the Trust at that time, through the availability of cash reserves, the Bank Loan or from funds raised from alternative investors. We may also fund the redemption of Units held by Investors who wish to exit from the Trust from the sale of a Property or Properties, if it is in the best interests of Investors.

The Directors will review and approve any approach to be recommended to you in accordance with our corporate governance framework (see Section 4.6). Further, if there is a conflict of interest with Stockland's holding of Units, Stockland will not vote on the strategy.



5.2. Process for disposal of the Properties

If we recommend disposing of any or all of the Properties and you support the recommendation by passing a Special Resolution, we will endeavour to sell the Properties.

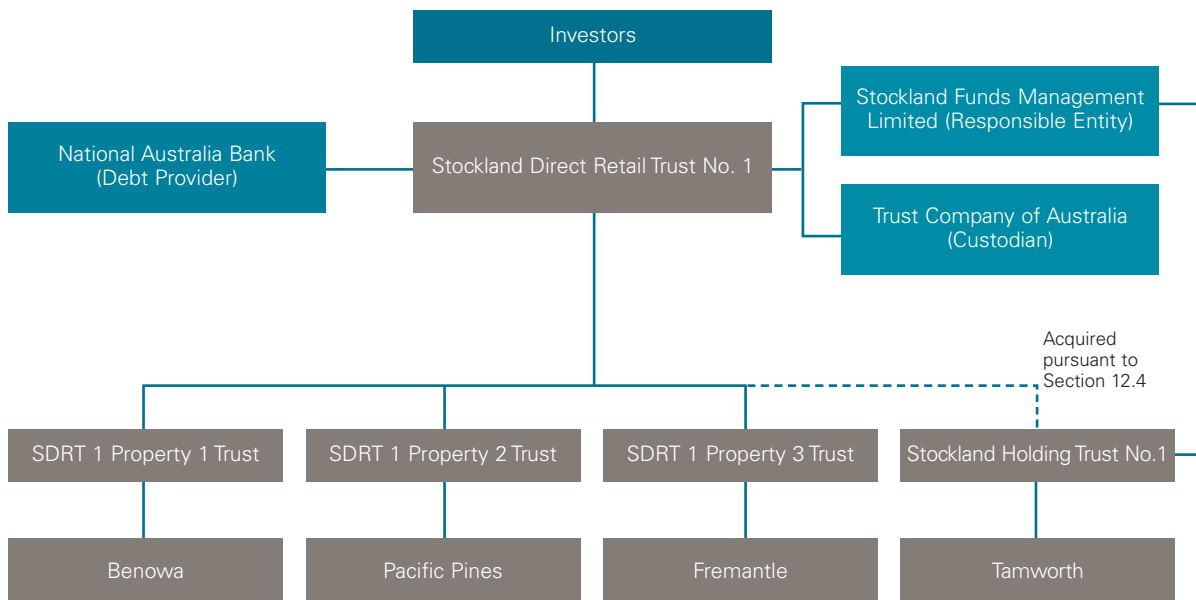
Disposal of the Properties may involve:

- selling to Stockland (under its first right over the Properties, see Section 12.7);
- selling through a public sale process; and/or
- using an alternative exit mechanism.

If the Trust wishes to sell the Properties, it will first obtain an independent valuation to determine an appropriate price.

5.3. Trust structure

The Trust is currently wholly owned by Stockland and the units held by Stockland will be redeemed upon Allotment. The Trust has entered into purchase agreements with the vendors to acquire the Properties (see Section 12.3 and 12.4) and the following diagram illustrates the Trust structure.



5. The Trust (cont.)



5.4. Bank Loan

We have received and accepted a letter of offer from NAB to provide a \$60 million facility to the Trust ("Bank Loan"). The Bank Loan is for an initial three year term and may be extended for twelve months on an ongoing basis at our request (and with NAB's consent). The Bank Loan is secured by a mortgage over the Properties, a fixed and floating charge over the assets of the Trust and a first-ranking mortgage over the units in the sub trusts.

We have also received and accepted a letter of offer from Stockland to fix the rate of interest on the Property Facility at 6.45% for a period of seven years. Stockland will provide the interest rate swap in order to obtain a lower cost of borrowing for the Trust.

The terms of the Bank Loan are summarised below:

Facility type	Purpose	Loan to valuation ratio	Facility	Interest rate per annum
Note sale facility	To fund the purchase of the Properties ("Property Facility")	65%	\$56.67m	6.45% ¹
	To fund capital expenditure on the Properties and general corporate expenses ("Capital Expenditure Facility")	5%	\$3.33m	Variable ²
	Total (facility limit)	70%	\$60.00m	

Notes:

1. While the interest rate on the Bank Loan is variable, Stockland will provide an interest rate swap on the Property Facility at 6.45% per annum (inclusive of the line fee and margin fee payable), hedged for seven years. A swap premium of \$200,000 will be payable to Stockland on Allotment.
2. The interest rate on the Capital Expenditure Facility remains variable. It is based on the 90-day bank bill rate plus a line and margin fee. An assumed average interest rate of 6.95% per annum over the Forecast Period has been included in the Financial Forecasts.



There are a number of undertakings under the Bank Loan which need to be adhered to. They include:

- the loan to valuation ratio is not to exceed 70%;
- the net rental income from the Properties (less SFML's fees) is to represent no less than 1.5 times the interest expenses of the Trust (net of the interest rate hedge);
- the weighted average lease expiry (by income) of the Properties is to be no less than 3 years;
- in relation to the development of Fremantle Shopping Centre, the undrawn portion of the Bank Loan is to be no less than the total outstanding amount required to be paid to the developer; and
- any change to the interest rate hedging strategy of the Trust is to be approved by NAB.

There are risks associated with the Bank Loan (see Section 8.4).

5.5. Transfer of Units

You should consider this investment as a medium to long term investment. You may transfer your Units to third parties at any time in accordance with the terms and conditions detailed in the Constitution (see Section 12.1).

To transfer Units, you must complete a transfer form available from us (or from our website), and forward the completed form to the Registrar as directed on the transfer form.

The transferee must sign the form to acknowledge the transferee's agreement to be bound by the terms of the Offer and the Constitution.

The transferee will be entitled to distributions from the Quarter in which the transfer form was accepted and processed. We will endeavour to confirm the transfer of the Units within 10 Business Days after the transfer form being received.

5.6. Limited Liquidity Facility

NAB has agreed to provide a limited liquidity facility for the benefit of Investors.

Under the LLF, NAB agrees to acquire up to 1,000,000 Units each Quarter from Investors (equivalent to a maximum of approximately 10% of the Units issued under the Offer per annum).

STML as responsible entity of Stockland Trust has placed a standing order with NAB to acquire the first 19.9% of the Units NAB acquires under the LLF. The price payable by Stockland Trust for the acquisition of Units under the standing order with NAB is the same as the price payable by NAB to Investors under the LLF. Stockland Trust's standing order will terminate when it and its related entities hold 19.9% of the Units, at which stage NAB will acquire up to a maximum holding of 19.9% of the Units, if required.

The facility will commence operation in the Quarter beginning 1 January 2008 and the price for that Quarter will be based on the most recent NTA per Unit, which for LLF purposes will be calculated twice a year (30 June and 31 December) less a 2.5% discount, any transfer costs and a \$110 processing fee.

Prior to the operation of the LLF and subject to licensing restrictions, we will use reasonable endeavours, with the assistance of NAB, to facilitate transfers of Units by Investors wishing to exit by seeking new potential investors.

We will be responsible for the administration of the LLF at all times.

5. The Trust (cont.)



Selling your Units under the LLF

If you wish to sell your Units under the LLF, you should request a LLF transfer form from us (or from our website), complete it and send it to the Registrar as directed on the transfer form, who will then forward it to us. Completed LLF transfer forms will be considered an irrevocable offer from you and cannot be withdrawn.

You should contact us, at first instance, if you have any queries or complaints regarding the operation of the LLF.

You should send the LLF transfer forms in time for the Registrar to receive it no later than 15 Business Days prior to the Quarter end. You will be entitled to the distribution for the Quarter in which the transfer form was received and your units will be sold to NAB on the first business day following the end of that Quarter.

Completed LLF transfer forms will be accepted by us in order of receipt.

Any LLF transfer forms that are not accepted due to the LLF being oversubscribed in any single Quarter may be included in the applications for the following Quarter's LLF. We will notify you in writing of whether your application has been successful within 15 Business Days after the end of the Quarter in which the LLF transfer form was received.

You must apply to transfer your total holding of Units under the LLF. This also applies to Investors who have invested in a master trust or a wrap account (see Section 2.9).

LLF pricing

The sale price for each Unit acquired under the LLF will be the most recent NTA per Unit (including accrued performance fees, if any) less the aggregate of a 2.5% discount and less any transaction costs (including any stamp duty).

NAB will charge a one off flat fee of \$110 per application, inclusive of GST, for processing a transfer of Units under the LLF.

For the purposes of the LLF, the NTA per Unit is calculated in accordance with A-IFRS and will be calculated twice a year (30 June and 31 December). The most recent NTA per Unit will be disclosed in the investment report sent to Investors and on our website.

We will pay or arrange the payment of the net consideration for the LLF transfer of the Units by cheque within 15 Business Days from the end of the Quarter.

Suspension and termination of the LLF

NAB may unconditionally suspend or terminate the LLF at any time in its sole discretion, and we will notify you if the LLF is suspended or terminated in the next quarterly distribution statement. There is no guarantee that the LLF will continue for the duration of the Trust.

If NAB terminates the LLF and we are still the responsible entity for the Trust, we may seek an alternative provider of the LLF, who is appropriately licensed by ASIC to provide the facility. You will be advised of any changes to the LLF at that time.

5.7. Taxation

Deloitte has provided a report on the taxation consequences of investing in the Trust in its Taxation Report in Section 11.

5.8. Labour standards or environmental, social and ethical considerations

We will not take into account labour standards or environmental, social or ethical considerations in selecting, retaining or realising investments for the Trust, except to the extent required by law or expected to have an effect on the price or value of investments.

6. Financial Information

What's in this Section

- Financial forecasts for the Trust
- Accounting policies applied
- Key assumptions in forecasts
- Taxation considerations
- Sensitivity analysis

6.1. Introduction

The Financial Information contained in this section should be read in conjunction with the significant accounting policies (Section 6.6), the key Financial Forecast assumptions (Section 6.7), the sensitivity analysis (Section 6.9) and the risk factors (Section 8).

The Financial Information included in this Section 6 consists of the following information for the Trust and its sub trusts on a consolidated basis:

- forecast Consolidated Income Statements and Consolidated Statements of Distributions for the Forecast Period;
- the pro-forma Consolidated Balance Sheets of the Trust on Allotment and on a Fully Invested Basis (assumed 1 December 2007); and
- sources and applications of funds of the Trust on completion of Allotment and on a Fully Invested Basis.

The Financial Forecasts have been adopted by the Directors and represent our best estimate, based on present circumstances, as to the most likely set of conditions to which the Trust will be exposed.

Investors should note that actual cash returns to Investors will be a combination of income distributions and capital and total returns will be a combination of cash returns and capital gains. Capital gains have not been forecast in this PDS.

The Financial Information has been prepared in accordance with applicable Australian equivalents to International Financial Reporting Standards ("A-IFRS"). It has been presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Returns on an investment in the Trust are not guaranteed. Although due care and attention has been taken in preparing the Financial Information, many factors which affect the Financial Forecasts are outside our control and that of the Directors or are not capable of being foreseen or accurately predicted. This is particularly the case the longer the Forecast Period. As such, actual results may differ from the Financial Information. For further information on these factors, please see the risks detailed in Section 8.

In addition, your financial returns are dependent on the distributions received and the amount received on disposal of the Assets or through an alternative investment strategy approved by a Special Resolution. Generally, you will realise your investment following the disposal of the Assets and/or the termination of the Trust. Accordingly, your returns will be sensitive to, and directly affected by, the price at which the Assets are realised. Other sensitivities are detailed in Section 6.9.

The assumptions on which the Financial Information is based are set out in this Section 6. All figures are subject to rounding.

6. Financial Information (cont.)

6.2. Forecast Consolidated Income Statements

The forecast Consolidated Income Statements for the period from Allotment to 30 June 2007 and the year ending 30 June 2008 are as follows:

Forecast Consolidated Income Statements			
	Notes	Allotment to 30 June 2007 \$'000	Year ending 30 June 2008 \$'000
Revenue			
Rental revenue		3,127	6,586
Interest revenue		195	213
Total Revenue		3,322	6,799
Expenses			
Property expenses		(624)	(1,388)
Finance costs		(1,896)	(3,809)
Responsible Entity fees	1	(205)	(405)
Trust expenses	2	(110)	(215)
Net change in fair value/market value of investments	3	(1,463)	-
Total Expenses		(4,298)	(5,817)
Net (loss)/profit before distributions to unitholders		(976)	982
Distributions to unitholders		(1,656)	(3,109)

Notes:

1. The Responsible Entity may defer payment by the Trust of part of this fee as described in Section 7.3.1.
2. Trust expenses include valuation fees, audit fees, annual report costs, custodian and registry fees.
3. Write-down of Properties to fair value on acquisition to reflect the negative impact of acquisition costs totalling \$2,583,949, which is offset by Tamworth Homespace being a revaluation increase of \$1,121,241 to its independent valuation of \$21,150,000. This gives a net decrease of \$1,462,708 (see Section 6.7(m)).

6.3. Forecast Consolidated Statements of Distributions to Investors

The forecast Consolidated Statements of Distributions for the period from Allotment to 30 June 2007 and the year ending 30 June 2008 are as follows:

Forecast Consolidated Statement of Distributions			
	Notes	Allotment to 30 June 2007 (\$'000)	Year ending 30 June 2008 (\$'000)
Net (loss)/profit attributable to unitholders		(976)	982
Net change in fair value/market value of investments	1	1,463	-
Amortisation of debt establishment costs		4	3
Straight lining of lease income		(216)	(416)
Finance cost relating to present valuing the deferred consideration		598	480
Property repairs and maintenance financed by debt		98	211
Vacancy guarantee payments received	2	210	1,339
Responsible Entity fees deferred		60	122
Additional return of capital		415	388
Net forecast distributions	3	1,656	3,109
Pre-tax return	4	7.75%	7.85%
Tax deferred component of distribution		100%	100%

Notes:

1. Stamp duty and other costs are expensed to the Income Statements under A-IFRS but are paid upfront from the proceeds of the Offer and the Bank Loan.
2. See Section 12.6.
3. The forecast distributions are on a cash basis and involve a return of capital.
4. Annualised return shown for the period from Allotment to 30 June 2007.

6. Financial Information (cont.)

6.4. Pro-forma Consolidated Balance Sheets

Set out below are the pro-forma Consolidated Balance Sheets of the Trust as at Allotment and on a Fully Invested Basis (assumes 1 December 2007):

Pro-forma Consolidated Balance Sheets			
	Notes	At Allotment date \$'000	On a Fully Invested Basis \$'000
Current assets			
Cash		6,075	2,352
Other assets		749	1,443
Total current assets		6,824	3,795
Non-current assets			
Investment properties	1	60,885	84,547
Investment properties under development	2	11,961	-
Other assets		1,031	-
Total non-current assets		73,877	84,547
Total assets		80,701	88,342
Current liabilities			
Accruals		-	116
Total current liabilities		-	116
Non-current liabilities			
Borrowings	3	31,031	56,364
Deferred consideration	4	17,299	-
Total non-current liabilities		48,330	56,364
Total liabilities		48,330	56,480
Net assets		32,371	31,862
Equity			
Issued capital		34,955	34,955
Accumulated losses		(2,584)	(3,093)
Total equity		32,371	31,862
Number of Units on issue ('000)		39,600	39,600
NTA per Unit (cents)		0.82	0.80

Notes for the above balance sheet appear on the opposite page.

Notes:

1. The increase in this balance in 2007 represents recognition of the Fremantle property as an Investment Property upon its completion.

Investment properties comprise the following:		
	At Allotment date \$'000	On a Fully Invested Basis \$'000
Pacific Pines Shopping Centre	16,347	16,347
Benowa Gardens Shopping Centre	25,102	25,102
Tamworth Homespace	19,436	20,557
Fremantle Shopping Centre	-	22,541
Investment Properties	60,885	84,547

2. This balance represents the development payments on the Fremantle property. The Property is assumed to be completed on 1 August 2007 when the Property is recognised in Investment Properties.
3. Borrowings increase in 2007 due to the drawdown of debt to pay for the non-equity funded portion of the Fremantle Property's development payments and the final payment for the Tamworth property.
4. Assumes the final payment for the Tamworth property is made on 30 November 2007.

6.5. Sources and applications of funds

Set out below are the forecast sources and applications of funds in respect of the Offer and the acquisition of the Assets, based on the Financial Information as at Allotment and on a Fully Invested Basis (assumes 1 December 2007):

Sources and applications of funds		
	At Allotment date \$'000	On a Fully Invested Basis \$'000
Sources of funds		
Units issued to Investors	39,600	39,600
Bank Loan	31,486	56,670
Total sources of funds	71,086	96,270
Application of funds		
Investments in properties	57,328	86,328
Investment properties' acquisition costs	2,584	2,584
Responsible Entity's fees (including underwriting and distribution fees)	4,057	4,057
Working capital	6,075	2,259
Finance costs	454	454
Offer costs	588	588
Total application of funds	71,086	96,270

6. Financial Information (cont.)

6.6. Statement of significant accounting policies

Basis of preparation

The Financial Information has been prepared in accordance with the Constitution, Australian Accounting Standards and the Corporations Act. The Financial Forecasts and pro-forma Balance Sheets are presented in an abbreviated form insofar as they do not comply with all the disclosures required by Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

(a) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(b) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income. Investment properties are initially measured at cost, being the purchase consideration determined as at the date of acquisition plus expenditure which is directly attributable to the acquisition of the item, being the fair value of the consideration provided. In the event that settlement of all or part of the cash consideration given in the acquisition is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Lease incentives and rental guarantees which may be received from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of the investment property and are treated as separate assets.

Investment properties are measured at their fair value at the end of each reporting date. Gains or losses arising from changes in the fair value of investment property are included in the Income Statements in the period in which they arise.

(c) Depreciation

Investment properties are not depreciated. The Properties are subject to continued maintenance and regularly revalued on the basis set out above.

(d) Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Income Statements over the period of the borrowing using the effective interest rate method.

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs directly attributable to buildings under construction are capitalised as part of the cost of these assets.

(g) Derivatives

The Trust will enter into derivative financial instruments to manage its exposure to changes in interest rates. Derivative financial instruments will not be held for speculative purposes.

Derivatives are initially measured at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statements immediately unless the derivative is designated as and is effective as a hedging instrument, in which event the timing of the recognition in the Income Statements depends on the nature of the hedge relationship.

The Trust designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statements. Amounts deferred in equity are recycled to the Income Statements in the periods when the hedged item is recognised in the Income Statements.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statements.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the Income Statements.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the Income Statements.

(h) Financial instruments issued by the Trust

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Issued Units are classified as equity in accordance with AASB 132 Financial Instruments: Disclosure and Presentation.

(i) Income tax

The Trust is not liable to pay income tax if all Investors are presently entitled to all of the income of the Trust. The Responsible Entity intends to distribute all the income of the Trust, if any, to Investors in accordance with the Constitution.

(j) GST

The Trust is registered for GST purposes and will receive input tax credits for GST paid. Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- for receivables and payables which are recognised inclusive of GST.

(k) Investment properties under development

Where a property is undergoing development, it is carried at the lower of cost and net realisable value. Land that is under development is recorded on the Balance Sheets as investment properties under development.

6.7. Key financial forecast assumptions

The major assumptions made in preparing the Financial Forecasts are set out below. While the Responsible Entity considers these assumptions to be appropriate and reasonable at the time of preparing this PDS, Investors should appreciate that many factors which may affect results are outside the control of the Responsible Entity and its Directors or may not be capable of being foreseen or accurately predicted. Accordingly, actual results may vary materially from the forecasts. Investors are advised to review the Financial Forecasts and assumptions and make their own independent assessment of the future performance and prospects of the Trust.

The Financial Forecasts have been reviewed by Deloitte Corporate Finance Pty Limited, which has prepared the Independent Accountants' Report (see Section 10). Deloitte Touche Tohmatsu Ltd has prepared a report on the taxation implications (see Section 11). No person guarantees the future performance of the Trust.

The Responsible Entity has prepared the Financial Forecasts for the Properties based on expert reports and its knowledge of the Properties and the industry. The key assumptions underlying the Financial Forecasts are as follows:

(a) Rental income (including turnover rent)

Rental income is calculated based on the lease terms for each individual tenant of the Properties and assumes that all premises are leased. At the end of a lease the tenant is assumed to renew on the same terms as before. Rental income has been recognised on a straight line basis over the lease term in accordance with accounting standards;

(b) Vacancies

A vacancy rate, specific to each Property, is applied to reduce the rental income from the Properties. The vacancy rates used are in line with the valuation reports summarised in Section 9. Rental guarantees for the tenancies vacant at Allotment have been provided by Stockland for Benowa Gardens (12 months from Allotment) and Tamworth Homespace

6. Financial Information (cont.)

(24 months from Allotment). Seaport Pty Limited, the developer of the Fremantle Shopping Centre, has provided a 12 month rental guarantee over vacancies upon completion of the development, assumed as 1 August 2007;

(c) Property outgoings

Property expenses (including the property management fee which is a function of the rent which is payable by tenants), are forecast to increase annually from the start of the financial year at CPI assumed to be 4.0% per annum over the Forecast Period;

(d) Property value

As a result of changing market conditions, it is difficult to reliably forecast the movement in fair value of the Properties over the Forecast Period. For the purposes of the Financial Forecasts, it has been assumed that there will be no movement in the fair value of the Properties during the Forecast Period;

(e) Interest income

It has been assumed that interest income will be earned on the Trust's cash balances at the rate of 5.75% per annum compounding monthly over the Forecast Period;

(f) Borrowings and borrowing costs

Borrowing costs are based on the expected debt profile, the letter of offer from the Debt Provider and the interest rate swap provided by Stockland, which is summarised in Section 5.4;

(g) Derivatives

As result of changing market conditions, it is difficult to forecast reliably the movement in fair value of the derivatives over the Forecast Period. For the purposes of the Financial Forecasts, it has been assumed that there will be no movement in the fair value of the derivatives during the Forecast Period;

(h) Amortised borrowing costs

Costs associated with the establishment of the Bank Loan (0.20% of the total facility amount of \$60,000,000 and \$200,000 swap premium payable to Stockland) are based on the letters of offer (see Section 5.4) and are amortised over the life of the Trust (assumed to be seven years) using the effective interest rate method in line with the accounting policy summarised in Section 6.6;

(i) Responsible Entity fees

Upon Allotment, Stockland will receive a Trust establishment fee of \$4,161,357, inclusive of GST

less any reduced input tax credits, calculated as 4.8175% of the value of the Properties. This fee will be associated with the equity raising and included in Total Equity and is treated in the Balance Sheets as a transaction cost of equity recognised directly in equity. Stockland will also receive a management fee of 0.46125% per annum (inclusive of GST less any reduced input tax credits) of the gross asset value of the Trust which is recognised in the Income Statements as it is incurred (see Section 7);

(j) Trust expenses

The Trust will incur recurring operating expenses including audit fees, custodian fees, registry fees, valuation fees and annual reporting costs. These amounts have been forecast by taking into account factors likely to influence the level of these fees, charges and costs including the Trust's gross assets, Property valuations and general inflationary expectations which are based on CPI increases of 4.0% per annum during the Forecast Period;

(k) Capital expenditure

Property capital expenditure is based on an engineer and quantity surveyor's estimate of capital expenditure costs. The Trust's forecast capital expenditure is assumed to be funded entirely by the drawdown of the Bank Loan;

(l) Purchase of the Fremantle Property

Development payments made on the Fremantle Shopping Centre are based on the agreed completion milestones with the developer. The payments are included in the Balance Sheets as "Investment properties under development" until completion.

The Financial Forecasts assume the acquisition of the Fremantle Shopping Centre on 1 August 2007. The developer has agreed to provide a rental guarantee for twelve months from completion, which is reflected in the Financial Forecasts;

(m) Purchase of the Tamworth Homespace

Tamworth Homespace has been purchased as outlined in Section 12.4. In accordance with Australian Accounting Standards the purchase of the Property is recorded at an initial value of \$19,435,916 in "Investment Properties" with a \$17,298,759 liability for the deferred consideration. This represents the sum of net present value of the deferred consideration and the upfront payment. The difference between the future value and net present value of the deferred consideration is recognised as an interest expense during the period prior to the

payment of the deferred consideration. The investment property will be revalued to \$20,557,157 at the first balance sheet date, 30 June 2007, in line with the independent valuation, less the fair value of the remaining vacancy guarantee, for the remainder of the Forecast Period;

(n) GST

It has been assumed that no GST is payable in respect of distributions paid by the Trust. All forecasts including for income, fees, charges and acquisition costs, are shown inclusive of GST except where the amount of GST incurred is recoverable from the Australian Tax Office ("ATO");

(o) Taxation

Given the nature of the Trust's proposed investment activities, the Trust will be subject to trust taxation "flow through" provisions under Australian tax legislation. Accordingly, by distributing all of its income to its Investors, the Trust does not incur a tax liability. Information on tax consequences is provided in Section 11;

(p) Accounting standards

It has been assumed there will be no changes in applicable accounting standards, the Corporations Act or other financial reporting requirements that may have a material effect on the Financial Forecasts; and

(q) Other assumptions

Other assumptions that are implicit in the Financial Forecasts are that:

- there will be no material changes in Australian taxation or other relevant legislation that may have a material impact on the Trust;
- there is no financial impact arising from the risk factors outlined in the statement of risk factors in Section 8;
- there is no change of control in the ownership of the sub-trusts; and
- the leases are enforceable and performed in accordance with their relevant terms.

6.8. Taxation considerations

Deloitte has provided a report on the taxation consequences of investing in the Trust in its Taxation Report in Section 11.

6.9. Sensitivity analysis

Investors should note that:

- the effect on distributions presented for each sensitivity is not intended to be indicative or predictive of the low and high points likely to be experienced with respect to each sensitivity;
- a movement in the opposite direction from that shown for each assumption will result in a similar effect on forecast to that shown, but in the opposite direction;
- each sensitivity assumes all other assumptions in Section 6.7, other than where noted below, are held constant; and
- the sensitivity assessments are intended to provide a guide only and variations in actual performance may have a greater impact than detailed below. Movement in other assumptions may offset or compound the effect of a change on the Financial Forecasts, and due to the complexity of the analysis, we do not forecast the combined effect of such movements, other than where noted below.

We will seek to minimise the number of elements that could vary and impact returns to Investors. For example, interest rate exposures on the Property Facility have been fixed for seven years and there are vacancy guarantees in place for Benowa Gardens Shopping Centre, Tamworth Homespace and Fremantle Shopping Centre (see Section 12.6).

The following sensitivity analysis shows the return to Investors and the tax deferred component of forecast distributions in each of the periods to 30 June 2008, based on a rise in interest rates, different levels of capital expenditure incurred, a delay in the development of Fremantle Shopping Centre and different levels of vacancy in the Properties.

6. Financial Information (cont.)

a. Interest rates

We have fixed the interest rate on the Property Facility (\$56.67 million) for a period of seven years, whereas the interest rate on the Capital Expenditure Facility (of an estimated \$1.5 million) will remain variable. Accordingly, there is a minimal impact of increases in interest rates, as shown below:

Interest rates increase by 0.50%		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	0.00%	0.00%
Distribution	7.75%	7.85%
Tax deferred component	100%	100%

Interest rates increase by 1.00%		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	0.00%	-0.01%
Distribution	7.75%	7.84%
Tax deferred component	100%	100%

b. Capital expenditure

The distributions of the Trust will be impacted to the extent that the Trust is required to fund additional capital expenditure from net operating cash flows. Although the Bank Loan (see Section 5.4) is sufficient to fund our estimates for capital expenditure (based on the technical due diligence conducted), the following table shows the sensitivity to the distributions if any increase in capital expenditure was funded from the net operating cash flows of the Trust:

Capital expenditure increase by 50%		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	-0.34%	-0.42%
Distribution	7.41%	7.43%
Tax deferred component	100%	100%

Capital expenditure increase by 100%		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	-0.92%	-1.10%
Distribution	6.83%	6.75%
Tax deferred component	100%	100%

c. Fremantle Shopping Centre development

The distributions of the Trust will be impacted by a delay in the forecast completion of the Fremantle Shopping Centre. Although a delay in the development will delay the forecast cash flows from the Property, the payments made to the developer will also be delayed and interest to be received from the developer will be calculated over a longer period. The following table shows the sensitivity of distributions to delaying the development completion, and the related development payments, by six months:

Delay in development by six months		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	+0.75%	-0.43%
Distribution	8.50%	7.42%
Tax deferred component	100%	100%

d. Property vacancy

The distributions of the Trust will be impacted by any increase in the vacancy rate of the Properties. The following tables show the sensitivity of distributions to an increase in the vacancy rate applied to the Properties' specialty tenants by an additional 0.50% and 1.00%:

Additional property vacancy of 0.50% on specialty tenants		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	-0.06%	-0.07%
Distribution	7.69%	7.78%
Tax deferred component	100%	100%

Additional property vacancy of 1.00% on specialty tenants		
	Allotment to 30 June 2007 (annualised)	Year ending 30 June 2008
Change in distribution	-0.11%	-0.14%
Distribution	7.64%	7.71%
Tax deferred component	100%	100%

7. Fees

What's in this Section

- Fees applicable to your investment

7.1. Consumer advice warning

The following statement is prescribed by current legislation:

Consumer Advice Warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

7.2. Fees and other costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your Application Monies, from the returns on your investment or from the Assets as a whole. The information on taxes is set out in Section 11.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

All fees quoted include GST less any reduced input tax credits.

Type of fee or cost	Amount (including GST less any reduced input tax credits)	How and when paid
<i>Fees when your money moves in or out of the Trust</i>		
<i>Establishment fee</i> The fee to open your investment	Trust establishment fee of 4.8175% of the value of the Properties. Based on the valuation of \$86.38 million this fee would be \$4,161,357.	Payable to the Responsible Entity from the Assets of the Trust within seven days of Allotment. Adviser services fees will be paid out of this amount (see Section 7.3.9). Fees associated with equity underwriting and distribution will be paid from this amount.
<i>Contribution fee</i> The fee on each amount contributed to your investment - either by you or your employer	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Termination fee</i> The fee to close your investment	Nil	Not applicable

7. Fees (cont.)

<i>Management costs: The fees and costs for managing your investment</i>		
Management fee ¹	0.46125% per annum of the gross asset value of the Trust. Based on the valuation of \$86.38 million this fee would be \$398,428.	Calculated monthly and payable to the Responsible Entity from the Assets at the end of each Quarter.
Performance fee ²	Subject to Investors receiving at least the return of their Application Monies or the relevant proportion of their Application Monies if all Properties are not sold, 2.56% of the sale price of each Property (base performance fee), plus 10.25% of the net increase if the Net Sales Proceeds exceed the Property Acquisition Price after subtracting the base performance fee (tier one fee) and a further 10.25% of the net increase if the Net Sale Proceeds exceed the Property Acquisition Price by more than 20% after subtracting the base performance and Tier one fees.	The performance fee, if any, is provisioned for at the end of every reporting period by the Trust and is payable out of the Assets to the Responsible Entity on any of: <ul style="list-style-type: none"> - the date on which the Responsible Entity (or its replacement responsible entity if it is a related body corporate) retires or is removed as responsible entity ³, - the final distribution on winding up of the Trust; and - the next occurring 30 June or 31 December after settlement of the sale of a Property or the Properties.
Trust operating expenses ⁴	Reimbursable costs and expenses estimated to be approximately 0.19% per annum, being \$170,362, on average of the gross asset value of the Trust over the Forecast Period.	Paid or reimbursed as incurred.
Services fee ⁵	A services fee equal to the Responsible Entity's reasonable estimate of its costs in providing its services as Responsible Entity for which it is not otherwise reimbursed pursuant to the general right to reimbursement for costs and expenses.	Payable out of the Assets from time to time on demand by the Responsible Entity (see note 4 below).
<i>Additional service fees</i>		
LLF withdrawal fee	<p>If the Limited Liquidity Facility is used, a processing fee of \$110 is payable per parcel of Units.</p> <p>The sale price for each Unit acquired under the LLF is the NTA per Unit less a discount of 2.5% and less any transaction costs.</p>	Deducted from the purchase price paid under the Limited Liquidity Facility (see Section 7.3.5).

Notes:

1. We intend to defer 30% of this fee during the Forecast Period (see Section 7.3.1).
2. The performance fee is payable on a per Property basis if all Properties are not sold concurrently. We will rebate any agents commissions paid on the sale of the Properties back to the Trust out of our performance fee (limited to the amount of the performance fee).
3. In this circumstance, the Net Sales Proceeds will be determined by reference to the valuation of the Assets of the Trust rather than actual sales proceeds.
4. This figure is an estimate only and does not limit the ability of the Responsible Entity to recover any expenses it incurs in the proper performance of its duties as Responsible Entity for the Trust (see Section 12.1). This fee is expressed as a percentage per annum, being 0.19% on average of gross assets of the Trust over the Forecast Period and equates to approximately 0.53% per annum on average over the Forecast Period of net assets when liabilities are excluded.
5. The Trust will only be able to claim reduced input tax credits on GST in respect of certain fees charged to the Trust by the Responsible Entity acting in its own capacity.

Example of annual fees and costs

This table gives an example of how the fees and costs for the Trust can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Please remember that this is an example and the amount payable depends on the circumstances of each Investor.

Type of fee or cost	Amount (including GST less any reduced input tax credits)	Dollar value (first year)	Dollar value (subsequent years to 30 June 2008)
EXAMPLE Investment balance of \$50,000			
Assumes that gross asset value is \$88 million on a Fully Invested Basis			
Establishment fee The fee to open your investment	Trust establishment fee of 4.8175% of the value of the Properties from which NAB will receive its underwriting and distribution fees.	For the \$50,000 investment in the Trust, you will be charged \$5,251.	Nil
PLUS other management costs			
Management fee	0.46125% per annum of the gross asset value of the Trust.	For the \$50,000 investment in the Trust, you will be charged \$639.	For the \$50,000 investment in the Trust, you will be charged \$639.
Trust operating expenses (including other expenses)	Reimbursable costs and expenses estimated to be 0.19% per annum on average of the gross asset value of the Trust over the Forecast Period.	For the \$50,000 investment in the Trust, you will be charged \$252.	For the \$50,000 investment in the Trust, you will be charged \$252.
Performance fee		Nil (only paid upon the sale of a Property or a change in the responsible entity).	Nil (only paid upon the sale of a Property or a change in the responsible entity).
EQUALS cost to the Trust			
		If you had an investment of \$50,000, you would be charged fees of \$6,142.	If you had an investment of \$50,000, you would be charged fees of \$891.

Note: Additional fees will apply if you choose to sell your Units through the LLF and a processing fee of \$110 is payable per parcel of Units. The sale price for each Unit acquired under the LLF is the NTA per Unit less a discount of 2.5% and less any transaction costs.

7. Fees (cont.)

7.3. Additional explanation of fees and costs

7.3.1 Deferred management fee

We intend to defer 30% of our management fees of 0.46125% per annum (including GST less any reduced input tax credits) of the gross assets of the Trust for the Forecast Period. The fee is calculated monthly and payable quarterly in arrears:

- unless, following such deferral, Trust distributions exceed the Financial Forecasts, in which case we may receive up to the full 0.46125% per annum provided this does not reduce the distributions in that year to below the forecast distribution per Unit;
- to the extent of any such deferral, we may receive the amount in a subsequent year provided that during the Forecast Period this does not reduce the distributions in that year to below the forecast distribution per Unit, and after the Forecast Period, this does not reduce the distribution in that year to below the distribution in the previous year; or
- until such time as the Trust terminates, at which stage we intend to receive the amount deferred and unpaid from the Assets.

No interest will be charged by us on any fees deferred.

The forecast distributions detailed in Section 6.3 include the impact of the deferred management fees. If the Trust outperforms the Financial Forecasts, it is likely that the management fees will not be deferred.

7.3.2. Performance fee

The performance fee is provisioned for by the Trust at the end of every reporting period and is payable as outlined in Section 7.2. The fee is calculated as (including GST less any reduced input tax credits):

Base performance fee	2.56% of the gross value of a Property or the Properties
Plus:	
Tier one fee: if the Net Sale Proceeds exceeds the Property Acquisition Price after subtracting the base performance fee:	10.25% of the net increase
And:	
Tier two fee: if the Net Sale Proceeds exceed the Property Acquisition Price by more than 20% after subtracting the base performance and Tier one fees:	a further 10.25% of the net increase

We will rebate any agents commissions paid on the sale of the Properties back to the Trust out of our performance fee (limited to the amount of the performance fee).

No performance fee is payable if Investors do not receive at least their full return of capital (or if not all the Properties are sold, that portion of their capital which relates to the Properties sold).

By way of a worked example (which is not a forecast, but indicative and for illustrative purposes only), assume that the Trust is terminated on 30 June 2014 and the Net Sale Proceeds from the sale of the Assets are \$110 million, prior to the deduction of the performance fee (this represents a Property growth rate of 2.03% per annum from the initial acquisition cost of \$96,269,848 including all acquisition and fund establishment costs).

Performance fee calculation (including GST less any reduced input tax credits)		\$m
Performance fee calculation		
Net Sale Proceeds		110.00
Less:		
Base performance fee (2.56% of gross value)	(a)	(2.82)
Adjusted sales proceeds		107.18
Less:		
Property Acquisition Price (including acquisition and fund establishment costs)		(96.27)
Net Return		10.91
Less		
Tier 1 performance fee (10.25% of net return)	(b)	(1.12)
Adjusted Net Sales Proceeds		9.79
TOTAL PERFORMANCE FEE	(a + b)	3.94

Note: If agent commissions are payable on the sale of the Properties (assume 1%), then we will rebate \$1.1m to the Trust out of the performance fee paid. This will result in a net fee to us of \$2.84m

7.3.3. Indemnity from Investors

We may require you to pay any cost incurred by us as a result of your act or omission.

7.3.4. Maximum fees under the Constitution

We intend to charge the fees set out in Section 7.2. We reserve the right to change the fees, subject to the maximum amounts below. We will provide at least 30 days' written notice to Investors if any change is made.

We are entitled to the following maximum fees under the Constitution (including GST less any reduced input tax credits):

- establishment fee of 5.125% of the value of the Properties, calculated by reference to the valuation included in Section 9, payable on Allotment;
- management fee of 1.025% per annum of the gross value of the Assets of the Trust, calculated monthly and payable out of the Assets at the end of each Quarter; and
- performance fee as described in Section 7.3.2.

The Constitution also provides that, subject to the Corporations Act, we are entitled to be reimbursed out of the Assets for any expense that we incur in the proper performance of our duties as Responsible Entity for the Trust.

7.3.5. Limited liquidity facility fee

If you decide to use the LLF, you will be charged a one off flat fee of \$110 per parcel of Units, inclusive of GST, for processing the transfer of your Units under the LLF. This fee is deducted from the purchase price paid under the LLF.

7.3.6. Property management fee

The Property Manager will receive an annual property management fee of 5% of the gross income from the Properties (except for Fremantle Shopping Centre, where the fee is 2.5%). A portion of the fee is recoverable from the tenants of the Properties as property outgoings. The non-recoverable portion will be paid by the Trust.

The fee includes leasing fees and the Financial Forecasts have taken into account the fee paid to the Property Manager (see Section 12.8).

7.3.7. Swap premium

Stockland will receive a swap premium of \$200,000 for the provision of the interest rate swap to the Trust (see Section 5.4), payable from the Assets of the Trust within seven days from Allotment.

7.3.8. Transaction costs

The Constitution authorises us to include transaction costs in calculating the application and redemption prices of Units. We do not intend to charge transaction costs.

7.3.9. Adviser service fees

An upfront commission fee may be paid directly to your professional financial adviser by us from our establishment fee (see Section 7.3.4) or by NAB from its arranging fee. No adviser service fee is payable following a transfer of Units. There are no other adviser service fees associated with the Trust and any amounts that you agree to pay your financial adviser for financial advice are separate to the fees we charge.

7.3.10. Differential fees

We may individually negotiate investor specific fees with wholesale investors, such as master trusts or wrap account platforms. Charging differential fees will be subject to compliance with legal requirements and the conditions of any applicable ASIC relief. Wholesale investors can contact us on our contact details as set out in the Directory.

8. Risk Factors

What's in this Section

- Risks in relation to your investment
- Property related risks
- Forecasting risks
- Bank Loan related risks
- Capital raising risks
- General risks applicable to this investment

8.1. Introduction

A range of factors will influence the performance of the Trust and Units, many of which are outside our control and that of the Directors. These factors may reduce the level of distributions, the value of the Properties and the tax deferred component of any distributions.

You should also be aware that investing in the Trust represents an investment in the Trust's equity and therefore ranks last for payment, after both secured and unsecured creditors of the Trust have been paid, in the event the Trust is terminated or wound up.

In this event, you will only receive a return of capital following the repayment of secured and unsecured creditors. In extreme circumstances, you may lose all of your capital invested.

The Trust's borrowings will increase Investors' exposure to unforeseen events or risk factors, a summary of which are set out in Section 8.4.

8.2. Property related risks

Property market

The property market may affect the Properties' values (through capital gains or losses). We cannot provide any certainty about the state of the property market throughout the term of the Trust, and therefore you should consider this when deciding to invest in the Trust.

Default by tenants

If any of the tenants default, including the major tenants which represent 28% of the Trust's income, the payment of rent will be affected and you are unlikely to receive your forecast distribution. We are only obliged to distribute returns to you if there is cash available after meeting the Properties' and the Trust's outgoings.

In such an event, we will seek to enforce any security provided by the tenants. However, there is still a risk that rent might not be paid.

Vacancy

If at the end of a lease term the tenants do not renew their leases, or if some of the vacancies covered by the rental guarantee (see Section 12.6) have not been leased by the end of the rental guarantee period, we will have to relet part or all of the respective Properties. As a result, rent might not be paid during the time between the changeover to another tenant or tenants. The Trust's income might therefore decrease during this period. In addition, we may incur reletting costs (ie marketing costs, incentives to tenants and commissions to agents), which will be paid from the Trust's assets, or from drawing down on the Bank Loan.

8. Risk Factors (cont.)

Specifically:

- the lease to Bi-Lo at Benowa Gardens Shopping Centre is due to expire in September 2007. The Property Manager is currently in advanced discussions with Coles Myer to refit the Bi-Lo store to a Coles supermarket and potentially to expand the store;
- if the leasing transactions envisaged for Tamworth Homespace (22% subject to executed heads of agreement) do not eventuate, the centre will only be 60% leased, but vacancies at Allotment will have the benefit of a two year rental guarantee; and
- Fremantle Shopping Centre is a new development where Woolworths has provided a binding written commitment and the formal agreement for lease is to be executed by the parties prior to the completion of the Property.

No other leases have been signed for the specialty shops or office premises, but these are subject to a one year rental guarantee.

To mitigate this risk:

- there are vacancy guarantees in place for Benowa Gardens Shopping Centre, Tamworth Homespace and Fremantle Shopping Centre (see Section 12.6);
- the Financial Forecasts include a vacancy provision to make allowance for potential vacancies and reletting costs (as advised by the independent valuer). An increased distribution will be returned to you if this provision is not used;
- where tenants do not exercise their options to renew their leases, they may have to provide us with up to 12 months' notice to vacate (which will allow us time to seek replacement tenants); and
- if tenants do not exercise their options to renew the leases, some of the leases provide for a reimbursement from the tenant for fit out expenses to the Trust. This amount will assist with the costs of replacing the tenant.

Development risk

Fremantle Shopping Centre is being developed by a party external to Stockland. There is a development risk in relation to this property until the property is completed. To mitigate this risk:

- if the developer defaults under the development agreement we have the right to sell the property back to the developer for the actual costs expended, or terminate the development agreement; and
- if the developer defaults under the building contract, we are able to assume the obligations of the developer, or
- if the builder defaults, we are able to compel the developer to replace the builder, and complete the development.

However, in implementing these mitigating steps, there is a risk that costs to complete the development could increase and therefore, distributions to you may be affected.

If the completion of the development is delayed, this risk is mitigated by the interest paid by the developer up to completion (see Section 12.5).

We have investigated the financial capabilities of the developer, and received certification that it has significant net tangible assets and the resources to complete the transaction.

Competition

A change in the competitive environment, including increased competition from new or existing competing retail centres, could impact the trading performance of the Properties. Section 3 outlines the specific competitive risks for each Property.

Unforeseen capital expenditure or expenses

The Properties may incur unforeseen capital expenditure, or repairs or maintenance expenditure. We have commissioned independent experts who have provided us with the estimated capital expenditure programs for each Property (apart from Fremantle Shopping Centre which will be a new development) to lessen the probability of such unforeseen expenses being incurred.

We have been provided with estimates for both 'essential' and 'desirable' levels of capital expenditure and we have funded the Trust's capital expenditure budget using the 'desirable' estimates. This will be funded by the Bank Loan, and has been taken into account in the Financial Forecasts in Section 6.

Due diligence and use of experts

As part of our due diligence process, we appointed experts to investigate the Properties (where applicable) and their tenants. This included:

- technical due diligence (structural and technical investigations);
- valuation reports to verify the purchase price (see Section 9);
- financial due diligence to verify the income and outgoings from the Properties;
- market research to provide commentary on the Properties (see Section 3.3); and
- legal due diligence to review the legal risks to title, leases and the contracts.

Despite these investigations, we cannot guarantee the identification and mitigation of all risks associated with the Properties.

Insurance

We will endeavour to have and maintain adequate insurance for the Properties. However, we cannot provide certainty that insurance will always be available as some types of damage are subject to exclusion provisions in insurance policies. If damage is not covered by the insurance policies in place, rectification costs may have an impact on your distributions and returns.

Additionally, unforeseen factors may result in the insurance premiums increasing above those forecast which may also have an impact on your distributions and returns.

Stamp duty

There is a potential risk that stamp duty may be payable on the issue of Units in Queensland if relief from the Queensland Office of State Revenue ("OSR") is not obtained. However, Stockland Corporation will indemnify Investors from any potential stamp duty expense in Queensland on the issue of Units under this PDS. If Stockland Corporation's indemnity is called upon, Stockland Corporation may (at its own cost) object or appeal the OSR's decision on behalf of Investors. Any monies recovered as a result will be for the benefit of Stockland Corporation. By applying for Units in this Offer, you are authorising Stockland Corporation to do so.

8.3. Forecasting risks

A number of factors may affect the achievement of the Financial Forecasts in Section 6, even though we have attempted to ensure the assumptions are reasonably based. You should carefully review the Financial Forecasts and assumptions, including the sensitivity analysis in Section 6.9, and make your own assessment of the future performance of the Trust.

8.4. Bank Loan related risks

Interest rate risk

The Capital Expenditure Facility is subject to a variable rate of interest. The Financial Forecasts assume there is no change in the level of interest rate applicable to this facility.

We will enter into an interest swap agreement with Stockland to fix the rate of interest at 6.45% on the Property Facility for a period of seven years. Accordingly, there is minimal exposure to any changes in interest rates for that period (see Section 6.9).

Covenants

The risk factors outlined in this section may affect the amount of cash available to pay interest on the Bank Loan. If rental income is insufficient to pay interest or other expenses, or if other loan covenants are breached and not able to be remedied within agreed timeframes (see Section 5.4), then NAB may seek to renegotiate the Bank Loan or enforce its security and sell the Properties.

For example, if the loan to valuation ratio exceeds 70%, NAB may seek to renegotiate the Bank Loan or enforce its security and sell the Properties.

Refinance Risk

The term of the Bank Loan is initially three years. Whilst we expect to be able to extend the term of the Bank Loan, the Trust may be required to refinance the Bank Loan and there is no guarantee that new facilities may be obtained at competitive or comparable interest rates, if at all. If the Bank Loan cannot be entirely refinanced on its termination or expiry, then returns to Investors may be adversely affected.

8.5. Capital raising risks

Although the Offer is fully underwritten, certain events may occur which may allow the underwriting agreement (see Section 12.2) to be terminated. If we have not raised all of the equity, we will refund all Application Monies to you plus your share of interest earned on the Application Monies.

8.6. General risks

Changes in laws and government policy

Changes in government legislation, including changes to the taxation system or property laws, may affect Trust distributions or the value of properties or property investments in general. This may affect the relative attractiveness of investing in the Trust.

Economic conditions

Demand for retail property from both tenants and investors will be important in determining the level, if any, of income and capital growth of the Trust's Properties. Demand for the Properties and therefore their values may be affected by changes in the economy and market conditions.

The level of consumer spending and the consequential effect on retail turnover for some of the Properties' tenants may also decrease the level of rents received by the Trust, or the ability of the tenants to pay their rent. Longer term changes in consumer shopping habits may also have a similar effect.

Liquidity

You should note that the LLF may be terminated at any time without providing you with prior notice. Section 5.6 has more details on the LLF.

Apart from the LLF, there is no formal secondary market or other redemption facility for the buying and selling of Units. In addition, there is no guarantee that withdrawal offers will be made by us to redeem your Units from the proceeds from the sale of the Properties. You should consider an investment in the Trust as a long term investment. If you need to sell your investment, you may also find your own buyer and negotiate a sale price for your Units (see Section 5.5).

Taxation

Investors who borrow money to fund the acquisition of the Units will need to consider the deductibility of interest incurred by them in servicing the loan (see Section 11).

9th October 2006

The Directors
 Stockland Funds Management Limited
 Level 16, 157 Liverpool Street
 SYDNEY NSW 2000

Valuations as at 1 July 2006 and 31 August 2006
Pacific Pines Shopping Centre, Pacific Pines, QLD
Benowa Gardens Shopping Centre, Benowa, QLD
Tamworth Homespace, Tamworth, NSW
Fremantle Shopping Centre, Fremantle, WA
(Together "the Properties")

Instructions

At your request, CB Richard Ellis (CBRE) has prepared this letter summarising the valuation results from our completed, self contained valuation reports. The purpose of our reports was to render our assessment of market value as at 1 July 2006 (and 31 August 2006 for Tamworth Homespace).

Our reports are based upon the most current information available at the time that each valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms will also have a corresponding change to the value.

Critical Assumptions and Reliance on Information Provided

A summary of the critical assumptions adopted in the valuations are as follows:

Benowa Gardens and Pacific Pines

- Our valuation calculations include rental growth assumptions throughout a defined cash flow period. These assumptions have been based on prevailing economic and market conditions as at the date of valuation.

Tamworth

- Our assessment of value is on a fully leased basis. We have been instructed by Stockland Funds Management Limited to assume a two year rental guarantee for the vacant tenancies at market rents.

Fremantle

- Our assessment addresses the market value of the complex 'As If Complete' and subject to the proposed tenancy arrangements, as well as 'As Is' (i.e. prior to construction).
- The valuation assumes the property is fully leased on completion. A 'profit and risk' allowance has been applied to arrive at the 'As Is' value.
- We have not examined lease documentation for each individual specialty tenancy and our assessment of value is provided on the assumption that all leases will be executed and that the

9 October 2006

individual lease provisions are on acceptable commercial terms. Those terms include 5 year leases and annual increases in base rent typically 4%.

- We have relied upon floor areas provided by Stockland Development Pty Ltd for the purpose of this valuation.
- We have been provided with the lease for the major tenancy only.
- We have necessarily had to make assessments as to the reasonableness of rents and outgoings and in this regard, we have been guided by benchmarking with similar type centres, and in particular, the concluded lease deal in the subject centre. In addition we have been provided with an outgoings budget by Stockland Development Pty Ltd which we have relied upon.
- In providing the As Is value, we have been provided with development costings by Stockland Development Pty Ltd.

Valuation

We have assessed the market value of the freehold interest in the Properties (leasehold interest for Fremantle), subject to the existing tenancy arrangements, as at 1 July 2006 and 31 August 2006 (Tamworth), as follows (exclusive of GST):

- Pacific Pines Shopping Centre, Pacific Pines –
\$16,400,000 (Sixteen Million, Four Hundred Thousand Dollars)
- Benowa Gardens Shopping Centre, Benowa –
\$25,200,000 (Twenty Five Million, Two Hundred Thousand Dollars)
- Tamworth Homespace, Tamworth –
\$21,150,000 (Twenty One Million, One Hundred and Fifty Thousand Dollars)
- Fremantle Shopping Centre, Fremantle –
 'As If Complete' Valuation: \$23,630,000 (Twenty Three Million, Six Hundred and Thirty Thousand Dollars)
 'As Is' Valuation: \$6,000,000 (Six Million Dollars)

The assessed values detailed above are exclusive of GST.

Property Description

Pacific Pines Shopping Centre, Pacific Pines

The property is improved with an open style neighbourhood shopping centre, which commenced trading in October 2003. The centre is located within the Pacific Pines master planned estate on the Gold Coast. On site car parking is provided for approximately 362 vehicles. As currently leased, the complex contains a total lettable area of 5,218 square metres.

The property is currently leased to a variety of tenants including Woolworths (major) in addition to 15 specialty tenancies (including a freestanding medical centre, a freestanding commercial building and 3 ATMs).

National and chain retailers dominate the specialty mix accounting for approximately 71.2% of total specialty shop area and providing approximately 73% of the gross specialty income. The average weighted remaining

lease term for the various specialty tenancies within the complex is 4.7 years. At the time of inspection, all of the specialty tenancies within the complex (including ATMs) were under formal lease agreements.

Benowa Gardens Shopping Centre, Benowa

A fully enclosed neighbourhood shopping centre, which originally commenced trading during 1992 and has been periodically refurbished, with the most recent upgrade being completed in 1998. On site car parking is provided for approximately 437 vehicles, including 200 covered bays. The complex contains a total lettable area of 5,809 square metres.

The property is currently leased to a variety of tenants including Bi-Lo (major) and 47 specialty tenancies including kiosks, ATMs and a freestanding KFC outlet. Local tenants dominate the specialty mix accounting for approximately 65.3% of total specialty shop area and providing approximately 69.8% of the gross income derived from the specialty component of the complex on a fully leased basis. The average weighted remaining lease term for the various specialty tenancies within the complex is 2.2 years. At the time of inspection, 44 of the 47 specialty tenancies within the complex (including kiosks, ATMs and the freestanding KFC outlet) were under formal lease agreements. Of the remaining tenancies, one was occupied under a monthly agreement and the remaining tenancies were vacant.

Tamworth Homespace, Tamworth

The property is improved with a single level 'Bulky Goods' shopping centre, which originally commenced trading during 2004. The centre is 'L' shaped in design with access to units via on grade parking. There are also 3 pad site tenancies. On site car parking is provided for approximately 416 vehicles.

Tenants within the complex include The Good Guys, Everyday Living/Sleep City and 14 specialty tenancies (including freestanding tenancies). The property has been valued with the benefit of two year rental guarantees on 4 of the units, representing 15% of the current base rent income, this gives an average specialty expiry of 5.5 years. The two major tenant leases expire in 2014 and 2011 respectively.

Fremantle Shopping Centre, Fremantle

The property is currently under development, and will, when complete comprise a neighbourhood shopping centre on a single level. Tenure is approximately 55 years terminating leasehold. Some tenancies will be accessed externally from Adelaide Street, others from within the mall area. The majority of parking is provided at basement level with some on grade parking.

Tenants within the complex include Woolworths and 15 specialty tenancies (including kiosks, freestanding tenancies, office tenancies and ATM's). The Woolworths lease expires in 2027 and we have assumed 5 year leases for the specialty tenants, which have not yet been secured.

Market Commentary

Investor interest in retail throughout Australia remains strong, with nearly \$3.7 billion worth of shopping centre assets changing hands in 2005. Activity has remained relatively strong into 2006, with prices continuing to firm. The weight of money pursuing retail continues to drive activity. With larger assets tightly held and consumer spending growth easing, interest has turned further towards value add opportunities, including existing centres with refurbishment/redevelopment opportunities and pre-sales of new developments. Holdings that present opportunities for non-retail additions, ranging from child care to residential, are also proving popular.

Wilstonton Shopping Centre in Toowoomba, acquired by Multiplex for \$50 million, has been the most significant 'suburban' centre transaction in Queensland during the first part of 2006. A number of neighbourhood centres have changed hands, including Everton Plaza, Strathpine Plaza and Stones Corner Village. In WA, there has been a spate of recent activity at firm yields, including Riverton Plaza to Stockland, Ocean Keys to AMP and Warnbro to an as yet undisclosed purchaser. The main purchasers have been private investors and wholesale funds. Yields have firmed by between 25 and 75 basis points over the past year. Regional centre yields now range 5.00% to 6.50% indicatively with sub-regional yields at 6.00% to 7.00% and neighbourhood centres in the 6.00% to 7.50% range. Given current economic conditions, yields are likely to be close to their peaks, although there is unlikely to be any significant softening in the near term. This demand and weight of money is being seen throughout Australia, with Victoria, Western Australia and Queensland being the strongest states.

As mentioned above retail assets with development potential are being keenly sought after, this is a similar situation for straight development assets, where location is good and a blue chip anchor tenant is locked in. We are currently seeing rising land values in metropolitan area across the country with Fremantle no exception to this.

In terms of the bulky goods retail market, demand for well located/strong tenanted centers is still positive with yields ranging from 7% to 7.5% for good centres, while secondary centres such as Homeworks Prospect, Homemaker City Moorabbin and Homemaker City Epping all of which have sold recently are securing yields of between 7.5% and 8.5%.

Valuation Rationale

In assessing the market value of the Properties, CB Richard Ellis has utilised both the Capitalisation Approach and Discounted Cash Flow (DCF) Analysis. CB Richard Ellis has examined the available market evidence and applied this analysis in selecting the parameters adopted within our Capitalisation and DCF calculations. The critical assumptions and key results of the valuation analyses are summarised in the following table:

Property	Pacific Pines	Benowa Gardens	Tamworth	Fremantle
Fully Leased Net Income (after vacancy allowance)	\$1,133,490	\$1,929,518	\$1,700,200	\$1,621,697
Net Passing Income	\$1,147,765	\$1,889,667	\$1,727,443	\$1,634,219
Current Vacancy	-	160 sqm ¹	2,359 sqm ^{1&2}	-
Vacancy Rate (%)	1.50%	2.50%	2.00%	1.00%
Capitalisation Rate	7.00%	7.50%	8.00%	7.00%
Terminal Yield	7.25%	7.75%	8.25%	7.35%
Target IRR	9.25%	9.25%	9.00%	8.25%
Average Market Rent Growth (pa)	3.86%	3.36%	3.03%	3.84%
Adopted Market Value	\$16,400,000	\$25,200,000	\$21,150,000	\$23,630,000
Initial Yield	7.00%	7.50%	8.17%	6.92%
Value Per Square Metre of Lettable Area	\$3,143	\$4,338	\$1,618	\$4,994

1. Vacant areas are subject to a one year rental guarantee provided by the Vendor (two year rental guarantee applies to Tamworth).

2. A further 2,880 sqm which is subject to executed Heads of Agreement is not included in this vacancy amount.

Consent

CB Richard Ellis Pty Ltd provides its consent for the inclusion of this summary letter within the Product Disclosure Statement ("PDS") for Stockland Direct Retail Trust No. 1 subject to Stockland Funds Management Limited making recipients of the PDS aware of the following liability disclaimers.

Liability Disclaimer

- (a) CB Richard Ellis Pty Ltd is not operating under an Australian Financial Services Licence when providing the formal valuation or this letter, and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in Stockland Direct Retail Trust No. 1.
- (b) CB Richard Ellis Pty Ltd disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the PDS, other than in respect to this letter and the formal valuation.
- (c) The formal valuations and this letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the PDS. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- (d) Neither this letter nor the full valuation reports may be reproduced in whole or in part without prior written approval of CB Richard Ellis Pty Ltd.
- (e) CB Richard Ellis Pty Ltd charges a professional fee for producing valuation reports, and the fee paid to CBRE by the Stockland Direct Retail Trust No 1 for the formal valuation reports and this letter was \$45,019.81 inclusive of GST.
- (f) CB Richard Ellis Pty Ltd has prepared this letter on the basis of, and limited to, the financial and other information (including market information and third party information) is accurate, reliable and complete and confirm that we have not tested the information in that respect.
- (g) This summary letter is to be read in conjunction with our formal valuation reports dated 1 July 2006 and 31 August 2006 and is subject to the assumptions, limitations and disclaimers contained therein. We refer the reader to Stockland Funds Management Limited to obtain a copy of the full reports.
- (h) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the property.

For and on behalf of
CB Richard Ellis Pty Ltd



Michael Steur AAPI FNZPI
Registered Valuer No.6466
Senior Managing Director

Note: This report consists of both a Financial Services Guide and Independent Accountants Report

Part 1 - Financial Services Guide

13 October 2006

What is a Financial Services Guide?

This Financial Services Guide (FSG) is an important document whose purpose is to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127). The use of “we”, “us” or “our” is a reference to Deloitte Corporate Finance Pty Limited as the holder of Australian Financial Services Licence (AFSL) No. 241457. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by the Directors of Stockland Funds Management Ltd (“SFML”) to give general financial product advice in the form of a report to be provided to you in connection with the proposed issued of Units in Stockland Direct Retail Trust No. 1 (“the Trust”). You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance Pty Limited is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

The Australian partnership of Deloitte Touche Tohmatsu is a member firm of the Deloitte Touche Tohmatsu Verein. As the Deloitte Touche Tohmatsu Verein is a Swiss Verein (association), neither it nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity

operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

The financial product advice in our report is provided by Deloitte Corporate Finance Pty Limited and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial product advice in respect of:
 - debentures, stocks or bonds to be issued or proposed to be issued by a government
 - interests in managed investment schemes including investor directed portfolio services
 - securities.
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of:
 - debentures, stocks or bonds issued or to be issued by a government
 - interests in managed investment schemes including investor directed portfolio services
 - securities.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as “general advice” because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Deloitte Corporate Finance Pty Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee is \$160,000 and will be disclosed in the relevant PDS or offer document prepared by the issuer of the financial product.

All of our employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Responsibility

The liability of Deloitte Corporate Finance Pty Limited is limited to the contents of this FSG and our report referred to in this FSG.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Complaints Officer
Practice Protection Group
PO Box N250
Grosvenor Place
Sydney NSW 1220

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service
PO Box 579
Collins Street West
Melbourne VIC 8007
Telephone: 1300 780 808
Fax: +61 3 9621 2291
Internet: <http://www.fics.asn.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("ICAA"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants
GPO Box 3921
Sydney NSW 2001
Telephone: +61 2 9290 1344
Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.icaa.org.au/about/index.cfm>.

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: infoline@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

PART 2 – INDEPENDENT ACCOUNTANTS' REPORT

The Directors
Stockland Funds Management Limited
as Responsible Entity for Stockland Direct Retail Trust No.1
Level 16
157 Liverpool Street
SYDNEY NSW 2000

13 October 2006

Dear Directors

REVIEW OF PRO FORMA CONSOLIDATED BALANCE SHEETS AND FINANCIAL FORECASTS

1 Introduction

This report has been prepared at the request of the Directors of Stockland Funds Management Limited ("SFML"), the Responsible Entity for Stockland Direct Retail Trust No. 1 ("the Trust") for inclusion in a Product Disclosure Statement ("PDS") to be issued by SFML in respect of the proposed offer of units in the Trust.

Deloitte Corporate Finance Pty Limited ("Deloitte Corporate Finance") is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services Licence for the issue of this report.

References to the SFML and other terminology used in this report have the same meaning as defined in the glossary of the PDS, with the exception of Financial Forecasts. In this report Financial Forecasts refers to the Forecast Consolidated Income Statements of the Trust, the Forecast Consolidated Statement of Distributions to Investors and the Forecast Sources and Application of Funds for the period from Allotment to 30 June 2007 and the year ending 30 June 2008 as set out in Section 6.2, 6.3 and 6.5 of the PDS.

2 Pro forma Consolidated Balance Sheets and Financial Forecasts

The Pro forma Consolidated Balance Sheets comprise the Pro forma Consolidated Balance Sheets of the Trust as at Allotment and as at the date when the Trust is Fully Invested, being the point in time when the Trust has acquired the Fremantle Shopping Centre and has paid the deferred consideration in respect of Tamworth Homespace. This is assumed to occur on 1 December 2007. These are set out in Section 6.4 of the PDS.

The Pro forma Consolidated Balance Sheets have been prepared in accordance with the statement of significant accounting policies set out in Section 6.6 of the PDS and based on the transactions contemplated in the PDS as occurring on or around the date of Allotment and on or around the date the Trust is Fully Invested (assumed to occur at 1 December 2007).

The Directors of SFML are solely responsible for the preparation and presentation of the Pro forma Consolidated Balance Sheets and the Financial Forecasts, including the assumptions on which they are based.

The Financial Forecasts have been prepared by management and adopted by the Directors of SFML in order to provide prospective investors with a guide to the potential financial performance of the Trust for the period from Allotment to 30 June 2007 and the year ending 30 June 2008. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies which are often outside the control of the Trust. The Financial Forecasts have been prepared using assumptions summarised in Section 6.7 of the PDS, which are based on best estimate assumptions relating to future events that management expect to occur and actions that management expect to take.

The Pro forma Consolidated Balance Sheets and Financial Forecasts are presented in an abbreviated form in so far as they do not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

3 Scope of Report

Our review of the Pro forma Consolidated Balance Sheets and Financial Forecasts has been conducted in accordance with AUS 902 "Review of Financial Reports" applicable to review engagements. Our review consisted primarily of enquiry, comparison, and analytical review procedures we considered necessary including discussions with management and Directors of SFML of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Pro forma Consolidated Balance Sheets and Financial Forecasts.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards and provides less assurance than an audit. In addition, prospective financial information, such as the Pro forma Consolidated Balance Sheets and Financial Forecasts, relate to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the Pro forma Consolidated Balance Sheets and Financial Forecasts are based, those assumptions are generally future-orientated and therefore speculative in nature. Accordingly, actual financial

performance may vary from the Pro forma Consolidated Balance Sheets and Financial Forecasts presented in the PDS and such variations may be material.

3.1 Pro forma Balance Sheets

We have reviewed the Pro forma Consolidated Balance Sheets as set out in Section 6.4 of the PDS in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Pro forma Consolidated Balance Sheets are not presented fairly in accordance with the basis of preparation and the statement of significant accounting policies set out in Sections 6.6 of the PDS.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly we do not express an audit opinion.

3.2 Financial Forecasts

We have reviewed the Financial Forecasts as set out in Section 6.2, 6.3 and 6.5 of the PDS together with the assumptions on which they are based, as set out in Section 6.7 of the PDS, in order to give a statement thereon to the Directors of SFML.

These procedures have been undertaken in order to state whether anything has come to our attention, which causes us to believe that:

- i) the Directors' best estimate assumptions do not provide reasonable grounds for the preparation of the Financial Forecasts
- ii) in all material respects, the Financial Forecasts have not been properly compiled on the basis of the Directors' best estimate assumptions, consistent with the accounting policies adopted and used by the Trust and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards
- iii) the Financial Forecasts themselves are unreasonable.

As disclosed in Section 6 of the PDS, the Financial Forecasts assume that there are no movements in the market values of derivatives in the Forecast Period and no corresponding mark to market adjustments required to be included in the Financial Forecasts as the Directors do not believe that they can be reliably estimated.

As disclosed in Section 6 of the PDS, the Financial Forecasts assume that there are no movements in the fair value of Properties owned by the Trust as at Allotment during the Forecast Period. Fair value movements in investment properties have not been forecast on the basis that the Directors do not believe that they can be reliably estimated.

The sensitivity analysis set out in Section 6.9 of the PDS demonstrates the impacts on the forecast distributions to Investors of changes in key assumptions. The prospective financial information is therefore only indicative of the financial performance which may be achievable. Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Trust, which are detailed in Section 8 of the PDS and the inherent uncertainty relating to prospective financial information.

Accordingly prospective investors should have regard to the investment risks set out in 8 of the PDS and the sensitivity analysis set out in section 6.9 of the PDS.

4 Statements

4.1 Pro forma Balance Sheets

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro forma Consolidated Balance Sheets set out in Section 6.4 of the PDS do not present fairly the Pro forma Consolidated Balance Sheets of the Trust as at Allotment and as at the date when the Trust is Fully Invested, being the point in time when the Trust has acquired the Fremantle Shopping Centre and has paid the deferred consideration in respect of Tamworth Homespace (assumed to occur on 1 December 2007), on the basis of the statement of significant accounting policies set out in Section 6.6 of the PDS and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards.

4.2 Financial Forecasts

Based on our review of the Financial Forecasts, nothing has come to our attention which causes us to believe that:

- i) the Directors' best estimate assumptions, as set out in section 6.7 of the PDS, do not provide reasonable grounds for the preparation of the Financial Forecasts
- ii) in all material respects, the Financial Forecasts are not properly compiled on the basis of the Directors' best estimate assumptions, consistent with the accounting policies adopted and used by the Trust and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards
- iii) the Financial Forecasts themselves are unreasonable.

Actual financial performance is likely to be different from the Financial Forecasts since anticipated events frequently do not occur as expected and the variations may be material. In addition, the actual financial performance may include any gains or losses arising from the movements in the fair market values of investment properties and derivatives entered into. Accordingly, we express no opinion as to whether the Financial Forecasts will be achieved.

5 Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Trust have come to our attention that would require comment on, or adjustment to, the Pro forma Consolidated Balance Sheets and Financial Forecasts referred to in our Report or that would cause such information to be misleading or deceptive.

6 Independence

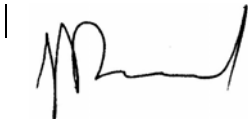
Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this issue other than the preparation of this Report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu Ltd has prepared a Taxation Report which is included in Section 11 of the PDS.

We disclaim any responsibility for any reliance on this statement or on the Pro forma Consolidated Balance Sheets and Financial Forecasts to which it relates for any other purpose than that for which it was prepared.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

A handwritten signature in black ink, appearing to be 'J. Duivenvoorde', with a vertical line to its left.

Johan Duivenvoorde
Director

The Directors
Stockland Funds Management Limited
Level 16, 157 Liverpool Street
Sydney NSW 2000

9 October 2006

Dear Sirs

TAXATION REPORT: STOCKLAND DIRECT RETAIL TRUST No. 1

This report has been prepared at the request of the directors of Stockland Funds Management Limited (SFML), the Responsible Entity for the Stockland Direct Retail Trust No. 1 (the Trust) and the trustee of the sub-trusts, for inclusion in a Product Disclosure Statement (PDS) to be issued by the Responsible Entity in respect of the offer of Units in the Trust.

Capitalised terms used in this report have the same meaning ascribed to them in the PDS, unless otherwise indicated.

1 The Offer

Details of the Offer are outlined in Section 2.1 of the PDS.

2 General comments

This report should be read in conjunction with the Trust Constitution (see section 12.1 of the PDS) and other associated documents. In providing this report, we have relied upon certain facts as set out in the PDS that have not been independently reviewed or verified by Deloitte Touche Tohmatsu Ltd. The inclusion of this opinion in the PDS is subject to the terms of our consent for its inclusion and to be named in the PDS as set out in section 12.14 of the PDS.

This report is a general statement relating to the Australian tax implications for the Trust and the Investors. It does not address all of the taxation consequences of investing in the Trust, including any stamp duty implications that may arise as a consequence of Investors acquiring or disposing of Units in the Trust. The report is provided on the basis of tax legislation applicable at the date of the report, which is subject to change periodically, as is its interpretation by the courts and the Australian Taxation Office (ATO).

The comments are of a general nature and apply only to Investors who are individuals and residents of Australia for income tax purposes. This report is only intended to apply to Investors who hold their Units on capital account and is not intended to apply to Investors who carry on a business of trading in Units or who acquire their Units for the purpose of profit making.

Potential investors should be aware that the actual tax implications of investing in the Trust may differ from those summarised in this report, depending on their individual circumstances. Potential investors should seek advice from their own professional taxation adviser regarding the tax consequences of acquiring, holding and selling Units in the Trust, having regard to their particular circumstances.

The representatives of Deloitte Touche Tohmatsu Ltd involved in preparing this report are not licensed to provide financial product advice. Investors may consider seeking advice from an Australian financial services licence holder before making any decision in relation to a financial product. Investors should also note that taxation is only one of the matters that needs to be considered when making a decision on a financial product.

3 Income tax status of the Trust

Generally speaking, unit trusts such as the Trust are treated as ‘flow through’ entities for income tax purposes. Accordingly, the Responsible Entity of the Trust should generally not be liable to pay income tax on the net (i.e. taxable) income of the Trust on the basis that the Investors will have a present entitlement to all of the income of the Trust. Consequently, the Investors will be the persons who will be taxed on the taxable income of the Trust.

As disclosed in Section 5.3 of the PDS, the Trust will hold 100% of the beneficial interests in a number of sub-trusts, which will hold the individual Properties. The trustees of the sub-trusts should not be liable to pay income tax on the taxable income of the sub-trusts on the basis that the Trust will have a present entitlement to all of the income of the sub-trusts. Consequently, the Trust will generally include any taxable income of the sub-trusts in determining its own taxable income, upon which Investors should be taxed.

On the basis that the Trust and sub-trusts are flow through entities, each component of the Trust and sub-trust’s taxable income will retain its character when assessed in the hands of the Investors.

3.1 Public trading trust rules

Certain trusts can be taxed as companies if they fall within the definition of a “public trading trust”, as defined within Division 6C of the *Income Tax Assessment Act 1936* (the 1936 Act). In this regard, provided that the Trust does not carry on a “trading business”, it should not be taxed as a company pursuant to Division 6C of the 1936 Act.

The Trust will not be taken to be carrying on a “trading business” where its activities consist wholly of investment in the units of the sub-trusts and the activities of the sub-trusts consist wholly of investment in the Properties for the purpose, or the primary purpose, of deriving rent.

Based on the proposed activities of the Trust and sub-trusts as disclosed in the PDS, the public trading trust provisions should not have any application to the Trust or the sub-trusts.

3.2 Corporate unit trust rules

Certain trusts can also be taxed as companies if they fall within the definition of a “corporate unit trust”, as defined within Division 6B of the 1936 Act. We have considered the application of Division 6B to the Trust and sub-trusts and have formed the view that neither the Trust nor the sub-trusts should be classified as corporate unit trusts.

4 Income tax position of Investors

Although the Trust will be required to calculate its taxable income each year, any income tax liability will generally be imposed on the Investors rather than on the Trust. As noted above at section 3 of our report, where Investors have a present entitlement to a share of the Trust’s income, they will be liable to pay income tax on their share of the Trust’s taxable income at their applicable marginal rate of tax.

An Investor's share of the Trust's taxable income will generally be determined by their proportional entitlement to the income of the Trust.

Investors should include the proportional share of the Trust's taxable income to which they become presently entitled in their assessable income for each relevant year. This will include trust distributions that Investors become entitled to but may not receive until after year end. Generally speaking, the Investors will be assessed in the same year in which the Trust derives the income.

There may be circumstances where the Trust's taxable income and the amount actually distributed to Investors vary. In circumstances where the amount distributed to the Investor exceeds their share of the Trust's taxable income (referred to as the tax-deferred component), the excess amount should not be subject to income tax in the Investor's hands. However, certain adjustments may be required in respect of the Investor's cost base in the Units for capital gains tax (CGT) purposes (refer to section 5.1 of our report below for further details).

Where the Investor's share of the Trust's taxable income exceeds the amount actually distributed to them, Investors should be assessed on their share of the taxable income of the Trust.

Investors who borrow money to fund the acquisition of the Units will need to consider the deductibility of interest incurred by them in servicing the loan. Whether an Investor is entitled to income tax deductions in respect of any interest incurred in servicing such a loan, either wholly or partly, will depend upon whether the Investor can demonstrate an intention to derive assessable income in the future via taxable trust distributions (excluding capital gains).

In this regard, Investors should be aware that it is not anticipated that the Trust will make taxable distributions during the Forecast Period.

Where an Investor has an objective purpose of retaining Units in the longer term with a view to generating assessable income via trust distributions in excess of any interest incurred, then the case for deductibility will be stronger.

However, in circumstances where such a purpose cannot be clearly demonstrated, there is a risk that all or part of the interest deductions may not be available.

To the extent that interest is not deductible, such costs should be included in the cost base of the Units for the purposes of determining future CGT consequences on disposal.

We recommend that Investors obtain their own independent advice as to the deductibility of interest incurred by them in relation to the acquisition of their Units.

Where the interest in respect of such loans represents an allowable deduction for income tax purposes, that interest will be deductible from the Investor's assessable income in the tax year in which the interest is incurred.

5 CGT

5.1 Reduction of cost base of Units for CGT purposes – tax deferred distributions

Section 6.3 of the PDS indicates that the Trust will be making tax deferred distributions during the Forecast Period. Tax deferred distributions generally arise where the amount distributed by a trust exceeds the taxable income of the trust in the relevant year (other than as a consequence of CGT discount amounts – refer to sections 5.2 and 5.3 of our report below). For property investments the excess amount is often attributable to building allowances, depreciation and other tax deductions.

Tax deferred distributions are not assessable to Investors. However, for CGT purposes, such distributions will reduce the cost base of the Investor's Units in the Trust. If the CGT cost base of the Units is reduced to nil, the Investor will make a capital gain on any further tax deferred amounts received. Any such capital gain may be eligible for discount capital gains tax treatment, depending on the Investor's circumstances.

We note that the CGT cost base of the Investor's Units should not be affected by the receipt of discount capital gains from the Trust (refer to section 5.3 of our report below).

5.2 Disposal of properties

We understand that the Properties owned by the sub-trusts will be held on capital account. Accordingly, if these Properties are disposed of, Investors who are individuals may receive distributions that include a capital gain. In that instance, Investors will be treated as having derived a capital gain equal to their proportional share of the taxable income of the Trust. Where the Property has been held for at least 12 months, Investors may be entitled to access the discount capital gain concession in respect of the capital gain.

If the capital gain qualifies for the discount capital gain concession, only 50% of the gain will be included in the assessable income of the Investors who are individuals. Special rules apply to preserve the benefit of the CGT discount on capital gains distributed through trusts. Any current year capital losses or carry forward net capital losses of the Investor must be offset against the capital gain before applying the CGT discount. The resulting amount is referred to as a net capital gain and should be included in the Investor's assessable income for the relevant year.

5.3 Disposal of Units in the Trust

The disposal of Units in the Trust will have CGT implications for the Investor. However, the implications will differ according to the individual circumstances of each Investor. Therefore, it is recommended that the Investor seek specific advice from a professional tax adviser prior to disposing of the Units.

Generally speaking, the CGT provisions will apply where the Investor's ownership of the Units ends by way of sale, transfer or cancellation. This will include Units that are sold by Investors under the Limited Liquidity Facility, the details of which are outlined in section 5.6 of the PDS. It will also include Units that are transferred (section 5.5 of the PDS).

A capital gain will arise to the Investor where the capital proceeds received from the disposal of the Units is greater than the Investor's cost base for CGT purposes. As noted above, the cost base of the Units may be reduced as a consequence of the Investor receiving tax deferred distributions. A capital loss should arise if the capital proceeds on disposal are less than the Investor's reduced cost base for CGT purposes.

Discount capital gains treatment may be available to reduce the capital gain realised by the Investor on the disposal of the Units. If the Investor is an individual who has held the Units for at least 12 months prior to disposal, they should be entitled to discount the capital gain arising from the disposal of those Units (after offsetting any capital losses) by 50%. The discount will not be available with respect to capital gains made on the disposal of Units that occurred under an agreement made by the Investor within 12 months of acquiring the Units.

Any capital gain or capital loss derived or incurred by the Investor on the disposal of their Units should be aggregated with any other capital gains or capital losses that the Investor may have in that year to determine the Investor's net capital gain or net capital loss. A net capital gain is included in the Investor's assessable income. Capital losses may be carried forward and offset against future taxable capital gains.

6 Other tax issues

6.1 Tax losses

It is likely that the Trust will have tax losses in its early years of operation following the subscription of Units by Investors. Tax losses incurred by the Trust are not able to be distributed to Investors. Tax losses incurred by the Trust will be carried forward in the Trust and offset against future assessable income, subject to the Trust satisfying the trust loss provisions in the 1936 Act. Net capital losses incurred by the Trust may be carried forward in the Trust and offset against future capital gains.

6.2 Non-recourse debt funding

On 16 April 2003 the Treasurer issued Press Release No. 19 concerning the taxation treatment of capital protected products. This Press Release announced that the Government was to introduce legislative changes designed to prevent taxpayers from claiming interest expenses to the extent they relate to the capital protection features of a product. On 30 May 2003, the Assistant Treasurer issued Press Release C046/03 which provided further detail regarding these proposed legislative changes. At the date of this report, the proposed legislation has not been introduced or enacted.

As the Bank Loan provided to the Trust to acquire the Properties is limited recourse debt, the legislative changes discussed above may apply to the Trust. This could result in the interest deductions in respect of the Bank Loan being disallowed for tax purposes in part, giving rise to increased taxable distributions to Investors. To the extent that the Trust uses the borrowed funds to acquire units in the sub-trusts, any disallowed deductions may be included in the Trust's cost base of those units.

We note that further clarity in relation to the actual application of these provisions is anticipated. Once this is available, the potential application of these provisions should be considered further by the Trust.

6.3 Section 51AD of the 1936 Act

Section 51AD of the 1936 Act, if it applies, denies the owner of property all of the usual tax deductions associated with that ownership, principally depreciation and interest. Section 51AD can disallow such deductions where the taxpayer has directly or indirectly financed, wholly or predominately, the acquisition of the property by non-recourse borrowing and the relevant property is leased back to a previous owner or their associate.

As the Bank Loan taken out by the Trust is limited recourse, section 51AD could potentially apply to limit the deductions able to be claimed in respect of one of the Properties owned by one of the sub-trusts that will be leased back to Stockland Corporation.

However, on the basis that the rights of the lender as against the Trust in the event of default are not limited wholly or predominately to the Property, in our opinion section 51AD will not apply to deny the deductions associated with the Property.

6.4 Tax File Number

An Investor need not quote a Tax File Number (TFN) when applying for Units in the Trust. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld from any income distribution entitlement. The withholding rate is the highest marginal rate plus the Medicare levy (currently 46.5%).

6.5 Goods & Services Tax (GST)

The acquisition and disposal of Units in the Trust by Investors should not be subject to GST. Similarly, the distributions from the Trust to Investors should not be subject to GST. The Trust itself may not be entitled to recover all of the GST it incurs on purchases. The GST recovery will depend upon the exact nature of the operations of the Trust and the characterisation of its expenses. The sub-trusts will be entitled to fully recover any GST they incur that relates to the leasing of their properties.

6.6 Product Ruling

A product ruling has neither been sought by SFML nor issued by the ATO in respect of the offer of Units in the Trust pursuant to this PDS.

6.7 Caveats

This report is based solely on:

- the representations, information, documents, and facts that we have included or referred to in this report;
- an assumption (without independent verification) that all of the representations, information and facts and all of the originals and copies of documents considered by us are accurate and not misleading;
- an assumption (without independent verification) that there will be timely execution, delivery, and performance as required by the documents;
- the law, regulations, cases, rulings, and other tax authorities in effect as of the date of this letter. If there are any significant changes in or to these tax authorities, such changes may result in our report being rendered incorrect or necessitate a reconsideration of the report; and
- the understanding that this opinion is not binding on the ATO or the courts and should not be considered a representation, warranty, or guarantee that the ATO or the courts will concur with our opinion.

6.8 Disclosure

Deloitte Touche Tohmatsu Ltd does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Deloitte Touche Tohmatsu Ltd will receive a professional fee for the preparation of this Taxation Report.

The directors of the Responsible Entity have agreed to indemnify and hold harmless Deloitte Touche Tohmatsu Ltd and its employees from any claims arising out of any misstatement or omission in any material or information supplied by the directors.

Yours faithfully



Joe Galea
Director, Deloitte Touche Tohmatsu Ltd

12. Additional Information

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What's in this Section

Summaries of the:

- Constitution
- Underwriting agreement
- Acquisition agreements for the Properties
- Acquisition of Tamworth Homespace
- Development agreement
- Rental guarantees
- First right of refusal
- Property management agreement
- Lease to Stockland
- Other material contracts
- Other details of the Trust
- Our privacy statement
- Consents

12.1. Constitution of the Trust

The Trust is a registered managed investment scheme. The responsible entity for the Trust is SFML. The main rules governing the operation of the Trust are set out in the Constitution.

The Constitution is supplemented by the Corporations Act, the modifications and exemptions made by ASIC, and the general law of trusts.

We must comply with all of the obligations imposed by the Constitution and the general law in administering the Trust. The Trust has a Compliance Plan that sets out the measures that we will apply in operating the Trust to ensure that it complies with these obligations.

A copy of the Constitution is available for inspection at our registered office during business hours.

Summary of the Constitution

The main provisions of the Constitution that deal with the rights and obligations of Investors are:

- distributions: subject to the terms of issue of particular units, Investors are entitled to be paid distributions from the Trust's income proportionate to their unitholding. We will pay distributions within two months of the end of the relevant period. Distributions will be calculated Quarterly;
- Units: a Unit confers an equal undivided interest in the beneficial interest of the Trust;
- meetings: the rights of Investors to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act. The Constitution provides that the quorum for a meeting is normally two or more Investors holding at least 10% of all Units;
- transfer: Investors may transfer Units in any form approved by us;
- no redemption: Investors do not have a right to redeem Units while the Trust is illiquid or liquid. The Trust is illiquid if less than 80% of its Assets are cash and marketable securities. It is expected that the Trust will be illiquid. We may, however, make a withdrawal offer to Investors. If the Trust becomes liquid, Investors may, at our discretion, be granted the opportunity to redeem Units on 60 days' written notice while the Trust is liquid;
- winding up: the net proceeds of the Trust will be distributed to Investors proportionate to their unitholdings; and
- liability: an Investor is liable for expenses that we incur as a result of their individual act or omission. The liability of each Investor is otherwise limited under the Constitution to any amount that remains unpaid in relation to their Units; however, Australian courts have not yet tested the effectiveness of provisions of this kind.

12. Additional Information (cont.)

The Constitution also deals with our powers, duties and liability:

- powers: we have the power to borrow, invest and generally manage the Trust. We also have the power to issue Units and options over Units on such terms as we determine, although the Constitution contains specific provisions concerning the pricing of Units;
- duties: our duties are mostly prescribed by the Corporations Act. These include the duty to act honestly and in the best interests of Investors and to exercise the degree of care and skill that a reasonable person would exercise if they were in our position;
- fees: we are entitled to be paid fees from the Trust. These fees are disclosed in Section 7. We may accept lower fees than we are entitled to receive under the Constitution, or may defer payment for any period;
- expenses: subject to the Corporations Act, we are entitled to be reimbursed out of the Assets for all expenses incurred in relation to the proper performance of our duties. Such expenses include, but are not limited to: expenses connected with the acquisition, disposal, insurance or custody of the Assets; expenses connected with borrowing arrangements on behalf of the Trust; and fees paid to agents, advisers, contractors and valuers, irrespective of whether they are our associates. We are also entitled to be reimbursed for any GST paid in relation to such expenses;
- restructure: we have the power to do all things necessary to give effect to a restructure proposal, including compulsorily acquiring or transferring Units for consideration including securities, if the restructure proposal has been approved by a Special Resolution;
- miscellaneous: we are entitled to: act upon advice given by professionals; value the Assets at any time; hold Units in any capacity; deal with ourselves or have an interest in a contract or transaction; and retire as responsible entity; and

- liability: we are not liable in contract, tort or otherwise for any loss suffered by Investors except as imposed by the Corporations Act. We are entitled to be indemnified out of the Assets for any liability we incur in properly performing our duties or exercising any of our powers in relation to the Trust.

The Constitution provides that the Trust will terminate on the earliest of: the date specified as the termination date by us in a notice to Investors; the date proposed by us and approved by a Special Resolution (see Section 5.1); or the date on which the Trust terminates according to the Constitution or by law.

We intend to convene a meeting by the seventh anniversary of Allotment. However, under the Constitution, this must be no later than 30 June 2014 to consider a resolution to terminate or continue the Trust.

Subject to the Corporations Act, the Constitution may be amended by us or a resolution of Investors.

12.2. Underwriting agreement

We have entered into an underwriting agreement with NAB ("Underwriter") to underwrite this Offer, and to subscribe for any of the Units that are not applied for as at the Closing Date. The Offer will be fully underwritten by NAB. We must pay a fee to NAB to underwrite the Offer which we will pay from the establishment fee payable to us by the Trust on Allotment (see Section 7).

We must accept all valid Applications (of less than 10% of the Units) provided that the acceptance of the Applications does not cause us to breach the Constitution. We may accept Applications for more than 10% of the Units with the consent of the Underwriter.

The Underwriter may terminate its obligations under the underwriting agreement if any of the following events occur:

- NAB terminates its mandate with us dated 1 September 2006;
- we retire or are removed as the responsible entity for the Trust;
- Offer conditions are not met, or the PDS is defective, or omits any material information required by the Corporations Act, or contains a statement which is or becomes materially misleading or deceptive or otherwise fails to comply with the Corporations Act and no supplementary product disclosure statement is issued to correct this;
- we issue a supplementary product disclosure statement to prospective Investors in a form that has not been approved by the Underwriter;
- we withdraw this PDS or any supplementary product disclosure statement or any part of the Offer without the consent of the Underwriter (or an event occurs which results in the Offer being withdrawn or not proceeded with);
- the S&P/ASX 200 Index or S&P/ASX 200 Property Index falls by 15% from the date of the underwriting agreement and stays at or below that level for at least two business days or until the business day before the Allotment date;
- at any time, the yields for treasury bonds issued by the Reserve Bank of Australia which have a tenor of 10 years increase by 100 basis points or more above the yields for those treasury bonds at the date of the agreement;
- we fail to comply with any request made by ASIC in relation to the Offer;
- in relation to the Offer, ASIC issues a stop order, holds a hearing under section 1020E(4) of the Corporations Act, makes an application for an order under Part 9.5 of the Corporations Act, or commences an investigation or hearing under the Australian Securities and Investment Commission Act 2001 (Cth);
- there is a disruption in financial markets in Australia, the United Kingdom or the United States of America, the effect of which is such as to make it, in the reasonable opinion of the

Underwriter, impracticable to market the Offer or to enforce contracts to issue the Units:

- any person (other than the Underwriter), whose consent to the issue of the PDS is required, refuses to give their consent or having previously consented to the issue of this PDS withdraws such consent; or
- an insolvency event occurs in respect of us or the Trust.

Further, the Underwriter may terminate its obligations under the underwriting agreement if any of the following events occur and in its reasonable opinion the event will have a material adverse effect on the success of the Offer or subsequent sell-down of any shortfall Units, or would be likely to give rise to a material liability of the Underwriter:

- the report of the due diligence committee to the Offer, or any other information supplied to the Underwriter in relation to the Trust, the Responsible Entity or the Offer is, or becomes, misleading or deceptive;
- an adverse change occurs in the financial position or performance of the Responsible Entity or the Trust;
- any material contract summarised in this PDS is terminated (whether by reason of a breach or otherwise), rescinded, altered or amended in a material respect without the prior written consent of the Underwriter;
- any statement by us in this PDS which relates to future matters (including the Financial Forecasts) is or becomes, in the reasonable opinion of the Underwriter, unlikely to be met;
- there is a change of law intended to come into effect within 12 months, any of which does or is likely to prohibit or regulate the Offer;
- if a director or other officer of the Responsible Entity, is charged with a criminal offence or is disqualified from managing a corporation under the Corporations Act;
- if any government agency commences any public action against us or any of our Directors or other officers or announces that it intends to take such action;

12. Additional Information (cont.)

- we contravene the Corporations Act or the Constitution, or if we, or any of our officers, are charged in relation to fraudulent, misleading or deceptive conduct whether or not in connection with the Offer;
- we default in the performance of any of our undertakings or obligations under the underwriting agreement, or a representation or warranty made by us or the Trust under the underwriting agreement is, or becomes, untrue or incorrect in a material respect;
- without the prior written consent of the Underwriter, the Constitution is altered in any material respect except for amendments to facilitate the Offer, the form of which have been approved by the Underwriter (such approval not to be unreasonably withheld or delayed), before the date of this PDS; or
- hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, North Korea, South Korea, the People's Republic of China, Indonesia, Iran or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.

If NAB terminates its obligations under the underwriting agreement, and if a suitable replacement is not found, the Offer may not proceed and your Application Monies will be returned to you as soon as practicable.

12.3. Property acquisition agreements

Below is a summary of the contracts to acquire the Properties:

	Pacific Pines Shopping Centre	Benowa Gardens	Tamworth Homespace	Fremantle Shopping Centre
Document	Contract of sale	Contract of sale	Deed of agreement	Assignment of lease
Seller/issuer	Stockland Development	Stockland Trust	Stockland Holding Trust No.1	Seaport Pty Limited
Date of contract	30 June 2006	30 June 2006	13 October 2006	22 September 2006
Date of settlement	On completion of capital raising	On completion of capital raising	12 month option period	22 September 2006
Purchase price	\$16,346,740	\$25,197,516	\$21,150,000	\$23,633,800*

* subject to the net income of the centre. See Section 12.5.

12.4. Acquisition of Tamworth Homespace

By subscribing for Units, the Investor agrees to an investment in Tamworth Homespace. Tamworth Homespace is owned by Stockland Holding Trust No. 1 ("SHT1"). Tamworth Homespace has a current market value of \$21.15 million.

Deed of agreement

We have entered into a deed of agreement with Stockland to acquire the property from the vendor. The agreement requires the parties to enter into a put and call option and a concurrent lease over the property.

The agreement contemplates the stapling of SHT1 to the Trust. This is proposed to occur in December 2007.

The agreement also provides that the parties may agree an alternative transaction by which the Trust acquires the economic benefit of Tamworth Homespace, if that is in the best interests of Investors.

No additional investment is required from Investors.

Put and call options to transfer Tamworth Homespace

SHT1 will grant a call option to the Trust for the purchase of Tamworth Homespace and the Trust will grant a put option to SHT1 for the sale of Tamworth Homespace. The fixed purchase price of \$21.15 million comprises an option fee of \$2.73 million and the exercise price of \$18.42 million. The options must be exercised by December 2007, unless an alternative transaction is entered into (including potentially stapling as noted below). The total purchase price is included in the Application Monies and will be held by the Trust during the option period.

Concurrent lease

SHT1 will grant a concurrent lease to the Trust until December 2007. This will transfer all economic benefits and risks of the property to the Trust. At the end of the lease term, the Trust will have a right to continue the lease for a month at a time until March 2008.

Stapling of SHT1 to the Trust

In December 2007, if the subscription for units in SHT1 is in the best interests of Investors, we will subscribe for units in SHT1 as agent for and in the name of Investors. The balance of the subscription price of \$18.42 million will be paid using a capital distribution from the Trust and debt.

Investors will subscribe for units in SHT1 in the same proportions as their unitholding in the Trust. A product disclosure statement relating to the SHT1 will be provided to Investors before the transfer, for information purposes only. No additional investment is required from Investors.

The constitutions for the Trust and SHT1 contain provisions which enable their respective units to be stapled. The units in each of the Trust and SHT1 will be stapled so that they may only be traded together.

Alternatives

The deed of agreement also provides that the vendor and the Trust may agree an alternative transaction by which the Trust acquires the economic benefit of Tamworth Homespace, if that is in the best interests of the Investors.

We may determine that it is not in the best interests of Investors to subscribe for units in SHT1 to staple to the units of the Trust. In that case, the put or call options will be exercised, or an alternative transaction will be undertaken. Again, no additional investment is required from Investors.

12.5. Development agreement – Fremantle Shopping Centre

We have entered into a development agreement with Seaport Pty Limited and a side deed with the developer and the builder to develop the property. Seaport Pty Limited is an external party to Stockland.

Under the development agreement, the developer will:

- undertake the development for a fee of \$17,633,800, which is paid progressively upon the satisfaction of agreed milestones. The fee is subject to the net income achieved upon completion, scheduled for mid-July 2007;
- undertake the leasing of the centre (subject to agreed lease criteria such as a minimum lease term of five years, minimum annual rent review provisions and maximum fit out periods);
- provide a 12 month net income guarantee (including incentives) from the date of completion, which will cease once the centre is fully leased;
- pay interest of 7% per annum on the purchase price of the property plus any progress payments made to the developer;
- report to us monthly on the development and hold progress meetings which we may attend; and
- ensure appropriate insurance is in place.

Under the development agreement (and ancillary agreements), we are able to:

- if the developer defaults under the building contract, assume the developer's obligations or if the builder defaults, compel the developer to replace the builder to complete the centre; or
- if the developer defaults, transfer the Property back to the developer for the total payments made to the developer by the Trust (including the purchase price for the property, stamp duty and other acquisition costs as well as reasonable expenses); or
- if the developer defaults, terminate the development agreement.

12. Additional Information (cont.)

12.6. Rental Guarantees

The Trust has received guarantees over the rents from the following properties:

Property	Guarantor	Rental guarantee	Term of guarantee
Benowa Gardens Shopping Centre	Stockland Trust	Over the vacancies of the Property as at the settlement date	12 months from Allotment
Tamworth Homespace	Stockland Development	Over the vacancies of the Property as at the acquisition date	24 months from Allotment
Fremantle Shopping Centre	Seaport Pty Limited	Over the vacancies of the Property as at the date of completion	12 months from the date of completion

12.7 First right of refusal

Stockland has the benefit of a first right of refusal to acquire the Properties when the Trust decides to sell them.

If the Trust seeks to sell any Property, the Trust must first offer the Property to Stockland by written notice in accordance with the conditions set out in the agreement.

In addition, if there is a change in the Responsible Entity to an entity not related to Stockland, the first right is also triggered.

The price for the Property or Properties will be set, firstly by negotiation (in which case we will obtain an independent valuation commissioned by one of our independent directors), or, if negotiated agreement is not reached, by the mid-point of two independent valuations commissioned by each of the parties (subject to Stockland's conflicts of interest policy).

If Stockland does not agree to acquire the Properties within 40 Business Days of the determination of the price, then we may commence a public process to sell the Properties (but not at a lower price or on more favourable terms to the purchaser than offered to Stockland).

If any of the Properties are sold to Stockland, we may agree that Stockland can pay the consideration for the Properties by cash, Stockland Securities or a combination of both.

12.8. Property management agreement

We have entered into a property management agreement with Stockland Property Management Pty Limited. The Property Manager will perform a range of property management, leasing and facilities management related activities.

These activities include management of the Properties under the terms of the various leases, supervising contractors' performance under all contracts and agreements for services provided to the Properties, renewal of leases and negotiating new leases for any vacant tenancies.

The Property Manager is also responsible for the preparation of all financial records, budgets and reports, including the collection of rent.

The agreement contains key performance indicators against which the performance of the Property Manager will be measured. They include benchmarks for net profit, vacancies, operating expenses, capital expenditure, rental arrears and reporting deadlines.

We have a right under the agreement to terminate the agreement if the Property Manager fails to perform a material obligation under the agreement which is not rectified within a reasonable period.

We have agreed to pay 5% of the gross income of the Properties to the Property Manager for its services (except for the Fremantle Shopping Centre, where the fee is 2.5% of gross income). Part of the fee is recoverable from the tenants of the Properties. The non-recoverable portion will be paid by the Trust. This fee includes leasing fees to the Property Manager, including fees to third party agents if applicable.

The Property Manager has agreed to defer up to 60% of its fees at our request (to meet the Trust's forecast distribution) for the Forecast Period. If, following such deferral, the Trust distributions exceed the Financial Forecasts, the Property Manager may recover the deferred fees provided this does not reduce the distributions in that year to below the forecast distribution per Unit. The Property Manager may also recover its deferred fees from the Trust's out performance in subsequent years (as long as this does not reduce the distribution that year to below the distribution in the previous year) or from the proceeds from the sale of the Properties.

The forecast distributions detailed in Section 6.3 are net of the property management fees.

12.9. Lease to Stockland

Stockland has leased part of the Pacific Pines Shopping Centre as:

- a commercial showroom for the adjoining Stockland residential estate; and
- a real estate agency (trading as LJ Hooker).

The leases contain usual commercial conditions and the rents have been verified by the independent valuer.

12. Additional Information (cont.)

12.10. Other material contracts and agreements

We have entered into a number of other agreements on behalf of the Trust. A summary of each of the material contracts and agreements is provided below:

Name of document	Parties	Summary of purpose of document
Compliance Plan	<ul style="list-style-type: none"> - Stockland Funds Management Limited as responsible entity of the Trust 	Specifies how we will monitor our obligations as a responsible entity of a managed investment scheme under the Constitution and the Corporations Act.
Registry agreement	<ul style="list-style-type: none"> - Stockland Funds Management Limited - Computershare Investor Services Pty Limited 	Provides for the Registrar to provide registry services to the Trust in relation to the Units.
Deed of indemnity (Tax)	<ul style="list-style-type: none"> - Stockland Corporation Limited as guarantor - Stockland Funds Management Limited as responsible entity for the Trust as beneficiary 	As the Trust is currently a part of the Stockland consolidated tax group, this indemnity ensures that the Trust is indemnified by Stockland for the tax liabilities of the Stockland consolidated tax group post Allotment.
Limited liquidity facility agreement	<ul style="list-style-type: none"> - Stockland Funds Management Limited as responsible entity for the Trust - NAB - Stockland Trust Management Limited as responsible entity of Stockland Trust 	Sets out the basis on which NAB and Stockland agree to provide a limited liquidity facility as detailed in Section 5.6.
Deed of Indemnity (Stamp duty)	<ul style="list-style-type: none"> - Stockland Corporation Limited as guarantor 	The indemnity ensures that the Investors are indemnified by Stockland Corporation for the potential risk of Queensland stamp duty being incurred by the Investors on the issue of the Units (see Section 8.2).
Custody deed	<ul style="list-style-type: none"> - Trust Company of Australia Limited ("TCAL") - Stockland Funds Management Limited as responsible entity of the Trust 	<p>TCAL has been engaged by us to act as custodian.</p> <p>TCAL is remunerated by us, by way of custodian fees as stipulated in the custody deed (0.01% per annum of gross asset value).</p> <p>The rights and obligations of TCAL are set out in the custody deed, which includes a clause limiting the liability of the custodian.</p> <p>TCAL holds scheme assets as directed by us, which is registered in its name on behalf of the responsible entity of the Trust.</p>
Bank Loan facility agreement (subject to documentation)	<ul style="list-style-type: none"> - Stockland Funds Management Limited as responsible entity of the Trust - NAB (Debt Provider) 	Provides for the advance of the Bank Loan to the Trust on the terms detailed in Section 5.4.
Interest rate swap (subject to documentation)	<ul style="list-style-type: none"> - Stockland Trust Management Limited as responsible entity of Stockland Trust - Stockland Funds Management Limited as responsible entity of the Trust 	Provides for the hedging of the interest rate on the Property Facility as detailed in Section 5.4

12.11. Other details of the Trust

Information available to Investors

We will endeavour to provide you with the following information:

Type of information	When and how available
Investment report	Every six months, mailed with the distribution statements for the half years ending 30 June and 31 December (also available on our website, www.stockland.com.au/upf)
Distribution statement	Quarterly, mailed within two months of 31 March, 30 June, 30 September and 31 December each year
Annual financial report of the Trust	31 August each year by mail (also available on our website, www.stockland.com.au/upf)
Annual taxation statement	By 31 August each year by mail

As the Trust is likely to be a "disclosing entity", it will be subject to regular reporting and disclosure obligations under the Corporations Act. Copies of documents that are lodged with ASIC to meet these requirements may be obtained from, or inspected at, an ASIC office. If requested, we must provide Investors with a copy of any annual or half yearly reports lodged with ASIC. We do not expect that any such reports or notices will be lodged during the time the Offer is open.

Compliance Committee

We have established a Compliance Committee and the members are detailed in Section 4.2. The functions of the Compliance Committee include monitoring compliance with the Compliance Plan and Constitution, reporting breaches of the Corporations Act or certain provisions of the Constitution to us or ASIC, and reviewing and reporting on the adequacy of the Compliance Plan from time to time.

Auditor

We have appointed KPMG as the auditor of the Trust and of the Compliance Plan. The partner of KPMG appointed as the auditor of the Trust is different to the audit partner of KPMG appointed as the Compliance Plan auditor.

Registrar

Computershare Investor Services Pty Limited has been appointed as the registrar of the Trust.

12. Additional Information (cont.)

Compliments and complaints

If you are satisfied with our services or have a complaint, you may write to us at the address shown on the inside back cover of this PDS.

Your complaints will be acknowledged within 14 days of receipt, and investigated with a view to reporting back to you within 45 days. We will attempt to resolve all complaints within 21 days. The Constitution provides a framework governing how complaints must be dealt with.

Where a complaint remains unresolved, you may be entitled to take your complaint to our external complaints scheme, the Financial Industry Complaints Service ("FICS").

FICS is an independent external complaint handling body approved for this purpose by ASIC. Where you have referred a complaint to FICS, the complaints officer shall comply with the procedures set out in the terms of reference of FICS.

Once referred and once relevant time periods to settle the complaint have expired, FICS will work with both parties to seek a mutually acceptable resolution of the complaint. To contact FICS, you should telephone 1300 780 808 or write to PO Box 579, Collins Street West, Melbourne VIC 8007.

12.12. Privacy statement

Current privacy legislation provides you with increased levels of protection relating to the collection and use of your personal information.

By signing the Application Form, you agree to the following:

- we, and third parties such as investment advisers, financial planners and brokers ("Parties"), may exchange your information with each other, including:
- any information provided by you in the Application Form (including your TFN);
- any other personal information provided by you to any of the Parties or which they otherwise lawfully obtain about you; and
- any transaction details or transaction history arising out of your arrangements with any of the Parties;
- if we engage anyone ("Service Provider") to do

something on our behalf (e.g. a mail house or data processor), then you agree that we and the Service Provider may exchange with each other any information referred to above;

- we might give any information referred to above to entities other than the Parties and the Service Providers where it is required or allowed by law or where you have otherwise consented;
- any information referred to above can be used by the Parties and any Service Provider for establishing or updating your investment in the Trust, and for the administration of your investment, planning, product development, research purposes, and statistical analysis; and
- we may contact you in relation to other products and services offered by Stockland, unless you elect to not receive such information by ticking the relevant box on the Application Form or contacting us by telephone on 1300 728 694.

You can access your personal information that we hold. Sometimes, there is a reason why that is not possible, in which case you will be told why. If you would like to find out what sort of personal information we have about you, or wish to make a request for access, you can contact us by telephone on 1300 728 694.

If you fail to provide any information requested in the Application Form, or do not agree to any of the possible exchanges or uses detailed above, we may not accept your Application.

12.13. Role of National Australia Bank Limited

NAB is the lead arranger and underwriter of the Units in respect of the Offer. In addition, NAB is the Debt Provider to the Trust, and may provide interest rate hedging products. It will also participate with us in providing a Limited Liquidity Facility. In these capacities, NAB will, if necessary, act to protect its interests ahead of those of Investors and other parties.

12.14. Consents

NAB's consent

National Australia Bank Limited has given, and has not withdrawn, its consent for the references to NAB in its capacity as Lead Arranger, Underwriter, Debt Provider and provider of the LLF.

Expert consents and interests

The following organisations have given, and have not withdrawn, their written consent to the inclusion in this PDS, in the form and context in which they are included, of statements made by or attributed to them as listed in the table below, and to be named in this PDS in the stated capacity.

Each of these organisations and NAB, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions in this PDS, other than the reference to its name and a statement or report included in this PDS with the consent of that organisation as specified below.

No expert, nor any firm in which an expert is a partner, has an interest that exists at the date of this PDS, or that existed within two years before that date, in the promotion or formation of the Trust.

No amount has been paid or agreed to be paid to an expert in the last two years for services rendered by that expert or any firm of which the expert is a partner in connection with the promotion or formation of the Trust, other than interests or amounts disclosed in this PDS and the following table.

Organisation	Capacity	Statements	Amount of fee (excluding GST)
CB Richard Ellis Pty Limited	Valuer	Summary valuation report in Section 9.	\$40,927
Deloitte Corporate Finance Pty Limited	Independent accountant	Independent accountants' report in Section 10 that relates to the Financial Information in Section 6.	\$120,000
Deloitte Touche Tohmatsu Ltd	Taxation adviser	Taxation report in Section 11.	\$40,000
MapInfo Australia Pty Limited	Market research	Provided market research on the Properties in Section 3.	\$25,200

Directors' consent

The Directors have each consented to the issue of this PDS.

Standard & Poor's ratings

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. In Australia, credit ratings are assigned by Standard & Poor's (Australia) Pty Limited, which does not hold an Australian financial services licence under the Corporations Act.

Trust Company of Australia Limited - consent and disclaimer

It is not the role of Trust Company of Australia Limited to protect the rights and interests of Investors. TCAL does not guarantee the return of any investment, any tax deduction availability or performance of any of the investments of the Trust.

TCAL has given and not withdrawn its consent to be named as custodian in this PDS. It has not been involved in the preparation of any part of this PDS. It has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS, except for reference made to it in the form and context in which it appears.

Other consents

Stockland entities referred to in this PDS, Mallesons Stephen Jaques, Robb Macnicol and Computershare Investor Services Pty Limited have given, and have not withdrawn, their written consent to be named in this PDS in the capacity in which they are named.

13. Glossary

Term	Meaning
A-IFRS	The Australian equivalent to International Financial Reporting Standards.
Allotment	The date Units are allotted after the close of the Offer (expected to be 15 December 2006 unless varied by us). Units may be allotted progressively.
Applicant	A person or entity who applies to acquire Units by completing and submitting an Application Form and Application Monies.
Application	Completion and submission of an Application Form in accordance with the instructions in this PDS.
Application Form	The Application Form which is included at the back of or accompanying this PDS.
Applications Open Date	The date we will begin processing Application Forms (15 November 2006).
Application Money/Monies	The amount included as part of an Applicant's Application.
Application Price	The purchase price of a Unit under this PDS, being \$1.00.
ASIC	The Australian Securities and Investments Commission.
Assets	All the Trust's assets.
ASX	Australian Stock Exchange Limited or the market operated by it as the context requires.
Bank Loan	The loan provided to the Trust by NAB, as Debt Provider, comprising the Property Facility and the Capital Expenditure Facility.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other declared public holiday in New South Wales.
Capital Expenditure Facility	The portion of the Bank Loan used to fund capital expenditure and general corporate expenses.
Closing Date	The date the Offer closes, scheduled for 7 December 2006. We have the right to close the Offer early or extend the Offer without prior notice.
Compliance Committee	A sub-committee of our board of Directors. The functions of the Compliance Committee are to monitor our compliance with the Compliance Plan, Constitution and Corporations Act.
Compliance Plan	A plan which sets out the measures that we will apply in operating the Trust to ensure compliance with matters as required by the Corporations Act and Constitution.
Constitution	The Trust's constitution dated 26 April 2006 (as amended from time to time).
Corporations Act	Corporations Act 2001 (Cth).
CPI	Consumer Price Index "All Groups" as published by the Australian Bureau of Statistics.

Term	Meaning
Debt Provider	National Australia Bank Limited ABN 12 004 044 937, in its capacity as provider of the Bank Loan.
Deloitte	Deloitte Touche Tohmatsu Ltd or Deloitte Corporate Finance Pty Limited as the context requires.
Directors	The directors of the Responsible Entity.
Financial Forecasts	The financial forecasts comprise the pro-forma Consolidated Balance Sheets, forecast Consolidated Income Statements and forecast Statement of Distributions of the Trust for the Forecast Period set out in Section 6.
Financial Information	Forecast financial information for the Trust comprises the Financial Forecasts and sources and applications of funds.
Forecast Period	The period from the date of Allotment to 30 June 2008.
Fully Invested Basis	Assumes 1 December 2007, being the date when all the Properties have been paid for by the Trust.
GST	As defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth) (as amended).
IDPS	An investor directed portfolio service (wrap or master trust).
Investor	An investor in the Trust who will be or is registered as the holder of Units if an Application under this PDS is successful.
LLF	A facility allowing Investors to sell their Units. This facility is subject to a number of conditions outlined in Section 5.6.
NAB	National Australia Bank Limited ABN 12 004 044 937, which is an equity arranger, an underwriter, provider of the LLF and the Debt Provider.
Net Sales Proceeds	The gross sale proceeds of a Property or Properties of the Trust less agent commissions and sale costs.
Net Tangible Assets or NTA	The net tangible assets as calculated in accordance with A-IFRS.
NTA per Unit	The NTA divided by the number of Units on issue.
Offer	Offer of Units for purchase pursuant to this PDS.
Offer Open Date	The date the Offer opens, being 16 October 2006.
PDS	This document which is a Product Disclosure Statement.
Property or Properties	One or all of the properties described in Section 3, as the context requires.
Property Acquisition Price	The acquisition price (including agents' commission, stamp duty and other acquisition costs) of a Property plus the proportion of the Trust's establishment costs (including the costs of establishing the Trust and costs in relation to the PDS) which the acquisition price for the Property bears to the aggregate of the acquisition prices of all the Properties.

13. Glossary

Term	Meaning
Property Facility	The portion of the Bank Loan used to fund the purchase of the Properties.
Property Manager	Stockland Property Management Pty Limited ACN 000 059 398.
Quarter	A three month period ending on 31 March, 30 June, 30 September and 31 December.
Registrar	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Responsible Entity, SFML, we, our, us	Stockland Funds Management Limited ABN 86 078 081 722, AFS Licence Number 241188, as responsible entity for the Trust.
SFML	Stockland Funds Management Limited ABN 86 078 081 722.
Special Resolution	A resolution of Investors at a meeting that requires approval by at least 75% of the votes cast by Investors present (whether in person, by representative or by proxy) and entitled to vote.
STML	Stockland Trust Management Limited ABN 86 001 900 741.
Stockland	Stockland Corporation, Stockland Trust and/or, as the context requires, its controlled entities.
Stockland Corporation	Stockland Corporation Limited ABN 43 000 181 733 and/or, as the context requires, its controlled entities.
Stockland Development	Stockland Development Pty Limited ABN 71 000 064 835.
Stockland Securities	Stockland Securities are a stapled security listed on the ASX, being an ordinary unit in Stockland Trust and an ordinary share in Stockland Corporation stapled together.
Stockland Trust	Stockland Trust ARSN 092 897 348 and/or, as the context requires, its controlled entities.
TFN	Tax File Number.
Trust	Stockland Direct Retail Trust No. 1 ARSN 121 832 086, Units in which are being offered under this PDS.
Underwriter	National Australia Bank Limited.
Unit	A unit in the Trust.
WALE	The weighted average lease expiry (weighted by income).

Guide to the Application Form

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Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form.

The securities to which this Application Form relates are Units. Further details about the Units are contained in the PDS dated 16 October 2006 issued by us. During the Offer period, paper copies of the PDS, any supplementary PDS and the Application Form, will be sent free of charge on request.

ASIC requires that a person who provides access to an electronic Application Form must provide access, by the same means and at the same time, to the relevant PDS. This Application Form is included in the back of or accompanying this PDS.

The PDS contains important information about investing in the Trust. You should read the PDS before applying for Units. Incomplete Application Forms will be deemed to be valid if we believe that sufficient information, with attached payment, has been provided. Further particulars and the correct forms of registrable titles to use on the Application Form are contained in the table below.

-
- A. Insert the number of Units you wish to apply for. The Application must be for a minimum of 10,000 Units and thereafter in multiples of 1,000 Units. You may be allocated all of the Units applied for or a lesser number.
-
- B. Insert the relevant amount payable. To calculate the amount payable, multiply the number of Units applied for by \$1.00 per Unit. Amounts should be in Australian currency. Please make sure the amount of your cheque(s) equals this amount.
-
- C. Write the full name you wish to appear on your statement of unitholding and your residential street address or the street address of your registered office if you are a company. This name must be either your own name or the name of a company. Joint Applicants may also register. You should refer to the table below for the correct forms of registrable titles. Applications using the wrong form of title may be rejected. Individuals must also provide their date of birth.
-
- D. Please enter a postal address for all correspondence. All communications to you from us will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
-
- E. Please complete the cheque details as requested in section E:
- " make your cheque payable to "Stockland Funds Management Limited - on A/C of <name of investor(s)>" in Australian currency and cross it "not negotiable". Your cheque must be drawn on an Australian Bank;
 - " the amount should equal the amount shown in section B;
 - " sufficient cleared funds should be held in your account, as a cheque returned unpaid is likely to result in your Application being rejected; and
 - " pin (do not staple) your cheque to the Application Form where indicated.
-
- F. Enter your Tax File Number ("TFN") or exemption category. Business enterprises may alternatively quote their Australian Business Number ("ABN"). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory. However, if these are not provided, we will be required to deduct tax at the highest marginal rate of tax (including the Medicare levy) from distributions.
-
- G. Please enter a telephone number(s), area code and an email address in case we need to contact you in relation to your Application.
-
- H. Indicate by ticking the appropriate box whether or not you are a Stockland security holder as at the date of this PDS. You are a Stockland security holder if you own Stockland Securities.
-

Guide to the Application Form (cont.)

- I. An Applicant is a foreign person if one of the following applies:
- " they are a natural person not ordinarily resident in Australia;
 - " it is a corporation in which a natural person not ordinarily resident in Australia or a foreign corporation holds a controlling interest;
 - " it is a corporation in which two or more persons, each of whom is either a natural person not ordinarily resident in Australia or a foreign corporation, hold an aggregate controlling interest;
 - " they are the trustee of a trust estate in which a natural person not ordinarily resident in Australia or a foreign corporation holds a substantial interest; or
 - " they are the trustee of a trust estate in which two or more persons, each of whom is either a natural person not ordinarily resident in Australia or a foreign corporation, hold an aggregate substantial interest.

If the above applies, you should answer Yes in section I, otherwise answer No.

- J. All distributions will be credited directly to your nominated account with your financial institution. Please ensure appropriate details are inserted in section J.
-

- K. Please tick the first box if you do not wish to receive the Trust's annual report.

From time to time, we may use your details to promote and market other Stockland services or products which we consider to be of interest to you. Please tick the second box in section K if you do not want this information to be sent to you.

- L. All Applicants should read the PDS and the back of the Application Form before signing Section L. Single Applicants that are individuals should sign the "Applicant 1 Signature" box. Where there is more than one Applicant, and they are both individuals, the second Applicant should sign the "Joint Applicant 2 Signature" box. Applicants that are companies should sign the appropriate director(s) boxes and stamp the "Company Seal" box (if necessary). If an Application is being made under a power of attorney, the attorney should sign the "Power of Attorney" box. Date this section as at the date of the declaration which should be the same as the date of Application, and attach a certified copy of the power of attorney.
-

Lodgement of Applications

Return your completed Application Form with cheque(s) attached to:

Stockland Direct Retail Trust No. 1 Offer
Reply Paid 998
Sydney NSW 2001

Application Forms must be received at the above address no later than 5.00pm (Sydney time) on 7 December 2006 unless the Offer is extended by us.

Correct forms of registrable titles

Note that only legal persons are allowed to hold Units.

Application(s) must be in the name(s) of natural person(s), companies or other legal entities acceptable to us. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable titles below:

Type of Investor	Completion Instructions*	Correct Form of Registrable Title*
Individual and joint	Use names in full, no initials	Mr John Alfred Smith
Minor (a person under the age of 18)	Use the name of the responsible adult with an appropriate designation	John Alfred Smith <Peter Smith>
Companies	Use company title, not abbreviations	ABC Pty Ltd
Trusts	Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>
Deceased estates	Use executor(s) personal name(s), do not use name of deceased	Ms Jane Smith <Est. John Smith A/C>
Partnerships	Use partners personal names, do not use name of partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>
Clubs/unincorporated bodies/ business names	Use office bearer(s) personal names, do not use the name of the club etc.	Mr Michael Smith <ABC Tennis Association A/C>
Superannuation funds	Use the name of the trustee of the fund, do not use the name of the fund	Jane Smith Pty Limited <Super Fund A/C>

* Enter the name(s) of any account (A/C) designation using < > as indicated above in designated space(s) at section C.

ABN 86 078 081 722, AFS Licence Number 241188



Stockland
DIRECT

APPL|CATION FORM

PLEASE WRITE CLEARLY USING BLOCK LETTERS.

Adviser to Complete									
Adviser's Name									
Dealer Group									
Email Address									
Phone Number ()									
						Broker/Adviser Stamp			
BROKER CODE									
ADVISER CODE									

A	I/We apply for	No. of Units	at	Per Unit A\$ 1.00
----------	----------------	--------------	----	----------------------

Note: Minimum of 10,000 Units and thereafter in multiples of 1,000 Units

B	\$
----------	----

Note: Number of Units in Section A multiplied by \$1.00

C Applicant(s) full name and details

Title	Applicant 1- Given Name or Co. Name	Surname	Date of Birth									
			D	D	/	M	M	/	Y	Y	Y	Y

Title	Joint Applicant 2 - Given Name or Co. Name or Account Designation	Surname	<div> <div>Date of Birth</div> <div> <div>D</div> <div>D</div> <div>M</div> <div>M</div> <div>Y</div> <div>Y</div> <div>Y</div> <div>Y</div> </div> </div>							
-------	---	---------	--	--	--	--	--	--	--	--

Address: Number and Street (must be a street address)

Suburb, City or Town	State	Postcode
----------------------	-------	----------

D Mailing address (all correspondence will be sent here)

Number and Street or PO Box

Suburb, City or Town	State	Postcode
----------------------	-------	----------

E Cheque details

Drawer	Bank	Branch	Amount Payable
			\$

Drawer	Bank	Branch	Amount Payable
			\$

Your cheque(s) should be made payable to "Stockland Funds Management Limited - on A/C of <name of Investor(s)>". Cheques should be crossed "not negotiable". Please ensure that you submit the correct amount. Incorrect payments may result in your Application being rejected.

F Applicant(s) TFN or ABN (if Co.) or Exemption Category

[illegible]

TFN											ARN											Exemption Category:	
-----	--	--	--	--	--	--	--	--	--	--	-----	--	--	--	--	--	--	--	--	--	--	---------------------	--

I/We authorise Stockland Funds Management Limited to apply these TFNs or exemptions to all my/our investments in Stockland Direct Retail Trust No. 1.

G Telephone/email details

Home: Area Code Number	Work: Area Code Number	Email:
------------------------------------	------------------------------------	---------------

H Are you a Stockland security holder? Yes ☐ No ☐

Are you a foreign person? Yes ☐ No ☐

J Bank account details for Trust distributions

Name of Financial Institution

BSB Number

Branch (full address)

Account Number

Name(s) in which your account is held

The account may only be in the name(s) of the registered unitholder(s).

K

☐

I / We do not wish to receive an annual report for the Trust each year.

☐

I / We do not wish to receive further information about other Stockland services or products.

From time to time, the Responsible Entity may use your details to promote and market other Stockland services or products which it considers to be of interest to you. Please tick this box if you do not want this information to be sent to you. All personal information on this Application Form will be dealt with in accordance with Stockland's privacy policy which may be viewed at www.stockland.com.au.

L Declaration

- Capitalised terms in the Application Form have the same meaning as in the PDS.
- I / We accept acknowledge that the accompanying payment represents payment of the Units.
 - I / We accept and agree to be bound by all the terms and conditions of the Offer to purchase Units as set out in the PDS.
 - By signing / sealing the Application Form I / we declare that:
 - I / We am / are not minor(s) nor do I / we suffer from any legal disability preventing me / us from applying for Units;
 - I / we can not withdraw my / our application except when I / we have such a right under the Corporations Act or if the Responsible Entity consents;
 - I / We personally received the PDS accompanied by or attached to this Application Form and have read and understood the PDS.
 - I / We agree to be bound by the Constitution of the Trust, as amended from time to time;
 - I / We acknowledge that the acceptance of my / our Application and allocation of Units will be at the discretion of the Responsible Entity, subject to the underwriting agreement, who has the right to reject my / our Application or to allocate to me / us a lower number of Units than applied for;
 - I / We acknowledge that the information contained in the PDS is not financial product advice or a recommendation that Units are suitable for me / us, given my / our investment objectives, financial situation and particular needs;
 - by lodging this Application Form, I / we declare that this form is completed and lodged according to the PDS and that all statements made by me / us are complete and accurate;
 - I / We acknowledge that my / our investment in Units is not an investment in, a deposit with or any type of liability of the Responsible Entity, National Australia Bank Limited or any of their related bodies corporate;
 - I / we acknowledge that the Financial Information represents forecasts only and that these are based on assumption the Responsible Entity considers to be appropriate at the time of preparing the PDS. I/we acknowledge that the assumptions and therefore the Financial Information are subject to factors which are outside the control of the Responsible Entity or which are not predictable on a reliable basis and that actual results may vary materially from the Financial Information/forecasts;
 - Applications will only be accepted in Australian currency;
 - any income and capital distributions made by the Trust will only be paid in Australian currency;
 - If signed by an Applicant corporation, it has been signed in accordance with section 127 of the Corporations Act, the corporation's constitution and applicable laws;
 - If signed by an attorney, the power of attorney authorises the signing of this Application Form and no notice of revocation has been received;
 - If I am a foreign person for the purposes of the Foreign Acquisitions and Takeovers Act 1975 ("Act") then:
 - I/we have prior to lodging this Application Form given a notice to the Treasurer of Australia pursuant to section 26A of the Act stating my/our intention to acquire an interest in Australian urban land through the proposed subscription for the Securities specified in this Application Form; and
 - I/we satisfy the requirements in my/our jurisdiction by coming within a relevant category so that Units may be offered to me/us pursuant to the PDS without the need for any prospectus or other disclosure document, without the need for the Units or the PDS to be registered in my/our jurisdiction and without the need for the Responsible Entity to have a licence or other authority in my/our jurisdiction to offer and/or issue the Units to me/us;
 - I/we acknowledge that by submitting an Application, I/we agree and consent to all the arrangements between the Responsible Entity and its members or related entities, which are disclosed in the PDS; and
 - I/we acknowledge that by submitting an Application, I/we agree and consent to Stockland Corporation acting on our behalf in relation to dealings with the Queensland Office of State Revenue as described in Section 8.2.

I/We acknowledge that my/our investment in the Trust is subject to investment and other risks, including possible loss of income and principal invested and that those risks are appropriate for a person in my/our circumstances and with my/our objectives.
I/We also acknowledge that none of the Responsible Entity, Stockland, National Australia Bank Limited, any member of the Stockland Group or National Australia Bank Limited Group does in any way stand behind the capital value of the Trust nor do they give any guarantee or assurance as to the performance of the Trust or any particular rate of return.
All personal information will be dealt with in accordance with the privacy policy referred to in the PDS.

Signature(s) - required for all Investors

Applicant 1 Signature

Joint Applicant 2 Signature

Power of Attorney

Company Seal

Sole Director and Sole Secretary

Director 1

Director 2/Secretary

Date

Date

Date

D

D

/

M

M

/

Y

Y

Y

Y

D

D

/

M

M

/

Y

Y

Y

Y

D

D

/

M

M

/

Y

Y

Y

Y

APPLICATION FORM

This Application Form must not be handed to another person unless attached to the Stockland Direct Retail Trust No. 1 Product Disclosure Statement dated 16 October 2006. Refer to the Guide to the Application Form.
PLEASE WRITE CLEARLY USING BLOCK LETTERS.

Adviser to Complete

Adviser's Name

Dealer Group

Email Address

Phone Number ()

BROKER CODE

Broker/Adviser Stamp

ADVISER CODE

A

I/We
apply for

No. of Units

*Note: Minimum of 10,000 Units and
thereafter in multiples of 1,000
Units*

at

Per Unit

A\$ 1.00

B

\$

*Note: Number of Units in Section A
multiplied by \$1.00*

C Applicant(s) full name and details

Title Applicant 1- Given Name or Co. Name

Surname

Date of Birth

Title Joint Applicant 2 - Given Name or Co. Name or Account Designation

Surname

Date of Birth

Address: Number and Street (must be a street address)

Suburb, City or Town

State

Postcode

D Mailing address (all correspondence will be sent here)

Number and Street or PO Box

Suburb, City or Town

State

Postcode

E Cheque details

Drawer

Bank

Branch

Amount Payable

\$

Drawer

Bank

Branch

Amount Payable

\$

Your cheque(s) should be made payable to "Stockland Funds Management Limited - on A/C of <name of Investor(s)>". Cheques should be crossed "not negotiable". Please ensure that you submit the correct amount. Incorrect payments may result in your Application being rejected.

F Applicant(s) TFN or ABN (if Co.) or Exemption Category

TFN

ABN

Exemption
Category:

TFN

ABN

Exemption
Category:

I/We authorise Stockland Funds Management Limited to apply these TFNs or exemptions to all my/our investments in Stockland Direct Retail Trust No. 1.

G Telephone/email details

Home: Area Code

Number

Work: Area Code

Number

Email:

H

Are you a Stockland security holder? Yes

No

I

Are you a foreign person? Yes

No

J Bank account details for Trust distributions

Name of Financial Institution

BSB Number

Branch (full address)

Account Number

Name(s) in which your account is held

The account may only be in the name(s) of the registered unitholder(s).

K

☐

I / We do not wish to receive an annual report for the Trust each year.

☐

I / We do not wish to receive further information about other Stockland services or products.

From time to time, the Responsible Entity may use your details to promote and market other Stockland services or products which it considers to be of interest to you. Please tick this box if you do not want this information to be sent to you. All personal information on this Application Form will be dealt with in accordance with Stockland's privacy policy which may be viewed at www.stockland.com.au.

L Declaration

- Capitalised terms in the Application Form have the same meaning as in the PDS.
- I / We accept acknowledge that the accompanying payment represents payment of the Units.
 - I / We accept and agree to be bound by all the terms and conditions of the Offer to purchase Units as set out in the PDS.
 - By signing / sealing the Application Form I / we declare that:
 - I / We am / are not minor(s) nor do I / we suffer from any legal disability preventing me / us from applying for Units;
 - I / we can not withdraw my / our application except when I / we have such a right under the Corporations Act or if the Responsible Entity consents;
 - I / We personally received the PDS accompanied by or attached to this Application Form and have read and understood the PDS.
 - I / We agree to be bound by the Constitution of the Trust, as amended from time to time;
 - I / We acknowledge that the acceptance of my / our Application and allocation of Units will be at the discretion of the Responsible Entity, subject to the underwriting agreement, who has the right to reject my / our Application or to allocate to me / us a lower number of Units than applied for;
 - I / We acknowledge that the information contained in the PDS is not financial product advice or a recommendation that Units are suitable for me / us, given my / our investment objectives, financial situation and particular needs;
 - by lodging this Application Form, I / we declare that this form is completed and lodged according to the PDS and that all statements made by me / us are complete and accurate;
 - I / We acknowledge that my / our investment in Units is not an investment in, a deposit with or any type of liability of the Responsible Entity, National Australia Bank Limited or any of their related bodies corporate;
 - I / we acknowledge that the Financial Information represents forecasts only and that these are based on assumption the Responsible Entity considers to be appropriate at the time of preparing the PDS. I/we acknowledge that the assumptions and therefore the Financial Information are subject to factors which are outside the control of the Responsible Entity or which are not predictable on a reliable basis and that actual results may vary materially from the Financial Information/forecasts;
 - Applications will only be accepted in Australian currency;
 - any income and capital distributions made by the Trust will only be paid in Australian currency;
 - If signed by an Applicant corporation, it has been signed in accordance with section 127 of the Corporations Act, the corporation's constitution and applicable laws;
 - If signed by an attorney, the power of attorney authorises the signing of this Application Form and no notice of revocation has been received;
 - If I am a foreign person for the purposes of the Foreign Acquisitions and Takeovers Act 1975 ("Act") then:
 - I/we have prior to lodging this Application Form given a notice to the Treasurer of Australia pursuant to section 26A of the Act stating my/our intention to acquire an interest in Australian urban land through the proposed subscription for the Securities specified in this Application Form; and
 - I/we satisfy the requirements in my/our jurisdiction by coming within a relevant category so that Units may be offered to me/us pursuant to the PDS without the need for any prospectus or other disclosure document, without the need for the Units or the PDS to be registered in my/our jurisdiction and without the need for the Responsible Entity to have a licence or other authority in my/our jurisdiction to offer and/or issue the Units to me/us;
 - I/we acknowledge that by submitting an Application, I/we agree and consent to all the arrangements between the Responsible Entity and its members or related entities, which are disclosed in the PDS; and
 - I/we acknowledge that by submitting an Application, I/we agree and consent to Stockland Corporation acting on our behalf in relation to dealings with the Queensland Office of State Revenue as described in Section 8.2.

I/We acknowledge that my/our investment in the Trust is subject to investment and other risks, including possible loss of income and principal invested and that those risks are appropriate for a person in my/our circumstances and with my/our objectives.
I/We also acknowledge that none of the Responsible Entity, Stockland, National Australia Bank Limited, any member of the Stockland Group or National Australia Bank Limited Group does in any way stand behind the capital value of the Trust nor do they give any guarantee or assurance as to the performance of the Trust or any particular rate of return.
All personal information will be dealt with in accordance with the privacy policy referred to in the PDS.

Signature(s) - required for all Investors

Applicant 1 Signature

Joint Applicant 2 Signature

Power of Attorney

Company Seal

Sole Director and Sole Secretary

Director 1

Director 2/Secretary

Date

Date

Date

D

D

/

M

M

/

Y

Y

Y

Y

D

D

/

M

M

/

Y

Y

Y

Y

D

D

/

M

M

/

Y

Y

Y

Y

Responsible Entity (and issuer of this PDS)

Stockland Funds Management Limited

Directors of the Responsible Entity

Peter Scott (Chairman)
David Kent
Lyn Gearing
Matthew Quinn
Tony Sherlock
Terry Williamson

Company Secretaries of the Responsible Entity

Phillip Hepburn and Derwyn Williams

Responsible Entity's office

Level 16, 157 Liverpool Street
Sydney NSW 2000
Mail: GPO Box 998
Sydney NSW 2001
Telephone: (02) 9020 8320 or
1300 652 748 (local call cost)
Facsimile: (02) 9321 1592
Email: stocklanddirect@stockland.com.au
Internet: www.stockland.com.au/upf

Lead Arranger

National Australia Bank Limited
Level 25, 255 George Street
Sydney NSW 2000
Telephone: 1800 652 669
Internet: www.nabmarkets.com/stockland

Underwriter

National Australia Bank Limited
Level 25, 255 George Street
Sydney NSW 2000
Telephone: 1800 652 669

Registrar

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Custodian

Trust Company of Australia Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Solicitors to the issuer

Mallesons Stephen Jaques
Level 60, 1 Farrer Place
Sydney NSW 2000



Stockland Funds Management Limited

ABN 86 078 081 722, AFS Licence Number 241188

Responsible Entity of Stockland Direct Retail Trust No. 1

National Australia Bank Limited

ABN 12 004 044 937

Lead Arranger and Underwriter